

A photograph of two men in business attire looking at a large digital screen. The screen displays several financial charts, including a candlestick chart at the top and a line chart with a bar chart below it. The man on the right is pointing at the line chart with a pen. The overall scene is dimly lit, with the screen providing the primary light source.

Local Government Third-Party Spend 2022 Almanac



Building a better
working world

The Oxygen Finance logo, which is a black circle with the text 'OXYGEN FINANCE' inside in white, uppercase, sans-serif font.

OXYGEN
FINANCE

Introduction and Executive Summary

EY and Oxygen Finance, in collaboration, are delighted to be supporting another annual production of a Local Authority spend Almanac that brings together a view of expenditure across Local Government in England. For the last two years, the release of the inaugural Almanac helped raise awareness of how councils in England use their resources with third parties. This opened discussions around how the sector can continue to collaborate together, and with other partners, to get the best possible value from external spend and demonstrate the positive impact effective procurement can have on communities. This 2022 Almanac also now provides additional insights on the estimated carbon emissions of local authorities generated through their supply chains.

Local Government across England collectively reports spend over £70bn with suppliers in 2021 to deliver services to communities. From contracts with care-home providers through to IT companies, this expenditure is essential to delivering the outcomes we all need.

The Local Government Transparency Code 2015 sets out the minimum requirement for Local Authorities to publish open data, including spend data. It ensures that data about how money is spent is publicly accessible and all expenditure exceeding £500 must be published. This creates a wealth of information and helps with understanding national trends and variations in how Local Authorities spend their resources with third parties. Oxygen Finance has developed an Illuminator tool that aggregates and categorises actual invoice data disclosed by all Local Authorities in England. EY works directly with many Local Authorities to support them to drive value and efficiency from their third-party spend.

This Almanac covers spend between **calendar years 2019 to 2021** and includes a view of:

- ▶ Overall third-party expenditure across English Local Authorities.
- ▶ Category and council-type expenditure.
- ▶ Supplier expenditure trends.
- ▶ Carbon emissions analysis.

EY and Oxygen Finance encourage you to use this Almanac to compare and contrast your spend, and apply learnings to support collaboration.

Key Messages

1. Annual total third-party spend continues to increase significantly, and is up by 7% when compared to 2020 and 12% when compared to 2019 spend. Inflation averaged 2.6% across 2021 and 0.9% in 2020, showing that spending with third parties increased in both absolute and real terms.
2. The increase in third-party spend in 2021 (£4.6bn or 7%) is almost double the increase in 2020 (£2.6bn or 4.3%).
3. The two categories that contribute most to this spend increase are Vulnerable Citizens and Public Health (VC&PH) and Buildings.
4. Adult Social Care continues to be the highest spending subcategory (£19.6bn) within VC&PH and is driven by higher spend on Residential Care (Elderly) - £6.3bn, Residential (SEN, Disabilities, MH etc) - £3.4bn, and Health & Social Care (General) - £3.1bn.
5. Building spend has significantly increased in 2021 due to high spend on Property and Construction (£15bn), which is driven by higher spend on Property Maintenance and Property Construction.

“

“This Almanac provides crucial information that should inform local authorities individually and collectively as to how best to achieve the optimal outcomes from Procurement activities.

It is unsurprising to see that third-party spend continues to increase and is up by 7% (£4.6bn) when compared to 2020 and 12% when compared to 2019 spend. Inflation averaged 2.6% across 2021 and 0.9% in 2020, showing that spending with third parties increased in both absolute and real terms. The two categories that contribute most to this spend increase are Vulnerable Citizens & Public Health and Buildings.

This trend and the obvious increased reliance on bought-in goods and services highlights once again the central, pivotal role of procurement and commissioning in local government. Procurement is also having to contend with inflation, global supply chain instability and the climate change emergency. This Almanac also highlights the CO2 that results from local authority supply chains and indeed this will be a constant focus for the sector and procurement professionals in the coming years.

Effective collaborative procurement, supplier management and contract management will be key to addressing some of local authorities' biggest challenges in the years to come.”

