

**OXYGEN
FINANCE**

Local Government Third-Party Spend 2024

Almanac



Data provided from



INSIGHTS

INTRODUCTION AND EXECUTIVE SUMMARY



Oxygen Finance are delighted to present the fourth production of a local government spend Almanac that brings together a view of expenditure across local government in England. For the last four years, the release of the Almanac has raised awareness of how local government bodies in England spend with third parties. This opened discussions around how the sector can continue to collaborate together, and with other partners, to get the best possible value from external spend and demonstrate the positive impact effective procurement can have on communities. Continuing from the 2023 Almanac, this 2024 Almanac also provides insights on the estimated carbon emissions of local government generated through their supply chains.

Local government across England collectively reports spend over £82.7bn with suppliers in 2023 to deliver services to communities. From contracts with care-home providers through to tech companies, this expenditure is essential to delivering the outcomes for our local areas and for some of the most vulnerable people in society.

The Local Government Transparency Code 2015 sets out the minimum requirement for local government to publish open data, including spend data. It ensures that data about how money is spent is publicly accessible and all expenditure exceeding £500 must be published. This creates a wealth of information and helps with understanding national trends and variations in how local government spend their resources with third parties. Oxygen Finance has developed their Insights Spend tool that aggregates and categorises actual invoice data disclosed by local government bodies in England.

This Almanac covers spend between **calendar years 2021 to 2023** and includes a view of:

- Overall third-party expenditure across English local government.
- Category and local government-type expenditure.
- Supplier expenditure trends.
- Carbon emissions analysis.

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

Key Messages

1. Annual total third-party spend continues to increase and is at £82.7bn, up by 10% across 2023 when compared to 2022 and 17% when compared to 2021 spend. Inflation averaged 7.3% across 2023 and 9.1% in 2022, showing that spending with third parties increased in absolute and real terms over the 2-year period.
2. The two categories that contribute the most to the 2023 spend are Vulnerable Citizens and Public Health (41% of total third-party spend) and Buildings (24% of total third-party spend) .
3. Adult Social Care continues to be the highest spending subcategory (£24.8bn) within Vulnerable Citizens and Public Health and is driven by higher spend on Residential Care (Elderly) - £8.0bn, Health & Social Care (General) - £3.9bn and Residential (SEN, Disabilities, MH etc) - £4.3bn.
4. The largest percentage change in spend from 2022 to 2023 is Professional Services at 15% (£0.4bn). This is due to an increase in legal fees and financial services.
5. It is estimated that the increase in supply chain emissions across local government in 2023 compared to 2022 was 0.65%, with most emissions categories seeing a decrease from 2021 figures. The total supply chain emissions were 19.3mn MtCO_{2e}.

FOREWORD



This Almanac serves as a valuable resource for local government, offering insights that can be used to optimise procurement and commissioning activities to achieve the best outcomes.

The continuous rise in third-party expenditure is notable, with a 10% increase (£7.6bn) in 2023 compared to 2022, and a 17% rise since 2021. Inflation rates were 7.3% in 2023 and 9.1% in 2022, reflecting that spending with third parties grew in both nominal and real terms. Key contributors to this growth include the Vulnerable Citizens and Public Health sector, which now accounts for 41% of third-party spend, and Buildings sector.

The high proportion of overall local government expenditure directed to third parties, and the continued growth of this spend, further underscores the critical role of procurement and commissioning in local government; ensuring demand is met within a landscape marked by inflation, supply chain disruption, and environmental challenges. Alongside this, there is the implementation of the Procurement Act 2023. The procurement function must navigate these complexities while ensuring accountability, value for money, and the promotion of social value initiatives.

The Almanac also highlights the CO2 emissions associated with local government supply chains, stressing the need for sustainable procurement practices. Working with suppliers to address Scope 3 emissions is crucial for achieving environmental targets.

Ultimately, delivering successful third-party services will hinge on effective supplier relationship management and robust collaboration among local government, suppliers, and stakeholders. By enhancing the strategic role of procurement teams, we can strive towards a more sustainable, equitable, and resilient future.

Prof. Richard Simmons

Professor of Public and Social Policy, University of Stirling, and Academic Chair, CPO Advisory Forum

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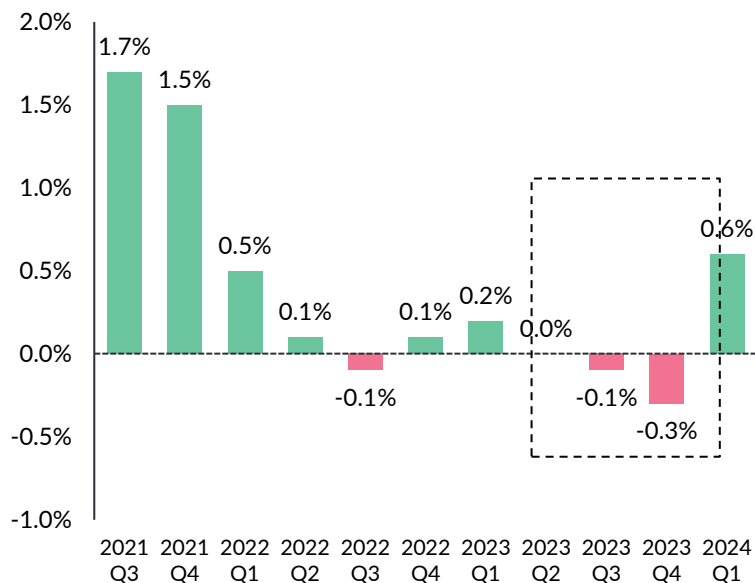
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National Spend Summary

