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INSTITUTE FOR GOVERNMENT

# Government procurement

## The scale and nature of contracting in the UK

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# About this report

In this report we look at the scale and nature of government procurement. Our aim is to map out the landscape of government in the UK. The goal is also to provide clarity and a firm basis for wider discussion.

This report is the first in a wider programme of work that will look at the record, successes and failures of government contracting in the UK – with reference to the experience of other countries. We will look back over the last 30 years to examine the history of contracting, what has worked and what has not and what lessons should be drawn from this.

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We are particularly grateful to Spend Network for providing us with much of the data used in this report and for their advice throughout. This project would not have been possible without their help. Thanks also to NCVO for providing us with data on charities.

The analysis and recommendations in this report do not necessarily reflect the views of those who have kindly helped us throughout this project. Any omissions are our responsibility alone.

**Find out more:**
**www.instituteforgovernment.org.uk/government-contracting**

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# 1 Introduction

**Government spends £284 billion (bn) a year on buying goods and services from external suppliers. This amounts to around a third of all public expenditure. The money is spent on everything from goods such as stationery and medicine, through to the construction of schools and roads, the daily delivery of back-office functions such as information technology and human resources, and front-line services such as probation and social care. This report provides a detailed analysis of how much different parts of government spend, what they buy, who their suppliers are and how they structure contracts.**

The public sector has always bought from the private sector. But the introduction of compulsory competitive tendering in the 1980s led to a significant expansion of private contracting. Large parts of government began to outsource substantial responsibilities to businesses and charities.[1]

Since then, there has been a broad political consensus that the application of market mechanisms to the work of government and the greater involvement of external providers would unlock savings and improve service performance. Both Conservative and Labour Governments have introduced policies to promote greater use of external suppliers. This has included significantly expanding the role of external suppliers in public services and the use of public–private partnerships, which includes the Private Finance Initiative (PFI). Under the PFI, private companies have designed, built, financed and operated UK infrastructure such as schools and hospitals.

But now that consensus is breaking up. While few question whether government should purchase goods such as stationery or IT hardware from private providers, there is an increasingly vigorous public debate about the supply of public services and other functions that were once the preserve of the public sector. The collapse of Carillion, one of the largest government contractors, highlighted some of the weaknesses of the model. It would be wrong for the failure of a company to be mistaken for the failure of the idea; companies fail for many reasons. But the episode revealed questions about the quality of government supervision, whether public services were adequately protected from a failure by a supplier and whether small suppliers of big contractors should carry as much risk as they do.

The industry was keen to suggest that government has driven down the pricing of contracts too far, while others questioned the adequacy of the protection of pensions and jobs for employees who were doing government work. The Labour leadership now argues that the outsourcing project has failed, presenting both ideological and practical objections.[2]

The Institute for Government has already carried out a considerable amount of work on government contracting. We have found that certain conditions have to be met if it is to work well.[3] These include the ease of measuring the value added by the provider, relative policy certainty in the service area and the service not being intrinsic to the nature of government.

In this report we look at the scale and nature of government procurement. There are so many definitions of procurement and outsourcing that critics and supporters often argue straight past each other, using data and examples that fit their side of the story. Our aim here is to map out the landscape of government procurement in the UK.

Our goal is also to provide clarity and a firm basis for the wider discussion. One conclusion is immediately apparent: procurement is the single biggest component of modern government and it cannot easily be unravelled. Our analysis also finds that:

- the UK's procurement spending is not high by international standards
- the proportion of published procurement spending going to strategic suppliers – companies that receive over £100 million (m) in revenue per year from government contracts – has grown over the past five years, yet some of the top strategic suppliers have experienced financial difficulties
- some government departments are beginning to take greater control of aspects of their IT.

This report is the first in a wider programme of work that will look at the record, successes and failures of government contracting in the UK (with reference to the experience of other countries). We will look at what has worked and what hasn't, what lessons should be drawn, how contracts should be managed, and how activities should be taken back into the public sector if and where that is appropriate.

## The key questions

In this report we answer some central questions about government spending with the private and voluntary sector:

- What is the scale of government procurement spending?
- What is government buying?
- Who supplies government?
- How many contracts are there, of what value and length?

These questions ought to be easy to answer – government itself should be able to answer them quickly and accurately if it is to ensure that it is effectively managing these markets and securing best value for money. But doing so is challenging because of the poor quality of government procurement data, which limits the analysis that we – or others – can undertake.

We have only been able to produce the results presented in this report after carrying out complex analysis of the data available from disparate government accounts, spending records and individual contracts. Our figures do not always match with those that government departments generate using internal or published data, which demonstrates the difficulty of getting the full picture from the patchy data available.

We therefore make recommendations to all levels of government about what they should do to build the world-leading data collection and publication systems needed to ensure that they can make informed procurement decisions, that public sector markets are more competitive and that the public can hold government and suppliers to account.

## What do we mean by procurement?

Procurement is the purchase by government of the following from the private sector, charities and other organisations:

- goods – items such as pens, paper, laptops, desks, hospital beds and medicines
- works – the construction, repair and maintenance of assets such as roads, hospitals and military equipment
- services – the delivery of functions such as adult social care, IT support, human resources and consultancy.

When we refer to outsourcing in this report, we do so using the Organisation for Economic Co-operation and Development's (OECD) definition. This definition includes the goods and services purchased by government either for its own consumption or for delivery directly to the end user. It does not include capital works, such as building new roads.

However, our interest in contracting includes outsourcing but extends to procurement in the wider sense, including works. Neither outsourcing nor procurement is synonymous with privatisation, which is the sale of publicly owned assets to private investors.

# 2 What is the scale of government procurement spending?

**This chapter provides an overview of trends in total government procurement spending. It assesses procurement spending over time, how this compares to other OECD countries, the value and importance of procurement for different parts of government and how this is apportioned between different spending categories.**

The data in this chapter is drawn primarily from HM Treasury's (HMT) Public Expenditure Statistical Analyses (PESA) 2018. PESA is an annual publication of government spending data, and the figures in the report are accredited National Statistics. As such, we can have a relatively high degree of confidence in the publication's accuracy and completeness.

### A third of public expenditure is on procurement

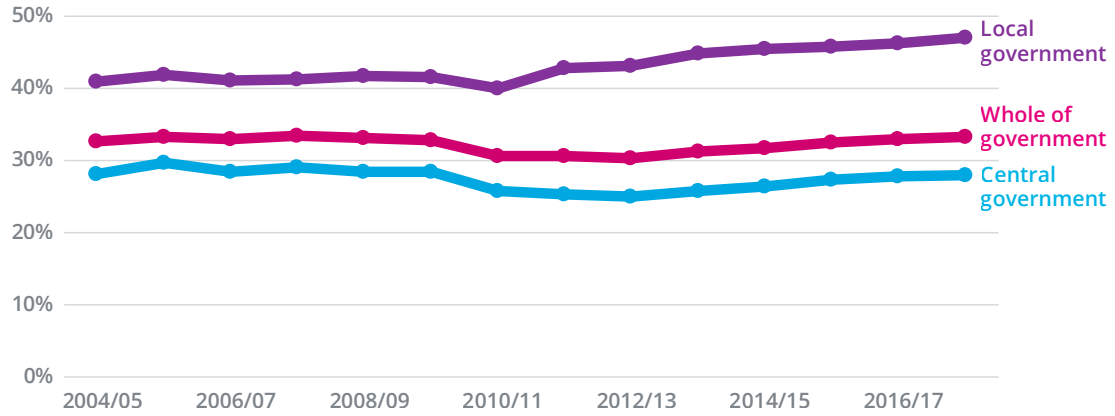
Procurement is the single biggest component of government expenditure. In 2017/18, total government procurement expenditure was £284bn* (around £300bn if academies are included**). This means that roughly one in every three pounds that the public sector spends is spent on procurement. By comparison, £264bn is spent on grants, which includes all benefit payments, and £184bn is spent on pay for government employees.

In recent years, spending on procurement has grown modestly but it still makes up a smaller proportion of total public sector expenditure than it did before the recession. Peaking at 33.4% in 2007/08 and reaching a low of 30.3% in 2012/13, the level stood at 33.3% in 2017/18 (see Figure 2.1).

* This figure is based on HMT's PESA estimates of 'gross current procurement' and 'gross capital procurement' added together. The figure is higher than the National Audit Office's (NAO) estimate for government spend through external suppliers as the NAO's figure is derived from the Whole of Government Accounts, which are prepared on a different basis and are not always directly comparable with PESA.

** Total spend on academies in 2017/18 was £22.4bn (£21.6bn on resources and £0.8bn on capital). Within the £21.6bn resources spend, £4.8bn was the purchase of goods and services, which was already included in the Department for Education's (DfE) procurement spending figures. The remainder was not included in the procurement figures for the DfE, but we would consider this outsourcing. It was mostly pay (£13.8bn), with some depreciation and other items.

**Figure 2.1 Procurement as a percentage of government expenditure, 2004/05 to 2017/18**




Note: 'whole of government' includes central government, local government and public corporations.

Source: Institute for Government analysis of Public Expenditure Statistical Analyses 2018

The data shows that procurement accounts for a smaller proportion of central government spending than of local government spending: 28% and 47% respectively. This is because central government is responsible for the majority of welfare payments, debt interest and subsidies, none of which are procured.

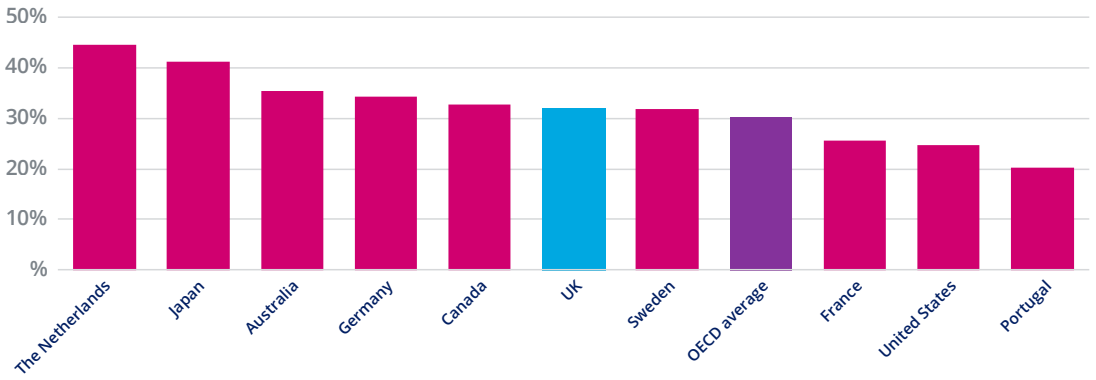
In recent years, procurement as a proportion of total spending has grown most quickly in local government, rising by 7.1 percentage points, compared with a 2.2 percentage-point increase in central government procurement, between 2010/11 and 2017/18. However, local government has seen greater overall spending restraint than central government over this period. As a result, central government procurement has grown more in absolute terms, rising by £21.8bn between 2010/11 and 2017/18, compared with just £3.9bn for local government.

### UK procurement spending is not high by international standards

The UK was an early adopter of outsourcing and its public services economy is acknowledged as the most sophisticated in the world.[1] But the volume of procurement spending is not high by international standards. OECD figures from 2015 show the UK spending 32.0% of general government expenditure and 13.7% of Gross Domestic Product (GDP) on procurement, compared with OECD averages of 30.3% and 13.2% respectively (see Figure 2.2).[*2] At the top end of the scale, the Netherlands and Japan directed over 40% of government spending to procurement in 2015, while Portugal's spending was the lowest, at 20.3%.

* OECD general government procurement spending figures are estimated using data from the OECD's National Accounts Statistics (database), based on the System of National Accounts. General government procurement is defined as the sum of intermediate consumption (goods and services purchased by governments for their own use, such as accounting or IT services), gross fixed capital information (the acquisition of capital, excluding sales of fixed assets, such as building new roads) and social transfers in kind via market producers (purchases by general government of goods and services produced by market producers and supplied to households). Public corporations are excluded in the estimation of procurement spending.

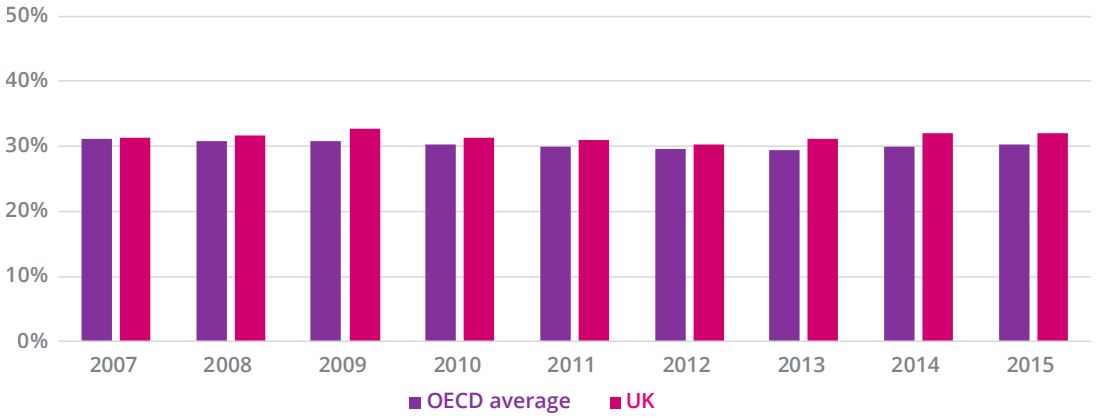
**Figure 2.2 General government procurement as a share of total general government expenditure, selected OECD economies, 2015**




Source: Institute for Government analysis of OECD's *Government at a Glance*, 2017 edition

These proportions have been relatively stable since 2007, the earliest year for which the OECD has made figures available (see Figure 2.3).

**Figure 2.3 General government procurement as a share of total general government expenditure, UK and OECD average, 2007 to 2015**

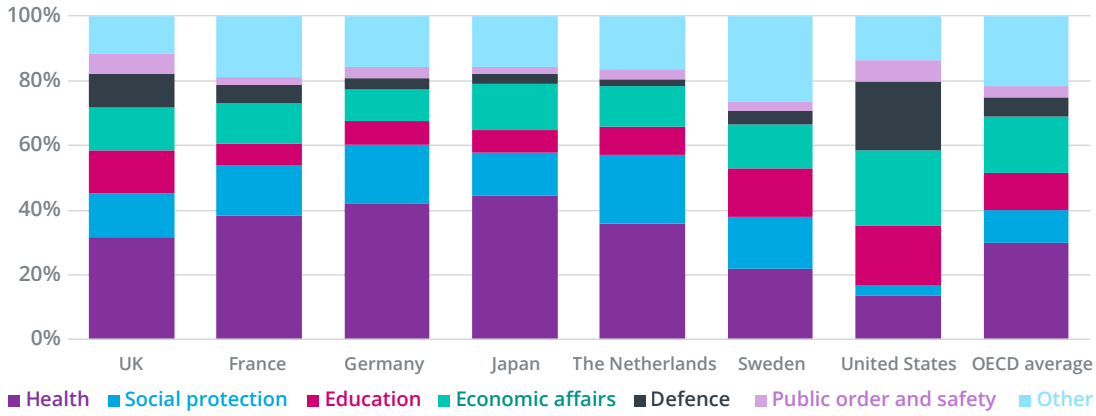



Source: Institute for Government analysis of OECD's *Government at a Glance*, 2017 edition

### Compared with the OECD average, UK procurement spend is weighted towards public order and defence

The proportion of UK procurement spending that is devoted to key services such as education, health and social protection (for example housing and unemployment) is broadly in line with OECD averages. However, on defence, and public order and safety (including prisons), the proportion of UK procurement spending was around double the OECD average in 2015 (see Figure 2.4).

## Figure 2.4 Structure of general government procurement, by function, selected OECD economies, 2015



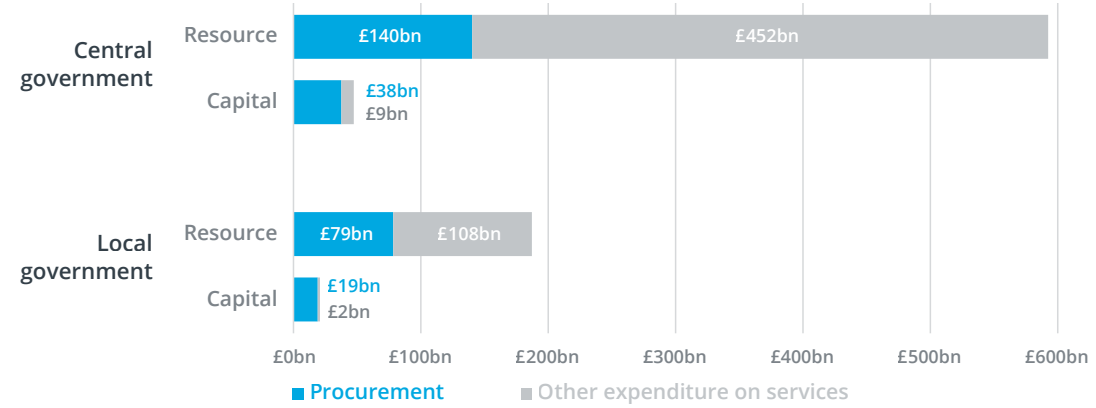

Source: Institute for Government analysis of OECD's *Government at a Glance*, 2017 edition

### Most procurement is resource expenditure

Procurement can be broken down into resource expenditure (running costs) and capital expenditure. Resource expenditure on procurement, which includes running public services and back-office functions such as IT, was £219bn in 2017/18.* Capital expenditure, which includes constructing, buying and maintaining assets such as schools and military equipment, totalled £65bn in the same year.** Expenditure on large assets tends to be broken down over a number of years. For example, the £56bn cost of procuring High Speed 2 (HS2) – a high-speed railway that is being constructed, which will connect London with Birmingham, the East Midlands, Leeds and Manchester – will include various phases of the design and construction of tracks, control systems and rolling stock between now and the mid-2020s.[3]

While resource spending on procurement is more than three times the capital spending on procurement, a far greater proportion of the latter is accounted for by procurement. Procurement comprises around 30% of public sector resource spending but around three quarters of public sector capital expenditure.

## Figure 2.5 Central government and local government procurement spending, 2017/18




Note: Does not include spending by public corporations, which are included in whole-of-government totals.

Source: Institute for Government analysis of Public Expenditure Statistical Analyses 2018

* In most cases, resource expenditure includes hire and rentals under PFI and non-PFI operating leases, but this is not included in departmental breakdowns of procurement spending.

** Capital expenditure is measured gross of depreciation.

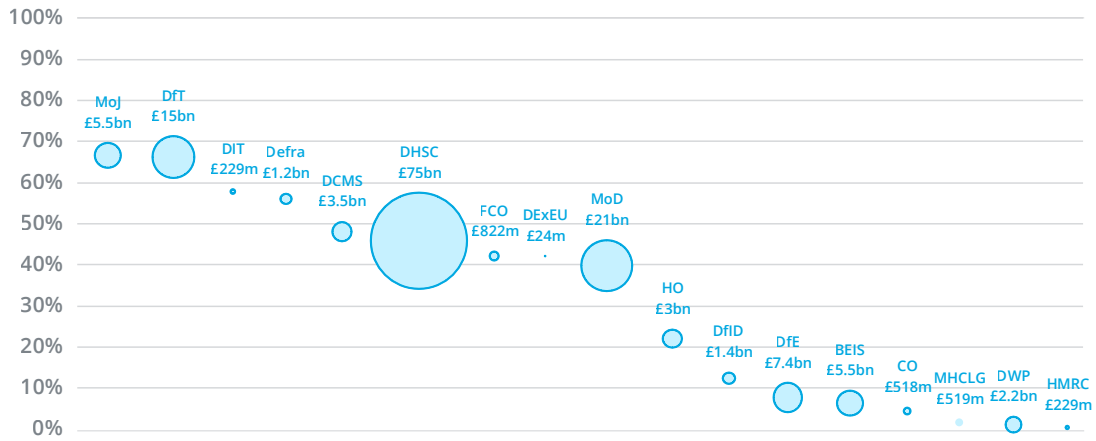
## Four departments spend more than half of their budget with external suppliers

The importance of procurement varies significantly between departments.* At one end of the spectrum are four departments – the Ministry of Justice (MoJ), the Department for Transport (DfT), the Department for International Trade (DIT) and the Department for Environment, Food and Rural Affairs (Defra) – where procurement represented more than half their total expenditure in 2017/18 (see Figure 2.6). The Department for Digital, Culture, Media and Sport, and the Department of Health and Social Care, spent 48% and 46% of their total budgets on procurement, respectively.

The MoJ, which has overseen several recent high-profile incidents around the performance of outsourced services – including Birmingham Prison being taken back into government hands from the security services company G4S after inspectors found the prison in a state of crisis[4,5] – spends the greatest proportion of its budget on procurement. This includes over £0.5bn with private providers of prisons[6] and around £0.25bn with community rehabilitation companies delivering probation services.[7]

At the other end of the spectrum, procurement accounted for less than 10% of the total expenditure of six departments – the Department for Education (DfE), the Ministry of Housing, Communities and Local Government (MHCLG), Her Majesty's Revenue and Customs (HMRC), the Cabinet Office (CO), the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Work and Pensions (DWP). The lowest were DWP and HMRC, where just 1% of the budget goes to external suppliers. The DWP had the largest budget – £184bn – and employed the most staff – more than 80,000 people – of any department in 2017/18. Most of its spending is on pensions, welfare payments and salaries.

**Figure 2.6 Total procurement spending per department, and as a percentage of total departmental spending, 2016/17**



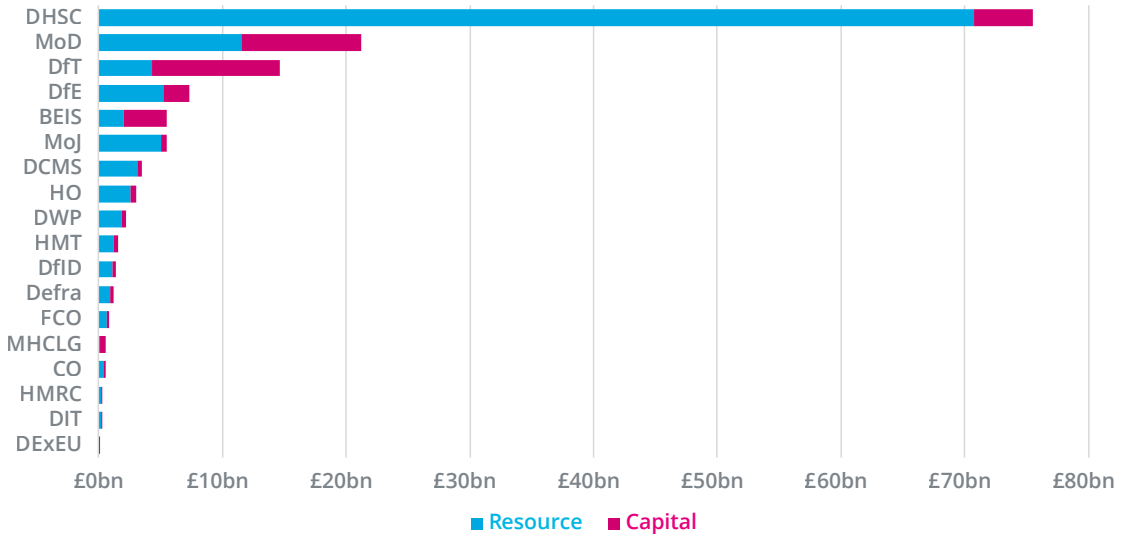

Source: Institute for Government analysis of Public Expenditure Statistical Analyses 2018

* The figures include all spending by departments' arm's-length bodies but do not include all PFI spending, some of which is classified in PESA's departmental figures as 'rentals'. The overall figure for government procurement of £284bn does include all PFI spending.

