

Market Insights

London Borough of Barnet

March 2021

Final version



FAO Deborah Hinde (Director – Commercial & IT services)
London Borough of Barnet
2 Bristol Avenue
Colindale
London
NW9 4EW

26 March 2021

Dear Deborah Hinde

Benchmarking and Market Insight: Market Insight Report

We have pleasure in enclosing the consultation draft Market Insights Report (the Report). This Report has been prepared by Grant Thornton UK LLP (Grant Thornton) for the London Borough of Barnet (the Council) in connection with Benchmarking and Market Insight (the Purpose) under our agreement dated 10 October 2020.

To the fullest extent permitted by law, Grant Thornton does not accept a duty of care whether in contract or in tort (including in negligence) or under statute or otherwise nor assume responsibility to anyone other than the Council for our work or this Report or for any opinions or conclusions that we have formed. We do not accept any responsibility for any loss or damages or costs incurred arising out of the use of this report by any third party. We do not accept any responsibility for any loss or damages arising out of the use of the Report by the Council for any purpose other than in relation to the Purpose.

We do not warrant or represent that the Report is appropriate for your purposes. The Report was not created for and should not be treated as suitable for any purpose other than that set out in our terms of engagement with the Council. If any third party does rely upon the Report for any purpose, they will do so entirely at their own risk and they will not bring or threaten to bring any actions, proceedings or claims against Grant Thornton where the action, proceeding or claim in any way relates to or concerns or is connected with the use of or reliance on the Report.

Grant Thornton UK LLP

110 Bishopsgate
London EC2N 4AY
+44 (0)20 7383 5100
+44 (0)20 7383 4715
granthornton.co.uk

All data used in the analysis has been provided by third parties. We have not verified the accuracy or completeness of any such data. There may therefore be errors in such data which could impact on the content of this report. No warranty or representation as to the accuracy or completeness of any such data or of the content of the report relating to such data is given nor can any responsibility be accepted for any loss arising therefrom.

We agree that the Council may disclose our Report to its professional advisers in relation to the Purpose, or as required by law or regulation, the rules or order of a stock exchange, court or supervisory, regulatory, governmental or judicial authority without our prior written consent but in each case strictly on the basis that prior to disclosure the Council informs such parties that (i) disclosure by them is not permitted without our prior written consent, and (ii) to the fullest extent permitted by law we accept no responsibility or liability to them or to any person other than the Council.

Events and circumstances occurring after the date of our Report will, in due course, render our Report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date Report. Additionally, we have no responsibility to update this Report for events and circumstances occurring after this date.

Yours faithfully

Grant Thornton UK LLP

Contents

Section	Page
Introduction	4
History of public sector outsourcing	5
Data & Insights	10
Outsourcing: what works?	19
Key players in the outsourcing market	24
Bringing services back in house and innovation in delivery	31
Appendix	37

Introduction

Purpose

In December 2020, the London Borough of Barnet commissioned Grant Thornton to undertake a market review of the outsourcing market in relation to local government outsourcing.

The purpose of this report is to present an objective view of key trends in the outsourcing market. Therefore, the report intentionally does not draw any conclusions with respect to the London Borough of Barnet's future delivery models.

Grant Thornton have leveraged our insight across the sector and data analytics capability to explore:

- **History of public sector outsourcing** – what are the key milestones that have changed the local government procurement landscape?
- **Data & insights** – what are the trends in local government spend with third parties at a national, London and local level?
- **Outsourcing: what works?** – what services have been outsourced successfully? What makes a successful outsourcing contract?
- **Key players in the outsourcing market** – in the midst of key changes (e.g. Brexit, pandemic, Carillion), how are key outsourcing providers performing?
- **Bringing services back in house and innovation in delivery** – why are services being brought back in house? How are councils innovating to deliver services differently?

Executive summary

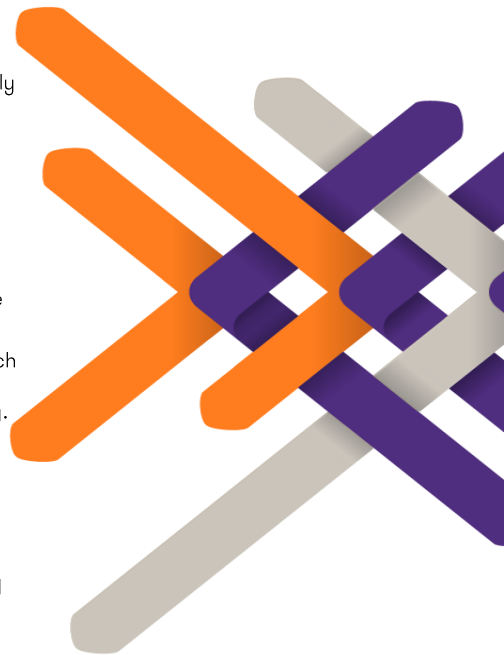
Historically procurement has been ideologically driven and highly political. As a result of austerity and the need to drive value, efficiency and innovation in local government has moved to a more pragmatic approach to procurement, basing decisions on what works.

Furthermore, the gap between cost and efficiency for delivery between the public and private sector has been significantly squeezed over the last decade as a result of market pressures. This means that outsourcing is not always the most cost effective option by default.

Due to the highly pragmatic, as opposed to ideological, approach now taken by local government we can see a mixed picture in terms of service delivery and mix of provision across the country.

Post Carillion, the press has hailed the end to outsourcing and Councils are bringing services back in house. However, through out the research we have found that it is not a black and white picture and in fact local government spend with third parties is increasing.

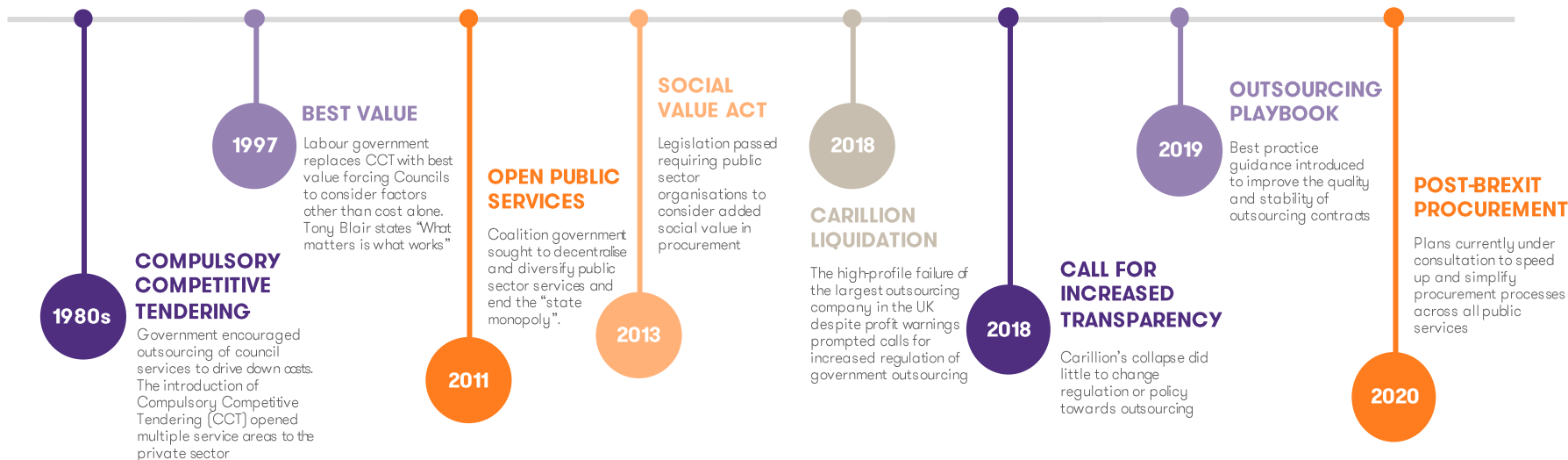
Key to pragmatic delivery and understanding is an effective and objective options appraisal process with a clear vision at the outset of 'what are we trying to achieve' and 'what problem are we trying to solve'.



