Innovation Procurement Empowerment Centre

A Connected Places Catapult Initiative

Geographic patterns of public procurement engagement among UK scale-ups

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Research brief no. 24
Publication Date: November 2026

Innovation Procurement Empowerment Centre

IPEC Research

Executive summary

Scale-ups are central to the UK's industrial strategy, but their economic benefits remain unevenly distributed, with growth concentrated in London and the South East. This report examines how public procurement is geographically distributed between scale-ups and non-scale-ups across UK regions. Specifically, it examines whether scale-ups in different parts of the country access procurement at similar rates, whether spending is concentrated in particular regions, and how buyer type interacts with geography to shape procurement outcomes. The report provides new regional evidence on procurement participation and spending patterns, with the objective to inform efforts to design procurement systems that are not only growth-oriented but also geographically inclusive, in line with the government's levelling-up ambitions and industrial strategy objectives. Some of the findings are:

- Scale-ups and non-scale-ups engage with similar types of public sector buyers, but future scale-ups (firms that later become scale-ups) receive a much higher share of contract value from central government, indicating that high-value procurement relationships are concentrated among firms that later grow rapidly.
- Public procurement landscape of scale-ups is geographically uneven across the UK: London and the South East continue to dominate as supplier regions, capturing the majority of central government procurement awarded to scale-ups.
- Local retention of procurement spending on Scale-ups varies widely. Scale-ups in regions such as Scotland, the North West, and London retain a higher proportion of local procurement value, whereas the East of England, East Midlands, and Northern Ireland rely heavily on scale-ups outside their regions.
- Interregional flows of procurement from Scale-ups remain highly concentrated, with many regions directing substantial portions of their procurement spend to suppliers in London and the South East, limiting the potential for using local procurement for local economic growth and resilience.
- Public procurement currently tends to reinforce rather than reduce regional inequalities. Stronger regions both host more scale-ups and attract procurement flows from across the country.

1. Introduction

Encouraging scale-ups has become a key part of the UK government's industrial strategy, reflecting a growing recognition that high-growth firms are central to productivity, job creation, and long-term economic resilience (HM Government, 2025). Yet the benefits of scale-up activity are not evenly distributed across the country. Regional economic disparities remain one of the most persistent structural features of the UK economy, with economic activity, investment, and firm growth heavily concentrated in London and the South East (McCann, 2016). Understanding whether public procurement reinforces or helps to redress these geographic imbalances is therefore an important question for both innovation policy and regional development.

Public procurement, amounting to £385 billion annually, represents one of the most powerful demand-side levers available to government (CMA, 2025). When deployed strategically, it can act as an anchor customer for innovative firms, providing early revenue, market validation, and a springboard for further growth (Edler and Georghiou, 2007). However, if procurement spending is geographically concentrated, it may inadvertently deepen existing regional inequalities by directing resources disproportionately toward firms in already well-served areas. The ScaleUp Institute (2025) notes that while scale-ups are found across every region and nation of the UK, scaleup density varies substantially, with areas such as the West Midlands and parts of the North consistently underperforming relative to their population. At the same time, evidence shows that the local government is the single largest buyer in terms of supplier numbers, while the central government dominates in terms of contract value, raising questions about how different buyer types shape geographic patterns of procurement engagement.

Despite this policy relevance, the geographic dimension of procurement and scale-up participation remains underexplored in the academic literature. Research on public procurement has largely focused on firm-level barriers, SME access, and innovation outcomes at the national level (Loader, 2013; Uyarra et al., 2014), with limited attention to how procurement flows are distributed across regions or how this distribution interacts with firm growth. Similarly, the regional economics literature has examined agglomeration, investment, and productivity disparities in detail (Overman and Rice, 2008), but has not systematically addressed procurement as a potential channel through which spatial inequalities in firm growth are shaped or sustained.

