

MAY 2026

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SME Procurement Tracker

2026 Edition

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EXECUTIVE SUMMARY

21% of direct public sector procurement spend went to SMEs in 2025 - a six-year high.

Welcome to Tussell & the British Chambers of Commerce's 2026 **SME Procurement Tracker** - the market's definitive annual benchmark of direct government spending with small businesses in England, powered by Tussell's public sector intelligence.

Our 2026 Tracker shows that direct public sector spending with SMEs reached a six-year high in 2025. That marks a clear improvement after years of stagnant performance - but the headline figure masks major differences across the public sector.

Local Government continues to lead the way on SME procurement, while Central Government lags far behind. This matters even more following the introduction of new departmental SME spending targets. Our analysis shows that most departments are currently well short of them. Central Government will need to take concerted action to break out of its current plateau and meet these new targets.

Key SME procurement figures (2025)

77%

of suppliers invoicing the public sector were SMEs (137,191 SME suppliers)

£45.2bn

was spent by the public sector directly with SMEs

21%

of direct public sector spend was with SMEs

EXECUTIVE SUMMARY

Key findings:

1

SME share of overall direct procurement ticked up to 21% in 2025 - **the highest proportion in six years**

2

Central Government departments **have a long way to go** to hit their new direct SME spending targets

3

Local Government leads the way on procuring directly with SMEs, while Central Government continues to lag behind

Table of contents:

Pg. 4	SME spending as share of total gov't procurement
Pg. 5	Departmental SME spending targets vs. actual spend
Pg. 6	SME spending by buyer type
Pg. 7	SME spending by supplier sector
Pg. 8	Local Government SME spending, local vs. non-local
Pg. 9	Reflections

MARKET SHARE

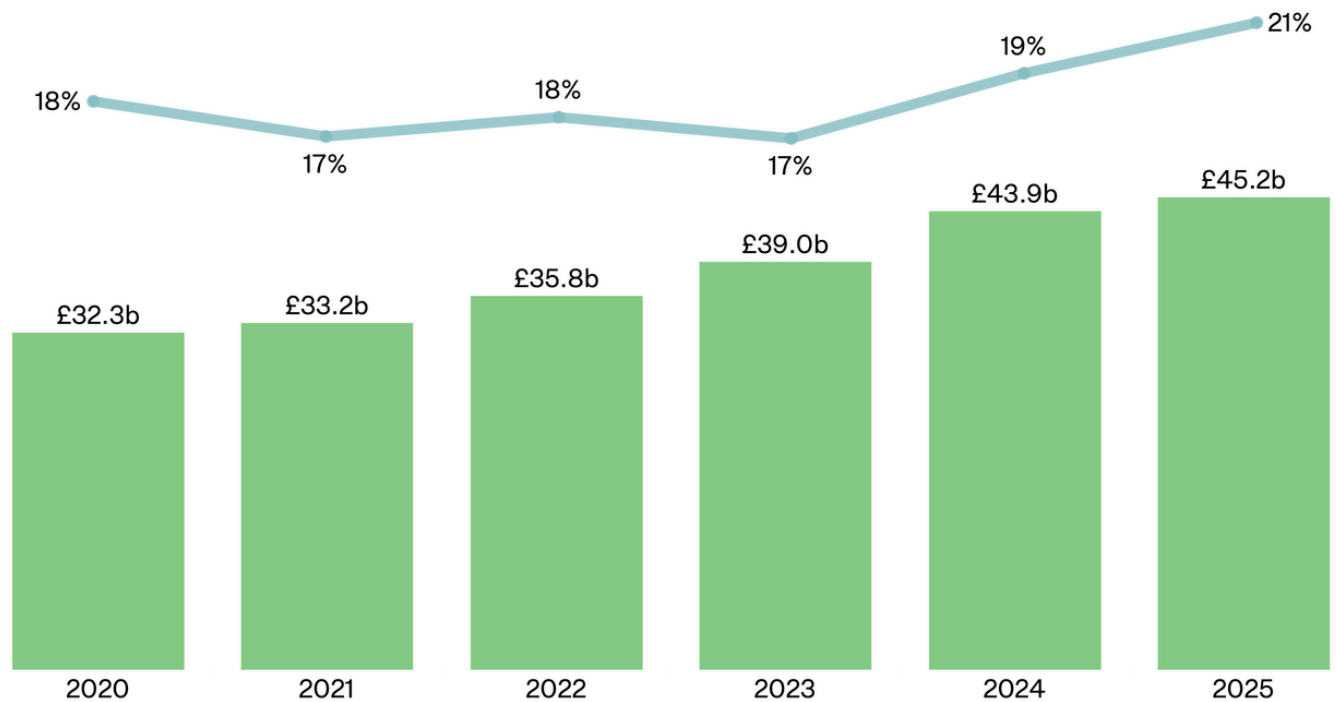
Proportion of direct SME procurement spend reaches six-year high

