

## Central Government Direct and Indirect Spend with Small and Medium sized Enterprises 2018/19

The government wants small and medium sized enterprises (SMEs<sup>1</sup>) to benefit from central government procurement spend, either directly or indirectly via the supply chain.

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 OECD 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.

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<sup>1</sup> We use the OECD definition of an SME: <https://stats.oecd.org/glossary/detail.asp?ID=3123>

## Breakdown of departmental SME spend data (£m) 2018/19

The table below shows the departmental breakdown of with small and medium sized businesses for financial year 2018/19 against financial year 2017/18 figures.

Department	Financial Year 2017/18						Financial Year 2018/19					
	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	£1,232	£336	27.3%	£75	6.1%	33.4%	£1,297	£397	30.6%	£59	4.5%	35.1%
CO	£192	£14	7.3%	£27	13.9%	21.2%	£381	£24	6.3%	£79	20.9%	27.1%
DCMS	£353	£141	40.1%	£22	6.1%	46.2%	£336	£129	38.5%	£23	6.7%	45.2%
DEFRA	£1,033	£160	15.5%	£111	10.7%	26.2%	£1,296	£203	15.7%	£81	6.2%	21.9%
DFE	£523	£88	16.8%	£36	6.8%	23.6%	£506	£180	35.5%	£17	3.4%	39.0%
DFID	£1,262	£230	18.3%	£312	24.7%	43.0%	£1,185	£241	20.3%	£297	25.1%	45.4%
DFT	£11,672	£1,229	10.5%	£2,424	20.8%	31.3%	£13,428	£1,690	12.6%	£2,685	20.0%	32.6%
DHSC	£2,443	£442	18.1%	£94	3.9%	22.0%	£2,641	£490	18.6%	£103	3.9%	22.5%
DIT (1)							£143	£55	38.2%	£0	0.0%	38.2%
DWP	£2,669	£155	5.8%	£255	9.6%	15.4%	£2,195	£95	4.3%	£166	7.5%	11.9%
FCO (2)	£230	£25	10.7%	£11	4.9%	15.6%	£265	£19	7.0%	£12	4.3%	11.3%
HMRC	£1,470	£151	10.3%	£132	9.0%	19.3%	£1,445	£161	11.2%	£165	11.4%	22.6%
HMT	£78	£10	12.3%	£1	1.3%	13.6%	£81	£10	12.8%	£2	2.1%	14.9%
HO	£2,109	£289	13.7%	£254	12.0%	25.8%	£2,538	£376	14.8%	£246	9.7%	24.5%
MHCLG	£156	£29	18.6%	£7	4.3%	22.9%	£197	£54	27.6%	£19	9.7%	37.3%
MOD (3)	£20,158	£835	4.1%	£2,483	12.3%	16.5%	£20,455	£775	3.8%	£3,166	15.5%	19.3%
MOJ	£4,915	£1,341	27.3%	£188	3.8%	31.1%	£5,190	£1,378	26.5%	£241	4.6%	31.2%
NDA	£1,696	£15	0.9%	£470	27.7%	28.6%	£1,716	£134	7.8%	£424	24.7%	32.5%
<b>Total</b>	<b>£52,192</b>	<b>£5,490</b>	<b>10.5%</b>	<b>£6,901</b>	<b>13.2%</b>	<b>23.7%</b>	<b>£55,294</b>	<b>£6,410</b>	<b>11.6%</b>	<b>£7,784</b>	<b>14.1%</b>	<b>25.7%</b>

### Notes

(1) As a new department, FY2018/19 is the first financial year that SME Spend data has been reported for DIT.

(2) FCO spend figures are calculated using UK spend data.

(3) MOD total procurement and direct spend figures are for the core department only, therefore excluding its Executive Agencies and NDPBs.