

JANUARY 2022

2021 Year in Review

Public Procurement:
The New Normal?

tussell^o

Trusted Insight on Government
Contracts and Spend



Introduction

2021 was meant to be the year that things returned to normal. A year of putting the pandemic behind us and getting back to business.

But what really happened in UK public procurement?

- Although Covid had a lesser impact on day-to-day procurement than it did in 2020, it still accounted for more than 10% of the total value of public sector contracts awarded last year.
- The volume of opportunities and procurement spending are both up, highlighting the government's hands-on role in the UK's economic recovery.
- The number of frameworks increased even further, emphasising the importance of these agreements as a route to market for new and existing suppliers.

In this report, we take a detailed look at the year of recovery and reflect on the 'new normal' for public sector procurement in 2021.



About the data

All the data in this report is drawn from our database of UK public sector procurement and spending.

We used three datasets to complete our analysis. All are drawn from official open data published by the government.

- **Opportunities** – pre-information notices and invitations to tender
- **Contracts** – contract award notices
- **Spend** – invoices paid

Data on public sector opportunities and contracts is drawn from Contracts Finder, Find a Tender, Tenders Electronic Daily (the EU portal), and c. 70 other smaller portals.

Spend data comes from transparency documents published by over 900 different public sector bodies. Due to a lag in them publishing the data, we have analysed spending between September 2020 and August 2021 and applied the same time period when making year-on-year comparisons.

Analysis of contracts is based on calendar years.

We combined the procurement and spend data with company information from Companies House and Moody's Analytics, which allowed us to analyse procurement by company sector.

For more information email contact@tussell.com or [visit our website](#).

In 2021



2,200 public bodies
awarded **66,000 contracts**



worth **£124bn** (including
£15bn Covid-19 related contracts)



to **26,000 suppliers**
(of which 17,000 were SMEs)



and created
2,500 frameworks

Compared to 2020



Number of published public sector
opportunities **increased**
by 46% to **41,000**



Total value of contracts awarded
decreased by 1%
to **£124bn**



Procurement spending
increased by 7%
to **£173bn**

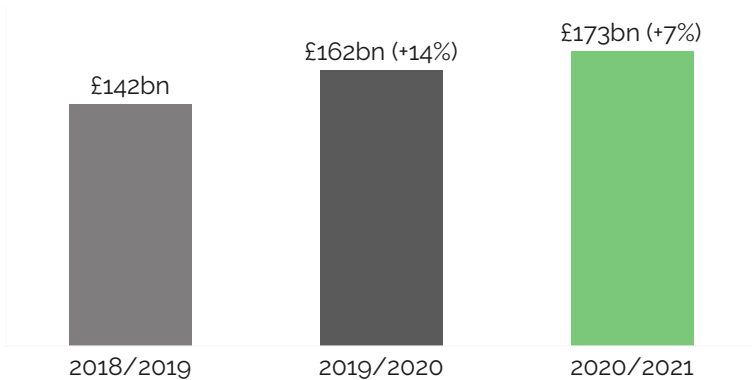
In 2022



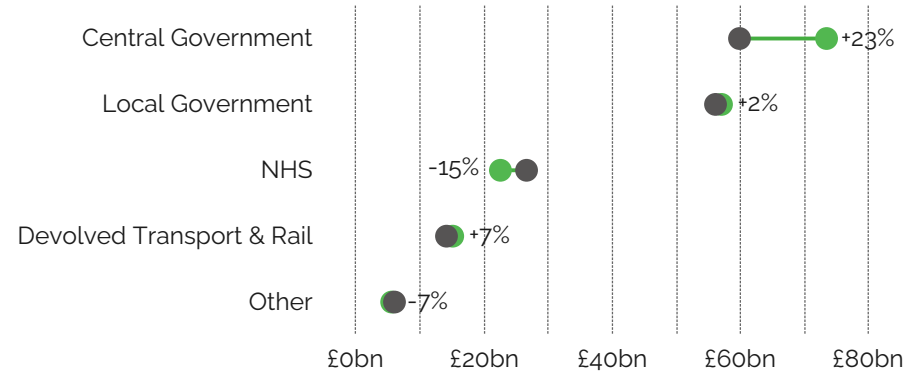
£19bn worth of contracts
for services will be expiring

Increase in spending, with Central Government up more than 20%

Spending **Sep 2020 - Aug 2021** and **2 years prior**



Spending **Sep 2020 - Aug 2021** and **12 months prior** change, by buyer category



Overall spending on procurement increased by 7% in 2020/21 (Sep 20 – Aug 21) compared to the prior 12 months, with the increase coming primarily from Central Government.

