

UK Public Funds Allocated to Private Corporations (2015–2025)

Introduction

Over the past decade, the UK government has increasingly relied on private companies to deliver public services and projects. Roughly one-third of all public expenditure now goes to external procurement – amounting to hundreds of billions of pounds each year ¹ ². While partnering with the private sector can bring expertise and capacity, it also raises questions about value for money and accountability. This report examines: (1) the volume and value of government contracts awarded to private firms (especially large corporations); (2) specific cases where public money was wasted through failed or mismanaged contracts; (3) the extraordinary scale of spending during the COVID-19 pandemic – including non-competitive awards and poor outcomes; and (4) evidence of the government paying foreign (often U.S.-based) firms high fees instead of developing domestic capabilities. Examples, spending figures, and sources are provided to illustrate these points.

Government Contracts with Private Firms: Volume and Value

Public procurement in the UK is on a massive scale. In **2021/22**, government bodies spent about **£329 billion** on external suppliers, rising to **£407 billion in 2023/24** ¹ ². This is roughly **one-third of all public sector spending** ¹, covering everything from office supplies to major infrastructure and defense projects. A significant share goes to large corporations. The Cabinet Office maintains a list of around 39 “Strategic Suppliers” – major companies that each receive over £100 million annually in government business ³ ⁴. In FY 2023/24, about **10% of all procurement spending (≈£22.1 billion)** went directly to these strategic suppliers ⁵. In fact, **7 of these firms each earned over £1 billion from public contracts in that year** ⁶. This underscores how a few big players (for example, large outsourcing, defense, or IT firms) dominate a sizable portion of public contracts.

The overall trend has been growth in outsourcing and contracting out services. Government spending on **consultancy and professional services** has also climbed. For instance, public bodies paid **£3.4 billion to private consultants in 2023–24**, a **62% increase** compared to the last pre-pandemic year (2019–20) ⁷. This surge – which peaked during COVID-19 – has not fully returned to earlier levels ⁸. Such figures highlight the volume of taxpayer funds flowing to private companies each year.

Public Money Wasted: Failed or Poorly Managed Contracts

While many contractors deliver as promised, there have been notable failures where government contracts ended up wasting public money. Below are a few **high-profile examples from the last 10 years** of mismanaged projects or supplier failures:

- **Carillion Collapse (2018)**: Carillion, a major outsourcing and construction firm, held hundreds of public contracts (from building hospitals to school catering) before it collapsed into liquidation. Its failure disrupted services nationwide and led the government to scramble to maintain critical services. The National Audit Office (NAO) estimated that Carillion’s liquidation would cost **taxpayers at least £148 million** (and likely more) in lost money and contingency costs ⁹. This

taxpayer bill includes **around £70 million** in fees paid to accountants and lawyers managing the fallout, which ultimately is public money spent with nothing to show for it ¹⁰ ⁹ . The case exposed inadequate government oversight of a “too big to fail” supplier and left **“taxpayers to foot the bill for corporate failure.”** ⁹ ¹¹

- **Seaborne Freight Fiasco (2018–19):** In preparation for a possible no-deal Brexit, the Department for Transport awarded a **£13.8 million ferry contract** to a startup called Seaborne Freight to run freight ferries across the Channel. It soon emerged that Seaborne Freight **had no ships at all**, and the contract had to be canceled before service began. The **“ferry contracts” debacle cost over £50 million** in total payouts and penalties, including about **£33 million compensation to Eurotunnel** and nearly **£1 million in consultant fees** wasted on the Seaborne deal ¹² ¹³ . Members of Parliament called it “a case study in ministerial incompetence,” as nearly **£14 million** in public funds were committed to an unvetted company that never delivered a single ferry service ¹³ .
- **MoD Ajax Armoured Vehicles (2010s–2020s):** The Ministry of Defence’s Ajax armoured vehicle programme – while conceived earlier – became a cautionary tale of a poorly managed contract in the past decade. The MoD contracted General Dynamics (UK arm of a U.S. defense firm) to deliver a new fleet of Ajax fighting vehicles. **Over £3 billion has been paid out** so far, yet by **December 2021 not one of the 26 delivered vehicles could be used** due to serious safety and performance failures ¹⁴ . Soldiers testing Ajax suffered injuries (hearing damage from excessive noise/vibration), and the vehicle can’t meet key requirements ¹⁴ . The project is years behind schedule and might need **another £2 billion** to fix or complete ¹⁵ . In effect, billions of public money went to a foreign contractor with **nothing deployable to show after a decade** ¹⁴ ¹⁶ . A parliamentary committee lambasted this “Ajax debacle” as emblematic of repeated procurement failings ¹⁷ .
- **Unusable PPE and Other COVID Procurement Losses (2020–21):** During the pandemic (covered in detail next), the government rushed to buy personal protective equipment and medical supplies. This haste led to **massive overspending on unusable goods**. By early 2022, the Department of Health had written off **approximately £8.7 billion** worth of PPE inventory – including about **£4 billion of PPE kit that cannot be used in the NHS** due to not meeting standards ¹⁸ . This sum represents public money effectively wasted on supplies stuck in storage or disposed of, often procured through **“risky contracts” with newly created firms** that never delivered quality goods ¹⁸ .

