



THE PUBLIC SECTOR MARKET IN 2020 AND BEYOND

OPPORTUNITIES FOR SMART SUPPLIERS TO GET AHEAD

The stars are aligning for a new era of investment into public services – driven by political, social, economic and technological change. Now is the time for suppliers to engage with this huge, diverse and solutions-hungry market, and benefit from a boost in public spending.

28 November 2019

Updated as of 28 November 2019. All information correct at time of publishing. This report will be updated regularly in the run up to and immediately after the General Election

Overview

As we approach 2020, political, social, economic and technological factors look set to play a major role in defining public sector supply chain opportunities over the coming months and years. Against the backdrop of recent uncertainty caused by Brexit, there are significant opportunities in many areas for suppliers to engage with, with the investment to match.

BiP Solutions has brought together buyers and suppliers for over 35 years. Drawing on the latest intelligence and our unique insights into the shape of the public procurement market, this report outlines the ways in which suppliers can maximise their opportunities throughout the public sector supply chain, focusing on key areas of opportunity, methods for gaining a competitive edge, and the solutions to enable this.

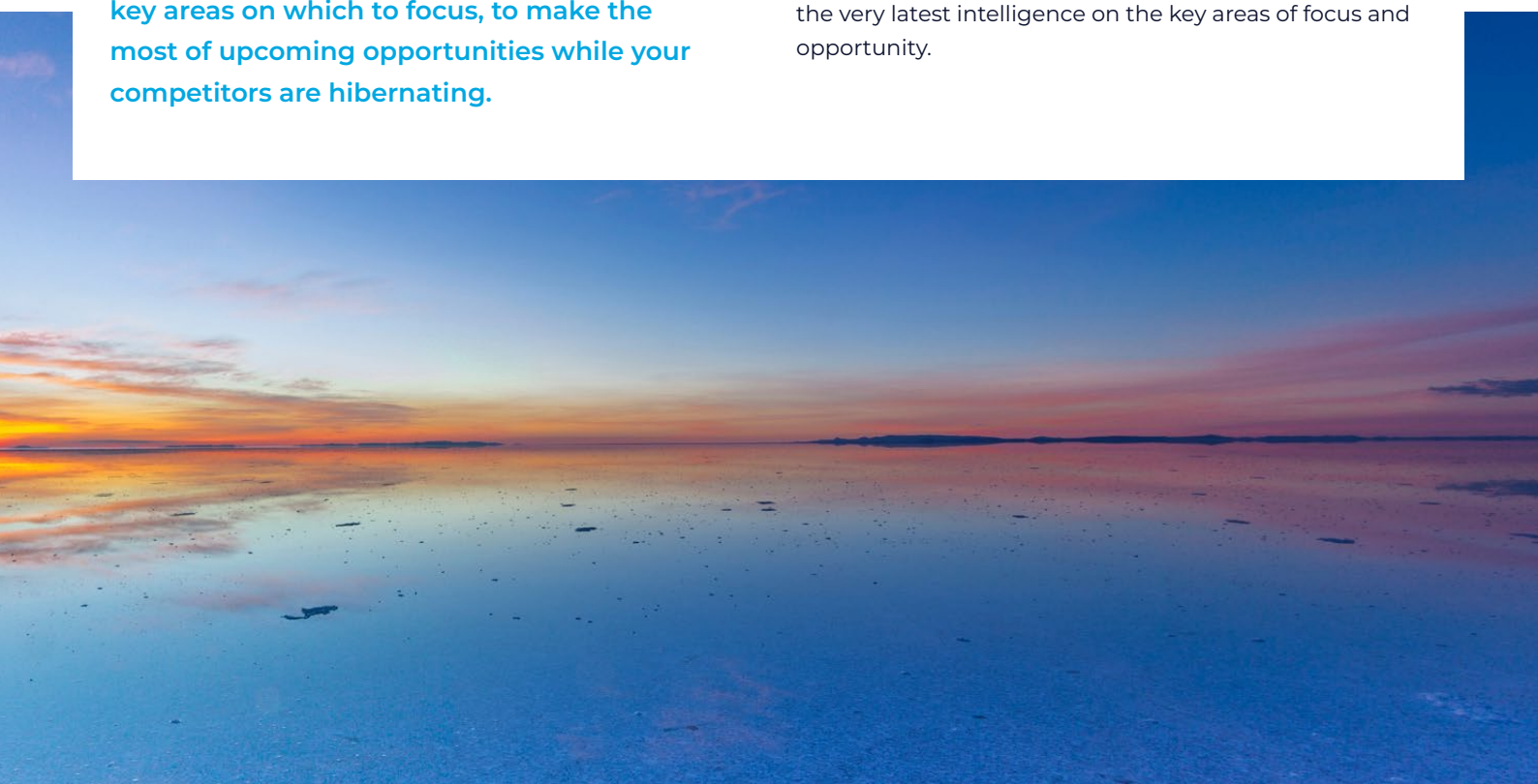
December remains an active month for public sector procurement, even if the volume of new contract opportunities naturally decreases because of the festive season. However, notices published are usually the outcome of months of preparation, so as ever, smart suppliers should be focused on early engagement and identifying potential opportunities before this stage.