ECONOMIC CONTEXT



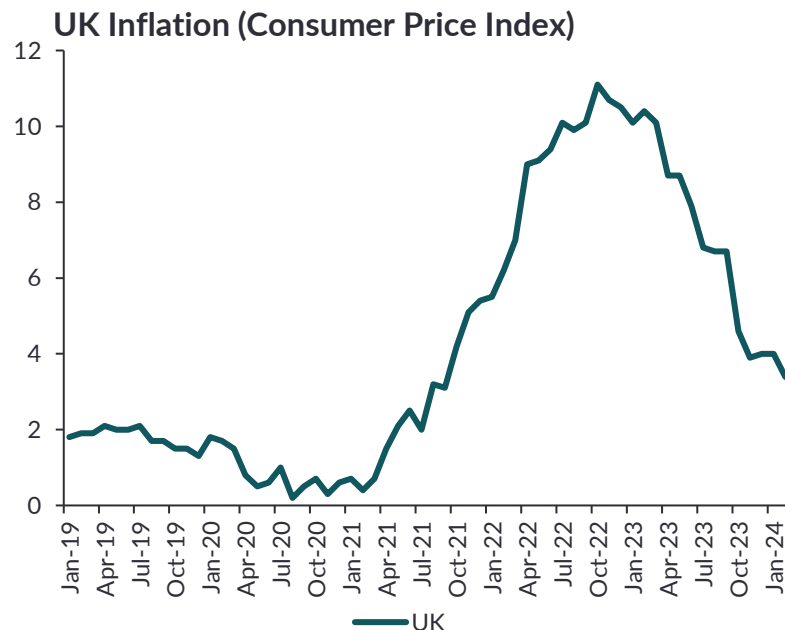
This report considers a period when the UK economy fell into a shallow recession.



Early indications show that GDP grew by 0.6% in Q1 2024 to end the shallow recession at the end of FY23.