### Four departments account for over 80% of central government departments' spending with external suppliers

Central government procurement spending is dominated by just four departments: the DHSC, MoD, DfT and DfE. Together they spent £119bn – 82% of the total for central government departments (see Figure 2.7). The biggest spender by far is the DHSC, where procurement came to £75bn. The vast majority of this was NHS spending.[8] NHS procurement includes virtually all the expenditure by NHS England and clinical commissioning groups, which purchase planned hospital care, emergency care, most community health services, mental health services, primary care, treatments for rare conditions and more. While some of this is from private sector companies and charities, the main suppliers are NHS hospitals. NHS spend on medicines is around £17bn a year.[9]

**Figure 2.7 Procurement spend, by department, 2017/18**




Source: Institute for Government analysis of Public Expenditure Statistical Analyses 2018

Whereas the 94% of DHSC procurement is resource expenditure, reflecting the significant sums spent on items such as medicines and general practitioners' salaries, the other three highest spending departments all have a sizable capital component. Procurement spend at the MoD is relatively evenly balanced between resource (£12bn) and capital (£10bn) and indicative of the significant cost of weapons systems and maintaining the MoD estate. With £10bn capital expenditure out of a total procurement budget of £15bn, the DfT is one of just three departments (BEIS and MHCLG are the others) to spend more on capital than resource in 2017/18. This is unsurprising given its responsibility for investment in transport infrastructure such as rail and roads.* Nearly 30% of the DfE's £7bn spend with external suppliers is on capital projects such as building new schools.

* DfT capital procurement increased substantially as a result of Network Rail being reclassified as part of the public sector in 2014.

# 3 What is government buying?

## This chapter looks at what government is buying with the money it spends on procurement.

Effective oversight of government procurement requires a clear picture of what government is buying. Individual public bodies should be able to easily determine how much they have spent on particular goods, services or works and use this information to inform future purchasing decisions. For common goods and services, it may make sense for procurement to be co-ordinated centrally, through the Crown Commercial Service (CCS), so that government can use its combined purchasing power to get a better deal. Unfortunately, publicly available data provides only limited insight into what government buys.

HMT's data breaks down public sector spending into 15 functions, including social protection, health and transport. However, this data tells us very little about what the public sector is actually buying. For example, health procurement could be anything from stationery and medicines, through to cleaning hospitals or outsourcing surgery to private clinics. The data also provides no information on whether it was the DHSC, hospitals, clinical commissioning groups or other bodies doing the buying.

Instead, to understand more about what government is buying, we have undertaken a more detailed analysis using published spending data. Local authorities are required to publish details of any monthly spend over £500, while the threshold for central government and the NHS is £25,000. Unfortunately, a number of factors limit the usability of this data. First, the data does not include all spending, only that above the thresholds. In the case of central government and the NHS, where the threshold is £25,000, much spending will be unreported. Second, as noted in Chapter 6 on data quality, most departments fail to publish their spend data on time and in some cases do not even publish it.

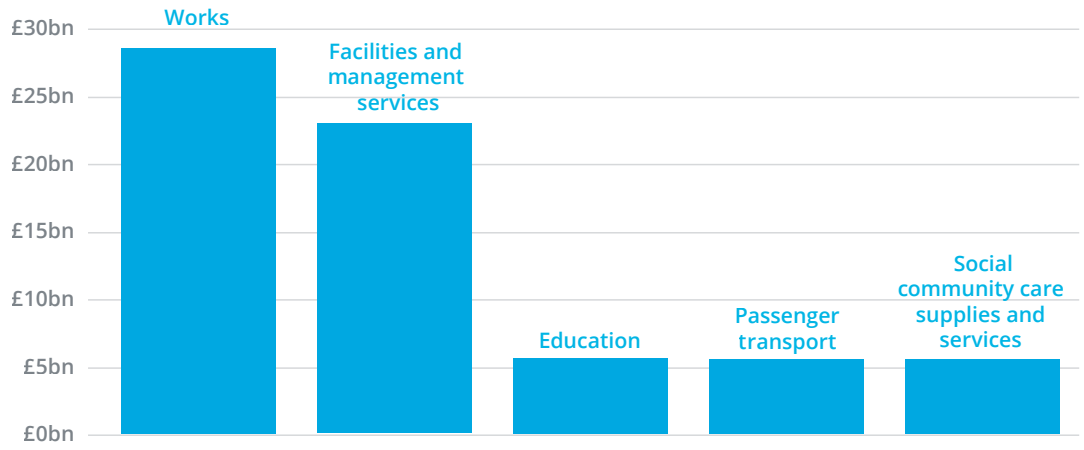
The biggest problem, however, is that data releases on spending do not include unique open identifiers – machine-readable reference codes – of what government has bought. They usually only contain a short narrative description. Tenders and contract award notices often include a procurement code, but it is very difficult to link individual lines of expenditure to the contract to which they relate.

As described in more detail in Appendix 1, which sets out our methodology for this research, the best available method for identifying what government is buying is to use the identity of the supplier to take an educated guess. This method can only provide a rough approximation of procurement type. It is particularly imprecise for the largest suppliers, which undertake a diverse range of activities for government, but the picture produced by this method is the most accurate available.

**Works and facilities management account for around half of procurement spending**

Using this methodology, we found that two types of company account for the majority of published government procurement spending: those that specialise in 'works' and those that specialise in 'facilities management services' (see Figure 3.1).

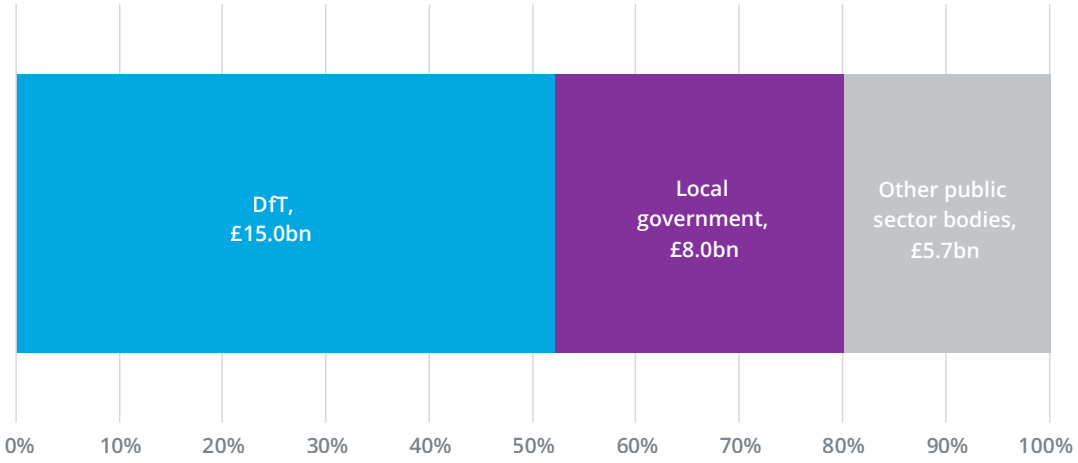
**Figure 3.1 Top five procurement categories across government, 2016/17**




Source: Institute for Government analysis of Spend Network data

Central government appears to dominate the procurement of works. Around 70% of published works spending is by central government, with the DfT alone accounting for more than half (see Figure 3.2). This is broadly in line with what we might expect given that, as noted in the last chapter, the DfT has the highest procurement capital spend of any department, being responsible for large transport infrastructure projects such as HS2.

**Figure 3.2 Spending on works, by government body, 2016/17**

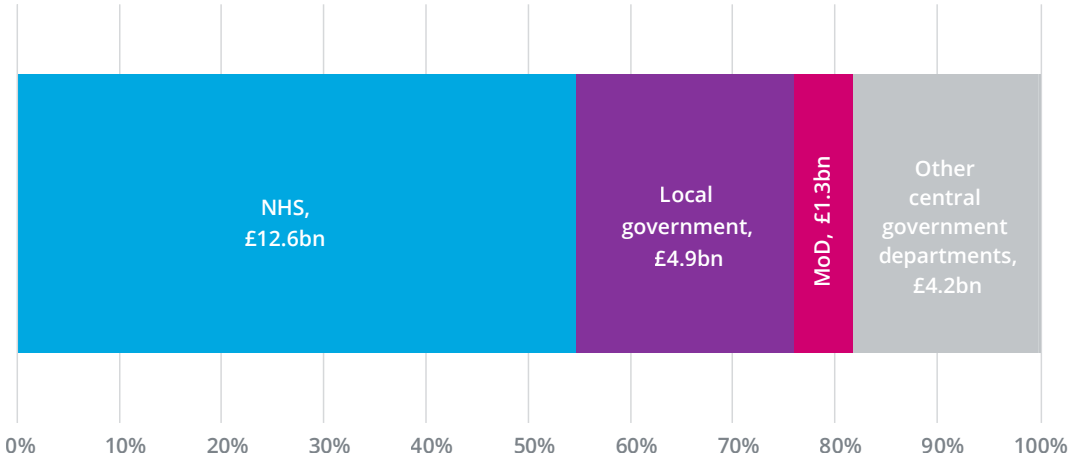



Source: Institute for Government analysis of Spend Network data

Local authorities also spend significant amounts on works, notably on non-national road networks. For example, Birmingham City Council has a 25-year, £2.7bn road and footpath maintenance contract with Amey. Our analysis suggests that local authorities are responsible for around a quarter of published works spend.

The second largest procurement category is facilities management services. This will include the provision of hard (such as building fabric) and soft (such as catering and cleaning) facilities management. The majority of published facilities management procurement spend is by the NHS (see Figure 3.3). For example, Carillion was a provider of facilities management services to 14 NHS trusts.[1] Local authorities account for around 20% of facilities management spend, while the largest government department, the MoD, accounts for just over 5%.

**Figure 3.3 Spending on facilities management services, by government body, 2016/17**




Source: Institute for Government analysis of Spend Network data

Much facilities management procurement is co-ordinated centrally through the Crown Commercial Service (CCS). The CCS has recently released a £12bn facilities management framework with three value bands: up to £7m, £7m to £50m, and over £50m.[2] A total of 47 firms have been appointed to the framework, including 10 small- and medium-sized enterprises (SMEs) and strategic suppliers Amey, G4S, Interserve, ISS, Mitie, Serco and Sodexo. See the next chapter for more analysis of government spending with SMEs and strategic suppliers.

From the late 1990s onwards, there was significant investment in UK infrastructure through the use of private finance, particularly the PFI and its successor, Private Finance 2 (PF2).[3] These contracts typically combined the construction (works) and ongoing management (facilities management) of an asset such as a school or hospital. Despite the generally patchy quality of government spending data, the data available for PFI and PF2 deals is good. Government produces figures showing the annual charges for every PFI and PF2 contract until 2049/50, when the last payment on an existing contract is due. In 2016/17, the cost of PFI and PF2 contracts was £10.4bn, around 4% of total public sector procurement spending.[4] At £485m, the single largest annual payment was for PRIME, a 20-year PFI contract under which Telereal Trillium provided and serviced the majority of the DWP's offices.[5]

# 4 Who supplies government?

**Government procures what it needs from tens of thousands of suppliers, ranging from FTSE 100 listed multinational companies to small businesses and local charities. A good supplier can bring specialist expertise to a problem, potentially delivering a better service and saving government money. By contrast, poor performance by suppliers can have reputational and financial costs; G4S's management of Birmingham Prison is just one recent, high-profile example.**

The recent collapse of Carillion and problems with some big contracts have led to questions over whether government is too reliant on a handful of major suppliers, some of which have a patchy track record. The Government itself recognises the importance of having a diverse supplier market, setting a challenging target for procurement spend with SMEs.[1] Future work at the Institute for Government will examine the quality of the market, including the balance between competitiveness and sustainability and whether the supplier market is sufficiently diverse.

While government has some reliable internal data about who central government buys from and how much is spent, equivalent data for the wider public sector has until recently been patchy. Since the collapse of Carillion, government has developed a better view of internal data on contracts in the wider public sector. With this, it should be able to identify the suppliers that offer the best service, spot those that are struggling and better prepare for major failures.

This chapter uses three different data sources to analyse government procurement spending with three different types of supplier: 'strategic suppliers', SMEs and charities.

First, we used data on spending published by central government departments, local authorities and the NHS to assess government spending with strategic suppliers – companies that have contracts across central government that exceed £100m a year and/or are significant government suppliers in their sector.

Data on government spending with strategic suppliers is incomplete, largely due to publication thresholds. As discussed in Chapter 3, local government is required to publish monthly spending data for all transactions over £500, while central government and the NHS are required to do so for those transactions over £25,000. Due to these publication thresholds, it is likely that our analysis of government's relationship with strategic suppliers overstates the proportion of procurement spending going to these firms but understates their total income from government. These effects are likely to be more pronounced, due to their higher threshold.

However, the trends will be broadly accurate and provide the best insight available into the role of strategic suppliers in public sector markets.

This analysis required Spend Network and the Institute for Government to manually identify government spending with strategic suppliers and their subsidiaries. This approach was possible for 28 strategic suppliers but not for the hundreds of thousands of SMEs and charities that also supply government. We therefore used two other data sources to analyse spending with these types of supplier.

Our second data source is the SME spending data produced by the Cabinet Office and Crown Commercial Service. They collate both information on government's direct spending with SMEs and information on government spending that reaches SMEs indirectly through supply chains. While data on direct spend with SMEs is relatively accurate and consistent, the same is not true of funding that reaches SMEs indirectly. This funding accounts for more than half of government procurement spend with SMEs. The Cabinet Office and Crown Commercial Service attempt to collect information about indirect spending with SMEs through a survey of their major suppliers. However, the method used for this survey has changed repeatedly, meaning the data is not comparable from year to year as the methodology used by government to calculate them – a survey of major suppliers – has also changed.[2] It is welcome that the Cabinet Office has sought to improve the methodology over time but it does mean that it is not clear to what extent the annual changes described below are due to the changed methodology or actual changes in spending with SMEs. The data is also dependent on the goodwill of suppliers, not all of whom complete the survey. As a result, the Government Commercial Function believes that the figures do not fully capture indirect spending with SMEs and that the overall figures understate the proportion of central government funding going to such businesses.[3]

Third, we used data produced by the National Council for Voluntary Organisations (NCVO) to assess government procurement spending with charities. Unfortunately, government data on contract spend with charities is largely non-existent. Contract award notices (the public announcement of the outcome of a procurement exercise) will sometimes note that a chosen supplier is a charity, but it is not possible to link this to spend publications. The best data on the role of charities in procurement is produced by the NCVO. Based on a sample of charity accounts (see Appendix 1 for further details), it calculates the sector's income from different sources. While still an estimate, it provides a relatively complete picture.

**Up to a fifth of procurement spending goes on 'strategic suppliers'**

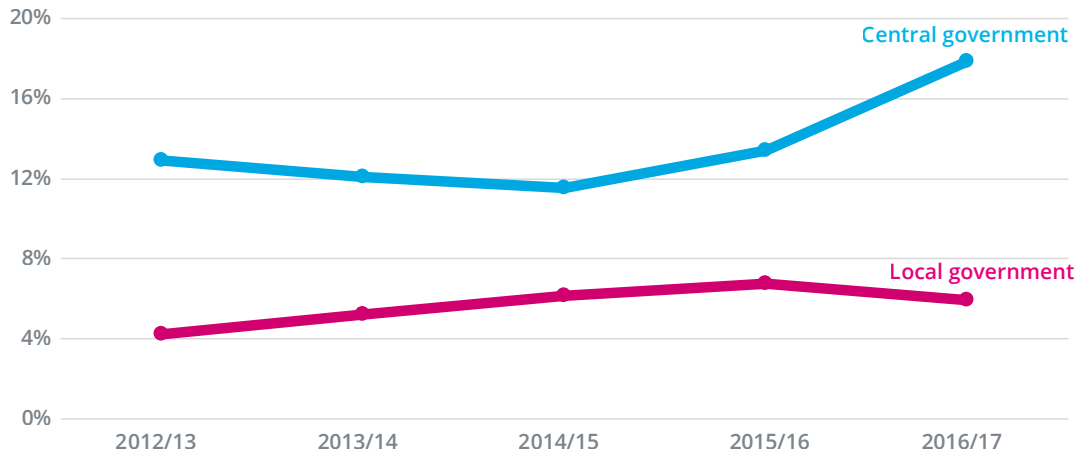
The Government designates the most important companies that it buys from as 'strategic suppliers'. In addition to the commercial relationships that individual departments, local authorities and other public bodies have with these firms, the CO provides oversight of their work across central government. Each firm is allocated a Crown Representative, a senior civil servant who acts as a single point of contact for the firm, identifying opportunities for cost savings and helping to resolve cross-cutting issues.

There are currently 28 strategic suppliers[4] – including household names such as BT, Capita, G4S, Microsoft, Serco and Vodafone – which provide services such as facilities

management, consultancy and audit, engineering, IT and social care. Carillion was a strategic supplier until it went into liquidation in January 2018.

Our analysis of published spending data (see Appendix 1 for further details) shows that strategic suppliers are winning a large amount of government business. For both central and local government, the proportion of published procurement spend going to these suppliers has grown over the past five years. The companies on the strategic suppliers list have changed over time, so Figure 4.1 shows the procurement spend with the 25 companies that have continuously been strategic suppliers over the period analysed, from 2012/13 to 2016/17. For central government, the proportion by value of published procurement spend going to these 25 strategic suppliers increased from 13% in 2012/13 to 18% in 2016/17 (20% if all of the strategic suppliers are included in 2016/17). For local government, it increased from 4% to 6% over the same period.

**Figure 4.1 Procurement spend with strategic suppliers as a percentage of total procurement, 2012/13 to 2016/17**




Source: Institute for Government analysis of Spend Network data

What is driving this growth in market share? As noted in the next chapter on contracts, there is no evidence that contracts are getting bigger. It may be that strategic suppliers have been particularly aggressive when bidding for contracts, lowering their prices to win business. Indeed, as discussed below, some of the strategic suppliers with most government business have struggled to turn a profit in recent years. It may also be that the structure of contracts or bidding processes increasingly favours larger providers. For example, it is easier for the largest firms, with big in-house contract bidding teams, to respond to tenders with short submission deadlines. Smaller suppliers, on the other hand, can struggle to manage payment-by-results contracts due to lower cash flow. As noted below, it also appears that the largest charities are winning a greater share of contract income.

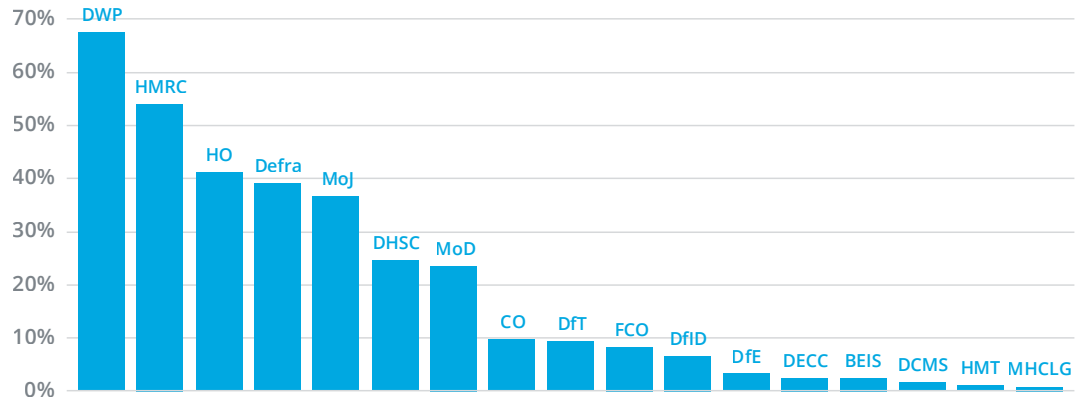
### Some departments spend a high proportion of their procurement budgets with strategic suppliers

The reliance of individual departments on the largest companies varies significantly. Spending with strategic suppliers accounts for more than a third of the published procurement spend of five departments – Defra, the DWP, HMRC, the HO and the MoJ. The highest proportionally is the DWP, where 67% of the spend with external

suppliers is with these major players (see Figure 4.2). Second is HMRC, where the proportion is 55%. HMRC's biggest supplier, Capgemini, accounts for a third of its published procurement spend (the highest proportion that any department spends with a single supplier). This is due to Capgemini's lead role in Aspire, a major IT outsourcing deal in which Fujitsu, HMRC's second biggest supplier, also plays a key role. Together, they represent almost 50% of HMRC's published procurement spending. The dependence on strategic suppliers could be a vulnerability for some departments, although – particularly since Carillion went into liquidation – the financial health of strategic suppliers is closely monitored.

At the other end of the scale, less than 1% of the MHCLG's published procurement spending is with strategic suppliers and another five departments – DfE, DECC, BEIS, DCMS and HMT – are all below 5%.

**Figure 4.2 Procurement spend with strategic suppliers as a percentage of total procurement, by department, 2016/17**

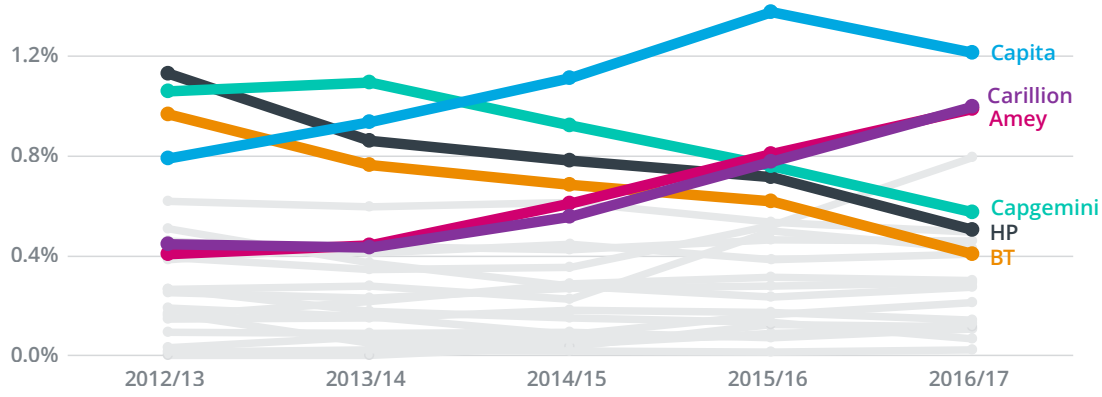



Source: Institute for Government analysis of Spend Network data

### The top three strategic suppliers have all made losses despite growth in government procurement

In 2016/17, government reported spending the largest amount of money with Capita, Carillion and Amey. According to the spending data, all three firms saw growth in government income from 2012/13 to 2016/17 (see Figure 4.3). While it might be expected that winning new business means higher profits, Capita, Carillion and Amey have all experienced financial difficulties in recent years. Expanding business with the public sector may have contributed to their poor financial performance.