In this report, using BiP Solutions' knowledge of the latest market trends, we detail the key areas on which to focus, to make the most of upcoming opportunities while your competitors are hibernating.

While the upcoming General Election, and the attendant continuing debate surrounding Brexit, leave grounds for speculation as to the shape of business, there are areas that offer clear sources of opportunity. There is an increased focus across the political spectrum on public spending, with all the major political parties pledging high-profile investments. Seemingly signalling the end of austerity, for the first time in many years the major parties are united in focusing on spending and economic growth. This will have a wide-ranging effect on the supply chain, particularly in key areas such as healthcare and infrastructure, as we explore in more detail below.

Regardless of any political rhetoric, the UK public sector remains a large, diverse and attractive market for suppliers to engage with. The volume and value of public sector contracts continues to increase and the role of the private sector in providing innovative and effective solutions to the challenges of delivering outstanding public services remains as important as ever. With an increase in public spending, there will be even more potential for renewed opportunities with the UK's single largest customer for business: the UK public sector.

As the political situation develops over the coming weeks, this report will be regularly updated to bring you the very latest intelligence on the key areas of focus and opportunity.



The Politics of Public Spending

With the incumbent Conservative Party failing to hold a majority, and various factions within major parties also conflicted, Parliament may appear to have become stuck. The General Election of 12 December 2019 aims to overcome the inertia of recent times – but there is every chance that a clear majority may still not be achieved for either of the main parties. In this instance, other parties – particularly the Liberal Democrats and Scottish National Party, as well as smaller parties such as Plaid Cymru, the Green Party and the Brexit Party – will have an important role to play as potential coalition partners. This in turn will influence the policy and approach to both Brexit and public spending, once Parliament is returned.

