British Chambers of Commerce & Tussell with AutogenAI
SME PROCUREMENT TRACKER 2025

Only 20% of direct public sector procurement spend was with SMEs in 2024 – a similar figure to 2023. The BCC's SME Procurement Tracker, in partnership with AutogenAI, uses the UK's most comprehensive data on SME procurement, powered by Tussell. It shows that although absolute public spending with SMEs has increased over the past six years, SMEs still receive only 20% of overall procurement spending. This report assesses progress to date and offers a timely benchmark for contracting authorities setting new SME targets by the end of May 2025.

£45.4b	20%	£31k
was spent by UK Government directly with SMEs in 2024	*of direct public sector spend was with SMEs*	*The median spend per SME*

The state of public procurement
May 2025

The Procurement Act 2023 came into force on 24 February 2025 and aims to streamline the way public bodies purchase goods and services. PPN 001, accompanying the Bill, explicitly sets out the requirement for all Central Government departments, their executive agencies and non-departmental public bodies to set targets for direct spend with SMEs alongside annual results.

This edition of our SME Procurement Tracker shows the state of play just prior to the Act coming into force. It provides a baseline against which to gauge the success of the legislation in widening access to opportunities for SMEs and will help support government departments in setting their own targets.

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.

Key findings:

1. SME share of overall direct procurement has remained flat, stuck at around 20% of the total for the past 6 years running.

2. The numbers of SMEs directly invoicing the government or broader public sector has declined slightly.

3. Local Government direct spent with SMEs in 2024 was more than central government and the NHS combined.

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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 is based on official nominal open data published by the government that is aggregated, organised, and augmented by Tussell. See page 7 for the full methodology.
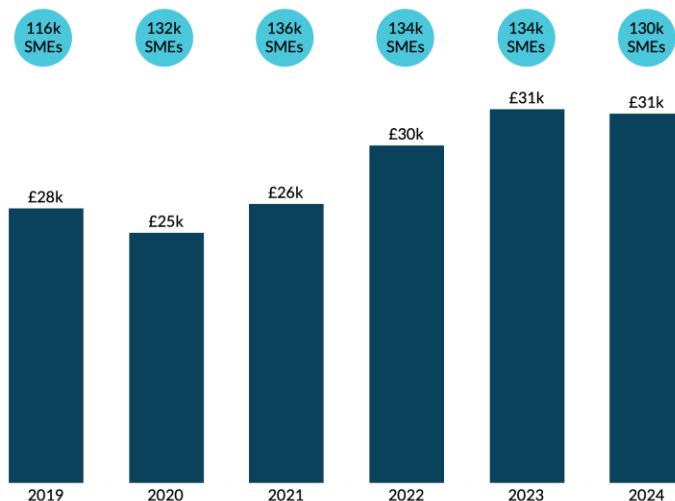
Median Revenue

In 2024, 130,000 SMEs supplied the government directly, a decline from the previous year and dropping below the 2020 level for the first time.

The median amount that SMEs earned from the government in 2024 remained the same as 2023 at £31k. This is the first time the figure has failed to grow since 2020.

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

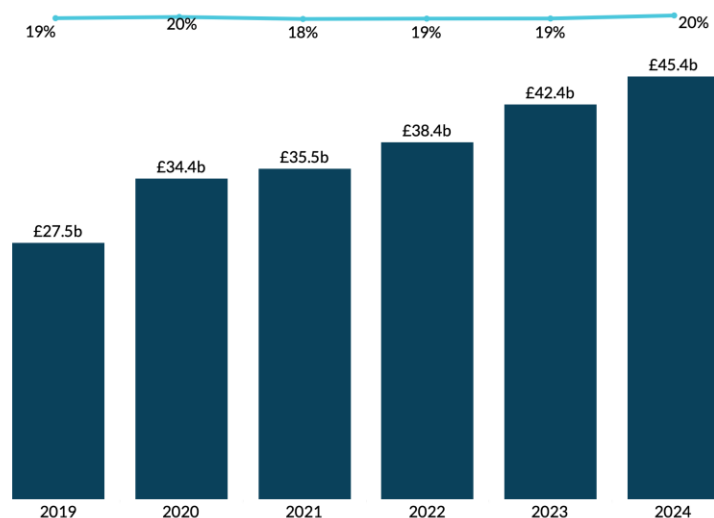|	116k SMEs	132k SMEs	136k SMEs	134k SMEs	134k SMEs	130k SMEs
	£28k	£25k	£26k	£30k	£31k	£31k
	2019	2020	2021	2022	2023	2024

Market share

Direct SME spending as a proportion of wider public sector procurement spending stalled at 20% in 2024, no significant improvement on the previous year (19%), or 2019 (19%).

