Innovation Procurement Empowerment Centre

A Connected Places Catapult Initiative

Driving innovation through public procurement: evidence and models on engaging small and medium enterprises

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Executive summary

Public procurement is a powerful tool for shaping markets and delivering public value, but its continued reliance on traditional, specification-led models limits its ability to engage innovative SMEs and effectively address complex, evolving challenges. This study examines how local authorities and public sector organisations can better engage SMEs and support innovation through procurement. It focuses on the interaction between three key elements:

- public sector demand (how challenges are defined and articulated),
- innovators and SMEs (who develop and deliver solutions), and
- the wider system (including intermediaries, accelerators, and partnerships that connect the two).

Drawing on three case studies, the Innovation Procurement Empowerment Centre (IPEC) Cohort Programme, the DIATOMIC (Digital Innovation Transformative Change) Accelerator, and the West Midlands Health Tech Innovation Accelerator (WMHTIA), the research explores how different models support key stages of innovation procurement, including problem definition, early market engagement, supplier interaction, and pilot testing. The findings show that:

Across the case studies, several consistent lessons emerge:

- Problem definition is critical
- Early market engagement broadens participation:
- Testing reduces risks
- Flexibility is essential
- SMEs need clearer routes into public markets
- Real-world testing improves outcomes

Based on these insights, a practical procurement ***PREP Framework*** was developed to provide local authorities and the public sector with clear, actionable guidance across the procurement cycle.

1. Introduction

Innovation-friendly procurement does not begin with the tender. It begins with better problem definition, earlier engagement, stronger internal capability, and clearer pathways for SMEs to move from innovation to adoption.

Public procurement plays a critical role in shaping markets and enabling innovation. Through their purchasing power, public sector organisations can influence supplier behaviour, stimulate technological development, and support the growth of innovative firms. For local authorities (LAs), procurement is not only a mechanism for securing goods and services, but also a potential lever for addressing complex public challenges, improving service delivery, and creating wider social and economic value.

Despite this potential, many public sector procurement processes continue to provide barriers, particularly for Small and Medium Enterprises (SMEs). Complex procedures, disproportionate requirements, and limited opportunities for early engagement can make it difficult for SMEs to compete, despite their important role in delivering innovative products, services, and solutions.

In this *Research Brief*, we provide evidence and models we identified with wider public sector organisations, as well as LAs, on how to engage with SMEs through a lens of *"innovation procurement*".

The concept of innovation procurement has gained increasing attention in policy and practice. Within the public procurement context, the term can refer to three related but distinct approaches:

- The **purchase of innovation**, where public authorities procure new or cutting-edge technologies that are not yet widely available in the market.
- Encouraging **innovative suppliers** in the procurement process, particularly SMEs and start-ups that may offer novel solutions but face barriers to entering public procurement markets.
- **Innovation within the system and procurement process** itself, including the adoption of new procurement procedures, challenge-based approaches, and structured experimentation.

The Procurement Act 2023, which came into force in February 2025, is beginning to create a more flexible and innovation-oriented procurement environment in the UK. Early evidence from Tussell,[1] a procurement data provider, suggests that although overall tender volumes have not yet increased, contracting authorities are making greater use of preliminary market engagement (PME), multi-stage procurement approaches, and more flexible procedures such as the Competitive Flexible Procedure (CFP) (Pollard, 2026). These reforms appear to be encouraging earlier supplier engagement, more strategic procurement design, and improved opportunities for SMEs and voluntary and community social enterprises (VCSEs) to participate, particularly in open tendering. While it is still too early to assess the full impact of the Act, initial evidence suggests it is already supporting a shift towards more adaptive, outcome-focused, and innovation-friendly procurement practices.

Innovative SMEs, including start-up firms, can provide new, agile technological solutions to the complex problems faced by public sector

organisations. However, supporting early-stage innovation can be particularly challenging. Solutions at lower Technology Readiness Levels (TRLs) often require testing, development, and iterative learning before they are ready for large-scale deployment. Standard procurement procedures are often not designed to support these types of innovation processes. Weak pre-market engagement can also limit public sector buyers' ability to understand the range of solutions that may already exist or could be developed.

Considering these recent observations, in this study, we adopted a qualitative case study approach to highlight different models and evidence to highlight and capture the following three dimensions in the innovation public procurement:

(1) *the role of* ***public sector organisations*** *in defining needs and creating demand,*

(2) *the role of* ***innovators and SMEs*** *in developing and testing solutions, and*

(3) *the role of* ***the wider system*** *in linking the two through brokerage, capacity building, collaboration, and practical support*.