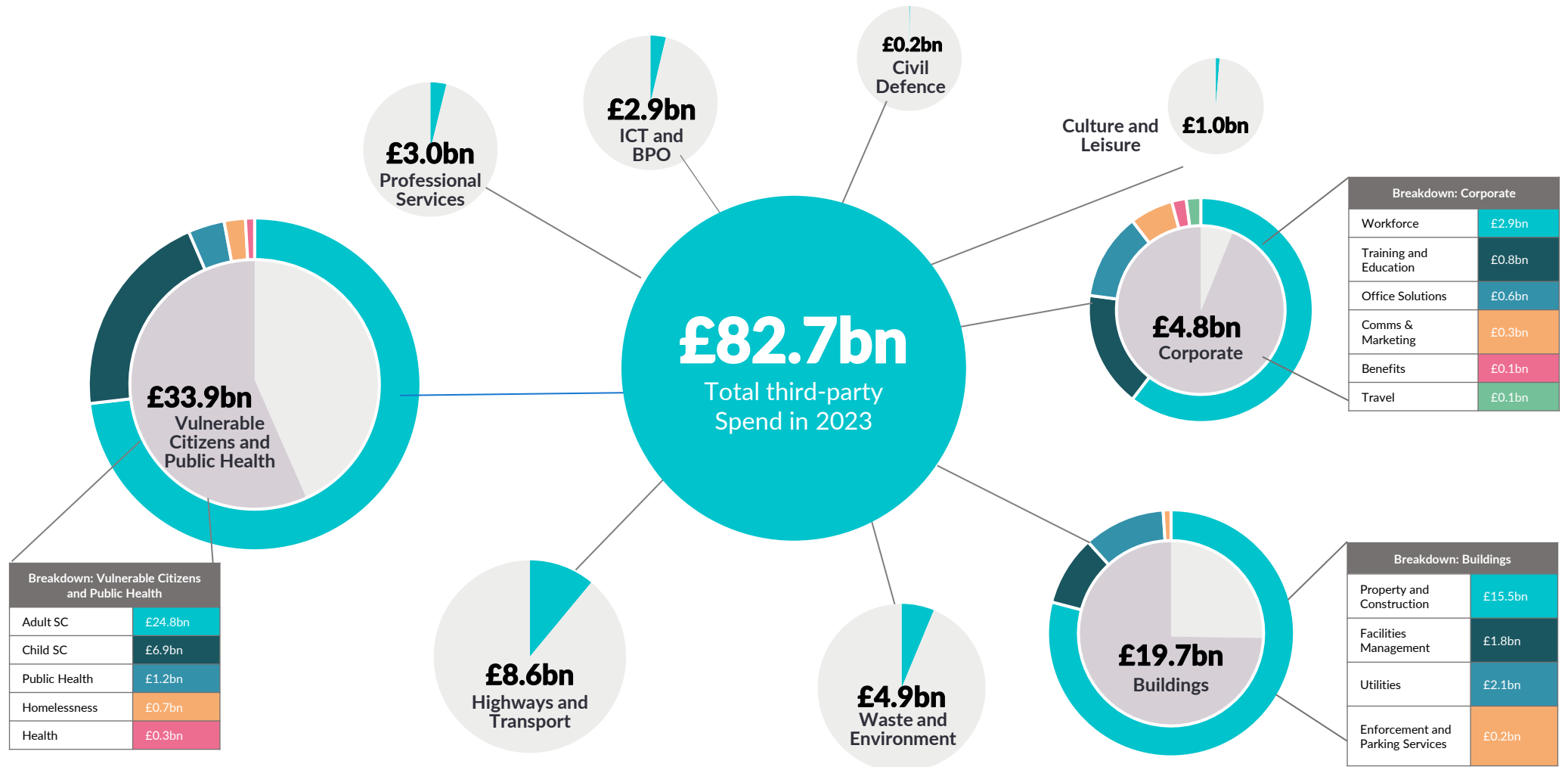
*Office of National Statistics

Consideration is applied to inflation over this period, noting that the Consumer Price Index (CPI) continues to be above the Bank of England's 2% inflation target.



Inflation fell rapidly in Q3 2023, and despite a bump in December's figures, is forecast to reach the BoE 2% target in 2024. The report considers expenditure on a nominal basis, meaning no adjustments have been made for inflation.

OF THE £82.7BN EXPENDITURE, SPEND CAN BE APPORTIONED AGAINST NINE MARKETS AND CATEGORIES, WHICH CAN BE FURTHER DIVIDED INTO SUB-CATEGORIES OF EXPENDITURE...



A proportion of spend is pending categorisation and therefore has not been apportioned to specific categories of spend shown in this image. All data insights are sourced from Oxygen Finance's Insights Spend tool as extracted in May 2024, which comes from published council data.

LOCAL GOVERNMENT IN ENGLAND SPENT £82.7BN ON THIRD PARTIES IN 2023; HERE ARE SOME KEY INSIGHTS

£82.7bn
overall local government expenditure on third parties (2023)



Third-party spend is up by 10% compared to 2022

41%
of total third-party spend is on the Vulnerable Citizens and Public Health category

24%
of total third-party spend is on the Buildings category

Compared to 2022:

- ▶ The biggest absolute spend increase was Vulnerable Citizens and Public Health, at £4.2bn (14%)
- ▶ The biggest percentage increase was Professional Services, at 15% (£0.4bn). Which is due to an increase in legal fees and financial services

5%
of UK emissions driven by local government supply chains

19.3mn
Sum of Carbon MtCO2e in 2023



Carbon MtCO2e is up by 0.65% compared to 2022

All categories of spend, saw an increase in spend when comparing to 2022

Biggest spend areas across local government are:

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

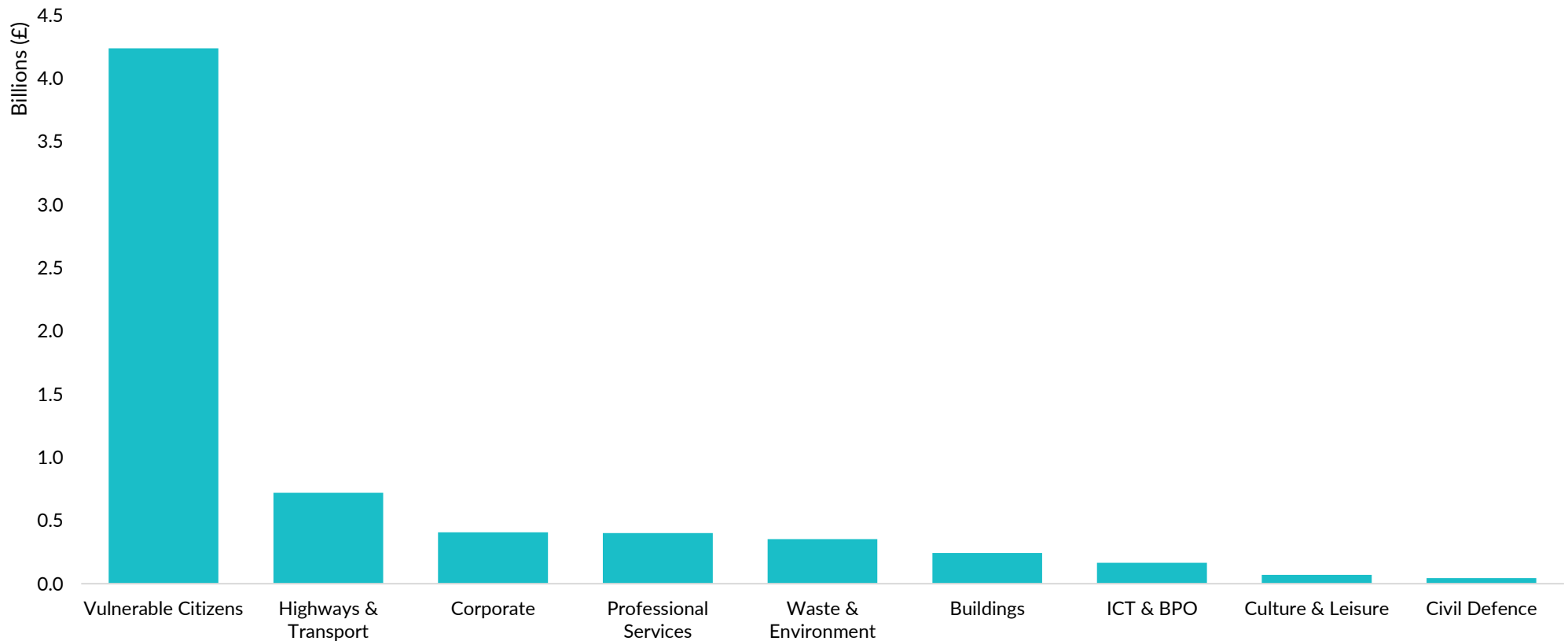
All data insights are sourced from Oxygen Finance's Insights Spend tool as extracted in May 2024.