In 2025, the UK public sector spent £45.2 billion directly with SMEs: an all-time high.

This represented 21% of all direct procurement spending. This is up two percentage points on the year prior, bucking the stagnant trend of the last few years.

Note: 2025 spend value may be understated due to publishing delays by some buyers. See methodology for more details.

Below: Direct public sector spend with SMEs and SME spend as a proportion of total spend, 2020-2025.



GOVERNMENT SME TARGETS

Government Department	Proportion of spend with SMEs, FY24/25 vs. three year department target		+/- Target	Total SME Spend FY24/25
	■ Proportion SME Spend	■ Department Targets		
Department for Science, Innovation & Technology	12%	40.00%	-28%	£65m
Department for Culture, Media and Sport	29%	33.00%	-4%	£163m
Cabinet Office	16%	30.00%	-14%	£162m
Department for Energy Security & Net Zero	6%	29.00%	-23%	£196m
Ministry of Housing, Communities and Local Government	25%	27.50%	-2%	£310m
HM Treasury	7%	22.00%	-15%	£4m
Ministry of Justice	12%	22.00%	-10%	£698m
Department for Environment, Food & Rural Affairs	11%	20.00%	-9%	£191m
Department for Business & Trade	13%	18.00%	-5%	£43m
Department of Health & Social Care*	9%	15.00%	-6%	£285m
Foreign, Commonwealth & Development Office*	8%	14.00%	-6%	£399m
UK Export Finance	2%	12.00%	-10%	£1m
Department for Education	20%	10.00%	+10%	£231m
Home Office	3%	10.00%	-7%	£89m
Department for Work & Pensions	3%	8.00%	-5%	£85m
HM Revenue & Customs	2%	8.00%	-6%	£39m
Department for Transport	4%	5.75%	-2%	£1.1b

Central Gov has long way to go to hit new SME spending targets

Analysis of direct procurement spend with SMEs by department puts the government's new targets into context.

On average, Central Government departments are 8.4 percentage points below their new SME spending targets - a large gap to close in just three years. As the next page shows, Central Government has historically struggled to increase its direct spend with SMEs. Without sustained action to change this trajectory, many departments are unlikely to meet their targets.

Left: Proportion of direct spend with SMEs by Central Government department and their sponsored EAs/NDPBs, difference to 3-year target, and absolute SME spend value, FY24/25.

