

UK Strategic Suppliers

# 2020 Update

February 2021



Trusted Insight on Government  
Contracts and Spend



## Three new entrants joined the list of Strategic Suppliers

Strategic Suppliers' **revenue remained flat** since 12 months prior, despite an **11%** increase in total public expenditure from **September 2019 – August 2020**

The number of **contracts** they won **decreased** as a result of the **pandemic**

**Revenue growth** was **highest** from those who **consolidated**, rather than diversified, their client relationships

**Central Government** remains the **largest buyer** of goods and services from the Strategic Suppliers

**Seven** Central Government bodies **spent a third or more** of their procurement budget with the Strategic Suppliers







































# Who are the Strategic Suppliers?

A small number of companies do so much business with the government and provide such vital services that the Cabinet Office takes a more hands-on approach to managing procurement with them.

While making it to the list of Strategic Suppliers is clearly an achievement, it also comes with greater scrutiny of the suppliers to ensure that public funds are being well spent. Exceeding annual expenditure of £100m is a practical criterion for inclusion onto the list, although it is not a requirement.

As of February 2021, there were 38 Strategic Suppliers. Some of them, like Microsoft, are household names. Some, like the Big Four accountancy firms, are global corporations. Others, like Amey, are less widely known but provide goods and services tailored to the needs of the UK public sector.

This report examines the UK public sector revenue earned and contracts won by the Strategic Suppliers. The public expenditure spend data in this report covers the 12-month period from September 2019 to August 2020 – a necessary time-lag due to delays in the publication of spend data by the underlying public bodies. Where we refer to the value of contracts and frameworks, however, the data in this report covers the 2020 calendar year – a much shorter time-lag as publication of the underlying data is generally much quicker.

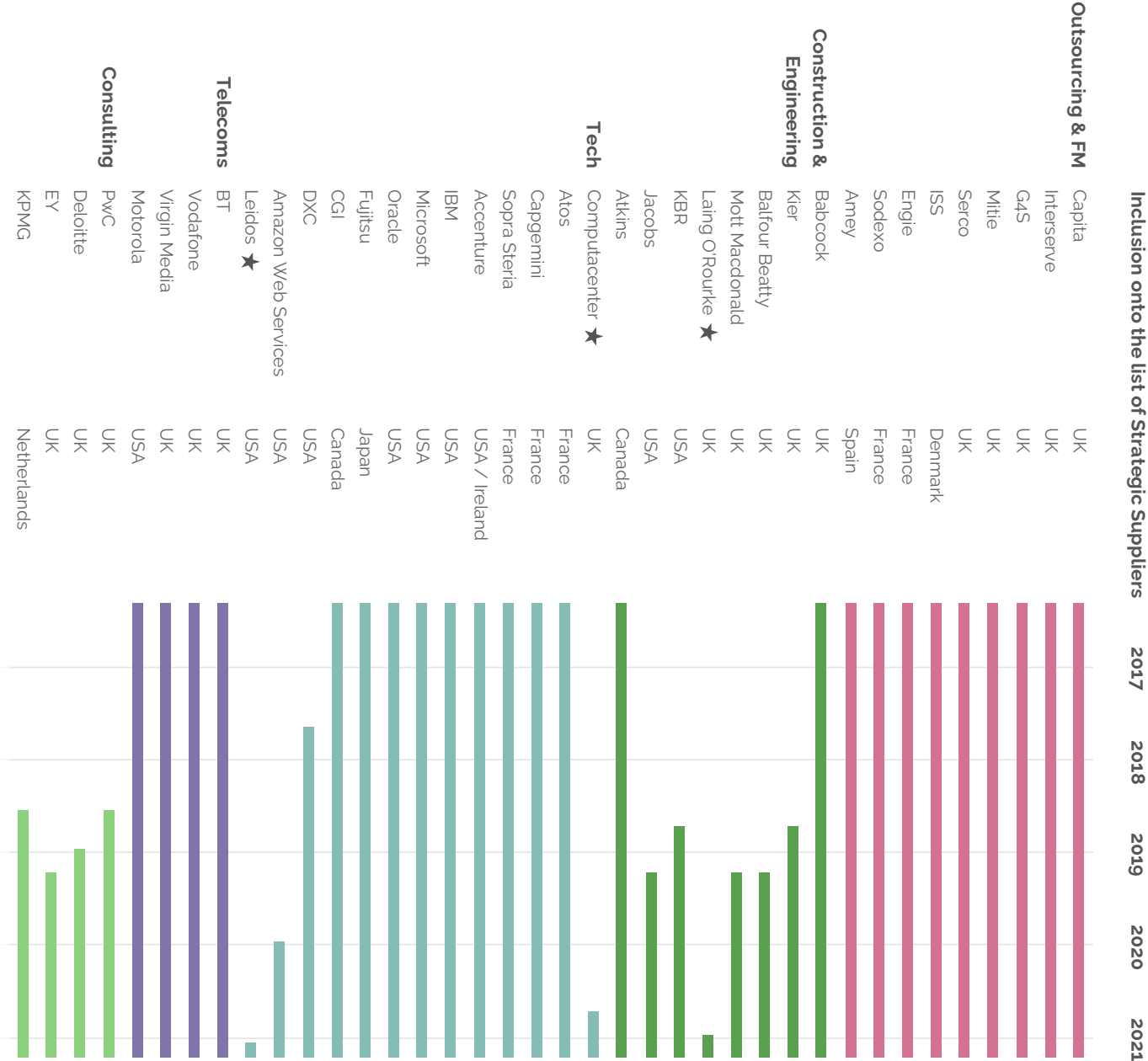
# New entrants in two out of five sectors

