



STUC report on Scottish Local Government Outsourcing 2020-21 to 2024-25

Methodology and limitations

This report uses three methods to assess the scale of Scottish Council outsourcing.

First we analyse the Scottish Government's Annual Report on Procurement Activity in Scotland.ⁱ This includes total public sector procurement spend and breakdowns for local government spend. However, it is limited in that it does not include a breakdown by services, goods and works. The latest publication also only covers the 2023-24 financial year.

Second, we analyse Freedom of Information (FOI) requests submitted to Scotland's 32 Councils. The request asked Councils for their total spend on externally provided services – differentiating between services, goods and works – between 2020-21 and 2024-25. The responses are limited as some Councils were unable to provide this information. Moreover, some that did were not able to differentiate between services, goods and works as requested. Because of these limitations, we supplemented the FOI data with data from Council's Annual Procurement Reports or other publicly provided information.

Third we analyse the Scottish Local Government Finance Statistics.ⁱⁱ This is an annual publication providing a comprehensive overview of financial activity of Scottish local authorities based on authorities' audited accounts. Specifically, we analyse third party payments between 2020-21 and 2024-25. Third party payments are payments to an external provider, or an internal service delivery unit defined as a trading operation which is operating independently, in return for the provision of a service. We exclude third party payments to Regional Transport Payments, Valuation Joint Boards, other Local Authorities, or NHS Boards. We also exclude payments to Integration Joint Boards,ⁱⁱⁱ and capital projects.

Despite excluding these groups, there are limitations. The third party data includes Arm's Length Organisations (ALEOs) which are wholly Council-owned. In some respects, this can be viewed as outsourcing – ALEOs are often vehicles for reducing pay and pensions and operate under contract (albeit usually awarded without competition). However, the profit made goes back to the council, so it is not the same as outsourcing to an external company.

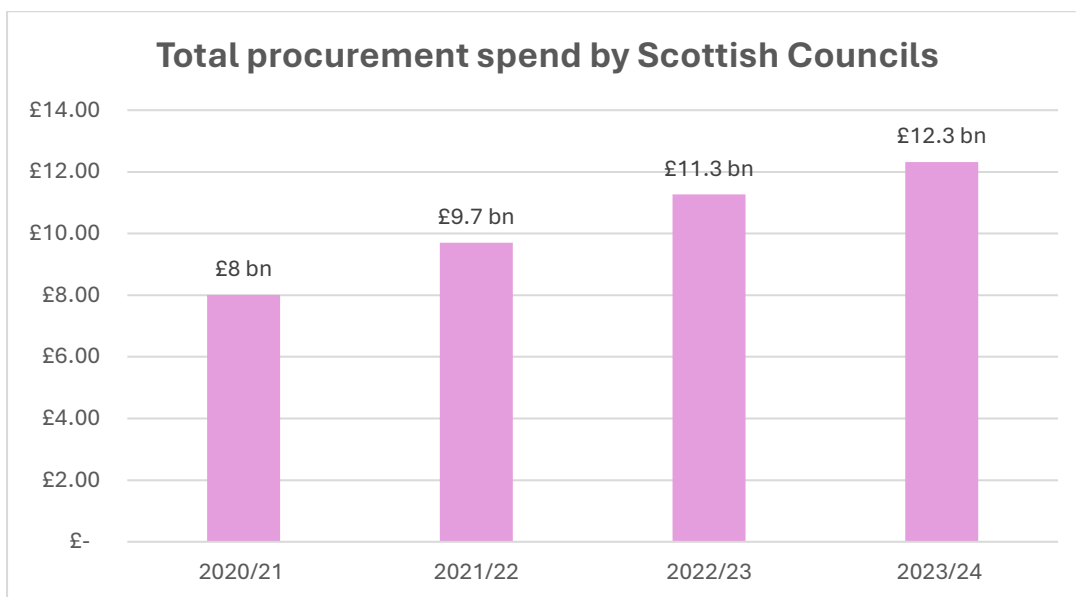
Perhaps more problematically, we understand the third party data includes internal trading operations – these are internal services operating on trading accounts and therefore not outsourcing.^{iv} It is not clear how much of local government spend is accounted for by these 'significant trading operations'. It is likely to be a minority, but potentially a significant minority, of third party payments.

Despite the limitations, this is the best data available. By triangulating all three we can conclude that it is highly likely that outsourcing is increasing significantly.