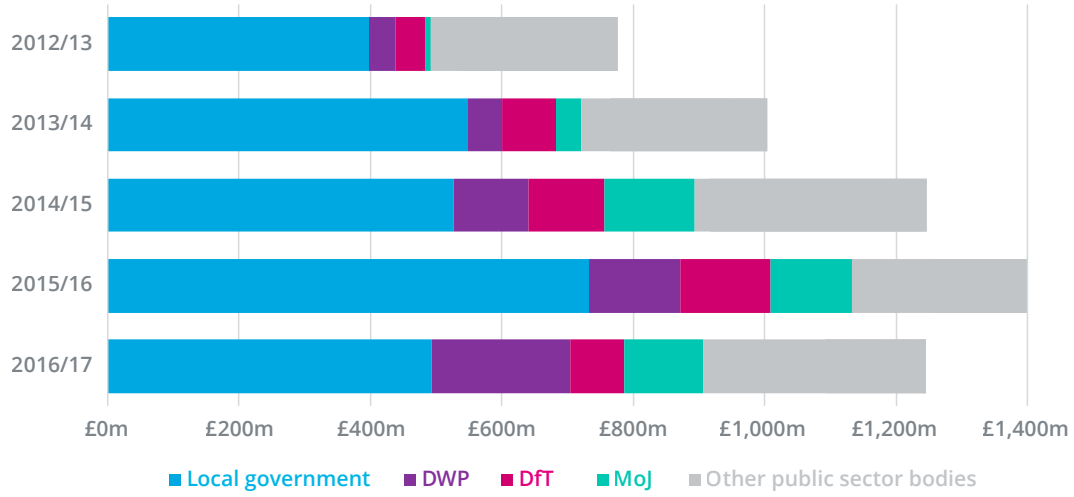
**Figure 4.3 Procurement spend with strategic suppliers as a percentage of total procurement, 2012/13 to 2016/17**




Source: Institute for Government analysis of Spend Network data

During most of the five-year period, Capita was the largest supplier across the whole of government. Local government was Capita's major customer, accounting for around 40% of overall government procurement spending with Capita in 2016/17 (see Figure 4.4). The firm delivers a wide range of services. For example, the London Borough of Barnet has outsourced finance, human resources, property management and customer services to Capita.[5]

**Figure 4.4 Capita procurement spend, by government body, 2012/13 to 2016/17**

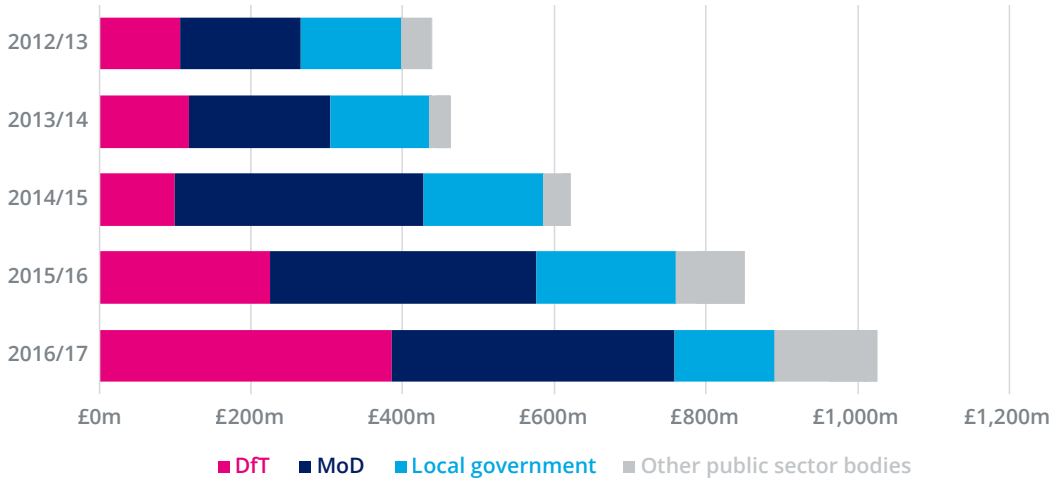



Source: Institute for Government analysis of Spend Network data

Capita has customers right across the public sector but, as its own chief executive noted in the company's 2017 annual report, the firm has "become overly complex, spanning multiple markets and services, making it more challenging to maintain a competitive advantage in every business".[6] Despite having an underlyingly profitable business, Capita made a loss of £513m in 2017. This was due to a £552m non-cash write-down of goodwill. The firm also undertook a successful £700m rights issue, saying that the proceeds would be used to invest in new technology and help support the transition to a new strategy.[7] According to Kean Marden, Head of Support Services Research at Jefferies & Company, both the write-down and historic underinvestment in the business were partly due to shrinking margins and inappropriate risk transfer in UK public sector contracts.[8]

Carillion was the company with which government had the second highest level of published spending in 2016/17. According to the published figures, government spending with Carillion grew quickly between 2012/13 and 2016/17 (see Figure 4.5 – though the NAO's analysis of Carillion's business shows flatter public sector revenue[9]), but losses on its UK public sector construction contracts contributed to financial difficulties.[10] Attempts to recapitalise the firm following a profit warning in July 2017 failed and it went into liquidation in January 2018.

**Figure 4.5 Carillion procurement spend, by government body, 2012/13 to 2016/17**




Source: Institute for Government analysis of Spend Network data

The majority of Carillion's government business was with two departments: the DfT (38%) and the MoD (36%). At the time of its collapse, Carillion held contracts worth more than £3bn with the DfT's arm's-length bodies. This included two contracts with HS2 Ltd valued at £1.3bn combined, three rail electrification contracts with Network Rail totalling over £500m, and four contracts for Highways England's Smart Motorways Programme also worth around £500m.[11]

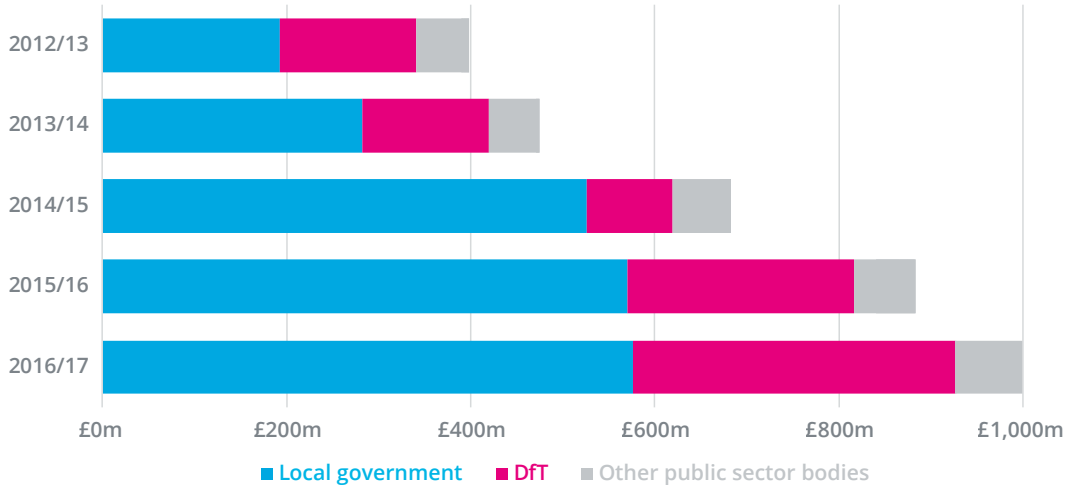
The company had also seen major growth in its business with the MoD (see Figure 4.5). This included a £2.8bn contract to manage the maintenance and cleaning of military facilities and service personnel homes.[12] Most of these contracts were won as part of joint ventures and passed to the other partners when Carillion went into liquidation. For example, Amey took over the contracts with the MoD.[13]

In the wake of the Carillion collapse, the Government's position has been that it initially focused on the preservation and continuation of public services. Since then, it has announced a series of reforms in response to the collapse, which include increasing the range of suppliers to government as well as the creation of living wills to allow contingency plans to be rapidly put into place when needed, to allow government time to transfer the services safely to a new supplier or take them in-house.[14]

Amey provides a variety of infrastructure services. Its business includes contracts with 16 local authorities and Highways England to maintain and operate roads and bridges, upgrading the TransPennine rail route, and waste processing and collection across the UK. It experienced significant growth in government income during the five-year

analysis period (see Figure 4.6). In 2016/17, Amey was the largest single supplier to local government and was the company with the third highest government spending overall.

**Figure 4.6 Amey procurement spend, by government body, 2012/13 to 2016/17**




Source: Institute for Government analysis of Spend Network data

Amey reported a loss of £190m in 2017. This was largely due to writing off over £200m on a highways contract with Birmingham City Council, following a judgment by the Court of Appeal (which found that the company had not carried out road maintenance work that it was obliged to do under a PFI deal[15]). However, other parts of its business also struggled, with its environmental services, highways and utilities divisions all recording losses. Only its rail and consulting division posted a profit.[16]

**Some strategic suppliers have experienced a substantial decline in reported spending because of government taking more direct responsibility for its IT**

Between 2012/13 and 2016/17, published procurement spending with five of the 28 strategic suppliers fell. The most dramatic reductions, both in absolute terms and proportionally, were in spending with Capgemini, BT and HP. Published government spending with Capgemini fell by 40% between 2012/13 and 2016/17. An even bigger reduction was seen in government's published spending with BT. Standing at almost £1bn in 2012/13, this had fallen by 56% by 2016/17.

These spending reductions were at least partly because some government departments are starting to take more direct responsibility for their IT. The Government's largest IT contract is with Aspire, which sits with HMRC and underpins the annual collection of some £500bn in tax income. In January 2015, HMRC took over the management of Aspire subcontracts with Accenture and Fujitsu that Capgemini had previously managed, worth around £250m a year. In December 2015, three Aspire services were brought directly in-house.[17]

The DHSC has also brought a number of major IT contracts back in-house, including work on the NHS Spine platform, which was taken on by the Health and Social Care Information Centre (HSCIC) in 2014 and redeveloped using open-source tools,[18] as well as the Secondary Uses Service and the Care Identity Service IT systems, which were moved from BT to HSCIC in 2015.[19] In parallel with this, BT chose to reorganise its

business in 2015, creating a new operating division called Business & Public Sector and voluntarily exiting from some public sector contracts.

More recently, the DWP brought its IT development, maintenance and support back under direct management, moving 400 staff from HP (which had previously held the contract) into a new subsidiary of the department.[20]

### The Government appears unlikely to meet its ambitious target to increase spending with SMEs

In 2010, the Coalition Government set a target for 25% of central government procurement spending to reach SMEs* by 2015. This includes both direct spending through contracts that government holds with SMEs and indirect spending that SMEs in supply chains receive.** The Government at the time argued that opening up government contracting to new providers would increase competition and innovation, helping to drive economic growth and secure a better deal for taxpayers.[21]

In pursuit of the 25% target, the Coalition Government implemented a range of initiatives to reduce the barriers faced by SMEs seeking to sell their services or products to government. These included measures such as the creation of a Crown Representative for SMEs and abolishing pre-qualification questionnaires for certain tenders, as well as more general measures such as creating Contracts Finder – a central portal for advertising government contracting opportunities – and passing the Public Services (Social Value) Act 2012, which requires those commissioning public services to consider how they can secure wider social, economic and environmental benefits.***

The Coalition Government met its target a year early, reporting that 26% of its spending was reaching SMEs in 2013/14. On the Government's own analysis, this increased to 27% the following year. Having achieved the original target, the Government increased it to 33% by 2020 (which was later changed to 2022).[22] Meeting this will be a challenge.

Central government spending reaching SMEs peaked at 27% in 2014/15, before falling to 24% in 2015/16 and then to 22.5% in 2016/17 (see Figure 4.7). The House of Commons Public Accounts Committee has argued that government efforts have lost momentum and that a new approach is needed. It has said that this should include:

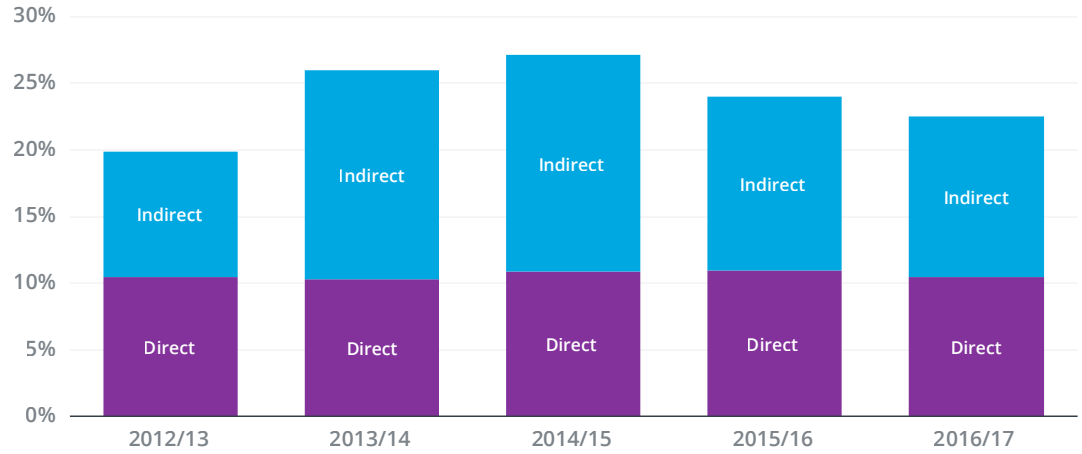
- contract opportunities being communicated more effectively
- SMEs being given more support to raise concerns about barriers to participation in public procurement
- departments being supported by the centre of government to identify areas where SMEs can provide most value.[23]

* The Government uses the European Union's definition of an SME. According to this, an enterprise is an SME if it has fewer than 250 staff and has either a turnover of less than €50m or a balance sheet total of less than €43m.

** Government procurement with large companies such as the strategic suppliers does not necessarily mean there is less business for SMEs, as most large firms outsource a significant proportion of their work to their supply chains. One interviewee suggested that large firms winning government contracts may actually increase the proportion of work for small businesses at the expense of medium-sized firms, which can get squeezed out.

*** The NAO has provided a helpful overview of Coalition Government procurement initiatives. See Comptroller and Auditor General, *Government's Spending with Small and Medium-sized Enterprises*, Session 2015–16, HC 884, National Audit Office, 2016, www.nao.org.uk/wp-content/uploads/2016/03/Governments-spending-with-small-and-medium-sizes-enterprises.pdf

**Figure 4.7 Share of government procurement spending going directly or indirectly to SMEs, 2012/13 to 2016/17**



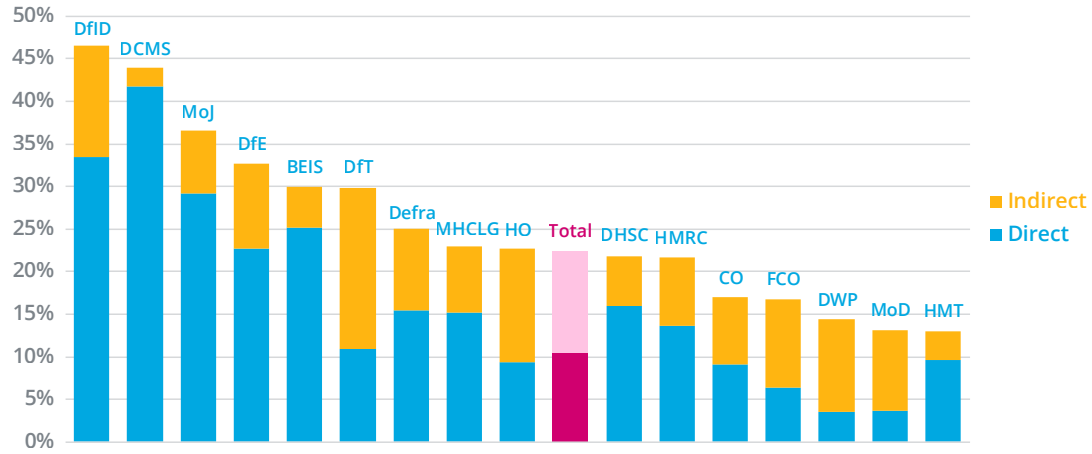

Source: Institute for Government analysis of Spend Network data

The Government has since announced a raft of new measures to increase procurement with SMEs. These include stricter rules on the payment of subcontractors, the advertisement of some subcontracting opportunities on Contracts Finder[24] and plans to strengthen the Public Services (Social Value) Act 2012.[25]

### Some departments spend more with SMEs than others

Three departments – the DfID, DCMS and MoJ – have already exceeded the Government's SME spending target, and another two – the DfE and BEIS – are on or above 30% (see Figure 4.8). It is notable that these departments do not just have a high overall spending with SMEs, they also have a high direct spending with SMEs. In each case, direct spending with SMEs represents more than two thirds of the total spending, and for the DCMS it was 95% in 2016/17.

**Figure 4.8 SMEs as a percentage of procurement, by department, 2016/17**




Source: Institute for Government analysis of Spend Network data

SMEs have had substantial involvement in some areas of central government procurement. For example, recent figures show that almost half of spending through the Digital Marketplace – where suppliers offer digital, data and technology services to government – is with SMEs.[26]

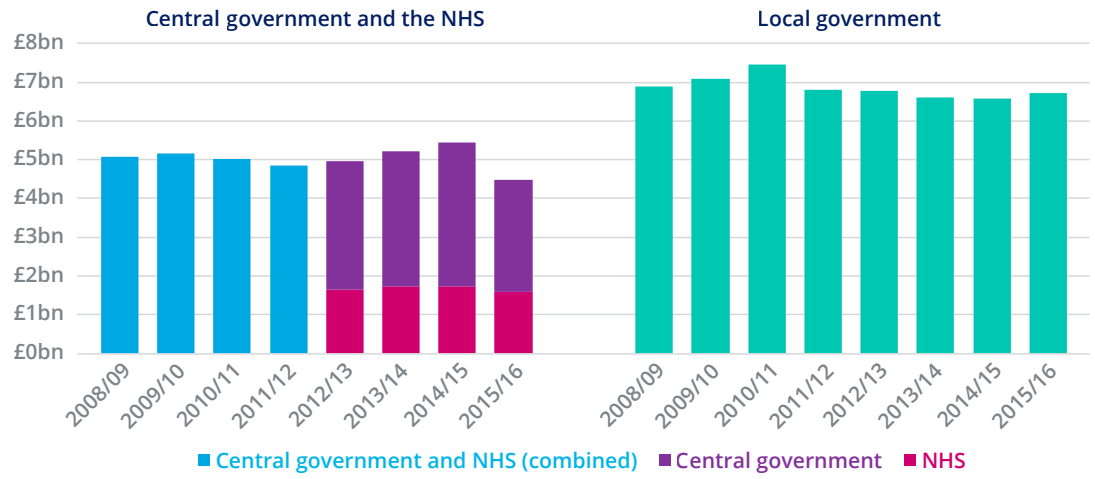
Other parts of government perform less well against the target. Five departments – the CO, Foreign and Commonwealth Office (FCO), DWP, MoD and HMT – procure less than 20% of their total procurement spend directly or indirectly with SMEs. Increasing spending with SMEs will be easier in some of these departments than others. Doing so may be a particular challenge at the MoD due to the nature of the arms industry. Yet the MoD accounts for almost 40% of central government procurement spend* and will therefore be critical to achieving the overall SME target.

### Contracting with charities is at broadly the same level as it was in 2008

Charities, co-operatives and social enterprises are important suppliers to government, particularly in relation to the delivery of public services. This was recognised by the Coalition Government in its Big Society agenda and by its Conservative successors, most recently in a new Civil Society Strategy, reinforced in a speech by the Minister for the Cabinet Office, David Lidington.[27] The strategy and speech set out the steps that government would take to create a more diverse marketplace of suppliers, including strengthening the Public Services (Social Value) Act 2012 and training all 4,000 commercial buyers in government on how to take account of social value.

In 2014/15, charities received just over £12bn in contract income from central government, local government and the NHS, roughly the same as in 2008/09 (see Figure 4.9). Total contract income peaked in 2010/11, before falling dramatically the following year. It then rose each year until 2014/15. The NCVO's data shows a significant fall in contract income in 2015/16. However, this was largely due to a change in the NCVO's methodology, which led to some government spending with charities being classified as grant income instead of contract income. Overall income from government in the charity sector has remained relatively flat.

**Figure 4.9 Government procurement spending with charities, 2008/09 to 2015/16**




Source: Institute for Government analysis of Spend Network data

But the overall picture hides variation in spending by different parts of government. Between 2012/13 and 2014/15, central government and the NHS increased their procurement from charities. Meanwhile, during the same period, procurement spending by local government on services provided by charities fell. This may reflect

* Government SME data only includes the £3bn procurement spend of the DHSC on itself and its arm's-length bodies. It does not include £67bn of procurement spend accounted for by NHS England and clinical commissioning groups.

the greater budgetary pressure that councils faced during this time, although overall local government procurement spending still rose slightly over this period.

The largest charities also appear to have fared best. Between 2012/13 and 2015/16, overall charity income from government (contracts and grants) grew by less than 1%, but for charities with an annual turnover of over £100m, it grew 33%. It is unclear whether this growth was due to new charities entering the £100m+ income band or existing charities within the band winning more contracts. Either way, a greater proportion of government procurement spending with charities now goes to the very largest than it did previously.

Winning contracts does not mean that charities are generating surplus from their business with government. There is evidence that many are effectively subsidising public services by running a deficit on statutory contracts and that the largest charities are running the biggest deficits.[28] In recent years, a number of charities have closed due to losses on government work, most notably 4Children[29] and the Lifeline Project.[30] Like Carillion, both had grown quickly by winning contracts but were unable to generate sufficient returns to service the debt they had incurred to support their expansion.

# 5 How many contracts are there, of what value and length?

The number of contracts published, how much they are worth and how long they last for will all play an important role in shaping the supplier market. Unless there is a clear pipeline of contract opportunities, suppliers may turn their focus to other markets, which could lead to higher costs for taxpayers due to reduced competition. In addition, only a handful of suppliers can deliver some of the largest contracts, again limiting the possible benefits of competition.[1] If contracts are too short, then there might be little incentive for suppliers to invest and limited evidence generated by which government can judge quality.

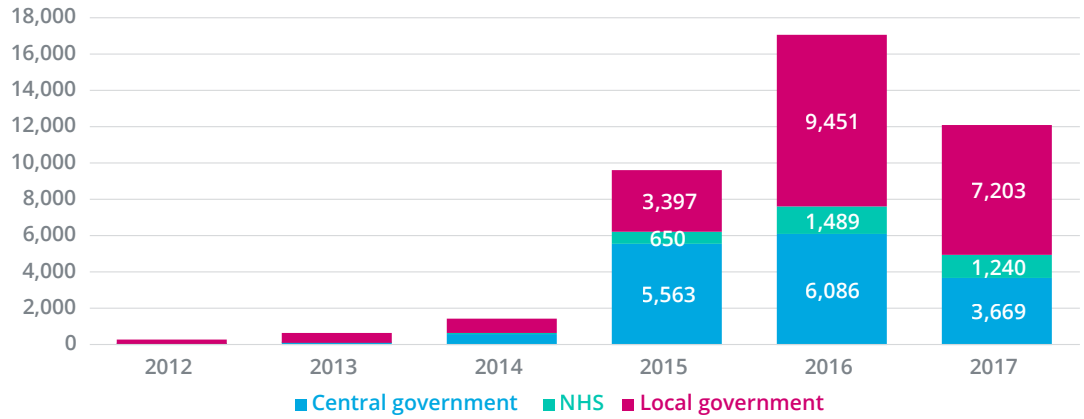
### New regulations in 2015 resulted in a substantial increase in published contract information

The analysis in this chapter is only possible due to new procurement rules, which require publication of certain contract information such as contract opportunities and award notices. Under the Public Contracts Regulations 2006, public bodies were required to send contracting opportunities above certain thresholds to the *Official Journal of the European Union*. The regulations that came into force in February 2015 added a requirement for public bodies to also publish on Contracts Finder, a portal that allows people to search for contracts.

