

Central Government Direct and Indirect Spend with Small and Medium sized Enterprises 2017/18

The government wants small and medium sized enterprises (SMEs¹) to benefit from 33% of central government procurement spend, either directly or indirectly via the supply chain, by 2022.

Reports on this aspiration are represented as the sum of two figures: direct spend and indirect spend, as the figures are calculated using different methodologies. Their addition provides the figure against which the overall aspiration is measured.

Methodology

These figures on SME spend are management information published in the interests of transparency. The data sources for direct and indirect spend are described in more detail below. Given the differences in methodology between direct and indirect spend and changes in methodology between years, caution should be exercised when making comparisons over time.

Methodology: Direct Spend

To calculate direct spend, we use Dun and Bradstreet, a leading provider of business information, to classify all government suppliers as either SMEs or non-SMEs in line with the EU definition. We then use departments' accounting systems to calculate how much money has been directly spent with those SMEs. Departments are asked to include the core department and its Executive Agencies and Non-Departmental Public Bodies (NDPBs). Returns are reviewed and signed off by Commercial Directors.

Methodology: Indirect Spend

Indirect spend with SMEs via the supply chain was collected through a survey issued by departments to their suppliers. For each department, we calculated the percentage of their procurement spend with large suppliers which had been captured by supplier responses. For those departments with over 70% of spend captured (i.e. with high levels of confidence in the supply-chain data) an extrapolation has been applied over the remaining spend to obtain a more complete picture. This calculation and worked examples can be found in the Annex.

¹ We use the EU definition of an SME: <http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/>

Breakdown of departmental SME spend data (£m) 2017/18

The table below shows the departmental breakdown of with small and medium sized businesses for financial year 2017/18 against financial year 2016/17 figures.

Department	FY 2016/17						FY2017/18					
	Total Procurement Spend (£m)	Direct Spend with SMEs (£m)	Direct Spend with SMEs as %	Indirect Spend with SMEs (£m)	Indirect Spend with SMEs as %	Total Spend with SMEs as %	Total Procurement Spend (£m)	Direct Spend with SMEs (£m)	Direct Spend with SMEs as %	Indirect Spend with SMEs (£m)	Indirect Spend with SMEs as %	Total Spend with SMEs as %
BEIS	£1,205	£303	25.2%	£58	4.8%	30.0%	£1,232	£336	27.3%	£75	6.1%	33.4%
CO	£266	£24	9.1%	£21	7.9%	17.0%	£192	£14	7.3%	£27	13.9%	21.2%
DCMS	£422	£176	41.7%	£9	2.2%	43.9%	£353	£141	40.1%	£22	6.1%	46.2%
DEFRA	£1,142	£176	15.4%	£109	9.6%	25.0%	£1,033	£160	15.5%	£111	10.7%	26.2%
DFE	£442	£101	22.7%	£44	10.0%	32.7%	£523	£88	16.8%	£36	6.8%	23.6%
DFID	£1,383	£461	33.4%	£181	13.1%	46.4%	£1,262	£230	18.3%	£312	24.7%	43.0%
DFT	£11,323	£1,238	10.9%	£2,142	18.9%	29.9%	£11,672	£1,229	10.5%	£2,424	20.8%	31.3%
DHSC (1)	£1,189	£190	16.0%	£69	5.8%	21.8%	£2,443	£442	18.1%	£94	3.9%	22.0%
DWP	£2,943	£105	3.6%	£319	10.8%	14.4%	£2,669	£155	5.8%	£255	9.6%	15.4%
FCO (2)	£98	£6	6.4%	£10	10.4%	16.9%	£230	£25	10.7%	£11	4.9%	15.6%
HMRC	£1,577	£216	13.7%	£126	8.0%	21.7%	£1,470	£151	10.3%	£132	9.0%	19.3%
HMT	£76	£7	9.6%	£3	3.4%	12.9%	£78	£10	12.3%	£1	1.3%	13.6%
HO	£2,187	£205	9.4%	£290	13.3%	22.6%	£2,109	£289	13.7%	£254	12.0%	25.8%
MHCLG (3)	£164	£25	15.2%	£13	7.7%	22.9%	£156	£29	18.6%	£7	4.3%	22.9%
MOD (4)	£19,091	£707	3.7%	£1,803	9.4%	13.1%	£20,158	£835	4.1%	£2,483	12.3%	16.5%
MOJ	£4,305	£1,257	29.2%	£317	7.4%	36.6%	£4,915	£1,341	27.3%	£188	3.8%	31.1%
NDA	£1,625	£11	0.7%	£401	24.7%	25.4%	£1,696	£15	0.9%	£470	27.7%	28.6%
Other (5)				£18						£0		
Total	£49,438	£5,210	10.5%	£5,933	12.0%	22.5%	£52,192	£5,490	10.5%	£6,901	13.2%	23.7%

Notes

- (1) From Financial Year 2017/18, DH is now reporting as DHSC
- (2) FCO spend figures are calculated using UK spend data.
- (3) From Financial Year 2017/18, DCLG is now reporting as MHCLG
- (4) MOD total procurement and direct spend figures are for the core department only, therefore excluding its Executive Agencies and NDPB.
- (5) Other Data reported by suppliers for central government with no departmental breakdown