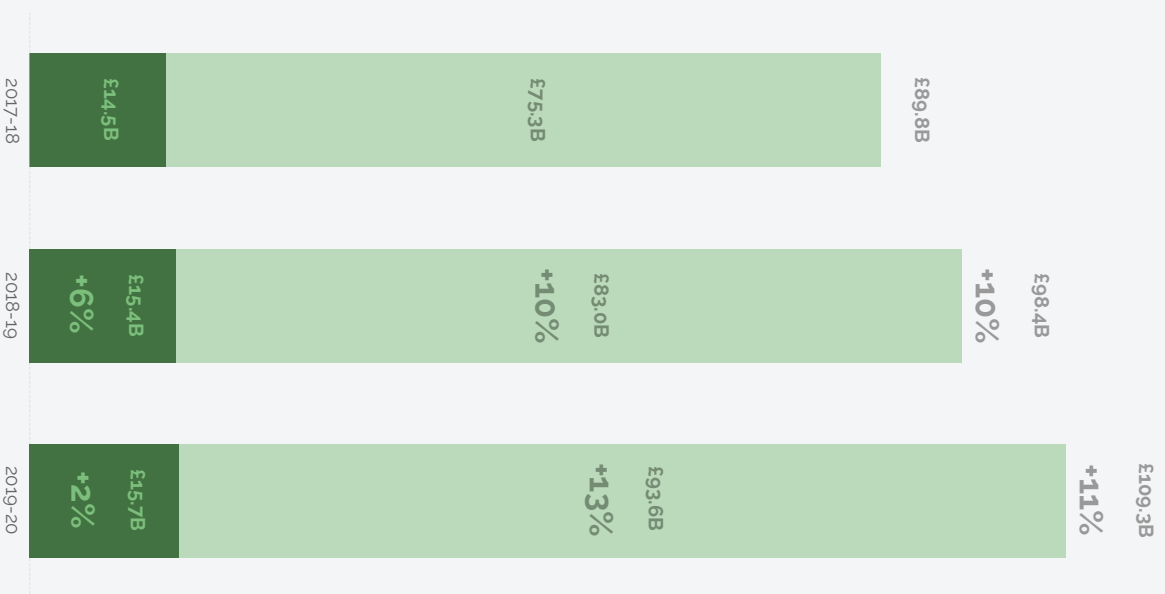
The Strategic Suppliers provide a wide range of goods and services, from facilities management to IT, from housing and infrastructure to defence.

The list is constantly evolving. Since our last report in March 2020, three new companies have become Strategic Suppliers: Computacenter, Leidos and Laing O'Rourke.

While all the Outsourcing & Facilities Management and Telecoms companies on the list have been Strategic Suppliers for more than four years, 14 new companies in Tech, Construction & Engineering and Consulting have been added during that time.

At present more than half the Strategic Suppliers have headquarters in the UK, while ten are based in the US and five in France.





## Strategic Suppliers' revenue flat despite considerable increase in public sector spending

The 38 Strategic Suppliers earned £15.7bn from the UK public sector in 2019-20 - 14% of overall spending - despite making up fewer than 1% of the total number of suppliers.

However, their share of the market was on the decline. Despite an 11% increase in public sector procurement spending in 2019-20, Strategic Suppliers' public sector revenues were flat.

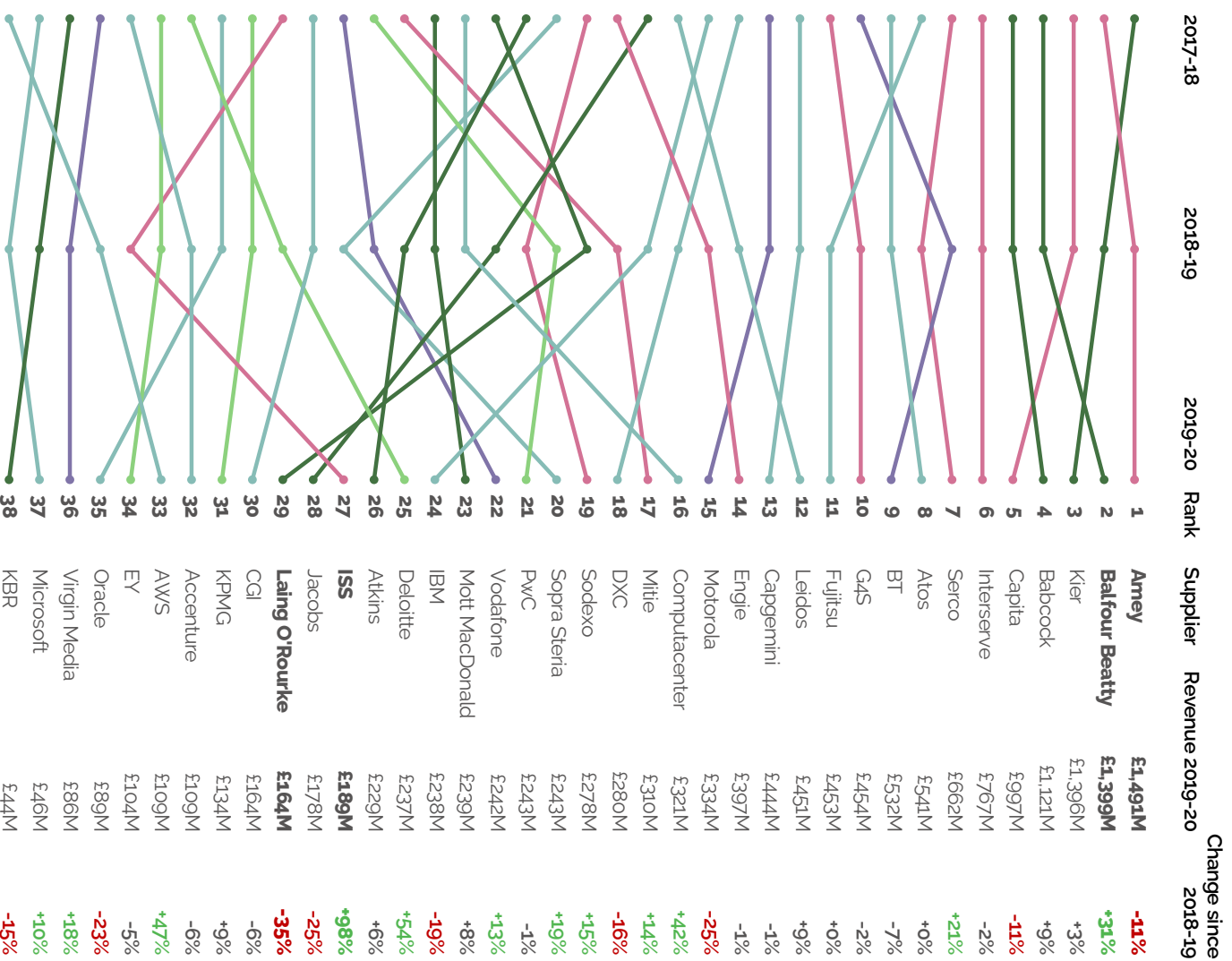
This is the second year in a row that their market share has fallen due to increased spending with other firms.