ALL CATEGORIES OF SPEND HAVE SEEN AN INCREASE IN SPEND IN 2023 COMPARED TO 2022



Whilst all categories have seen an increase in third-party spend from 2022 to 2023, the most notable absolute increase is in Vulnerable Citizens & Public Health by £4.2bn (14%). Increases to all but Culture & Leisure (7%), ICT & BPO (6%), and Buildings (1%) were higher than the rate of inflation (7.3%).

Spend difference by category from 2022 to 2023

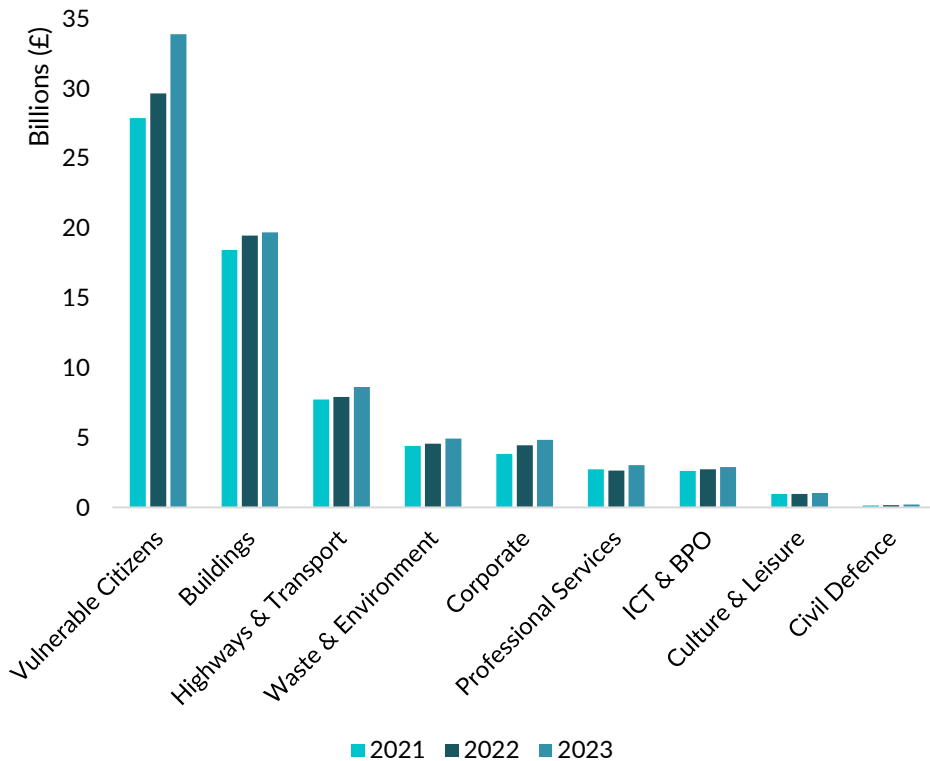


All data insights are sourced from Oxygen Finance's Insights Spend tool as extracted in May 2024.

HOW THIRD-PARTY SPEND HAS CHANGED IN 2023...



