Central Government spend on IT

Trends and opportunities in the provision of technology to the public sector

tussell°

Trusted Insight on Government
Contracts and Spend

The market's trusted source of insight on public contracts

Corporate clients

Virgin media

BCG

Capita

leidos

servicenow

Palantir

LEONARDO

serco

zoom

telent

IBM

netcompany

Government clients

Cabinet Office

Home Office

Department for Digital, Culture Media & Sport

Local Government Association

Media citations

FT

The Economist

THE TIMES

BBC

The Telegraph

The Guardian

Bloomberg

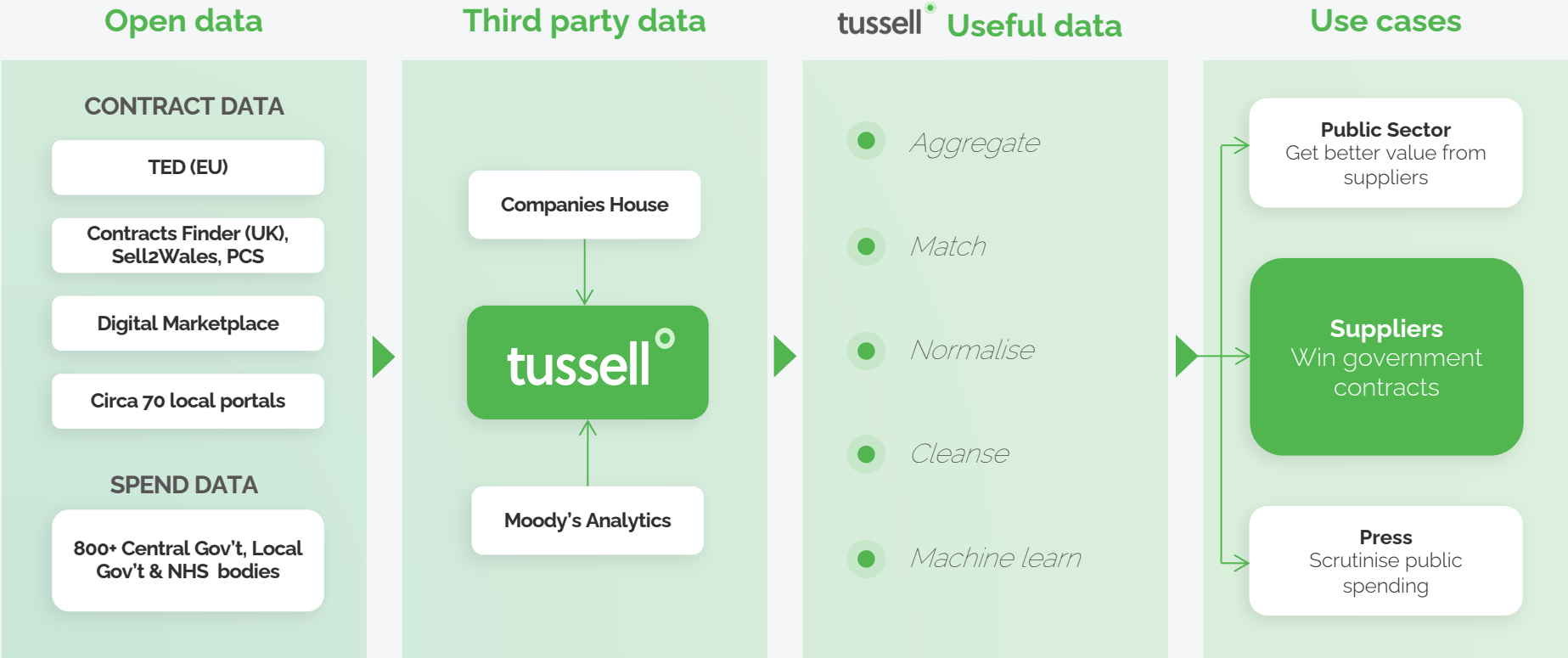NewStatesman

Evening Standard.

REUTERS

200+
Press citations since 2020

FINANCIAL TIMES

"Serious-minded business data provider Tussell"

Matthew Vincent
22nd September 2018

tussell

We transform open data into useful data

Open data

CONTRACT DATA

TED (EU)