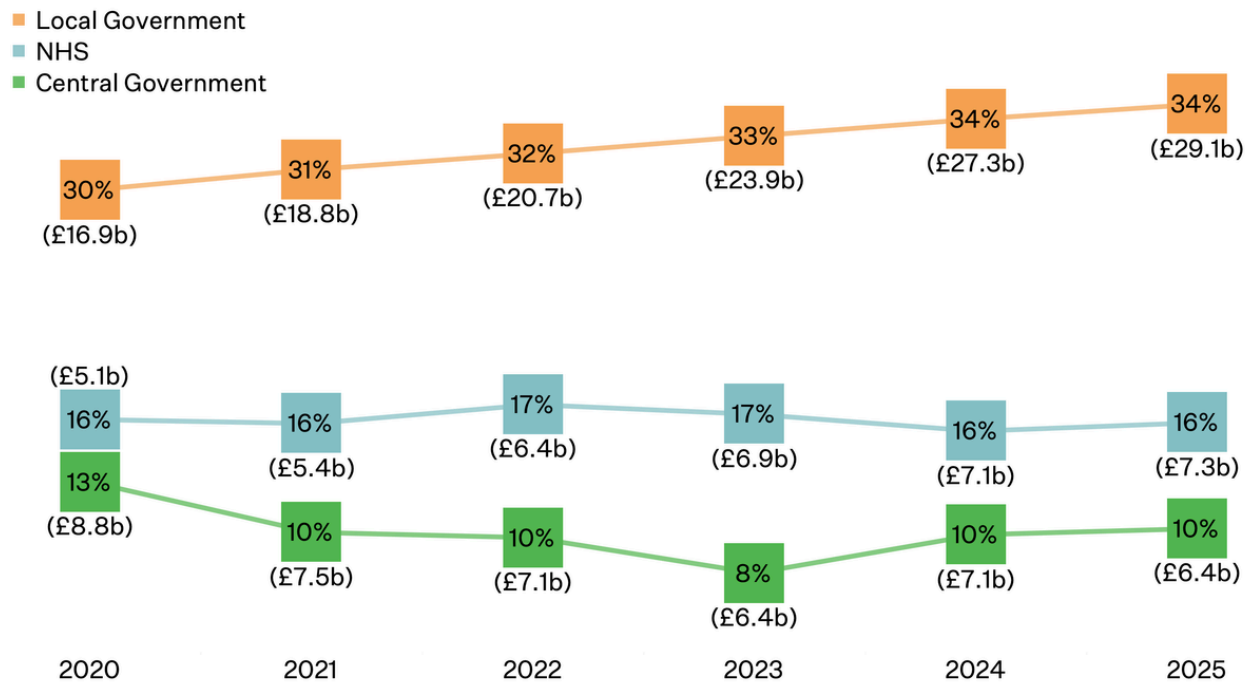
Note: * DHSC and FCDO's absolute SME spend is understated due to publishing delays.

Invoices containing grant-related terms have been excluded from this chart, in line with the SME spend targets set by government. The MOD has also been excluded, as it has not yet published a direct SME percentage spend target.

BUYER TYPE

Local Government is an SME spending success story

Below: Direct public sector SME spend as a proportion of total spend, and absolute SME spend, by buyer type, 2020-2025.



