

tracker

Public Sector Key Market Drivers for 2024



Intro

The public sector market landscape is more competitive than ever and this has a direct impact on companies looking to do business with government.

This report provides key insights into the drivers affecting the market so that companies can understand how they can become more effective and successful.



"The public sector market is worth more than £390bn annually, making it an incredible opportunity for all shapes and sizes of business. However, with multiple challenges and a backdrop of change, it's more important than ever that suppliers understand what's driving the market and how they can become better partners to their public sector clients."

Grahame Steed – Director, Public Policy and Research at BiP Solutions Ltd.

This report will give insights into:

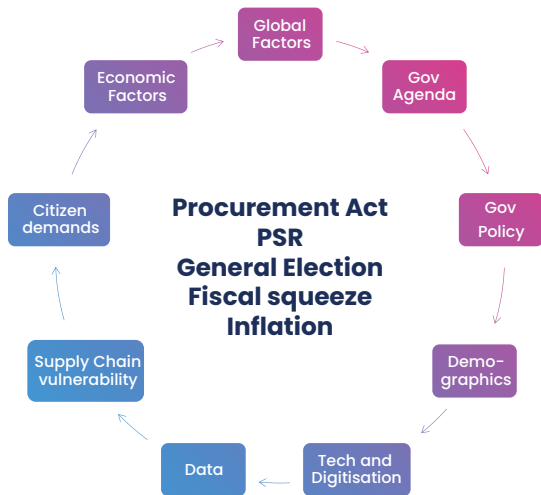
- Market drivers
- The current and evolving market landscape
- Who is buying and what is being bought
- An overview of current notices and frameworks
- Market competitiveness
- A deep dive on the market drivers impacting 2024 and beyond.

This report is powered by Market Analytics, which gives you access to powerful reports that allow you to discover real-time market insights and identify key competitors in the easiest way possible.

- Futureproof the success of your bids and make data-driven decisions.
- Understand trends in your market with powerful analytics and keep an eye on new market entrants and potential customers.

Market Drivers

There are several key factors driving the market landscape, with the Procurement Act and the current economic picture – and not least inflation and high interest rates – being particularly powerful drivers.



The Procurement Act, which is expected to come into effect in October this year, will have a huge impact on the industry and represents both challenge and significant opportunity to improve how procurement is delivered.

The economic picture also remains unsettled. While inflation is now well below its peak from 2022, and could fall to the 2% Bank of England target this year, there are likely to be bumps on the road, and interest rates remain at a 16-year high, with the Bank likely to wait for firm evidence of lower inflation before reducing them.

In turn, this will continue to affect the budgets of public sector buyers already under strain from the general fiscal squeeze, while gaps also remain in the procurement capacity of buyers who are trying to fill roles in the procurement teams.

With a General Election on the horizon, the political landscape will also have a knock-on effect on the market landscape – companies need to be ready to deal with the changes these market drivers will bring.

Market Landscape

There is continuing evidence of the public sector marketplace becoming more competitive.

Our data compares contracting activity in 2022 and 2023. We can see that the volume of contract notices has reduced by 17.9%, but award notices have increased by 5.6%.

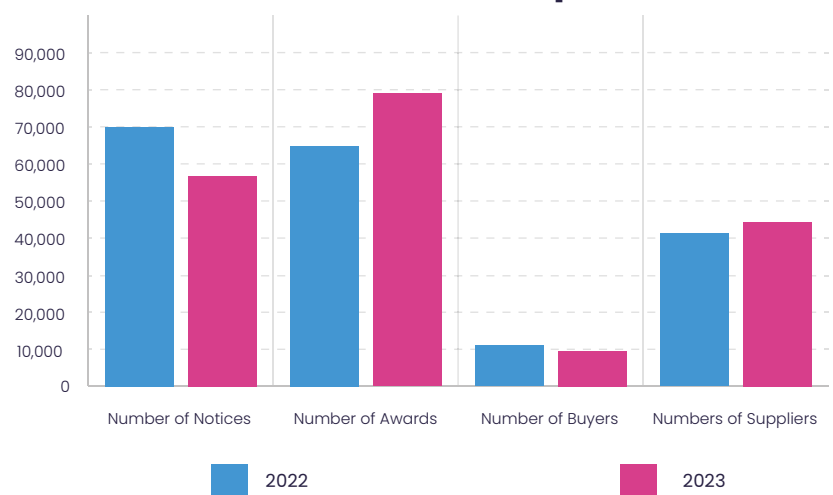
The reduction in notices is partly driven by an increase in the use of framework contracts from 11.1% of total notices published to 17.7%. More awards being published is good news for transparency and future pipeline build.

The number of unique buying organisations during this period has reduced by 16.8%, but suppliers have increased by 8%.

This demonstrates continuing evidence of a more competitive market, potentially more buyer collaboration and framework business.

