

SME PROCUREMENT TRACKER 2024

Only 20% of direct procurement spend from Central Government and wider public sector spend went to SMEs in 2023. The BCC's SME Procurement Tracker – drawing on the most comprehensive source of data on UK SME procurement powered by Tussell – has revealed that while absolute public spending with SMEs has grown over the past six years, SMEs only make up 20% of overall procurement spending. In this report, the BCC and Tussell have investigated where this spending has come from, and where it has gone.

£39.7bn
was spent by
government directly
with SMEs in 2023

20%
of direct public sector
spend was with SMEs

£32k
The median spend
per SME

The state of public procurement

August 2024

This report draws on extensive data provided by [Tussell](#) to illustrate the current extent of SME involvement in the procurement system. It monitors changes over time and indicates where the most and least engagement is occurring for SMEs.

Based on reported procurement expenditure data originally published by contracting authorities for transparency purposes, the wider public sector in the UK spent £194.8bn on procuring third party goods and services between January and December 2023.

Our inaugural Procurement Tracker in 2022 showed that just over one in every five pounds (21%) spent by Government on public sector procurement in 2021 was awarded to small and medium enterprises (SMEs). Since then, the dataset has expanded, and the data has been cleansed further to reveal this figure is closer to 18%. With a new Government in power in the UK, the BCC's latest SME Procurement Tracker shows that many of the challenges highlighted in 2022 still need to be addressed.

Key findings:

- 1.** Direct public sector procurement spending with SMEs has grown since 2018, but SME spending as a proportion of public sector procurement spending has not.
- 2.** The median earnings by SMEs from public sector contracts grew sharply in 2020 and has stabilised at an elevated level.
- 3.** Local Government bodies spend the highest proportion of their overall procurement spend with SMEs as well as the highest absolute amount with SMEs when compared to Central Government or the NHS.

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The British Chambers of Commerce analysed data extracted from Tussell's database of UK public sector procurement and spending. All the data in this report are based on official nominal open data published by the government that is aggregated, organised, and augmented by Tussell. See page 6 for the full methodology.

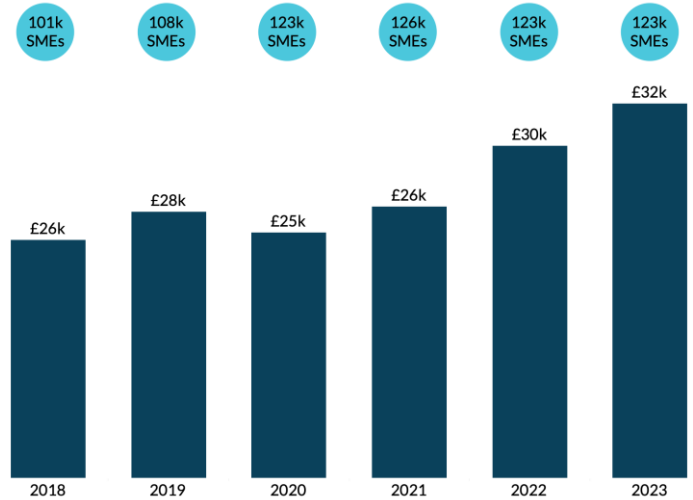


Median Revenue

The number of SMEs directly supplying the government grew sharply in 2020 in response to the pandemic and has stabilised at that elevated level of 123,000 since 2022.

While the number of SMEs directly supplying the government has been mostly flat since 2020, the median amount that SMEs have earned from the government increased substantially in 2022 and 2023.

Direct median revenue of SMEs, and volume of SME suppliers directly invoicing the public sector



Market share

Overall, public sector direct procurement spending with SMEs has grown each year over the last 6 years, from £22.4b in 2018 to £39.7b in 2023.

However, direct SME spending as a proportion of wider public sector procurement spending was only 20% in 2023, the same as the previous year (20%), and only slightly up on 2018 (18%).

Direct public sector spend with SMEs and SME spend as a proportion of total spend



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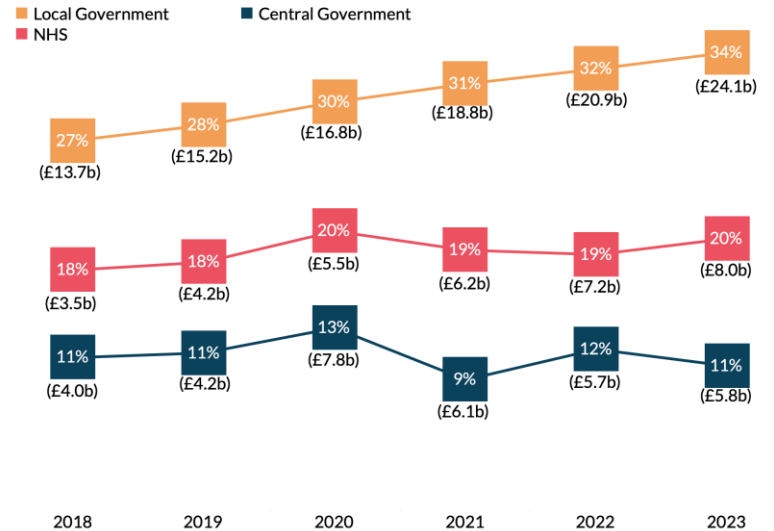
Buyer type