History of public sector outsourcing

A timeline of public sector outsourcing

In this section we explore the key milestones in public sector outsourcing over the last three decades and how outsourcing has been reported in the press overtime. These milestones illustrate the political nature of public sector outsourcing and the change in focus from driving efficiency and low cost to seeking out social value and delivering outcomes through private sector contracts. Below is a timeline of these key milestones and they are explored in more detail in the following pages.



History of public sector outsourcing

1980s

COMPULSORY COMPETITIVE TENDERING

Whilst the legal ability for councils to outsource service provision was first introduced in 1972, Margaret Thatcher's Conservative government extended outsourcing with compulsory Competitive Tendering (CCT) for construction, maintenance and highways work in 1980, meaning that authorities were legally required to open these services to competitive tender. Use of CCT was expanded into almost all areas of local government over the next decade. John Major's government continued in this vein, creating Private Finance Initiatives to finance and operate hospitals, schools and prisons.

Source: The Guardian 2011, [Outsourcing and the public sector](#), House of Commons 2019, [Alternative models of service delivery](#)

1997

BEST VALUE

Under New Labour, CCT was replaced with 'Best Value', encouraging councils to look beyond cost when outsourcing, but use of PFIs expanded and Tony Blair voiced his opposition to the 'public sector monopoly'. In 2000, New Labour signed an agreement with the Independent Healthcare Association to address capacity shortages in the NHS by working with private healthcare associations. This was further compounded with policies to bring in private or voluntary providers where public providers are performing badly. The Duty of Best Value principles in the 1999 Local Government Act remain in force today, requiring local authorities to consider overall value (including social value) when contracting.

Source: Parliament.uk, [The NHS Plan 2000](#), MHCLG 2020, [Statutory Intervention and Inspection](#)

2011

OPEN PUBLIC SERVICES

As part of wide-ranging reforms across all levels of government in response to the financial crisis and resultant deficit, the Coalition government introduced the principle of 'open public services' in 2011. This modernisation focused on increasing choice for service users, decentralising from Whitehall, allowing a range of providers across the public, private and voluntary sectors to bid for services, and improving access and accountability to public services. This was held up as a way to increase service quality and value for money. Examples of policies resulting from the 2011 White Paper include personal care budgets, free schools and the expansion of academy chains and encouraging private and third sector organisations to bid for health, probation and employment contracts.

Source: gov.uk, [Open Public Services 2011 White Paper](#), [Open Public Services 2014 Update](#)

2013

SOCIAL VALUE ACT

The Public Services (Social Value) Act 2013 codified the need for public sector commissioners to look beyond the financial cost of a contract to consider how procured services will improve the economic, social and environmental wellbeing of an area, maximising the returns achieved by contract procurement. This policy achieved rare cross-party support and was hailed as a way to avoid the 'supermarketisation' of public sector outsourcing by prioritising the added social value that smaller, community based charities and social enterprises could bring to a contract.

Source: LGA, [Achieving community benefits – Social value](#)

History of public sector outsourcing

2018

CARILLION LIQUIDATION

In early 2018, outsourcing firm Carillion collapsed, resulting in 3000 direct job losses, the delay of 450 public sector projects and forcing the government to take back a number of contracts at considerable cost to the taxpayer. 45% of the firm's UK income came from public sector projects and several high value contracts were signed with the firm shortly before its collapse, despite profit warnings. Then Labour leader Jeremy Corbyn called Carillion's liquidation a 'watershed moment' for PFI and privatisation projects, arguing that running public sector projects at a profit was damaging public services. Later crossbench select committee investigations called for a complete overhaul of Britain's corporate governance regime and called for the reform of the audit industry.

Source: The Guardian 2018, [Key findings from the MPs' report into Carillion's collapse](#), The Guardian 2020, [Carillion collapse: two years on](#)

© 2021 Grant Thornton UK LLP. Confidential and information only.

2018

CALL FOR INCREASED TRANSPARENCY

Carillion's high profile failure did little to dampen the government's appetite for private sector involvement, with then Cabinet Office Minister David Lidington declaring in summer 2018 that private sector could operate 'more efficiently at lower cost and better value' than the public sector. He acknowledged the need for more diversified contracts to increase third sector involvement, and promised to increase transparency in the outsourcing process. This was followed in November 2019 with a policy announcement extending the 2013 Social Value Act so that central government departments would be required to consider social value in outsourcing and that large suppliers should draw up contingency plans in case of failure. There was no mention of local government contracting.

Source: Public Finance 2018, [Outsourcing here to stay](#), gov.uk 2019, [New 'Social Value' Contracts](#)

2019

OUTSOURCING PLAYBOOK

The government reaffirmed its commitment to outsourcing by producing guidance on best practices in contracting to the private and third sectors. There was nothing new or controversial in this document, and although it was aimed at those working with and within central government, the policies it contained were also intended as useful guidance for those working in local government. It was produced on the recommendation of the Select Committee convened to investigate Carillion's collapse. A 2020 report from the Institute for Government (IfG) thinktank warned that internal government policies had not been updated to reflect the playbook and that this guidance was not extended to local government or health services.

Source: Government Commercial Function 2019, [The Outsourcing Playbook](#), House of Commons 2018, [After Carillion](#), IfG 2020, [Carillion: Two Years On](#)

2020

POST-BREXIT PROCUREMENT

In December 2020, the Cabinet Office published a green paper outlining the future of outsourcing in the UK, promising the most radical changes to public procurement in a generation. It vowed to "speed up and simplify" government's procurement processes, "place value for money at their heart" and "unleash opportunities for small business, charities and social enterprises to innovate in public service delivery". This model will affect all levels of public service and is open for consultation until March 2021.

Source: Cabinet Office 2020, [Transforming public procurement](#)

Public sector outsourcing in the press

Procurement and outsourcing by both local and central government are often in the headlines and are highly politicised. The fallout from headlines around procuring PPE during the Covid-19 pandemic and the scale of spend in track and trace on consultants have brought the impact of outsourcing firmly into the public consciousness.

Collated to the right are example headlines from broadsheets and trade press over the last nine years related to outsourcing and insourcing in the public sector. As is the nature of news reporting and opinion pieces, critiques of current policy and examples of failures are far more apparent in the headlines than best practice and good news stories.

Examples of poor procurement, contracts that have not delivered, relationships between organisations that have broken down and providers that have gone into liquidation feature heavily in the press.

There are of course many outsourced services that have been successful and delivered as contracted. 'Aeroplane lands safely' is never news, and similarly 'contract delivers agreed savings and meets KPIs' is not a headline that will draw much attention.

The aim of this report is to present an objective view of trends in the market based on data and insights from our experience across the sector.

Open public services update: inconsistency at the heart of policy – Guardian 2012

Northamptonshire pushes outsourcing further – FT 2014

UK outsourcing spend doubles to £88bn under coalition – FT 2014

Is measuring social value the key to better public sector commissioning? – Guardian 2015

Carillion demise shakes UK outsourcing industry model – FT 2018

Carillion collapse exposed government outsourcing flaws – Guardian, 2018

Councils urged to rethink the way services are commissioned – LGC, 2018

Outsourcing's here to stay; let's make it better – LGC 2019

Why councils are bringing millions of pounds worth of services back in-house – Guardian, 2019

Is outsourcing falling out of favour with local government? – Public Finance 2019

Post-Brexit public procurement rules face a shake up – FT 2020

Government departments 'ignoring' post-Carillion procurement guidance – Public Finance, 2020

Our government's obsession with outsourcing is harming the UK and costing lives – Independent, 2020

Data & Insight

How has local government third party spend changed over time?

Over the last decade, government policies have focused on how and from where councils procure services. Furthermore, the fall of Carillion shook up the market. But have these had any impact on local government trends in actual spend with third parties?

Our Supply Chain Insights Platform aggregates all receipts over £500 published by local authorities and public sector bodies across England. This equates to over 96 million invoices and £0.5 trillion of spending. Using this data we can examine trends in spending with third parties overtime, by council (buyer), by provider (seller) and service area (procurement category). This data captures both services and products that are procured.