In 2025, Local Government recorded both the highest share of direct procurement spend with SMEs, at 34%, and the highest absolute SME spend, at £29.1bn.

Both measures have increased consistently each year since 2020.

A major driver of this growth has been increased direct spending with SME suppliers in the Health and Social Care sector, as Local Government faces growing pressure to deliver these services.

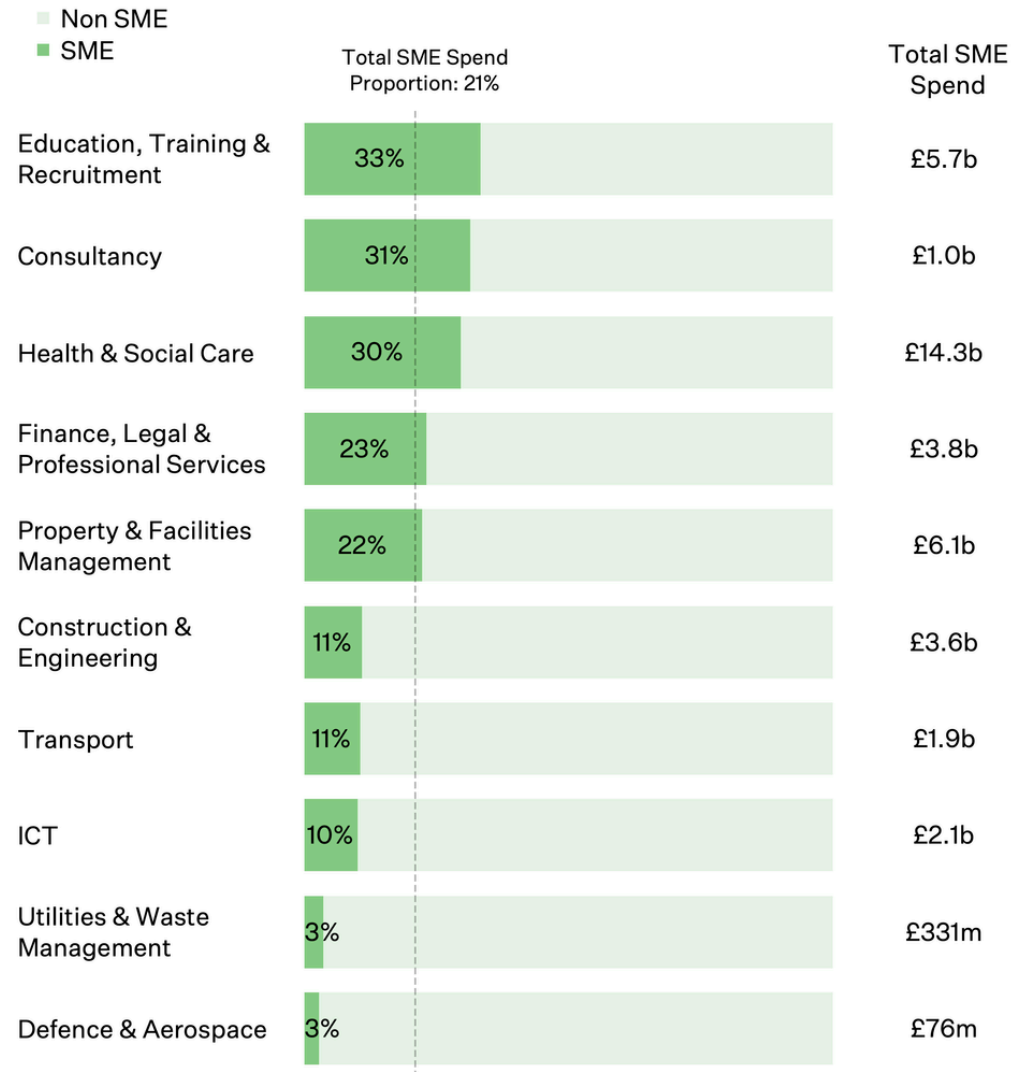
By contrast, the NHS' share of SME spend has broadly flatlined, while Central Government's 2025 share was below its 2020 level - a concerning trajectory if departments are to hit their newly set SME spending targets.