Strategic Suppliers represent 0.4% out of 83,000 suppliers



But earned 14% of £109bn spent by the public sector





## Top-ranked Strategic Suppliers untouched by the chasing pack

The top 11 Strategic Suppliers remain unchanged for the second consecutive year, while suppliers further down the ranking table have swapped positions regularly since 2017-18, as their public sector earnings fluctuate.

Four suppliers earned more than £1bn. Capita missed this mark, having lost 11% of its revenue in 2019-20. Arney earned the most in 2019-20, followed by Balfour Beatty and Kier.

Balfour Beatty saw the biggest increase by value (+£331m), while ISS saw the highest rate of revenue growth (+98%). Arney lost the most revenue in 19-20 (-£193m) yet maintained its top spot, with Laing O'Rourke, a new Strategic Supplier, losing the most in percentage terms (-35%).

Overall, Outsourcing & FM suppliers earned the greatest share of revenue, while those in Consulting earned the least.

Sector	Revenue 2019-20	Annual change
Outsourcing & FM	£5,544M	-1%
Construction & Engineering	£4,767M	+8%
Tech	£3,489M	+2%
Telecoms	£1,194M	-8%
Consulting	£717M	+14%



# Strategy in action

By mapping changes in revenue against the number of relationships with buyers, it's possible to gain insight into the underlying strategy of the Strategic Suppliers, relative to consolidation or diversification of its public sector client base.

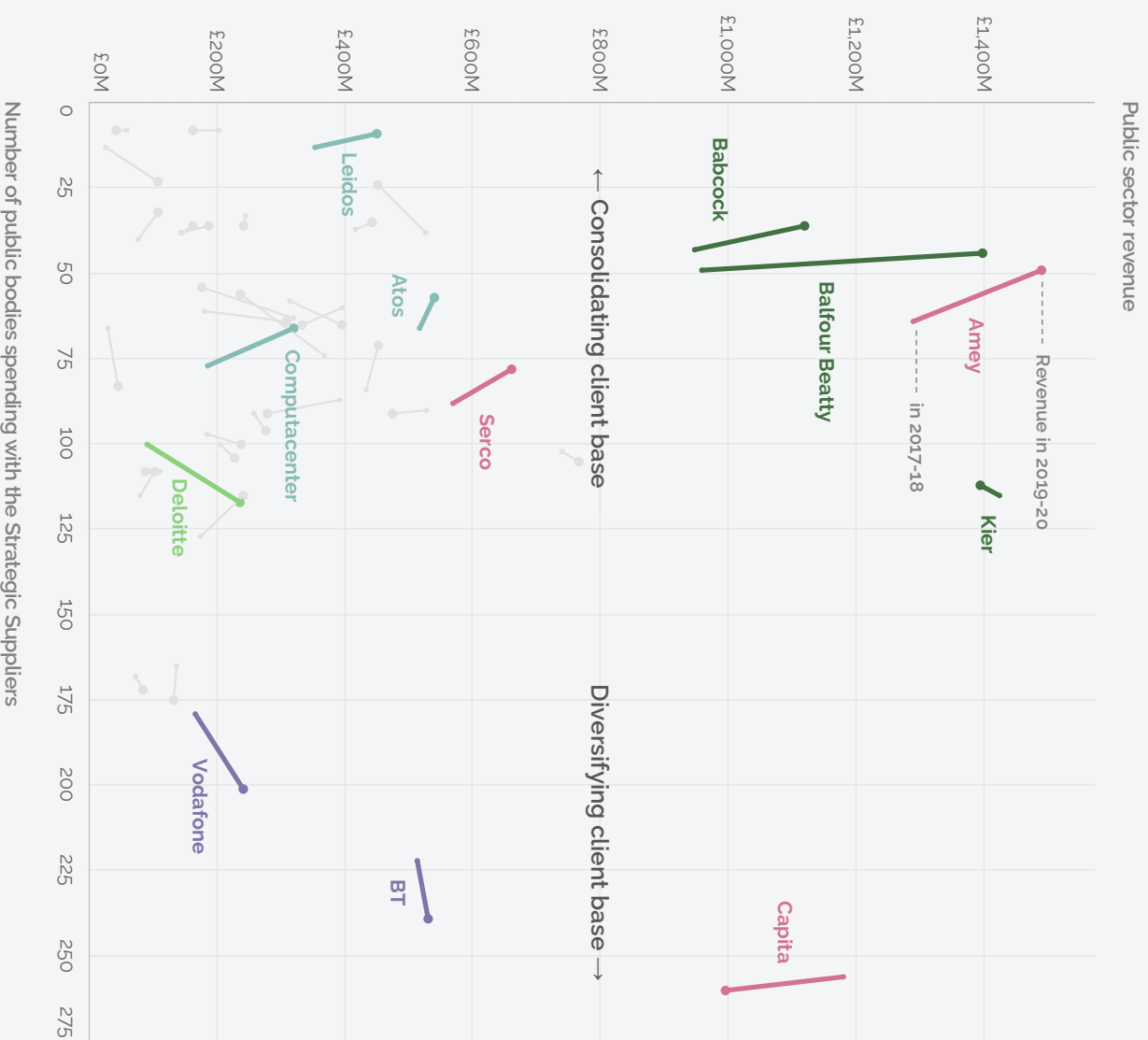
It's clear that most of the businesses with big upward shifts have had success working with fewer clients and growing their revenue through deeper relationships.