A quote from Professor Martin Reeves, LGA Procurement Champion

Contents

1 National Spend Summary

2 Supplier Analysis

3 Carbon Emissions Analysis

4 Appendix

4.1 Spend by Council Type

4.2 Data and Limitations

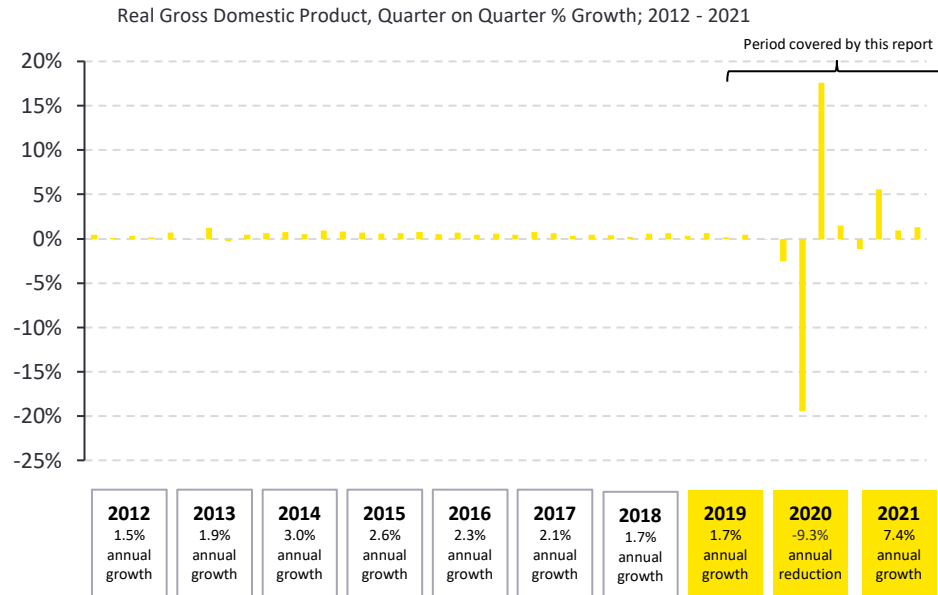


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National Spend Summary

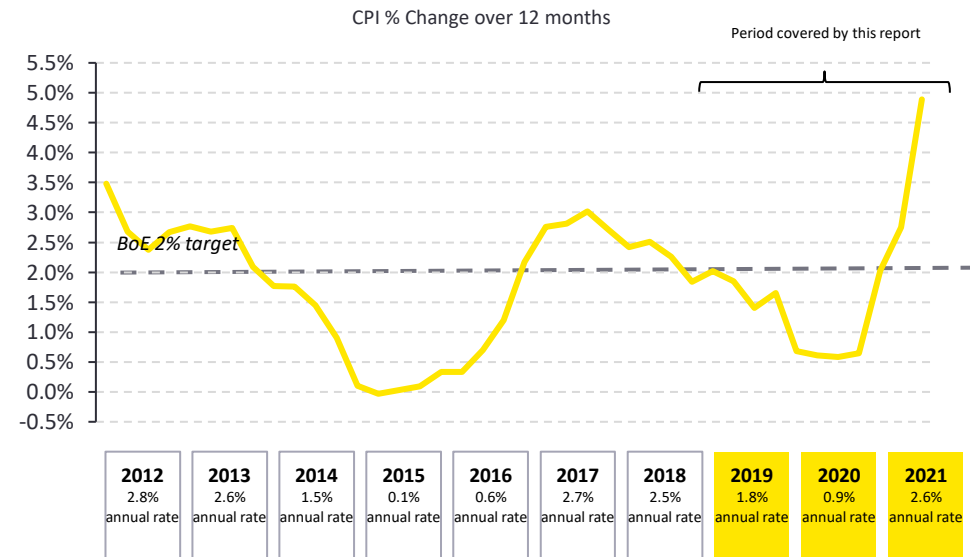
Economic context

This report considers a period of time when the UK's economy felt the effects of COVID-19 and subsequently bounced back from the negative growth it caused.



The graph above demonstrates that while the UK economy faced further reduction in Q1 of 2021, Q2 saw large growth of 5.6%. The last half of 2021 saw an average growth of 1.1% per quarter.