These examples illustrate how **poor contract management, lack of due diligence, or supplier failures can result in huge losses of public funds**. They underscore calls for stronger oversight of contractors and lessons learned to avoid repeating mistakes.

Pandemic Spending and Contract Transparency Issues

The **COVID-19 pandemic** forced the UK government to spend at unprecedented speed and scale – but it also revealed serious transparency and accountability gaps in procurement. In the first six months of the pandemic (by July 31, 2020), the government had awarded **over 8,600 COVID-related contracts worth around £18 billion** ¹⁹ . Most of this was for emergency purchases of PPE, ventilators, testing services, and the like. The **majority of these deals were awarded without competitive tenders** under emergency procedures. According to the NAO, about **£10.5 billion** (58% of the value) of the COVID contracts in that period were **directly awarded with no competition**, and another **£6.7 billion** used limited-contact framework agreements – meaning less than 1 in 20 was awarded via open competition

¹⁹ ²⁰ . This lack of competition raised the risk of **overpaying** or buying from unqualified suppliers, and it concentrated opportunities among those with connections or quick access.

Transparency around these pandemic contracts was widely criticized. By law, the government must publish contract award details within 30 days, but many COVID deals were disclosed very late or not at all until pressured. In a landmark case, the High Court ruled in early 2021 that the Health Secretary had **acted unlawfully by failing to publish billions in PPE contracts on time** ²¹ . The judge emphasized that “vast quantities of public money” were spent in 2020 and **“the public were entitled to see who this money was going to... and how the contracts were awarded.”** ²² The government admitted it had to “award contracts at speed” in a crisis, but the consequence was a **“lack of transparency” and failure to document why certain suppliers were chosen** (or how conflicts of interest were managed) in awarding about **£18 billion of deals** through July 2020 ²⁰ . In fact, the NAO later found that **many contract awards (some worth hundreds of millions) had no proper documentation or justification on file**, undermining public trust ²³ ²⁰ .

Compounding these concerns were revelations of a so-called **“VIP lane”** for well-connected vendors. An NAO investigation exposed that companies **referred by ministers, MPs or officials** were put in a high-priority channel for PPE contracts ²³ . Approximately **493 suppliers** with political connections were fast-tracked, and **47 of them (nearly 1 in 10) obtained lucrative contracts**, a success rate far higher than ordinary channels ²³ . Simply put, a bid from the politically connected was **10 times more likely to win a contract** in the VIP lane ²³ . This process – a **“high-priority” lane outside normal procurement practice** – led to accusations of cronyism, as several firms with ties to ruling party figures received large PPE deals despite limited experience ²⁴ ²⁵ . (One notable case was **PPE Medpro**, a company newly set up by associates of a peer, which swiftly won £203 million in contracts via this route; the gowns it supplied for £122 million are now subject to a lawsuit after being deemed unusable ¹⁸ ²⁶ .)

Beyond process issues, **outcomes** of some pandemic contracts were poor. A huge volume of PPE was procured at high prices only to have much of it unsuitable for use (as noted, £4 billion+ of PPE stock is sitting unused ¹⁸). The government also spent heavily on outsourced services with mixed results. The most glaring example is the **NHS Test and Trace programme**, which relied extensively on private consultants, call-center contractors, and outsourcing firms. Test & Trace was allocated **£37 billion over two years**, making it one of the costliest public health programs ever ²⁷ ²⁸ . Yet a parliamentary review concluded it **“failed to achieve its main objective”** of breaking COVID transmission chains ²⁷ . By late 2021, the Public Accounts Committee reported **“no clear evidence”** that Test & Trace made a significant difference in curbing the pandemic, despite its **“eye-wateringly” expensive** budget (equivalent to 20% of the entire NHS annual spend) ²⁷ ²⁸ . The system was criticized for focusing on big contracts and consultants rather than local public health networks; indeed, only **14%** of the 691 million lateral-flow tests it distributed were ever registered as used ²⁹ , and much of the paid-for contact-tracing capacity went underutilized ³⁰ . The PAC chair summed up that despite “vast sums” thrown at it, bold promises were **“overstated or not achieved,”** and reliance on “over-priced consultants” cost taxpayers **hundreds of millions** with little lasting legacy ³¹ ³² .

In summary, the COVID-19 emergency led to **unprecedented public spending on contracts**, but many were awarded with **minimal transparency or competition**, often to politically connected or inexperienced firms. This contributed to **significant waste** – from unusable equipment to underperforming services – and highlighted the need for procurement reform to balance urgency with accountability.