Since 2011/12, local government spend with third parties has increased year on year despite decreasing spending power as a result of austerity. In 2011/12, councils spent £55bn with third parties, compared to £82bn in 2019/20 (see chart right). This represents a 48.7% increase in spend. Although it should be noted that this may include inflationary impacts.

The most significant year on year increase in third party spend since 2011/12 was between 2018/19 and 2019/20. Between these years there an increase in spend of 14%, compared to an average of 5% over the last six years.

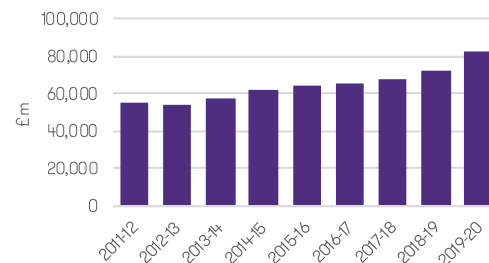
The overall trend is that local government spend with third parties is increasing. However, the number of transactions is not increasing at the same rate so there is both an increase in the total scale of spend and size of transactions.

The line chart, bottom right, shows a comparison in change in third party spend since 2011/12 for all councils across England and London Boroughs. It is clear that London Boroughs are following a similar trajectory of increasing third party spend as England. However, it can be seen that this was at a steeper trajectory in London than in England between 2013/14 and 2017/18. Between these years London spend increased by 33% compared to 17% in the rest of England.

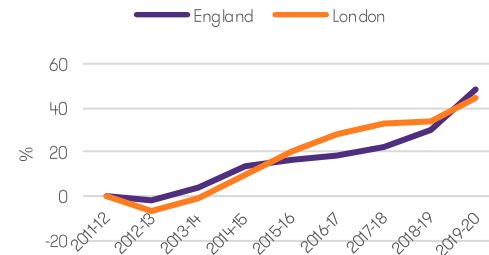
Per head of population, London Councils spend more on average with third parties compared to the rest of England. In 2019/20, English councils spent an average £1,462 per capita with third parties, whereas London Boroughs spent £1,930 per capita.

This implies a greater lean towards outsourcing in London over this period in comparison to the rest of England.

National local government third party spend (2011/12 – 2019/20)



Change in third party spend since 2011/12



Source: Supply Chain Insights (Grant Thornton) 2021

Trends in third party spend of authorities similar to Barnet

Despite an upward trajectory for national and regional third party spend, considering individual authorities identifies interesting variances.

We have identified a group of London Boroughs that are socio-economically similar to the London Borough of Barnet (details of this can be found in the appendix). We have used this group to consider more local trends and also how Barnet compares to this group.

Spend with third parties by the near neighbour group have followed national and London trends of increasing over time since 2011/12 (see bar chart bottom left).

There are interesting variances between individual authorities within the comparator group.

Over the last five years, three authorities have increased their third party spend by more than 50%, including Merton, Kingston upon Thames and Barnet.

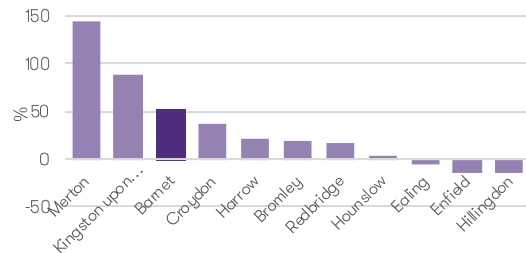
However, these authorities do not necessarily have the largest overall spend. Of the comparator group, Kingston upon Thames had the lowest spend per head of population with third parties in 2019/20 despite a significant percentage increase over the last five years.

Enfield had the second highest spend per head in the group in 2019/20 and yet has decreased spend over the last 5 years by 14%.

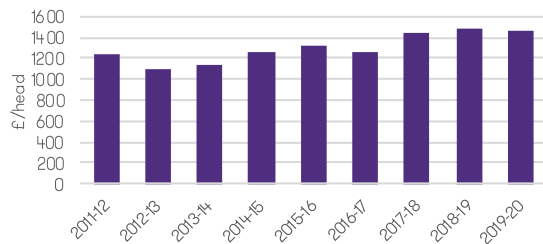
Of the group, Barnet has seen some of the most significant growth in third party spending over the last 5 years (53%) as well as being in the top half of third party spenders per head.

A question to consider when examining individual authorities is: what is the ratio of internal vs external spend?

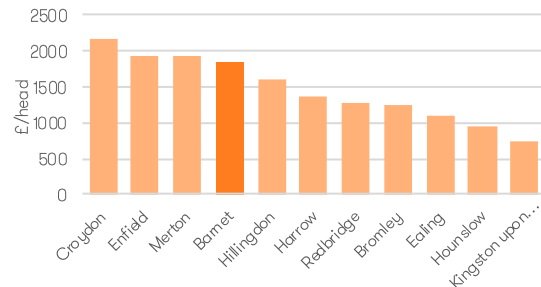
Change in third party spend (2014/15 – 2019/20)



Average third party spend per head of near neighbour group (2011/12 – 2019/20)



Third party spend per head (2019/20)



Source: Supply Chain Insights (Grant Thornton) 2021

Service area trends in third party spend

Overall third party spend has increased over the last decade across England, however we know that there are significant variations when individual Councils are examined. There are also significant variations in trends when considering third party spend by service area.

The infographic right shows that spend by English Councils has increased across all service areas since 2014/15, albeit to varying extents.

The service areas that have seen the most significant increase in third party spend are education and health and social care.

The following pages give more detailed insights into service areas that are of particular interest to London Borough of Barnet.

Increases in spend since 2014/15 by high level service areas



Education

29.7%



Health & Social
Care

23.7%



Public Bodies

18.1%



Housing services

15.0%



Environmental
services

14.2%



Highways &
Transport

13.1%



Construction &
Works

12.2%



Back office

11.9%



Building &
Facilities

6.9%



Culture &
Leisure

4.5%

Source: Supply Chain Insights (Grant Thornton) 2021

Service area deep dives

Human Resources



National reduction in third party spend of 1.87% since 2014/15

Top ten suppliers (England, 2018/19)

Supplier	Total Value (£m)	# Buyers
Olsten (U.K.) Holdings Limited	137	113
Impellam Holdings Limited	116	31
Reed Specialist Recruitment Limited	104	57
Hays Plc	63	96
Impellam Group Plc	39	19
Pertemps Group Limited	36	5
Capita Plc	24	49
Pertemps Limited	22	5
Bertelsmann UK Limited	22	2

Information Communication Technology



National reduction in third party spend of 3.39% since 2014/15

Top ten suppliers (England, 2018/19)

Supplier	Total Value (£m)	# Buyers
BT Group Plc	236	161
G.M.C.A. Limited	158	3
Civica UK Limited	59	157
Capita Plc	54	75
Insight Enterprises UK Limited	40	111
Bytes Technology Group Limited	29	95
Softcat Plc	28	100
Bytes Software Services Limited	26	59
XMA Limited	26	90

Financial services



National increase in third party spend of 15.15% since 2014/15

Top ten suppliers (England, 2018/19)

Supplier	Total Value (£m)	# Buyers
Onesavings Bank Plc	142	1
Skipton Building Society Charitable Foundation	140	2
State Street Global Advisors Holdings Limited	110	1
London Luton Airport Limited	67	1
Natwest Group Plc	57	59
Coventry Building Society Charitable Foundation	55	2
MMC Treasury Holdings (UK) Limited	38	75
Capita Plc	36	28
Zurich Insurance Company (U.K.) Limited	36	55

Service area deep dives

Facilities & Management Services



National increase in third party spend of 5.51% since 2014/15

Top ten suppliers (England, 2018/19)

Supplier	Total Value (£m)	# Buyers
Matrix SCM Group Ltd	543	37
Capita Plc	179	147
Serco Group Plc	151	84
Dynamic Procurement Holdings Limited	131	16
Ty UK Limited	124	1
Veolia UK Limited	120	56
Amey Plc	80	21
Dalmore Gp Holdings Limited	75	12
Morgan Sindall Group Plc	74	15

Environmental Services



National increase in third party spend of 13.48% since 2014/15

Top ten suppliers (England, 2018/19)

Supplier	Total Value (£m)	# Buyers
Veolia UK Limited	390	39
Suez UK Group Holdings Ltd	286	48
Planets UK Midco Limited	62	38
FCC Recycling (UK) Limited	61	26
Biffa Waste Services Limited	58	79
Biffa Group Limited	53	13
Ansa Environmental Services Limited	33	1
Biffa West Sussex Limited	27	1
Hills UK Limited	25	4

Roads – Construction, Repairs & Maintenance



National increase in third party spend of 2.36% since 2014/15

Top ten suppliers (England, 2018/19)

Supplier	Total Value (£m)	# Buyers
Eurovia UK Limited	542	36
Colas Limited	63	54
Birmingham Highways Limited	56	1
Volkerwessels UK Limited	50	9
Via East Midlands Limited	48	4
F M Conway Limited	35	6
Kier Group Plc	31	10
Kiely Bros. Limited	30	32
3i Group Plc	27	1

Service area deep dives

To add further depth for services of particular interest to London Borough of Barnet the following pages examine the delivery models and providers used by London Borough of Barnet's near neighbours for customer services, finance, facilities management and property services.