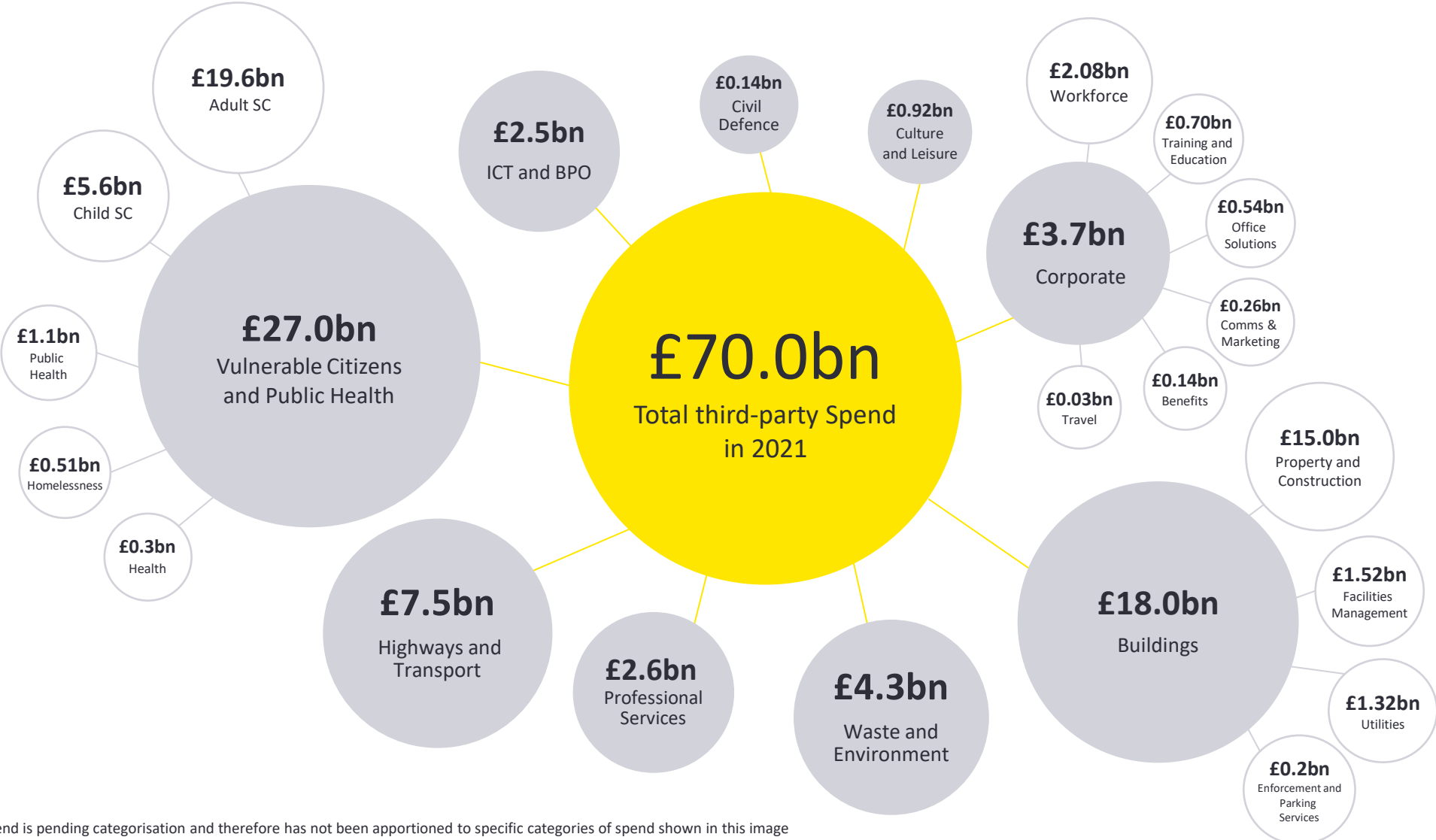
Consideration is applied to inflation over this period, noting that the Consumer Price Index (CPI) had fallen well below the Bank of England's 2% inflation target in 2020 before rising rapidly in 2021, giving cause for concern over inflationary pressures.



The report considers expenditure on a nominal basis, meaning no adjustments have been made for inflation.

*Office of National Statistics

Of the £70bn expenditure, spend can be apportioned against nine markets and categories, which can be further divided into sub-categories of expenditure...



A proportion of spend is pending categorisation and therefore has not been apportioned to specific categories of spend shown in this image

All data insights are sourced from Oxygen Finance's Illuminator Portal as extracted in June 2022

Local authorities in England spent £70bn on third parties in 2021; here are some key insights...

£70bn
overall Local Authority
expenditure on third parties
(2021)

Third-party spend is up
by +7% compared to
2020



39%
of total third-party spend is on the
Vulnerable Citizens and Public
Health category

26%
of total third-party spend is on the
Buildings category

Compared to 2020:

- ▶ The biggest absolute spend increase was Buildings (£1.8bn)
- ▶ The biggest % increase was Culture & Leisure (14%)