Contracts Finder (UK), Sell2Wales, PCS

Digital Marketplace

Circa 70 local portals

SPEND DATA

800+ Central Gov't, Local Gov't & NHS bodies

Third party data

Companies House

tussell

Moody's Analytics

tussell Useful data

- Aggregate
- Match
- Normalise
- Cleanse
- Machine learn

Use cases

Public Sector
Get better value from suppliers

Suppliers
Win government contracts

Press
Scrutinise public spending

This report is based on mining data from **100,000 technology-related invoices** by Central Government departments from 2016-20 + **13,000 live & historical contract awards** since 2016
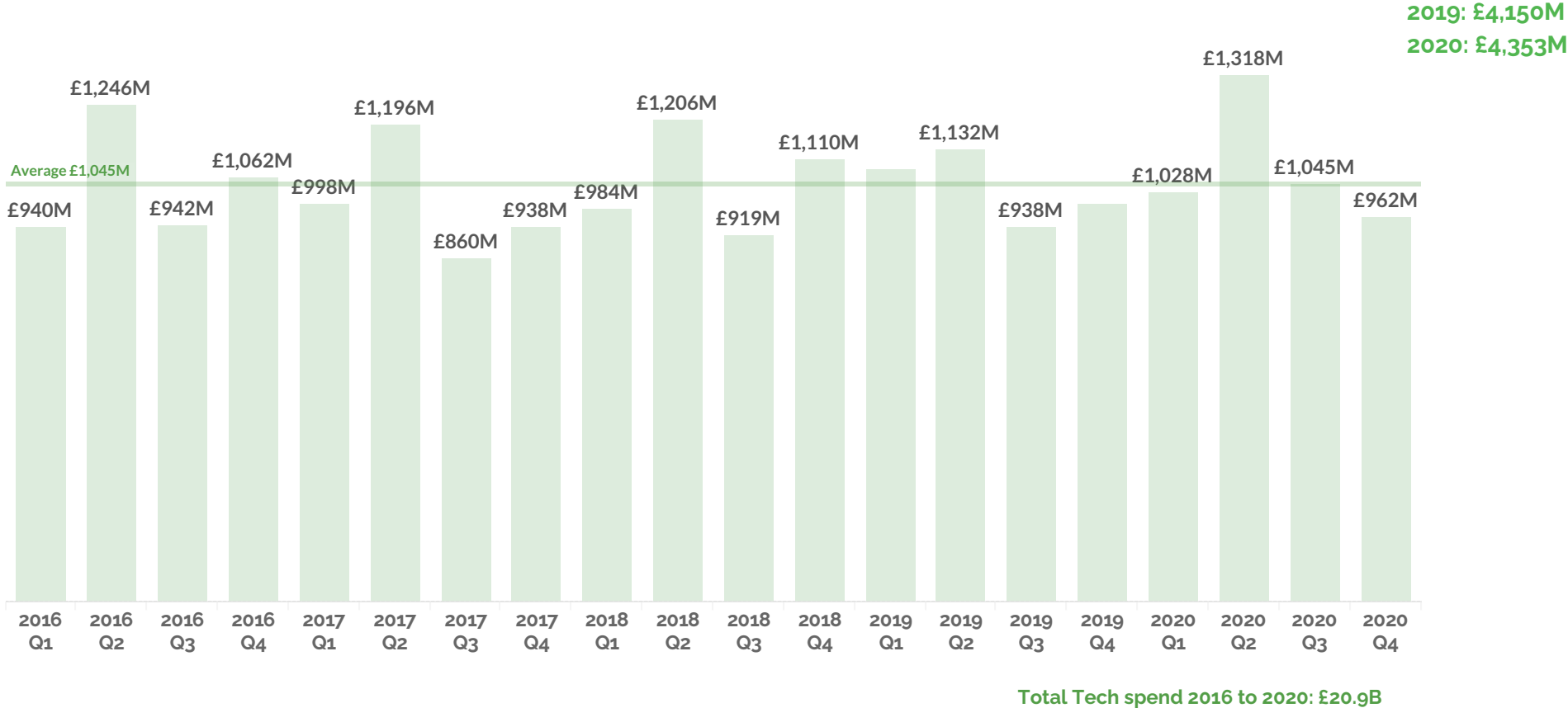
tussell

Questions

01

What is the market landscape?

02

Where are the business opportunities?

03

How can I position my firm for success?

tussell°

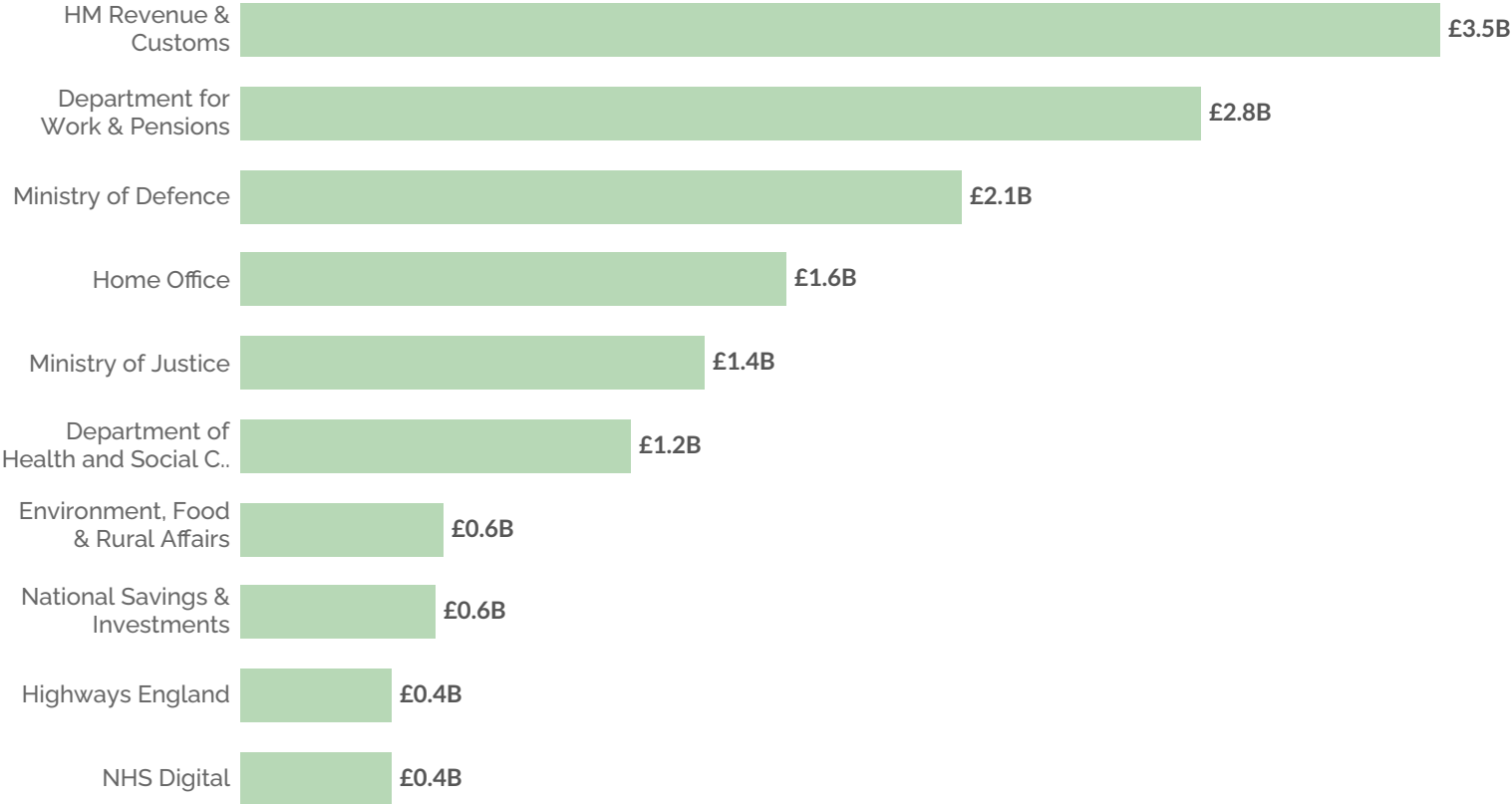# Central Government IT spend peaked in Q2 2020 and grew by 5% or £200M in 2020

Central Government quarterly spending (£) on IT and technology firms, Q1 2016- Q4 2020

