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**Winning with the public sector:
How Government is opening up the supply chain**

Winning with the public sector: How Government is opening up the supply chain

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Winning with the public sector: How Government is opening up the supply chain

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Introduction

In 2011, the Coalition Government set itself a challenge of awarding 25% by value of public sector business to SMEs by 2015.

Last year, the Supply National SME Engagement Programme released the *Winning UK Tenders: An SME Growth Guide* report, which outlined how the public sector was helping to achieve this target.

New data unveiled in 2014 from the Institute for Government and Whitehall Monitor looked at this same issue from the private sector viewpoint to examine which companies are winning public sector business and which sectors are becoming most profitable.

It analysed 6711 publicly available spending statements, amounting to 38 million individual transactions from 247 local and central government buying authorities to discover new spend patterns and industry trends.

Using this data, it is possible to highlight which companies and which sectors are feeling the most benefit from the Government's programme of bringing more businesses into the public sector supply chain.

This report summarises the new findings, revealing the top suppliers to Government and explains how further transparency in the public sector can benefit small businesses like yours.

Part one: Overview of main findings

Small and medium-sized enterprises (SMEs) are the backbone of the UK economy. They make up 99.9% of UK businesses and account for approximately 14 million private sector jobs.

The Government is therefore eager to ensure that SMEs are given every possible opportunity to benefit from the gradual economic recovery. By opening up opportunities for SMEs, the Government hopes to stimulate growth, create jobs and help the UK succeed and prosper in a competitive global economic environment.

The report from the Institute for Government and Whitehall Monitor, *Government Contracting: Public data, private providers*, uses published transaction data to chart government progress in spending with private suppliers.

It analyses 38 million individual transactions from 247 public sector spending authorities to examine which companies are doing most business with local and central government, which of these companies are Small and Medium-sized Enterprises and how the Government could improve its current spending processes for the benefit of the private sector.

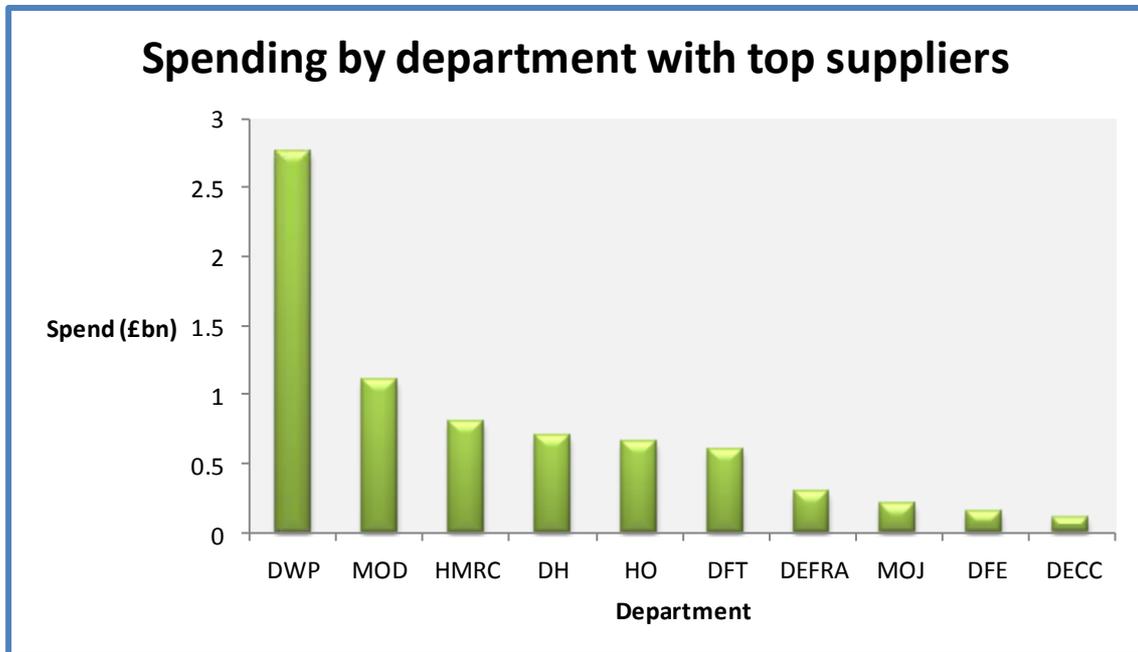
Which departments are spending most?