This report addresses that gap by asking how public procurement is geographically distributed between scale-ups and non-scale-ups across UK regions. Specifically, it examines whether scale-ups in different parts of the country access procurement at similar rates, whether spending is concentrated in particular regions, and how buyer type interacts with geography to shape procurement outcomes. The report provides new regional evidence on procurement participation and spending patterns, with the objective to inform efforts to design procurement systems that are not only growth-oriented but also geographically inclusive, in line with the government’s levelling-up ambitions and industrial strategy objectives.

2. Data and sample

2.1 Data

To analyse the regional distribution of the participation of scale-ups in public procurement, we use the linked firm-level data from FAME on firms and Tussell on procurement, covering the period 2016 to 2024. In line with the earlier Research Brief (Deng et al., 2026), we identify scale-up firms as those with average annualised growth in employee headcount of more than 20% per year over a three-year period, and with 10 or more employees at the beginning of the observation period. In total, we identify 136,250 UK firms for this part of the analysis, of which 60,251 experienced at least one scale-up episode between 2016 and 2024. We focus on the ITL-1 geographical level in this report, as it allows for meaningful comparisons across regions while avoiding excessive disaggregation, which could lead to sparsity and potentially mislead interpretation. It also provides a clearer spatial representation, helping to better understand the flow of procurement contracts across broader regions.

2.2 The proportion of firms receiving public procurement across buyer types

First, to better understand the nature of public procurement engagement before firms are identified as scale-ups, it is useful to look not only at whether firms receive procurement, but also at which types of public sector buyers they supply. The charts distinguish four buyer categories: central and devolved government (shorthanded for central government hence), which includes UK and devolved nations government departments and parliament; local government including local authorities (include unitary authorities and combine authorities), parish and town councils; NHS; and other public sector organisations. Firms are classified as scale-ups at year (t) based on their growth over the preceding three-year window. We therefore refer to them in many parts of the paper as “future scale-ups”, while public procurement is measured over that same observation window.

Figure 1 shows the distribution of public sector buyer types by number of suppliers. For both future scale-ups and non-scale-ups, local government accounts for the largest share of public buyers every year. Together, between 2019 and 2024, scale-ups were awarded over £407 billion in public procurement contracts, accounting for around 17% of the total procurement value in our sample. In total, this involved 55,231 contracts, representing approximately 18% of all contracts in the sample. Among non-scale-ups, the local share remains very stable, at around 45.9% to 46.7% throughout 2019-2024. For future scale-ups, the pattern is similar, although slightly more stable, ranging from 47.0% to 47.2%.

The next largest category is the central government. Here, future scale-ups consistently have a somewhat larger share than non-scale-ups. For non-scale-ups, the central government share stays around 23%, while for scale-ups it is generally higher, ranging from 23.9% to 27.0%. This indicates that firms later identified as scale-ups are somewhat more concentrated in central government procurement relationships than non-scale-ups. By contrast, the NHS and other public sector categories account for smaller shares. For both groups, NHS procurement represents around 13-15% of supplier numbers, while the “other” category accounts for roughly 14-17%. These shares remain relatively stable over time. Overall, our result suggests