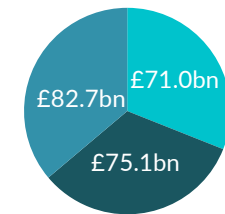
Third-party spend by category from 2021 to 2023



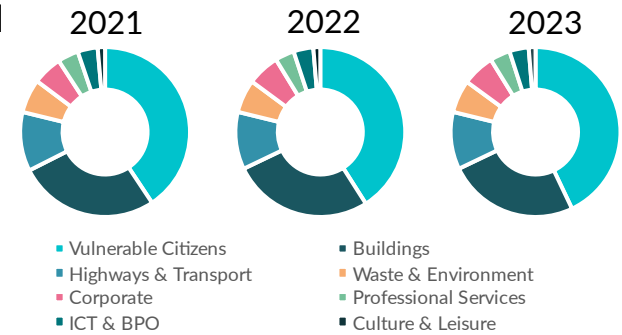
A proportion of spend is pending categorisation and therefore has not been apportioned to specific categories of spend in this chart. All data insights are sourced from Oxygen Finance's Insights Spend tool as extracted in May 2024.

Spend difference by year and category from 2021 to 2023

Total annual spend



■ 2021 ■ 2022 ■ 2023



Commentary

- We continue to see increased third-party expenditure across English local government in both absolute and real terms over the 2-year period. 2023 saw a 10% increase in expenditure compared to the prior year, and from 2021 to 2023 there has been a 17% increase.
- All categories have seen an increase in third-party spend compared to the prior year.
- Vulnerable Citizens and Public Health spend has consistently increased year on year, it is up by £6.0bn in 2023 compared to 2021, which is a 22% increase. Adult Social Care accounted for 73% of total spend within this category.
- Building spend has also consistently increased, it is up by £1.2bn in 2023 compared to 2021, which is a 7% increase. The largest % change in spend within this category, in 2023 compared to the previous year category, is on Utilities (21%), driven by higher spend on Electricity, Energy & mixed utilities, and Gas.
- Professional services spend decreased from 2021 to 2022, but then increased in 2023. The largest % change in spend within this category, in 2023 compared to the previous year, is on Legal Services followed by Financial Services.
- Spend in all the following categories continues to slightly increase when comparing the three year spend trend (2021 to 2023): Highways & Transport, Waste & Environment, Corporate, ICT & BPO, Culture & Leisure, and Civil Defence.

2

Supplier Analysis

THE 20 SUPPLIERS WITH THE HIGHEST SPEND IN 2023



Supplier	Dominant spend category 2023	£ spent by local government bodies in 2023	Position change from prior year
Veolia Group	Waste & Environment	More than £800mn	▬
Matrix SCM Ltd	Corporate	More than £750mn	▬
Balfour Beatty	Highways & Transport	More than £550mn	↑
Willmott Dixon	Buildings	More than £500mn	▬
ENGIE (including Equans)	Buildings	More than £500mn	↑
Eurovia UK Ltd (inc Ringway)	Highways & Transport	More than £450mn	↑
Kier Group	Buildings	More than £450mn	↓
Transport for Greater Manchester	Highways & Transport	More than £400mn	↑
Wates Group	Buildings	More than £350mn	↓
Morgan Sindall Plc	Buildings	More than £350mn	↑
SUEZ Environnement	Waste & Environment	More than £300mn	↓
Milestone Infrastructure Ltd	Highways & Transport	More than £300mn	▬
Comensura Ltd	Corporate	More than £300mn	↑
Totalenergies Gas & Power Ltd	Buildings	More than £300mn	○
Biffa	Waste & Environment	More than £250mn	↓
Npower Ltd	Buildings	More than £250mn	○
EDF Energy	Buildings	More than £250mn	○
AMEY UK Plc	Highways & Transport	More than £250mn	↓
Hertfordshire Partnership NHSFT	Vulnerable Citizens & Public Health	More than £200mn	○
Norse Group Limited	Buildings	More than £200mn	↓

All data insights are sourced from Oxygen Finance's Insights Spend tool as extracted in May 2024, comparing highest supplier list to the 2023 Almanac.

Commentary

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

80% of spend in 2023 (£63bn) was with 5,917 suppliers.

The 20 suppliers with the highest spend in 2023 are largely the same as the previous year, with a few exceptions:

- Totalenergies Gas & Power Ltd, Npower Ltd, EDF Energy and Hertfordshire Partnership NHSFT are now part of the top 20 suppliers with the highest spend.
- Total spend with the 20 suppliers exceeds £8.2bn; this is approximately 10% of the total third-party spend in 2023.