Council	Customer Services	Finance (ERP)
London Borough of Bromley	Delivered in house, with Liberata providing certain customer facing revs and bens services since 2015	Delivered in house, with renewal of contract with Oracle Cloud ERP agreed in 2020.
London Borough of Croydon	Delivered in house	Evolutionary Systems Company Ltd contracted in 2017 to deliver ERP system Oracle Cloud, which went live in 2019 as part of a move to a pan-London framework for IT services.
London Borough of Ealing	Delivered in house	Delivered in house
London Borough of Enfield	Delivered in house, using contracted software from risual to automate services (call trees, AI chatbot, cloud services)	Delivered in house
London Borough of Harrow	Delivered in house	Delivered in house, with MS Dynamics and Loki Systems contracted to provide ERP systems in 2020 (PwC commissioned to manage transition).
London Borough of Hillingdon	Delivered in house	Delivered in house
London Borough of Hounslow	Outsourced since 2017 to Liberata to deliver housing benefit and council tax support, revenues and benefits customer services and numerous other back office functions	Outsourced since 2017 to Liberata to deliver rent and cash accounting, financial assessments, HR admin, debt collection and numerous other back office functions
London Borough of Kingston-upon-Thames	Delivered in house	Delivered in house
London Borough of Merton	Delivered in house	Delivered in house
London Borough of Redbridge	Delivered in house	Delivered in house

Service area deep dives

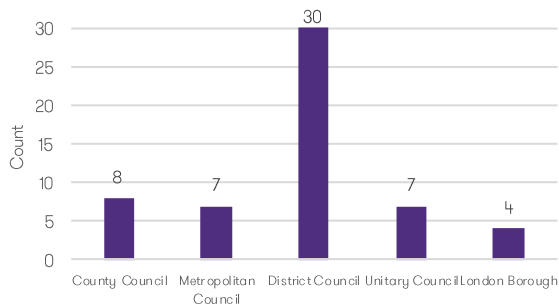
Council	Facilities Management	Property Management
London Borough of Bromley	Delivered in house	Delivered in house
London Borough of Croydon	Churchill Contract Services Ltd awarded 5 year FM cleaning contract in 2015, extended in 2020 due to pandemic	Delivered in house
London Borough of Ealing	10 year contract awarded to Interserve in 2009 , terminated in 2013 and staff brought back in house	Delivered in house
London Borough of Enfield	Brought back in house in 2019 from Enfield Norse (Joint Venture with Norse Ltd, trading arm of Norfolk County Council), which was established in 2009 to provide FM services, including Council managed schools.	Delivered via an arm's length company , Housing Gateway and its trading arm, Enfield Let, to buy and let properties and provide statutory housing duties, with initial management contracted to a private company.
London Borough of Harrow	Delivered in house	Delivered in house, supported by a Council run social lettings agency, Help2let
London Borough of Hillingdon	Delivered in house	Delivered in house
London Borough of Hounslow	Joint Venture established with Chartwells in 2014 to provide catering services to schools, cleaning services of Council properties (and schools who pay for the service) outsourced to Nviro in 2015	Delivered in house, with commercial property managed by Avison Young and a dedicated lettings agency for landlords
London Borough of Kingston-upon-Thames	Some FM outsourced to Two Services Ltd , unclear as to the extent of the contract	Delivered in house
London Borough of Merton	Delivered in house, schools cleaning services delivered by JR&Co since 2009	Delivered in house, 2016 report stated that the Council 'is forming a partnership with a property development company', but no further detail or evidence that this happened
London Borough of Redbridge	Delivered in house	Delivered in house with specialist software provided by Civica to bring systems onto one platform with a customer portal for requests and payments

Client survey

Grant Thornton are one of the leading firms in providing audit and advisory services to the local government market. 40% of local authorities in England are our external audit clients. In the course of this commission we have leveraged this first hand knowledge of local government decision-making in relation to service delivery.

We surveyed public sector audit colleagues to understand any major policy directions in insourcing and outsourcing services over the last five years. Information was gathered for over 50 Councils across England from District Councils to County Councils to London Boroughs.

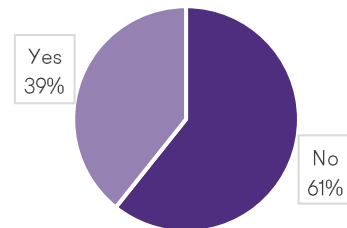
Number of Councils surveyed by authority type



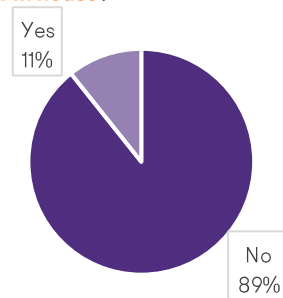
What did we find?

- 39% of Councils surveyed had outsourced a service over the last five years.
- Of the 22 Councils that had outsourced a service, eight were outsourced to a shared service, local authority trading company or trust.
- Of the 22 Councils that had outsourced a service, six had outsourced multiple services to a single provider. These multiservice packages were predominantly (all but one Council), for back office functions such as Human Resources, Payroll, Housing Benefits and ICT.
- Only 11% of the Councils surveyed had brought a service back in house over the last five years.
- The services brought back in house are wide ranging with no specific pattern – they range from waste to ICT to parking services.
- Of those that had brought services back in house, reasons given include value for money, drive to improve quality and contract disagreements.

In the last five years has a Council service been outsourced?



In the last five years has a Council service been brought back in house?



Outsourcing: what works?

What services have been outsourced most successfully?

As shown in our public sector outsourcing timeline, the use of outsourcing to deliver public services has greatly expanded over the last four decades. Despite a varying best practice approach, there has been a largely consistent rationale: that applying market mechanisms and private sector expertise to the work of central and local government can reduce costs, raise quality and achieve wider benefits such as innovations and improved public sector efficiency.

The drivers of outsourcing services can vary between councils and between services and be both financial and non-financial. The most common drivers of outsourcing can be seen in the table below:

Drivers for outsourcing

Financial	Non-Financial
<ul style="list-style-type: none"> Absolute unit cost saving Improved fixed: variable cost ratio Investment avoidance and capital management Realising value in operational assets 	<ul style="list-style-type: none"> Focus Flexibility Improved quality Risk avoidance and risk management Expansion capability

Politicians and senior officials often cite 20%-30% savings when making the case for outsourcing services today. Whilst this was possible for some services outsourced in the 1980s and 1990s, the Institute for Government (IfG) found little evidence that such savings are available today, whether for services outsourced for the first time or on second- or third-generation contracts. Where there is more recent evidence of savings, they are typically of around 5%-10%.

Research carried out by the IfG found that the likely success of outsourcing varies by service [see table right].

It was found that 'support services' that are relatively simple to contract and deliver such as waste, cleaning and maintenance have the greatest likelihood of success. These services were first outsourced in the 1980s and 1990s and delivered large savings of up to 20% of annual costs while maintaining quality. Due to the public sector becoming more efficient in these areas, the competitive advantage of the private sector has decreased or all but disappeared today.