**Are you on the front foot in this competitive environment?
Visit Tracker to find out how we can help you win more contracts in 2024.**

Market Landscape



Who's Buying

Buyer Type (analysis)

Buyer Type	Contracts	Contracts percentages	Buyers	Suppliers	Value
Local Government	50,675	37.041%	1,143	19,536	341,815,289,546
Central Government	26,761	19.561%	1,181	9,490	682,042,248,555
Health	16,968	12.403%	1,162	7,897	252,470,687,841
Education	13,269	9.699%	1,987	5,689	38,581,722,915
Other	12,653	9.249%	3,372	4,643	98,010,322,674
Housing	4,893	3.577%	612	2,419	86,486,025,667
Defence	3,671	2.683%	136	1,351	62,988,242,654
Emergency Services	2,987	2.183%	266	1,266	7,174,732,956
Transport	2,785	2.036%	171	823	69,499,018,050
Utilities	1,969	1.439%	159	936	111,299,292,233
Consultancy	178	0.13%	58	148	3,347,496,573

In 2023, local government was once again the most active sector by volume of contract notices published and was responsible for 37% of all notices published between Jan- 2023 and January 2024, a slight increase from the previous year.

Interestingly, central government published half the volume of local government, but was responsible for over £360 billion more spend. This is perhaps unsurprising given that central government is responsible for many large-scale projects while local government also publishes many lower-value notices for small-scale, very local requirements.

Utilities has the fourth highest total contract value from just 1.4% of contract notices, while over £4 billion was spent on consultancy and professional services from 207 contract notices.

In the defence sector, while the volume of the notices relative to the value is fairly low, a lot of MOD contracts are let with a small number of strategic suppliers, who then go on to sub-contract their work, thus skewing the notice volume, but the value of the market remains high.

What's Being Bought

Continues to be a highly diverse and consistent marketplace.

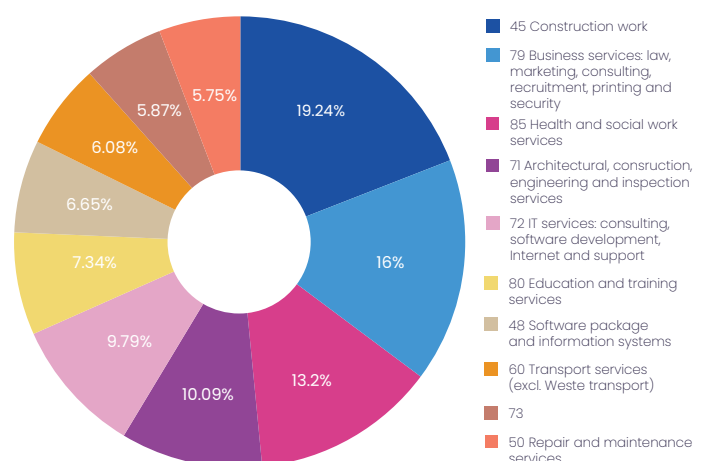
With regards to what's being bought, infrastructure and construction notices dominate in terms of volume, but the overall market is highly diverse.

The value in other sectors is still high, and we can see the businesses services sector is showing promising growth potential, in part due to the Procurement Act.

Health and social work, education and IT services all continue to be high value sectors, with the overall picture remaining consistent with previous years.

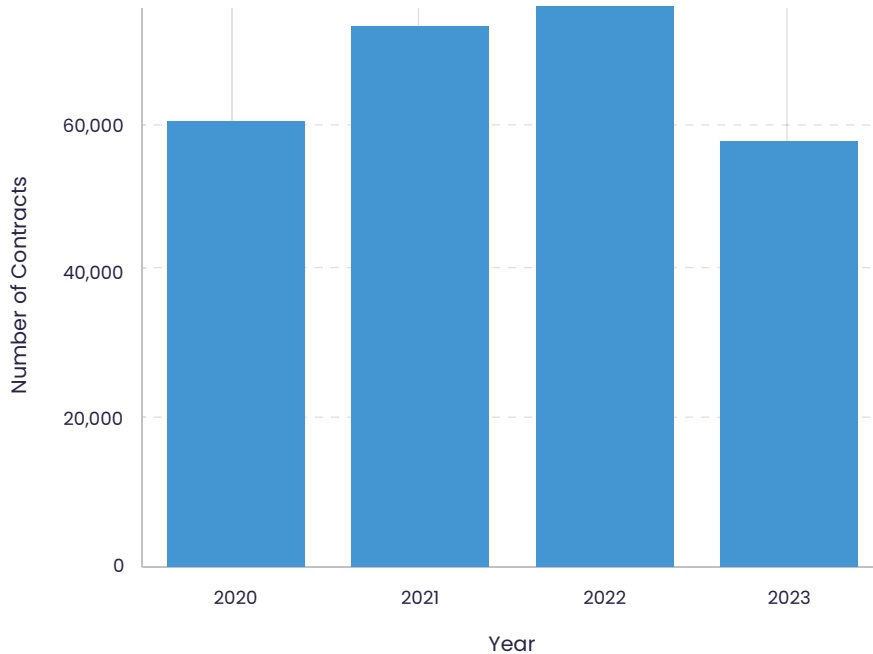
As Government services continue to digitise, however, IT services are likely to be an area of notable growth.