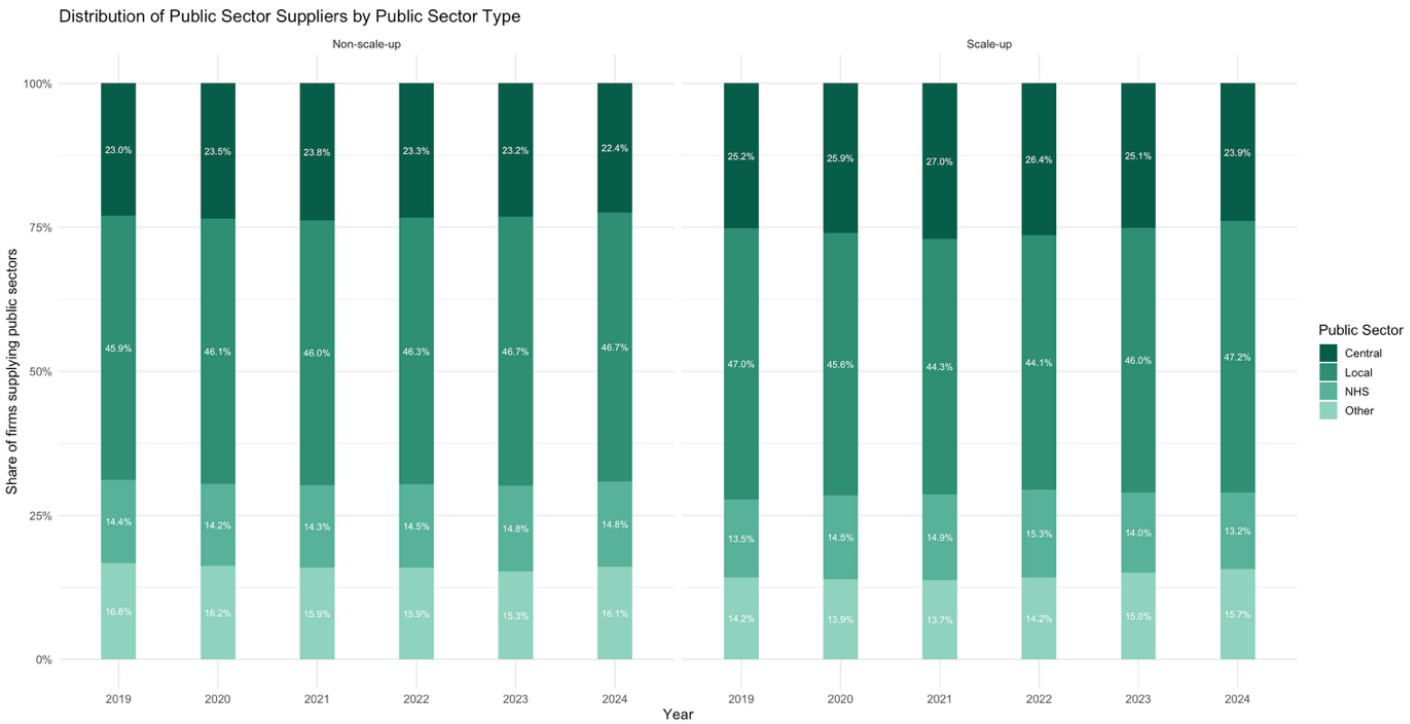


Figure 1. Distribution of public sector suppliers by public sector type

that the composition of buyer types is broadly similar for future scale-ups and non-scale-ups, but with future scale-ups showing a slightly stronger orientation towards central government and a slightly weaker one towards local government.

Figure 2 examines the distribution of procurement spending by buyer type. Here the differences between future scale-ups and non-scale-ups become much more pronounced. For non-scale-ups, procurement spending is split relatively evenly between central and local government, with central government accounting for around 34-39% and local government around 30-34% over the period. NHS spending represents a smaller but still meaningful share, rising from 15.8% in 2019 to 19.4% in 2024, while the “other” category remains around 13-16%.

For firms identified as scale-ups at year *t*, procurement spending is much more heavily concentrated in central government. The central government share rises from 35.3% in 2019 to above 50% in both 2023 and 2024. At the same time, the share accounted by local governments falls markedly, from 35.1% in 2019 to 23.0% in 2023, before recovering slightly to 26.4% in 2024. NHS spending to scale-ups is relatively high in the middle of the period, peaking at 23.8% in 2020 and 22.6% in 2021, before declining to 15.8% in 2024. The “other” category remains the smallest component, generally below 12%.