We highlight insights and lessons from three programmes designed to facilitate innovation public procurement. These insights formed the basis for a set of practical guidance and the ***PREP Framework*** designed to provide an accessible, at-a-glance guide to key decision points in procurement and early market engagement. The framework aims to help LAs and other public sector organisations create more SME-friendly and innovation-focused procurement processes. The four-step PREP Framework summarises the key actions that procurement teams can take to engage SMEs more effectively throughout the procurement lifecycle, from defining the problem to supporting implementation and continuous improvement.

2. Case studies

Three programmes were chosen as case studies to highlight models and evidence on how to support innovation procurement and SME engagement:

- **Innovation Procurement Empowerment Centre (IPEC) Cohort Programme**
- **DIATOMIC (Digital Innovation Transformative Change) Accelerator**
- **West Midlands Health Technology Innovation Accelerator (WMHTIA)**

Insights were gathered through engagement with programme managers, participants (LAs and SMEs), and partners in their ecosystems. In addition, programme documentation, policy reports, and publicly available materials were reviewed to understand the structure, objectives, and outcomes of each initiative. The case studies were then analysed to identify common themes and lessons that can be generalised across different public sector contexts. This analysis helped identify how different programmes approach key stages of innovation procurement, including problem definition, supplier engagement, and the testing of innovative solutions through pilot projects.

The three cases represent distinctive models of innovation procurement support as summarised in **Table 1** below.

The three programmes have different geographical targets. ***IPEC Cohort Programme*** under the Connected Places Catapult provides challenge-led programmes for LAs nationally. ***DIATOMIC*** and ***WMHTIA*** were accelerator programmes targeting SMEs and innovators set in a specific region as part of the **West Midlands Innovation Accelerator programme**. [2] The three initiatives differ in their sectoral focus: IPEC Cohort targets LAs and is sector-agnostic; DIATOMIC centres on a digital twin platform; and WMHTIA focuses on health and medtech innovation. These differences allow the study to compare both geographically focused and national programmes, as well as sector-specific and cross-sector approaches to innovation procurement, providing a broader understanding of how different models support SME engagement and innovation in public procurement.

Table 1. Summary of the innovation programmes

	IPEC Cohort Programme	DIATOMIC	WMHTIA
Year Operational	2023 –	2023 - 2026	2023 - 2026
Sector	Any	Digital Technology	HealthTech
Key Benefactors	Local Councils	SMEs	SMEs
Funder	Innovate UK and CPC	Innovate UK and DSIT; WMCA	Innovate UK and DSIT; WMCA
Type	Challenge-led programme	Innovation Accelerator	Innovation Accelerator
Geographical scope	National	West Midlands	West Midlands

2.1 IPEC Cohort Programme

The Innovation Procurement Empowerment Centre (IPEC) Cohort Programme is a structured capacity-building initiative designed to support local authorities in adopting and implementing innovation procurement practices.

The programme brings together LAs and innovative suppliers to explore how procurement can be used not only to purchase existing goods and services, but also to stimulate innovation, engage SMEs and scale-ups, and address complex public challenges.

Through a cohort-based model, LAs work collaboratively over a defined period to identify procurement challenges within their organisations, test new approaches, and share learning with peers. The programme combines expert guidance, peer learning, and practical experimentation to help organisations build confidence and capability in procuring innovation.

The approach recognises that many LAs are interested in innovation but face institutional barriers, risk aversion, and limited internal capacity to implement new procurement approaches. The cohort model therefore creates a safe environment for experimentation while providing practical tools and support.

The IPEC Cohort Programme typically follows a structured learning and experimentation process, combining workshops, mentoring, and practical project development.

Key elements of the programme include:

1. Challenge Identification and Problem Definition

Participating organisations begin by identifying a specific operational challenge or service need within their organisation. Rather than defining a detailed technical specification from the outset, the focus is on clearly articulating the problem to be solved and the outcomes required.

2. Market Engagement and Expression of Interest

An Expression of Interest (EOI) or similar market engagement exercise is used to invite suppliers to respond to the challenge and propose potential solutions.

This stage allows the contracting authority to:

- understand the range of technologies and solutions available in the market
- identify innovative suppliers, including SMEs and technology providers
- refine the procurement challenge based on market feedback

3. Iterative Engagement and Supplier Dialogue

Following initial market engagement, a series of structured dialogue sessions are organised between the buyer and potential suppliers. These may include:

- Needs clarification sessions, where the contracting authority refines its requirements and objectives.
- Supplier pitching sessions, where suppliers present proposed solutions and receive feedback.