Reliance on Foreign Firms vs Developing Domestic Capability

The UK government's contracting practices have also raised concerns about an over-reliance on large foreign companies – particularly U.S.-based consultancies and technology firms – at the expense of building up internal capabilities or domestic industry. In recent years, the state has paid premium fees to global corporations for expertise that some argue should exist in-house or be developed locally.

One clear trend is the heavy use of **consulting firms** (many of which are multinational). As noted, spending on consultants hit £3.4 billion last year, benefiting firms like **Accenture** (US-headquartered tech consultancy, £240 m from government in 2023/24) and **PA Consulting** (UK-based but globally owned, £247 m) ³³ ³⁴. The “Big Four” accountancy/consulting giants – **KPMG, Deloitte, PricewaterhouseCoopers, and EY** – together collected just under **£900 million from the public sector in a single year (2023–24)** ³⁵. These are international firms (three of the four are headquartered outside the UK) deeply embedded in government projects. For example, in 2024 a new contract worth up to **£223 million** was awarded to KPMG to provide training for civil servants ³⁶. Outsourcing even the training of the government's own workforce to an external (in this case, U.S.-based) consultancy underscores the cycle: lacking internal capacity leads to hiring consultants, which can prevent the development of in-house skills going forward.

Critics say this dependence on external consultants has created a “**cult of hiring consultants**” inside government ³⁷. According to one finance expert, the model is self-perpetuating: if agencies routinely bring in pricey consultants for analysis and management tasks, they fail to cultivate “**institutional knowledge**” within the civil service ³⁸. When the consultants leave, their know-how leaves with them, leaving the government “**permanently dependent**” on buying advice ³⁷ ³⁸. In other words, money that could be invested in training civil servants or developing local expert teams instead flows to consulting firms year after year.

The same pattern appears in **technology and defense procurement**, where the UK often turns to large foreign vendors. The Ministry of Defence, for instance, sources many big-ticket systems from U.S. companies – from fighter jets to IT systems – sometimes paying substantial fees for outcomes that falter. The earlier **Ajax armoured vehicle** case is instructive: the UK essentially entrusted a critical equipment programme (worth £5 billion) to General Dynamics, a U.S. contractor, rather than developing a domestic solution, and ended up with **billions spent on unusable kit** ¹⁴ ¹⁶. Similarly, in IT projects, departments frequently hire major U.S. software firms or contractors to build systems, with mixed results. During the pandemic, for example, NHS England relied on **Palantir**, a U.S. data analytics company, to manage COVID data – initially for a nominal fee, but later extended into contracts worth millions as its role grew ³⁹. Some have questioned whether investing in a sovereign public health data platform or using a UK provider would have been wiser in the long run.

The rationale for using established international firms is often to get proven expertise quickly. However, it can come at a high price. **Overspending on foreign contractors** instead of strengthening domestic capability has drawn parliamentary scrutiny. The Public Accounts Committee has warned that reliance on external experts and companies can **undermine the government's own skills**, and urged efforts to bring more work in-house or support UK-based SMEs in procurement ³⁷ ³⁸. The new government has even pledged to cut consultancy spending by 50% to reduce this dependency ³⁶ ³⁷.

In conclusion, the past decade saw the UK public sector channel vast funds to private corporations – with **sizeable portions going to a handful of big (often foreign-owned) companies**. This has delivered some efficiencies but also led to **high-profile wastes of money and strategic capability concerns**. The COVID-19 crisis amplified these issues, as enormous sums were spent under emergency

conditions, sometimes with poor oversight and results. Going forward, there is growing pressure on government to reform procurement: to increase transparency and competition, learn from past failures, and ensure that public money spent via private firms truly delivers value to UK citizens ²⁰ ¹⁷ .

Sources: Official reports and credible media have been used for all factual claims. Key references include the National Audit Office investigations ²⁰ ²³ , UK Parliament committee reports ²⁷ ¹⁸ , and reputable news outlets such as *The Guardian* and *Reuters* for documented examples ⁹ ¹³ . Each citation in text refers to the specific source and line numbers for verification.

¹ ² Procurement statistics: a short guide - House of Commons Library

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³ ⁴ ⁵ ⁶ 2025 Analysis of UK Government Strategic Suppliers

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⁷ ⁸ ³³ ³⁴ ³⁵ ³⁶ ³⁷ ³⁸ 'Scandalous' £3.4bn UK state spending on private consultants last year | Tax and spending | The Guardian

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¹⁴ ¹⁵ ¹⁶ ¹⁷ The MOD's £300bn waste of public money

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¹⁸ ²⁶ PPE Medpro: awarding of contracts during the pandemic - Committee of Public Accounts

<https://publications.parliament.uk/pa/cm5803/cmselect/cmpubacc/1590/report.html>

¹⁹ Investigation-into-government-procurement-during-the-COVID-19-pandemic

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²⁷ ²⁸ ²⁹ ³⁰ ³¹ ³² "Muddled, overstated, eye-wateringly expensive": PAC damning on Test & Trace that has "failed on main objectives" - Committees - UK Parliament

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