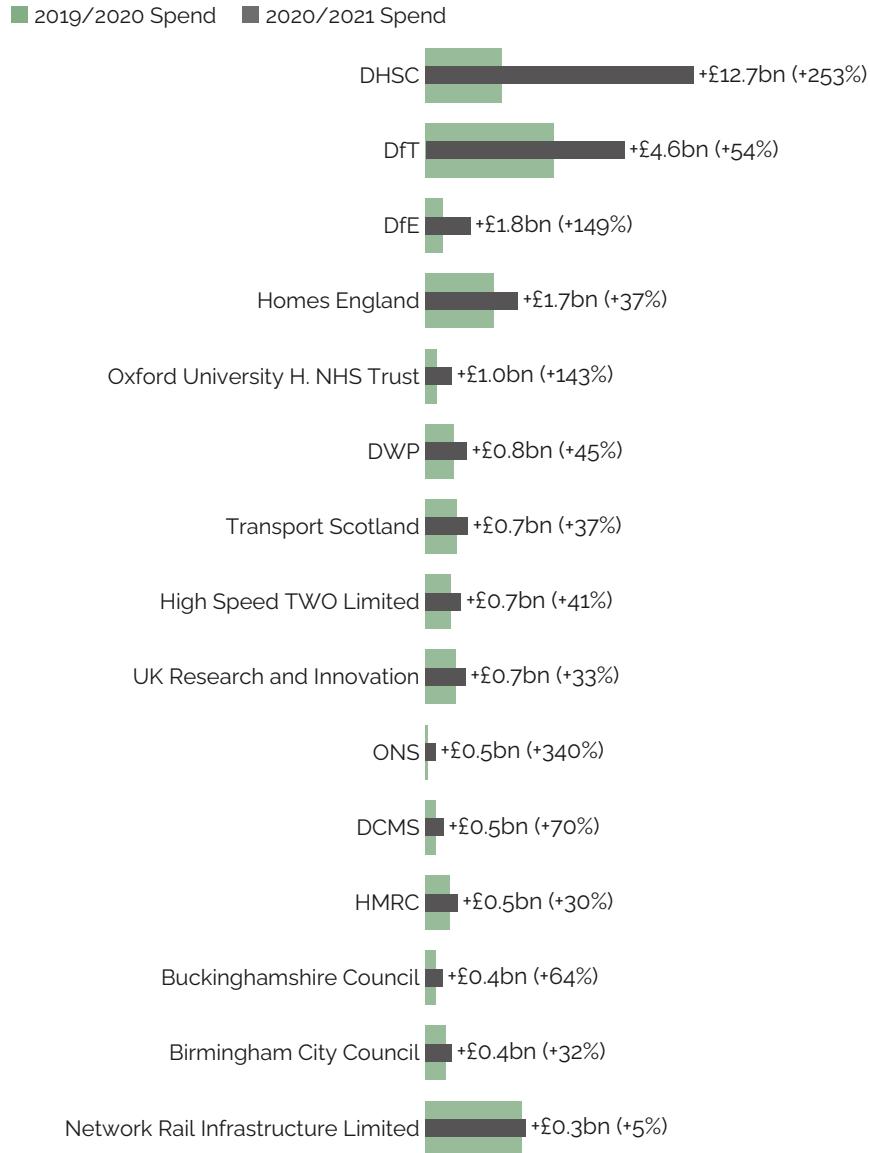
As the pandemic drags on, it remains a major component of procurement spending, with the Department for Health and Social Care (DHSC) tripling its procurement spending in 2020/21 to £18bn.

NHS spending overall fell by the greatest amount. There was no one single contributor to the decrease in spending. Instead, it can be attributed to the majority of NHS buyers spending less than during the peak of the pandemic in early 2020.