Overall, our findings suggest that while future scale-ups and non-scale-ups supply broadly similar types of public buyers in terms of participation, the pattern is quite different in terms of spending value. Local government appears to be the main entry point for both groups when measured by the number of suppliers, but the value of contracts awarded to future scale-ups is increasingly concentrated in central government. This

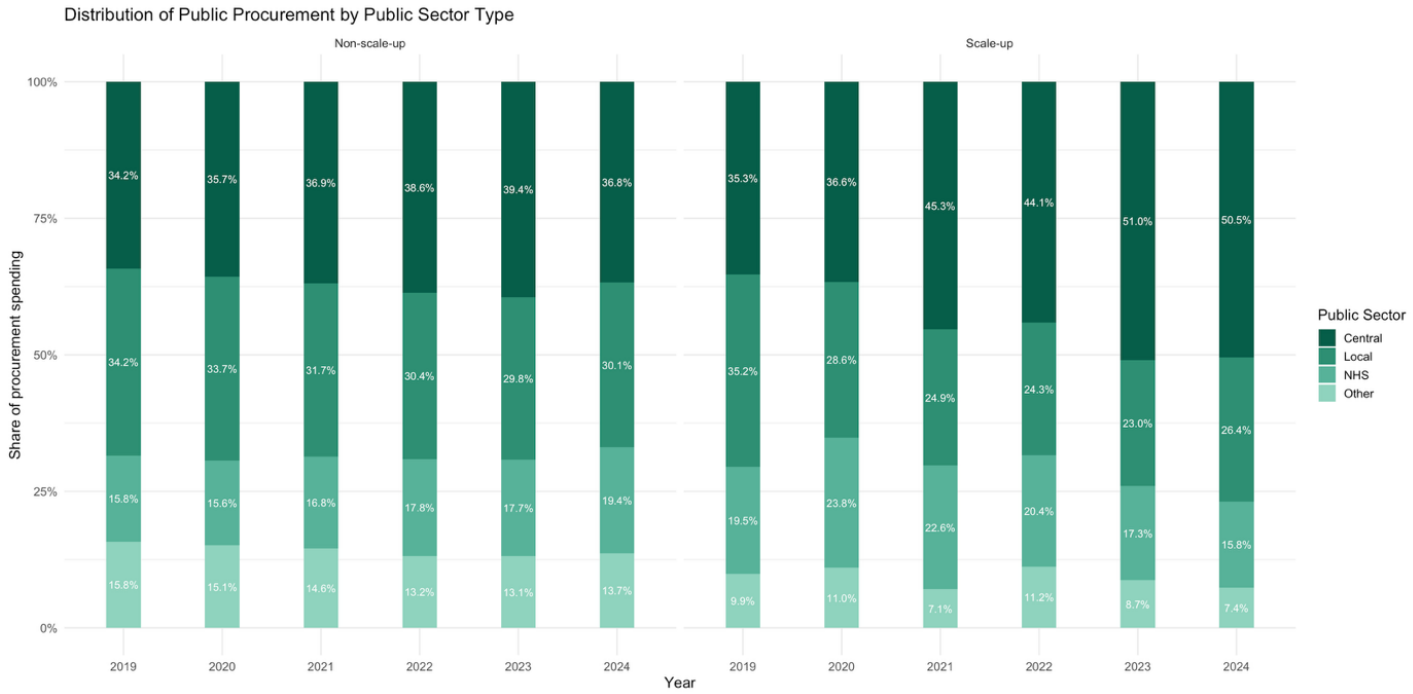


Figure 2. Distribution of public procurement spending by public sector type

implies that firms later identified as scale-ups are not necessarily engaging with a wider range of public buyer types, but when they do secure higher-value procurement, it is more likely to come from central government buyers. Local government seems to play a broad role in supplier engagement, but central government appears more important in shaping the value of procurement received by firms that later scale. This may reflect differences in contract size, procurement structure, sector focus, or the types of goods and services being purchased. Overall, the evidence points to a procurement landscape in which buyer type matters, and where central government may be especially significant for the higher-value procurement relationships associated with future scale-ups.

2.3 Geographic distribution

Regional disparities span several dimensions. They are reflected not only in the number of scale-ups across regions, as highlighted by the ScaleUp Institute, but also in the distribution of public procurement contracts awarded to our future scale-ups across different regions.

Figure 3 illustrates these disparities through differences in the total value of public procurement awarded by central government. Panel A presents the distribution in 2019, while Panel B shows the pattern in 2024. There are clear regional winners and losers. London remains in the top quartile in both years and continues to receive the highest share of central government procurement, taken together a total of 38% of procurement awarded to our identified future scale-ups by central government in 2019, and again rose to 61% in 2024. This reflects both the dominance of London in the UK economy and the role of geographical proximity.