CPV Divisions (breakdown) - top 10



Notices and Awards

Number of contracts per year



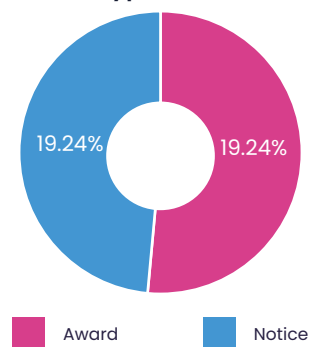
Total award value is likely to exceed 2022 based on trends.

The volume of notices in 2023 is tracking to be slightly less than 2022, but in line with the volume from 2021 and far ahead of 2020, continuing to demonstrate the competitive landscape.

While the volume may have dipped, the value of the notices rose significantly, with the median notice value in 2023 higher than in any of the previous three years.

There will likely be more Awards published than in prior years – total award value is likely to exceed 2022 based on trends.

Contract Type (breakdown)



Engage early with Tracker

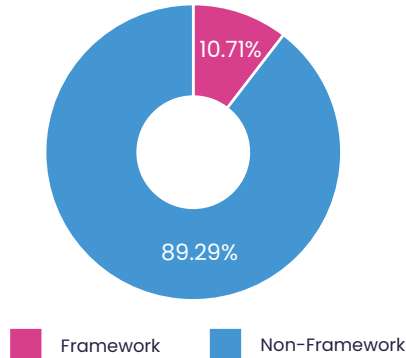
The contract and award information accessible via the Tracker platform is extensive, helping you to understand past acquisitions, which will empower you to spot potential opportunities through access to five years of contract and award notices.

With Tracker, you can engage early with quick and easy access to key buyers, allowing you to build positive relationships and influence the contract requirements.

[Find out more here](#)

Frameworks

2022
Framework Agreement (breakdown)



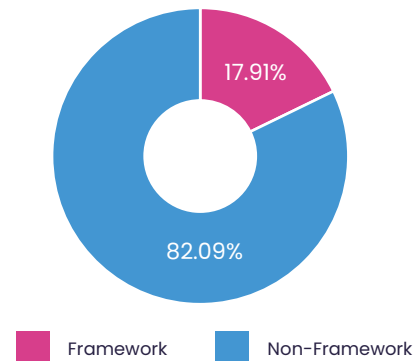
The growth in the use of frameworks continues, with significant increase between January 2023 and January 2024 (6.56%).

Our analysis of framework awards shows the high relative value of frameworks. In 2023, frameworks accounted for 17.7% of notice volume but 64% of award value.

This means that 36% of suppliers – those with places on a framework – had access to more than 64% of the total value of framework awards published in 2023.

Frameworks tend to be for larger, longer and more complex requirements (although not always), and their upward trend may continue going forward, owing to the greater efficiency they provide when buying at scale and the greater collaboration between organisations that frameworks can facilitate.

2023
Framework Agreement (breakdown)



It is essential for suppliers to track and engage with frameworks.

On a framework?

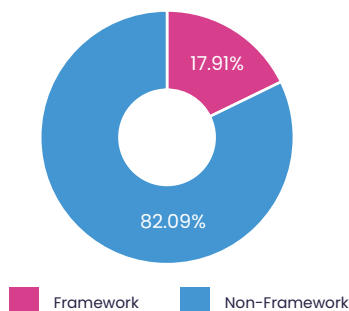
Congratulations – make sure you promote your position as a framework supplier to ensure you win business.

Not on a framework?

Make sure you track expiry/renewal and new relevant frameworks, as you cannot access certain contracts until those frameworks end and are re-let.

Non Frameworks

Framework Agreement (breakdown)



With Tracker, we offer you instant visibility of potential private sector leads, public sector framework opportunities and pipeline contracts from local authorities and organisations.

This allows you to build a proactive lead pipeline across the public and private sector and keep one step ahead of the competition.

**Grow your revenue. Increase your market share.
Get a return on your investment.**

Market Competitiveness

Market Competitiveness



In 2023 there were 15.7% fewer buyer organisations and 6.9% more supplier organisations. This brings the supplier/buyer ratio to 4.52:1 – it was previously 3.56:1.

What has happened?