Some of the drivers for why some services are more successful using an outsourced model are explored on the following page.

Success of outsourcing varies by service

Success of outsourcing is based on whether it can reduce costs, raise quality and achieve wider benefits such as innovations and improved public sector efficiency.

Sector	Rating
Waste collection	Green
Cleaning	Green
Catering	Green
Maintenance	Green
Back office (HR and IT)	Green / Amber
Prisons	Green / Amber
Health care (clinical services)	Amber
Employment services	Amber
Adult social care	Amber
Private financing of construction	Amber / Red
Probation	Red

Source: Institute for Government – 'Government outsourcing, What has worked and what hasn't?' (2019)

In what conditions does outsourcing work?

We know that some services are more likely to be outsourced successfully. This is driven by many factors for Councils both internal and external. The Institute for Government argue that a 'yes' answer to any of the following questions creates challenges for 'in house' provision but generates particularly acute risks when using contractual mechanisms.

The two most significant are:

Is it difficult to measure the value added by the provider?

It is crucial for Councils to be able to tell good performance from bad which can be challenging when outcomes are dependent on a large number of factors beyond a supplier's control. Contracts without clear measurable value are challenging to write, price and monitor, making them vulnerable to opportunistic behaviour by suppliers. Conversely, suppliers may also find themselves making losses due to circumstances over which they have no power.

An example of a straightforward contract could include grounds maintenance where contracts can specify outputs such as the minimum and maximum length the grass should be cut in public spaces. As well as defined outcomes such as residents' levels of satisfaction.

Is there a limited existing supply of high quality providers?

Competition is one of the key reasons policy makers outsource services in the first place: they believe it can put a downward pressure on costs, encourage providers to meet customer needs and allocate resources more efficiently, and act as a spur for innovation. Without a well-functioning market there is an increase in likelihood of opportunism from suppliers and risks problems with service performance as well as limited bargaining power.

Other questions include:

- Are service outcomes highly dependent on the performance of other services?
- Does delivering the service require investment in highly specific assets?
- Is the service characterised by high demand uncertainty?
- Is the service characterised by high policy uncertainty?
- Is there a lack of organisational capability to design and monitor the use of contractual mechanisms?

Source: Institute for Government – 'When to contract?' (2013)

Top ten outsourcing risks:

1. Transformation failure to deliver
2. Service degradation / desired SLAs not achieved
3. Failure to implement robust Governance / oversight
4. Cost / benefit risks: tax, exit, errors, inflation, change
5. Service / business as usual continuity
6. Loss of key personnel, knowledge, control
7. Change congestion / lack of flexibility
8. Firm strategy change undermines deal
9. Security, data protection or regulatory breaches
10. Outsource provider sustainability / strategic exit

Source: Grant Thornton – 'Outsourcing in Financial Services' (2015)

Social value procurement

Social value is defined through the Public Services (Social Value) Act which came into force in January 2013, mandating that all public sector organisations and their suppliers must look beyond the financial cost of a contract and consider (but not necessarily account for) how procured services will improve the economic, social and environmental wellbeing of an area. This helps councils use procurement to achieve wider outcomes by making social value a decision making criterion when awarding contracts.

From 1st January 2021, central government contracts must account for social value in the procurement process (not to just consider it, as per the 2013 legislation), and whilst this does not yet apply to local government contracts it does pave the way for more exacting legislation.

Local Government Association (LGA) research suggests that less than a quarter of councils have a published social value strategy, which it considers essential to communicating with key stakeholders. It also recommends that social value should not be prioritised above cost, so that bidders do not add additional cost.

Source: [Social Value Portal 2017](#)

Measuring social value

In 2016, the LGA established the National Social Value Taskforce (NSVT) to support councils to embed social value in their supply chain. The NSVT have produced a framework for social value around five themes:



Promote local skills and employment



Supporting growth of responsible regional business



Healthier, safer and more resilient communities



Decarbonising and safeguarding our World



Promoting social innovation

Source: <https://socialvalueportal.com/national-toms/>

Greater Manchester

The Greater Manchester Combined Authority (GMCA) has an annual public spend of nearly £8bn. Manchester was an early adopter of added social value policies and has a minimum 20% social value weighting for procurements, higher than many other authorities. A recent contract between Trafford Council and a technology company to dismantle redundant equipment included a partnership with a local charity to train inmates at a local prison to break down and recycle the components. This has resulted in reduced environmental impact, cost savings and increased employability and lower reoffending rates for prisoners.

Source: [Public Sector Executive, 2017, LGA, 2020](#)

Case studies of outsourcing



Trafford Council and Amey

In March 2015, Trafford Council announced that it had selected Amey LG to manage its economic growth, environment and infrastructure services. The contract involves the delivery of minimum savings of 20% against the net budget and the transfer of around 250 staff.

The new partnership delivers commercial and domestic waste collections, street cleaning, grounds maintenance, highways services, bridges, road safety, street lighting and furniture, drainage and property services.

The partnership will maintain nearly 800 km of roads, 17,000 km footways, 150 structures, 30,000 street columns and illuminated signs and 37 parks, in addition to collecting waste from 97,000 households for the next 15 years.

Source: [Trafford Council \(amey.co.uk\)](https://www.amey.co.uk/trafford-council)



Brent Council and Capita

In 2019, Capita successfully rebid to deliver business rates collection for Brent Council for a further five years, with the option of a three year extension.

Capita will continue to collect up to £137 million in business rates from over 9,000 businesses in the borough.

Capita has delivered the service for Brent since 2003, which has helped secure efficiencies while improving collection rates. Before Capita started its contract, the council's collection rate was 94.7%. Rates have increased year on year since, reaching 98.6% in 2017/2018.

Source: <https://www.capita.com/news/capita-selected-brent-council>



Harrow Council

Social value procurement example

When looking to appoint a contractor to refurbish a residential development, Harrow decided to award the contract based on 60% cost, 30% quality and 10% social value (quantified via the NSVT). Bidders offered additional social value via offering employment and training to local people, giving volunteering time to community groups and sourcing materials locally. Ultimately, the bidder able to provide work at the lowest overall cost was chosen, but Harrow now requires contractors bidding for work worth more than £100,000 to incorporate social value into their bids.

Source: [Social Value Portal, 2017](https://www.socialvalueportal.org/)

Key players in the outsourcing market

Profiles of key players in the outsourcing market

The majority of this report focuses on the 'buyer' side of the outsourcing market – what are Councils buying and why? However, there is an important other side of the coin which is the 'supplier' or outsourcing provider. The sustainability and success of providers creates a market for Councils to procure from. As we explored earlier in the report, if the market shrinks and there is limited competition this can reduce the likelihood of success for outsourcing.

There are a whole range of providers of services for local government in the private market that range from charities and small local businesses to large multi national corporations.

We have selected a handful of high profile and large scale organisations that contract with local government across a range of services. Where possible, we have explored key financial measures and share price of these organisations in order to examine their relative performance overtime. Where collecting financial information has not been possible we have gathered recent news events to get a sense of current performance.

The organisations we have selected are:

- Capita
- Serco
- Kier
- Amey
- Interserve

What we can see from the share price analysis is that all organisations suffered a drop in share price in early 2020, most likely as a result of the pandemic. However, these are now recovering at varying rates.