SECTORS

Direct SME spending varies considerably by sector

SMEs tend to perform better in sectors where contract values are lower, making opportunities more accessible and easier for smaller businesses to compete for.

Breaking up large contracts in sectors such as IT, Waste and Defence would make these opportunities more realistic for SMEs to bid for and deliver.

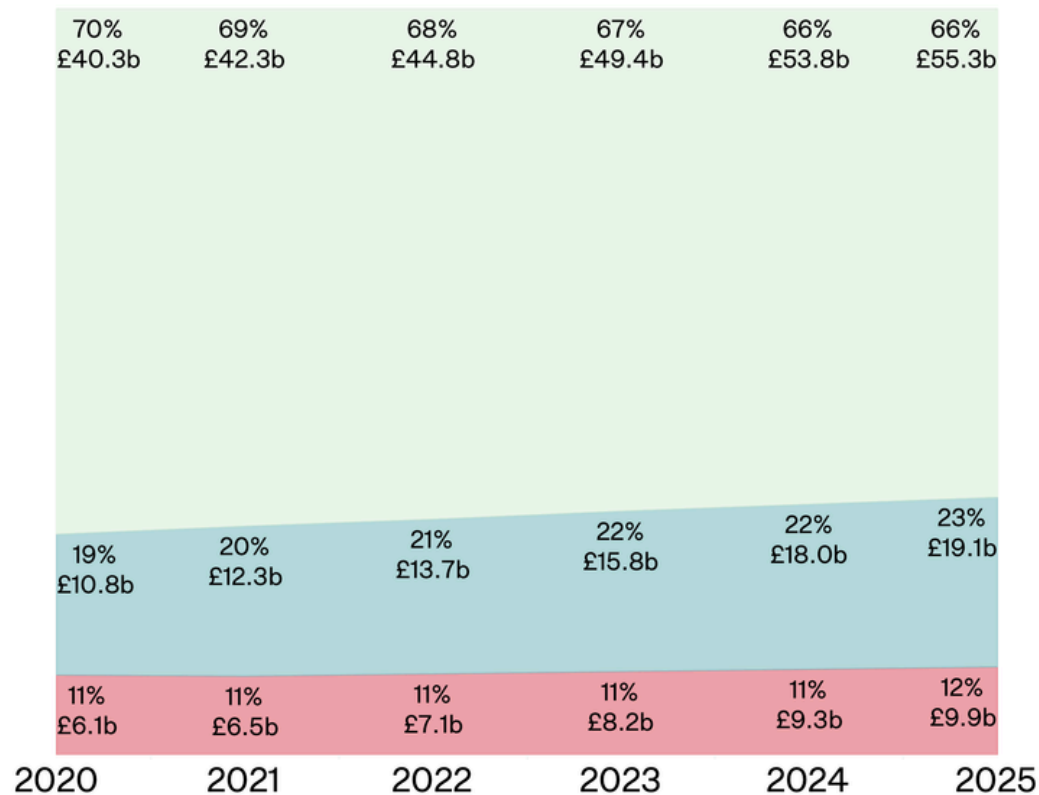


Above: Top 10 sectors ranked by SME spend as a proportion of total spend, and absolute SME spend, 2025.

LOCAL GOVERNMENT SME SPENDING

Below: Local Government direct spend with SME suppliers (based locally or non-locally) as a proportion of total spend, 2020-2025.

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



Local Government spending with locally-based SMEs continues to rise

Over recent years, local authorities have increasingly sought to use procurement to support local economies. Our analysis suggests this is translating into measurable results.

The share of direct Local Government spend going to local SMEs has grown significantly, and continues to far exceed spend with non-local SMEs.

Reflections



Jonny Haseldine

Head of Business
Environment Policy



SMEs reaped the benefits of the Procurement Act last year, with public sector spend hitting an all-time high. That was good news for firms across England wanting to have their slice of the procurement pie. More businesses are now benefiting from crucial government contracts.

However, peel back the headline and there are still real areas of concern. While local government continues to lead by example, central government spend has fallen back since 2020, with many departments now struggling to get anywhere near their own targets.

Procurement spend can be a lifeline for SMEs currently navigating choppy waters. The BCC's Great British Supply Chain project is working to source, build and deliver infrastructure projects, building on the Chamber involvement in projects such as Hinkley Point C and Sizewell C. It's crucial that every part of the public sector accelerates its commitment to supporting our amazing small and medium sized businesses.



Gus Tugendhat

Founder



For the fourth year running, we are proud to hold government accountable for its SME procurement ambitions. This year, direct public sector spend with SMEs reached a record 21% - equivalent to £45 billion spent with small businesses in 2025. However, most of this progress was driven by Local Government, which directed more than a third of procurement spend to SMEs. By comparison, Central Government and the NHS remained flat at 16% and 10% respectively.

We welcome the introduction of new three-year ministerial targets for SME spending, many of which are ambitious. Our research shows that reducing average tender values, as Local Government has done, is one of the most effective ways to increase SME participation. Government must also be willing to back smaller suppliers, rather than continuing to rely on incumbent prime contractors. Tussell will continue to track performance against these targets and assess whether they lead to meaningful progress.

Methodology

This report is based on open procurement data from official sources, aggregated by Tussell. Spend data is drawn from above-threshold invoices published by public sector bodies for transparency purposes. The transparency regulations covering invoice-level spend data do not apply to local authorities or NHS bodies in the devolved administrations. For this reason, the analysis is filtered to England only, to enable like-for-like comparisons.

The report analyses spend over calendar-year periods, except for the section on government department SME targets, which uses financial years. Data is accurate as of the download date: 27th April 2026. At the point of download, not all contracting authorities had published full invoice data for 2025. This included the Ministry of Justice, NHS England, the Home Office, DESNZ and the FCDO. Please contact Tussell for the full list.

SMEs are first identified using data from Bureau van Dijk, a company information database owned by Moody's. A level of manual verification is then applied, with suppliers classified as SMEs based on the EU definition. Sectors are defined at supplier level using supplier SIC codes. Where a supplier does not have a SIC code, Tussell has endeavoured to assign one based on the supplier's public-facing website and public sector sales activity.

Public sector buyers named in the report are shown on a consolidated basis, including their arm's-length bodies and executive agencies. This consolidation is based on the government's own classification system, available on GOV.UK.

When analysing departmental SME targets on page 5, invoices flagged as grant-related have been excluded from the spend data. In addition, only executive agencies and non-departmental public bodies are included within departmental groups. This reflects the government's SME targets, and supports a more consistent comparison of procurement performance across departments.

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