The data is still incomplete but there has been a large increase in the quantity of publicly available contract information. This is helpful for accountability but, critically, it also makes it easier for suppliers to find contract opportunities and bid, increasing competition and the chances that government will get the best possible deal.

There was a big jump in the publication of contract award notices for all parts of government in 2015 (see Figure 5.1). However, while central government publication rose dramatically in 2015 and then remained relatively steady in 2016, publication by both local authorities and the NHS increased significantly in both years. This may be because local authorities and the NHS struggled to meet the new requirements in the first year they came into force (although this was largely because e-tendering providers did not have the integration ready to meet the requirement).

**Figure 5.1 Total number of government contracts, by start year, 2012 to 2017**




Source: Institute for Government analysis of Spend Network data

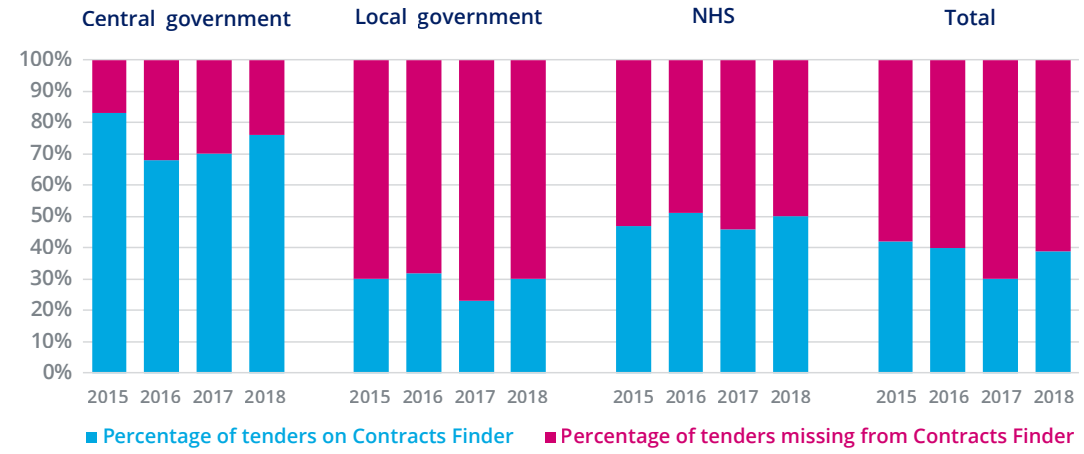
There was a fall in contract award notices in 2017. Based on interviews, we believe that the main reason for this was that the general election of that year interrupted procurement plans and led government bodies to reduce the number of contracts they awarded in the calendar year. We do not see any evidence that compliance with the regulations requiring publication fell.

**But most tenders and contract award notices are not published on Contracts Finder**

In 2018, only 39% of tenders were published on Contracts Finder. Whereas 76% of central government tenders were advertised on the portal, the figures for local government and the NHS were 30% and 50% respectively (see Figure 5.2).

These numbers partly reflect publication thresholds. The low figure for the NHS is because government bodies procuring health care services for the NHS are exempt from the requirement to publish on Contracts Finder.[2] However, there are also some tenders that should be published on the portal but are not.

**Figure 5.2 Percentage of tenders advertised on Contracts Finder, 2015 to 2018**




Source: Institute for Government analysis of Spend Network data

The number of missing contract award notices is even higher. Overall, we would expect there to be more contract award notices than tenders. While tendering processes will sometimes be cancelled or government will choose not to award a contract, these are

relatively rare occurrences. Far more common are framework agreements, under which multiple contracts will be let from a single tender. However, across government there are 22% fewer contract award notices published than tenders.

Taking into account the tenders that are not advertised on Contracts Finder, this means that award notices for less than 30% of the contracts agreed by government are published on the portal. For example, when Carillion went into liquidation in January 2018, it was only possible to find 28 contract award notices for the firm on Contracts Finder, despite Carillion having an estimated 450 public sector contracts.

Whether due to exemptions or non-compliance, the end result is that most tenders and contract award notices are not published on Contracts Finder, the central portal for government procurement.

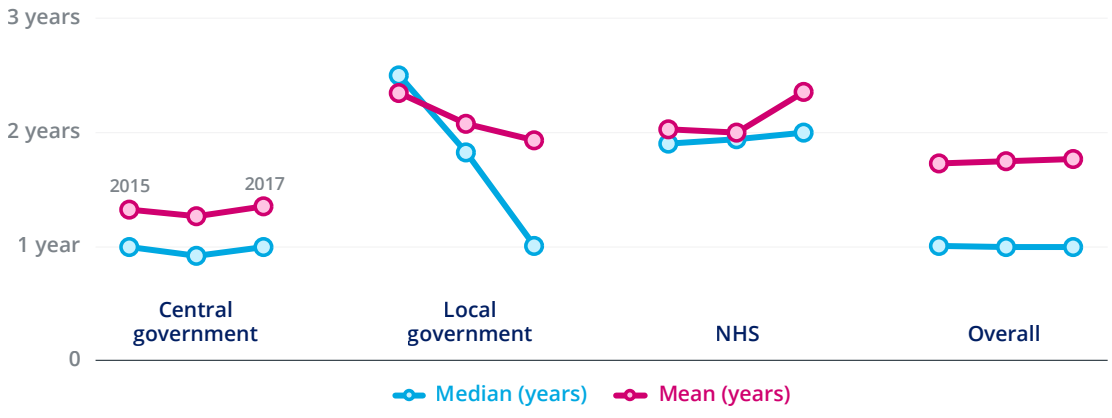
Government is aware of this problem. Since early 2018, the Government Commercial Function has analysed tenders and contract award notices published on Contracts Finder. Where gaps have been identified, it has supported departments to bulk-upload missing items. It has also now put in place new systems to monitor publication compliance and a number of departments have created automated feeds to Contracts Finder from their local systems, allowing for improved quality and completeness of uploaded data.[3]

### Most contracts are less than two years long

Some government contracts can last an extremely long time. G4S's contract to run Birmingham Prison was for 15 years, PFI contracts are regularly 25 years in length or more and the funding contract with multi-academy trusts to run primary and secondary schools is effectively open ended, while land is often leased from local authorities on a 125-year basis.[4] However, most contracts are much shorter than this.

Overall, the average (mean) length of published contracts in 2017 was one year and nine months, unchanged since 2015 (see Figure 5.3). The median contract length – one year exactly across the period – was even shorter. This reflects the fact that many contracts effectively have no duration at all, being one-off purchases. Goods will often be bought in this way, but services can be too, for example spot-purchasing a night of residential care for a child.

**Figure 5.3 Average duration of contracts, by level of government, 2015 to 2017**




Source: Institute for Government analysis of Spend Network data

According to analysis by the Government Commercial Function, longer contracts tend to be worth more. As a result, over half the value of public sector contracts is accounted for by contracts that are more than two years in length, and around a quarter of the total value of public sector contracts is accounted for by contracts that are at least five years in length.[5]

There are pros and cons associated with long and short contracts. A short contract is a concern for suppliers. The NCVO, which represents charities in England, has noted the "instability associated with short term funding streams" and the particular challenges this poses for smaller organisations "for whom the removal or retention of single funding awards can be the difference between survival and closure".[6]

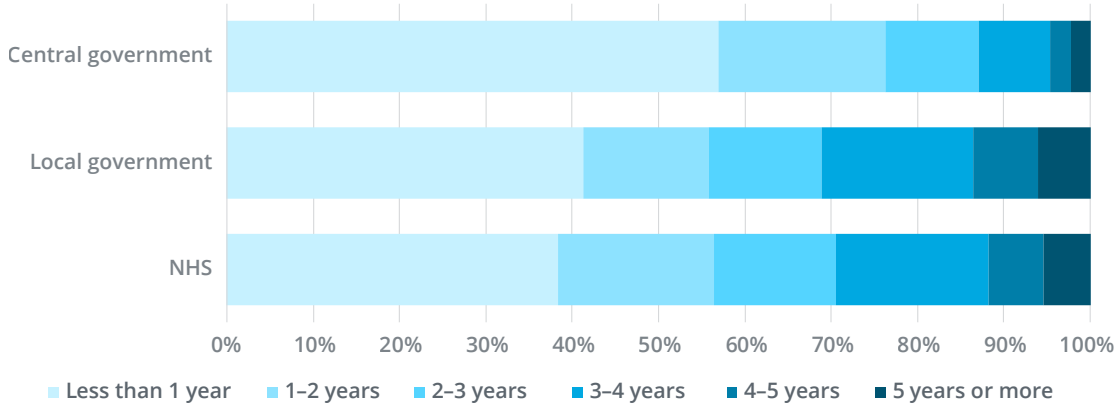
The Institute for Government has previously noted that longer contracts "create greater certainty and scope for flexibility [allowing] providers to plan ahead and invest in building capability and improving services".[7] Equally, for many services, particularly those for members of the public with complex needs, it is unlikely that important long-term outcomes – such as reduced risk of offending or improved access to the labour market – will be apparent after only a year or two.

The NAO has argued that "longer contracts can increase the risk transferred, encourage investment and allow expensive bid costs to be recouped". On the other hand, it has noted that repetitively tendering for short contracts can increase price competition.[8] Longer contracts can also lock government into unsuitable deals. For example, under a PFI contract, Liverpool City Council is required to pay £4m a year until 2028 for a school that has been closed since 2014.[9]

### Central government contracts tend to be shorter than local government or NHS contracts

Contracts published by local government and contracts published by the NHS (which includes national bodies such as NHS England as well as local NHS bodies such as clinical commissioning groups) have a similar duration profile. Between 2015 and 2017, around 40% of published contracts were for less than a year (see Figure 5.4). Meanwhile, around 30% were for three years or longer, twice the proportion of central government contracts of that length.

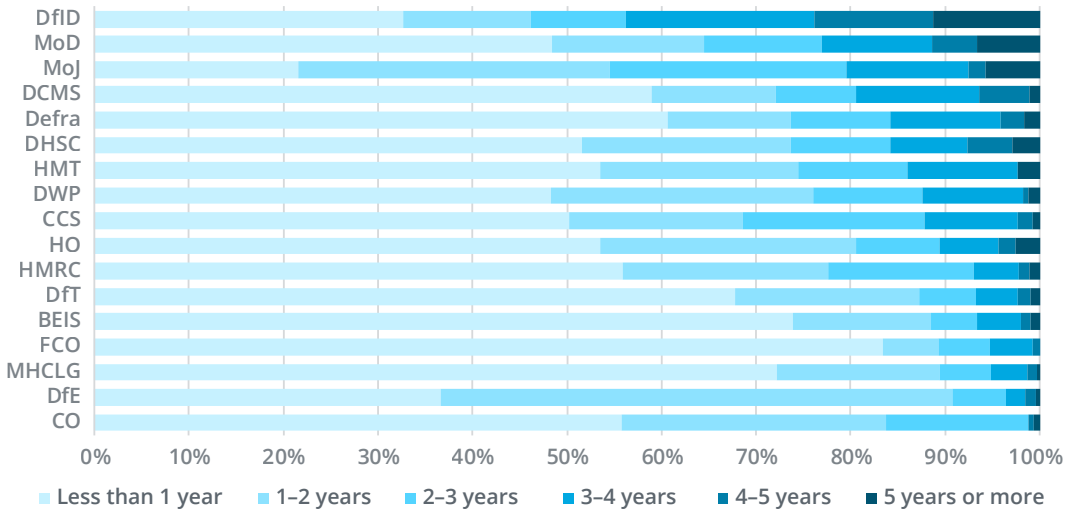
**Figure 5.4 Duration of contracts starting between 2015 and 2017**




Source: Institute for Government analysis of Spend Network data

Of those central government contracts that were signed between 2015 and 2017, 57% lasted less than a year and only 13% were for three years or longer. However, there was significant variation between departments (see Figure 5.5). In only five departments were over 50% of contracts more than a year in length. The most extreme case was the FCO, where 83% of contracts were for less than a year, while over 70% of MHCLG and BEIS contracts were also this short. At the other end of the scale, only 21% of the MoJ's contracts were for less than a year and the figure for the DfID was 33%. Indeed, the DfID appeared to be an outlier when it came to contract length, as 44% of its contracts were longer than three years.

**Figure 5.5 Duration of contracts starting between 2015 and 2017, by department**



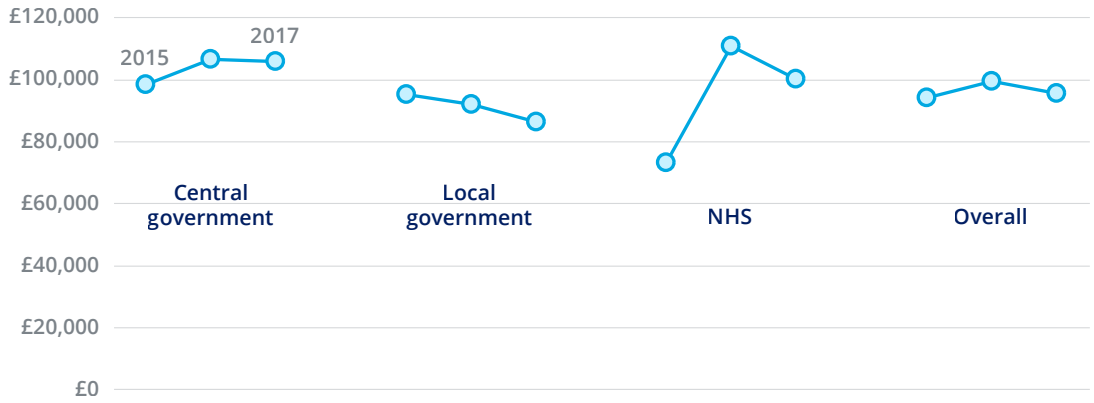

Source: Institute for Government analysis of Spend Network data

### There is no evidence that contracts are getting bigger

Most government contracts have an annual value of less than £100,000 (see Figure 5.6).* This has stayed relatively steady since 2015, although there has been some variation across different parts of government. There has been greater movement in the mean value of contracts – falling from £1.88m in 2015 to £1.43m in 2016, before rising again to £1.97m in 2017 – but the overall trend is relatively flat.

* We believe that the average annual value of contracts is the most informative measure of their size. However, annualising the value of very short contracts distorts the data (for example, a £1m contract for one day would have an average annual value of £365m). We have therefore excluded contracts with a duration of fewer than 90 days from this analysis.

**Figure 5.6 Median annual value of contracts, by level of government, 2015 to 2017**




Source: Institute for Government analysis of Spend Network data

Indeed, whether looking at the mean or median of overall contract values or annual contract values, there is little evidence that contract sizes increased between 2015 and 2017. This runs counter to conventional wisdom, which suggests that public bodies are aggregating services into a smaller number of larger contracts in order to reduce the transaction costs of procurement, resulting in the largest providers winning more contracts. While there is evidence for the final part of this – our analysis does suggest that strategic suppliers are winning a greater proportion of government procurement spend – there is no indication in the data that this is due to contracts getting bigger.

# 6 Data quality

**Throughout this report we have highlighted the poor quality of government procurement data. Critical information that public bodies could use to make more informed spending decisions is often unavailable or incomplete. While government's performance on collecting and publishing data in some areas has improved, in others it has gone backwards.**

In this chapter we assess government's performance in three critical areas: the publication of spending data, the publication of contract award notices and the information in award notices.

### Departments have got worse at publishing spending data on time

Across Whitehall there is widespread failure to publish spending data when it is due (Spend Network proactively sends freedom of information requests to buyers that fail to publish on time and the figures below would arguably be even worse without such prompting). In 2017/18, just five out of 18 departments published more than half of their spending data on time (see Table 6.1). Only three departments did so more than 90% of the time. Five departments failed to publish a single spending data release on time; Defra and the HO have failed to do so for three years in a row.

Some departments have got worse in the past year – notably the DfE and DWP, both of which previously had relatively positive records.* Most departments have been consistently poor in publishing timely spending data. This includes the CO, which is responsible for procurement policy,** the DCMS, which is responsible for data policy, and HMT,*** which should take most interest in punctual spending data.

Only one department, HMRC, has consistently published over 80% of data required on time since 2012/13, with the DHSC also doing relatively well across this period. The DfID did poorly in the earlier years but has improved significantly and has been the best performer since 2015/16.

* However, in the case of the DWP, this was largely due to technical issues associated with the introduction of its Single Operating Platform, which have now been resolved.

** The team within the CO that is responsible for procurement policy does not have responsibility for publishing spending data.

*** In private interviews, HMT has said that the late publication of spending data was due to reporting challenges arising from the implementation of a new back-office support system and that issues have now been resolved.

**Table 6.1 Percentage of monthly spending data releases that are published on time, 2012/13 to 2017/18**

| Department | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|---|
| HMRC | 100% | 100% | 83% | 100% | 83% | 92% |
| DHSC | 58% | 92% | 92% | 100% | 92% | 67% |
| DfE | 100% | 8% | 92% | 92% | 100% | 25% |
| DWP | 58% | 75% | 92% | 75% | 92% | 8% |
| DfID | 8% | 33% | 67% | 100% | 92% | 92% |
| FCO | 75% | 100% | 67% | 42% | 42% | 58% |
| MoD | 33% | 58% | 67% | 25% | 42% | 92% |
| MHCLG | 42% | 50% | 58% | 0% | 8% | 25% |
| MoJ | 25% | 20% | 82% | 42% | 0% | 0% |
| HMT | 25% | 58% | 17% | 8% | 8% | 0% |
| DCMS | 0% | 8% | 0% | 25% | 50% | 17% |
| CO | 25% | 17% | 0% | 8% | 25% | 8% |
| HO | 33% | 17% | 33% | 0% | 0% | 0% |
| DfT | 25% | 33% | 8% | 0% | 0% | 8% |
| Defra | 0% | 0% | 0% | 0% | 0% | 0% |
| DIT | | | | | 0% | 33% |
| DExEU | | | | | 0% | 17% |
| BEIS | | | | | 0% | 0% |
| DECC | 50% | 92% | 67% | 0% | | |
| BIS | 42% | 0% | 8% | 0% | | |

Source: Institute for Government analysis of data.gov.uk and GOV.UK, monthly spend over £25,000, 2012 – 2018

### Departments fail to publish contract award notices for many tenders

As noted in the previous chapter, there should be more published contract award notices than tenders. However, in 2017/18, departments published 15% fewer contract award notices than tenders. This was a marked improvement on the previous year but it is clear that many departments are still failing to meet their publication requirements.

The only department to publish less than 10% fewer contract award notices than tenders across all three years from 2015/16 to 2017/18 was the MHCLG (see Table 6.2). HMRC and the MoJ also did relatively well. At the other end of the scale, the DCMS published more than 40% fewer contract award notices than tenders in all three years, although there was a welcome improvement between 2016/17 and 2017/18. It should also be noted that a large proportion of the DCMS's contracts are accounted for by arm's-length bodies, rather than the core department. For instance, if the BBC is removed from the DCMS's figures, then the department performs substantially better.

## Table 6.2 Number of published contract award notices as a percentage of published tenders, 2015/16 to 2017/18

| Department | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|
| MHCLG | 95% | 91% | 91% |
| HMRC | 91% | 88% | 97% |
| MoJ | 87% | 92% | 94% |
| DfT | 96% | 91% | 80% |
| BEIS | 91% | 81% | 89% |
| DfID | 87% | 75% | 98% |
| CO (including CCS) | 88% | 78% | 93% |
| HO | 78% | 72% | 92% |
| DWP | 91% | 55% | 90% |
| FCO | 68% | 76% | 91% |
| MoD | 76% | 67% | 76% |
| Defra | 64% | 68% | 82% |
| DHSC* | 75% | 63% | 66% |
| HMT | N/A | N/A | N/A |
| DfE | 54% | 51% | 87% |
| DCMS | 54% | 44% | 59% |

* These figures are currently under discussion with the department, and are subject to change.

Note: HMT has been excluded from this analysis as its procurement function is largely being performed by the Crown Commercial Service.

Source: Institute for Government analysis of Spend Network data

### The vast majority of published contract award notices contain information about contract start dates, end dates and values

Departments perform much better when it comes to the information published in contract award notices. The CO and DfID included a start and end date in 100% of their contract award notices.*

## Table 6.3 Percentage of award notices with start date, end date and contract value information

| Department | Percentage of contract award notices with a: | | Number of contracts |
|---|---|---|---|
| | Start and end date | Contract value included | |
| MHCLG | 99% | 99% | 641 |
| DfID | 100% | 98% | 476 |
| DfT | 98% | 96% | 2,573 |
| Defra | 95% | 97% | 1,406 |
| BEIS | 95% | 97% | 1,563 |
| FCO | 95% | 96% | 688 |
| HMRC | 98% | 93% | 483 |
| DfE | 96% | 94% | 573 |
| HO | 98% | 92% | 289 |
| MoJ | 97% | 92% | 697 |
| DHSC | 94% | 94% | 903 |
| MoD | 92% | 95% | 2,059 |
| DWP | 92% | 93% | 475 |
| HMT | N/A | N/A | N/A |
| DCMS | 92% | 87% | 689 |
| CO (including CCS) | 100% | 76% | 2,410 |

Note: HMT has been excluded from this analysis as its procurement function is largely being performed by the Crown Commercial Service.

Source: Institute for Government analysis of Spend Network data

* This covers all entries in the contract data provided by Spend Network, most of which falls into the 2015, 2016 or 2017 calendar years. The reason for this is that it is not possible to attribute contracts with no start dates to specific financial years.

Similarly, the contract award notices of 14 out of 16 departments include a contract value in more than 85% of cases. The outlier is the CO. The vast majority of the CO's contracts relate to the work of the Crown Commercial Service (CCS). The CCS oversees the procurement of common goods and services across government. These are provided by more than 5,000 suppliers to more than 17,000 public sector organisations. Some of the contracts listed as being let by the CCS will actually be contracts with other government bodies. The CCS also has to seek approval from the departments it is acting on behalf of before publishing, which can result in some contract award notices missing data and being published late. In addition, the CCS had a data issue in the first half of 2015/16, which resulted in a large number of its contract award notices missing a value. This has since been corrected.[1]

# 7 Conclusion and recommendations

**Our previous work has shown that there are several conditions that must be met for outsourcing to work well, including ease of measuring the value added by the provider, relative policy certainty in the service area and the service not being intrinsic to the nature of government.[1] There are several conclusions to be drawn from our latest analysis:**

- Procurement is too large to be easily unravelled or scrapped. At £284bn, procurement accounts for a third of public expenditure and is the single biggest component of modern government. Four departments spend more than half of their entire budgets with external suppliers and a further two spend just under this. As Amyas Morse, the Head of the National Audit Office (NAO), has noted, "government just doesn't have either the skill or the financial capacity to take back much delivery in-house".[2] Our recommendation is therefore that government looks hard at the experience of the past 30 years and develops a stronger sense of what has worked well in delivering better services or better value for money, and what has not been successful and why, to inform future decision making on contracting.