Profiles of key players in the outsourcing market

Capita plc

Key financials and forecasts

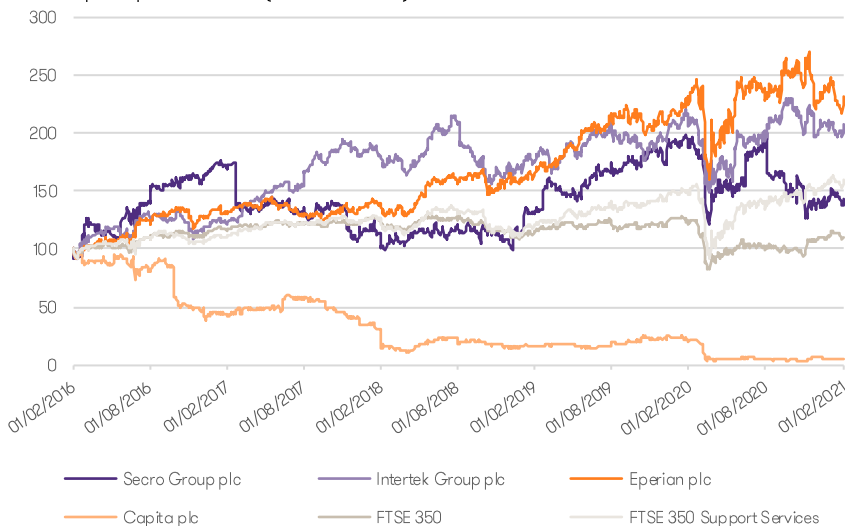
£m	FY2018A	FY2019A	FY20E*	FY21E*	FY22E*
Group revenue	3,815	3,640	3,325	3,484	3,584
EBITDA	425	496	370	450	487
EBITDA margin %	11.1	13.6	11.1	12.9	13.5
Net debt	745	1,458	1,457	1,465	1,360
Cash flow from operations	(202)	(26)	152	214	331
Pre tax profit reported	281	262	74	139	165
Pre tax profit reported margin %	7.3	7.2	2.2	3.9	4.6

Please see appendix for definitions of key financial measures

Source: Annual reports, Lexis Nexis

An overview of the relative share price performance of Capita and its industry peers

Share price performance (rebased = 100)



Profiles of key players in the outsourcing market

Capita plc

Key recent events

- January 2021** - Amdocs has extended a contract with consulting and digital services group Capita to support Transport for London's (TfL's) Ultra Low Emission Zone (ULEZ) and its migration to the cloud on Microsoft Azure.
- January 2021** - Capita has won a 3-year £700k contract renewal to manage a shared wide area network (WAN) for the East Coast & Hertfordshire Control Room Consortium.
- January 2021** - West Sussex County Council is set to leave its outsourced IT with Capita early as its bringing some services back in house. Original contract amounted to £150m and was signed in 2012 for a 10-year period.
- January 2021**: Capita is in discussions with PwC about a fresh plan to overhaul its operations, after the company said in March 2020 that the £720m restructuring budget was not enough and it would need another £80m as it swung to a £63m annual loss.
- December 2020**: Capita announced that it has been selected as the winning bidder to provide training services to the Royal Navy and the Royal Marines. The contract will be worth an estimated £1bn over 12 years for Capita.
- December 2020** - Capita Business Services Ltd has secured contract from South Oxfordshire District Council for Business services law, marketing, consulting, recruitment, printing and security. The contract is valued approximately £126m.
- December 2020**: Capita signed a two-year contract extension with the British Ministry of Defence for recruitment services for potential soldiers and officers. The new contract will start March 2022, once the current agreement expires. The overall value of the deal is £140m.
- December 2020**: Capita plc has agreed to sell its Education Software Solutions ('ESS') business to Tiger UK Bidco Limited in a deal that values ESS at up to £400m.



Profiles of key players in the outsourcing market

Serco Group plc

Key financials and forecasts

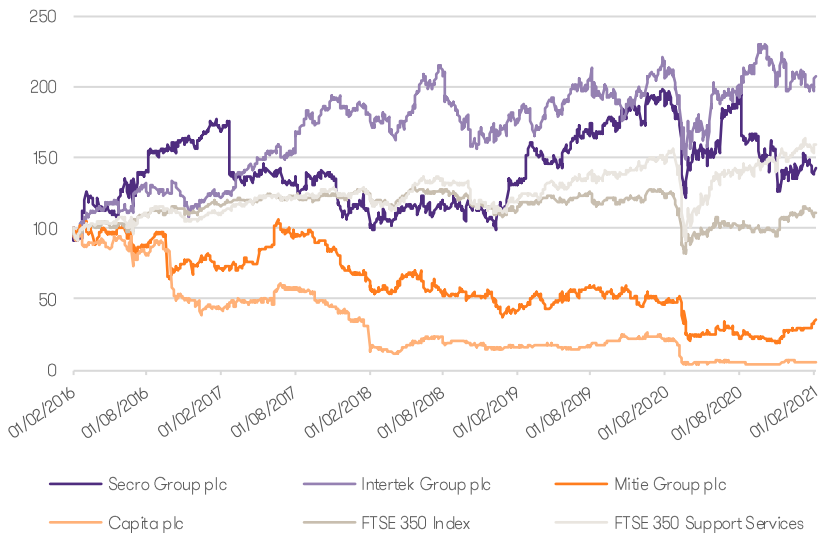
£m	FY2018A	FY2019A	FY20E*	FY21E*	FY22E*
Group revenue	2,836.8	3,248.4	3,924.0	4,098.0	4,119.0
EBITDA	135.5	162.6	238.0	215.0	217.0
EBITDA margin %	4.8	5.0	6.1	5.2	5.3
Net debt	191.8	585.4	110.0	110.0	26
Cash flow from operations	2.7	102.9	252.0	244.0	255.0
Pre tax profit reported	74.1	53.2	134.0	138.0	144.0
Pre tax profit reported margin %	2.6	1.6	3.4	3.3	3.5

Please see appendix for definitions of key financial measures

Source: Annual reports, Lexis Nexis

An overview of the relative share price performance of Serco and its industry peers

Share price performance (rebased = 100)



Profiles of key players in the outsourcing market

Kier Group Plc

Key financials and forecasts

£m	FY2018A	FY2019A	FY20E*	FY21E*	FY22E*
Group revenue	3,951.1	3,422.5	3,732.0	4,072.0	4,259.0
EBITDA	85.7	41.4	97.0	114.0	125.0
EBITDA margin %	2.2	1.2	2.6	2.8	2.9
Net debt	167.0	310.3	269.3	130.3	20.4
Cash flow from operations	(124.4)	(113.2)	87.6	183.6	196.7
Pre tax profit reported	(229.5)	(225.3)	36.0	64.0	76.0
Pre tax profit reported margin %	(5.8)	(6.6)	1.0	1.6	1.8

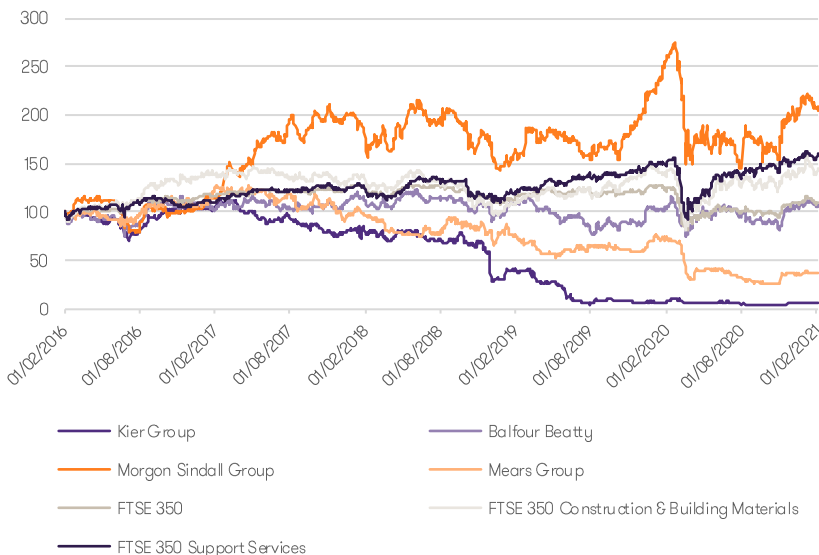
*Estimates as of 2 October 2020 provided by Peel Hunt

**EBITDA actual and estimate figures provided by Peel Hunt as it was not reported in the annual accounts

Please see appendix for definitions of key financial measures

An overview of the relative share price performance of Kier and its industry peers

Share price performance (rebased = 100)



Source: Annual Accounts FY20, broker notes, Nexis, company's website, web press

Profiles of key players in the outsourcing market

Please note that share price and finance KPIs are unavailable for the UK private listed companies of Amey, as they are owned by a French limited company. In addition we do not have share prices for Interserve as it was delisted and went into administration in 2019. However, was recently sold its support services business to Mitie.