Although NHS spending overall has fallen, there have been some large increases in procurement spending from individual trusts, such as the Oxford University Hospital NHS Foundation whose outlay has more than doubled, up 143% to £1.8bn.

Local Government saw a modest 2% increase, while Devolved Transport & Rail procurement spending grew by 7%.

Top buyers by increase in spend in Sep 2020 - Aug 2021



Changes in spending highlight shifting priorities

Changes in spending from Sep 20 – Aug 21 are a good example of how dynamic public sector procurement can be. Increased spending by contracting authorities is evidence of changing budgets and/or a focus on emerging priorities.

For example, the DHSC spent almost £13bn more in 2020/21 compared to the 12 months prior, almost exclusively in response to the pandemic. The DfE also saw considerable growth due to the procurement of laptops for millions of schoolchildren during lockdown, while the ONS spent heavily with a key supplier, Iqvia, to help collect data on infection rates.

In transport, DfT spending grew substantially due to the award of multiple rail contracts, while the continuation of HS2 resulted in a 41% increase in procurement spending.

In Local Government, Birmingham City Council and Buckinghamshire Council focused on building projects, spending more than £300m extra with construction suppliers in 2020/21 than the 12 months prior, while Homes for England spent the majority of its £1.7bn increase with homebuilders.

Top suppliers by sector

Wates was the biggest construction supplier. Two Kier subsidiaries that occupied second and third spot in previous years have been replaced by Costain - whose public sector revenue more than doubled - and Bam Nuttall.

BAE Systems remains the largest manufacturing supplier, up 10% from the prior year. The group, including all subsidiaries, won 58 contracts from [the MOD](#) in 2021 alone, worth £1.1bn. It also received multiple contracts from the DHSC for platform support for the track & trace system.

Capita was once again the biggest IT supplier, despite a 26% contraction in public sector earnings.

The most notable new entry is Great Western Railway, going straight to first position in the Transportation and Storage sector, due to the award of a rail franchise agreement from the Department for Transport.

Spending with top suppliers by sector Sep 2020 – Aug 2021 (with change from 12 months prior)



Construction

1	Wates Construction	£469m	+ 9%
2	Costain	£401m	+ 143%
3	Bam Nuttall	£386m	+ 25%



Professional, scientific and technical services

1	Serco	£1.2bn	+ 78%
2	Deloitte	£476m	+ 71%
3	Sodexo	£405m	+ 120%



Transportation and storage

1	Great Western Railway	£1.3bn	+ 126.654%
2	First Trenitalia West Coast Rail	£908m	+ 44%
3	First MTR South Western Trains	£796m	+ 24%