In 2023, Local Government had the highest share of procurement spend directly with SMEs (34%), and the highest absolute spend with SMEs (£24.1b).

This is higher than the share of procurement spend going directly to SMEs from the NHS (20%) or from Central Government (11%).

Local Government has grown their proportionate spend with SMEs year on year, while NHS and Central Government have remained relatively flat.

SME spend as a proportion of total spend and absolute SME spend, by buyer type

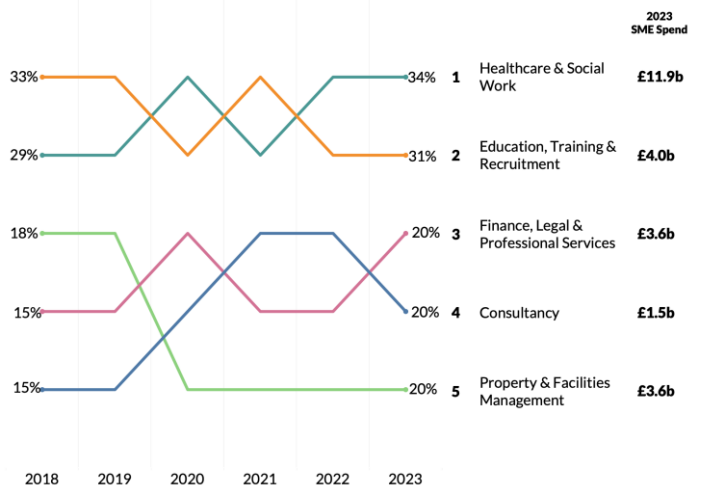


Sectors

Public sector spend with SMEs varies across different sectors.

SMEs in the Health and Social Care sector earned £11.9b in direct public sector revenue in 2023. This accounts for 34% of total public sector spend in the sector, up from 29% in 2018, despite some Covid-related volatility.

Top 5 sectors ranked by their SME spend as a proportion of total spend



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Local Spend

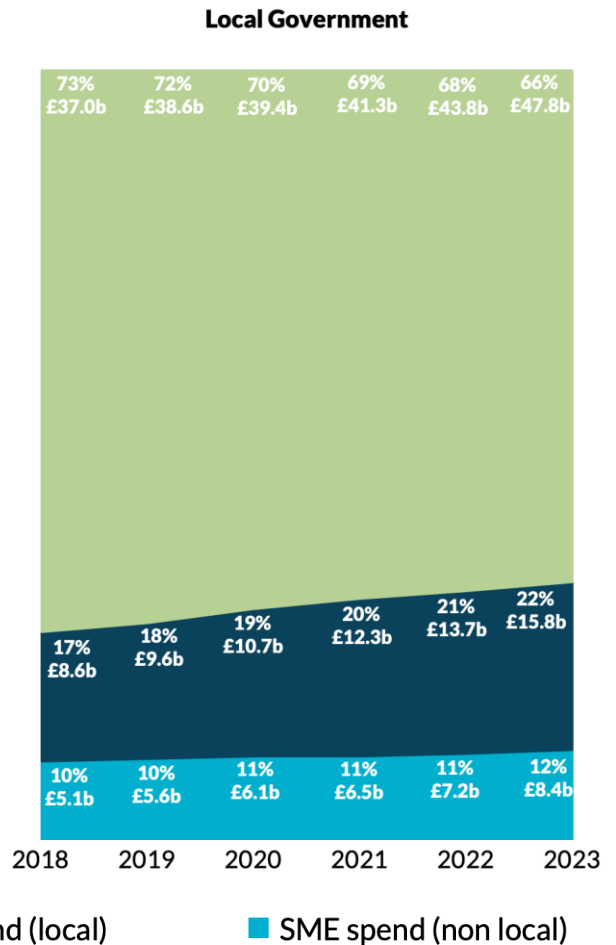
On average, in Local Government, 22% of total procurement spend was spent directly with local SMEs, amounting to £15.8b revenue for local SME businesses.