Overall, public sector direct procurement spending with SMEs has grown each year over the last 6 years, from £27.5b in 2019 to £45.4b in 2024.

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

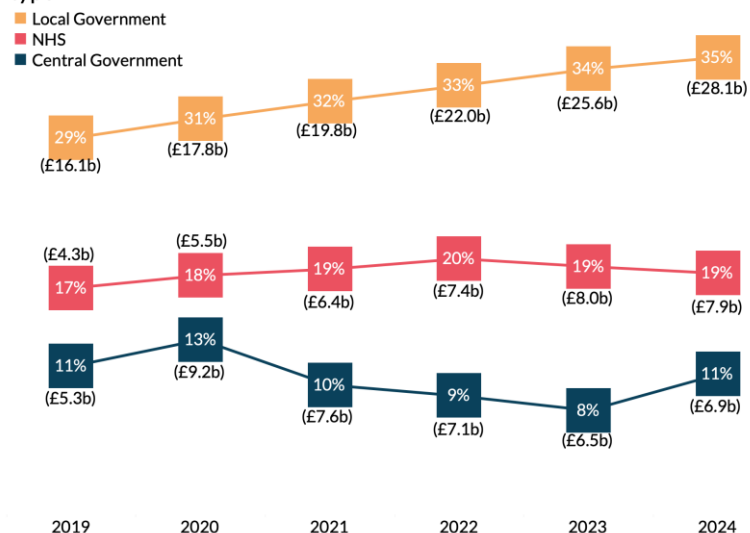|	19%	20%	18%	19%	19%	20%
	£27.5b	£34.4b	£35.5b	£38.4b	£42.4b	£45.4b
	2019	2020	2021	2022	2023	2024

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Buyer type

In 2024, Local Government had the highest share of procurement spend directly with SMEs (35%), and the highest absolute spend with SMEs (£28.1b).

This is higher than the share of procurement spend going directly to SMEs from the NHS (19%) or from Central Government (11%).

Local Government has grown their proportionate spend with SMEs each year, while this has remained relatively flat for the NHS and more volatile for Central Government.

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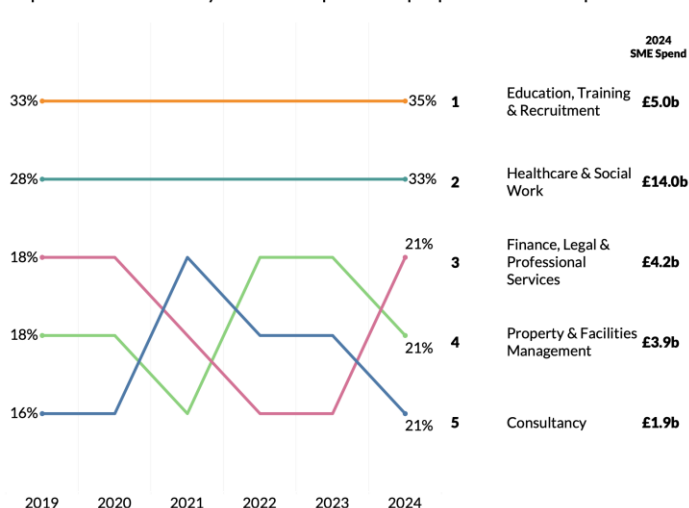

Sectors

SMEs in the Health and Social Care sector earned £14.0b in direct public sector revenue in 2024. This accounts for 33% of total public sector spend in the sector, up from 28% in 2019.

35% of total spend in the Education, Training and Recruitment sector was with SMEs in 2024, the highest of any sector.