The Brexit factor

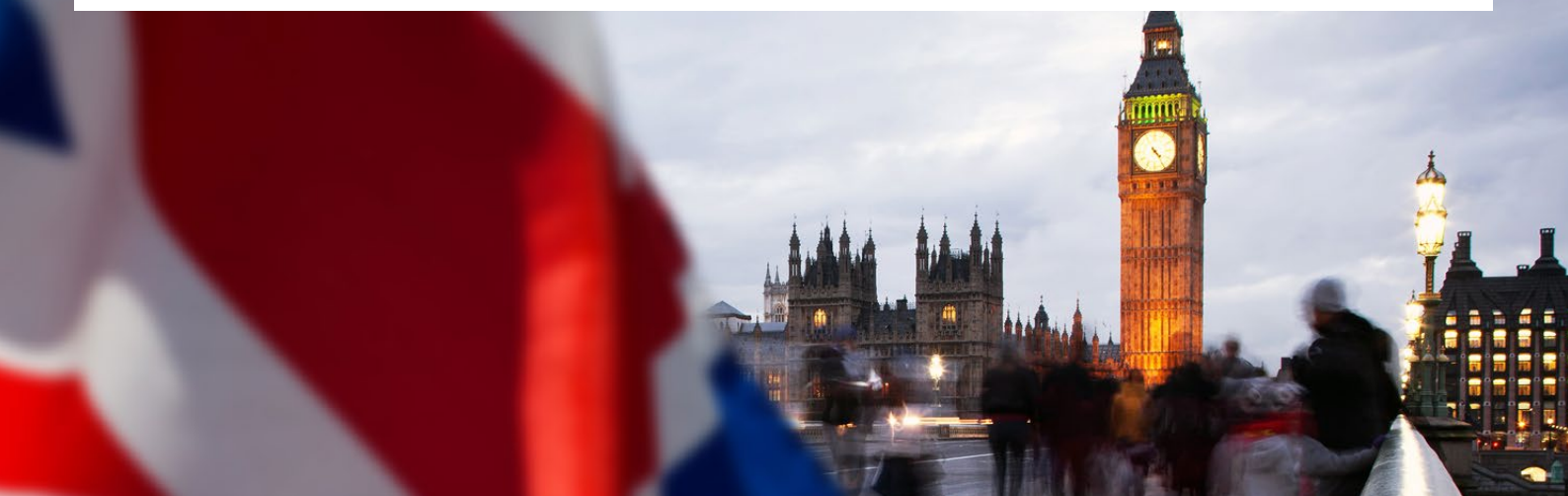
It is important to reiterate that, in spite of the most recent Brexit extension up to 31 January 2020, a 'no-deal Brexit' will remain the legal default unless an agreement superseding this is ratified by both the EU and the UK Parliament. Multiple other possibilities for Brexit exist, however. If returned to power, the Conservative Party would presumably seek to legislate for the Brexit deal Prime Minister Boris Johnson has negotiated with the EU. The Labour Party meanwhile have stated that, if they formed a majority government, they would seek to negotiate a new Withdrawal Agreement with the EU. Labour would then offer another public referendum as to whether the UK should leave the EU under the terms of that deal, or remain an EU member.

Given the possibility of a hung parliament, the Liberal Democrats' and Scottish National Party's opposition to Brexit may also have a role to play in continuing discussions, as may the positions of the various Northern Irish parties, Plaid Cymru, the Green Party and the Brexit Party. While any analysis of the future shape of government remains speculative, the Liberal Democrats' pledge to revoke Brexit

unilaterally, for example, may influence the position of a minority Labour government. The precise form of Brexit, and therefore its effect on UK business, remains to be seen, with both a no-deal Brexit and continued UK membership of the EU seemingly remaining possible – in spite of a Withdrawal Agreement negotiated by Boris Johnson having passed the first stage of agreement by Parliament. Even if the UK does leave the EU at the end of January 2020, there is still the matter of the future trading agreement with the EU to be established during the transition period, which ends in December of that year. Without this agreement, or a further extension, a no-deal Brexit remains a possibility.

However, while Brexit remains a dominant subject within UK politics and political discourse, the election is about much more than Brexit. Investment into public services is another major factor. Although manifestos are yet to be published, each of the major political parties has set out its proposals for public spending. With the cost of borrowing at a historic low, there appears to be common ground on at least one thing:

now is the time to invest for the future.



Here, we review the major UK political parties' manifesto pledges, and their effect on various areas of doing business with the public sector. As the situation continues to develop in the lead-up to the UK General Election, and immediately after, we will update this report with the latest intelligence.



Incumbent Chancellor Sajid Javid has proposed revision of the rules concerning government borrowing, to allow borrowing so long as debt does not exceed 3% of GDP, rather than 2%. This allows for potentially dramatically greater spending. The Conservatives' manifesto pledges are costed at an increase in spending of £2.9bn a year by 2022. Alongside the pledge to recruit thousands more nurses for the NHS, and recruiting more police officers, other policies include a £2bn fund for fixing potholes in roads. On tax, the Conservative manifesto pledges to raise the national insurance threshold to £9500 from next year, and that there will be no rises in rates of income tax, national insurance or VAT. The pre-manifesto pledge to allow more borrowing for infrastructure projects has also been confirmed, with capital spend rising from £3.2bn next year to £8bn by the end of the next parliamentary session, including an aim to increase spend to make social housing more energy efficient. There is also a reaffirmation of the party's pledge to make the UK a carbon-neutral country by 2050, with the attendant spending on renewable energy and associated technology.