6%
Of UK emissions driven by local
government supply chain

33mn
Sum of Carbon MtCO2e in
2021



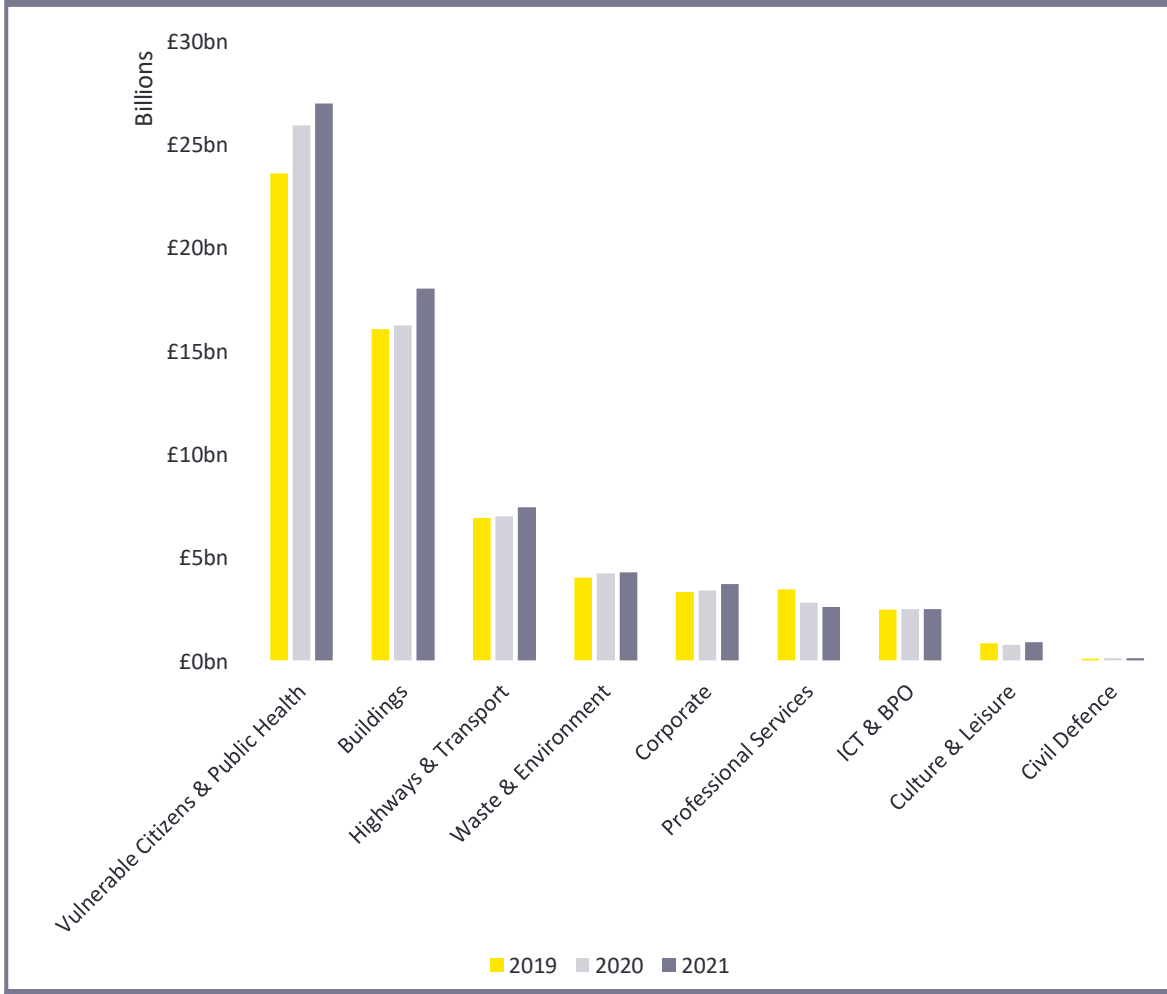
All categories of spend,
other than Professional
Services and Civil Defence,
saw an increase in spend
when comparing to 2020

Biggest spend areas across
Local Authorities are:

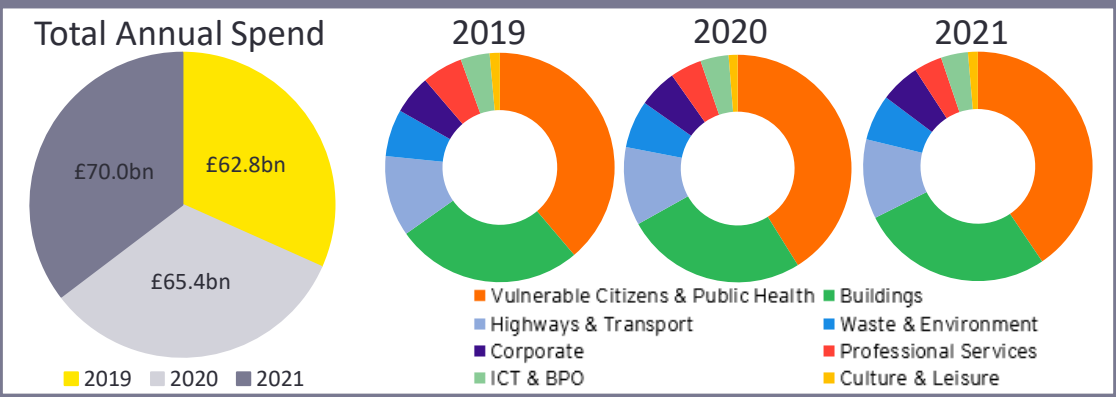
- ▶ Vulnerable Citizens and Public Health
- ▶ Buildings
- ▶ Highways and Transport
- ▶ Waste and Environment

How third-party spend has changed in 2021...