In Supply's recent White Paper, *Winning UK Tenders: An SME Growth Guide for 2013-15*, we outlined the five departments which had increased their direct spend with small firms by the highest margins, according to data published by Government.

The White Paper revealed that the Department for Business, Innovation and Skills spent £127m more with SMEs in the financial year 2012-13 than in FY 2011-12. HM Revenue and Customs' spending increased by £85m, the Department of Health spent a further £70m, Defra increased its spend by £65m and the Department for Transport increased direct spend with SMEs by £60m in the same period¹.

The new report from the Institute for Government outlines, for the first time, which departments spent most with the top 20 Government suppliers between January 2012 and December 2013. The results were as follows:

¹ Cabinet Office, *Making Government Business More Accessible to SMEs: Two Years On*, <https://www.gov.uk/government/publications/making-government-business-more-accessible-to-smes-2-years-on>



The department with by far the largest spend going to the private sector between January 2012 and December 2013 was the Department for Work and Pensions (DWP), with around £2.7bn flowing through the department into the supply chain.

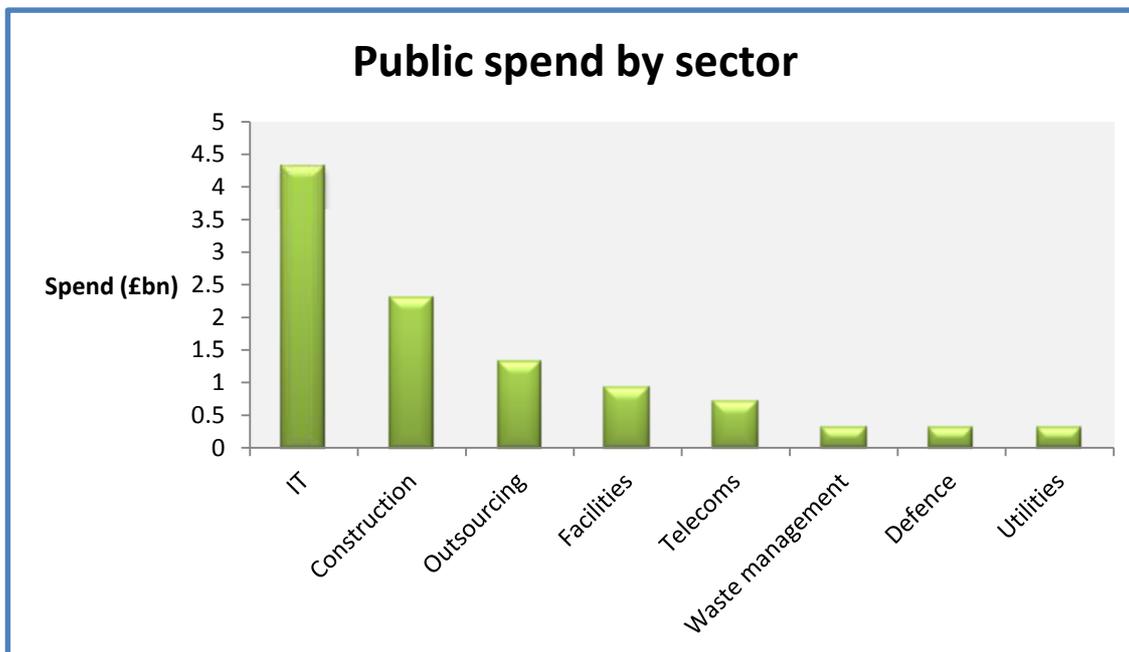
Two large areas of DWP expenditure are governed by long-term strategic contracts. These are:

- Information Technology services, managed by Hewlett Packard Enterprise Services and BT
- Estates services, managed by Telereal Trillium

However, the DWP highlights that there may be opportunities for small firms to provide services subcontracted to these suppliers. Firms wishing to find out more about these opportunities should contact Hewlett Packard Enterprise Services, Telereal Trillium or BT directly and to register interest.