Balfour Beatty is a prime example, having increased its earnings considerably with Highways England and Network Rail over the past 24 months.

Others bucked the trend. Deloitte, for example, achieved the largest jump in earnings among the consultancy companies, while diversifying its client base – although most of the increase in 2019-20 earnings is the result of its new relationship with the Department of Health and Social Care, forged during the Covid pandemic.

Capita, BT and Vodafone served the largest number of public bodies – 260, 239 and 201, respectively.

The most notable Tech supplier is Computacenter. It reduced its clients significantly, but increased earnings from major IT buyers such as the Home Office, DWP and Network Rail.



# Central Government remains the top buyer

The Strategic Suppliers had relationships by more than 90% of public sector buyers (390 out of 428 public bodies with published spend invoices for the 2019-20 spend period).

More than half of their earnings came from Central Government, which spent £9bn with the group in 2019-20. The Ministry of Defence spent the most, a total of £3bn. £3.6bn was spent by Transport authorities, three quarters of which was Network Rail and Highways England. Local Government bodies spent £2bn, while the NHS spent close to £1bn.

Transport authorities, including Network Rail and Highways England, spent the most with Construction and Engineering suppliers.

Central Government spent the most on Tech, with the majority coming from the MOD, Home Office, HMRC and DWP. It also spends more than other areas of government on consultancy.

Local Government spent most with Construction & Engineering suppliers (predominantly with Kier) and Outsourcing & FM (mostly with Arney and Capital).

Of the four Telecoms companies, Virgin Media is dominant in Local Government (64% of its total public sector earnings).

The relationships between buyers and suppliers in the public sector tend to be long-lasting. While the amount spent with a particular supplier

Spending 2019-20 by public sector type and Strategic Supplier groups

	Construction & Engineering	Outsourcing & FM	Tech	Telecoms	Consulting	Total
Central Government	£3,019M	£1,596M	£3,030M	£873M	£540M	£9,058M
Transport authorities	£1,070M	£2,167M	£235M	£27M	£124M	£3,623M
Local Government	£995M	£762M	£102M	£211M	£26M	£2,096M
NHS	£460M	£243M	£122M	£84M	£27M	£936M

might change over the course of a few years, its roster of preferred top suppliers tends to stay the same.

The Department of Health, however, has demonstrated this is not always the case, particularly in response to Covid. In 2019-20, the DHSC spent almost half of its published expenditure with outsourcing suppliers and consultants, such as Serco, G4S and Deloitte, companies with which it had not done any business in previous years.



## Several departments rely heavily on the group

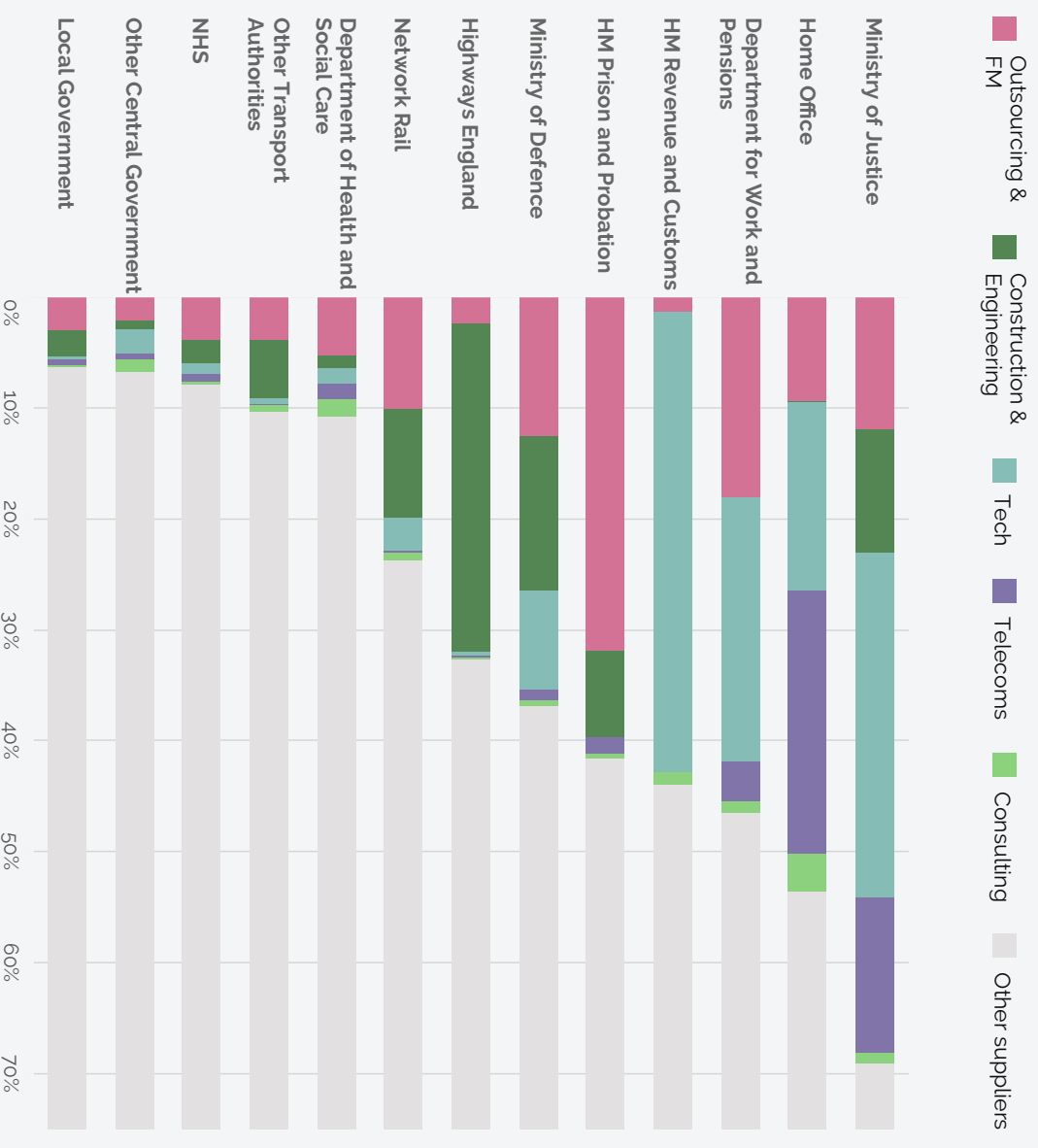
Seven Central Government bodies spent a third or more of their total with Strategic Suppliers in the 2019-20 period. The Ministry of Justice spent more than two thirds (69%, or £540m) with 23 Strategic Suppliers, including Vodafone, Kier and Sopra Steria.