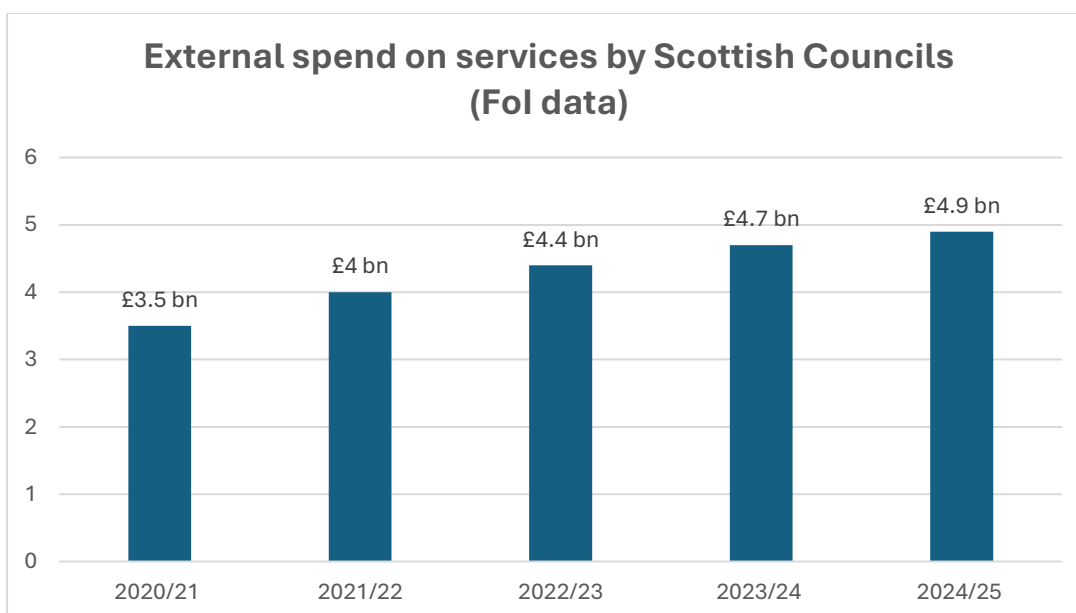
Better data is needed, and given evidence suggesting £2-3 billion a year is lost in profit from outsourcing,^v it is important the next Scottish Government conducts an audit to get to grips with this issue.

Spending on outsourcing is increasing

The Scottish Government's procurement activity report show that public procurement spending is increasing significantly and within this Councils share is increasing.^{vi} Our analysis shows that total procurement spend by councils, external spend on services by councils (based on our FOI requests) and third party payments by councils have all increased significantly in the last five years.



Authors table based on Scottish Government Annual Procurement Activity Reports



Authors analysis based on FOI data

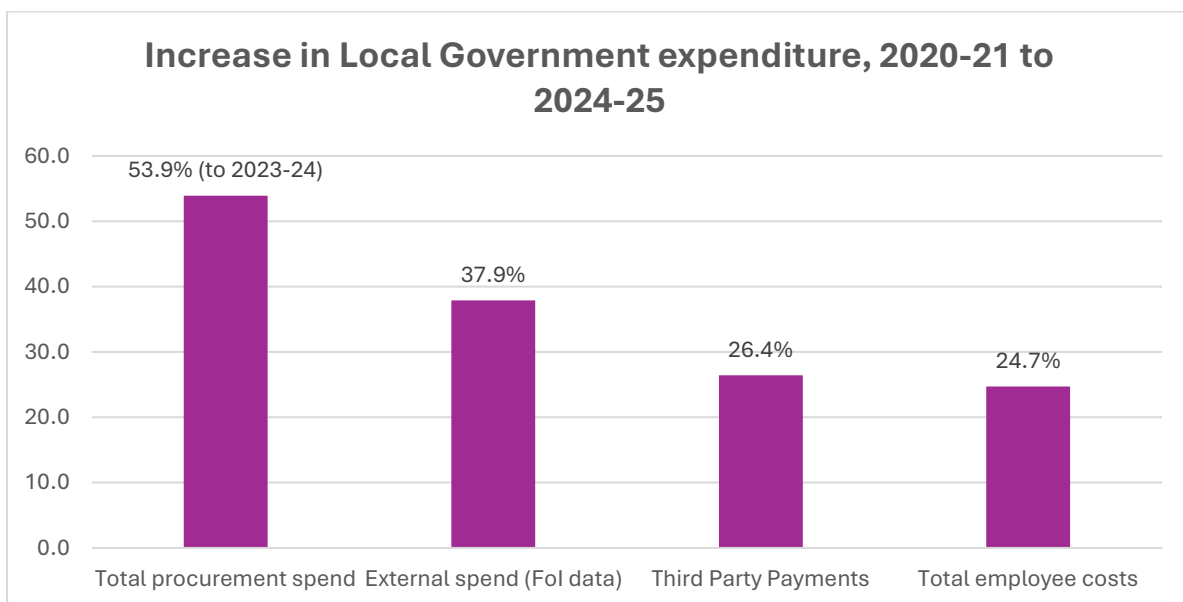


Authors analysis based Local Government Finance Statistics

As noted in the methodology, there are limitations to these data sources, but by analysing all three together, we can conclude it is highly likely that outsourcing has increased significantly.