- The UK's procurement spending is not high by international standards, but in some sectors it is well above average. Figures from the Organisation for Economic Co-operation and Development (OECD) from 2015 show the UK spending just over 32.0% of general government expenditure and 13.7% of GDP on procurement, compared with OECD averages of 30.3% and 13.2% respectively.[*3] But on defence, and public order and safety (including prisons), the proportion of UK procurement spending was around double the OECD average in 2015. The Government should draw on the experience of other countries in writing and managing contracts. Where the contract is a pioneer, or has a significantly higher share of outsourced work, the Government must be able to demonstrate the benefits of this approach.

- The proportion of published procurement spending going to 25 strategic suppliers – companies that receive more than £100m in revenue a year from government contracts – has grown since 2012/13. For central government, the proportion of published procurement spend going to these 25 strategic suppliers increased from 13% in 2012/13 to 18% in 2016/17. But despite this growth in government income, the top three strategic suppliers in 2016/17 have all experienced financial difficulties in recent years and it is possible that expanding business with the public sector may have contributed to this financial performance. The Government should

* OECD general government procurement spending figures are estimated using data from the OECD's National Accounts Statistics (database), based on the System of National Accounts. General government procurement is defined as the sum of intermediate consumption (goods and services purchased by governments for their own use, such as accounting or information technology services), gross fixed capital information (the acquisition of capital, excluding sales of fixed assets, such as building new roads) and social transfers in kind via market producers (purchases by general government of goods and services produced by market producers and supplied to households). Public corporations are excluded in the estimation of procurement spending.

review the health of markets and margins given the need to maintain competition. In doing so, it should consider where margins could be driven down further to benefit taxpayers, where they have been driven down too far to sustain a competitive market, and how the Government might monitor and manage contracts better, including in terms of dialogue with suppliers about changing circumstances.

- Some departments are beginning to take greater control of some aspects of their IT. In January 2015, HMRC took over the management of Aspire's subcontracts with Fujitsu and Accenture worth around £250m a year, which had previously been managed by Capgemini (Aspire being the Government's largest IT contract). In December 2015, three Aspire services were brought directly in-house.[4] The Government should demonstrate how it has achieved better value for the public – or whether it now believes the nature of certain services means that they are better delivered directly by government.

- Our final conclusion is that the quality of the data available on procurement and outsourcing is poor. Given the importance that procurement will continue to have, it is critical that the Government, public services and suppliers are reliably able to answer questions about how much is being spent, what is being bought and who the suppliers are. Currently, this is far harder than it should be. Improving government data architecture has a cost, but the cost of inaction will be even greater. Every day, public bodies procure hundreds of millions of pounds' worth of goods, works and services. With a clearer picture of how much is spent, with which suppliers, what it is being bought, and how contracts are structured, government could make better-informed spending decisions, reduce waste and make significant savings. The remainder of this report sets out why government should improve procurement data and recommendations for how to do it.

## Improving government procurement data

The data used in this report has come from a wide range of sources, including the OECD, various parts of GOV.UK, Contracts Finder, *Tenders Electronic Daily* (TED) (the European procurement journal), other portals and local authority websites. As noted in Appendix 1, the process that Spend Network uses to compile, clean and analyse the data takes thousands of hours and significant technical expertise. Even with this resource-intensive process, the limited and often poor-quality data means that our conclusions have been caveated.

There are five reasons why better procurement data will be valuable.

### 1. Better data will enable government to make better spending decisions...

First, government would make better decisions if it could more accurately track money spent at each stage of the procurement process and if it used this data to inform future procurement decisions. For example, if government knew how many bidders it had for every contract and how this had changed over time, it could better identify procurement categories or geographical areas with low competition and take action to remove the barriers preventing new firms, including SMEs, from entering the market.

Government already has access to additional, non-public data. Bravo, which the Government uses to record spend, is better than the publicly available data because there is no threshold and procurement codes (explained below) are included. However, one interviewee estimated that Bravo is only 70–80% complete. It is therefore welcome that the Government Commercial Function has recently supplemented Bravo with a new Contract and Spend Insight Engine (CaSIE). CaSIE brings together the spending data from Bravo with the contracts data on Contracts Finder and enables more sophisticated analysis. For example, CaSIE, using unsupervised machine-learning techniques, was able to identify a significant number of insurance contracts that were expiring across government at a similar time.[5] The Crown Commercial Service (CCS) is using this information to develop a new framework agreement for insurance services.[6]

CaSIE is still a work in progress and its analytical power is limited by the capability of the individual systems that government departments use. Departments are aware of this and are investigating how they can better link spending and contracts data. CaSIE also only covers central government departments, and so does not provide insight on the wider public sector. However, the system shows the potential benefits that can be realised from better procurement data.

### ... but the procurement data needs to be publicly available

Better internal procurement data is necessary but not sufficient. If government wants to truly reap the benefits of better data then that data needs to be publicly available.

The Government itself acknowledges the case for better public procurement data and has championed the value of open contracting globally, particularly through its membership of the Open Government Partnership[7] and Contracting 5.[8] Domestically in recent years, it has implemented a series of reforms that have improved the quality of published procurement data.[9]

This all represents a very welcome start but the UK has much further to go and is lagging behind leading countries. According to the European Union's (EU) public procurement scoreboard, which shows how different EU countries are performing on key aspects of public procurement, the UK's performance on the three data quality indicators – missing calls for bids, missing seller registration numbers and missing buyer registration numbers – is unsatisfactory.[10] The EU has also funded a programme of analysis called They Buy For You,[11] which will conduct detailed analysis of public procurement data, highlighting economic development opportunities that public procurement provides.

The other four reasons for better procurement data require that data to be open.

## 2. Better public procurement data leads to lower prices

Evidence from around the world shows that publishing more contracting information increases competition and reduces prices.[12] In particular, greater transparency reduces the chances of 'single bidding', where only one supplier bids for a government contract.[13] The Open Contracting Partnership has calculated that an increase in transparency would reduce single bidding by 2% to 3.5% and make tendering 0.14% to 0.25% cheaper.[14] Making those savings on the £284bn procurement spend in the UK is equivalent to hundreds of millions of pounds every year.

### 3. Better public procurement data improves accountability

As the Institute for Government has noted in previous research, government contracting "can lead to a lack of clarity on where issues originate, and where accountability lies for fixing them", particularly with regard to public services.[15] Better procurement data would enable the public to better understand how taxpayer money is being spent, enhance scrutiny of contracts and could improve public trust in government spending.

### 4. Better public procurement data can create new markets and business opportunities

Publishing more high-quality, open contracting data would not only provide more insight into public sector markets, it would also create new markets.

Transport for London (TfL) has shown that open data can bring economic benefits. It publishes free, accurate and real-time data on the movement of buses, tubes and trains. This has resulted in annual economic benefits and savings of up to £130m a year, including between £12m and £15m a year of Gross Value Added from the companies that use TfL's data commercially.[16]

A number of firms already use the published spending and contracts data (including Spend Network, which provided much of the data for this report). With better public data there would be increased commercial opportunities.

### 5. Better public procurement data makes it easier to spot corruption

This has been a major driver of reforms in countries such as Mexico and Ukraine, which lead the way globally in open contracting. Public sector corruption is a less-prevalent and therefore less-high-profile issue in the UK than in these countries but increased publication of high-quality procurement data would make it easier to spot instances of it. And the chances of identifying corruption are improved when information is available for every stage of the contracting process.[17]

## Improving the quality of procurement data will require time and investment

We recognise that some of the recommendations we set out below would require significant time to implement. For example, where changes to software are required, it may be most economical to make improvements as part of the normal upgrade cycle, which could be several years. Similarly, many of the most important changes needed are cultural and that will not happen overnight.

These changes will also require investment. There is a strong business case to provide this given the potential savings and other benefits listed above. To realise these, we make recommendations in the following areas:

- unique open identifiers
- contract information
- adherence to data publication requirements
- the Chief Data Officer and National Data Strategy.

All of the recommendations would be permissible under the EU procurement directives, from which UK contract regulations are derived. Following Brexit, depending on the nature of our future relationship with the EU, there may be even further opportunity to change procurement rules (although the UK will need to retain relatively similar rules if it wants to be party to the Agreement on Government Procurement of the World Trade Organization[18]).

In this first report of a programme of work looking at the successes and failures of government contracting in the UK, all of our recommendations are about data. In future reports we will address critical questions about when procurement, and particularly outsourcing, has worked and how government can manage contracts more effectively.

## Unique open identifiers

If government wants to improve how it outsources and if the benefits of open contracting data are to be realised, then we need, for each transaction, certainty about which part of government is procuring, who it is procuring from and what it is procuring. To ensure that data for individual transactions can be aggregated and analysed – so that an assessment can be made of whether contracts are being delivered successfully, at the right price – each actor, contract and transaction must be assigned a unique identifier.

These unique identifiers must be non-proprietary – or open. Open data is that which can be "freely used, modified, and shared by anyone for any purpose".[19] As noted above, increasing competition for contracts, improving accountability, creating new data markets and spotting corruption are all facilitated by data being open.

The Government committed to using unique open identifiers in its Anti-Corruption Strategy 2017–2022,[20] stating that they would be used "by default". However, they are rarely used in contract award notices or spending data releases, and even a recent government announcement on contract transparency used a DUNS (Data Universal Numbering System) number, a proprietary identifier, rather than an open identifier.[21]

**We recommend that the Cabinet Office mandates the use of unique open identifiers for buyers, suppliers, contracts and what is being purchased.**

### Buyers

In government procurement, buyers are central government departments, non-departmental public bodies, local authorities, schools, hospitals and any other public body. There are multiple public registers for public sector organisations.* While there is no need for a single register, it is essential that existing registers are interoperable. This requires that the identifiers used for public bodies are unique so that contract and spend data can be easily allocated to the correct entity. Currently, this is not the case.

**We recommend that the Government sets out common standards that all government registers should meet**. This could be done as part of a National Data

* For example, the register of schools and colleges in England, the NHS foundation trust register and the government organisation register (which lists government departments, agencies and teams that exist on GOV.UK).

Strategy (discussed in more detail below). Responsibility for overseeing compliance with these standards could be given to a new Chief Data Officer (also discussed in more detail below). The Chief Data Officer could also be given responsibility for maintaining an up-to-date list of all government registers. This would make it easier to find the relevant register and unique identifier for all public bodies.

As part of its draft National Action Plan for Open Government 2018–20, the Government has included a commitment to publish buyer identifiers for 90% of domestic contracts and all contracts worth over £1m by March 2020.[22] This is a welcome commitment and we hope that the Government will use identifiers that are both open and unique.

### Suppliers

Suppliers to government range from huge multinational companies with billions of pounds of turnover, through to SMEs, charities and trading companies owned by other parts of government. Currently, contract award notices and monthly spending data tend to include just the name of the supplier. However, the name of a single company can be presented in multiple different ways – Supplier A, Supplier A Ltd, Supplier A Trading Ltd – and it is not always clear whether similar names refer to one company or several.

To avoid confusion, **government should always use a unique open identifier when reporting on suppliers**, including in cases where there are multiple suppliers working together in a consortium. For all suppliers that are registered with Companies House – which will be the vast majority – this should be the company number* (the Government Commercial Function already uses company numbers to form the basis of supplier identification for contracts on Contracts Finder). Where suppliers do not have a company number but do have a charity number, this should be used instead. Where suppliers have both, both should be used.

The draft National Action Plan for Open Government 2018–20 includes a commitment to publish supplier identifiers for 90% of domestic contracts and all contracts worth over £1m by March 2020.[23] As with buyer identifiers, it is critical that the Government uses identifiers that are open and unique.

There is an additional challenge for some suppliers, generally the largest, which trade under multiple names. For example, BT uses at least 25 different subsidiaries. Greater clarity is needed. In the short term, **the Crown Commercial Service should develop a comprehensive public database of trading names and subsidiaries used by major suppliers, starting with the 28 strategic suppliers. It should also update the procurement policy note on the standard Selection Questionnaire[24] to require all organisations bidding for government contracts to disclose full details of their ownership structure**.

* A small proportion of contracts will be won by sole traders and international firms without a UK subsidiary. The Government should explore how such organisations could be given unique open identifiers. For example, they could be required to register with Companies House in order to bid for government contracts. The Draft Registration of Overseas Entities Bill (Department for Business, Energy and Industrial Strategy, 2018) proposes such a requirement for non-UK entities that buy UK properties.

In the long term, improvements need to be made to the Companies House data. Significant beneficial ownership data is already provided in company accounts. However, these are often stored as scanned PDFs, which makes it impossible to automate the scraping and aggregation of the data they contain. **The Cabinet Office should require major suppliers to submit accounts electronically and Companies House should step up the adoption of electronic accounts**, including setting a deadline by which all accounts must be submitted electronically.

In cases where a supplier merges with or is acquired by another firm mid-contract, government reporting should include unique open identifiers for both entities and provide a date for when the change happened.

### Contracts

The use of identifiers for contracting processes is patchy, so it is not always possible for suppliers and the public to accurately link a contract award notice to tender documents, and contract extensions cannot normally be connected to either. Similarly, when government retenders an existing contract, it rarely links to the original tender. The exception to this is the CCS, which does link tenders to a contract, although not through identifiers.

Where there are identifiers, these are not always unique, greatly reducing their usefulness. Most importantly, it is not easy to associate monthly spending data with the contracts to which it relates. Without this capability, government and the public are less able to assess whether contracts are being delivered to budget and to use this information to inform future procurement decisions. We are also less able to monitor whether contractors are being paid on time, which can be a key barrier for SMEs engaging with government. And there is an increased risk of exceeding budgets, particularly in cases where changes have been made to the original contract.

As noted above, the Government Commercial Function can do some linking of contracts and spending data for central government, and some monitoring will be done by individual contracting authorities, but there is insufficient data to allow any part of government or the public to understand the full picture.

To improve transparency and government's analytical capability, **we recommend that all parts of government consistently use the Open Contracting Data Standard, which the Cabinet Office has already adopted as an open standard for government,**[25] **so that they can assign an open contracting ID**[26] **for each contracting process**. An open contracting ID is a globally unique identifier that can be used to join up each stage of the tendering and contracting process.

Every tender and contract award notice published on Contracts Finder is already assigned an open contracting ID, but this is not yet publicly visible and the IDs are not used more widely.[27] **The Cabinet Office should require the use of an open contracting ID alongside the publication of all data related to a contracting process**, including tender documents, contract awards notices, contracts and spending releases.

Consistent use of open contracting IDs across government would also enable the creation of a single list of public sector contracts. As noted in the NAO's report on the

collapse of Carillion, Bravo only includes information on central government spend. It does not cover spend for contracts let by local authorities, schools, NHS trusts or arm's-length bodies such as Network Rail.[28] A comprehensive list of public sector contracts would help government to understand and manage its exposure to the failure of key suppliers better.

### What is being purchased

It is not currently possible to build an accurate aggregate picture of what government is spending money on.

The first problem is that spend data is only published with a short narrative. Spend releases do not include Common Procurement Vocabulary (CPV) codes, which provide a standard identification for what has been bought – for example 'Medical equipments, pharmaceuticals and personal care products, 33000000'. Without these standard codes, it is impossible to aggregate and analyse spend data accurately.

CPV codes are published with advertised tender opportunities and contract award notices on Contracts Finder but currently there is no way for the public and suppliers to link the published spend data to the contracts to which it relates. Internally, the Government Commercial Function is using CaSIE to link spend data with Contracts Finder data and provide consistent procurement codes. This provides more insight than was previously available, but the system is still a work in progress and the matching is imperfect.[29] As noted above, this problem would be resolved if open contracting IDs were required for all contracts and published with spend data.

Linking spend data to contracts is necessary but not sufficient to determine what government is spending money on. This is due to a second problem: different data sources can use conflicting codes. In particular, the CPV codes used on Contracts Finder and *Tenders Electronic Daily* (TED), the European procurement journal, do not always match. Other sources use their own procurement classification.

If public bodies published all advertised above-threshold tenders on Contracts Finder as required, then this confusion would be avoided. It is therefore a positive development that the CCS has commissioned a new monthly report on public bodies that publishes opportunities on TED but not Contracts Finder. This information should be used by a new Chief Data Officer to identify which public bodies are most in need of training (more details below).

## Contract information

Accurate data on each stage of the procurement process is critical for spotting corruption, improving accountability, creating new markets and boosting competition. For government, accurate data is valuable both for individual contracting authorities, seeking to make evidence-based spending decisions, and for sponsoring departments and the CO, if they are to accurately map and monitor government expenditure and make informed policy decisions. Currently, much of the data that government needs is not collected, insufficiently detailed or incomplete.

### Number of bidders for each contract

Research suggests that some of the potential benefits from outsourcing derive from the competition between suppliers.[30] All else being equal, a supplier that knows it is competing against five other organisations is likely to submit a bid with a lower profit margin than a supplier that has a monopoly. The fewer suppliers there are, the higher the likelihood that government will not get the best deal.

The Public Administration and Constitutional Affairs Committee has noted that the "combination of limited competition and high barriers to entry generates worse outcomes... for the Government".[31] If government could accurately track and analyse the number of bidders for contracts, then it could identify geographical areas or procurement categories with low competition and take action to stimulate the market, for example by restructuring contracts or tendering processes to make it easier for new suppliers to bid. High volumes of good-quality data would also allow for sophisticated linguistic analysis to isolate the differences between the most and least competitive tenders, highlighting where buyers could improve documents to deliver the most competitive outcomes.

Similarly, with better information, suppliers are likely to target public sector markets that have a small number of bidders, increasing competition and reducing prices.

Contract award notices are meant to include the number of tenders received in respect of each award, including the number of tenders received from SMEs.[32] Under section 84 of the Public Contracts Regulations 2015, authorities are also meant to produce internal reports that name the rejected tenderers and the reasons for their rejection. However, this information is rarely published and it certainly isn't collated systematically to inform market interventions by government.

**We recommend that all public bodies produce annual reports on the level of competition for their contract opportunities, including participation by SMEs, and how they plan to boost competition in those areas where it is low.**

### Contract value

The Public Contracts Regulations 2015 require public bodies to publish the value of contracts in award notices. However, it is usually unclear whether the estimated value refers to the lifetime of the contract or is an annual average. Even where it is clear that it is a lifetime value, this does not help to understand whether spending will be distributed evenly throughout the course of the contract or whether it will be higher at particular points. The values given in contract notices are also not always accurate. Without basic information on contract values, it is very difficult for government to undertake meaningful analysis of its own procurement activity.

To resolve this, we propose that **contracting authorities should be required to publish an estimate for the value of the contract in each year of its operation**. With consistent use of open contracting IDs, this could then be checked against actual spend through monthly spend data.

In addition, **we recommend that the publication threshold for monthly spend data from central government and NHS bodies is lowered from £25,000 to £500**. The DfID

already publishes all spend over £500 and the Ministry of Housing, Communities and Local Government (MHCLG) uses an even lower threshold of £250. A threshold of £500 would also be in line with the threshold for local government and would make it easier to track spending for lower-value contracts. This is particularly important for transparency in the NHS where some health bodies are so small that they publish just a handful of lines of spending data each month.

A further transparency issue is that some government bodies are exempt from the requirement to advertise above threshold tenders or public contract award notices on Contracts Finder. This includes the procurement of health care services for the NHS and of maintained schools, academies and sixth-form colleges.[33] **The Cabinet Office should review whether these exemptions are appropriate and set out proposals to improve transparency in these areas**.

### Contract amendments

Public bodies are required to publish an award notice for contract modifications, except in cases where the nature and scope of the possible modifications are set out in the initial procurement documents.[34] However, this information is published irregularly and is not always easy to link to the original tender documentation or award notice. Consequently, it is difficult to determine how frequently contract amendments are being made, whether some changes are seen regularly across multiple contracts or whether amendments are more likely to be made in some procurement areas or with some suppliers.

Amending contracts can improve value for money but also be expensive due to the staff time required to negotiate them, potential credits or damages in the original contract (there is usually a trade-off between flexibility and price) and the increased value of the contract. If individual contracting authorities had a better understanding of when contract amendments are currently made, then they could avoid some of these costs. The CO could also address any systemic policy issues that lead to amendments.

**We recommend that government requires contract amendments to be published with an open contracting ID** so that they can be easily linked to other contract and spend data.

### Supply chains

Many suppliers use large numbers of subcontractors to deliver their government contracts. Carillion, for example, had 30,000 subcontractors.[35] Yet government currently has very little understanding of who these subcontractors are, what they are delivering for government, how much they are getting paid and whether those payments are made in a timely manner.

This makes it challenging to judge government performance against its target for 33% of central government procurement spend to go to SMEs by 2020. More than half of government's spend with SMEs is indirect, that is, it goes via a big supplier to SMEs in their supply chain. To calculate the indirect spend with SMEs, the CO surveys a group of providers. However, the NAO has noted that the survey data is incomplete for a variety of reasons:

> "Departments told us that they rely on the goodwill of large suppliers to report spending accurately to the CCS as departments usually have no way to verify the accuracy of the figures. Suppliers may only have data on their spending with the next tier of their supply chain, so may not report spending with SMEs in lower tiers. Furthermore, suppliers may have different approaches to collecting and validating data and identifying SMEs, leading to inconsistent measurement."[36]

Since 1 May 2018, suppliers with government contracts worth over £5m a year have been required to advertise subcontract opportunities above £100,000 (with a suggested threshold of £25,000) on the Contracts Finder website.[37] They are also required to report to government on the number, type and value of subcontract opportunities they advertise and award. This is a positive development but it should only be the first step.

**We recommend that contracting authorities require providers to publish all subcontracting opportunities (and associated award notices) worth over £25,000**, no matter what the value of the prime contract is. This should include award notices for subcontracts that were not advertised, including those agreed before the award of the contract, for example when a prime supplier established its supply chain as part of the bidding process.* All of these award notices should be required to include the unique open identifiers recommended above.

This information would ensure that contracting authorities understand their supply chains and exposure to risk better. They could more easily assess how much of the work is done by their subcontractors – some prime suppliers act purely as contract managers, outsourcing delivery to their supply chain – and whether it is the prime suppliers or subcontractors that add most value to the contract. This would facilitate more informed future procurement decisions. It would also greatly enhance accountability, enabling the public to 'follow the money'.

### Performance data

Understanding the performance of suppliers is critical if government is to make value-for-money procurement decisions. This is why central government departments, their executive agencies and non-departmental public bodies are required to take account of bidders' past performance and can oblige suppliers to provide certificates of performance from each public body they have previously supplied.[38] Contracting authorities can also exclude organisations from a procurement procedure where their performance on a previous contract has been so poor that the contract was terminated early or they were otherwise sanctioned.[39]

However, according to interviewees, certificates of performance rarely provide insightful information because public bodies are usually unwilling to provide negative feedback due to fear of suppliers taking legal action.

David Lidington, Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster, has acknowledged the necessity of improving the quality of performance information. In a recent speech he said that government must:

* This would include all subcontracts related to the production, handling, provision and/or distribution of any part of the prime contract. It would not include the overheads expenditure of prime suppliers, for example cleaning services.