12% of total Local Government procurement spend was spent directly with SMEs not based locally, amounting to £8.4b in 2023.

Local Government spend with SME suppliers (based locally and non locally) as a proportion of total spend

22% of total **Local Government** procurement spend was spent directly with local SMEs in 2023

£15.8b was spent by **Local Government** directly with local SME suppliers in 2023



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Central Government Departments

Within Central Government, the department for Digital, Culture, Media and Sport is the ministerial department which spent the highest proportion of its procurement spend directly with SMEs in 2023 (29% of its total).

The Department for Education spent the highest absolute amount directly with SMEs, amounting to £2.0b in 2023, or 25% of its total procurement spend.

Ranking of Government Ministerial departments by their SME spend as a proportion of total spend in 2023

Government department	2023 SME spend	Proportion of spend with SMEs	
		SME	Non SME
Department for Digital Culture, Media & Sport	£256m	29%	71%
Department for Education	£2.0b	25%	75%
Department for Levelling Up, Housing & Communities	£729m	19%	81%
Department for Science, Innovation & Technology	£73m	15%	85%
Cabinet Office	£128m	12%	88%
Department for Environment, Food & Rural Affairs	£253m	12%	88%
Department of Health & Social Care	£203m	10%	90%
UK Export Finance	£7m	8%	92%
Department for Energy Security & Net Zero	£108m	7%	93%
Ministry of Defence	£482m		95%
Home Office	£156m		95%
Department for Work & Pensions	£109m		96%
Department for Transport	£1.1b		97%
HM Treasury	£5m		98%

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"While it's welcome the value of SME procurement contracts is continuing to increase, government deals remain out of reach for too many businesses. It is vital that public bodies always consider SMEs when tendering contracts.

Central government can learn lessons from local authorities who are consistently spending more on SMEs deals. We'd welcome further devolution of decision making to allow more procurement contracts to be awarded at a local level.

The Procurement Act coming into force at the end of October has the potential to make the system simpler and more transparent for businesses. In addition, it's crucial we hear more from the new government on their pledge to give SMEs greater access to contracts. Businesses up and down the country want to see a reformed process in which they can properly compete."

Jonny Haseldine, Policy Manager, BCC



"In 2023, SMEs accounted for around 80% of direct procurement suppliers to government, yet they only received 20% of the procurement spend. Furthermore, their under-represented market share has remained broadly flat for the past 4 years, indicating a lack of progress against the government's goal of buying more goods and services from small businesses.

The obstacle lies in Central Government, which in 2023 only managed to spend 11% of its procurement directly with SMEs compared to 34% for Local Government. While some ministerial departments like DCMS and the DfE are showing signs of success in their SME spend, others are lagging behind. Progress by big spenders like the MoD and Department for Transport who currently channel only 5% or less of their procurement budget directly to SMEs would really move the needle.

A new government and new procurement legislation provide an impetus for improvement. Next time we update this tracker, it will be interesting to see whether or not this opportunity has been seized."

Gus Tugendhat, Founder, Tussell

Methodology

This report is based on open procurement data from official sources aggregated by Tussell and analysed by the British Chambers of Commerce. This report uses spend data only. Spend data is gathered from the invoices published by public sector bodies for transparency purposes where invoices are £500 or more. The transparency regulations for invoice-level spend data do not apply to local authorities and NHS bodies in the devolved administrations and so this report is filtered for England only to allow like-for-like analysis.

In this report, we have analysed spending over calendar year periods. Data is accurate as of the date of download: 19th June 2024. At the moment of download, not all contracting authorities had published full invoices for 2024, namely: MOJ department, NHS England, Attorney General's Office, FCDO, and DBT. These buyers have been excluded from this report to allow for true dynamic analysis. The exclusion of NHS England will under-represent DHSC's spending over the period. SMEs are first identified using data from Bureau van Dijk, a company information database owned by Moody's. A level of manual verification occurs, with suppliers classified as an 'SME' based on this EU definition. Sectors are defined at a supplier-level, using supplier SIC (sector industrial classification) codes. Where a supplier has no SIC code, we have endeavoured to assign them a code based on their public-facing website, and their public sector sales activity. Public sector buyers named in the report are shown on a consolidated basis, including their arms-length bodies and executive agencies. The consolidation is based on the government's own classification system available on gov.uk.

Find out more

BCC is the most authentic voice of UK business. No other organisation has the reach into local business communities, across sectors and throughout the UK. Learn more at <https://www.britishchambers.org.uk/page/economic-data>

Tussell is the authoritative data source on UK Government spend and contracts. All the data in this report is drawn from official open data published by the government that is aggregated, organised, verified and augmented by Tussell. To learn more, visit tussell.com

For more information:

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