The Labour manifesto sees the highest level of promised spend of all the parties, with Labour costing their pledges at £82.9bn. As have the Conservatives, Labour have proposed a redefinition of the rules around government borrowing – considering overall 'public sector net worth', i.e. the value of the UK's assets, instead of the national debt – to allow for this increased spend. Among the major announcement are an £11bn 'windfall tax' on the oil and gas industry, and a £9bn a year tax on financial transactions (i.e., the buying and selling of shares). Also announced are a new £10 minimum wage for all workers, and the obligation for companies to set aside 10% of their shares over ten years, to allow these to be collectively owned by employees.

In the public sector, Labour have pledged year-on-year above-inflation pay rises, beginning with a 5% increase. Healthcare has come into focus, with the proposal of a new 'National Care Service'. Nationalisation is a major element of Labour's plans, including the part-nationalisation of BT to deliver Labour's broadband

infrastructure plans and nationalisation of the energy supply arms of the 'big six' energy companies, alongside plans for postal services, water and the rail network. Energy infrastructure and efficiency are a key area of focus, given the aim for 'net zero' carbon emissions by the 2030s, managed through a £250bn 'green transformation fund'. Labour are also focussing on wider infrastructure plans, including plans to build 150,000 social homes by the end of parliament, with a commitment to the HS2 network, including extending it to Scotland.



The Liberal Democrats have also pledged a dramatic rise in public spending, costing their proposals at £62.9bn. Describing themselves as the party of 'fiscal rectitude', major pledges include a 1% rise in income tax, aiming to raise £7bn for the NHS and social care. The party have also announced a £130bn investment in public transport infrastructure, including a commitment to HS2, and the building of 300,000 new homes per year by 2024. The Liberal Democrats' target for net zero carbon emissions is 2045, with the aim of 80% of the UK's energy coming from renewable sources by 2030.

Of particular interest to smaller businesses is the Liberal Democrats' plan to replace business rates with a commercial landowner levy, applying to the overall land value of a commercial site rather than a calculation based on the buildings themselves. Additionally, corporation tax will be raised to 20%. Education and skills are also major areas of focus for the Liberal Democrats: in addition to the previously announced 'Skills Wallet' of £10,000 per person for adult learning and skills training, the party has stated an aim to recruit 20,000 more teachers in England. In addition, skills shortages in the defence sector would be tackled by giving graduates in STEM (science, technology, engineering and maths) subjects one-off payments of £10,000 to become Armed Forces engineers.



The manifesto pledges of the UK's other major political parties could prove highly important in the event that neither the Conservatives, the Labour Party nor the Liberal Democrats are able to form a majority government.

The Scottish National Party have reiterated a commitment to reducing carbon emissions and an investment in associated technologies and jobs, drawing on revenue from tax on offshore oil and gas. They have also stated a desire to push for a rise in NHS spend throughout the UK.

The Green Party pledge to cut carbon emissions to net zero by 2030, which they state would be delivered through £100bn a year of public spend. Alongside this would be significant investment in improving the energy efficiency of new and existing homes, and an increase in NHS spending.

Plaid Cymru have announced a £15bn 'Welsh Green Jobs Revolution', investing in improving sustainability and creating associated jobs, alongside spending £5bn on making homes more energy efficient. Plaid have also pledged publicly owned fast broadband by 2025, and investment in the rail network with the electrification of Wales' major train lines by 2030.

The Brexit Party have proposed that the UK no longer export any waste abroad, which would necessitate an investment in waste processing plants and associated jobs. They have also stated an aim to halt the HS2 rail link, and invest £50bn in other road and rail infrastructure.

The **Democratic Unionist Party** are also yet to publish their manifesto, but have similarly stated a commitment to the NHS and social care, with a pledge to embrace new technologies and AI and to improve mental health provision. They have also named a desire to revise the current business rates system.

Irrespective of where increased investment is made, there is always a corresponding increase in requirements to support it. For example, more nurses and police officers means a greater requirement for uniforms, catering, facilities management, payroll and HR solutions and other services. Investment into people usually requires investment into infrastructure – for example new buildings or the renovation and re-fit of existing premises – which in turn drives a fresh cycle of investment into furniture, IT equipment and other goods. These are all positive indicators for suppliers to these markets.

But what about Brexit?

The political parties' differing stances on the way in which the UK should leave the European Union – if at all – are not only major policy issues in their own right, but are also claimed by several of the parties as the basis of their other spending plans.