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

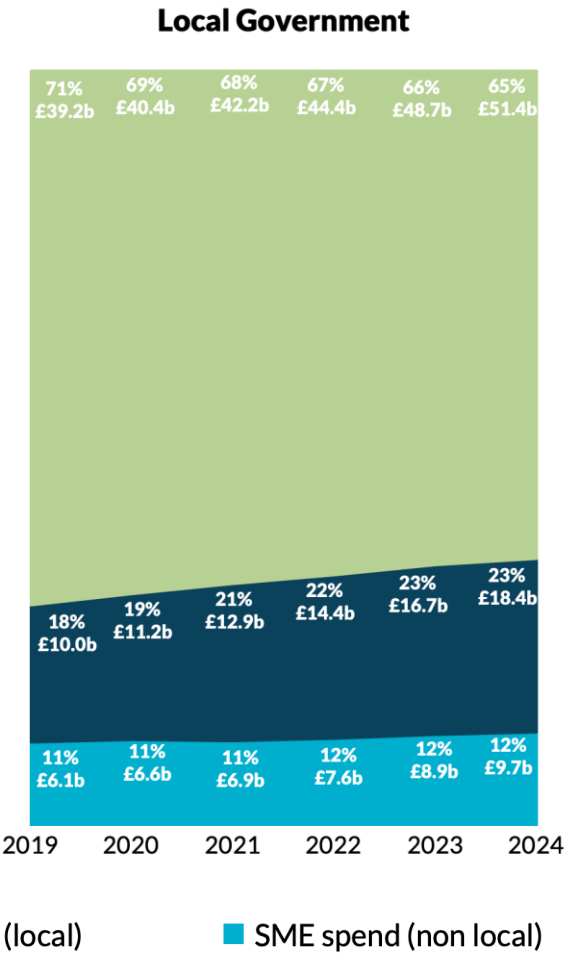| Rank	Sector	2024 SME Spend
1	Education, Training & Recruitment	£5.0b
2	Healthcare & Social Work	£14.0b
3	Finance, Legal & Professional Services	£4.2b
4	Property & Facilities Management	£3.9b
5	Consultancy	£1.9b

Local Spend

On average, in Local Government, 23% of total procurement spend was spent directly with local SMEs in 2024, amounting to £18.4b revenue for local SME businesses.

12% of total Local Government procurement spend was spent directly with SMEs not based locally, amounting to £9.7b in 2024.

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

23% of total **Local Government** procurement spend was spent directly with local SMEs in 2024

£18.4b was spent by **Local Government** directly with local SME suppliers in 2024

Local Government

	2019	2020	2021	2022	2023	2024
Non-SME spend	71% £39.2b	69% £40.4b	68% £42.2b	67% £44.4b	66% £48.7b	65% £51.4b
SME spend (local)	18% £10.0b	19% £11.2b	21% £12.9b	22% £14.4b	23% £16.7b	23% £18.4b
SME spend (non local)	11% £6.1b	11% £6.6b	11% £6.9b	12% £7.6b	12% £8.9b	12% £9.7b

- Non-SME spend
- SME spend (local)
- SME spend (non local)

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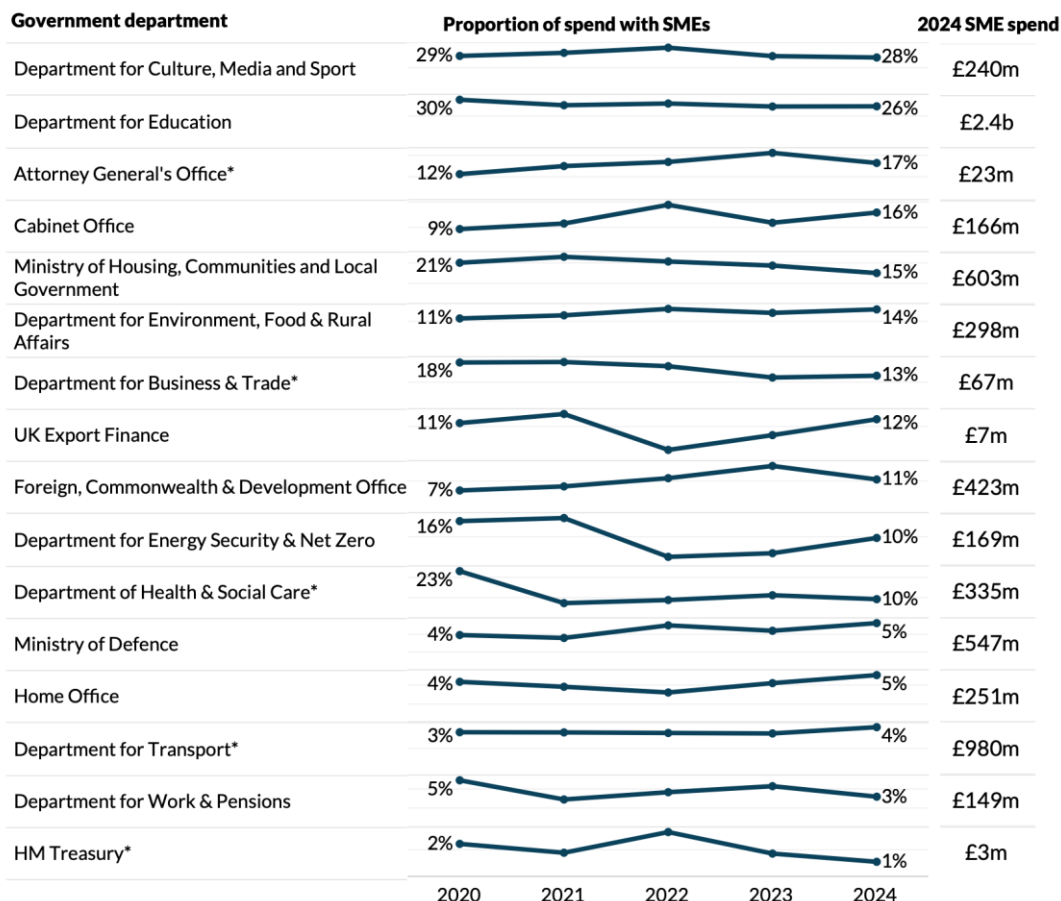
Central Government Departments

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 2024 (28% of its total).

