

Press release: New changes to encourage small businesses to apply for government contracts

Today the government will launch a package of tough new measures designed to level the playing field for smaller businesses bidding to win government contracts.

Cabinet Office Minister Oliver Dowden will announce proposals to exclude suppliers from major government procurements if they cannot demonstrate fair and effective payment practices with their subcontractors. Other plans include allowing subcontractors to have greater access to buying authorities to report poor payment performance, signalling the government's commitment to improving payment practice in the UK.

Further requirements mean suppliers will have to advertise subcontracting opportunities via the [Contracts Finder website](#), and to provide the government with data showing how businesses in their supply chain, including small businesses, are benefiting from supplying to central government.

The Prime Minister has also today written to members of her Cabinet to nominate a Small Business Champion minister in each department to ensure that small- and medium-sized enterprises (SMEs) are given a fair opportunity.

This package of measures is designed to ensure that more businesses – including smaller firms – will be able to supply goods and services to the public sector, while also making public procurement more transparent.

In the most recent figures from 2015/16, government spent £5.6 billion directly with small businesses. Indeed, when sub-contracts to small businesses from larger suppliers was taken into account, total spend rose to £12.2 billion.

Oliver Dowden, Minister for Implementation, said:

This government is listening to the business community and is committed to levelling the playing field for smaller suppliers to win work in the public sector.

We have set a challenging aspiration that 33% of procurement spend should be with small businesses by 2022 – and are doing more than ever to break down barriers for smaller firms.

Small businesses are the backbone of the UK economy, and play a key role in helping us to build a strong, viable private sector that delivers value for taxpayers and jobs for millions all over the UK.

Emma Jones, the Government's Crown Representative for Small Business, said:

Securing a government contract is a great way for small firms to bring in a steady income stream that can really help their business to grow. These measures demonstrate the government's clear commitment to small business, ensuring they can easily find and access new opportunities to supply to government.

Oliver Dowden has discussed the plans during a round table event in March, attended by the Federation of Small Businesses, the Confederation of British Industry, and industry bodies representing social enterprises, entrepreneurs, and Chambers of Commerce.

It is estimated that this group of organisations represents more than 2 million small businesses across the UK.

Federation of Small Businesses National Chairman, Mike Cherry, said:

Each year, the UK public sector spends over £200 billion on goods and services from third parties. As such a large and prominent customer in the economy, the government has a pivotal role to play in demonstrating what it is to be a good client.

It is right then that the government today announces, as part of a new package to boost SME procurement, that it will clamp down on poor payment practice throughout public procurement supply chains. Companies who pay late should not be rewarded with public sector contracts. We need a robust public procurement process that holds larger companies to account for their payment practices.

To coincide with the launch, the minister will today also be visiting two small businesses in the north-west who both supply services to the government.