2019: £4,150M
2020: £4,353M

Average £1,045M

£940M | 2016 Q1
£1,246M | 2016 Q2
£942M | 2016 Q3
£1,062M | 2016 Q4
£998M | 2017 Q1
£1,196M | 2017 Q2
£860M | 2017 Q3
£938M | 2017 Q4
£984M | 2018 Q1
£1,206M | 2018 Q2
£919M | 2018 Q3
£1,110M | 2018 Q4
£1,132M | 2019 Q1
£1,132M | 2019 Q2
£938M | 2019 Q3
£1,028M | 2019 Q4
£1,318M | 2020 Q1
£1,045M | 2020 Q2
£962M | 2020 Q3

Total Tech spend 2016 to 2020: £20.9B

tussell

HMRC leads in IT spend as it continues to modernise its IT infrastructure and moves towards a digital tax system
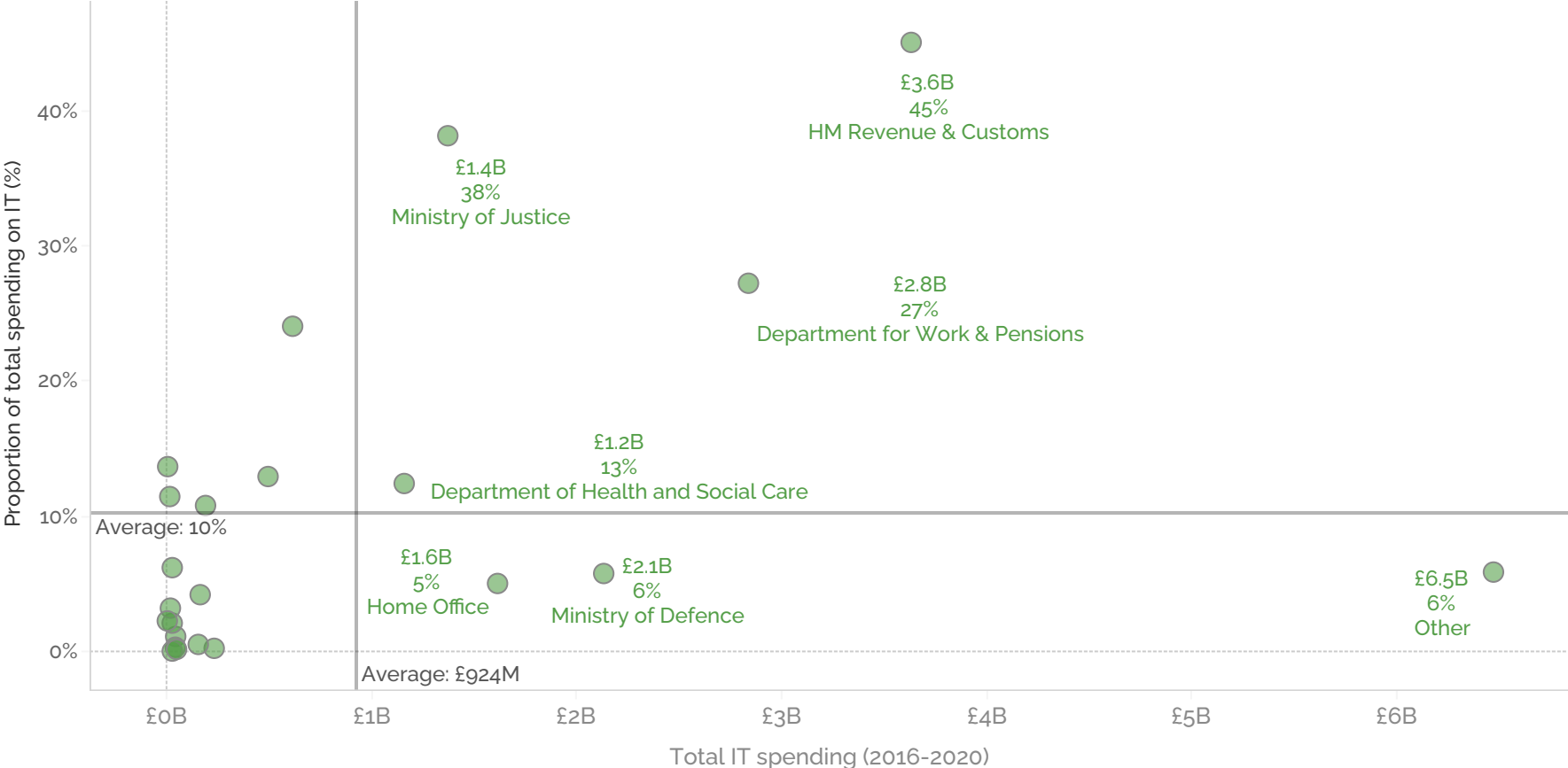
Top 10 Central Government departments by IT spend (£), 2016-2020

The Treasury expects an additional £180M will be invested in 2021-22 in new technology for HMRC