Firms in the South East also remain important recipients of central government procurement, consistently ranking among the top regions in both 2019 and 2024. In contrast,

firms located in Wales and the North East receive a relatively small share of procurement contracts awarded to future scale-ups, at 1.6% and 0.6% in 2019 respectively then 0.7% in 2024 respectively, with both regions remaining in the bottom quartile in both years. Scale-ups in Scotland also remain important recipient of procurement contract, not only from the UK government, but also from Scottish government.

With successive governments' ambition to level up regional economies, the overall disparities in central government procurement appear to have narrowed. By 2024, compared with 2019, the West Midlands and Yorkshire and the Humber have moved into the top quartile in terms of procurement value received from central government.

Figure 4 further examines regional disparities. Panels A and B show the percentage of future scale-ups awarded public procurement contracts from local and central government up to 4 years before achieving the scale-up status, respectively, in 2019, while Panels C and D present the same distribution for 2024.

A clear pattern across both years is that local government procurement is more widely distributed across regions than central government procurement. In 2019, several regions in the North and Midlands fall into higher bands for local procurement, including the North East (36.3%), Yorkshire and the Humber (35.0%), and the West Midlands

Panel A: 2019



Panel B: 2024



Figure 3. Total procurement awarded to scale-ups by region – quartiles

Source: FAME and Tussell

(31.9%). In contrast, central government procurement is more concentrated, with most regions in lower bands, although Wales (21.5%) and Scotland (22.3%) stand out as exceptions.

This pattern remains broadly consistent in 2024, with some upward movement across regions. For local government procurement, the North East moves further into the highest band (41.4%), while Yorkshire and the Humber (34.9%), the West Midlands (34.1%), and the East Midlands (33.9%) remain in relatively high bands. London continues to sit in a lower band, increasing only modestly from 16.1% to 19.4%, while Northern Ireland also remains at the lower end despite an increase from 8.7% to 14.2%.

For central government procurement, the distribution remains uneven. Scotland (25.9%) and Wales (22.4%) continue to occupy higher bands in 2024, while most other regions remain below 20%. Some regions, such as the North East (16.6%) and Northern Ireland (16.4%), move into mid-range bands, but London and the East Midlands remain among the lowest.

Overall, the figure highlights two key features. First, local government procurement is more geographically dispersed, with several regions consistently appearing in higher bands. Second, central government procurement remains more concentrated, with only a small number of regions reaching higher bands, although there is some modest broadening of participation by 2024.

2.4 Within-region procurement and inter-regional flow of procurement contract

While public procurement has been highlighted one of the methods to levelling up regional economy by stimulating innovation and firm performance. The actual benefits