Council spending on outsourcing is increasing faster than employee costs

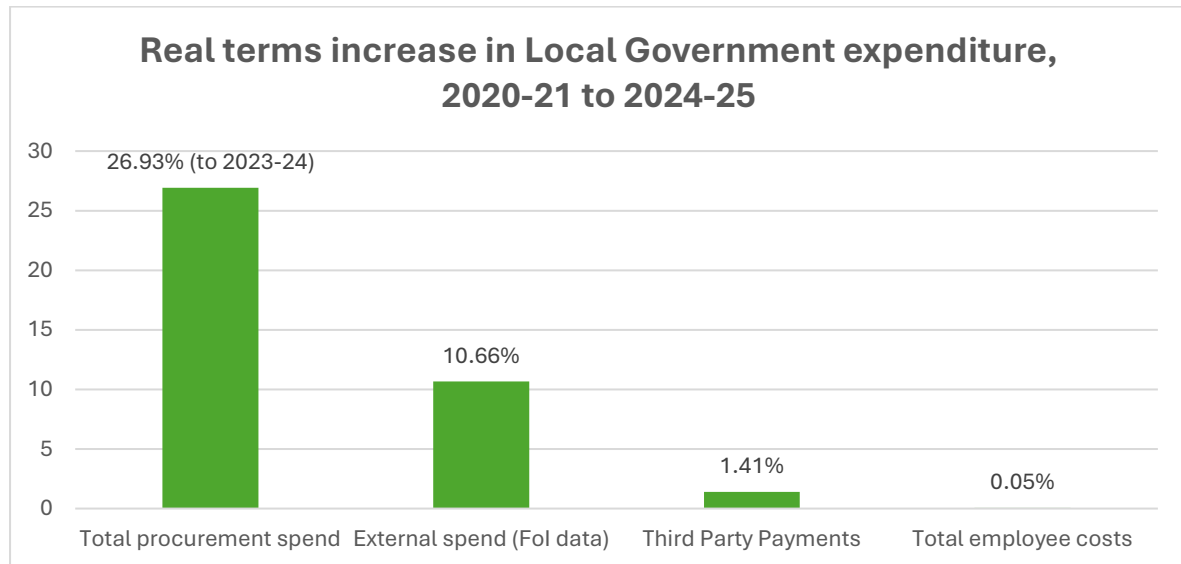
Total procurement spend has increased by 53.9% in the four years to 2023-24, while in the five years to 2024-25, external spending on services based on FOI data has increased by 37.9% and third party payments data by 26.4%. All three of these are higher than the increase in employee costs during the period which increased by 24.7%. This suggests spending on outsourcing is outstripping spending on wages.



Authors analysis based on FOI data and Local Government Finance Statistics

Council spending on outsourcing is increasing in real terms

Clearly the last five years has been one of high inflation, so it is important to consider this data in real terms. While employee costs have seen no real terms increase, total procurement spend has increased by 26.9% in the four years to 2023-24 while external spend on services has increased by 10.66% and third party payments by 1.41%.



Authors analysis based on FOI data and Local Government Finance Statistics. Deflated using CPI.

Conclusion

This report suggests that Council spending on outsourcing is increasing in real terms and is also outstripping that spent on the directly employed workforce. While better data is needed, given evidence suggesting £2-3 billion a year is lost in profit from outsourcing,^{vii} if the next Scottish Government is serious about public sector reform and tackling 'waste' it must get to grips with this issue.

For further information contact:

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ⁱ Scottish Government (2026) 'Annual Report on Procurement Activity in Scotland' <https://www.gov.scot/publications/annual-report-procurement-activity-scotland-overview-procurement-activity-2023-2024/documents/>

ⁱⁱ Scottish Government (2026) 'Scottish Local Government Finance Statistics 2024-25' <https://www.gov.scot/publications/scottish-local-government-finance-statistics-2024-25/documents/>

ⁱⁱⁱ Payments to IJB's have increased by 42% (14% in real terms) in the same period, but we have excluded this as it includes payments to public providers, as well as private and voluntary providers.

^{iv} The Scottish Government guidance and CIPFA's Service Reporting Code of Practice (SeRCOP) guidance is somewhat contradictory on this point, so we have deferred to the SeRCOP guidance.

^v STUC (2025) 'Research on the Cost of Outsourcing' <https://www.stuc.org.uk/resources/apse-report-for-stuc-research-on-outsourcing-final.pdf>

^{vi} From 55.2% in 2020-21 to 70.4% in 2023-24. While 2020-21 appears to be covid-impacted, there is still an increase in Councils share when comparing to 2019-20. Page 25 of Scottish Government (2026) 'Annual Report on Procurement Activity in Scotland' <https://www.gov.scot/publications/annual-report-procurement-activity-scotland-overview-procurement-activity-2023-2024/documents/>

^{vii} STUC (2025) 'Research on the Cost of Outsourcing' <https://www.stuc.org.uk/resources/apse-report-for-stuc-research-on-outsourcing-final.pdf>