The Home Office spent 54% (£964m) of published expenditure with the Strategic Suppliers. £272m went to Motorola's Airwave Solutions that runs the British emergency mobile communications network. The Home Office also spent significant amounts with BT and Fujitsu.

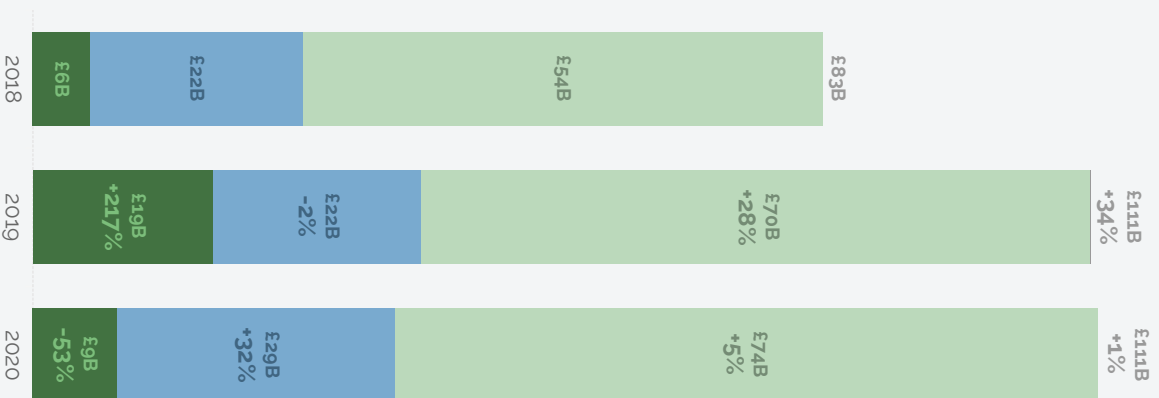
HMRC spent more than 40% on Strategic Suppliers in Tech (£718m), including Capgemini, who received £366m, and Fujitsu, who received £198m. HM Prison and Probation Service, on the other hand, was most reliant on the group of Outsourcing & FM suppliers.

The largest total spend by a buyer for with a single supplier was the £976m by the Ministry of Defence with Babcock. It accounted for 12% of the Ministry's total published expenditure and 87% of Babcock's total public sector revenue.

Proportion of procurement spending with the Strategic Suppliers, 2019-20, by major spending public bodies



Contract value won by  
 Strategic Suppliers SMEs others



## Strategic Suppliers capture less contract value in 2020

The Strategic Suppliers won 1,700 out of 44,000 contracts in 2020, or 4%, despite representing only 0.4% of suppliers that won a contract.

The group won almost £9bn worth of contracts, out of £111bn of the total value awarded in 2020. This 8% share, however, represents a significant decrease from 2019. Despite the Strategic Suppliers winning the same number of contracts in 2020, the value of contracts more than halved.

The drop is likely to be largely driven by the pandemic, as a fifth of the 2020 total contract value related to the government's Covid response, where the Strategic Suppliers played a lesser role – but SMEs were heavily involved.

However, the group continued to win higher-value contracts. An average contract awarded to Strategic Suppliers in Outsourcing & FM was almost five times higher than the average contract overall.

Amey, Serco and Kier topped the charts for most contract value won in 2020, winning between £866m and £1bn.

Capita and Atkins won the most awards, 195 and 148, respectively.

