

SME PROCUREMENT TRACKER 2022

Only 21% of Central Government and wider public sector procurement spend went directly to SMEs in 2021. 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 2021 was both the largest in terms of absolute public spending with SMEs, SMEs only make up 21% of overall procurement spending. In this report, the BCC and Tussell have investigated where this spending has come from, and where it has gone.

£38bn
was spent by
government with
SMEs in 2021

21%
of public sector spend
was with SMEs, while
79% was with non-SMEs

£32k
median spend per
SME

The state of public procurement

Based on reported procurement expenditure data published by contracting authorities for transparency purposes, the wider public sector in the UK spent £181 billion on procuring third party goods and services between January and December 2021.

In the past, the UK Government has acknowledged that SMEs struggle to access government business and have often found bidding for public sector contracts prohibitively bureaucratic, time-consuming and expensive. The BCC's SME Procurement Tracker, powered by Tussell, shows that further change is still required to unlock the public sector's access to SMEs' innovation and creativity.

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. Direct public sector procurement spending with SMEs has grown since 2016, but SME spending as a proportion of public sector procurement spending has not.
2. 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.
3. Local Government bodies are more likely than the NHS to be spending with SMEs based in their own region.

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What the data tell us

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 open data published by the government that is aggregated, organised, verified, and augmented by Tussell.

Our tracker shows that while the value of direct public procurement spending with SMEs is up on previous years, the proportion of overall public sector procurement spending on SMEs has not increased.

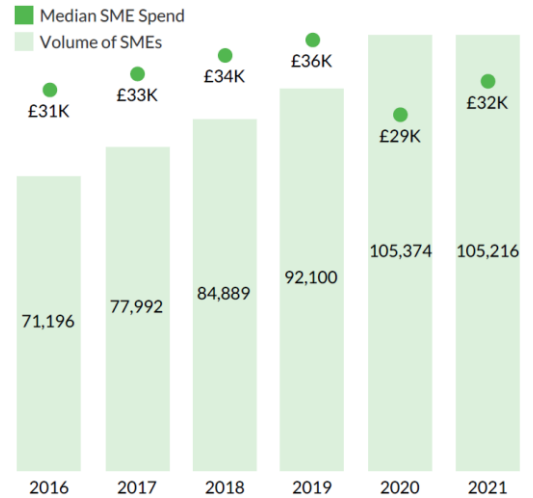


Median Revenue

The growth in median revenue earned by SMEs from public sector contracts stalled in 2020, dropping to £29k. This is now increasing again, up to £32k in 2021.

Since 2016, the number of SMEs invoicing the government has steadily increased, reaching its peak in 2020 at 105,374 SMEs. In 2021, slightly over 105,000 SMEs invoiced the wider public sector directly.

Wider public sector median revenue for SMEs, and volume of SMEs, 2016 - 2021

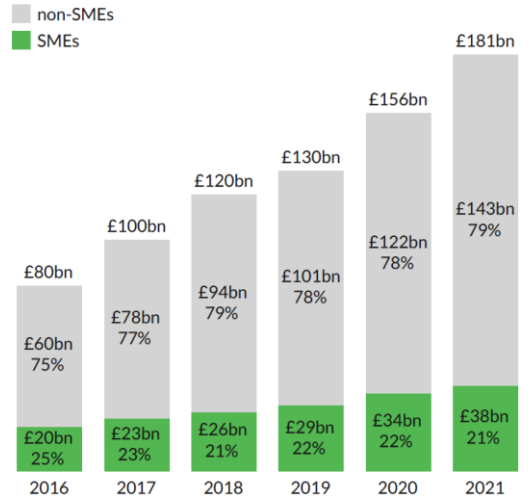


Market share

Overall, public sector direct spend on SMEs has continually grown over the last 6 years, almost doubling from £20bn in 2016 to £38bn in 2021.

However, direct SME spending as a proportion of wider public sector procurement spending was only 21% in 2021, slightly down on the previous year (22%), and lower than in 2016 (25%).