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

▬	No change to position as 20 suppliers with highest spend
↑	Supplier position has increased
↓	Supplier position has decreased
○	Supplier was not in the 20 suppliers with highest spend in 2022

THE 20 SUPPLIERS BY HIGHEST NUMBER OF LOCAL GOVERNMENT BODIES THEY WORKED WITH IN 2023



Supplier	Dominant spend category 2023	Number of local government bodies supplier works with	Position change from prior year
Civica	ICT & BPO	329	↑
Royal Mail Group Ltd	Corporate	326	↓
Idox Plc	ICT & BPO	311	↑
Citizens Advice Bureau	Vulnerable Citizens & Public Health	299	↓
British Telecom	ICT & BPO	285	▬
Zurich Insurance Plc	Professional Services	271	▬
Capita Group	ICT & BPO	262	▬
G2V Recruitment Group Ltd	Corporate	242	○
NEC Software Solutions	ICT & BPO	232	▬
Civica Election Services	Corporate	232	↑
Vodafone	ICT & BPO	230	↓
British Gas	Waste & Environment	230	○
SSE Plc	Buildings	221	↓
EDF Energy	Buildings	218	↑
Phoenix Software Ltd	T & BPO	216	↓
The Wildlife Trusts	Waste & Environment	215	↓
Npower Ltd	Buildings	213	↓
Quadient UK Ltd	Corporate	209	○
Totalenergies Gas & Power Ltd	Buildings	208	▬
Savills (UK) Ltd	Buildings	206	○

All data insights are sourced from Oxygen Finance's Insights Spend tool as extracted in May 2024, comparing highest supplier list to the 2023 Almanac.

Commentary

The table on the left shows the 20 suppliers, by highest number of local government bodies they worked with in 2023, that have at least £10mn spend placed with them across multiple local government bodies in 2023.

In addition to what is shown in this table, there are 275 suppliers that had in excess of £10mn spend placed with them and were working with 50+ local government bodies in 2023.

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

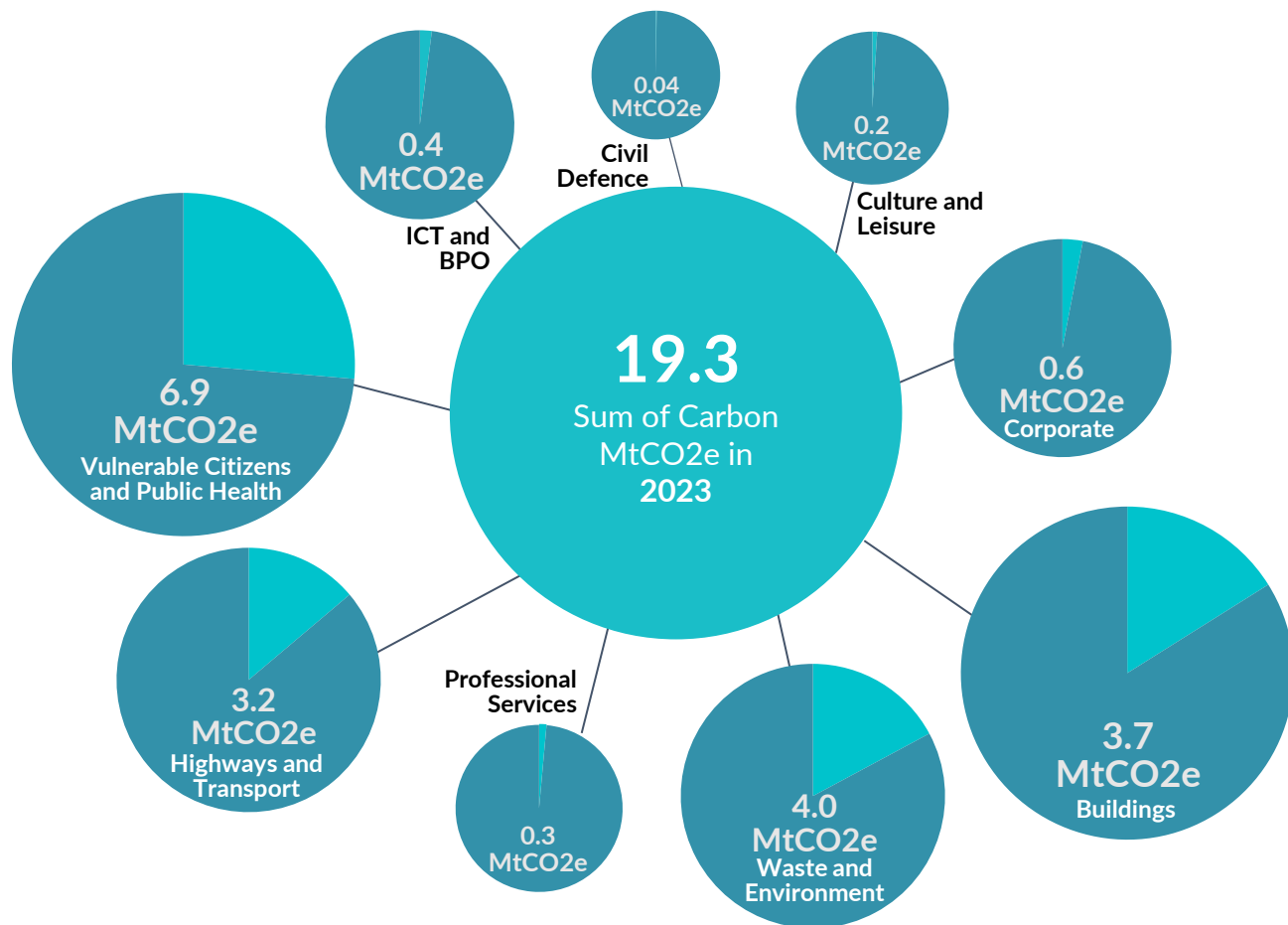
▬	No change to position as 20 suppliers with highest number of local government bodies
↑	Supplier position has increased
↓	Supplier position has decreased
○	Supplier was not in the 20 suppliers with highest number of local government bodies