> "make sure that suppliers can be held to account by the public for their performance. Starting with our most important contracts, we will increase transparency by requiring a number of key performance indicators to be published – such as response rates, on-time delivery and customer feedback – so that taxpayers can monitor outcomes, and track how their money is being spent. I think this is in the interest of government and suppliers alike. And we will look to make further transparency initiatives in the coming months."[40]

This is a welcome development and the proposals should be extended beyond the most important contracts as soon as possible. This will be aided by use of the CaSIE system, which the Government Commercial Function is now starting to use to capture more consistent performance information on contracts across central government. We recommend that **the Government should set out common standards for the publication of performance data** – potentially as part of a National Data Strategy – so that the information can be more easily aggregated and analysed by public bodies seeking to understand the past performance of potential suppliers.

## Changes to guidance and regulations

Implementing the recommendations above will require changes to important government guidance and regulations. These changes are summarised below.

### Public Contracts Regulations 2015[41]

Public Contracts Regulations 2015 set the publication requirements for contract award notices. They apply to central government, local authorities and some NHS bodies. Contracting authorities whose functions are devolved or mainly devolved functions of Scotland, Wales or Northern Ireland are exempt.

**Table 7.1 Public Contracts Regulations 2015 – proposed changes**

| Issue | Current guidance | Proposed guidance |
|---|---|---|
| Buyer details | No current guidance. | Require use of the name, identifier code and the name of the register. |
| Supplier details | Requires use of supplier name. | Require use of a unique open identifier – in most cases the company number – for each supplier. Where suppliers do not have a company number but do have a charity number, this should be used instead. Where suppliers have both, both should be used.<br>In cases where a supplier merges with or is acquired by another firm mid-contract, require addition to award notices of unique open identifiers for both entities and the date of change. |
| Contract number | No current guidance. | Require use of an open contracting ID for all published contract opportunities, award notices and contract amendments. |
| Contract value | Requires publication of contract value. | Require publication of estimated value of the contract in each year of its operation. |

### *Guidance for Publishing Spend*[42]

Guidance for Publishing Spend sets the publication requirements for monthly spend. It applies to central government and NHS bodies in England.

**Table 7.2** *Guidance for Publishing Spend* **– proposed changes**

| Issue | Current guidance | Proposed guidance |
|---|---|---|
| Buyer details | Requires use of consistent naming conventions. | Require use of the name, identifier code and the name of the register. |
| Supplier details | Requires use of supplier name but, where the same supplier has been recorded using different naming conventions, there is no requirement to aggregate. Instead, multiple versions of the name can appear in the published record. | Require use of a unique open identifier – in most cases the company number – for each supplier. Where suppliers do not have a company number but do have a charity number, this should be used instead. Where suppliers have both, both should be used. |
| Contract number | Voluntary use of the contract number. | Require use of an open contracting ID. |
| Threshold | Requires publication of spending over £25,000. | Require publication of spending over £500 (so that central government is in line with local government). |

### Local Government Transparency Code 2015[43]

The Local Government Transparency Code 2015 sets the publication requirements for regular spend. It applies to all of local government.

**Table 7.3 Local Government Transparency Code 2015 – proposed changes**

| Issue | Current guidance | Proposed guidance |
|---|---|---|
| Buyer details | No current guidance. | Require use of the name, identifier code and the name of the register. |
| Supplier details | Requires publication of the 'beneficiary' but the beneficiary details to be included are not specified. | Require use of a unique open identifier – in most cases the company number – for each supplier. Where suppliers do not have a company number but do have a charity number, this should be used instead. Where suppliers have both, both should be used. |
| Contract number | No current guidance. | Require use of an open contracting ID. |

### Procurement policy note on the standard Selection Questionnaire (SW)[44]

**Table 7.4 Procurement policy note on the standard Selection Questionnaire – proposed changes**

| Issue | Current guidance | Proposed guidance |
|---|---|---|
| Ownership structure | No current guidance. | Require all organisations bidding for government contracts to disclose full details of their ownership structure. |

### Procurement policy note on supply chain visibility[45]

**Table 7.5 Procurement policy note on supply chain visibility – proposed changes**

| Issue | Current guidance | Proposed guidance |
|---|---|---|
| Subcontractors | Requires contracting authorities to require providers with new contracts worth over £5m a year to advertise subcontracting opportunities worth over £100,000 a year. | Require contracting authorities to require providers to publish all opportunities and award notices for subcontracts worth over £25,000 a year. |

## Adherence to data publication requirements

Placing requirements on public bodies to use unique open identifiers and publish more detailed contract information will greatly increase the quality of data at the disposal of government, businesses, charities and academics. However, the data must also be provided consistently. That is, every public body must publish all the data that it is meant to for all contracts and spending in the required format. However, as noted above, the adherence of public bodies to existing publication requirements is patchy.

In June 2017, the CCS implemented a new compliance strategy, which includes monthly checks and quarterly reports on whether regulations are being adhered to.[46] This is a welcome and necessary step but there are also fundamental barriers that better monitoring will not overcome.

First, resources: getting procurement data right on a consistent basis will take investment. Yet, all parts of government are under significant financial pressure and it is understandable if data architecture is seen as a lower priority than front-line delivery, given that the benefits may not be realised for several years (although there is an increased short-term risk of supply-chain failure and inefficient contracting if government does not act).

Second, culture: even with investment, publication requirements will not be adhered to unless they are seen as important. As set out above, we believe that there is a clear business case for improving the quality of contracting data. However, changing organisational culture is notoriously difficult. Ultimately, the decision to prioritise data needs to be owned by public bodies themselves but there is also a need for a legal backstop.

To resolve these issues, we propose changes to how data is uploaded to Contracts Finder, the role of accounting officers and freedom of information legislation.

### Uploading data to Contracts Finder

As noted above, a number of government departments have created processes that automatically upload contracts data from their local systems to Contracts Finder. This is a welcome development and should enhance the quality and completeness of the data on Contracts Finder. **We recommend that all government bodies that do not automatically upload their contracts information to Contracts Finder should put in place plans to do so**. To this end, the Government Commercial Function, in supporting the development of a National Data Strategy (see below for more details), should explore whether it would be value for money to institute a licensing system for

suppliers of procurement software to government, which specified the requirement for new systems to integrate with Contracts Finder.

### The role of accounting officers

Each central government department, agency, NHS body, non-departmental public body or arm's-length body has an accounting officer. Usually the most senior official in the body, they are personally accountable to Parliament, via the Public Accounts Committee (PAC), for "high standards of probity in the management of public funds".[47]

The responsibilities of accounting officers are set out in HMT's *Managing Public Money* guidance.[48] This guidance currently provides a list of standards expected of an accounting officer's organisation. This contains one standard on carrying out procurement and another on the use of management information systems to gain assurance about value for money and quality. However, it does not make reference to procurement data. **We recommend that the Treasury amends *Managing Public Money*, adding a requirement for accounting officers to take responsibility for their organisation maintaining and publishing high-quality procurement data**, including bidder information, contract awards and payments. (Similar responsibilities should be placed on local authority chief financial officers, NHS foundation trust accounting officers and others not covered directly by the guidance.)

Adding a new responsibility is no guarantee that accounting officers will prioritise it. Accounting officers are extremely busy and have limited time to focus on any one issue. The best way to ensure that data architecture is taken sufficiently seriously is for the PAC, when questioning accounting officers, to ask about the progress they have made on improving the quality of procurement data. As we have noted in previous Institute for Government research, "PAC hearings can be robust, and are seen by some in Whitehall as a deterrent to accounting officers being tempted to ignore their responsibilities".[49]

If the most senior officials recognise the value of getting this right, then there is greater chance that those with front-line responsibility for the data will be given the time and resources to deliver. Ultimately, this is about changing the culture of government so that data is fully integrated into its work, rather than bolted on at the end. Senior leaders are best placed to effect such change.

### Freedom of information

We would like the CO to strengthen the Freedom of Information Act 2000 in relation to the proactive publication of information.

First, requests for information are often refused on the basis that the information is too costly to retrieve or would take too much staff time, even in cases where government bodies are required to publish the information, for example monthly spending data or contract award notices. **In cases where publication of data is mandated, we recommend that the cost exemption should not apply**.

Second, **we support the recommendation of the Independent Commission on Freedom of Information that the Government should give the Information Commissioner's Office (ICO) responsibility "for monitoring and ensuring public**

**authorities' compliance with their proactive publication obligations"**.[50] This additional responsibility would need to be properly resourced as the ICO's existing budget limits its ability to take on new work.

## The Chief Data Officer and National Data Strategy

The Government has been without a Chief Data Officer since 2015 when Mike Bracken, who was also Head of the Government Digital Service (GDS), left. Kevin Cunnington became Director General of GDS in 2016 but was not given the Chief Data Officer role (although he is the Head of Function for Digital, Data and Technology). The Government has acknowledged that there is a gap, committing in the Government Transformation Strategy[51] to appointing a new Chief Data Officer to lead on the use of data. However, more than 18 months have passed since this commitment was made and there has been no appointment.

**We recommend that the Government appoints a new Chief Data Officer as a matter of urgency**. This person should report directly to the Chief Executive of the civil service and join the Cabinet Office's Executive Committee. They should have a remit to ensure that government data – including that related to procurement – is published, usable and used. In pursuit of this objective, **they should be tasked with developing a National Data Strategy** that assesses current use of data, sets standards for its publication and use, and provides a roadmap for how these new standards will be reached. (This would build on the work already done by Kevin Cunnington to spread standards for digital, data and technology.[52]) For example, it could specify that new purchase-to-pay IT systems – the software that government bodies use to manage invoicing and accounting – would need to be compatible with Contracts Finder and able to record open contracting IDs.

**The National Data Strategy should include a plan for publishing usable data for every stage of the contracting process, based on the Open Contracting Data Standard** (see Table 7.6). Currently, Contracts Finder publishes notices for three of the five stages.[53]

**Table 7.6 Open Contracting Data Standard**

**Open Contracting Data Standard**

| Contracting stage | Planning | Initiation (tender) | Award | Contract | Implementation |
|---|---|---|---|---|---|
| **Data included** | Budgets, project plans, procurement plans, market studies, public hearing information | Tender notices, specifications, line items, values, enquiries | Details of award, bidder information, bid evaluation, values | Final details, signed contract, amendments, values | Payments, progress updates, location, extensions, amendments, completion or termination information |

To help deliver the strategy, **the Chief Data Officer should oversee the development of a training offer on data publication**, particularly to public sector bodies that have been identified as struggling to publish accurate data, on time.

**We also recommend that the Chief Data Officer maintains a public list of all public procurement datasets and organisation registers, with links to access them, and ensures that the identifiers used are open and unique**. This should enable government, external experts and members of the public to link together data from different stages of the contracting process.

The Chief Data Officer should be a different role from the Head of Function for Digital, Data and Technology (whose role the Institute for Government has recently recommended should be clarified[54]). When we talk about 'data' in government we are talking about many different things, from the personal data required to run digital public services, to workforce management information, to spending data (including procurement), to evidence in policy making, to official statistics, to public service activity and performance data, which span very different organisations, professions and functions. A Chief Data Officer would ideally be in a position to bring all of these different groups together.

## Devolved government

Where the functions of relevant contracting authorities in Scotland, Wales and Northern Ireland are devolved competencies, they are subject to transparency requirements set by the governments in those nations. We recommend that those governments match the improved transparency requirements that we have proposed for the UK Government.

# Appendix 1: Methodology

## How we define departments (throughout this report)

We have grouped core departments with all bodies that ministers in the department have responsibility for. This includes both directly managed bodies (for example the HM Prison and Probation Service within the Ministry of Justice) and non-managed bodies, such as executive agencies and non-ministerial departments, which employ civil servants but which are not part of the department's line management structure (for example Ofsted in the Department for Education).

The only exception to this is the NHS, which, where possible, we have separated from non-NHS spending by the Department of Health and Social Care. Other parts of the public sector have a similar relationship to their parent department but NHS spending is such a major component of total government expenditure that it is valuable to consider it separately.

In January 2018, the Department of Health was renamed the Department of Health and Social Care, and the Department for Communities and Local Government was renamed the Ministry of Housing, Communities and Local Government. Although the vast majority of our data is for the period before these name changes, we have used the current name throughout the report at the request of the departments.

## Chapter 2 – total spend, pages 5 to 10

For each department, we used the figures in the Government's Public Expenditure Statistical Analyses (PESA) 2018.

Procurement spending is based on the sum of gross current procurement and gross capital procurement. Figures are shown in 2017/18 prices using the Treasury's deflator for June 2018. Income has been excluded from Total Managed Expenditure when showing procurement as a percentage of total spending for the whole of government, central government and local government. For individual departments, we have not excluded income from total spending.

Chapter 2 uses PESA's definition of 'central government', which includes spending by the NHS and the devolved administrations. In most cases, PESA does not show gross current procurement for public corporations but does show gross capital procurement for public corporations, limiting our analysis of total procurement spend to public corporations. Our analysis therefore includes capital spend by housing associations, which were only reclassified from public corporations to private sector organisations in November 2017.

An exception to this is the BBC. Despite being a public corporation, PESA includes the expenditure of the BBC on domestic services as part of the Department for Culture, Media and Sport's (DCMS) annually managed expenditure.

## Chapters 3 and 4 – procurement categories and suppliers, pages 11 to 24

The analysis in Chapters 3 and 4 is based on spend data provided by Spend Network.

All central government bodies and NHS authorities are required by law to publish all transactions with external suppliers that exceed £25,000, and all local councils in England are required by law to publish all transactions with external suppliers that exceed £500.

Spend Network uses data-scraping programmes to gather this data in the form of monthly CSV (comma-separated values) files. The data is checked regularly. If data is found to be missing, then Spend Network updates the scraping programme or manually downloads the data. In cases where data is not published within the timeframe that government guidance requires, Spend Network sends a freedom of information request to the public body.

Once the data is gathered, Spend Network performs a number of steps to clean and collate it into their SQL database.

Spend Network uses Proclass codes to identify the category of the procurement (for example, utilities, construction). Proclass is a reliable and universal way to categorise spend and contracts, allowing comparison between different public sector bodies. Spend Network uses a number of techniques to attribute Proclass codes to the data:

- existing Proclass classifications published by buyers
- alternative classification that can be mapped to Proclass
- supplier classification – companies registered at Companies House use a SIC (standard industrial classification) code to describe the nature of their services; where the data is matched to a company number, the SIC code is mapped to Proclass
- manual overrides based on supplier names or knowledge of the supplier
- Bayesian classification based on existing patterns of classification.

Spend releases rarely have a classification so most of the spend data used in this report has been assigned a Proclass code based on the supplier's SIC code.

Strategic suppliers can do business with government through dozens of subsidiaries, often with no indication in the data that these subsidiaries are owned by a different company. Spend Network maintains a list of the trading names used by the 28 strategic suppliers. Using this list and manual searches, we have grouped spend by parent company to give a more complete picture. However, this list is likely to be incomplete. We supplemented spend data on strategic suppliers with information from company accounts and elsewhere.

The spend data used to analyse spending with strategic supplies does not include the spending of public corporations.

The National Council for Voluntary Organisations (NCVO) kindly provided data on procurement from charities. The NCVO uses a 'general charities' definition that is based on common features of non-profit organisations and was originally constructed to also fit the Office for National Statistics' national accounting purposes. The definition excludes some registered charities such as housing associations, government-controlled bodies and independent schools.

The data is based on the annual accounts of charities. The NCVO takes a sample of more than 7,600 organisations and weights this to provide a picture for the whole sector. The data then goes through a series of checks to remove major errors and ensure validity. Further details of the methodology can be found on the NCVO's website.[1]

## Chapter 5 – contract numbers, value and length, pages 25 to 30

The analysis in Chapter 5 is based on contracts data provided by Spend Network.

Public authorities are required to publish above-threshold contracting opportunities (the threshold depends on what is being procured) on Contracts Finder and the *Official Journal of the European Union*. In addition, many public authorities use local and specialist procurement portals to advertise opportunities.

These tenders detail what public authorities want to buy and include descriptions, timelines for the procurement process, buyer contact information and, in some cases, estimated values. Companies that wish to supply to the government submit bids in response to these tenders.

Public authorities are also required to publish contract award notices. This data describes what buyers have contracted to buy from suppliers. It includes descriptions, contract durations, buyer contact information, supplier contact information and estimated values. Contract awards are published once a tender has been awarded and can be, although often aren't, linked to the original tender.

Spend Network runs programs that automatically gather this data from 400 sources, updating and modifying the code as necessary. It also gathers contract registers from public authority websites, particularly council websites. This data is open, and updated registers of contracts over £5,000 should be published every quarter. Spend Network sends freedom of information requests if relevant data has not been updated according to publishing guidelines.

Once the data is gathered, Spend Network performs the following steps to collate it into their SQL database:

- Map all tenders and contracts to the internationally accepted Open Contracting Data Standard (OCDS) (Spend Network is the largest publisher of OCDS data in the world).

- Link suppliers and buyers to identifiers in canonical registers. The Company, Charity, Schools and Care Home identifiers are open. In the absence of a formal register of public bodies, Spend Network has created its own public sector identifiers. All the identifiers are unique.

Spend Network performed specialist queries on their database using SQL to provide the Institute for Government with the data we requested. We then did the following to produce the figures Chapter 5. We:

- further cleaned the data, for example removing some duplicate entries
- added Institute for Government departmental groupings for the various agencies listed in the data
- used the start and end dates to calculate (a) the contract duration and (b) the calendar year for each contract
- used the contract value and contract duration to calculate average annual contract value – where necessary, we added in further filters to make sure that framework contracts were only being counted once (for example, for a framework with three suppliers, the total contract value will be entered three times, but this should only be counted once).

There were 3,513 unique purchaser names in our contracts data, including central government departments, their sponsored public bodies and public corporations, local government, the NHS, housing associations, police forces, fire authorities and universities. Of these names, we managed to match: 325 names with central government departments, their sponsored public bodies and public corporations; 561 names with local government; and 470 names with the NHS. The remaining names were left 'unmatched' and therefore not included in our analysis. Due to the nature of the data, it is likely that there will be some contracts signed by public bodies and public corporations that we have not been able to match to the relevant department.

## Chapter 6 – data quality dashboards, pages 31 to 34

### Percentage of monthly spending data releases that are published on time

We searched for £25,000 spend data on GOV.UK and data.gov.uk for releases covering the period from April 2012 to March 2018.

Where we could not find a file, we corresponded with the Government Digital Service (GDS). We did the same if we could not find a publication date, and also used the history function on data.gov.uk. If a release still could not be located, we marked the file as 'not published' (and if its date could not be found, 'date unknown').

Treasury guidance says that releases should be published by the end of the following month (for example, the January 2018 file should have been published by 28/29 February 2018). We extended the limit for 'on time' releases to 70 days from the first day of the month to which the data refers, to allow for weekends and public holidays and to give a few days' grace. The guidance is clear that each monthly release should

be published separately, but some departments have published in bulk. We have counted those months that were in time as 'on time', and others as 'late'. Where data has been published, but the publication date is unknown, we have excluded these from the calculation of the percentage of data releases that are published on time.

For the percentage of monthly spending data releases that are published on time, where two departments have published the same percentage of data releases on time, we have used the average delay to differentiate between departments in our ranking.

### Percentage of tenders for which a contract award notice is published

We calculated the percentage of tenders for which a contract award notice is published using Spend Network data. Tenders are broken down by the financial year based on when the tender was published. Institute for Government departmental groupings have been applied to the various agencies listed in the data, as with the contract data described above.

### Percentage of award notices with start date, end date and contract value information

We calculated the percentage of award notices with start date, end date and contract value information using Spend Network data. Details of how we have cleaned and analysed this data are provided above. Contracts with a value of zero have been counted as not having a value.

### Overall data quality dashboard

This covers the 2015/16 and 2016/17 financial years for:

- the percentage of monthly spending data releases that are published on time
- the percentage of tenders for which a contract award notice is published.

For the percentage of award notices with start date, end date and contract value information, this covers all entries in the contract data provided by Spend Network – most of which falls into the 2015, 2016 or 2017 calendar year. The reason for this is because we were not able to attribute contracts with no start dates to given financial years, so were unable to limit the analysis to 2015/16 and 2016/17.

The overall ranking is based on the average ranking across all three measures.

## Appendix 2 – departmental dashboards, pages 58 to 74

The departmental dashboards combine data used in the previous chapters, which is calculated in different ways.

As noted above, public corporations are included in the contracts data and partially included in the PESA data but are not included in the spending data used to analyse spending with strategic suppliers. It is not possible to provide all of the data on a consistent basis.

In some cases – for example the DCMS – public corporations will account for a significant proportion of departmental procurement spending.

All of the data on the Cabinet Office's (CO) dashboard excludes procurement that the Crown Commercial Service (CCS) is nominally responsible for as the vast majority of this procurement is effectively done by individual departments. However, the procurement transparency ranking does include CCS data as the CO is responsible for its completeness.

The Department for Exiting the European Union (DExEU) and the Department for International Trade (DIT) have not been included as they were only created in mid-2016 and there is limited data on their procurement activities.

As noted above, our method for determining procurement categories is relatively imprecise. As such, there are some anomalies in the departmental dashboards, for example, 'education' for the CO and 'public bodies' for a handful of departments. The former is likely due to an unexpected categorisation for one supplier, while the latter may reflect that some spending data relates to transfers from one government body to another.

# Appendix 2: Departmental spending dashboards

This section provides a breakdown of procurement expenditure across government departments.

It looks at the number, value and duration of contracts; overall spending and procurement spending as a proportion of total spending; capital vs resource spending; and spending on both SMEs and strategic suppliers.

Departmental spending comparisons are also provided in the tables in Chapter 6.

# Cabinet Office

The Cabinet Office (excluding the Crown Commercial Service) is one of the lowest spenders on procurement, both in absolute terms and as a percentage of total spending. Its proportional spend with SMEs and strategic suppliers is also relatively low. Despite having responsibility for procurement policy, the Cabinet Office scores poorly on data quality.

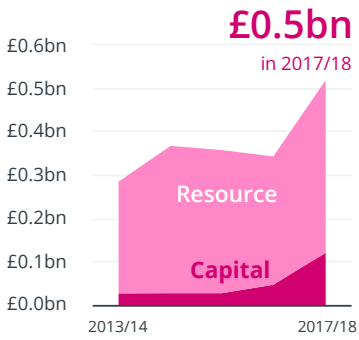
**Between 2015 and 2017, there were...**


**with an average annual value of...**

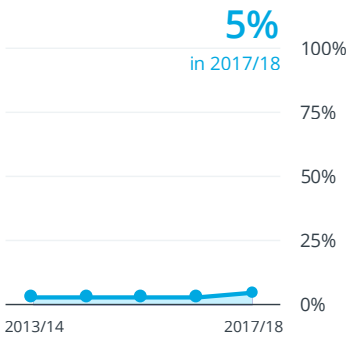

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

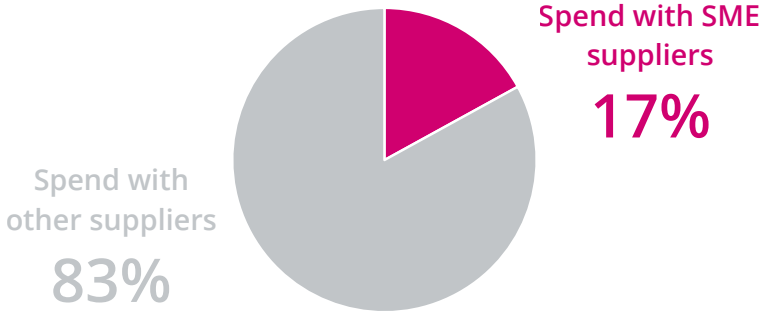



**...as a % of total spending**



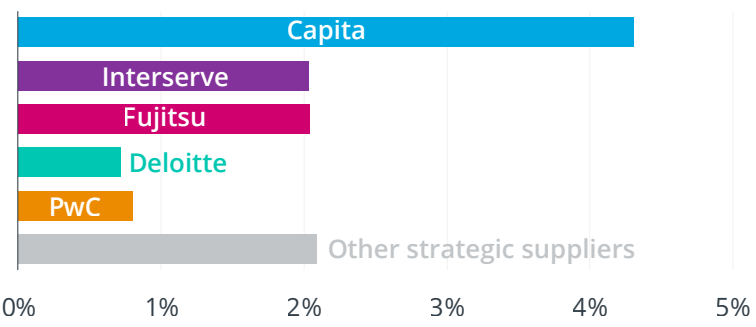

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Cabinet Office spend data via Spend Network.