Wider public sector spending, to SMEs and non-SMEs, 2016 - 2021

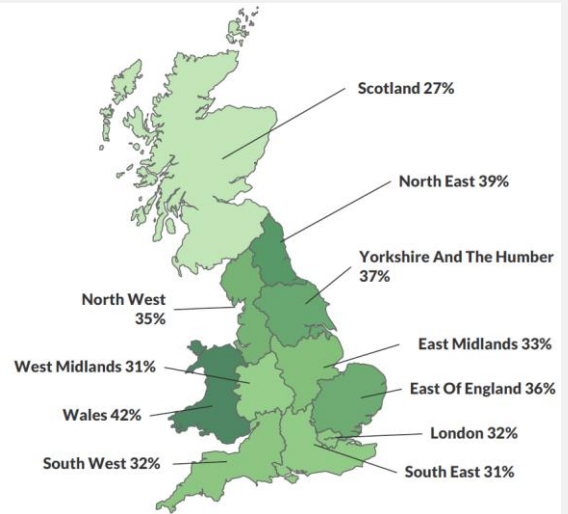


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Region

Local Government and NHS direct procurement spend with SMEs (as a proportion of their overall procurement spend) was around a third across all English regions.

For English regions, the map shows regional Local Government and NHS SME proportional spend for 2021. Figures for Scotland include NHS spend only and for Wales include only Local Government spend.



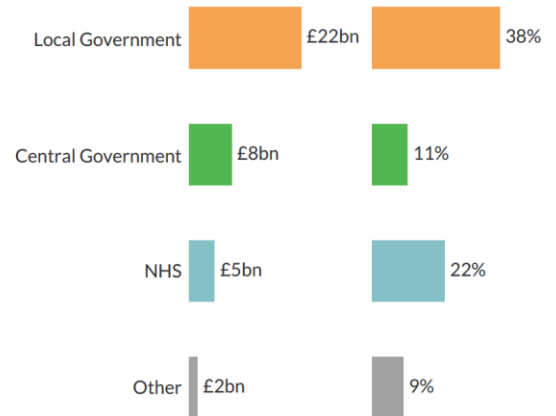
Buyer type

As a proportion of their overall procurement spend, Local Government spend with SMEs was the highest at 38% (spending £22bn). 62% was spent with non-SMEs.

NHS spend proportion with SMEs was 22% (spending £5bn). 78% was spent with non-SMEs.

Central Government spent 11% (£8bn) with SMEs. 89% was spent with non-SMEs.

Spend with SMEs, and proportion of SME spend by buyer type, 2021



Sectors

SMEs in almost all industries saw growth in direct public sector revenue from 2020 to 2021.

SMEs in the Human Health and Social Work Activities sector saw an increase from £8.1bn in 2020 to almost £9bn in 2021.

Public sector SME procurement spending by sector	2020	2021
Human Health & Social Work Activities	£8.1bn	£8.9bn
Other	£7.9bn	£8.6bn
Construction	£4.8bn	£5.8bn
Administrative & Support Service Activities	£3.4bn	£4.0bn
Education	£2.9bn	£3.1bn
Professional, Scientific & Technical Activities	£2.5bn	£2.8bn
Information & Communication	£1.5bn	£1.7bn
Manufacturing	£1.5bn	£1.4bn
Transportation & Storage	£1.0bn	£1.2bn