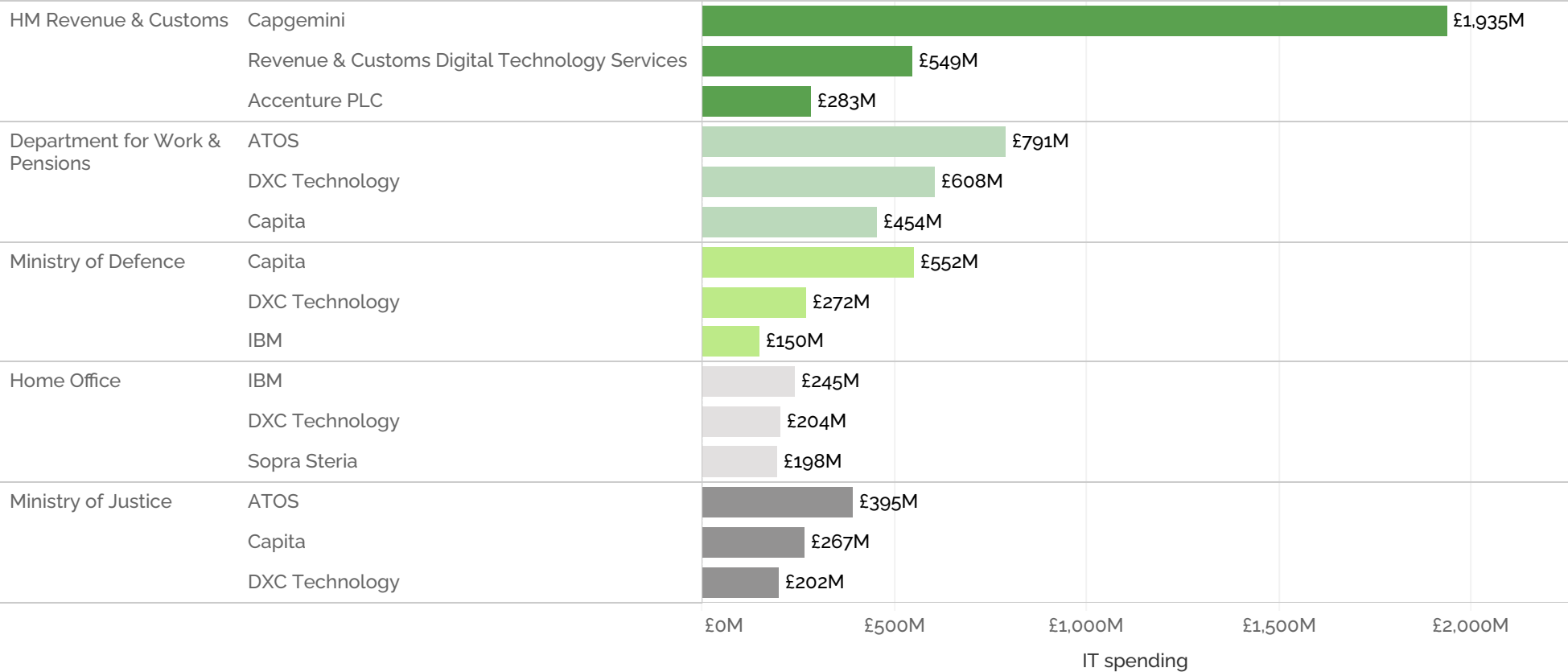| Department	IT spend
HM Revenue & Customs	£3.5B
Department for Work & Pensions	£2.8B
Ministry of Defence	£2.1B
Home Office	£1.6B
Ministry of Justice	£1.4B
Department of Health and Social C..	£1.2B
Environment, Food & Rural Affairs	£0.6B
National Savings & Investments	£0.6B
Highways England	£0.4B
NHS Digital	£0.4B

tussell

Since 2016 Central Government bodies on average have spent £924M on IT - or 10% of their total budgets. However, the distribution varies widely

Department-level spending on IT (£) vs. IT as a proportion of total spending (%), 2016-2020

£3.6B
45%
HM Revenue & Customs

£1.4B
38%
Ministry of Justice

£2.8B
27%
Department for Work & Pensions

£1.2B
13%
Department of Health and Social Care

Average: 10%

£1.6B
5%
Home Office

£2.1B
6%
Ministry of Defence

£6.5B
6%
Other

Average: £924M

Proportion of total spending on IT (%)

40%

30%

20%

10%

0%

£0B   £1B   £2B   £3B   £4B   £5B   £6B
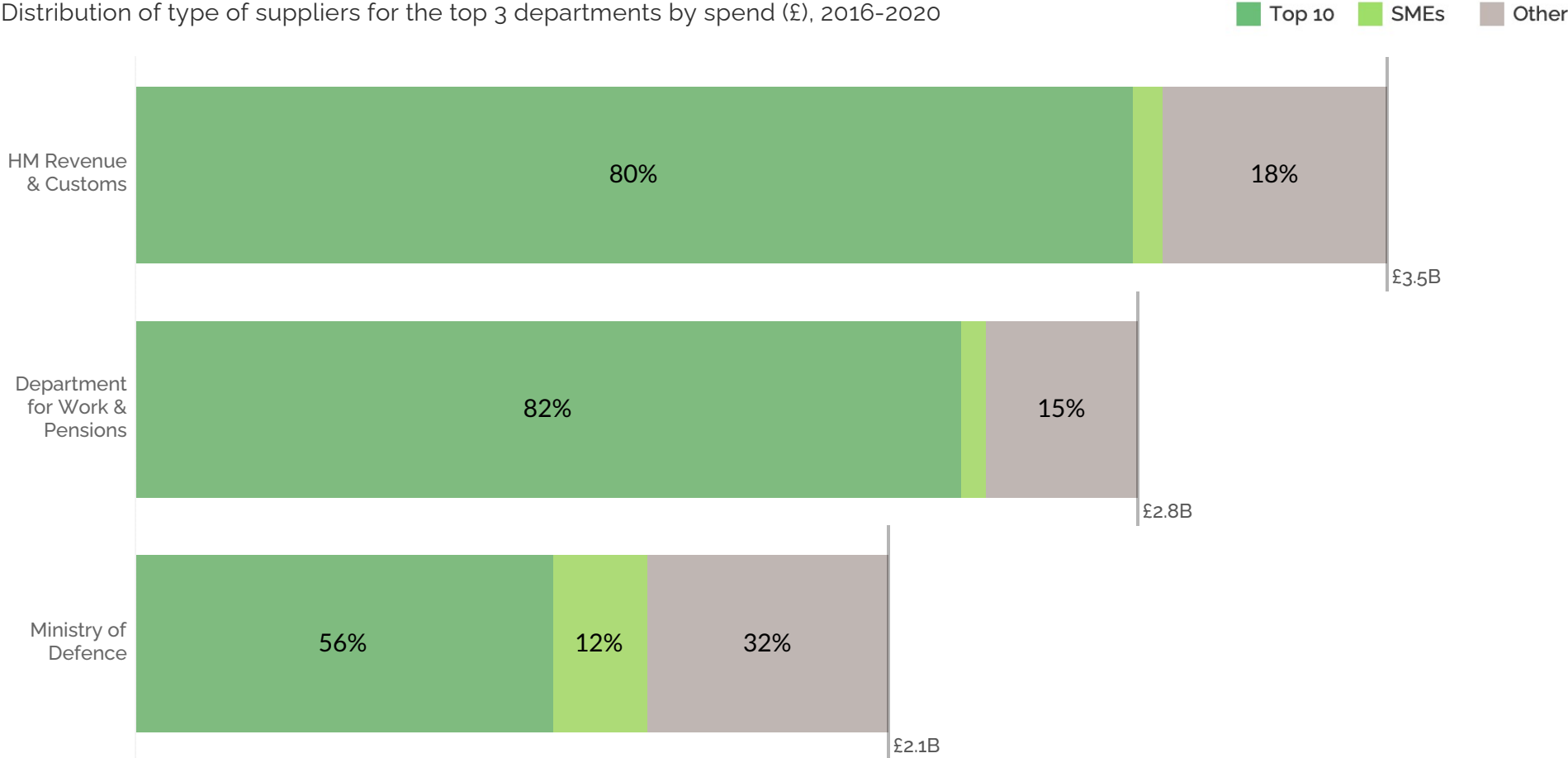
Total IT spending (2016-2020)

tussell

HMRC appears to be more reliant on its top IT supplier than the other top-spending departments