# Department for Business, Energy and Industrial Strategy

BEIS has the sixth largest procurement expenditure across Whitehall and is one of only two departments where more than half of this is capital spend. Its spend with small- and medium-sized enterprises (SMEs) is well above average and it is less reliant on strategic suppliers than the average.

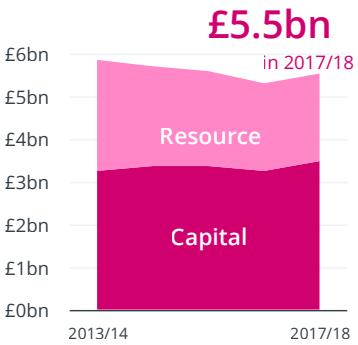
**Between 2015 and 2017, there were...**


**with an average annual value of...**

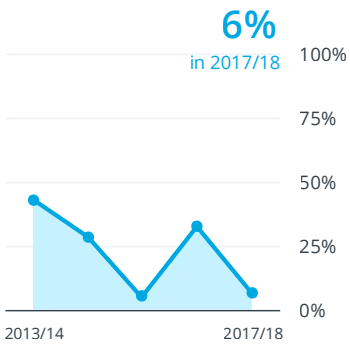

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

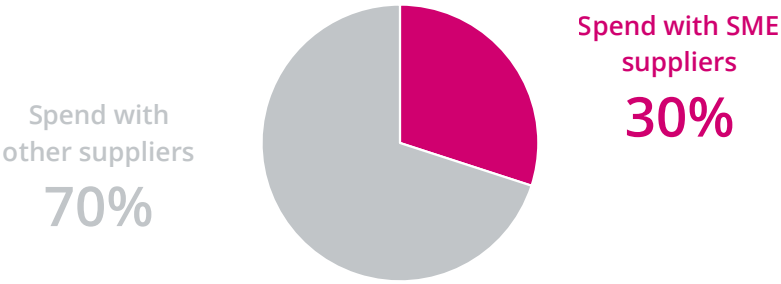



**...as a % of total spending**



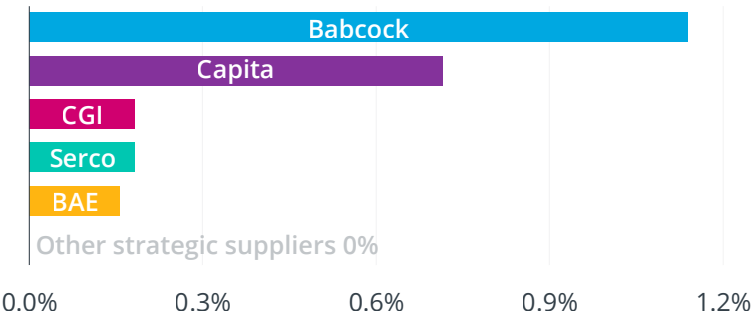

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Department for Business, Energy and Industrial Strategy spend data via Spend Network.

# Department for Digital, Culture, Media and Sport

The DCMS is one of a handful of departments where procurement accounts for more than half its expenditure. While spend with strategic suppliers is below average, it has the second highest overall spend and highest direct spend with SMEs. The department is responsible for data policy but it does badly on some of our measures, largely due to the poor performance of its arm's-length bodies.

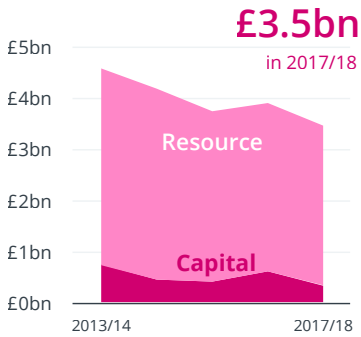
**Between 2015 and 2017, there were...**


**with an average annual value of...**

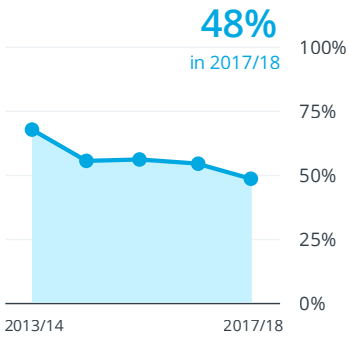

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

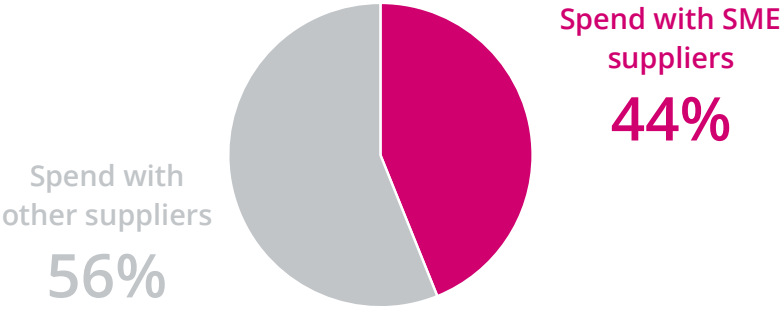



**...as a % of total spending**



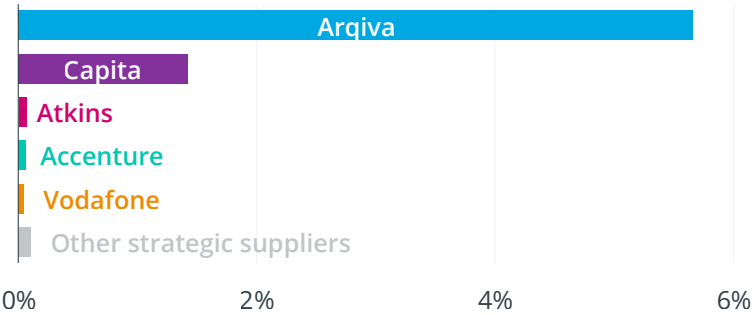

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices. Total procurement spending includes DCMS arm's-length bodies, such as the BBC.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Department for Digital, Culture, Media and Sport spend data via Spend Network.

# Department for Education

The DfE is the fourth highest spender on procurement but this accounts for a relatively small proportion of its overall budget. The department has a relatively high spend with SMEs, nearly exceeding the Government's overall target. By contrast, its spend with strategic suppliers is low.

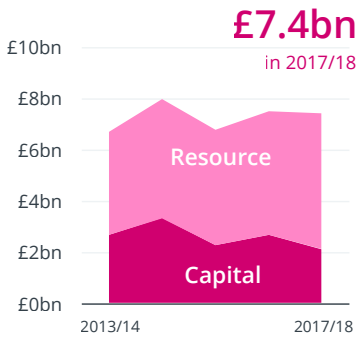
**Between 2015 and 2017, there were...**


**with an average annual value of...**

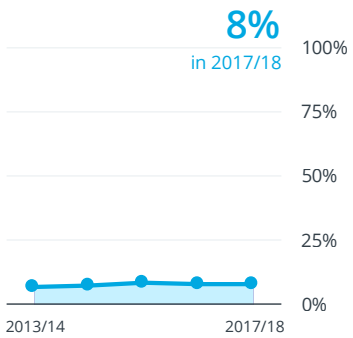

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

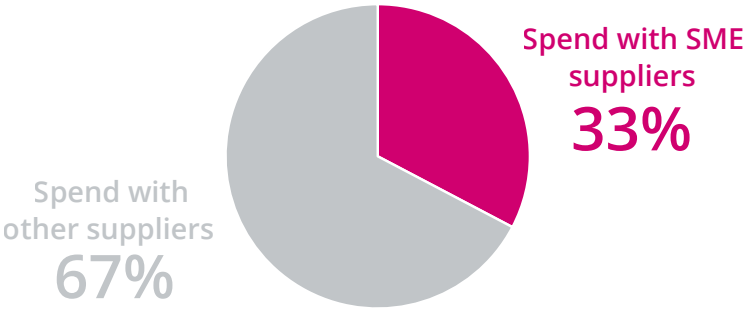



**...as a % of total spending**



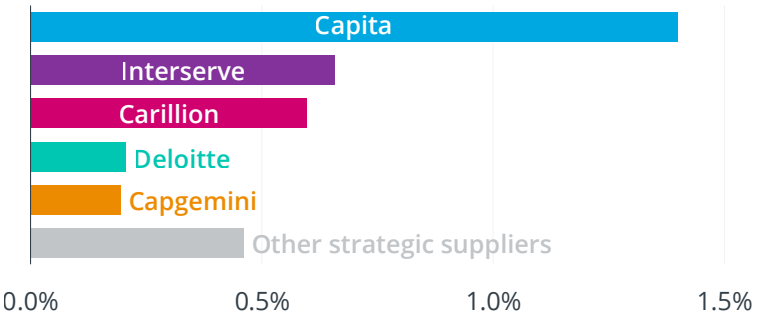

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Department for Education spend data via Spend Network.

# Department for Environment, Food and Rural Affairs

A relatively high proportion of Defra's total budget is accounted for by procurement, but its absolute expenditure is below average. It has the fourth highest proportional expenditure with strategic suppliers, with more than 10% of its procurement spend going to both IBM and Interserve. Defra has the most consistently poor record of publishing spend data on time.

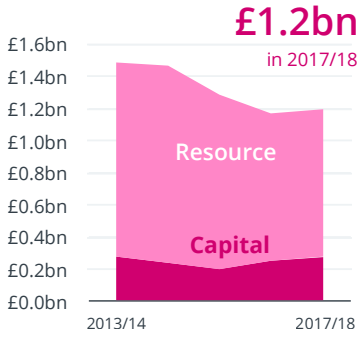
**Between 2015 and 2017, there were...**


**with an average annual value of...**

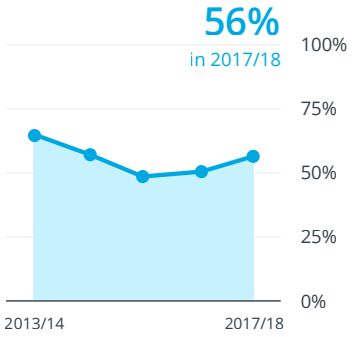

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

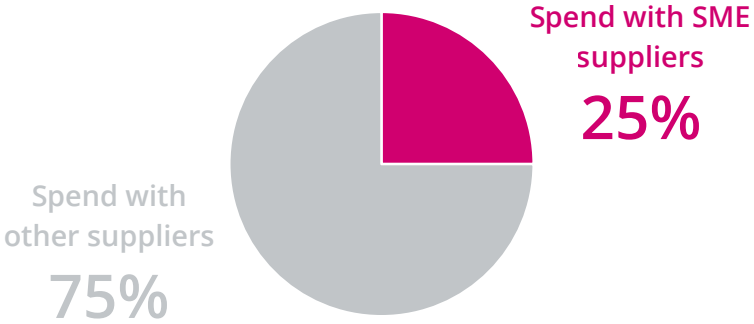



**...as a % of total spending**



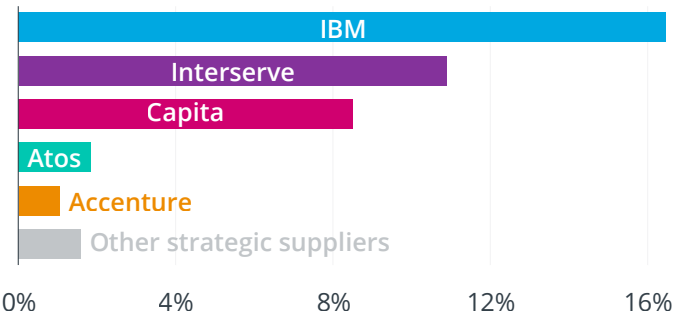

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Department for Environment, Food and Rural Affairs spend data via Spend Network.

# Department for International Development

The DfID has the best quality procurement data across government, performing well across all three transparency measures. It also has the highest overall spend with SMEs, easily exceeding the Government's overall target. Overall though, it is a relatively low spender on procurement, both in absolute and percentage terms.

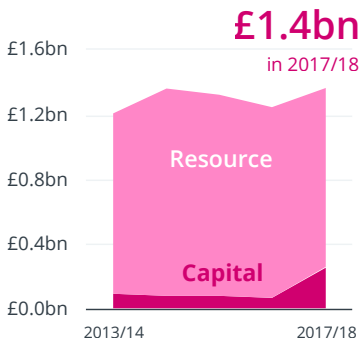
**Between 2015 and 2017, there were...**


**with an average annual value of...**

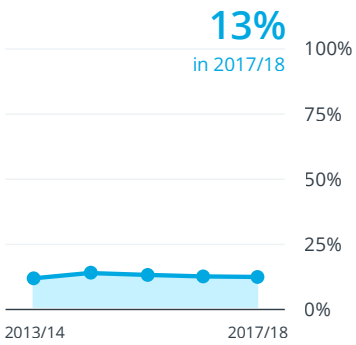

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

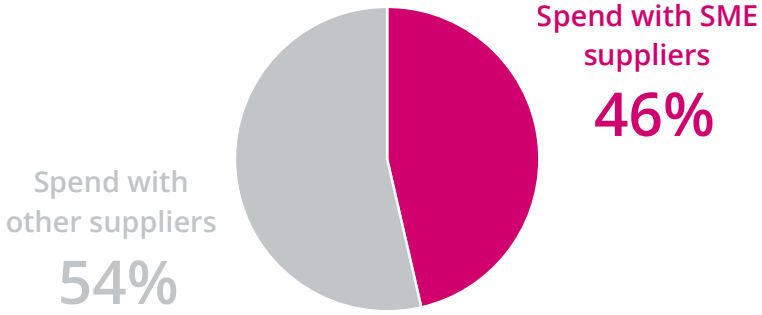



**...as a % of total spending**



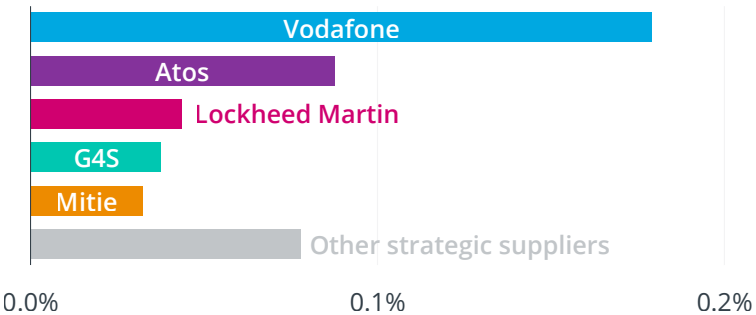

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Department for International Development spend data via Spend Network.

# Department for Transport

The DfT spends a greater percentage of its budget on procurement than any department but one. In cash terms, it is third overall but has the highest capital investment. It performs well on spend with SMEs, nearly reaching the Government's overall target. It also ranks highly on the completeness of contract award notices but the percentage of published contract award notices dropped in the last year and its spend data releases have been consistently late.

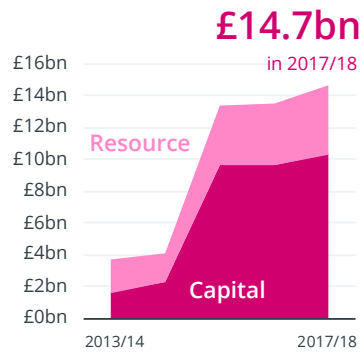
**Between 2015 and 2017, there were...**


**with an average annual value of...**

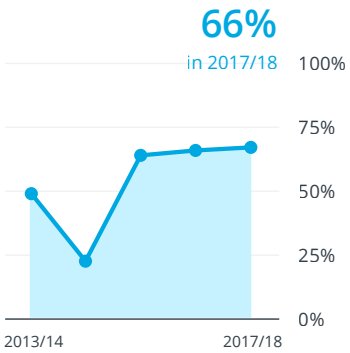

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

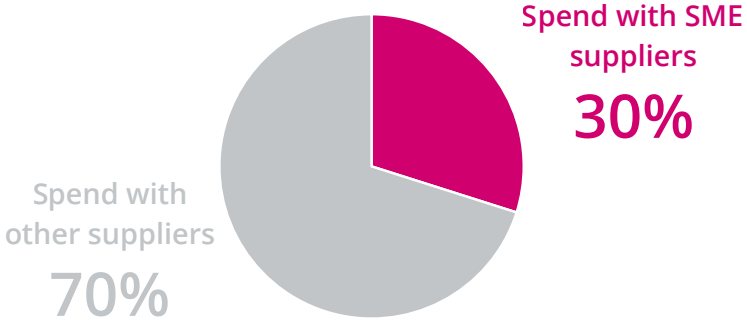



**...as a % of total spending**



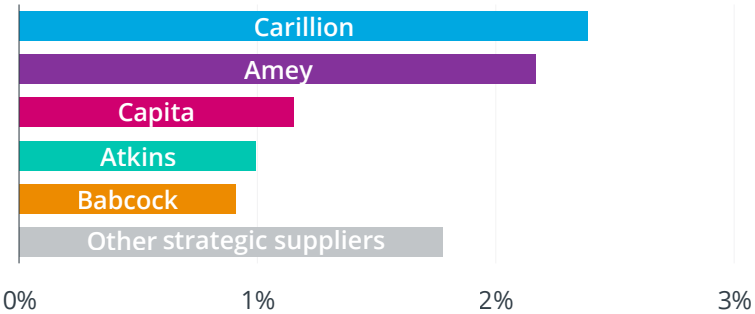

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Department for Transport spend data via Spend Network.

# Department for Work and Pensions

The DWP spends a smaller proportion of its budget on procurement than any other department but the proportion of this going to strategic suppliers is higher than any other department. The department has the third lowest spend with SMEs. The quality of the DWP procurement and spend data is relatively poor.

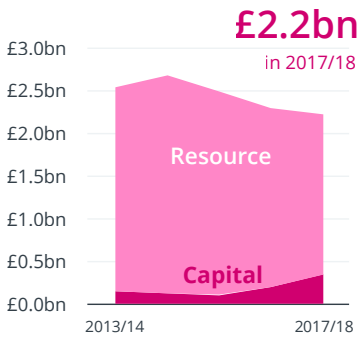
**Between 2015 and 2017, there were...**


**with an average annual value of...**

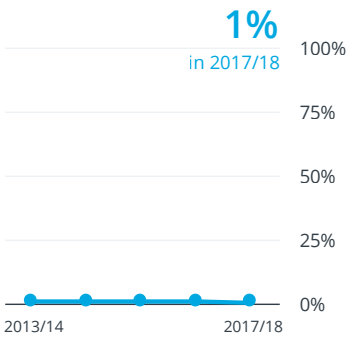

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

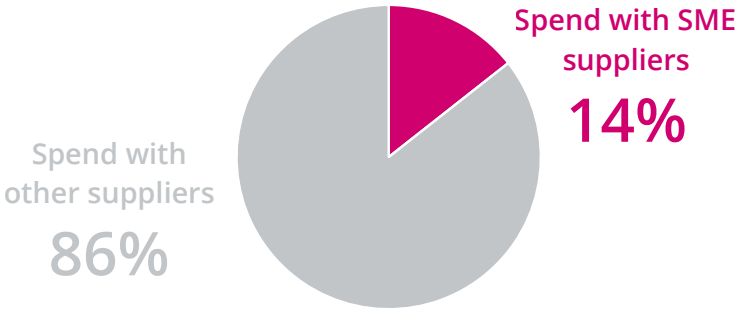



**...as a % of total spending**



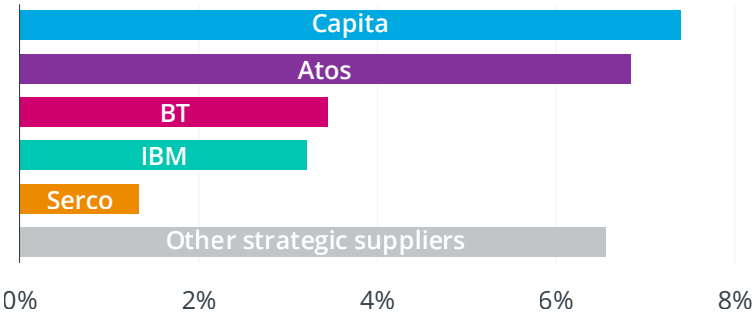

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Department for Work and Pensions spend data via Spend Network.

# Department of Health and Social Care

At over £70bn, the DHSC spends more on procurement than any other department. £67bn of this is NHS spending, while the department itself only spends £3bn with external suppliers. The DHSC has one of the most consistently good records of publishing spend data on time but performs performs less well on contracts data.

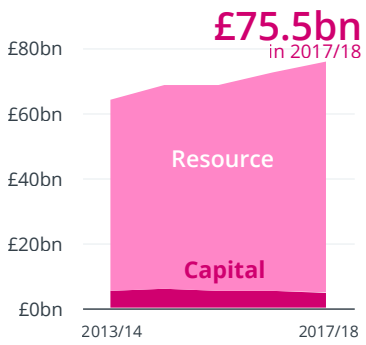
**Between 2015 and 2017, there were...**


**with an average annual value of...**

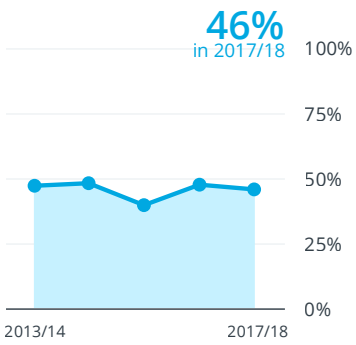

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

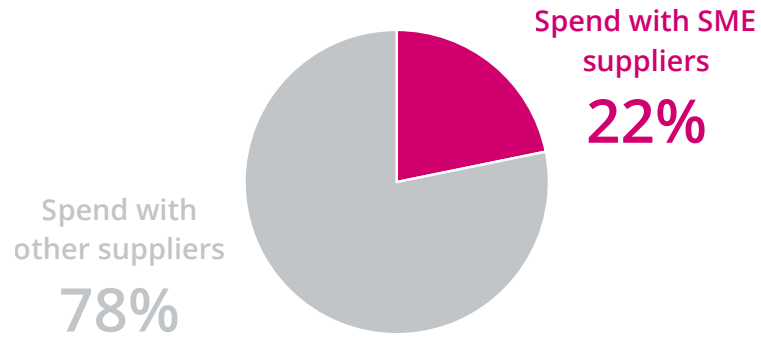



**...as a % of total spending**



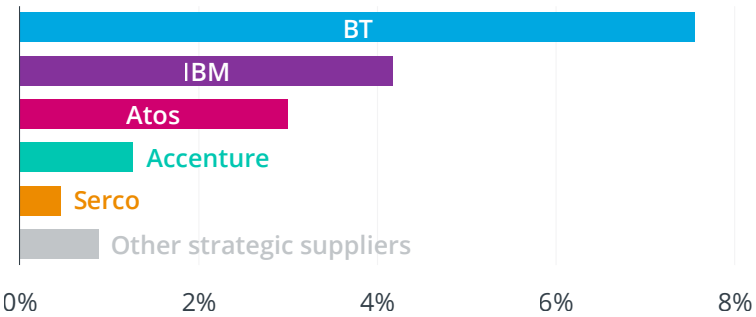

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Department of Health and Social Care spend data via Spend Network.