The Conservative Party would seek to implement the Withdrawal Agreement that Prime Minister Boris Johnson has previously negotiated with the EU. The party has stated that the terms of a trade deal with the EU will be negotiated in 2020, with the aim that the UK trades outside of the EU single market and any form of customs union. The Conservatives have also stated that there will be no extension to the transition period, during which time the UK will remain aligned with EU rules, beyond the end of 2020. The Cabinet Office has suggested a divergence of procurement rules from EU standards post-Brexit, with the aim of making it simpler for smaller firms to bid for local government contracts. Such changes may be dependent, however, on the terms of the future trading relationship with the EU, and the required alignment of terms.

Labour have stated they would negotiate a new Withdrawal Agreement with the EU within three months of coming to power and then put this Agreement to a legally

binding public referendum, with remaining in the EU as an alternative option. Labour's Agreement would aim for alignment with the EU single market and a UK-wide customs agreement with the EU, maintaining participation in EU funding schemes on science and the environment.

The Liberal Democrats have pledged to revoke Article 50 unilaterally, meaning the UK would remain in the EU under the same terms as previously. The party claim this would lead to a £50bn 'Remain bonus' to spend on public services.

The Brexit Party have stated they believe there should be no extension of the transition period, during which time the UK would remain aligned with EU rules, beyond the end of 2020.

The **SNP, Plaid Cymru** and **The Green Party** all favour another public referendum on EU membership.

The DUP have stated that they favour Brexit with a "sensible" Withdrawal Agreement, but have also made clear their opposition to the currently proposed Withdrawal Agreement.

Preparing for 2020

Ahead of a General Election, purdah – typically a six-week period before the vote – means there are strict conditions around what civil servants, who must be politically impartial, can do or say. This includes making announcements about any new government initiatives or policies, and equally being critical of any activities. However, while Parliament is currently in mothballs, the business of delivering public services continues. Even without a General Election and plans for increased investment, November and December are important months for suppliers to the public sector.

The timing of this General Election is unusual, as it is the first to be held in December since 1923. This is advantageous for business with the public sector, since any distraction caused by the election will be absorbed within the usual frenetic run-up to Christmas.

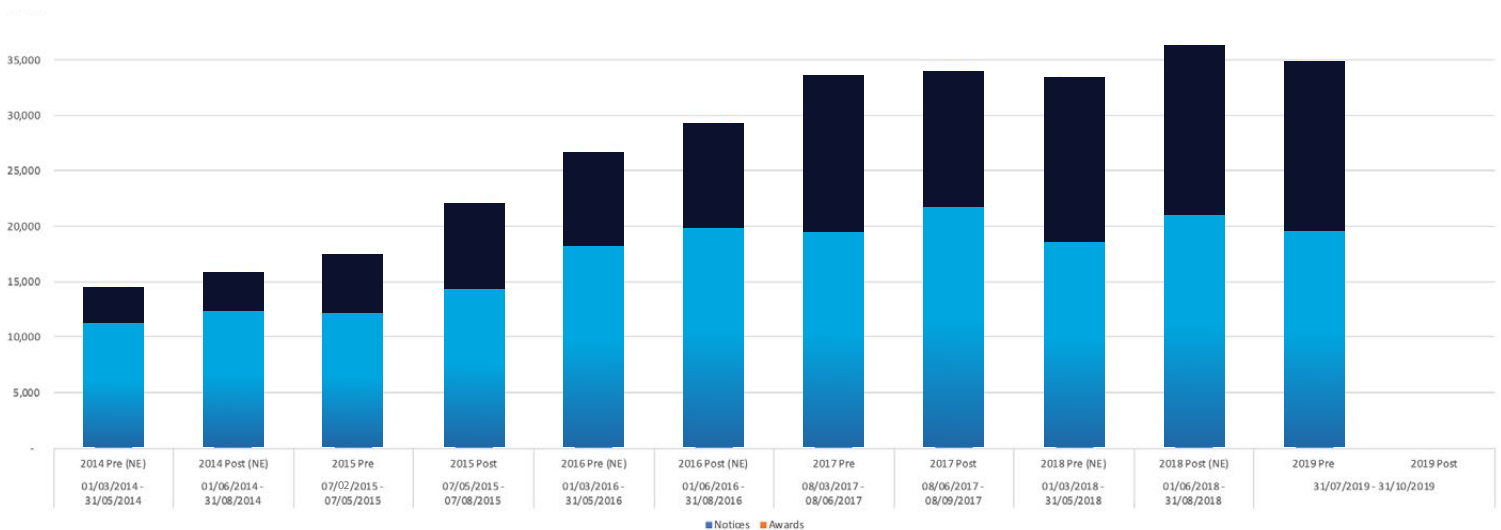
In any case, BiP Solutions’ research into contract notice activity during the last two General Elections (7 May 2015 and 8 June 2017) reveals that there was no significant downturn in the volume of new notices published immediately prior to