Which sectors are benefiting?

DWP is not alone in spending significant sums on information technology. As shown in the graphic overleaf, information technology is a spending priority across government, resulting in this sector becoming by far the largest area of public spend in 2012-13.



In line with IT being the most lucrative industry for businesses working with the public sector, the Government has announced a major new focus on small firms entering the IT supply chain for the coming years, with a goal of awarding 50% of spend by value on new Government IT directly to SMEs by 2015.

Departments already making progress towards this target include:

- the Home Office, with a pipeline of £200m of ICT projects targeted towards SMEs
- the Department for Transport, which is re-letting £15m of its IT contracts to SMEs
- the Department for Business, Innovation and Skills, which has identified £300-400m of IT hardware disposal opportunities which could have major implications for SMEs

Construction is the second most lucrative industry for private sector companies.

According to the Government's 2013 report, Investing in Britain's Future, by 2020 over £100bn will be invested across various construction projects in transport, digital communications and science and technology with the aim of creating opportunities for businesses of all sizes, strengthening the supply chain and ensuring Britain's position as a world-leading economy.

For more information on these sectors and how Supply's extensive database of UK and ROI opportunities can help you win more business, visit:

<https://www.supplycontracts.co.uk/contracts/>

Part two: Top 20 Suppliers

In determining how firms can gain access to the public spend outlined above, it can be useful to examine the current suppliers winning most business with government.

The *Government Contracting: Public data, private providers* analysis found that the top 20 suppliers to central and local government collectively accounted for over £10.2bn of government spend between January 2012 and December 2013.

Top 20 suppliers to Government			
1	HP	11	Serco
2	Capgemini	12	Carillion
3	BT	13	Wilmott Dixon
4	Capita	14	Amey
5	Kier	15	Veolia
6	Telereal Trillium	16	Babcock
7	Balfour Beatty	17	Interserve
8	Fujitsu	18	CSC
9	Atos IT	19	EDF Energy
10	IBM	20	BAM

Of these suppliers, six are from the IT industry, six are construction companies and two are outsourcing agencies.

The top supplier to government was HP, with earnings in excess of £1.7bn recorded over the reported period. The majority of this spend, £1.4bn (86%), arose from a single contract to provide infrastructure to the DWP.

The second largest supplier to government was Capgemini with revenues of just over £1bn. The majority of this spend was to provide IT systems for HMRC, which accounted for 86% of their revenue (£850m).

Of the top 20 suppliers, only six have actually managed to increase their revenue with central and local government between 2012 and 2013.

The firms which increased their revenues in the recorded period were Capgemini, Capita, Serco, Interserve, CSC and EDF Energy.

Diversifying the supply chain

Overall spend with the top 20 suppliers also fell between January 2012 and December 2013 – a reduction of 8% over the period.

However, closer analysis of the data, beyond the top 20 suppliers and into spend patterns of the full 247 spend authorities, shows that despite an 8% reduction in spend with the largest suppliers, in total there was just a £49m reduction across all suppliers, representing a fall of less than 1%.

This small overall decrease, despite a marked reduction in spend to the top 20 suppliers, suggests that **the Government is in fact diversifying its supply chain and relying less and less on the largest suppliers.**

This is in keeping with the Government’s challenge of awarding 25% by value of public sector business to SMEs by 2015, a target which is on track to be met.

In 2012-13, government awarded 10.5% of contracts to SMEs (£4.5bn), up from 6.5% in 2009-10 (£3bn).



It is clear that the Government is following through on its promise to encourage more small firms to enter the market by diversifying the supply chain.

However, the *Government Contracting: Public data, private providers* report also highlights what more could be done to further promote SMEs in the market.