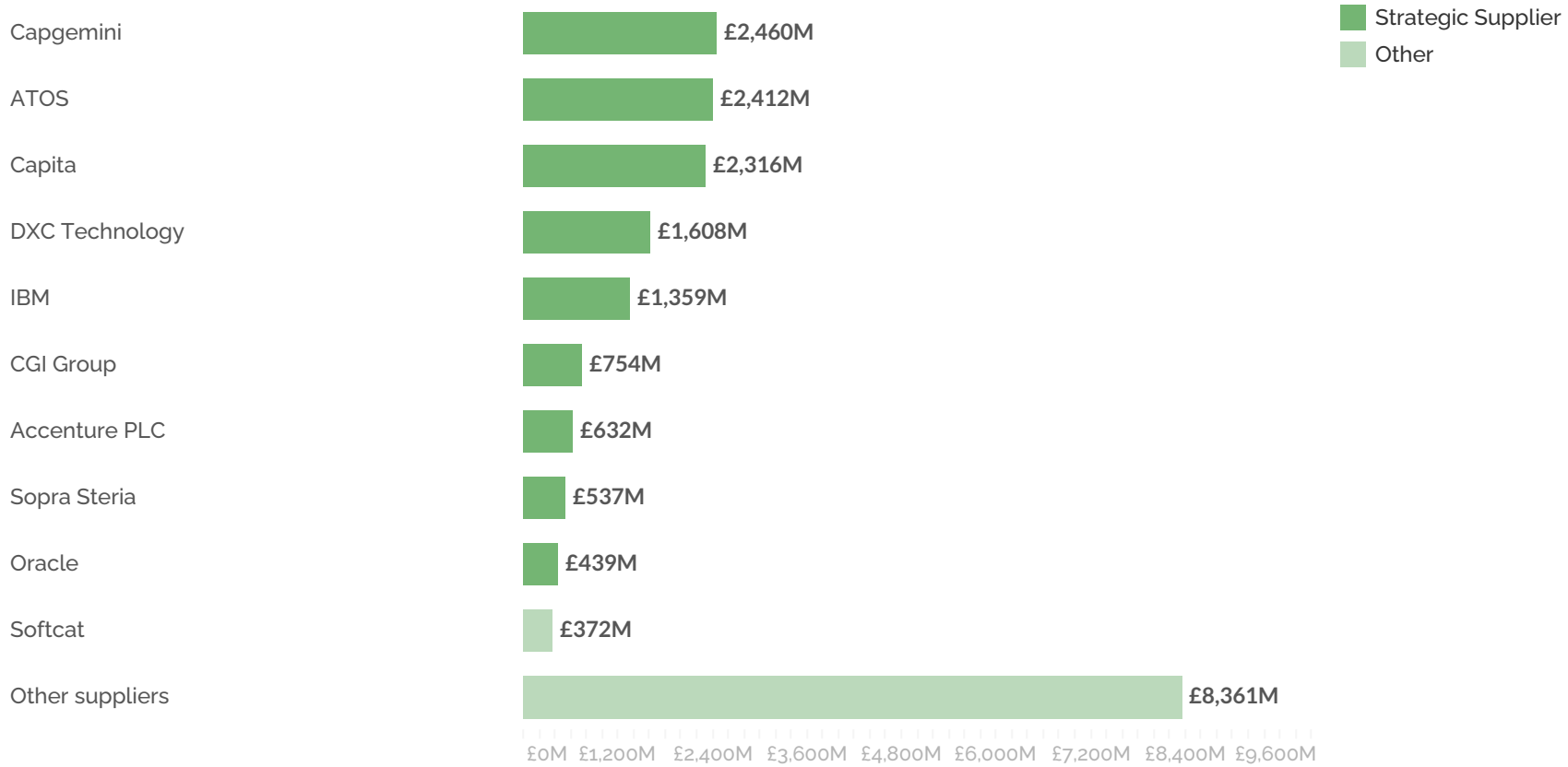Top 5 departments by spend (£) and their top 3 IT suppliers, 2016-2020

Department	Supplier	IT spending
HM Revenue & Customs	Capgemini	£1,935M
	Revenue & Customs Digital Technology Services	£549M
	Accenture PLC	£283M
Department for Work & Pensions	ATOS	£791M
	DXC Technology	£608M
	Capita	£454M
Ministry of Defence	Capita	£552M
	DXC Technology	£272M
	IBM	£150M
Home Office	IBM	£245M
	DXC Technology	£204M
	Sopra Steria	£198M
Ministry of Justice	ATOS	£395M
	Capita	£267M
	DXC Technology	£202M