Interserve Group Limited

Key recent events

- **2019 Interserve plc administration:** In March 2019, Interserve plc enters into administration, managed by EY, after shareholders voted down a deleveraging plan, resulting in its subsidiary companies being sold to the group's lenders in a pre-pack administration. This led to debt of £815m and other liabilities of more than £200m being effectively wiped out by stakeholders in exchange for equity in the new parent company, Interserve Group Limited. [\[details\]](#)
- **December 2020** - Interserve Group Limited completed the sale of Interserve Support Services to Mitie for £120m in cash and 248m shares in Mitie.
- **December 2020** - Interserve Construction has been awarded a £5.4m contract by the Ministry of Justice (MoJ) to refurbish and transform Wrexham Magistrates' Court in North Wales.
- **December 2020** - United Kingdom based Interserve Healthcare Ltd has secured contract from NHS Mid Essex Clinical Commissioning Group for Health services. The amount of contract is not disclosed.
- **November 2020:** Interserve Group Limited has been awarded a £3.6m contract to deliver cleaning services and pest control at the campus of Autonoma University of Madrid.
- **November 2020:** Interserve Group Limited commenced work on the new Medicines Manufacturing Innovation Centre (MMIC) in Inchinnan, Renfrewshire after securing the £15m contract with CPI.

Amey Plc

Key recent events

- **February 2021** - It was reported that Ferrovial SA, Amey's French based owner, has appointed Morgan Stanley to oversee an auction of the company more than two years after initially hoisting a 'for sale' sign over the company. The initial attempt to divest it was unsuccessful, however, amid uncertainty about the future of a controversial £2.7bn roads contract in Birmingham. A dispute with the city's local authority was resolved in 2019, although Amey only finally extricated itself from the deal last year (2020).
- **December 2020** - Has secured a major project to install energy efficient LED street lighting for Wakefield Council.
- **December 2020** - Was awarded the design contract for a new pedestrian and cycle bridge crossing Nottingham's River Trent. The £9.2m project is funded by the Government's Transforming Cities Fund.
- **November 2020** - Was awarded the £180m Area 12 Maintenance and Response (M&R) contract by Highways England.
- **November 2020** - Was awarded a £198k - £331k contract for engineering design services by Sustrans Scotland.
- **October 2020** - Was awarded a £4.5m - £6.5m contract for environmental engineering consultancy services from Swindon Borough Council.



Bringing services back in house and innovation in delivery

What services are Councils insourcing?

Recent reports suggest that the rate of outsourcing has slowed and that increased commercialisation and efficiency in the public sector have narrowed the margins between council run and outsourced services. High profile collapses of outsourcing firms notwithstanding, there is greater recognition that long-term contracts lock up local authority budgets and reduce financial flexibility. Anecdotal reports from councils suggest that services are being brought back in house on a pragmatic basis, with some authorities making considerable savings.

However, making savings is not the only driver for Council's bringing services back in house. We are seeing across the sector that services are being insourced often to achieve additional outcomes and social value.

Insourcing can provide added social value through better pay and conditions for staff, as well as boosting the local economy and strengthening local supply chains, and even generating revenue. The next slide gives examples of

councils who have brought services back in house, reflecting the multiple aims that insourcing can bring: protecting services for residents, protecting staff and Covid recovery.

With regard to the types of services that Councils are insourcing, there seems to be little pattern or trend. As reinforced by our survey of local government clients, confirming that there are no trends as to the type of services being insourced. Although increasingly leisure services are being brought back in house due to the impact covid 19 has had on the leisure market.

This lack of pattern in the types of services being brought back in house supports the hypothesis of Councils taking a more pragmatic approach to the delivery of services.

Association for Public Sector Excellence (APSE) survey findings (2017, 2019)



Source: APSE 2019, [Rebuilding Capacity](#)

Source: Public Finance 2019, [Coming home: local government insourcing](#)

Case studies of insourcing



Wigan Metropolitan Borough Council

Wigan MBC brought leisure centres back in house in January 2021 to safeguard jobs affected by Covid. This allows the council to 'protect staff and services for residents and members of our leisure centres'. The charity Inspiring Healthy Lifestyles has provided leisure services in Wigan since 2003, including leisure centres, country parks and outdoor education.

From April 2021, all leisure and wellbeing services will once again be managed by the council, following a consultation with current staff.



Royal Borough of Greenwich

Greenwich brought fleet, passenger and facilities management in house in February 2019 after establishing two LATCs, GSS and GSPlus, to help protect services and safeguard jobs while generating additional revenue. However, continued austerity and competition from rivals that did not pay the London living wage made the businesses unsustainable, and bringing back in house would protect the staff.

The authority is looking at options outside the council for catering, schools, IT and cleaning services at GSS and GSPlus.



ISLINGTON

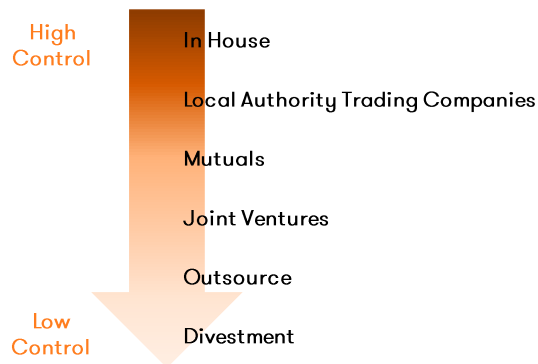
London Borough of Islington

From 2010, Islington has pursued a policy of bringing services back in house as outsourced contracts came up for renewal. It established the Islington Fairness Commission to address inequalities within the Borough, and it soon became apparent to council leaders that social justice outcomes could be achieved via directly employing maintenance, cleaning and other staff previously employed by the council in order to ensure the London Living Wage. Since 2010, Islington has brought back cleaning services, housing repairs, waste, recycling, street cleaning and education in house. Initial costs of insourcing the contract and one-off purchases have embedded capacity for other contracts.

Alternative service delivery models (ASDMs)

Our survey of Grant Thornton local government audit clients found that of the 22 Councils that had outsourced a service, 8 were outsourced to a shared service, local authority trading company or trust. Over recent years Councils have increasingly been exploring alternative delivery models wider than the traditional in-house or outsource models. This has been driven by austerity which is forcing Councils to consider level of service, how services are provided and means of generating income.

Types of alternative service delivery models on a spectrum of control



There are a large range of alternative delivery models that Council's have explored to varying levels of success. The key variations between service delivery models are control and risk profile (as shown in the diagram left).

While some councils have always had a commercial approach, many traditionally avoided commercial considerations. This is no longer the case. As councils have come under financial pressure, they have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures. For many councils, the use of Local Authority Trading Companies (LATCs) is a step towards becoming self financing.

The advantages of LATCs can be seen right, however Councils should ensure that they have a vigorous options appraisal process when considering alternative models to ensure that the way forward chosen directly addresses the challenges for the Council and individual service.

Moving services into the commercial world carries risk and is not easy. There are examples where inadequate planning has resulted in LATCs becoming loss making and leaders should take care before setting one up. However, these issues can be overcome with the right preparation and business processes.

Advantages of LATCs include the ability to:

-  Trade in the wider market
-  Generate economies of scale and greater efficiency
-  Return revenue to local authority through profitability
-  Create a more commercial culture
-  Retain people knowledge inside the company
-  Retain more control and a greater public sector ethos
-  Safeguard jobs via diversifying work and contracts

Source: Grant Thornton 'Spreading their wings: Building a successful local authority trading company' (2013)

Case studies for alternative delivery models



Strata

Strata was formed as a collaboration between Exeter City Council, East Devon District Council and Teignbridge District Council. The three councils own and control it equally and have set it up to provide ICT services to all partners. The company has a turnover of £6 million and employs 70 people across the three council sites. It also owns all the ICT infrastructure required to deliver the services.