This iterative process helps ensure that both buyers and suppliers develop a clearer understanding of the technological possibilities, operational needs, and potential delivery models.

4. Capacity Building and Learning Sessions

A key feature of the cohort model is the opportunity for participating organisations to learn from each other's experiences. Regular discussions allow participants to share challenges, reflect on progress, and exchange ideas about what works in practice. This includes a series of workshops and training sessions covering topics such as:

- Early market engagement
- Outcome-based specifications
- Procurement procedures that support innovation
- SME-friendly procurement practices
- Risk management in innovation procurement

5. Pilot Projects and Practical Testing

The final stage involves testing proposed solutions through pilot projects or demonstrations.

6. Reflection and Knowledge Sharing

At the end of the programme, participants share their experiences, including what worked well, the barriers encountered, and lessons that can be applied by other public sector organisations.

The following example of Somerset Council highlights the way the local government explored innovation procurement methodologies through the IPEC Cohort programme, by structuring challenge-led procurement deploying emerging technologies and an early engagement with suppliers.

Example: Somerset Council has been exploring how emerging technologies, such as drones and future flight systems, can support the delivery of public services, particularly in areas such as environmental monitoring, infrastructure inspection, and flood risk management. As part of this work, the council adopted a challenge-led procurement approach, framing the procurement around a service challenge rather than specifying a predefined product or solution. This approach encouraged suppliers to propose innovative technologies capable of addressing complex operational needs.

The initiative forms part of Somerset Council's broader ambition to integrate innovation and digital technologies into public service delivery, while also supporting regional opportunities linked to future flight technologies, including drones, hybrid-electric aircraft, and autonomous systems.

The challenge focused on identifying how drone and future flight technologies could support services such as infrastructure inspection, flood monitoring, environmental data collection, and early warning systems. An Expression of Interest (EOI) was issued to the market, generating around 80 applications, which demonstrated strong supplier interest and enabled further engagement with potential providers.

As part of this process, Somerset Council explored the development of a pilot project using drone technology for asset inspection. The pilot aims to assess the feasibility and effectiveness of drone-based monitoring solutions for infrastructure and environmental services, while helping the council better understand how innovative technologies can be integrated into routine public service delivery.

We identified the following four lessons from the IPEC Cohort programme.

1. Early Market Engagement Improves Problem Definition

Early supplier engagement helps public sector buyers understand available market solutions and enables suppliers to prepare for future opportunities. In this case, the EOI process and supplier workshops helped refine the procurement challenge and identify suitable solutions, particularly benefiting SMEs and innovative firms that may struggle to respond quickly to traditional tenders.

2. Internal Culture Matters

A key barrier to innovation procurement is often organisational culture rather than regulation. Risk-averse attitudes can discourage the use of new procurement approaches, making skills, knowledge, and confidence-building essential. Success also depends on internal champions who can drive the process, promote innovation, and help colleagues understand the benefits of new procurement methods.

3. Innovation Procurement Requires Significant Internal Capacity

A key challenge was limited internal capacity, including both technical expertise in emerging technologies and staff time to support innovation-focused procurement. Without sufficient technical knowledge, public sector buyers may struggle to define challenges clearly and assess supplier proposals effectively. Additionally, innovation procurement often requires time-intensive activities such as workshops, market engagement, and supplier feedback, creating practical challenges for local authorities with limited resources and staffing.

4. Supporting SME Participation Requires Active Effort

Making procurement more accessible to SMEs requires deliberate actions such as simplifying procurement documentation, providing clearer information about opportunities, and designing procurement processes that do not unintentionally favour larger suppliers.

2.2 DIATOMIC Accelerator

DIATOMIC (Digital Innovation Transformative Change) Accelerator was led by Connected Places Catapult (CPC) between 2023 and 2026 in partnership with Birmingham and Wolverhampton City Councils, Aston University, Birmingham City University, and the University of Birmingham. With these partners, DIATOMIC focused on two investment zones in the West Midlands, namely, Birmingham's Knowledge Quarter (BKQ) and Wolverhampton's Green Innovation Corridor.