IT spending: £0M — £500M — £1,000M — £1,500M — £2,000M
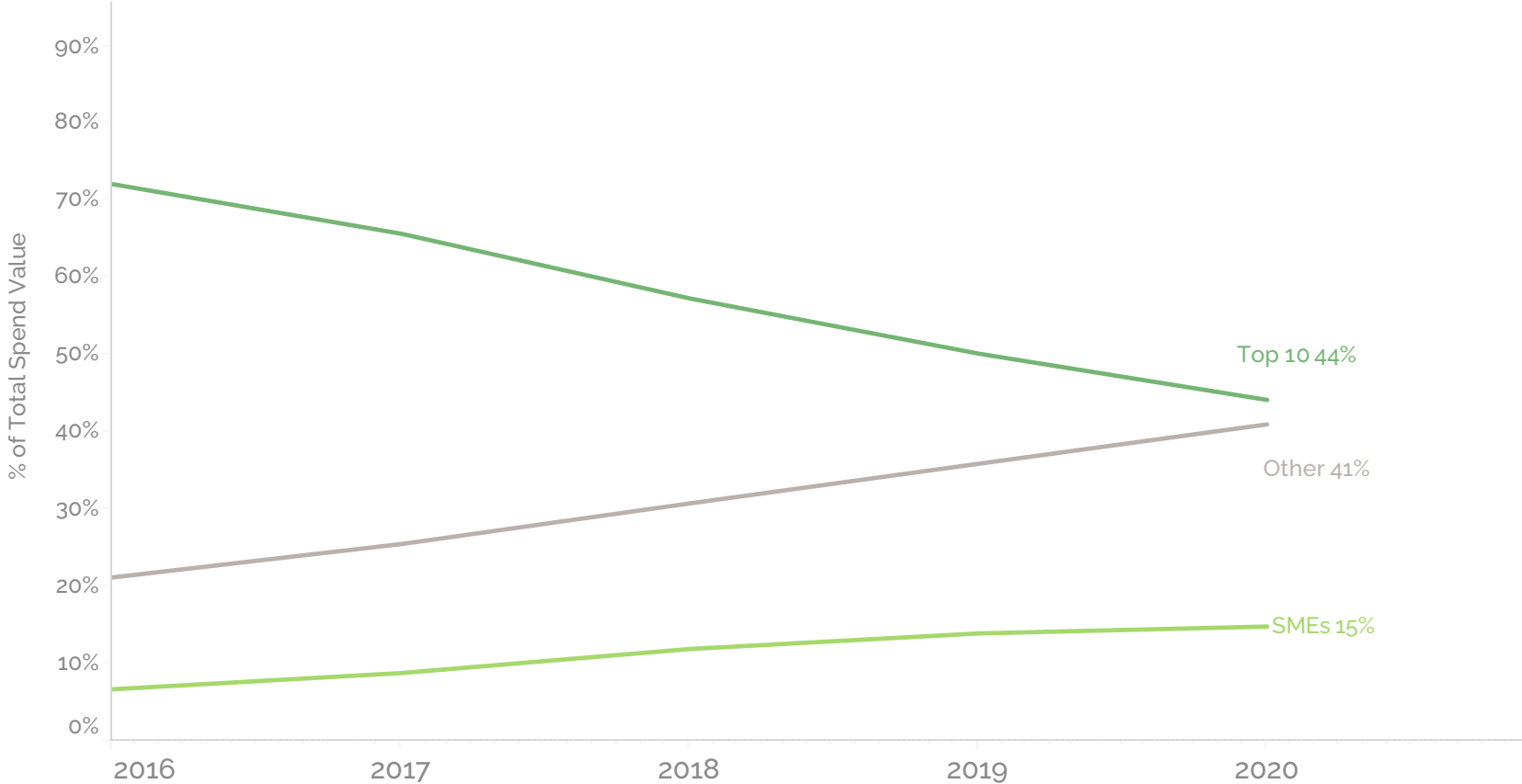
tussell

The top 10 suppliers earned over 60% of total Central Government IT spend, of which 9 are Strategic Suppliers. These SIs are a crucial route to market for SMEs

Top 10 vs. other tech suppliers by spend (£), 2016-2020

■ Strategic Supplier
■ Other

Supplier	Spend
Capgemini	£2,460M
ATOS	£2,412M
Capita	£2,316M
DXC Technology	£1,608M
IBM	£1,359M
CGI Group	£754M
Accenture PLC	£632M
Sopra Steria	£537M
Oracle	£439M
Softcat	£372M
Other suppliers	£8,361M

£0M £1,200M £2,400M £3,600M £4,800M £6,000M £7,200M £8,400M £9,600M
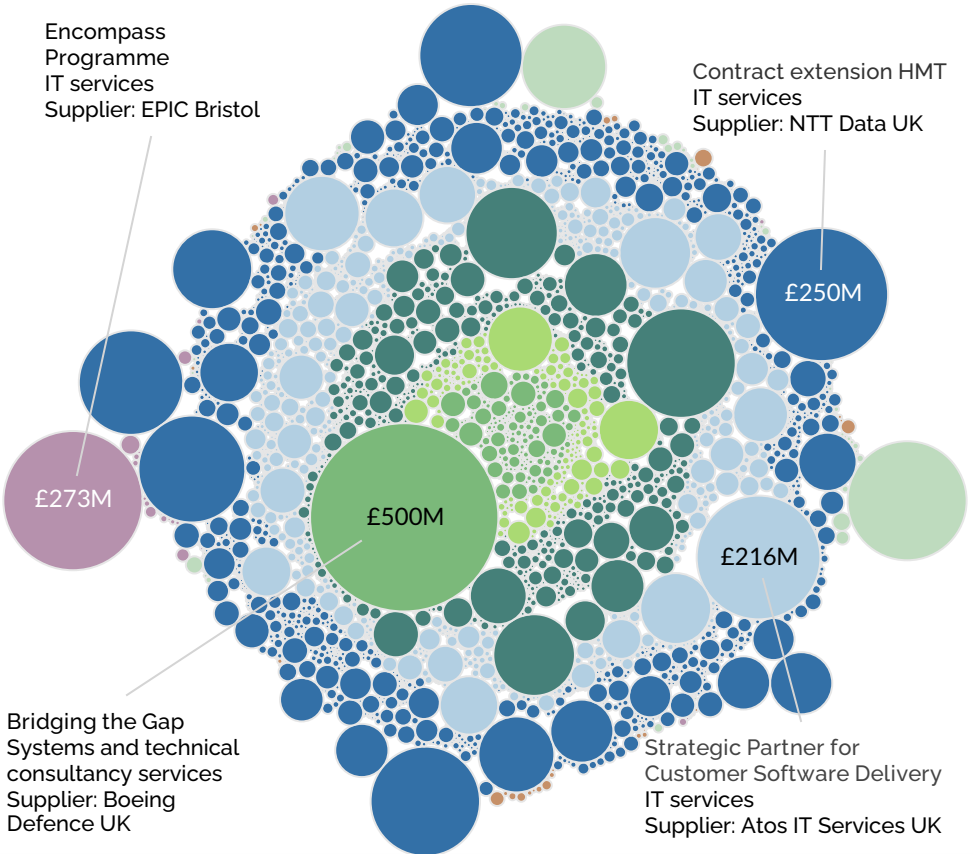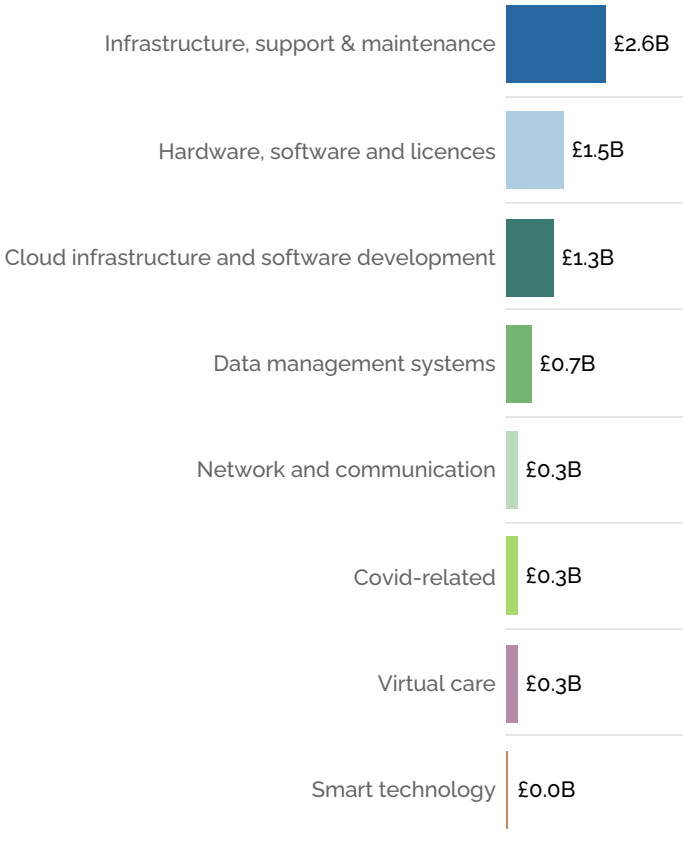
tussell