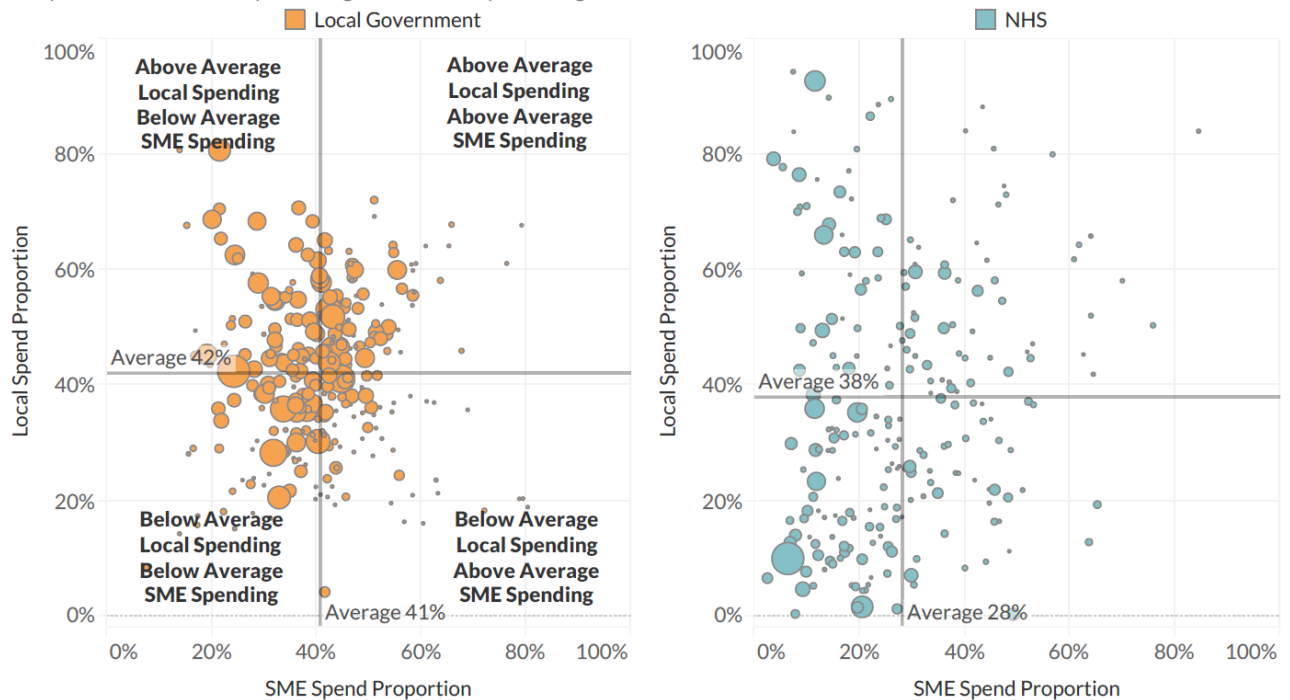
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Local spend

The average Local Government body spends 42% of its procurement budget locally, while the average NHS body spends 38% locally.

Local Government bodies were more likely to have above average direct spending with SMEs located in their own regions when compared to NHS bodies.

Proportion of local spending and SME spending, 2021



Largest buyers

The majority of the largest public sector bodies who spent directly with SMEs in 2021 were Central Government bodies:

1. Homes England (£1.33bn)
2. Education and Skills Funding Agency (£1.03bn)
3. Department of Health and Social Care (£0.96bn)

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“It is disheartening to see that as the level of public sector procurement spending grew over the past few years, the proportion of spending awarded directly to SMEs did not.

If Central Government are to meet their target of spending one in every three pounds with small businesses by 2022, they will need to give serious consideration to what steps can be taken in the short term to open up the public sector market to SMEs.”

Alex Veitch, Director of Policy and Public Affairs, BCC



“Last year Central Government and the wider public sector spent £38bn across more than 100,000 SMEs. Public bodies benefited from the energy and agility of SMEs, while small businesses had access to a large and resilient market during a turbulent year. In the case of Local Government, 42% of their procurement spending was with local firms.

If the Procurement Bill delivers on its goal to make it easier for SMEs to compete for public contracts, the government’s spending power will spread even more economic and social value throughout all regions.”

Gus Tugendhat, Founder, Tussell

Methodology

This report is on a calendar year basis covering the period from 01 January 2016 to 31 December 2021. The scope of this report is direct procurement spending by 669 public sector bodies that have published invoices up to December 2021.

The SME Procurement Tracker is based on data gathered by Tussell and analysed by the British Chambers of Commerce. To calculate direct spend with SMEs, Tussell uses Moody’s, a leading provider of business information, to classify all government suppliers as either SMEs or non-SMEs in line with the EC definition. It uses invoice-level expenditure data published by public bodies for transparency purposes to calculate how much money has been directly spent with those SMEs, then further detailed checks are conducted to increase accuracy.

Data compiled by Tussell is only as accurate as the underlying transparency of organisations in the wider public sector.

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:

Contact David Bharier, Head of Research at the British Chambers of Commerce

d.bharier@britishchambers.org.uk