The DIATOMIC programme was designed to increase innovation capacity in the West Midlands, support economic growth, and strengthen the region's R&D ecosystem by supporting SMEs, building global partnerships, and leveraging the West Midlands' strengths in advanced digital technologies. DIATOMIC has supported 36 SMEs, delivered more than 2,000 hours of business support, created over 730 networking and showcasing opportunities, and is associated with forecasted co-investment of £28.5 million.[3]

Key elements of the programme include:

1. SME engagement through digital infrastructure

DIATOMIC Accelerator is part of DIATOMIC Digital Twin Platform, enabling SMEs to test and demonstrate new digital models in secure environments. This digital infrastructure connects local authorities and academic partners with SMEs, allowing real-world challenges to be addressed through innovative solutions.

2. Real time challenge-driven approaches and trialling solutions

SMEs on the DIATOMIC Accelerator programme focus on tackling pressing challenges faced by urban authorities: namely 'data insights', 'performance', 'citizen engagement' and 'knowledge sharing'. More recent cohorts of SMEs have been trialling their solutions in the areas such as Mobility, Building Optimisation, Renewable Energy and Planning.

3. A testbed with business support and financial support

DIATOMIC provides participating SMEs with a practical testbed to drive innovative solutions to public sector challenges. They get access to funding as well as tailored business support where they test and demonstrate their technology in a real-world setting.

4. Connecting with the place-based challenges and incentive mechanisms

DIATOMIC challenges are based in the two investment zones, namely, Birmingham Knowledge Quarter (BKQ) and Wolverhampton Green Innovation Corridor (GIC), with incentive mechanisms for SMEs, primarily focusing on the regeneration of BKQ and the decarbonisation of Wolverhampton GIC.

We highlight an experience of one of the SMEs, Novoville, which participated in the DIATOMIC programme and subsequently secured a major public contract. This shows a strong example of how innovation can progress from early-stage technology development to procurement and large-scale adoption within the public sector, successfully moving from accelerator-supported innovation to commercial deployment by local authorities.

Example: **Novoville**[4] is a software company which provides a civic engagement and service delivery platform that supports local governments in operating more efficiently while strengthening connections with residents.

Building on experiences with CivTech Accelerator in Scotland, Novoville further refined its platform through participation in the DIATOMIC Accelerator, coordinated by CPC and sponsored by Birmingham City Council in 2023. [5] The programme focused on addressing urban and infrastructure challenges, particularly in retrofit delivery. The DIATOMIC Accelerator facilitated ecosystem building, connecting Novoville with contractors and utilities. Collaboration with Dodd Group enabled the platform to be tested across hundreds of properties managed by Wrekin Housing Group, provided validation of its scalability and practical application. Building on this momentum, Novoville was subsequently selected in 2026 by the West Midlands Combined Authority (WMCA) to deliver the platform under a multi-year contract.[6]

We identified the following key lessons for SMEs from the DIATOMIC programme.

Early engagement with local authorities is a key success factor for SMEs to co-create solutions.

- An accelerator not only helps SMEs but also increases appetite for challenge-led innovation within the public organisation.

- For innovators and SMEs, it is critical to engage with public sector stakeholders throughout the process.

The procurement contract timescale is a critical factor for SMEs in determining the procurement process.

- SMEs need to clarify commercial pathways at an early stage, including who will pay, from which budget, and through which procurement route.

2.3 WMHTIA

Health and care systems offer a clear demonstration of why innovation focused public procurement matters. These systems urgently require new solutions, yet SMEs often struggle to engage with them due to complex procurement pathways, stretched organisational capacity, poorly defined challenges, and limited access to real-world testing environments. The health and care sector therefore highlights both the necessity of innovation and the structural barriers that constrain it, making it a helpful case study for understanding how procurement systems can be redesigned to better support SMEs and unlock public value.

The **West Midlands Health Tech Innovation Accelerator (WMHTIA)** exemplifies this in practice, providing a clear lens through which to examine how public-sector organisations can create more innovation-ready procurement systems. Established in 2023 with £14.5 million of Innovate UK funding, later extended to 2026, WMHTIA brought together 21 partners across universities, NHS Trusts, innovation networks, and industry. Its mission was to strengthen the region's health and medtech ecosystem by offering end-to-end support to innovators, spanning early problem exploration, regulatory navigation, clinical validation, system integration, prototyping, and investment readiness.

Within this consortium, two initiatives form the focus of this study:

1. the **Primary Care Accelerator**, embedded within Our Health Partnership (OHP);
2. the **West Midlands Health and Wellbeing Innovation Network** (WMHWIN), delivered by the University of Warwick.