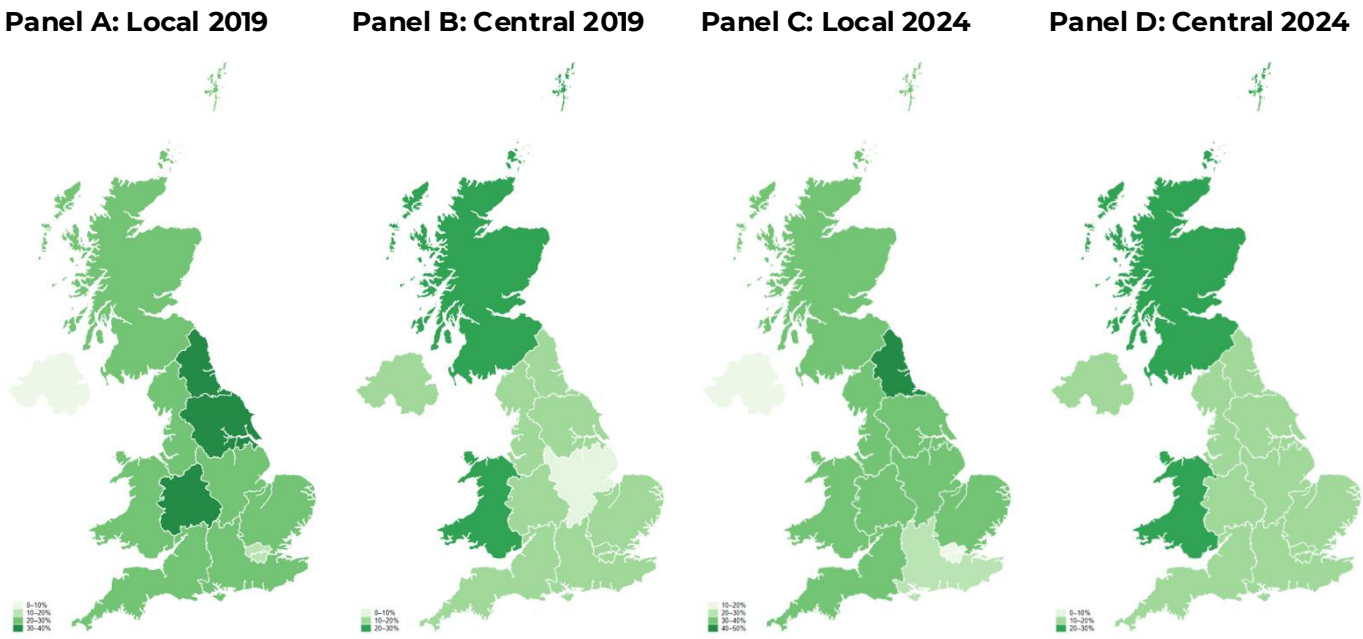


Figure 4. Percentage of scale-ups receiving procurement contracts in the four years prior to scale-up status (2019 and 2024)

Source: FAME and Tussell

often constraint by the regional absorptive capacity, in terms of skills and knowledge of firms to delivery the contract. Therefore, it is important to understand how procurement contracts of local governments, spend on local firms.

Figure 5 shows the percentage of local government procurement contract value that is awarded to scale-ups located within the same region. The figure highlights substantial variation in the extent to which procurement is retained locally for scale-ups.

London exhibits the highest level of within-region retention (57%), followed by the North West (54%) and Scotland (48%), all of which retain a relatively large share of procurement within their own regions. The South East also shows a comparatively high level of local retention.

In contrast, several regions display much lower levels of within-region procurement. The East of England records the lowest share, indicating that a significant proportion of procurement is awarded to firms located outside the region. The East Midlands and Yorkshire and the Humber also fall into lower bands, suggesting weaker local retention.

Figure 6 shows the percentage of local government procurement contract value that is awarded to scale-ups within the same region in 2024. As in 2019, there remains substantial variation across regions in the extent of local retention.

Scotland stands out with the highest level of within-region procurement (67%), exceeding all other regions. The West Midlands and the North East also record relatively high levels of retention (50% and 48% respectively), followed by the North West and London. Most other regions, including Yorkshire and the Humber, Wales, the South West, and the South East, are clustered around the mid-range, suggesting a more balanced split between local and non-local suppliers that are scale-ups.

At the lower end, the East Midlands, Northern Ireland, and the East of England continue to

