

# Departmental SME Spending Targets:

## How ambitious are they?

New Central Government SME spending targets were published this week.

For the first time, each Ministerial Department has set its own three-year target for direct SME procurement spend, now with ministerial approval. This represents a more decentralised and accountable approach than previous centrally set targets. So kudos to the government for setting out explicit targets to hold itself accountable to.

The targets are a very positive step - but their impact will depend on whether Departments can translate them into sustained increases in SME participation in public procurement.

As always, Tussell is here to provide context. Firstly, it's worth noting that these targets arrive after a 5-year period of stagnation in the rate of Central Government spend with SMEs. According to Tussell, in 2024 only 11% of Central Government procurement spend went directly to SMEs, which was broadly flat over the level in 2019.

Secondly, we should recognise that other parts of the public sector have performed better than Central Government: over the same period, NHS spend directly with SMEs rose from 17% of the total to 19%, while Local Government did best of all in absolute and relative terms by going from 29% to 35%.

These comparisons bring home why it's so urgent for Ministerial Departments not just to set targets but to deliver against them. While we acknowledge that procurement patterns vary across the public sector, the success of Local Government suggests that Central Government can do much better in this regard.

This short report benchmarks the new Ministerial Department three-year targets against an actual baseline figure for 2024 using Tussell data from the [2025 SME Procurement Tracker](#).

### Ministerial targets vs 2024 baseline.

● Three-Year Ministerial Target  
● 2024 baseline (according to Tussell)