Contract disaggregation is real – and mid-cap IT companies have been the biggest beneficiaries

Market share of the top 10 suppliers vs. rest of market (IT spend/Total spend), 2016-2020
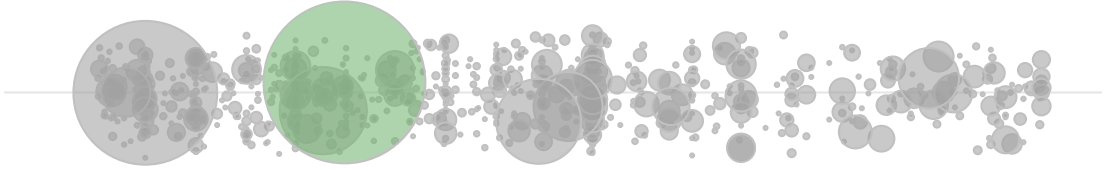
tussell

Infrastructure, Support and Maintenance contracts make up over 1/3 of all tech contracts awarded by value

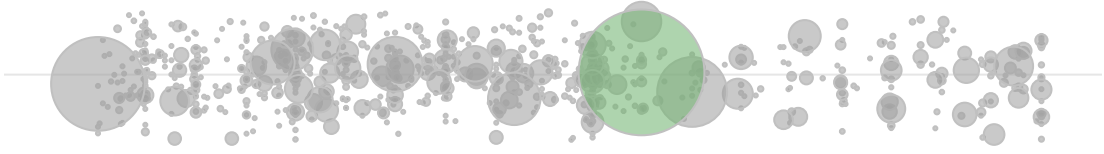Contracts awarded by area (£) and volume, 2016-2020

Infrastructure, support & maintenance	£2.6B
Hardware, software and licences	£1.5B
Cloud infrastructure and software development	£1.3B
Data management systems	£0.7B
Network and communication	£0.3B
Covid-related	£0.3B
Virtual care	£0.3B
Smart technology	£0.0B

Encompass
Programme
IT services
Supplier: EPIC Bristol

Contract extension HMT
IT services
Supplier: NTT Data UK

£250M

£273M

£500M

£216M

Bridging the Gap
Systems and technical
consultancy services
Supplier: Boeing
Defence UK

Strategic Partner for
Customer Software Delivery
IT services
Supplier: Atos IT Services UK

tussell

Over the next 18 months nearly 6,000 contracts in total worth £5Bn are due to expire – are you getting ready?
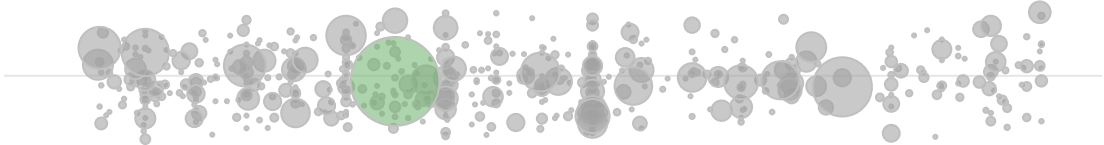

Infrastructure, support & maintenance

£1,700M (842 awards)
£318M - expires Oct 2021
From: **Ministry of Justice**
To: **Shared Services Connected**
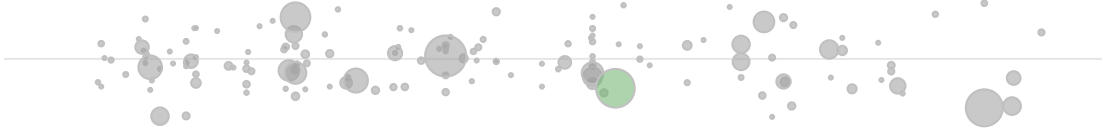For: **Shared Services Platform**

Hardware, software and licences

£969M (825 awards)
£191M - expires Aug 2022
From: **Ministry of Defence**
To: **Boxxe Limited**
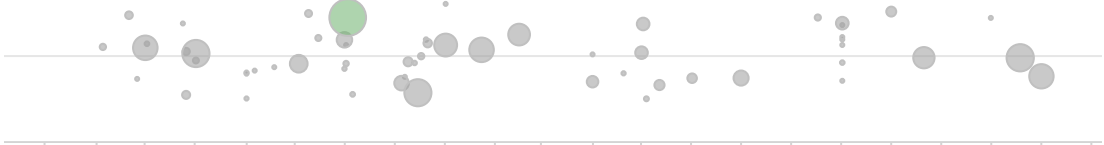For: **Microsoft M365 E5 Software Renewal**

Cloud infrastructure and software development

£693M (430 awards)
£94M - expires Nov 2021
From: **Home Office**
To: **Sopra Steria**
For: **Digitised and accessible application service**