Third-party spend by category from 2019 to 2021



Spend difference by year and category from 2019 to 2021



Commentary

- ▶ We continue to see increased third-party expenditure across English Local Government in both absolute and real terms. 2021 saw a 7% increase in expenditure with third parties compared to the prior year and from 2019 to 2021 there has been a 12% increase.
- ▶ All categories other than Professional Services and Civil Defence have seen an increase in third-party spend.
- ▶ Vulnerable Citizens and Public Health spend has consistently increased year on year, it is up by £3.3bn in 2021, which is a 14% increase since 2019.
- ▶ Building spend has significantly increased by £1.7bn in 2021 compared to £169m in 2020. Property and Construction accounted for 83% of this and is driven by higher spend on property construction and property maintenance.
- ▶ Spend in all the following categories continues to slightly increase when comparing the three year spend trend (2019 to 2021) : Highways & Transport, Waste and Environment, Corporate, and ICT & BPO.
- ▶ While there was a reduced expenditure on Culture and Leisure in 2020, the spend has slightly increased in 2021. Since 2019 spend is up by £52m, which is a 6% increase and a 14% increase since 2020.
- ▶ Professional Services have continued to decrease in 2021.

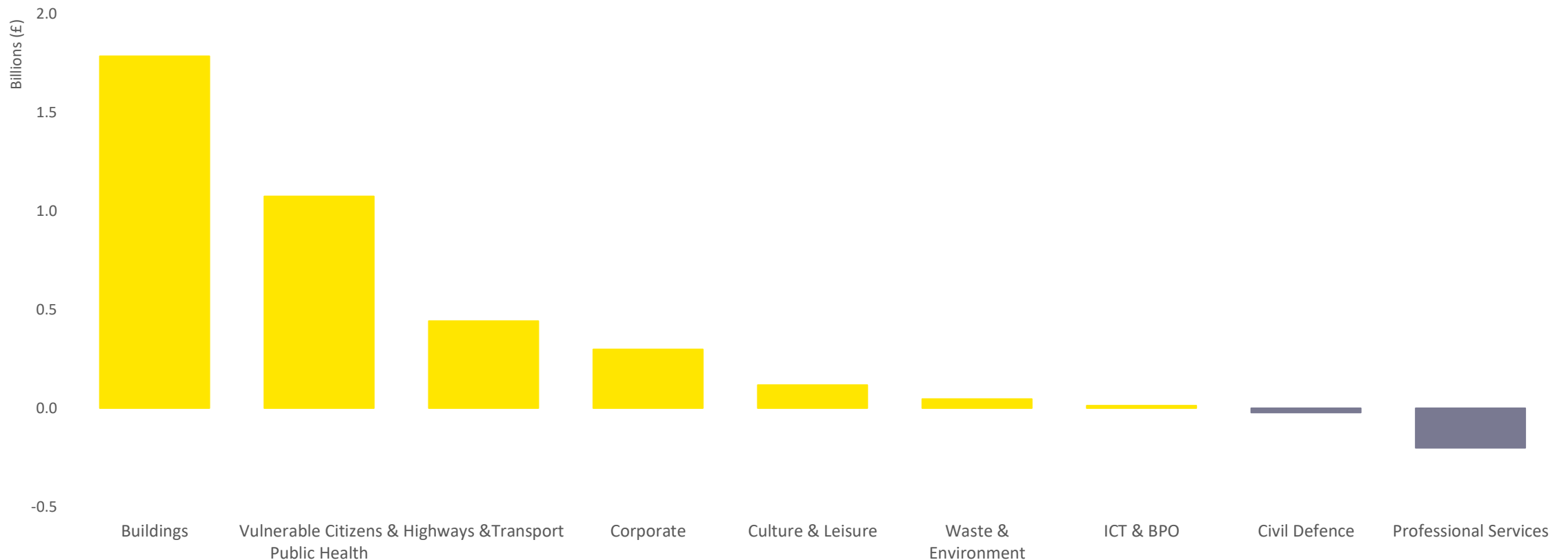
A proportion of spend is pending categorisation and therefore has not been apportioned to specific categories of spend in this chart

All data insights are sourced from Oxygen Finance's Illuminator Portal as extracted in June 2022

Almost all categories of spend have seen an increase in spend, or stayed flat, in 2021 compared to 2020

Whilst almost all categories have seen an increase in third-party spend from 2020 to 2021, the most notable increases are in Buildings and Vulnerable Citizens & Public Health by £1.78bn (11%) and £1.07bn (4.1%) respectively. Increases to Waste & Environment and to ICT & BPO were negligible in comparison to the rate of inflation at 2.6%. Professional Services third-party spend decreased by £200mn, or 7.1%, which may be in response to lower demand for Professional Services post-pandemic.