Although distinct, both initiatives share a common ambition—to create structured, SME friendly mechanisms that help innovators understand public-sector needs, test ideas in real environments, and move towards procurement with greater clarity and confidence. Viewed together, they show how different parts of the health and care system can reshape the early stages of the procurement journey to support more effective, inclusive, and innovation-led purchasing. Their work sits within WMHTIA's coordinated regional approach, which replaces the fragmented landscape SMEs typically face with a single access point for clinical, technical, commercial, and regulatory support. This reduces friction for suppliers and enables public-sector buyers to engage with more mature, operationally grounded solutions.

Primary Care Accelerator

The Primary Care Accelerator supports innovations aimed at easing high-pressure areas in general practice, which delivers around 90% of all NHS patient contacts yet has historically lacked dedicated innovation support. Delivered as a joint venture between Our Health Partnership (OHP), one of the UK's

largest GP groups and Harbour, a venture capital-led innovation team, the programme differs from standard cohort-based accelerators by offering a deeply embedded, highly bespoke, and operationally grounded model. It works closely with a small number of carefully selected SMEs, chosen through a venture capital assessment of founder quality, commercial readiness, integration potential, scalability across GP groups, and suitability for real-world testing. This process begins with detailed challenge identification and strategic vision-setting, followed by diagnosing priority issues such as administrative overload, rising demand, long waits, inefficient referral or diagnostic pathways, workforce pressures, and gaps in community-based support. This ensures that innovation activity is anchored in real operational and patient needs and positions emerging technologies alongside practical, near-term improvements that practices can adopt with confidence.

A defining feature of the model is immersive co-location: innovators are placed directly within GP practices, giving them daily exposure to workflows, patient interactions, and the realities of primary care operations. This enables rapid iteration, contextual user testing, and the development of trust between innovators and practice staff.

Real-world validation is accelerated by OHP's infrastructure, which serves as both an operational testbed and an early customer. By engaging with clinical teams and patients, SMEs can generate evidence, secure initial commercial contracts, and produce case studies that support wider adoption. This multi-route procurement model significantly shortens time-to-market and is central to the programme's SME-friendly design.

Example: The Primary Care Accelerator first focused on relieving the heavy administrative pressures facing GP reception teams, where long call queues and high staff workload were routine. Instead of defining the issue as the need for a fixed "telephone solution," the accelerator reframed it as a broader challenge of improving patient access and reducing manual tasks—opening space for SMEs to pursue novel approaches. A voice AI company was selected through early engagement and venture style assessment and embedded directly in GP practices. By shadowing reception staff and observing call handling in context, the SME iteratively refined its prototype—adjusting language models, triage scripts, conversational flows, and system integrations based on real-time feedback. With support from the accelerator on integration, technical permissions, and assurance processes, the company secured approvals far faster than is typical in primary care, enabling Our Health Partnership to award a contract worth over £1 million in annual recurring revenue. This example shows how early, challenge led engagement and access to real service environments allow SMEs to generate the evidence and trust required for procurement, while helping practices adopt tools that meaningfully reduce workload and improve patient access.

West Midlands Health and Wellbeing Innovation Network (WMHWIN)

The West Midlands Health and Wellbeing Innovation Network (WMHWIN) is a regional, challenge-led innovation programme and was a formal partner within the wider WMHTIA. As part of this ecosystem, WMHWIN strengthens the regional innovation pipeline by running

structured challenge-led programmes, supporting SME engagement, and enhancing the coordination WMHTIA provides across health and care innovation. Delivered by the University of Warwick, it brings together clinicians, operational leaders, innovators, and product-development specialists to identify, clarify, and respond to complex service challenges faced by NHS organisations. Where the Primary Care Accelerator embeds SMEs directly within GP practices to support rapid testing and adoption, WMHWIN adds a complementary systems-level function by undertaking deep problem-definition and early-stage codesign in all tiers of the healthcare market, generating procurement ready evidence before solutions enter the market.

WMHWIN differs from traditional NHS innovation activity—which often relies on ad hoc pilots, disconnected R&D work, or technology push approaches—by adopting a systematic, early-stage methodology focused on deep problem definition rather than immediate procurement. The programme works closely with frontline NHS staff to map workflows, analyse bottlenecks, and understand the operational realities in which new solutions must function. This produces detailed, outcome focused challenge statements that articulate genuine system needs and give SMEs a robust foundation from which to engage. Innovators are recruited through targeted scouting and open calls aligned to specific “solution spaces”, and selected businesses then move through a structured process of co-design, prototyping, user testing, and iterative refinement, supported by interdisciplinary teams.