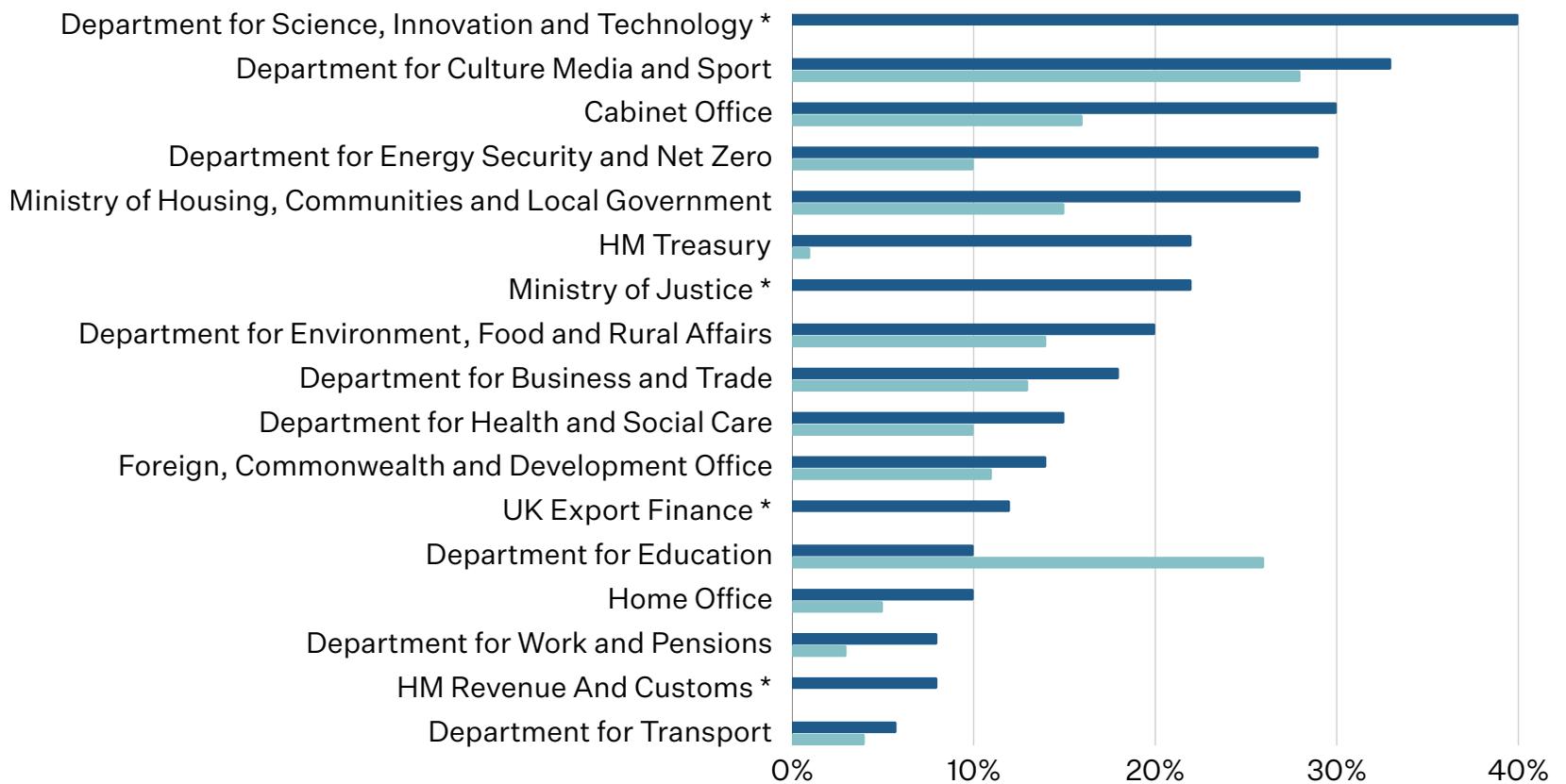


Chart: Three-year ministerial direct SME spending target vs. 2024 baseline (according to Tussell), by Department.

\* 2024 Tussell baseline not available due to departmental invoice publishing delays at time of analysis.

## Which targets are most ambitious?

Not all Departments have released their SME spending targets yet (e.g. MOD). However, most published targets - if achieved - would increase SME spend by around 5-6 percentage points.

That represents a meaningful step up from Tussell's 11% 2024 Central Government baseline.

However, ambition varies significantly by Department.

### Caveats and additional context:

Tussell's 2025 SME Procurement Tracker may exclude some invoices below £25,000, in line with Central Government publishing thresholds.

Readers should also be cautious when comparing Tussell data with departmental targets, as the methodologies differ. Our analysis includes spending by the parent Department and may contain grant transactions, whereas the targets differ in their approaches to ALBs and exclude grants. These differences can help explain apparent discrepancies - such as those seen for DfE.

Future editions of the SME Procurement Tracker will align more closely with the targets by excluding ALB and grant spending.

Ministerial Department	2024 absolute procurement spend with SMEs (according to Tussell)	2024 Percentage of direct spend with SMEs (according to Tussell)	3-Yr Ministerial Target	Difference (Ministerial target - Tussell baseline)
HM Treasury *	£3m	1%	22.00%	-21.00%
Department for Energy Security and Net Zero	£169m	10%	29.00%	-19.00%
Cabinet Office	£166m	16%	30.00%	-14.00%
Ministry of Housing, Communities & Local Government	£603m	15%	27.50%	-12.50%
Department for Environment, Food and Rural Affairs	£298m	14%	20.00%	-6.00%
Home Office	£251m	5%	10.00%	-5.00%
Department for Work and Pensions	£149m	3%	8.00%	-5.00%
Department for Culture Media and Sport	£240m	28%	33.00%	-5.00%
Department for Business and Trade *	£67m	13%	18.00%	-5.00%
Department for Health and Social Care *	£335m	10%	15.00%	-5.00%
Foreign, Commonwealth and Development Office	£423m	11%	14.00%	-3.00%
Department for Transport *	£980m	4%	5.75%	-1.75%
Department for Education	£2.4bn	26%	10.00%	16.00%
Department for Science, Innovation and Technology **	N/A	N/A	40.00%	N/A
Ministry of Justice **	N/A	N/A	22.00%	N/A
UK Export Finance **	N/A	N/A	12.00%	N/A
HM Revenue And Customs **	N/A	N/A	8.00%	N/A

\* These Departments had not published full invoices for 2024 at time of analysis. As such, absolute SME spend may be undercounted.

\*\* 2024 Tussell baseline figures not available due to departmental invoice publishing delays at time of analysis.

## Are these targets sensible?

The newly announced ministerial SME spending targets appear ambitious but broadly attainable.

Departments have already shown that progress is possible. The Cabinet Office, for example, increased direct SME spend from 9% in 2020 to 16% in 2024.

However, this progress has not been consistent. Overall, Central Government SME spend has plateaued since 2020, suggesting that meeting these targets will require deliberate changes to procurement strategy - not just incremental improvement.

For these targets to be meaningful, Departments will need to measure SME spend consistently and benchmark it accurately. Without that, progress will be difficult to assess - and easy to overstate.

## What happens now?

The focus now shifts to delivery. Meeting these targets will depend on whether Departments can accurately measure SME spend - and adjust procurement strategy accordingly.

We'll be tracking progress on direct Central Government SME procurement spend as new data emerges.

VCSE spending targets are also expected soon, which will add further complexity to how Departments define and report supplier diversity.

If you want to understand how your organisation compares - or how to set realistic, data-backed targets - [get in touch with the Tussell team.](#)

**Tussell's public sector market intelligence platform is already used by contracting authorities including:**