The biggest driver in the formation of the company was the need to reduce costs while retaining a skilled group of people with a degree of resilience for the service. IT professionals across the county recognised that, with the current funding pressures, they were looking at having to make cuts to areas such as maintenance or insurance of ICT. These changes would increase the risk profile for the service, at a time when many other areas of the efficiency agenda were looking to IT to help them achieve savings in the medium to longer term.



**Liverpool
City Council**

Liverpool Streetscene Services Ltd (LSSL)

It is four years since Liverpool City Council set up its own company to manage refuse collection, street cleaning and grounds maintenance. Since 2018, Liverpool Streetscene Services Ltd has also taken charge of highways maintenance and parks.

LSSL is a Teckal company, owned by the council and set up to provide services for it. Having Teckal status means contracts can be awarded without competitive tendering. Prior to 2016, most contracts were held by Amey or Enterprise Liverpool Ltd, a joint venture between the council and Amey.

Mayor Joe Anderson says contracts were brought back from the outsource provider because of complaints over service quality and to gain better value for money. Since 2016, Liverpool has not just saved management fees but has also generated a further £2.6m in efficiencies.



Norse

Norse Group is a wholly-owned company of Norfolk County Council. The group brings together NPS (property consultancy), Norse Commercial Services (facilities management) and NorseCare (a social care provider). These companies are wholly-owned subsidiaries of Norse Group. Both NPS and Norse Commercial Services have a significant number of joint venture companies that are partially owned by the companies (80%) and the councils they have entered into partnership with (20%).

Norse Group is by far the largest and most successful LATC in the country and has an annual turnover in excess of £300 million. Collectively, the group's companies employ over 10,000 people nationwide. The group has made significant cost savings and efficiency improvements for the councils involved, providing a clear example of what local authority companies can achieve.

Case studies for alternative delivery models: Smart Cities

The advent of new digital technology such as 5G, the Internet of Things, Artificial Intelligence and data analytics have the potential to transform cities, towns and places, drive efficiencies, open up new businesses and improve the lives of our citizens through improved public services. But this transformation cannot be achieved without the public and private sectors working together.

The MJ and BT recently undertook a survey of local government directors and found that:

- Almost three quarters of survey respondents said their shared smart services were 'in development'
- 20% said their shared smart services were 'up and running'
- 7% said there was no sharing at all

Of those surveyed, reasons for shared services cited included:

- Cost savings
- Delivery of efficiencies
- Better service to citizens

Source: The Municipal Journal: <https://themj.co.uk/Where-are-your-services-on-the-Smart-City-journey/217128> (2020)



Hull City Council and Connexin

In 2019, a partnership between Hull City Council and smart city operator Connexin set to put Hull among the world leaders in smart city technology.

The ambitious plans looks to link services including waste management, traffic and parking to deliver improved public services for residents.

Using Connexin's Smart City platform, the local authority will be able to integrate information from a range of council services and systems into a single intelligent dashboard.

Information from data-producing sensors linked to smart lighting, parking, traffic, waste management and Wi-Fi deployments are to be integrated into the "single pane of glass" software platform.

The information will also made available to the public to encourage new ideas to benefit the economy in Hull.

It is one of the first times a city has brought together service-driven technologies in such a coordinated manner.

International case study

Seoul: A city based on data

The South Korean capital believes the analysis of urban patterns forms the bedrock of smart infrastructure and services. Public-private partnerships and the fostering of innovative smart city start-ups are seen as fundamental to achieving sustainability.

Examples of how the city have used smart data to address city challenges include:

- Traffic accidents involving elderly citizens have also been analysed to identify hotspots where special elderly protection zones are needed.
- 3 billion mobile call records were analysed to identify late-night calls to taxi companies and design the routes and frequency of a new 'Owl Bus', which services the needs of party-goers and shift workers, reducing congestion
- Motion detectors are designed to detect emergencies early and aim to save the lives of senior citizens who might faint in their houses due to health disorders or the elderly with dementia who might wander.

Source: <https://www.smartcityworld.net/specialreports/specialreports/seoul-a-city-based-on-data#:~:text=Smart%20city%20services%20are%20front%20and,underprivileged%2C%20through%20balanced%20regional%20development> (2020)

Appendix

Near neighbour group

In order to appropriately benchmark the London Borough of Barnet against similar areas we used a variety of socio-economic measures to profile the council and then find other London Boroughs with similar characteristics.

The measures used were specifically selected as they give a holistic picture of the population of Barnet and also encapsulate the idea of scale, which is significant to service delivery. Measures include age brackets, deprivation, earnings, employment rate, population size, road length and borough area.

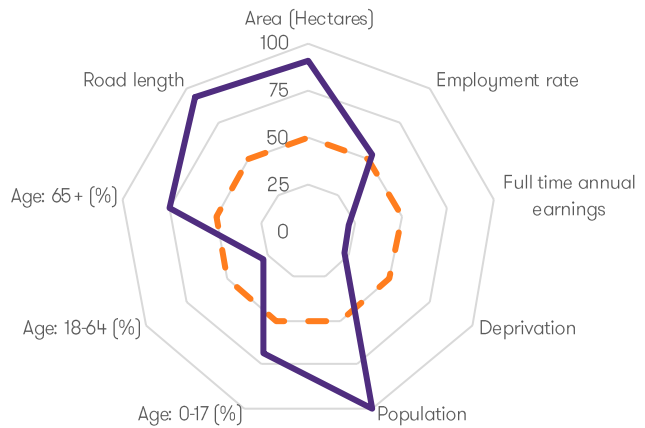
The socioeconomic profile, to the right, shows the London Borough of Barnet in the context of all London Boroughs. The 50 line represents the London median and points closer to the outside of the profile are 'very high' in comparison to London as a whole and those closer to the centre are 'very low'.

The spider chart shows that London Borough of Barnet has the largest population of all the London Boroughs and its spatial area is also within the top 10% of London Boroughs. The demographic make up of the population includes a high young population (0-17) in comparison to the group and a very low working age population. Barnet's population also has low levels of deprivation, low full-time earnings and an average employment rate.

Using the measures set out in the spider chart and after consultation with council stakeholders, we have identified the ten most statistically similar London authorities to the London Borough of Barnet. These are shown in the table to the right. Each of these ten authorities are outer London Boroughs.

The nearest neighbour group identified has been used as a more focused benchmark group for this report in order to appropriately benchmark the London Borough of Barnet against similar areas.

Socio-economic profile



2020 Nearest Neighbours	
Bromley	Hillingdon
Croydon	Hounslow
Ealing	Kingston-upon-Thames
Enfield	Merton
Harrow	Redbridge

Definitions of measures for key players

The report covers the following information on each player, depending on availability:

- Press releases over the October 2020 - February 2021 period.
- Financial key performance indicators
 - Group revenue
 - EBITDA – depending on the company, the figure was reported in the annual accounts or calculated as follows:

$$\text{EBITDA} = \text{Operating Profit} + \text{Depreciation} + \text{Amortisation}.$$
 - EBITDA margin – is a measure of a company's operating profit as a percentage of its revenue. Depending on the company, the figure was reported in the annual accounts or calculated as follows: $\text{EBITDA margin} = \text{EBITDA} / \text{Revenue}.$
 - Net debt – is a liquidity metric used to determine how well a company can pay all of its debts if they were due immediately. Depending on the company, the figure was reported in the annual accounts or calculated as follows: $\text{Net debt} = \text{Short-term debt} + \text{Long-term debt} - \text{Cash and cash equivalents}.$ Short-term debt = due in 12 months or less; Long-term debt = maturity longer than 12m and includes lease payments; Cash and cash equivalents = cash and liquid instruments that can be easily converted in cash.
 - Pre tax profit
 - Pre tax profit margin – measures the operating efficiency of a company and is a percentage calculated as follows: $\text{Profit before tax} / \text{Revenue}$
- Share price of the companies against selected peers and FTSE 350 Index, FTSE 350 Support Services Index and FTSE 350 Construction & Building Materials Index, depending on the sector of each player. Share price is rebased = 100.



grantthornton.co.uk

© 2021 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.