Rather than procuring solutions at the end of this process, WMHWIN’s aim is to generate procurement-ready evidence—including validated prototypes, refined user requirements, and real-world operational insights that procurement and commissioning teams can later draw upon when designing tenders or commissioning pathways. Innovation and procurement remain deliberately separate to avoid distorting competition while still enabling more informed purchasing further down the line. Through this approach, WMHWIN bridges the gap between frontline operational realities and the capabilities of regional innovators, strengthens early-stage innovation capacity, and provides SMEs with structured access to healthcare environments. By enabling NHS organisations to articulate their needs with clarity and giving SMEs the opportunity to shape solutions collaboratively, WMHWIN serves as a crucial precursor to successful innovation led procurement.

Example: WMHWIN's work with an ICB in the South Midlands on Continuing Healthcare (CHC) services demonstrates how a challenge-led approach can help NHS organisations address complex operational problems while creating stronger foundations for future digital transformation. The programme began by working with frontline CHC staff to map the entire referral-to-decision pathway, revealing that the process relied on large volumes of manual administration, repeated data entry, fragmented documentation, limited visibility of case progress and time-consuming coordination across multidisciplinary teams. These inefficiencies increased pressure on staff and made it more difficult to deliver timely and consistent decisions for patients.

Rather than defining a single technology solution, WMHWIN translated these findings into a series of "How Might We" challenges focused on intelligent document processing, real-time caseload visibility and workflow automation. This enabled multiple SMEs with complementary AI and digital capabilities to explore different solution approaches. Through structured workshops, co-design sessions, iterative prototyping and continuous feedback from CHC staff, the innovators developed solutions that reflected the realities of day-to-day service delivery.

The programme produced validated prototypes, practical operational insights and an evidence base demonstrating how AI and automation could reduce administrative burden, improve data quality, increase visibility across the CHC pathway and streamline key processes. It also gave the ICB greater confidence in how digital technologies could be adopted within Continuing Healthcare services, while providing a stronger foundation for future investment, procurement and wider service transformation.

In the months following the programme, two of the solutions developed through the innovation process were procured by the ICB, demonstrating how the challenge-led approach can accelerate the adoption of solutions that address identified service needs.

The two initiatives under the WMHTIA programme demonstrate that successful procurement depends on the groundwork laid before a tender is issued, where they offer complementary models of early-stage engagement.

They provide a key lesson that innovation-friendly procurement begins well before any formal purchasing takes place.

- SMEs are best able to contribute to public-sector transformation when they are engaged early, given access to real-world environments, and supported to understand the operational realities that shape public-sector demand.
- Procurement quality improves when public bodies invest the time and capacity to clarify challenges before defining solutions.
- Systematic problem-definition prevents premature narrowing of options, and close collaboration between innovators and frontline teams produces solutions that are operationally credible and ready for adoption.
- SMEs benefit from visibility, trust, and opportunities to iterate in context, while public bodies gain a clearer sense of what is possible and what is required for successful integration.

2.4 Cross-case findings

The above case studies highlight several insights that local authorities can draw upon when seeking to use procurement as a driver of innovation.

The case studies revealed several recurring barriers to innovation adoption, including gaps between innovation and procurement processes, limited implementation planning, and the inherent complexity of public sector systems. At the same time, they highlighted key success factors, such as early collaboration between SMEs and local authorities, the presence of internal champions to drive change, and alignment with funding and budgeting cycles. Across the cases, the evidence suggests that procurement outcomes improve when public bodies invest

sufficient time and capacity in **clearly defining challenges before specifying solutions**, thereby **creating stronger conditions for innovation uptake and successful implementation**.

Innovation programmes can reduce this uncertainty through early engagement, collaboration, and real-world testing, helping procurement shift from a risk-focused process to one that creates opportunities (see **Table 2** below).