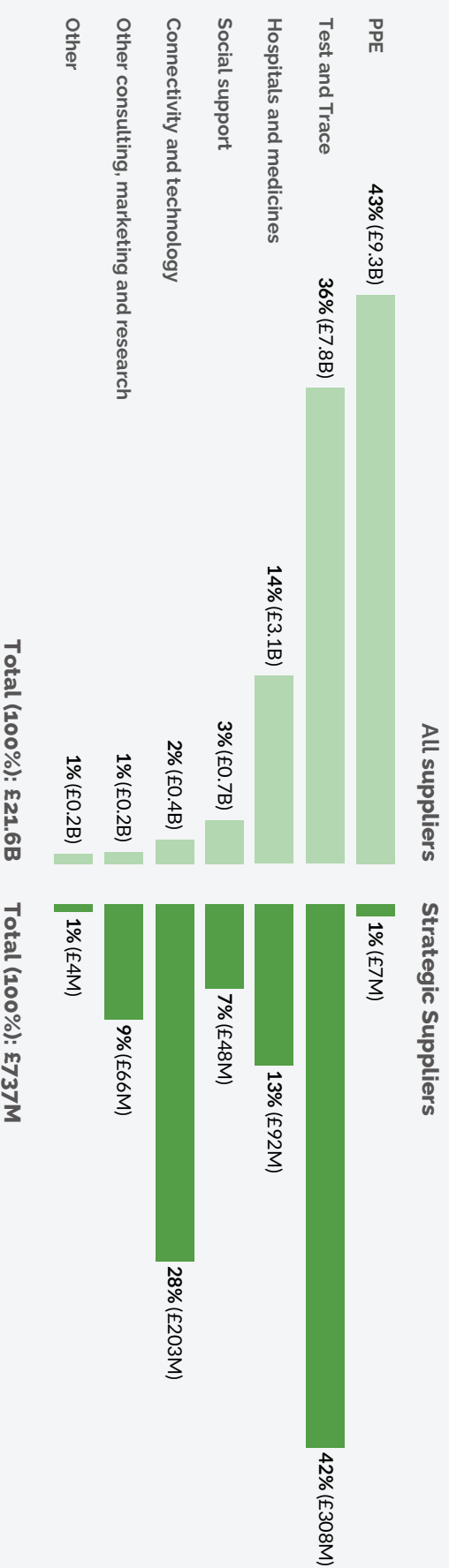
The biggest contract won by a Strategic Supplier in 2020 was the eight-year, £690m contract between Transport Scotland and Amey, to maintain and improve 600km of roads across Scotland.

A £350m contract from Transport Scotland will mean Serco continue to operate the ferry service to the Scottish Northern Isles. Serco has also won an eight-year, £277m contract with the Home Office to run Brook House and Tinsley House Immigration Removal centres, displacing the incumbent, G4S.

However, G4S won a 12-year, £290m contract with the Ministry of Justice to run HMP Five Wells, a 'mega-prison' at Wellingborough, which opens in 2022 and will be capable of housing 1,700 inmates – a prison that was designed and built by Kier.

# Less prominence in Covid response

Categories of Covid response contracts, by share of total Covid contract value



Out of the 2,500 contracts worth £21.6bn awarded as part of the government's [Covid response](#) in 2020, Strategic Suppliers won 165, worth £737m. This represented 7% of the total number of contracts and just 3.5% of the total value.

27 out of 38 strategic suppliers participated in the Covid response, largely by providing consulting services and IT equipment, as well as playing a key role in operating test centres. The bulk of the Covid response contracts were for PPE and Covid tests – awards that were dominated by SMEs.

This suggests that while the Strategic Suppliers are well equipped to provide the goods and services the public sector normally needs, they were less well placed to fulfill contracts that were needed as the result of the pandemic.

The largest Covid response contract won by a Strategic Supplier was the £108m award to Serco, to run Test & Trace. Serco won a total of five contracts. The Department of Work and Pensions awarded £46m to Serco to run a call centre, to offer help to self-isolating callers. The Department of Health also chose Serco and G4S to run Covid testing centres, awarding each a contract worth £57m.

Computacenter, one of the new Strategic Suppliers, won two contracts from the Department of Education, worth £147m in total, to supply laptops and tablets for home learning. The four consultants captured half of all the Covid response contracts won by Strategic suppliers (83), together worth £112m. Most of them were from the Department of Health and the NHS.

# Strategic Suppliers listed on high-value frameworks

Framework agreements are a key vehicle for winning contracts in the public sector and are intended to simplify the tendering process for procuring authorities. They work like an ‘approved supplier’ list, where call-off contracts can only be won by a preselected group of suppliers. As a result, frameworks give suppliers an opportunity to win government contracts with minimal friction, often for longer periods of time, and lock their competitors out.

In 2020, 1,700 new framework agreements were created, with a combined value of £226bn. While the number of frameworks launched in 2020 increased in almost all types of public bodies, the value of funds allocated through frameworks decreased significantly in all but one public area – the NHS (up 62%).

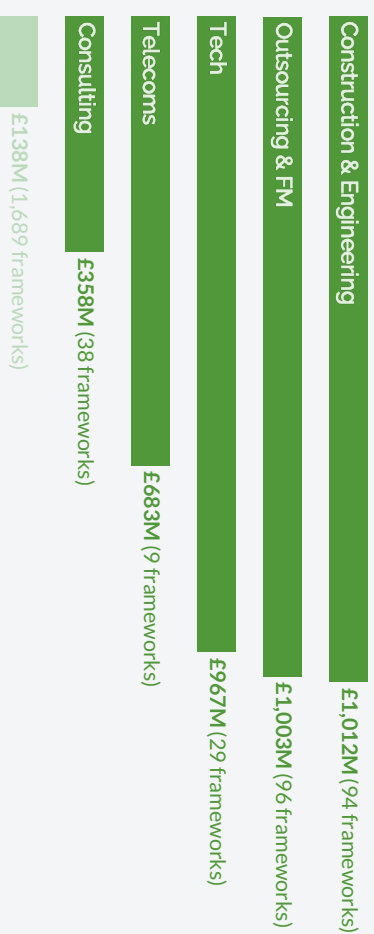
Despite the significant decrease in funds allocated through frameworks, the Strategic Suppliers were named on 209 of these agreements, with a total estimated value of £124bn. This, however, represented a 3% decrease in the number of frameworks from 2019, and a 12% decrease in their earmarked value.

