

## Central Government Direct and Indirect Spend with Small and Medium sized Enterprises 2016/17

The government wants small and medium sized enterprises (SMEs<sup>1</sup>) 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.

### Breakdown of departmental SME spend data (£m) 2016/17

The table below shows the departmental breakdown of small and medium sized businesses for financial year 2016/17 against financial year 2015/16 figures.

Department	Financial Year 2015/16						Financial Year 2016/17					
	Total Procurement Spend (£m)	Direct Spend with SMEs (£m)	Direct Spend with SMEs as %	Indirect Spend with SMEs (£m) <sup>1</sup>	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) <sup>1</sup>	Indirect Spend with SMEs as %	Total Spend with SMEs as %
BEIS <sup>2</sup>							£1,205	£303	25.2%	£58	4.8%	30.0%
BIS <sup>2</sup>	£1,321	£263	19.9%	£103	7.8%	27.7%						
CO	£216	£18	8.3%	£25	11.7%	19.9%	£266	£24	9.1%	£21	7.9%	17.0%
DCLG	£253	£49	19.2%	£5	1.9%	21.2%	£164	£25	15.2%	£13	7.7%	22.9%
DCMS	£428	£182	42.6%	£13	3.0%	45.6%	£422	£176	41.7%	£9	2.2%	43.9%
DECC <sup>2</sup>	£222	£39	17.8%	£0	0.0%	17.8%						
DEFRA	£1,238	£196	15.8%	£75	6.1%	21.9%	£1,142	£176	15.4%	£109	9.6%	25.0%
DFE	£413	£115	27.7%	£2	0.6%	28.3%	£442	£101	22.7%	£44	10.0%	32.7%
DFID	£1,348	£431	32.0%	£125	9.3%	41.3%	£1,383	£461	33.4%	£181	13.1%	46.4%
DFT	£11,431	£1,255	11.0%	£1,461	12.8%	23.8%	£11,323	£1,238	10.9%	£2,142	18.9%	29.9%
DH	£1,562	£160	10.2%	£195	12.5%	22.7%	£1,189	£190	16.0%	£69	5.8%	21.8%
DWP	£2,900	£192	6.6%	£311	10.7%	17.4%	£2,943	£105	3.6%	£319	10.8%	14.4%
FCO <sup>3</sup>	£372	£73	19.5%	£45	6.8%	26.3%	£98	£6	6.4%	£10	10.4%	16.9%
HMRC	£1,436	£160	11.1%	£117	8.1%	19.2%	£1,577	£216	13.7%	£126	8.0%	21.7%
HMT	£96	£5	4.7%	£3	2.8%	7.5%	£76	£7	9.6%	£3	3.4%	12.9%
HO	£1,962	£173	8.8%	£229	11.7%	20.5%	£2,187	£205	9.4%	£290	13.3%	22.6%
MOD <sup>4</sup>	£19,417	£912	4.7%	£2,598	13.4%	18.1%	£19,091	£707	3.7%	£1,803	9.4%	13.1%
MOJ	£4,632	£1,386	29.9%	£196	4.2%	34.2%	£4,305	£1,257	29.2%	£317	7.4%	36.6%
NDA	£1,686	£13	0.7%	£360	16.4%	17.1%	£1,625	£11	0.7%	£401	24.7%	25.4%
Other <sup>5</sup>				£760						£18		
<b>Total</b>	<b>£50,932</b>	<b>£5,619</b>	<b>11.0%</b>	<b>£6,625</b>	<b>13.0%</b>	<b>24.0%</b>	<b>£49,438</b>	<b>£5,210</b>	<b>10.5%</b>	<b>£5,933</b>	<b>12.0%</b>	<b>22.5%</b>

### Notes

- 1 The indirect spend figures are reported annually by suppliers as part of the centrally coordinated supplier survey. These figures are indicative and have not been supplied by Departments.
- 2 From Financial Year 2016/17 BIS and DECC formally report as BEIS.
- 3 FCO spend figures are calculated using UK spend data.
- 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.

<sup>1</sup> We use the EU definition of an SME:

<http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/>

## **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. We would draw users attention to the scope and coverage of the departmental estimates included in the footnotes in the table.

### **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 Crown Commercial Service administered survey of the top 500 suppliers (by spend), on a department by department basis. The suppliers reported percentage of revenues subcontracted to SMES was applied to departmental spend data to obtain their associated indirect SME spend. Category averages calculated from responding suppliers were then applied to non-responding suppliers to obtain a more complete picture. Departments approved this data.

As the survey only applies to the second tier of subcontracted spend, it is therefore likely to represent an underreporting of the SME figures. The figures related to indirect spend should therefore be regarded as indicative.