Table 2. Summary of the programmes supporting innovation procurement and SME engagement

Case study	IPEC Cohort Programme	DIATOMIC Accelerator	WMHTIA Primary Care Accelerator & WMHWIN
Main purpose	To help local authorities build confidence and capability in innovation procurement	To build regional innovation capacity, support SME growth, and connect innovation to public sector challenges	To accelerate adoption of health innovations in GP settings, create SME-friendly routes into primary care, help NHS organisations define problems, co-design solutions, generate evidence for future procurement, and provide structured pathways from problem definition to testing and procurement
Core approach	Cohort-based learning combined with challenge-led procurement and practical experimentation	Accelerator model using digital infrastructure, real-world testing, and place-based challenge support	A combined model integrating bespoke, embedded innovation support (e.g., innovators collocated in GP practices) with structured innovation methodology focused on diagnosis, co-design, prototyping, iterative testing, and evidence generation rather than direct procurement
Key activities	Challenge identification, early market engagement, EOI process, supplier dialogue, workshops, peer learning, pilot testing, reflection and knowledge sharing	SME recruitment, access to digital twin/testbed environments, tailored business support, challenge-based trials, funding support, collaboration with local authorities and universities	Challenge identification, business assessment, clinical and system shadowing, journey mapping, market scouting, SME recruitment, immersive co-location, regulatory support, prototyping, real-world pilots, iterative testing, validation, and procurement handover
Main lessons	Early market engagement improves problem definition; organisational culture and internal confidence matter; innovation procurement requires staff time and technical capacity; SME participation needs active support	Early engagement with local authorities supports co-creation; accelerator programmes can increase public sector appetite for challenge-led innovation; procurement timescales remain a major issue for SMEs	Early engagement strengthens solution fit; strong organisational champions and dedicated capacity matter; SMEs benefit from structured routes in; decentralised primary care can speed adoption but complicates scaling; innovation differs from procurement and requires deep system insight; SMEs face commercial uncertainty but gain valuable learning; targeted engagement with fewer suppliers often improves results

3. Insights from case studies

The main barriers in public procurement often stem from uncertainty rather than regulation. A recurring challenge is that innovation support and procurement are often disconnected, making scaling and commercial adoption uncertain.

Organisational culture, confidence, and leadership are often more important than regulation itself. For local authorities, building innovation capacity, improving coordination across stakeholders, and creating structured routes for SME engagement can strengthen procurement as a tool for market development, capability building, and long-term public value. Innovation works better when organisations spend time **defining the problem clearly before specifying the solution**. Embedding innovators within service settings and involving them early in problem definition can also generate evidence and shared understanding, leading to more confident, informed, and effective procurement decisions. Early dialogue with suppliers or innovators improves understanding of what is possible and helps refine requirements.

We make the following recommendations for Local Authorities and Innovators/SMEs respectively.

For local authorities

Successful innovation scaling requires alignment between project teams (which fund and test solutions), service departments (which implement them), and procurement teams (which enable purchasing and wider adoption). More specifically:

- Define budgets and procurement routes early.
- Involve procurement teams from the outset.
- Plan for implementation and scaling beyond pilot or accelerator programmes.
- Ensure coordination across project, service, and procurement teams.

For innovators/SMEs

SMEs benefit from more accessible, relationship-based, and iterative routes into public sector markets. This would help ensure innovations and SMEs are aligned with buyer needs and have a realistic pathway to adoption and scale. Accordingly, they should engage early and regularly with local authority stakeholders to clarify funding sources, decision-makers, and procurement pathways while avoiding over-investing without a clear route to market.

In the following section, based on these insights from the case studies, we present the ***PREP Framework***, which provides a practical roadmap for embedding innovation and SME engagement throughout the procurement lifecycle. By applying its four stages, local authorities can create procurement processes that are more collaborative, accessible, and better equipped to deliver long-term public value. A PREP diagram is attached at the end of this document.

4. The PREP Framework

4.1 What is the PREP Framework?

The **PREP Framework** is a four-step, easy-to-remember framework that summarises the full set of actions local authorities can take to effectively engage SMEs in the procurement of innovations.

PREP stands for: **Problem & Purpose**, **Reach-out early**, **Enable Innovation & Access**, and **Pathway to Procurement**.

Together, these four stages provide a structured approach that encourages early collaboration, supports innovation, reduces barriers for SMEs, and creates a clear route from identifying a challenge through to successful procurement and adoption.

4.2 P — Problem & Purpose

Successful innovation begins with a thorough understanding of the challenge rather than a predetermined solution. Before approaching the market, local authorities should clearly define the problem they are trying to solve, the outcomes they wish to achieve, and the value they want to create for residents and public services.

Focusing on outcomes rather than products encourages suppliers to propose innovative solutions that may not have been previously considered.

The key question to ask is:

"Have we clearly defined the problem and desired outcomes?"