Strategic Suppliers in Outsourcing & FM and Construction were on listed on the highest number of frameworks. Suppliers most often listed on frameworks were Atkins (46 times, up from 39 in 2019), Engie (30 times, down from 46) and Capita (30 times, down from 37).

Those in the Telecoms and Tech sectors were less reliant on frameworks. For example, the four Telecoms firms were listed on only nine agreements worth a total of £6.2bn.

While Strategic Suppliers were listed on just 12% of frameworks, the value of those dwarfed the average across the public sector. This is particularly evident in Construction, where the average value of frameworks that listed Strategic Suppliers was almost 8-times higher than the overall average.

## Average value of frameworks listing **Strategic Suppliers** and **all suppliers**



# The Challengers

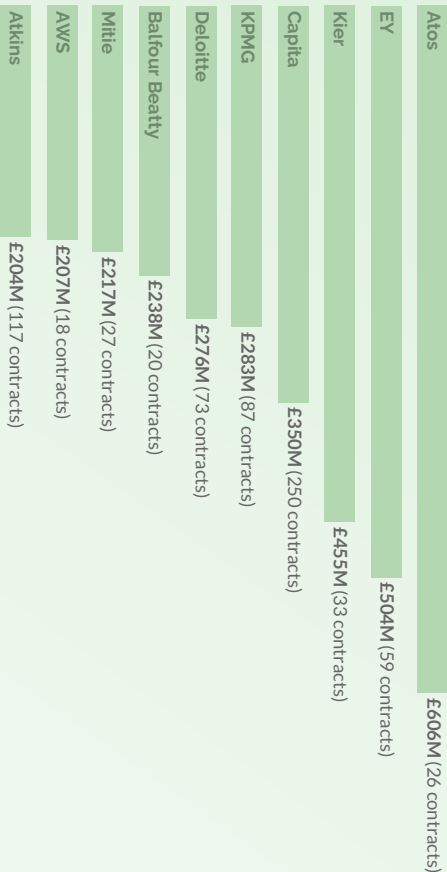
A number of companies doing business with the government earned almost as much revenue in 2019-20 as the Strategic Suppliers, even within the same sectors. In our previous report, we referred to them as 'challengers' and highlighted Leidos and Computacenter, both of which were later included in the Strategic Supplier list.

Our one to watch this year is Softcat, an IT supplier, which has increased its earnings from 12 months prior by 40%. It serves the second highest number of public bodies across the public sector, 244 in 2019-20, and has been steadily increasing its client base over the past few years.

Suppliers with earnings closest to Strategic Suppliers, 2019-20 revenue and change from 12 months prior, by sector

Outsourcing & FM			Construction & Engineering		
1	Veolia	£352m -5%	1	Costain	£860m -20%
2	Suez	£159m +24%	2	Skanska	£706m +22%
3	OCS Group	£136m +35%	3	Bouygues	£292m -4%
Tech			Telecoms		
1	Softcat	£339m +40%	1	Telefonica	£68m +27%
2	Bytes Technology	£218M +6%	2	Teleperformance	£58m +42%
3	Leonardo	£181m +43%	3	Linbrooke Services	£24m -12%
Consulting					
1	Palladium	£158m +4%			
2	PA Consulting	£103m +31%			
3	McKinsey	£43m +25%			

Value of contracts expiring 2021-24, by Strategic Supplier



Challenging Strategic Suppliers requires careful planning. There are 1,200 contracts for services held by the Strategic Suppliers that will be expiring between 2021 and 2024. Services are more likely to be re-procured than works or goods, so expiring services contracts are a good indication of future opportunities. Together, they are worth £4.7bn. The largest share, £1.7bn worth of contracts, is held by Strategic Suppliers in the Tech sector.

The supplier most at risk is Atos. At least 24 Atos contracts, worth £606m, expire before the end of 2024. Among them are two from the Department of Work and Pensions, for Personal Independence Payments assessment services, worth £380m and one from DEFRA, for hosting and application support, worth £135m.

## Largest contracts awarded in 2020

### Outsourcing & FM

Amey	Transport Scotland	<a href="#">Scottish Trunk Road Network Management</a>	£690m
Serco	Transport Scotland	<a href="#">Northern Isles Ferry Services</a>	£350m
G4S	Ministry of Justice	<a href="#">Prison Operator Services - HMP Five Wells</a>	£290m

### Construction & Engineering

Kier	HS2	<a href="#">Main Works Civils Contracts</a>	£621m
Balfour Beatty	South Cambridgeshire DC	<a href="#">Investment Partnership Contract</a>	£170m
Kier	Highways England	<a href="#">Area 4 Asset Delivery Maintenance and Response</a>	£159m

### Tech

Atos	Student Loans Co.	<a href="#">Customer Software Delivery</a>	£216m
Atos	DWP	<a href="#">Personal Independence Payments (PIP) Assessment (Lot 1 extension)</a>	£205m
Atos	DWP	<a href="#">Personal Independence Payments (PIP) Assessment (Lots 2)</a>	£175m

### Telecoms

BT	Thames Valley Police	<a href="#">Network and Telecommunications Services</a>	£25m
BT	Suffolk Sourcing	<a href="#">Superfast Broadband Project</a>	£22m
Vodafone	BEIS	<a href="#">Telephony service</a>	£22m

### Consulting

PwC	DfID	<a href="#">Girls' Education Programme Phase 2B</a>	£177m
KPMG	Cabinet Office	<a href="#">Civil Service HR Learning</a>	£158m
EY	Cabinet Office	<a href="#">Civil Service HR Learning</a>	£130m

## Largest contracts expiring 2021-2022

### Outsourcing & FM

Sodexo	Home Office	<a href="#">Support payments to Eligible users (Asylum)</a>	£82m
Serco	DoE	<a href="#">Skills Support for the workforce/redundancies</a>	£65m
ISS	City of London	<a href="#">Security Services</a>	£31m