3

Carbon Emissions Analysis

5% OF UK EMISSIONS ARE DRIVEN BY LOCAL GOVERNMENT SUPPLY CHAIN



Commentary

In 2023, supply chain emissions across local government amounted to c19.3 million tonnes of carbon dioxide or equivalents. This compares to UK wide emissions estimated at 383 million tonnes of carbon dioxide equivalent.

Over half of these emissions are within the control of typically one directorate – the Place Directorate (Economy, Environment, Planning, Transport, Assets), with the majority coming from waste, transport, buildings and construction – which is why we often see Place Directors at the forefront of the climate emergency. Whilst this is still the largest emitting area, it’s also one that’s performing well in terms of its rate of decarbonisation, with decarbonisation of buildings leading the way and the reduction outperforming all other categories in absolute terms. Whilst retrofit, transport and energy generation are becoming increasingly investable as propositions, construction still requires further technical innovation to reduce its environmental footprint.

The outlier is Vulnerable Citizens and Public Health in this analysis, and an area of increasing emissions and as an already fragile market, a real challenge to decarbonise at face value. When the data is drilled into further, however, the majority of emissions across this category come from existing buildings and ground transport, two areas that are already feasible and viable to decarbonise and a clear opportunity that commissioners can influence.

All carbon data insights are sourced from Oxygen Finance’s Insights Spend tool as extracted in May 2024. All figures in Millions of Metric Tonnes of Carbon Dioxide Equivalents. Total is rounded to one decimal point.

MAJORITY OF CATEGORIES HAVE SEEN A DECREASE IN CARBON MTCO2E, IN 2023 COMPARED TO 2021



Whilst all categories have seen an increase in third-party spend from 2021 to 2023, the majority have seen decreases in their emissions, so progress is even better than the data suggests.

Most notable absolute increase in expenditure from Vulnerable Citizens and Public Health (14%), Corporate (14%) and Civil Defence (9%) are also the only three categories with increasing emissions. When adjusted for spend increase, proportionate emissions for these categories have reduced too.

In relative terms, all categories have reduced their carbon impact over the last three years.

(MtCO2e) difference by category from 2021 to 2023

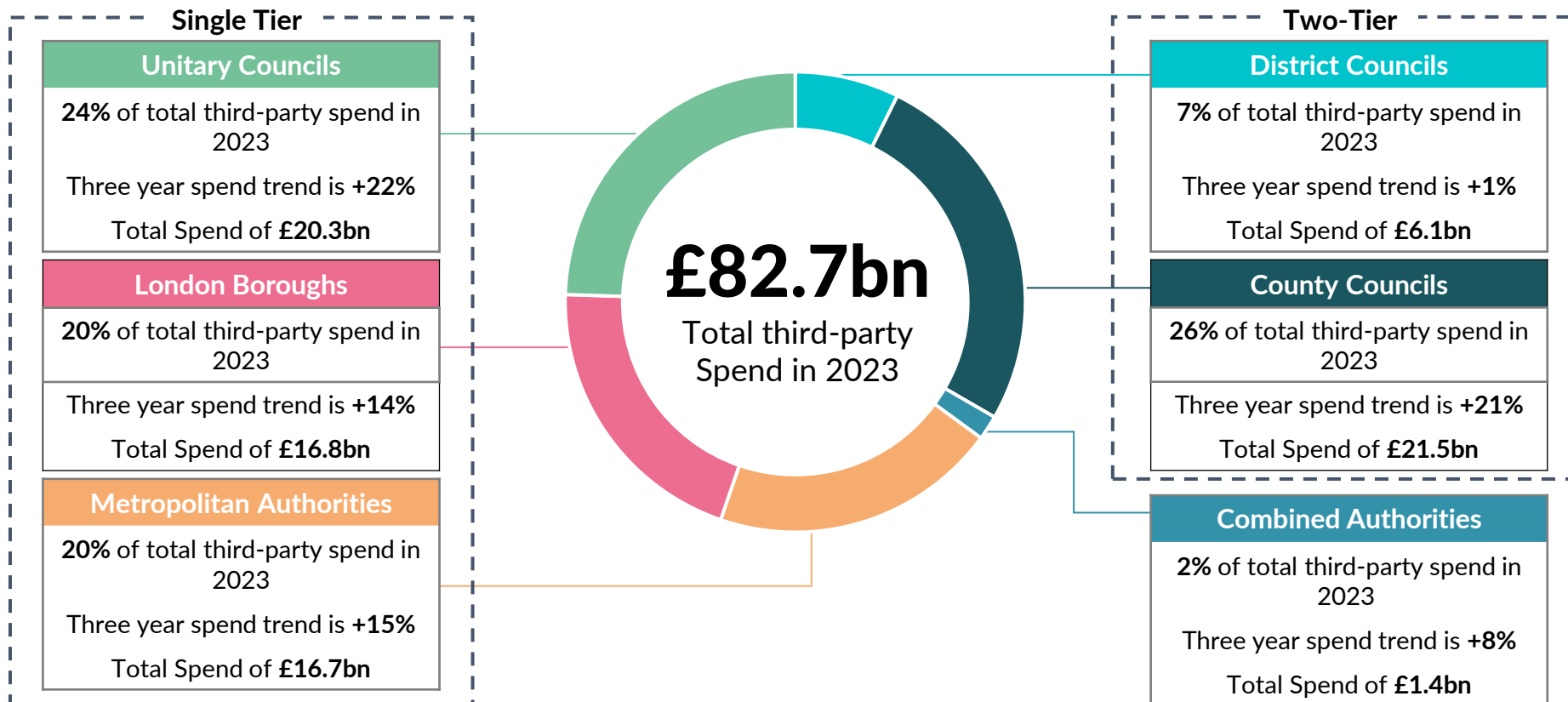
Emissions Category	2021	2022	2023	3 Year Change
Buildings	4,182,506	3,996,014	3,659,240	↓
Civil Defence	37,006	37,545	44,953	↑
Corporate	543,296	578,537	613,583	↑
Culture & Leisure	223,108	206,886	206,095	↓
Highways & Transport	3,197,710	3,080,948	3,147,217	↓
ICT & BPO	428,741	408,404	398,124	↓
Professional Services	300,782	274,265	288,515	↓
Vulnerable Citizens & Public Health	6,627,601	6,622,885	6,921,562	↑
Waste & Environment	4,077,511	3,928,286	3,978,638	↓
Total	19,618,261	19,133,770	19,257,927	↓