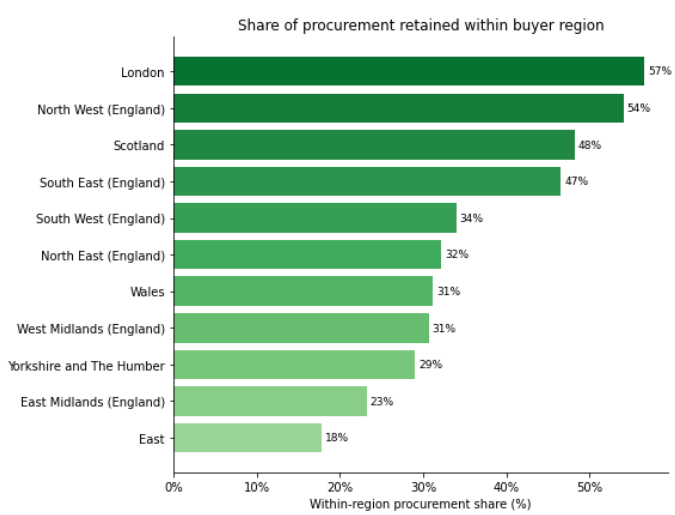


Figure 5. Percentage of procurement spending retained within buyer region – 2019

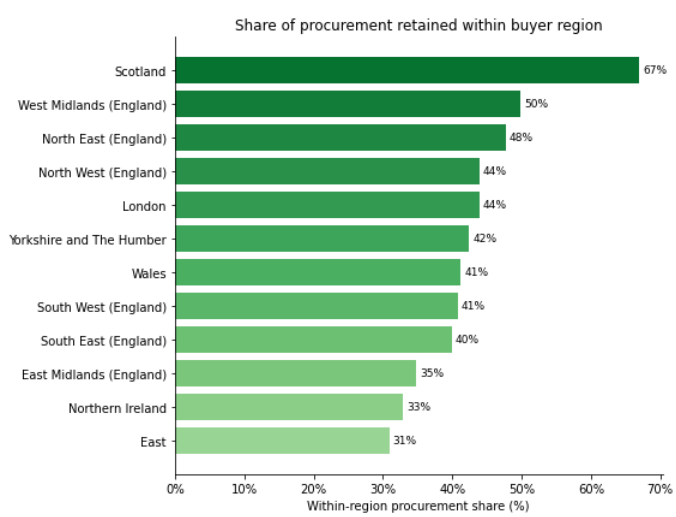


Figure 6. Percentage of procurement spending retained within buyer region – 2024

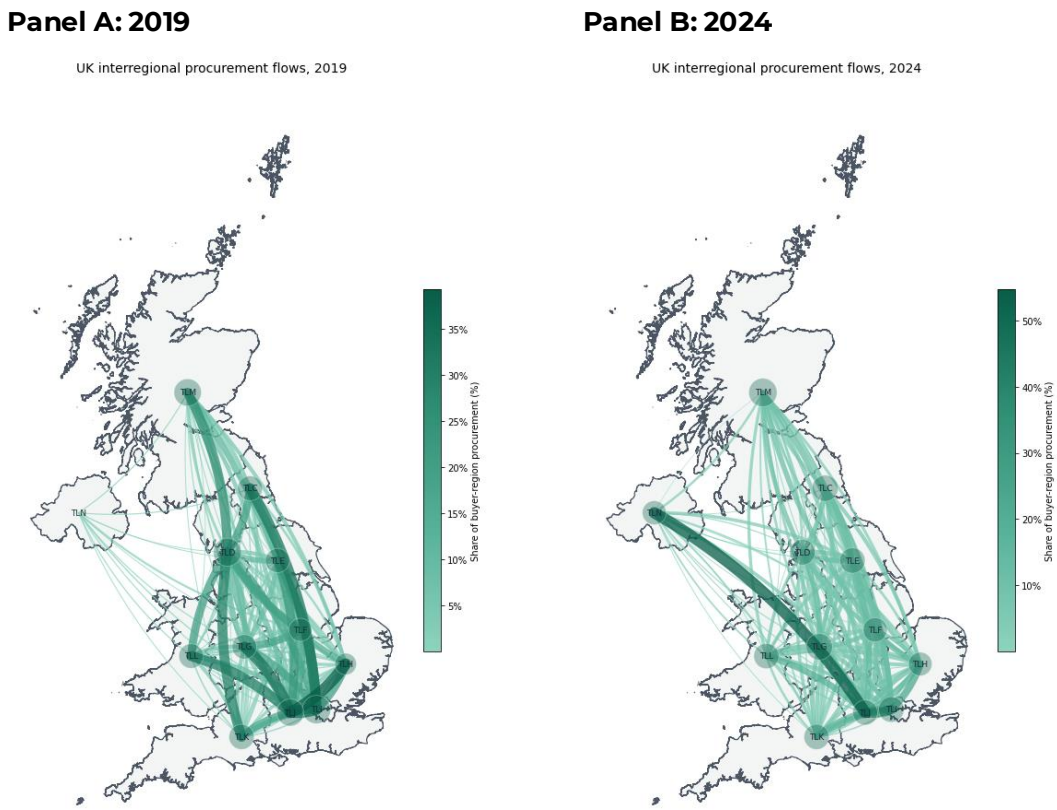


Figure 7. Interregional flows of local government procurement spending (2019 and 2024)

exhibit comparatively low levels of procurement from local scale-ups, indicating a greater reliance on scale-up firms located outside their regions.

Compared to 2019, there is evidence of a general increase in within-region procurement across most regions, with several regions moving into higher bands. The distribution appears somewhat more even overall, although the gap between the highest- and lowest-retaining regions remains pronounced.

To understand the regional flow of local government procurement contracts, Figure 7 presents the flow of procurement spending across regions. Panel A shows the pattern in 2019, while Panel B shows 2024. The lines are unidirectional, indicating the flow of spending from the buyer region to the supplier region. Thicker and darker lines represent a higher share of procurement spending directed to a given supplier region.

In 2019, a clear pattern emerges in which firms located in London and the South East received a substantial share of local government procurement spending from other regions. This is particularly evident in the North East, where 32.7% of spending flowed to London, and in Yorkshire and the Humber, where 23.8% flowed to London and a further 22.4% to the South East. The role of the South East as a supplier region is also especially strong for the East of England and the West Midlands, which directed 39.4% and 33.8% of their spending respectively to suppliers located there. Wales also shows a strong reliance on the South East, with 30.7% of procurement spending flowing to that region.

Several additional patterns can also be observed. Scotland shows a relatively strong procurement link with the North West, with 26.4% of its spending going to suppliers there. The South West also appears particularly connected to the North West, which received 29.7% of its procurement spending. Overall, the 2019 pattern points to a marked concentration of procurement flows towards a small number of supplier regions, particularly London, the South East, and, in some cases, the North West.