Part three: Government steps to help

In order to encourage more diversification in the supply chain, and particularly to allow more small firms to enter the process, there must be more effort to make the procurement process accessible to as many businesses as possible.

In 2010, after the formation of the Coalition Government, Prime Minister David Cameron set out his vision for the future, including for a transparent Government. He said:

“Greater transparency across Government is at the heart of our shared commitment to enable the public to hold politicians and public bodies to account; to reduce the deficit and deliver better value for money in public spending; and to realise significant economic benefits by enabling businesses and non-profit organisations to build innovative applications and websites using public data.”

Open data would have three main benefits, according to the UK Government²:

Accountability and competition: The more transparent government data is, the more suppliers from all areas of the supply chain can begin to access the opportunities available. In addition, more open data leads to public sector bodies, including government, becoming more accountable at a time when scrutiny of the public sector to ensure balance and fair trade is crucial.

Economic and social growth: Companies can use public spend data to identify new business opportunities, build new products depending on market drivers and in turn grow the economy.

Better public services: By allowing the public to scrutinise spend data it helps improve public services and ensure the taxpayer gets the best deal. This in turn could also benefit smaller firms, as greater demand for the best product for the best price increases competition and drives innovation.

The move towards greater transparency around public information has also been welcomed by industry.

² Francis Maude, *Francis Maude Welcomes France to the Open Government Partnership*, April 2014
<http://www.gov.uk/government/speeches/francis-maude-welcomes-france-to-the-open-government-partnership>

“Nearly 200,000 charities and companies of all sizes help the government provide the public services that we depend on up and down the country. Yet the government’s ability to design effective contracts depends in a large part on understanding the current composition and effectiveness of its supplier markets. More spending data are available than ever before, but often government is data rich but information poor.”

Jim Bligh, Head of Public Services, CBI

Where current data is failing

Despite commitments made by government to engaging SMEs further, the analysis by the Institute for Government published in *Government Contracting: Public data, private providers* found that gaps continue to exist around the publishing of public sector contract data.

The report identified room for improvement in areas including:

Contract transparency: Firms can often find the publishing of contracts and the contractual terms to be confusing, particularly around who will bear financial liabilities in the event of failures. This can be especially important to small firms, which may not survive if a contract falls through at any stage of the process.

Performance transparency: Publishing information about how well contractors perform, allowing for a vital assessment of value for money, can ensure that the taxpayer receives a better deal, can be used as a self-promotional tool for the firm which received a good assessment, and can provide confidence to other firms looking to enter the supply chain.

Supply chain transparency: Publishing information around the proportion of work subcontracted to others, the terms of the subcontract (including levels of risk transfer) and details on the types of organisation in the supply chain would also boost the number of SMEs bidding for public sector contracts.

While the UK Government is on track to meet the target of awarding 25% of contracts by value to SMEs, the Institute for Government report shows that more must be done.

If your firm wants to enter the supply chain and become more successful in doing business with government, it is not only important to understand which departments are spending most, with whom and in which sectors, but it is also vital that you gain access to these opportunities as they become available to ensure first-mover advantage.

Accessing opportunities

Contracts Finder is the Government's official source of low-value opportunities information. It lets you search for contract opportunities worth over £10,000 issued by the Government and its agencies.

However, Contracts Finder provides only the tip of the iceberg of contract information available to small firms.



Based on the Cabinet Office's own figures³, Supply provides almost ten times as many new low-value business opportunities than Contracts Finder and more than three times as many opportunities in total.

More about Supply

Registering free with Supply provides a key route to finding new public sector contracts and awards information.

There is a Supply subscription that's just right for your business – whether you are a sole trader or a small or medium-sized business. Choose from 'low value' or 'low and high value' subscriptions to suit your needs.

[Win more Government business with the Supply National SME Engagement Programme](#)

³ BiP Solutions Contracts Research team. Contracts Finder low-value figures sourced from the Cabinet Office's 'Making Government business more accessible to SMEs: Two Years On' report. Figures are for April 2012 to April 2013.



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