The Department for Education spent the highest absolute amount directly with SMEs, amounting to £2.4b in 2024, or 26% of its total procurement spend.

Government Ministerial departments, SME spend as a proportion of total spend, and absolute SME spend in 2024

Government department	Proportion of spend with SMEs		2024 SME spend
Department for Culture, Media and Sport	29%	28%	£240m
Department for Education	30%	26%	£2.4b
Attorney General's Office*	12%	17%	£23m
Cabinet Office	9%	16%	£166m
Ministry of Housing, Communities and Local Government	21%	15%	£603m
Department for Environment, Food & Rural Affairs	11%	14%	£298m
Department for Business & Trade*	18%	13%	£67m
UK Export Finance	11%	12%	£7m
Foreign, Commonwealth & Development Office	7%	11%	£423m
Department for Energy Security & Net Zero	16%	10%	£169m
Department of Health & Social Care*	23%	10%	£335m
Ministry of Defence	4%	5%	£547m
Home Office	4%	5%	£251m
Department for Transport*	3%	4%	£980m
Department for Work & Pensions	5%	3%	£149m
HM Treasury*	2%	1%	£3m

2020   2021   2022   2023   2024

*These departments have not published full invoices for 2024, this may under-represent their absolute SME spend.

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"Public procurement spend with SMEs continues to be stuck in a rut. While it's good that the value of contracts with SMEs continue to rise, small and medium sized firms are still a small slice of the procurement pie at 20%. For too many businesses, government contracts are out of reach.

"Much now rests on the impact of the much-anticipated Procurement Act. The legislation needs to quickly deliver a more streamlined and effective system, which benefits prospective suppliers, particularly SMEs.

"In challenging times, firms across the UK are holding their breath for a gear change in the procurement system."

Jonny Haseldine, Head of Policy: Corporate Governance and Business Environment, BCC

"This edition of the Tracker arrives at a pivotal moment. By the end of May 2025, Central Government departments are expected to have established direct procurement targets for SMEs. This Tracker provides a timely and essential benchmark for contracting authorities aiming to set, and deliver on, these new objectives.Tussell's analysis offers a stark reality check: meaningful progress remains elusive. In 2024, SMEs secured just one in every five pounds spent directly with private sector suppliers — unchanged from five years ago.

Central Government and NHS bodies, in particular, have yet to demonstrate real momentum. Despite policy focus, SME engagement levels have remained flat since 2019. In contrast, Local Government presents a more encouraging picture. Their steady, year-on-year gains highlight what's possible when ambition is matched with action.The recently enacted Procurement Act gives public bodies greater flexibility and stronger levers to involve SMEs in the procurement process. When we next publish the Tracker, we'll see whether authorities have truly seized this opportunity."

Gus Tugendhat, Founder, Tussell

"The taxpayer is best served when there is fair and open competition in the delivery of public services ensuring that public funds are used efficiently and effectively to achieve the best outcomes. However, smaller businesses and charities often face significant challenges when competing with larger, more established firms. These challenges are not due to a lack of ability or expertise in delivering high-quality services - they stem from the fact that procurement processes are frequently too complex and difficult to navigate.

Part of the solution lies in the better deployment of technology, including tools like large language models and other modern artificial intelligence solutions.

These technologies can help organisations articulate their value more effectively when responding to procurement exercises, levelling the playing field for smaller entities. But technology alone is not enough. A critical part of the solution is simplifying procurement processes wherever possible. Creating a more inclusive and competitive environment for delivering public services will get better returns for the taxpayer."

Sean Williams, Founder and Chief Executive, AutogenAI

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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 over the required threshold as per PCR 2015. 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: 11th March 2025. At the point of download, not all contracting authorities had published full invoices for 2025, namely: MOJ department, DSIT, NHS England, DHSC. These buyers have been kept in despite their gaps. Incomplete publishers were excluded in previous iterations of this report, the methodology has since been changed.

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 public sector contracts and spending. 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

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For more information:
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