Spend difference by category from 2020 to 2021





Supplier Analysis

The 20 suppliers with the highest spend in 2021

Supplier	Dominant spend category 2021	£ spent by LA's in 2021	Position change from prior year
Veolia Group	Waste & Environment	More than £600mn	▬
Balfour Beatty	Highways & Transport	More than £550mn	▬
Kier Group	Buildings	More than £450mn	▬
Matrix SCM Ltd	Corporate	More than £450mn	↑
Willmott Dixon	Buildings	More than £450mn	↑
Wates Group	Buildings	More than £400mn	↑
Morgan Sindall Plc	Buildings	More than £350mn	↑
SUEZ Environnement	Waste & Environment	More than £350mn	↓
Eurovia UK Ltd	Highways & Transport	More than £350mn	↓
Amey Plc	Highways & Transport	More than £300mn	↓
ENGIE (Including Equans)	Buildings	More than £300mn	▬
Transport for Greater Manchester	Highways & Transport	More than £250mn	○
Biffa	Waste & Environment	More than £250mn	↑
Birmingham Children's Trust	Vulnerable Citizens & Public Health	More than £250mn	↑
Capita Group	ICT & BPO	More than £200mn	↑
Ringway Jacobs Ltd	Highways & Transport	More than £200mn	↓
Norse Group Ltd	Buildings	More than £200mn	↓
Mears Group Plc	Buildings	More than £200mn	▬
Comensura Ltd	Corporate	More than £200mn	○
Serco Group	ICT & BPO	More than £200mn	↓

Commentary

The table on the left shows the 20 highest spend suppliers across all categories. From this we can see that the Buildings, Highways and Transport, and Waste and Environment category suppliers dominate the highest spend supplier list. Many of these suppliers may be prime suppliers that have a supply chain, or subcontractors that sit beneath them.

80% of spend in 2021 (£56bn) was with 6,337 suppliers.

The 20 suppliers with the highest spend in 2021 are largely the same as the previous year, with a few exceptions:

- ▶ Transport for Greater Manchester and Comensura Ltd are now part of the top 20 suppliers with the highest spend.
- ▶ Total spend with the 20 suppliers exceeds £7.0bn, this is approximately 10% of the total third-party spend in 2021.

Key: Position change for suppliers illustrating a relative spend comparison to other suppliers

▬	No change to position as 20 suppliers with highest spend
↑	Supplier position has increased
↓	Supplier position has decreased
○	Supplier was not in the 20 suppliers with highest spend in 2020

The 20 suppliers by highest number of local authorities they worked with in 2021

Supplier	Dominant spend category 2021	Number of Local Authorities supplier works with	Position change from prior year
Royal Mail Group Ltd	Corporate	335	↑
Civica	ICT & BPO	334	↓
Citizens Advice Bureau	Vulnerable Citizens & Public Health	303	↑
Idox Plc	ICT & BPO	300	↑
Capita Group	ICT & BPO	297	↑
British Telecom	ICT & BPO	293	↓
Vodafone	ICT & BPO	286	↓
Zurich Insurance Plc	Professional Services	277	▬
Civica Election Services	ICT & BPO	234	▬
NEC Software Solutions	ICT & BPO	233	↑
British Gas	Buildings	231	↓
SSE Plc	Buildings	225	↑
E.ON UK Plc	Buildings	206	↑
Insight Enterprises Ltd	Buildings	199	↓
Age UK	Vulnerable Citizens & Public Health	199	↑
Virgin Media Business	ICT & BPO	198	↑
Phoenix Software Ltd	ICT & BPO	198	↑
Total Gas And Power Ltd	Buildings	195	○
Savills Ltd	Buildings	193	↓
Npower Ltd	Buildings	192	↓

Commentary

The table on the left shows the 20 suppliers that have at least £10mn spend placed with them across multiple Local Authorities.

▶ Compared to 2020 HM Courts and Tribunals services are no longer in this top 20 list by number of Local Authorities they work with.

In addition to what is shown in this table, there are 200 suppliers that had in excess of £10mn spend placed with them, and were working with 50+ local authorities.