441

Appendix 1: Spend by Council Type

THE £82.7BN THIRD-PARTY EXPENDITURE IN 2023 CAN BE APPORTIONED AGAINST THE SIX LOCAL GOVERNMENT TYPES...

All six government types have increased their spend in 2023 relative to 2021. Unitary Councils have seen the greatest percentage increase in spend in 2023 compared to 2021, driven by increased spend on Health & Social Care and Highways & Transport. District Councils have increased spend more modestly, decreasing their spend on Buildings, Waste & Environment, Culture & Leisure and Highways & Transport.



All data insights are sourced from Oxygen Finance's Insights Spend tool as extracted in May 2024.

4.2

Appendix 2: Key Questions, Data and Limitations

KEY QUESTIONS: WHAT'S NEXT?



Spend

- How well are you collaborating with other public bodies to leverage supplier spend?
- What actions can you take to promote sustainable growth for local SMEs?
- Have you undertaken a review of your tail spend and rogue spend?
- Do you regularly undertake assurance reviews of key contracts to ensure service delivery and to identify efficiencies or savings?
- Do you know how the new procurement reforms will make an impact on supply chain spend?

Carbon

- Does your local government body have a “holistic” baseline capturing all emission scopes?
- Have you completed emissions screening to understand your supply chain emissions?
- How prominent is Sustainable Supply Chain in your organisation’s Sustainability Strategy?
- Is your climate action plan fully costed and modelled to understand cost per tonne of carbon removed? (£MtCO₂e/MACC modelling)
- Do you have the right skills, capacity and capability to drive forward sustainable supply chain?
- Do commissioning services/departments understand Scope 3 emissions?
- How can the new procurement reforms be used to help monitor and cut emissions?

ASSUMPTIONS AND LIMITATIONS



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

- All data collected for this document is provided by Oxygen Finance and was collated from the Insights Spend tool.
- Data accuracy and categorisation is dependent on published information.
- Spend data for this document is a point in time collected from the Insights Spend tool in May 2024.
- Carbon data for this document is a point in time collected from the Insights Spend tool in May 2024.
- There is a small change to the methodology to calculate emissions for carbon data since the last Almanac.
- Data in this document is apportioned against categories based on Oxygen Finance categorisation at the point of collection.
- Data in this document has been presented by calendar year, similarly to last year's Almanac.
- A proportion of spend (4.4%) is uncategorised and therefore has not been apportioned to specific categories. This means on some of the slides, in some circumstances, categories shown will not add up to the total of £82.7bn.
- The spend data includes redacted data which covers payments to individuals and other sensitive areas.
- The supplier pareto of the top 80% of spend is based upon suppliers that have been categorised as supplier against specific spend categories by Oxygen Finance in their Insights Spend only.
- Expenditure and trend percentages in this document are absolute and have not been adjusted for inflation.

FURTHER INFORMATION

To learn more about this 2024 Spend Almanac, have a more detailed conversation about your particular area, or for more information on Oxygen Insights procurement intelligence, speak to Cameron.



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