Key Actions:

- Clearly define the problem, not the solution
- Focus on the challenge rather than specifying a particular solution.
- Conduct workshops and engage with users/frontline staff to understand the need
- Map user journeys to identify barriers, inefficiencies, and pain points.
- Distinguish essential requirement from the desirable or optional features.
- Test the problem definition with suppliers

4.3 R — Reach Out Early

Early market engagement enables local authorities to better understand supplier capabilities while giving SMEs sufficient time to prepare for future opportunities. Open dialogue improves procurement design, increases competition, and reduces the risk of unrealistic or overly restrictive specifications.

Transparency throughout this stage helps build confidence among suppliers and encourages wider market participation.

The key question to ask is:

"Have we engaged the market early enough to understand supplier capabilities and encourage SME participation"

Key Actions:

- Share procurement plans and forthcoming opportunities at an early stage.
- Publish 12–18 month procurement pipelines where possible.
- Use Preliminary Market Engagement (PME), Expressions of Interest (EOIs), supplier briefings, webinars, and market engagement events.
- Invite SMEs, start-ups, universities, Catapult centres, accelerators, growth hubs, and other innovation partners to participate.
- Share draft outcome-based specifications and invite feedback before tender publication.
- Ensure all market engagement activities are open, transparent, and accessible to all potential suppliers.

4.4 E — Enable Innovation & Access

Innovation can only flourish when procurement processes actively encourage new ideas and enable organisations of different sizes to participate. This stage combines two complementary objectives: creating opportunities to test innovative solutions while removing unnecessary barriers that often prevent SMEs from competing.

1. **Innovation** through pilots, proof-of-concept phases, real-world demonstrations
2. **Access** through simpler processes, proportionate checks, smaller lots, flexible routes

By designing procurement processes that are proportionate, flexible, and collaborative, local authorities can encourage greater innovation while widening market participation.

The key question to ask is:

"Have we created a procurement process that encourages innovation and enables SMEs to compete fairly?"

Key Actions:

- Incorporate pilot projects, proof-of-concept activities, demonstrations, and phased implementation where appropriate.
- Divide contracts into smaller, accessible lots where feasible.
- Apply proportionate financial, technical, and insurance requirements.
- Ensure evaluation criteria recognise innovation, quality, and long-term value alongside price.

4.5 P — Pathway to Procurement

Innovation should not end once a tender has been awarded. Successful procurement requires a clear pathway that supports ideas from early engagement through testing, procurement, implementation, and continuous improvement.

Strong leadership, organisational readiness, and ongoing supplier relationships help ensure that innovative solutions can be adopted, scaled, and refined over time.

The key question to ask is:

"Do we have a clear pathway from innovation to procurement, implementation, and continuous improvement?"

Key Actions:

- Secure organisational leadership and internal capacity to support innovation.
- Establish a clear route from early engagement through procurement to implementation.
- Use staged procurement approaches where appropriate (e.g. shortlist → dialogue → prototype → final tender).
- Learn from pilot projects and use evidence to inform wider adoption.
- Conduct regular contract reviews and collaborative performance discussions.
- Capture lessons learned to improve future procurements.
- Create future entry points ("on-ramps") that allow new SMEs to participate in existing programmes and frameworks.

4.6 Putting PREP into Practice

The PREP Framework does not replace procurement legislation or local authority procedures. Instead, it provides a practical structure for applying established good practice in a consistent and accessible way.

PREP's final *Pathway to Procurement* reflects this structured, forward plan.

PREP can be used as a planning tool, procurement checklist, training framework, or communication aid, making it suitable for day-to-day procurement activities as well as wider organisational capability building.



Figure 1. The PREP Framework: SME engagement guidance for local authorities for public procurement of innovation

Notes

[1] Tussell (2026) The Procurement Act – First 12 Months – Report. March 2026. https://www.tussell.com/hubfs/Procurement%20Act%20-%20First%2012%20Months%20-%20Report%20-%20Tussell%20-%202026%20-%20Non-customer%20Version.pdf

[2] The Innovation Accelerator programme was led by Innovate UK, on behalf of UK Research and Innovation (UKRI) and the Department for Science, Innovation and Technology (DSIT) had investment over three years across three city regions including the West Midlands.

[3] https://cp.catapult.org.uk/project/diatomic/

[4] Novoville: https://novoville.com/

[5] Novoville, Shared Repairs: https://sharedrepairs.novoville.com/pages/post?id=35

[6] Novoville, Shared Repairs: https://sharedrepairs.novoville.com/pages/post?id=104

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