The 2024 flows, shown in Panel B, broadly follow a similar pattern, with the dominance of suppliers in London and the South East remaining evident. One notable feature is the particularly strong reliance of Northern Ireland on suppliers located in London, which further highlights the central role of London as a supplier region. Overall, while some regional linkages evolve over time, the concentration of procurement flows towards a small number of regions persists.

3. Conclusion

This report highlights the geographical pattern of scale-ups awarded public procurement contracts across different types of government from the UK government to local authorities. Our report highlights geographical disparities of scale-ups in accessing public procurement contracts.

Scale-ups in London and South East play a dominate role in supplying for public procurement contracts across the UK. Scale-ups in London accounts for biggest proportion of central government procurement. With scale-ups in South East, they also supplied local government procurement contracts in the rest of the UK regions, in particular in North East, West Midlands and East of England.

At the same time, regions differ significantly in their ability to retain procurement spending locally. While some regions, such as Scotland and parts of the Midlands, retain a relatively higher share of procurement within their own region, others rely more heavily on suppliers located in London and the South East. This suggests that procurement spending in these regions may generate fewer local economic benefits.

Overall, these patterns indicate that public procurement flows tend to reinforce existing regional inequalities, with stronger regions acting as key suppliers while weaker regions remain more dependent on external supply chains. This provides an important message for public procurement policy, particularly in light of the growing emphasis on using procurement to support economic growth (HM Government, 2025).

Given that local procurement accounts for the largest share of spending, it presents a key opportunity to support the growth of local businesses. However, this will not occur automatically. Suppliers are often constrained by their capacity to deliver, including limitations in local labour market skills, capabilities, and knowledge. A successful procurement strategy for growth therefore requires complementary measures that help level the playing field for local suppliers. This includes equipping firms with the necessary skills, capabilities, and knowledge to compete for and deliver contracts effectively.

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