

Press release: Small firms benefitted from over £12 billion of government spending

Figures out today show that SMEs (small and medium-sized enterprises) benefitted from £12.2 billion worth of central government spending in 2015 to 16.

They also show that the amount government spends directly with SMEs has continued to climb. This now stands at £5.6 billion, representing a significant increase since 2011 to 12 when £4.4 billion was spent.

The proportion of total government spend going to SMEs currently stands at around one pound in every four.

But the government recognises that the latest figures show there is more to be done to reach its aspiration of spending one pound in every three with these businesses by 2022. While direct spend has increased, the overall target continues to be challenging, with issues of counting down supply chains causing difficulties for businesses themselves.

That is why it is proposing new measures to encourage more spend to flow to SMEs.

Caroline Nokes, Minister for government Resilience and Efficiency says:

SMEs are the backbone of the UK economy, fuelling economic growth and providing more than 15 million jobs. These businesses also play a vital role in helping government to deliver efficient, effective public services that meet the needs of our citizens and provide value for money for taxpayers.

We have set ourselves a challenging target, but we know this is the right ambition. This Government is doing more than any previous Government to break down barriers for SMEs who want to supply to the public sector. We are confident these new measures will be welcomed by small businesses throughout the UK.

FSB National Chairman Mike Cherry said:

I welcome the commitment to make more use of the UK's ambitious and innovative small businesses when awarding public procurement contracts. Today's figures show there is still some way to go to reach the 33 per cent target, but I look forward to working with ministers to see it delivered and for this to be hardwired into the Government's upcoming Industrial Strategy.

It is also important for government departments and agencies not to hand public money to bigger companies which have a track record of treating smaller suppliers appallingly, with late payments and unfair contracts, and today's commitment on that is a positive step.

The proposed new measures include:

- using transparency to encourage large businesses to employ more SMEs in the supply chain
- improving visibility of opportunities available to SMEs in the supply chain
- making prompt payment part of the selection process for larger suppliers

The government will launch a consultation on these proposals in the coming weeks.

Earlier this year, it was announced that for the first time all of government's strategic suppliers have signed up to the fair payment terms in the Prompt Payment Code – helping to boost cash flow for small businesses and allowing them to invest in growth.

The Crown Commercial Service – the government's central procurement body – is leading the way in simplifying the application processes for small businesses who wish to become government suppliers.

All central government contracts above £10,000 are openly advertised on the government's procurement website, [Contracts Finder](#).

At the same time, government is also publishing a list of the 100 small and medium-sized enterprises who received the most spend from government departments during 2015 to 16.

For more information about government spend with SMEs, go to www.gov.uk/CCS.

Further information

You can [view the statistics on government spending with SMEs on GOV.UK](#).

- government departments now spend around £5 billion more with SMEs than in 2011 to 12, when comparable figures were first collected. That year, around one pound in six was spent with SMEs.
- Network Rail are included as part of central government in the published figures for the first time, taking the total government procurement

spend to £50.9 billion in 2015 to 16.

- with Network Rail spend excluded – to allow measuring on a like-for-like basis against 2014 to 15's figures – the government's overall percentage spend with SMEs is 25.5%. When Network Rail spend is included the overall percentage spend with SMEs is 24%.
- one of the biggest areas of spend is on defence. Ministry of Defence contracts are typically large and complex. Without MoD spend included, SME spend would be 27.7%.

Further details of the measures to boost spend include:

- using greater transparency to increase SMEs in the supply chain, by requiring them to publish annual data on their spend from government contracts flowing to smaller businesses in their supply chains
- improving visibility of opportunities available to SMEs by requiring suppliers to advertise their subcontracting opportunities on Contracts Finder so SMEs can bid
- making prompt payment part of the selection process for larger suppliers, and excluded them from the procurement process if a bidder fails to satisfy this selection condition