polling day, compared to that in non-election years. The 2015 and 2017 elections happened at a similar time of year – so a similar degree of seasonality can be applied. The volume of notices published in each three-month pre-election period was lower than in each three-month post-election period, by 9% and 15% respectively. However, in the non-election years of 2014, 2016 and 2018, the same three-month periods saw variances of 9%, 10% and 11% to the second three-month periods, respectively. A case could be made for 2015 being a slightly higher variance than might be expected (15% versus an average of 11%) – but this is not in itself substantial. The austerity measures in place at that time may also have impacted on the volume of new notices published.

2015 and 2017

No significant reduction in the volume of new notices published prior to polling day in each of these election years – but on both occasions an increase afterwards

Volume of Notices and Awards in Election and Non-Election Years



"NE" is a non-election year.

Our research also shows that 60% more contract notices were published in the three months prior to the 2017 election than in the same period in 2015, and 54% more in the three months post-election in 2017, versus the same period in 2015.

And since 2017, the overall volume of contract notices published has continued to increase. The 2019 election takes place in a completely different season to both 2015 and 2017, but we anticipate it will have no more of a bearing on pre-election contract notice volumes as a consequence.

December is a critically important time for suppliers to ready themselves for an upturn in notices in the following three months. Again, BiP's research shows that there is a consistent uplift in the first quarter of the calendar year – caused by

notices being held over from the period between Christmas and New Year, and public sector organisations committing budget before the end of their financial year.

Smart suppliers use December to research potential future opportunities and build their engagement strategies while their competitors are hibernating.

With an array of intelligence available – including insight into spend patterns, contract awards, recurring requirements and framework call-offs – subscribers to BiP's business intelligence services are well equipped to reap the benefits of the first quarter upturn. That benefit is further increased by engaging early with the organisations that will have more requirements (and spend) as a result of the election pledges being made.



The Power of Procurement

The major themes that have driven public procurement over the last year look set to continue into 2020 and develop into new areas. Below, based on our latest market intelligence, we outline some of the key themes driving the market, and how you can maximise your opportunities through focus on these areas.

Social Value

Social value has existed as a theme within public procurement since the Public Services (Social Value) Act 2012 first required contracting authorities to consider how the economic, environmental and social wellbeing of a local area could be improved via effective procurement. Enlightened buyers were already aware of how procurement could advance this cause before the Act was passed. Since then, awareness of social value and responsible, sustainable procurement has certainly increased – but its application has been inconsistent. Suppliers are expected to demonstrate how they will deliver social value within the tendering process and beyond, and this has become

an important point of differentiation for buyers to consider when reviewing bids. Examples of social value initiatives are wide ranging, from apprenticeship opportunities to the provision of facilities for community groups. Increasingly, procurement decisions will be made on the basis of cost, quality and additional social value. Learn more about how to maximise social value in the upcoming webinars from the Procurement Advice and Support Service (PASS) on 11 December, for the **public sector** and **private sector**.



Focus on Innovation

The citizens of the UK are demanding more than ever before of their public services. Expectations of what good service looks like – whether the provision of healthcare or education services, public transport or social care – are rising. We live in a highly connected, digitally enabled world, where services are expected to be customer-centric, seamless and environment friendly. This, allied to a growing (and ageing) population, is creating new challenges for those designing, commissioning and procuring public services. The answers to the challenges can often be found in the supply chain, and government is increasingly turning to SMEs to find solutions – particularly in areas such as technology, digital and social care. SMEs may have greater agility and responsiveness than larger companies, enabling them to deliver innovative solutions more quickly. It is therefore by no means the case that major contracts entail smaller companies being 'locked out'. To explore the tender opportunities available for SMEs, beginning with free alerts for a specific area, visit the [Supply2Gov](#) website.