Data management systems

£151M (155 awards)
£17M - expires April 2022
From: **Ministry of Defence**
To: **CGI IT UK**
For: **Information System Application**
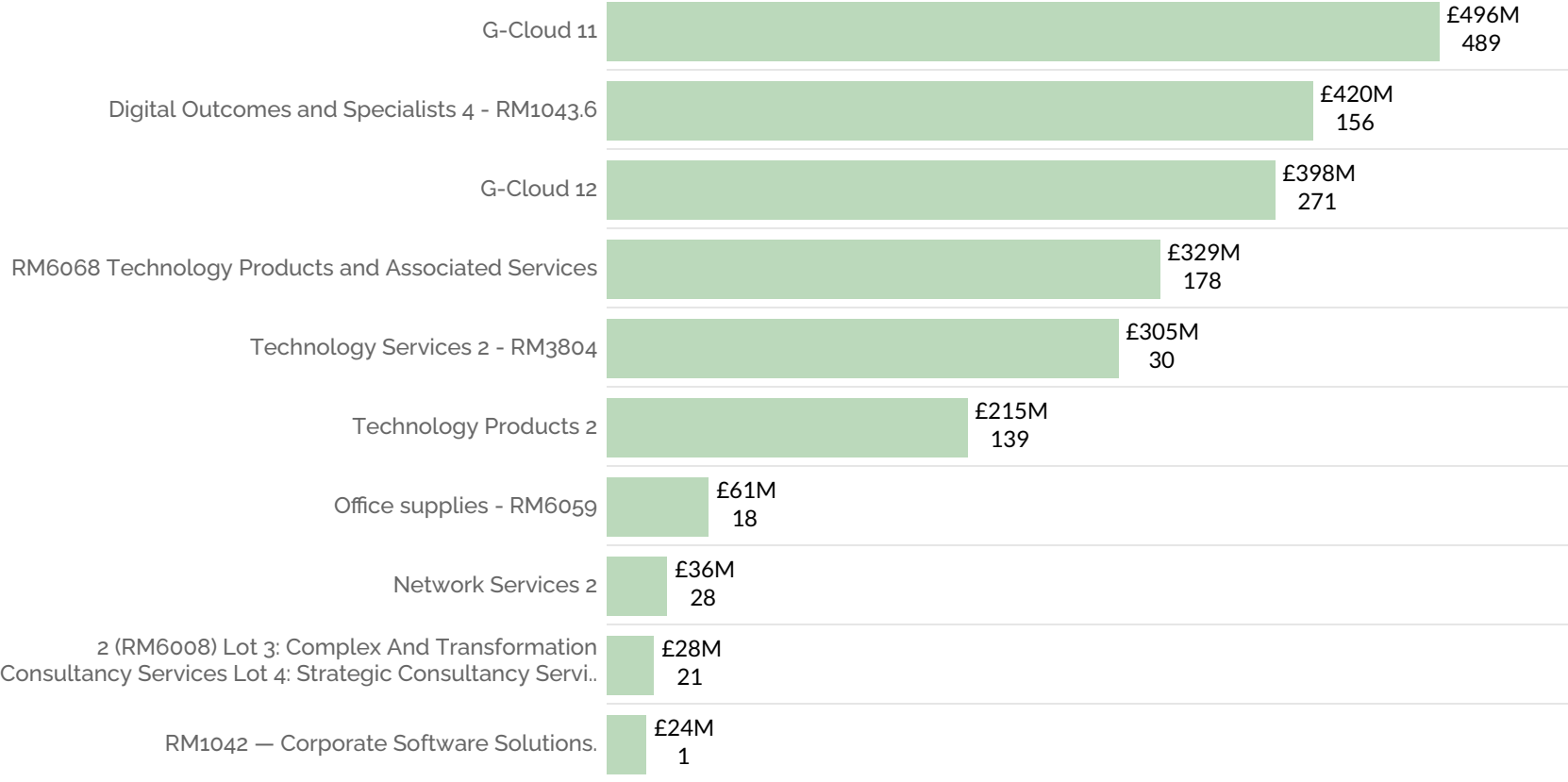
Network and communication

£98M (58 awards)
£15M - expires Nov 2021
From: **Home Office**
To: **Vodafone**
For: **Provision of a Direct Network Service Provider**

Jul 2021   Oct 2021   Jan 2022   Apr 2022   Jul 2022   Oct 2022   Jan 2023

tussell

94% of IT-related evidenced call-offs awarded by Central Government have gone through 10 frameworks since 2020

Top 10 frameworks by contracts awarded: value (£) and volume, 2020-1

1,300+ contracts worth £2.3B have been awarded

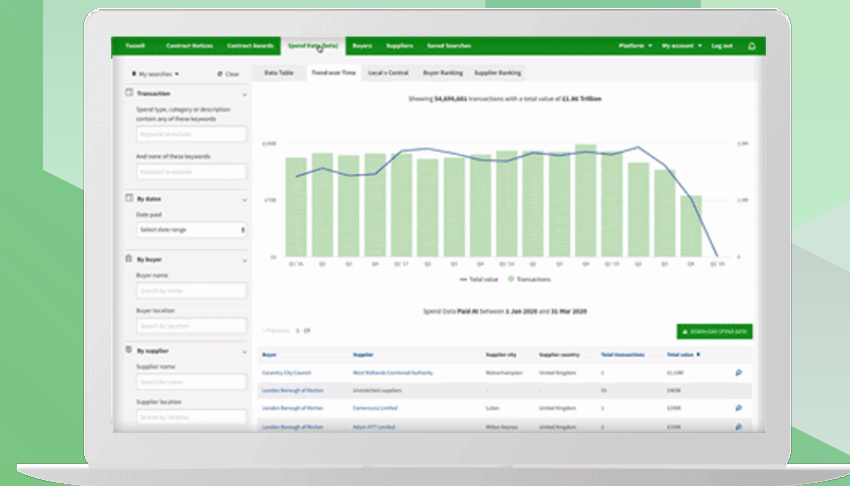| Framework	Value / Volume
G-Cloud 11	£496M / 489
Digital Outcomes and Specialists 4 - RM1043.6	£420M / 156
G-Cloud 12	£398M / 271
RM6068 Technology Products and Associated Services	£329M / 178
Technology Services 2 - RM3804	£305M / 30
Technology Products 2	£215M / 139
Office supplies - RM6059	£61M / 18
Network Services 2	£36M / 28
2 (RM6008) Lot 3: Complex And Transformation Consultancy Services Lot 4: Strategic Consultancy Servi..	£28M / 21
RM1042 — Corporate Software Solutions.	£24M / 1

tussell

Key Findings

The pandemic accelerated the digitisation of public services and processes

The IT supplier landscape is diversifying as contract disaggregation continues

Get ahead by anticipating expiring contracts and analysing which FWs are being used

tussell

tussell °

All the data in this report came directly from the **Tussell** online market intelligence platform

To learn more or book a demo visit **tussell.com**