### Construction & Engineering

Mott MacDonald	FCDO	<a href="#">Prosperity Fund – South East Asia Programme</a>	£30m
Mott MacDonald	FDCO	<a href="#">Global Better Health Programme – South Africa</a>	£14m
Mott MacDonald	DfID	<a href="#">Energy Security and Resource Efficiency Programme</a>	£14m

### Tech

Sopra Steria	Home Office	<a href="#">Front End Service</a>	£94m
IBM	Ministry of Defence	<a href="#">Project CERBERUS</a>	£56m
Accenture	Home Office	<a href="#">Consultancy Support for EU Exit Implementation Capability Unit</a>	£30m

### Telecoms

Vodafone	DWP	<a href="#">Network Services for Non-Geographical Numbers</a>	£35m
Vodafone	BEIS	<a href="#">Unified Communications</a>	£22m
BT	Ministry of Justice	<a href="#">Wi-Fi Connectivity and Network</a>	£20m

### Consulting

EY	DfID	<a href="#">UK Investment Support</a>	£106m
Deloitte	Home Office	<a href="#">Programme Advisory and Delivery for ESMCP</a>	£60m
KPMG	DfID	<a href="#">Design and Implement Accountability in Tanzania</a>	£36m



# Largest frameworks listing Strategic Suppliers in 2020

Public body	Framework	Framework value	Strategic suppliers listed on the framework	Number of all suppliers listed on the framework
Cumbria Northumberland Tyne and Wear NHS Foundation Trust	<a href="#">National Framework for Developer Led Schemes</a>	<b>£47bn</b>	Atkins, Engie, Kier	33
Transport for London	<a href="#">TfL Professional Services Frameworks 2 – Project and Programme Management Services</a>	<b>£8bn</b>	Atkins, Atos, Jacobs Mott MacDonald	23
Department for Work & Pensions	<a href="#">Commercial Agreement for the Provision of Employment and Health Related Services</a>	<b>£7.5bn</b>	Capita, G4S, Serco, Sodexo	28
Cumbria Northumberland Tyne and Wear NHS Foundation Trust	<a href="#">National Framework for Major Works 2020 (5,000,000 GBP +)</a>	<b>£6.9bn</b>	Engie, Interserve, Kier	27
Healthtrust Europe	<a href="#">Provision of consultancy solution</a>	<b>£5.2bn</b>	Atos, Deloitte, Fujitsu, IBM, KPMG, PwC	57
Department of Health and Social Care	<a href="#">Extending the existing P22 framework agreement.</a>	<b>£4bn</b>	Interserve, Kier	6
Highways England	<a href="#">Smart Motorways Alliance and Associated Works</a>	<b>£3bn</b>	Balfour Beatty, Jacobs	7
Department for Education	<a href="#">DFE Offsite Schools Framework</a>	<b>£3bn</b>	Laing O'Rourke	10
NHS London Procurement Partnership	<a href="#">Information Management and Technology (Including Managed Service)</a>	<b>£3bn</b>	Atos, BT, Capita, Deloitte, Fujitsu, PwC	63
Crown Commercial Service	<a href="#">Logistics and Warehousing</a>	<b>£2.5bn</b>	Leidos	25
Burnley College	<a href="#">Procure Partnerships (National Minor Works)</a>	<b>£2.5bn</b>	Interserve	39
NHS Shared Business Services	<a href="#">PS-Works: Public Sector Construction Works</a>	<b>£2.1bn</b>	Balfour Beatty, Interserve, Kier	57
Crown Commercial Service	<a href="#">G-Cloud 12</a>	<b>£2bn</b>	32 Strategic Suppliers	5,201
Crown Commercial Service	<a href="#">Training Estate Services</a>	<b>£1.5bn</b>	Amey, Babcock, Interserve, KBR, Serco	5
East Riding of Yorkshire Council	<a href="#">CM128 - YORbuild Major Works Contractors Framework Agreement</a>	<b>£1.5bn</b>	Interserve, Kier	8

# Data coverage and methodology

The data in this report is drawn from Tussell's database of UK public sector procurement and spending. Three datasets were used in the analysis:

- Spend
- Contracts
- Framework agreements

Spend data refers to the supplier invoices published by around 800 different public sector bodies. Due to a publishing lag, we have analysed spending between September 2019 and August 2020. In order to make accurate year-on-year comparisons, we have excluded organisations that have not published their expenditure for the full 2019-20 spend period. The procurement expenditure of 431 public bodies was included in the analysis.

Data on procurement contracts is drawn from published contract award notices. The report draws on notices published on Contracts Finder, Find A Tender Service, Tenders Electronic Daily (the EU portal) and c. 70 other smaller portals. The report looked at contracts awarded in the 2020 calendar year.

Data on frameworks is drawn from the contract award notices and subset by Tussell.

Companies representing the Strategic Suppliers were identified through comparing a list of subsidiaries of the beneficial owners recorded in the Bureau van Dijk's FAME database with the spend and contract data collected by Tussell. The five supplier sectors were determined by the classification code reported to Companies House, by the public contracts code listed on the notice of the contract (CPV code) and by the activity the Strategic Suppliers are publicly associated with.

The public sector revenue of the Strategic Suppliers is for all 38 suppliers, regardless of whether they held the status throughout the period of analysis. The total revenue of the companies is therefore higher than presented in our previous report.

Since March 2020, spend data for almost 600 public sector authorities have been added to the Tussell spend database, increasing the total annual expenditure across the public sector by roughly a third. However, most of authorities added after February 2020 were local government organisations and smaller executive agencies, which spent considerably less with the Strategic Suppliers. This decreased the calculated share of public sector revenue collected by the Strategic Suppliers published in our previous report.