Supply Chain Transparency and SME Engagement

Alongside the wider commitment to social value, ensuring that supply chains are accessible, as transparent as possible and free from corruption or modern slavery is increasingly important. While these may sound abstract issues, they are more prevalent than may be expected; for example, the Government estimates that around 13,000 people in the UK work in slavery-like conditions, and the global nature of many supply chains means that the extent of such practices can be hard to trace. However, tackling such issues is important in terms of cost-effectiveness, ensuring the best available supplier fulfils the contract, and because end-users are demanding it. As Mark Roberts, Continuous Commercial Improvement Director at the Cabinet Office, said at the Procurex National event earlier this year, “we live in the most transparent age in history” – suggesting that it will become increasingly apparent to suppliers if supply chains are not free of issues.

Additionally, the increased focus on transparency within public procurement emphasises the importance of making opportunities available to more businesses throughout the entire supply chain. The disaggregation of opportunities, and greater visibility of which buyers are opening up their supply chains, will mean more opportunities for a wider range of businesses, including SMEs. The [CompeteFor](#) portal opens

up supply chain opportunities in major capital projects to companies such as SMEs that may not find such opportunities accessible otherwise – benefiting both buyers and suppliers.



Early Engagement

Early engagement – making contact ahead of the formal beginning of the tendering process – is increasingly important in a competitive market. By making contact with public sector buyers earlier, suppliers stand to position themselves as influencers and thought leaders, setting them apart from competitors. Once there is a relationship with a buyer, there is even the possibility of helping to shape the procurement requirement. Early engagement is also important for buying organisations too, enabling them to understand the market in depth, gain the best knowledge of the range of solutions that exist, and ensure they are aware of the situation throughout the supply chain. In a recent iGov survey, 'Brexit: Challenges and Opportunities for Public Sector Buyers', 61% of public sector respondents described “supply chain disruption impacting on quality and delivery of services” as one of their major concerns around Brexit and their organisation’s future plans.* It is therefore essential that buyers gain as much knowledge as possible of the market ahead of the tendering process.



Mark Roberts speaking at Procurex National 2019



Tracker Intelligence offers access to the largest public sector tenders and awards database in Europe. This detailed business intelligence solution includes details of previous contracts, accessible through features like Spend Analysis and Archive Data, which can help businesses understand what buyers are spending, where, and who they have done business with before, allowing for an early understanding of requirements.



Defence Contracts International provide a market intelligence service specifically for those keen to tap into the defence market, helping thousands of suppliers of all sizes to win UK and international tenders. DCI's range of features can help you engage earlier, be more competitive and sell more effectively to support your business growth at every level, whether you are an SME relatively new to working with the defence sector or a multinational company looking for deeper market insight.