It could be because of the higher number of multi-lot framework awards along with the timing of contract cycles, but it could also be down to a greater interest from suppliers in working with the public sector to build and diversify their revenue streams.

Consequently, the increased competitiveness of the market means suppliers need to work harder to win more business, whether that's through building their social value and sustainability credentials, gaining accreditations, or early market engagement to build closer relationships with buyers.

Early engagement and relationship building are more important than ever.

Get access to key procurement decision makers ahead of the contract start date and influence your strategic direction of travel through connecting with the right buyers and growing your network.

[Find out more here](#)

Key Market Drivers

Procurement Act

With the implementation of the Procurement Act coming in October 2024, the transition has already begun.

What might buyers do over the next 8 months regarding existing and new procurements?

- Accelerate – get contracts out under the existing regulations (fewer forms, fewer transparency requirements).
- Delay – get contracts out under the new regulations (more flexibility, commercial freedoms).

Other key considerations:

- Seven procedures are being consolidated to four – but there are 13 new notice types for buyers to use and for suppliers to understand.
- Pipeline notices are good for suppliers planning their sales approach.
- There will be increased focus on Market Engagement from buyers – diversity/innovation.
- Significant focus on contract management – increased rigour, driving for value.
- Social value and sustainability – not a big part of the Act directly, but better enabled by it.

Keep an eye out for future webinars on The Procurement Act and other interesting topics.

General Election

- The General Election is set to be late 2024 – early 2025.
- There will be a focus on manifestos – What are the leading parties planning with regards to government spending and investment?
- The state of public finances and public infrastructure are likely to be a core theme.
- Regardless of new policies and priorities, the effects of a possible new government are likely to take time to filter through in public procurement.
- The Procurement Act is due to go live in October 2024, a date which may be affected by an election.

Other Market Drivers

- Artificial Intelligence (AI) is continuing to see greater growth in public procurement as the technology becomes more accessible than ever.
- For buyers, AI may be able to assist with bid evaluation, risk assessments, and running predictive modelling to assess market engagement approaches.
- For suppliers, Generative AI could support bid responses and lower the barrier entry for smaller businesses, but may not be suited for all procurements, and could put greater burdens on buyers when assessing bids.

Summary

The market remains a diverse and dynamic place, but also a relatively consistent one. While we detect a shift in market competitiveness, there are still many buyers, and even more suppliers.

The use of frameworks continues to increase, suggesting a greater emphasis on efficiency and a higher number of contracts with more complex requirements. There is ongoing turbulence in procurement and other decision-making functions as procurement teams attempt to mitigate staffing gaps while economic and budgetary pressures continue to bite.

The Procurement Act will be a major disrupter – but there is potential for good, with a greater focus on market engagement from buyers to bring more diversity and innovation in their supply chains.

The General Election will affect the market this year – the question is when and by how much?

Furthermore, new technologies such as AI will continue to change the way procurement is conducted.

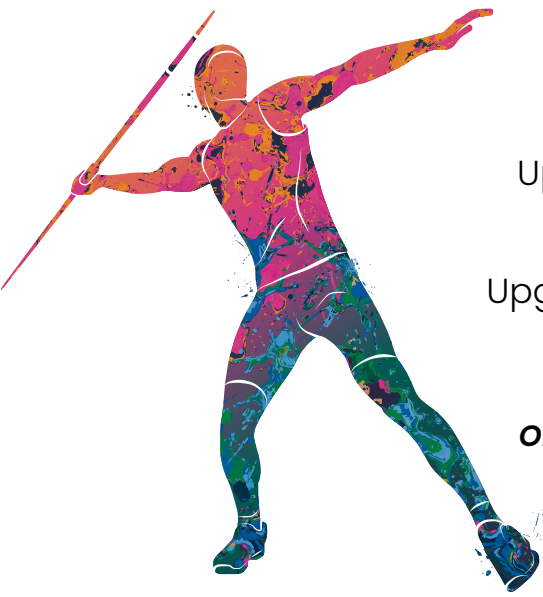
Ready to unlock new opportunities in your industry?

Contact the Tracker team today to schedule a free demonstration and see how we can help you win more public sector contracts in 2024.

Regards,
The Tracker Team



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Upgrade to Market Analytics Core for **FREE** when you buy Tracker Classic.

Upgrade to Commercial Projects for **FREE** when you buy Tracker Complete.

Offer ends 29th February 2024. Terms and Conditions apply

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The Procurement Act Expo

Come see us at Market Engagement Hub



Have you got your tickets to the Procurement Act Expo, on Tuesday 12th March at the NEC Birmingham?

We'll be there showcasing how Tracker can help you win more business through access to tailored public sector opportunities, competitor insights and market analysis with our cutting-edge end-to-end business intelligence platform.

Tickets are extremely limited

Get your tickets here and use code

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for 10% off ticket price.