# Foreign and Commonwealth Office

The FCO is a small department with a corresponding low overall cash spend on procurement. In most other respects, it is close to the departmental average. Notably though, a higher proportion of its contracts, 83%, last for less than one year. This is significantly above the central government average of 55%.

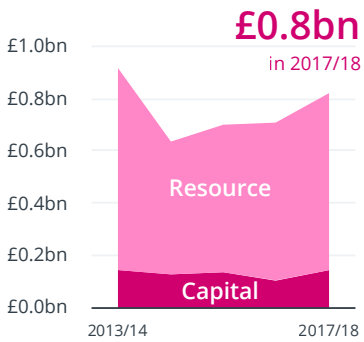
**Between 2015 and 2017, there were...**


**with an average annual value of...**

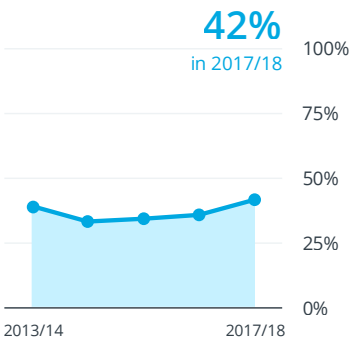

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

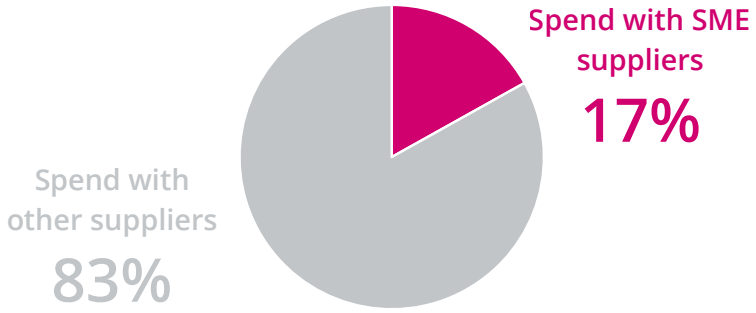



**...as a % of total spending**



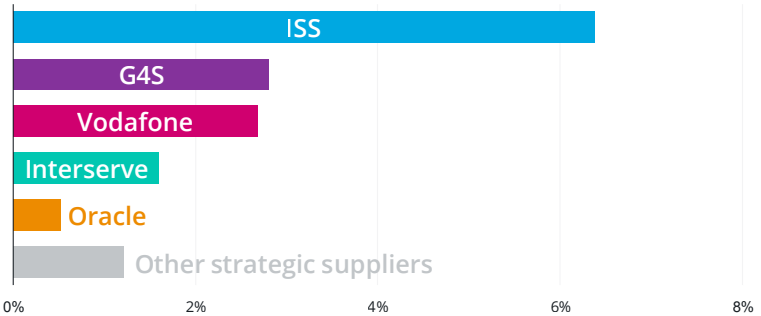

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Foreign and Commonwealth Office spend data via Spend Network.

# HM Revenue and Customs

HMRC is more reliant on a single supplier than any other department. Its biggest supplier, Capgemini, accounts for almost a third of its published procurement spend. However, procurement is only 4% of total departmental spending. HMRC performs well on the timeliness of its spend data releases.

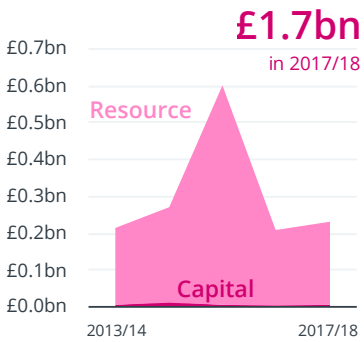
**Between 2015 and 2017, there were...**


**with an average annual value of...**

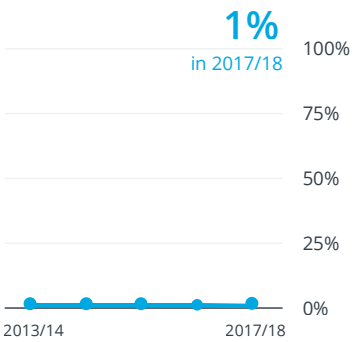

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

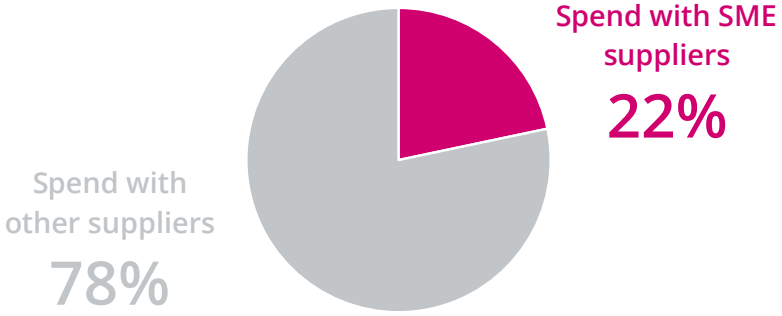



**...as a % of total spending**



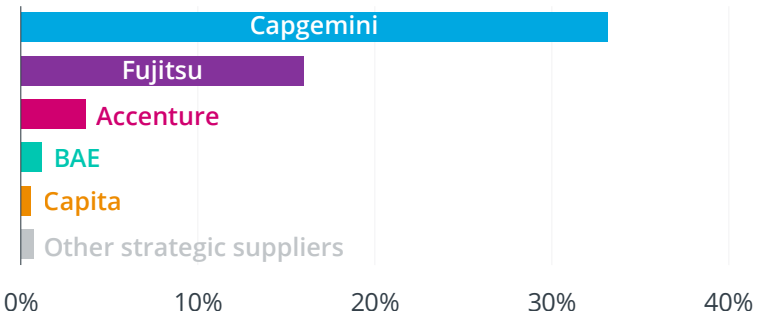

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: HM Revnue and Customs spend data via Spend Network.

# HM Treasury

HMT has responsibility for overseeing public spending but its procurement data is relatively poor. It currently spends 13% of its total procurement spending with SMEs and is working to increase this.

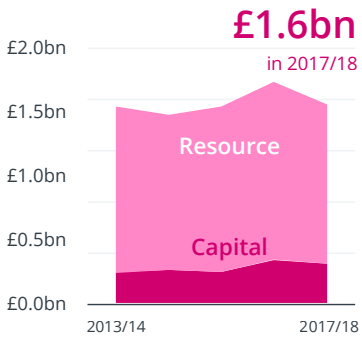
**Between 2015 and 2017, there were...**


**with an average annual value of...**

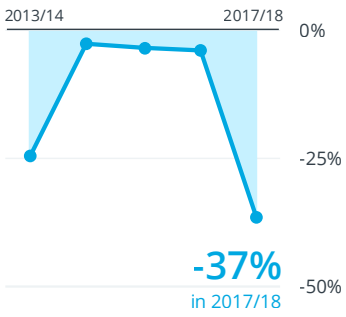

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

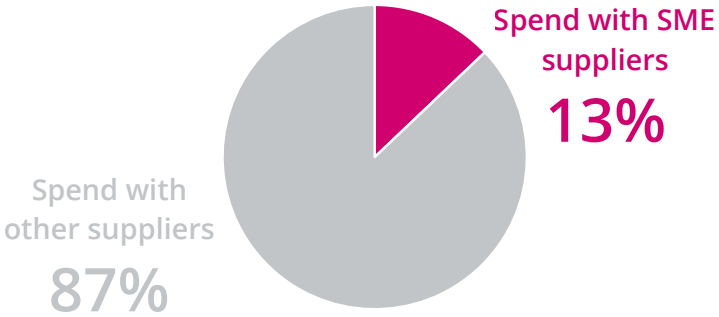



**...as a % of total spending**



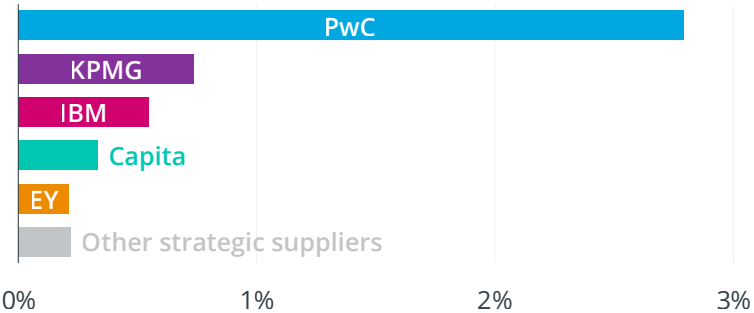

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices. Procurement as a percentage of spending not shown due to HMT having negative total spending.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: HM Treasury spend data via Spend Network.

# Home Office

The Home Office has the third highest proportional spend with strategic suppliers, spending more than 4% of its procurement budget with five separate suppliers. In most other respects, it is close to the Whitehall average. It performs relatively well on the publication of contracts award notices but is relatively poorly performing for publishing spend data on time.

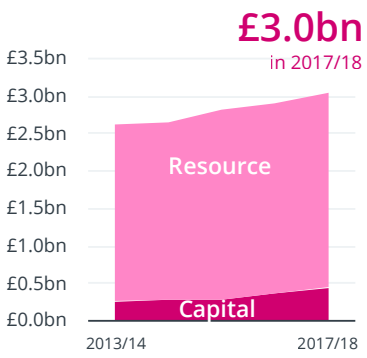
**Between 2015 and 2017, there were...**


**with an average annual value of...**

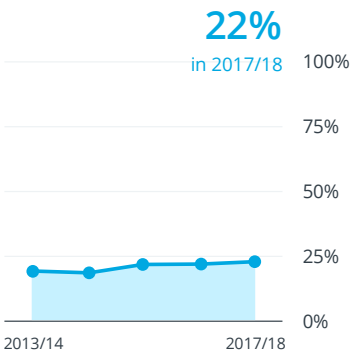

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

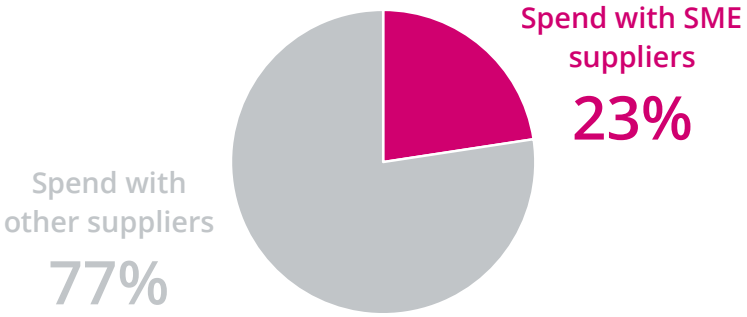



**...as a % of total spending**



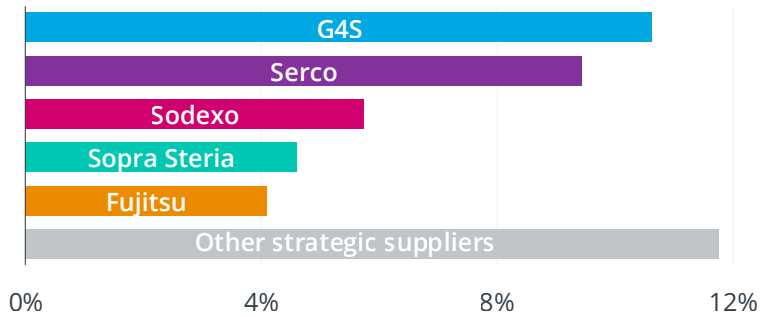

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Home Office spend data via Spend Network.

# Ministry of Defence

The MoD spends more on procurement than any other department apart from the Department of Health and Social Care, and this accounts for a relatively high percentage of its total budget. The department's spend with strategic suppliers is close to the average.

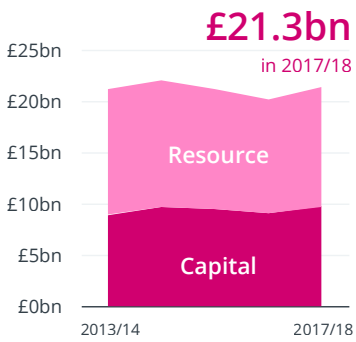
**Between 2015 and 2017, there were...**


**with an average annual value of...**

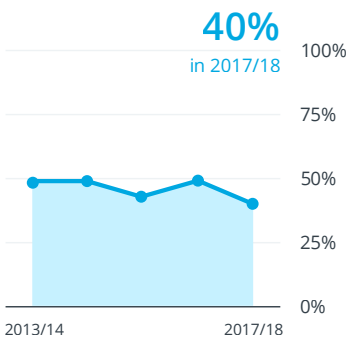

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

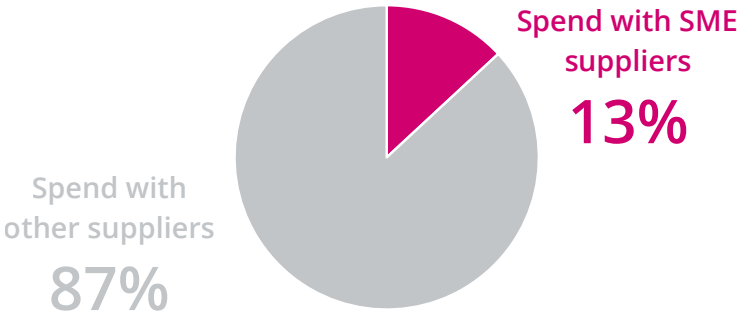



**...as a % of total spending**



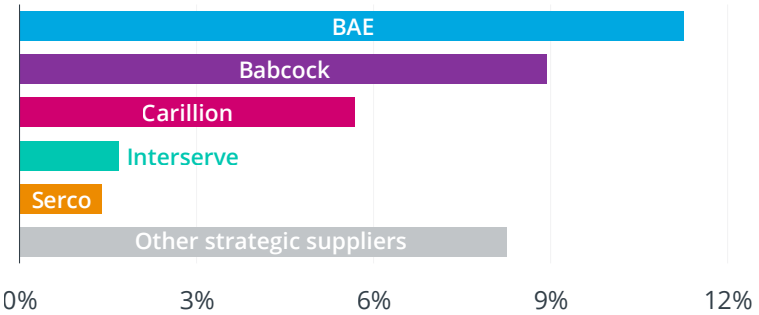

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Ministry of Defence spend data via Spend Network.

# Ministry of Housing, Communities and Local Government

The MHCLG has a low cash and percentage spend on procurement compared with other departments. Less than 1% of its procurement spend is with strategic suppliers, the lowest across Whitehall. The MHCLG's contracts tend to be short, with more than 70% lasting less than one year. The quality of its contracts data is excellent but the vast majority of its spend data releases are late.

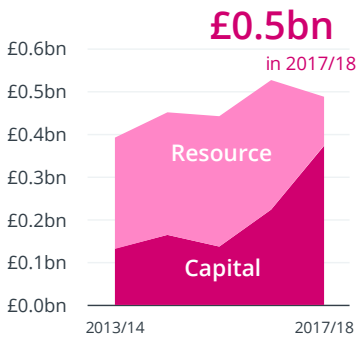
**Between 2015 and 2017, there were...**


**with an average annual value of...**

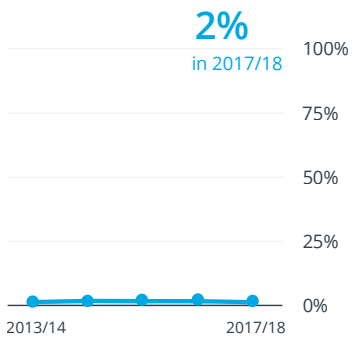

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

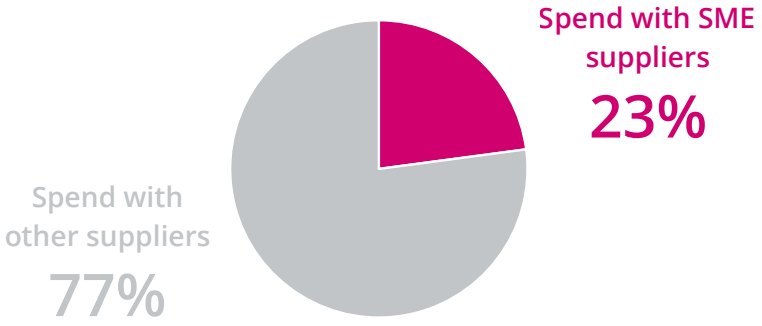



**...as a % of total spending**



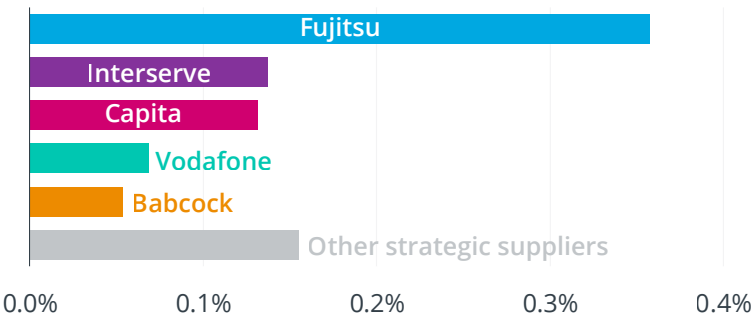

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Ministry of Housing, Communities and Local Government spend data via Spend Network.

# Ministry of Justice

A greater percentage of the MoJ's budget is accounted for by procurement than any other department. Nearly 80% of its contracts are longer than a year, the highest across Whitehall. It has exceeded the Government target for procurement spend with SMEs and it is also more reliant on strategic suppliers than average.

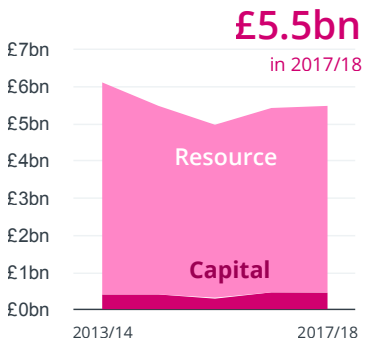
**Between 2015 and 2017, there were...**


**with an average annual value of...**

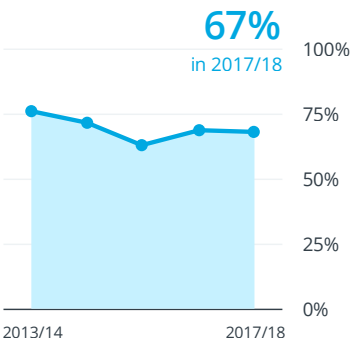

**and an average duration of...**


Source: Various tender portals via Spend Network.

**Total procurement spending**

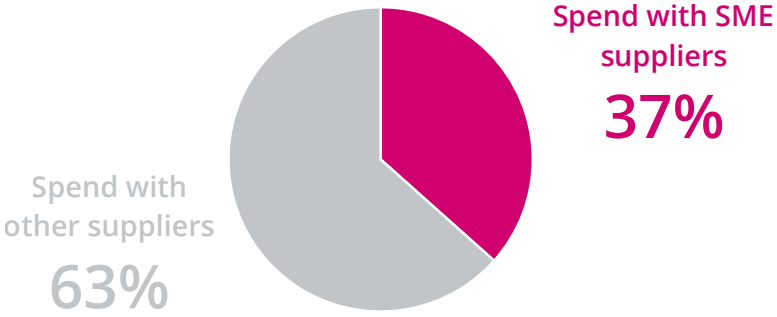



**...as a % of total spending**



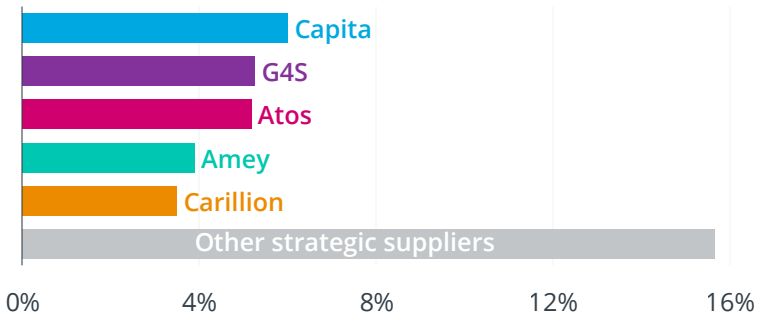

Source: HM Treasury, Public Expenditure Statistical Analyses 2018. Shown in 2017/18 prices.

**Proportion of total procurement spend with SMEs, 2016/17**




Source: Crown Commercial Service and Cabinet Office.

**Percentage of total published procurement spend with top five strategic suppliers, 2016/17**




Source: Ministry of Justice spend data via Spend Network.

# List of abbreviations

| | |
|---|---|
| BEIS | Department for Business, Energy and Industrial Strategy |
| BIS | Department for Business, Innovation and Skills [now BEIS] |
| bn | Billion |
| CaSIE | Contract and Spend Insight Engine |
| CCS | Crown Commercial Service |
| CO | Cabinet Office |
| CPV | Common Procurement Vocabulary |
| CSV | Comma-separated values |
| DCLG | Department for Communities and Local Government [now MHCLG] |
| DCMS | Department for Digital, Culture, Media and Sport |
| DECC | Department of Energy and Climate Change |
| Defra | Department for Environment, Food and Rural Affairs |
| DExEU | Department for Exiting the European Union |
| DfE | Department for Education |
| DfID | Department for International Development |
| DfT | Department for Transport |
| DH | Department of Health [now DHSC] |
| DHSC | Department of Health and Social Care |
| DIT | Department for International Trade |
| DUNS | Data Universal Numbering System |
| DWP | Department for Work and Pensions |
| EU | European Union |
| FCO | Foreign and Commonwealth Office |
| GDP | Gross Domestic Product |
| GDS | Government Digital Service |
| HMRC | Her Majesty's Revenue and Customs |
| HO | Home Office |
| HS2 | High Speed 2 |
| HSCIC | Health and Social Care Information Centre |
| ICO | Information Commissioner's Office |
| IT | Information technology |

| | |
|---|---|
| m | Million |
| MHCLG | Ministry of Housing, Communities and Local Government |
| MoD | Ministry of Defence |
| MoJ | Ministry of Justice |
| NAO | National Audit Office |
| NCVO | National Council for Voluntary Organisations |
| NHS | National Health Service |
| OCDS | Open Contracting Data Standard |
| OECD | Organisation for Economic Co-operation and Development |
| PAC | Public Accounts Committee |
| PESA | Public Expenditure Statistical Analyses |
| PF2 | Private Finance 2 |
| PFI | Private Finance Initiative |
| SIC | Standard industrial classification |
| SME | Small- and medium-sized enterprise |
| TED | Tenders Electronic Daily |
| TfL | Transport for London |
| UK | United Kingdom |

# List of figures and tables

## Figures

## Tables

# References

## 1: Introduction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## Appendix 1: Methodology

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