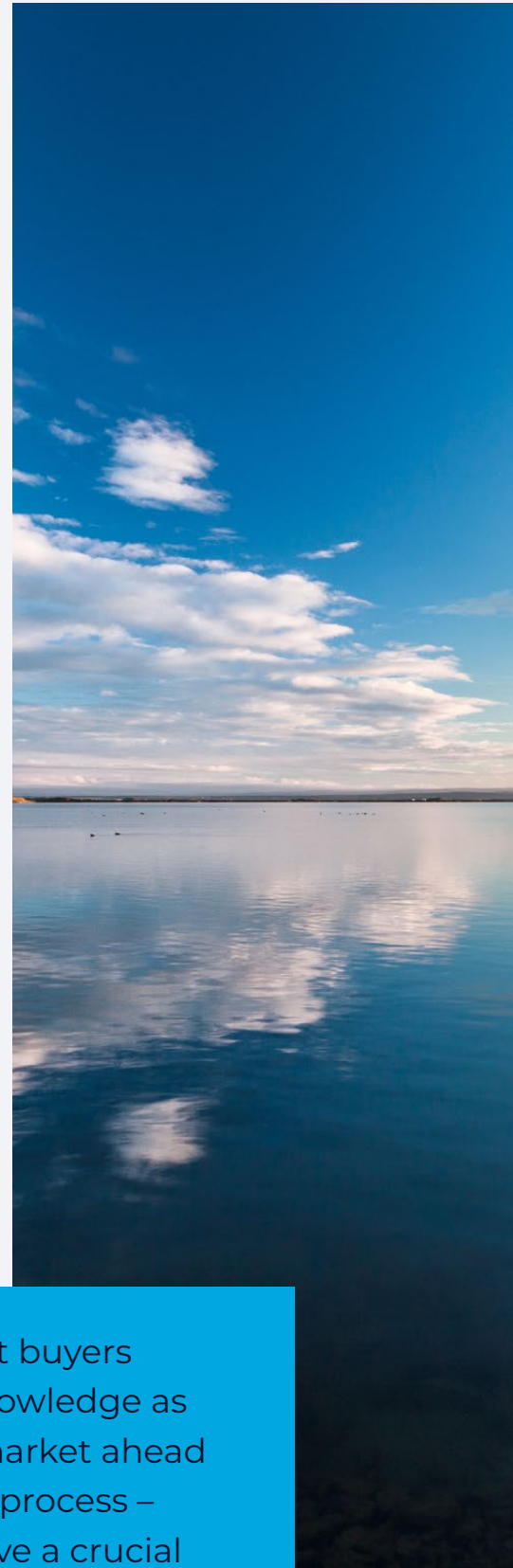
Meanwhile, access to the **Ingenium** data community, including every public sector decision maker in the UK, is available through Market Engagement's range of digital marketing solutions, allowing suppliers to begin conversations with buyers well in advance of the tendering process, helping relationships develop.

Market Management

Public sector buyers are increasingly aware of the need to understand their supply base in more detail than ever before. In part, this is to identify opportunities to improve efficiencies, to work with a wider range of suppliers to maximise the value that exists in the market, and to take advantage of the opportunities afforded by, for example, innovative SMEs. Yet market management is also essential in avoiding a similar situation to the collapse of Carillion, where the folding of a major contractor takes the subsequent supply chain with it. **Delta eSourcing's** all-in-one solution allows buyers to manage every stage of the procurement process and supply chain, with a Supplier Management tool that allows for closer and more detailed interactions with both new and existing suppliers from a central hub. This makes it easier to check suppliers' credentials and to assess the health of the supplier ecosystem.



It is essential that buyers gain as much knowledge as possible of the market ahead of the tendering process – and suppliers have a crucial role to play in this.





Keep up to date

While there are many areas of significant opportunity within the public sector, the market remains in flux. It is therefore important to remain aware of the changing shape of the public sector and the factors that will continue to influence procurement.

BiP Solutions is at the heart of bringing buyers and suppliers together and offers a range of ways for you to keep abreast of the latest conversations and news. As well as a number of innovative digital solutions, as detailed above, our monthly **BiP Inform** series of reports details the latest information on spending trends in Central and Local Government and Healthcare. The reports include statistics detailing the organisations with the highest awards values; the suppliers who have won the most and the largest contracts; the regions of the country that are awarding the most contracts and their total combined value; and more.

BiP Solutions also hosts a range of events bringing buyers and suppliers face to face to have conversations outside of the usual procurement life-cycle, and to learn at a range of inspiring talks and training sessions delivered by subject-matter experts. As well as the recent **Procurex Scotland** event on 29 October, the Procurex family of events includes the forthcoming **Procurex Wales** and **Procurex National** events, to be held in Cardiff on 18 March and Birmingham on 22 April, respectively. Meanwhile, P4H, dedicated to healthcare procurement, includes events in **Edinburgh** on 28 April and **Birmingham** on 2 July.

Our most recent event was the **Local Government Procurement Expo**, which took place on 28 November at the Novotel London West, Hammersmith. Follow **BiP Solutions** on LinkedIn to see highlights from the day's events.

As the situation around Brexit continues to develop, our dedicated **Brexit** resources page is regularly updated to ensure the latest news and guidance is available and accessible.

This is an exciting time to be supplying to the public sector. Changes on political, technological, social and economic fronts are creating fresh challenges and opportunities. As 2019 draws to a close, smart suppliers will be working hard on preparations for new investment into public services, in 2020 and beyond.

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