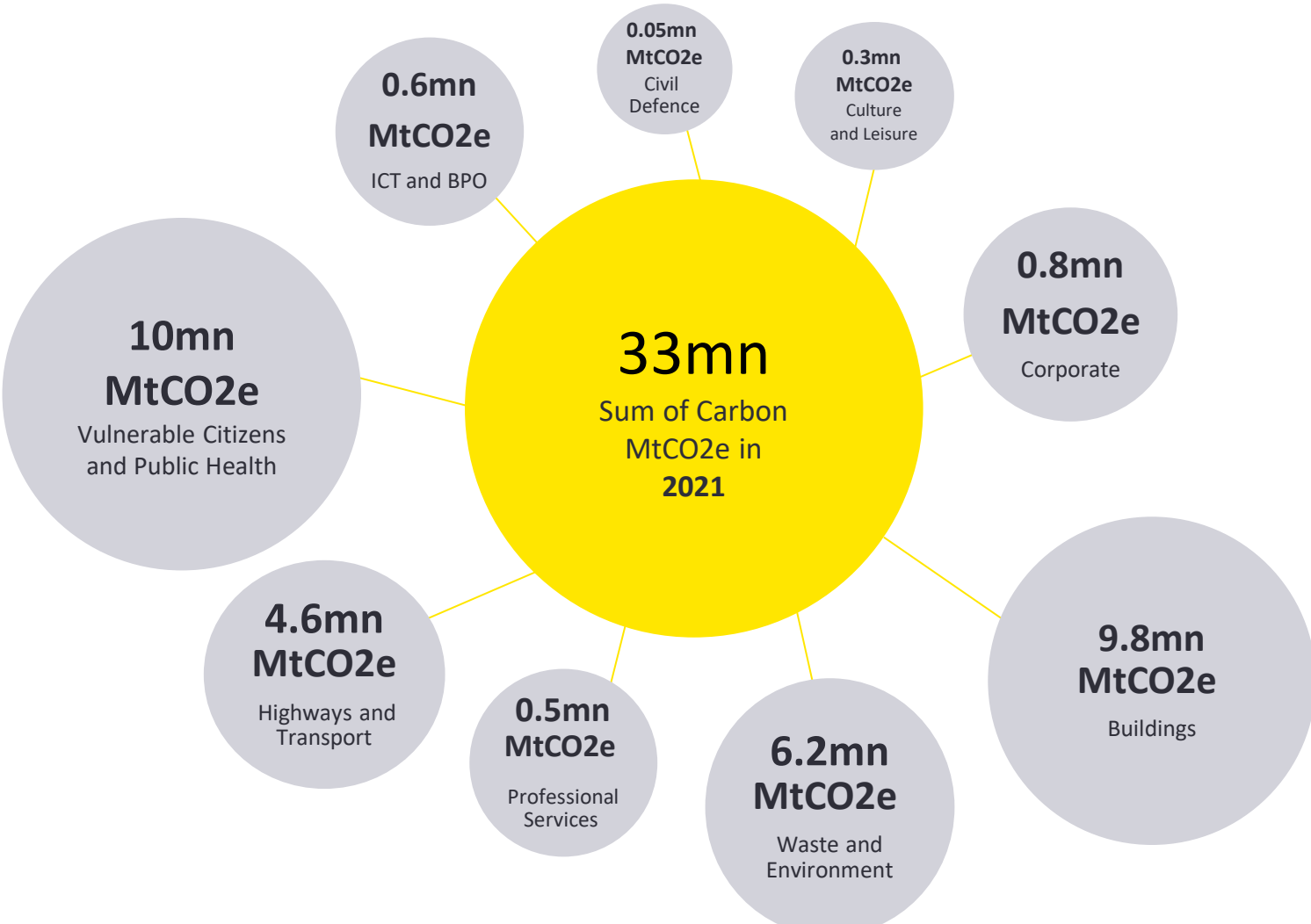
Key: Position change for suppliers illustrating a relative comparison to other suppliers

▬	No change to position as 20 suppliers with highest spend
↑	Supplier position has increased
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○	Supplier was not in the 20 suppliers with highest spend in 2020



Carbon Emissions Analysis

6% of UK emissions is driven by local government supply chain



Commentary

Supply chain emissions have increased in absolute terms – up by almost 20%, primarily driven through increased activity in construction and infrastructure, and a spike in spend relating to Vulnerable Citizens and Public Health during COVID-19.

Carbon efficiency, however, has improved – this is the amount of CO2 emitted per £1 spent and represents the cleaner, more environmental focus many Councils have started embedding into their operations and procurements.

Social Care is still the biggest emitter in absolute terms, primarily though nursing homes, day centres, health and domiciliary care.

Waste, infrastructure and buildings are still the highest emitters per £1.

Professional services, Corporate and ICT and BPO are getting far less carbon intensive, yet still make up 2mn tonnes of CO2.

