

Billions to go directly to small businesses across the country as government sets new targets for spending

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Government departments have, for the first time, set individual spending targets for small and medium-sized enterprises (SMEs) to deliver over £7.4 billion a year to small businesses by 2028.

- Small businesses across the country are set to benefit from over £7.4 billion of Government money a year by 2028
- Departments have, for the first time, set individual targets for the amount they will spend with SMEs - boosting economic growth and delivering on the Plan for Small Business.
- New requirement to publish yearly progress updates to ensure departments stay on track.

Small businesses across the country are set to receive over £7.4 billion a year from Government spending by 2028, boosting local communities and creating jobs.

New targets published today will see Government departments delivering on a key commitment in the Plan for Small Business by spending more money with small and medium sized businesses, so they can grow themselves and grow the economy.

Departments have for the first time, individually set direct SME spending targets and will publish yearly progress updates ensuring they are held to account, those who fall behind will need to set out robust actions on how they will improve.

This is in addition to small business spending from the Ministry of Defence which will increase by a further £2.5 billion, to £7.5 billion by May 2028.

While the targets are for direct spending, billions more also goes through supply chains, meaning the overall amount for small businesses is likely to be even higher.

This government is empowering business to drive growth and wealth across Britain because a thriving private sector creates opportunities for people to get good jobs across the country. This is why we will be more proactive than our predecessors in backing British businesses small and large to build and scale up.

Last year, the Government launched its flagship Small Business Plan, which included the most significant legislation to tackle the scourge of late payments in over 25 years and a massive £4 billion finance boost to break down barriers to accessing funding.

Cabinet Office Minister, Chris Ward said:

This Government is backing SMEs and British businesses.

These ambitious spending targets will help ensure more Government contracts go to SMEs - keeping more money, jobs and opportunities in local communities. This will make a real difference - and is a statement of intent that this Government will pull every lever

to support SMEs and drive growth.

The money will go to businesses across the country, including key sectors cyber, manufacturing, finance and science.

Previous Small Medium Enterprises (SMEs) to win government contracts include UMi, based in Durham which was chosen to spearhead the Business Support Service, and Logan Construction based in the South East which has won a number of government construction contracts.

The targets will help to rebalance government spending from big international companies and put it into the pockets of hardworking communities in the UK, boosting local growth and creating new jobs.

Small Business Minister, Blair McDougall said:

These new targets will ensure thousands of smaller businesses have greater opportunity to win lucrative government contracts and grow their businesses.

As outlined in our Plan for Small Business, increasing procurement spend with SMEs is a national priority to drive growth across the UK, and through today's changes we are delivering on that.

Policy Chair at the Federation of Small Businesses (FSB), Tina McKenzie said:

Understanding exactly how much central government spends directly with small businesses is essential for holding departments to account.

The decline in direct SME spend since 2022 shows exactly why these targets matter - as well as the scale of the task ahead. It's important that this announcement is a starting point for more ambitious future spending commitments for 2028 and beyond, particularly as overall spend among the biggest government departments like health, defence and education, is set to rise.

Chief Executive of UMi, Nicki Clark said:

The advantages of enabling SMEs to access publicly procured opportunities is well understood, so the momentum and practical change that is being created in achieving that through the new procurement act is really encouraging to see.

Chair of Constellia, Rob Levene said:

Today's announcement marks a pivotal moment for small businesses across the UK who have felt locked out of public contracts due to cost or complexity.

More collaboration with SMEs will ensure better value, less waste and meaningful returns for communities, ensuring Government Departments reap the multitude of

benefits offered by agile and innovative SMEs.

Targets set across government include 40% from DSIT, 33% from DCMS and 30% from Cabinet Office, with nearly half of departments setting a target of above 20%. Meaning that for every five pounds spent at least one is going directly to a small business for half of government.

Full details of the Departmental Small Business Procurement Targets are on GOV.UK.

<https://www.gov.uk/government/news/billions-to-go-directly-to-small-businesses-across-the-country-as-government-sets-new-targets-for-spending>