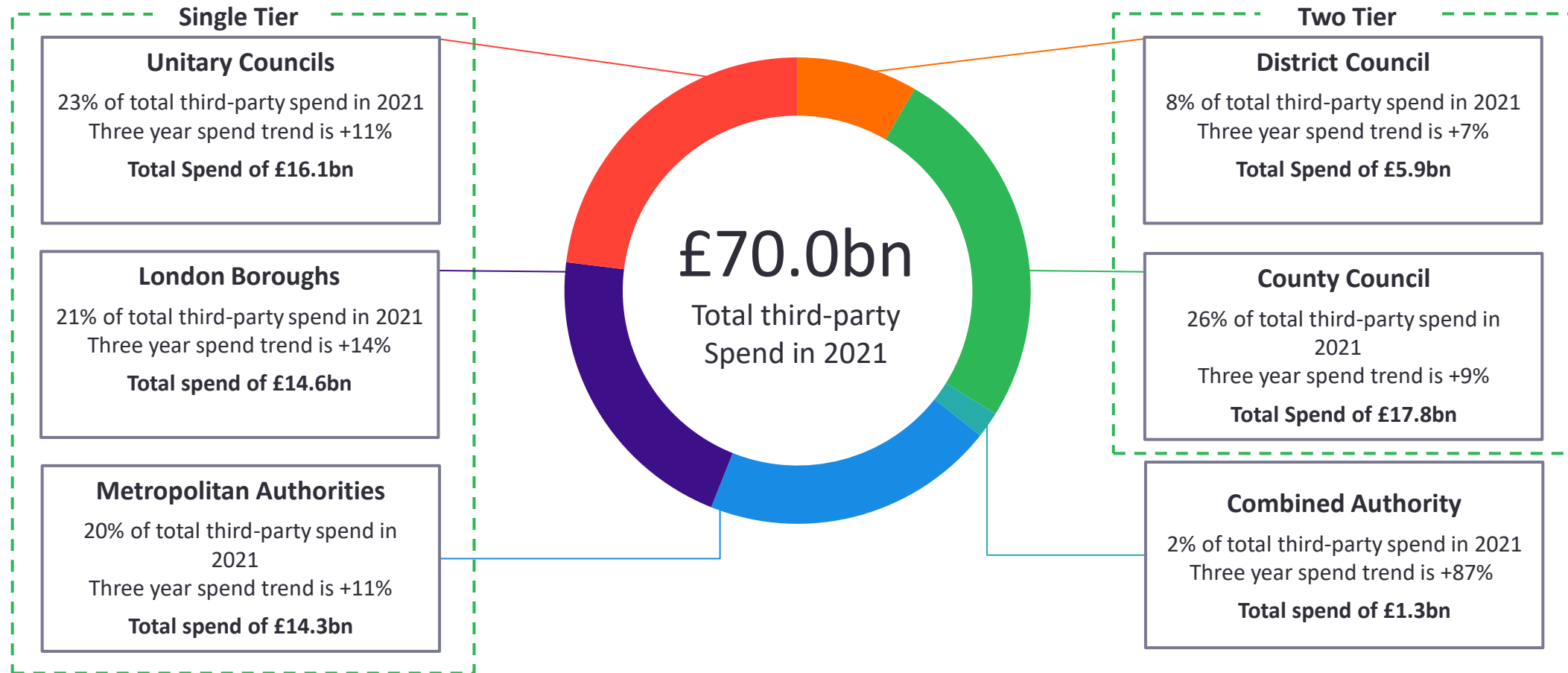


41

Appendix 1: Spend by Council Type

The £70bn third-party expenditure in 2021 can be apportioned against the six council types...

All councils have increased spending above the 3-year inflation figure of 5.3%. District councils and county councils have increased spend more modestly whereas single tier councils and combined authorities have increased spending at a rate at least double that of inflation (CPI). This is in part due to several new Unitary authorities being created over the past few years and spend moving between the different types of councils as result. Combined authorities are continuing to see some significant spend increases of their own, primarily in infrastructure and transport projects.



Percentages are not adjusted for inflation

All data insights are sourced from Oxygen Finance's Illuminator Portal as extracted in June 2022.

4 of 2

Appendix 2: Data and Limitations

Assumptions and Limitations

This slide sets out limitations and assumptions in the data and analysis:

- ▶ All data collected for this document is provided by Oxygen Finance and was collated from the Illuminator tool.
- ▶ Data for this document is a point in time collected from the Illuminator tool in June 2022.
- ▶ Data in this document is apportioned against categories based on Oxygen Finance categorisation at the point of collection.
- ▶ Data in this document has been presented by calendar year (The previous Almanac, 2019/20, was presented by financial year).
- ▶ A proportion of spend (3%) is pending categorisation and therefore has not been apportioned to specific categories. This means on some of the slides categories shown will not in some circumstances add up to the total of £70bn.
- ▶ The spend data includes redacted data which covers payments to individuals and other sensitive areas.
- ▶ The supplier pareto of the top 80% of spend is based upon suppliers that have been categorised as suppliers against specific spend categories by Oxygen Finance in their Illuminator tool only.
- ▶ Expenditure and trend percentages in this document are absolute and have not been adjusted for inflation.

Further Information



If you would like to learn more about this 2022 Spend Almanac or wish to have a more detailed conversation about your particular category, region or organisation, please get in touch with us:

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EYSCORE 005621-22-UK

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