Manufacturing

1	BAE Systems Surface Ships	£784m	+ 10%
2	Life Technologies	£727m	+ 1,839%
3	Siemens Mobility	£368m	+ 44%



Health and social work

1	The Hospital Company	£1bn	+ 112%
2	Ochre Solutions	£337m	+ 259%
3	Spire Healthcare	£300m	- 8%



Administrative and support services

1	Pulse Healthcare	£581m	+ 61%
2	Alexander Mann	£574m	+ 86%
3	Matrix SCM	£413m	- 18%



Information and communication

1	Capita	£620m	- 26%
2	Atos IT	£523m	- 12%
3	Capgemini	£480m	- 11%



Waste and Recycling

1	Suez Recycling and Recovery	£319m	- 1%
2	Kier Integrated Services	£114m	- 18%
3	Biffa Municipal	£106m	- 2%

Suppliers outside the capital had greatest growth

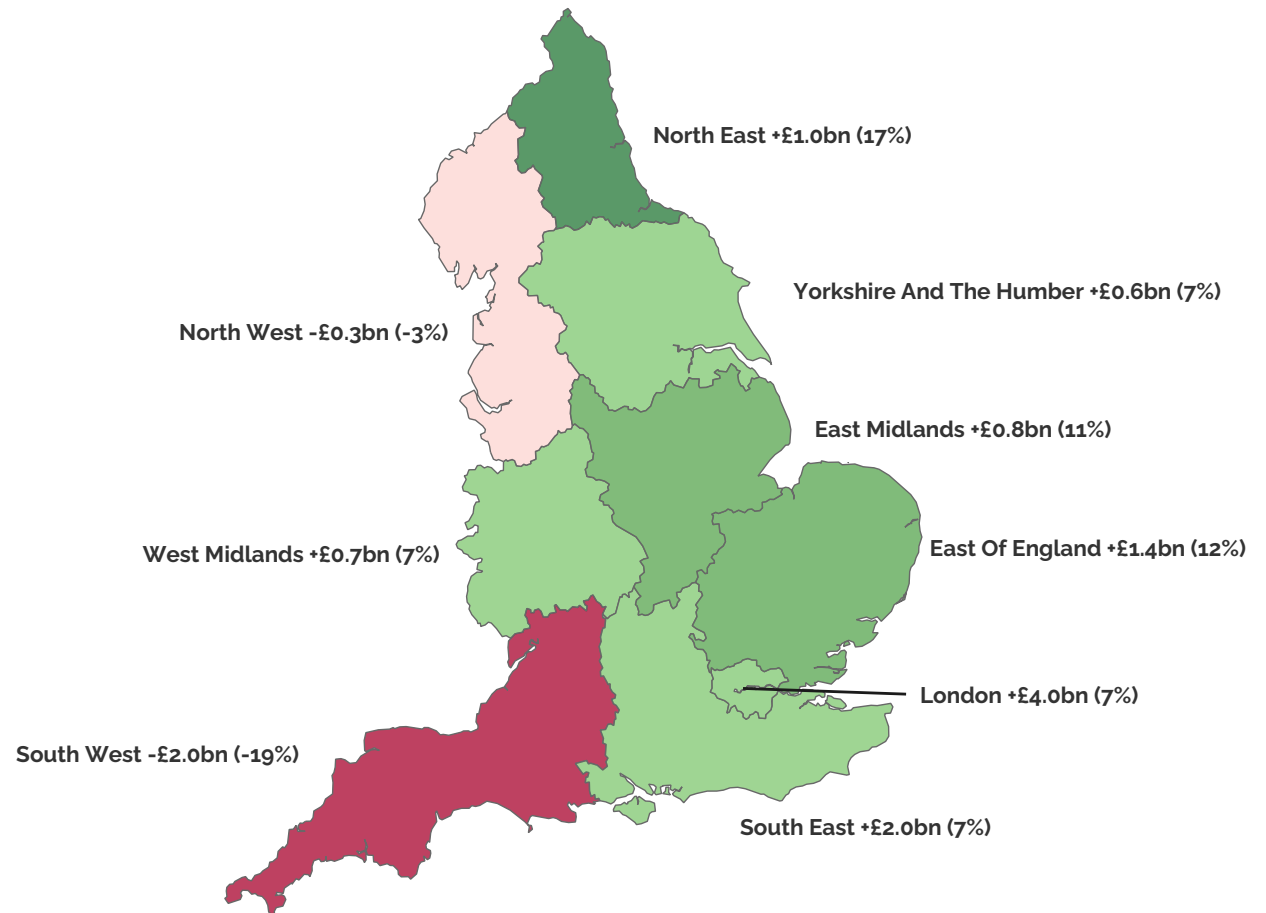
Levelling up was frequently on the agenda in 2021.

Although procurement spending is only part of overall government expenditure, it can be used to provide insight into how suppliers in different regions have benefited from public money (which is why we conducted a [detailed regional analysis](#) earlier this year).

Overall, suppliers in regions outside of London had equal or faster growth in procurement income.

The South West is the main outlier to this trend due to income being allocated to another part of the Great Western Rail company located in the South East. The previous revenue was allocated to its South West office.

Growth in procurement income received by suppliers in English regions between **Sep 2020 - Aug 2021**, and the **12 months prior**



Spending Sep 2020 - Aug 2021 and 2 years prior, to **SMEs** and **non-SMEs**



Direct procurement spending with SMEs remained consistent

Central Government has previously committed to spending at least £1 in every £3 (or 33%) with SMEs – both directly, and indirectly through the supply chain. At first sight, the public sector appears to be undershooting this target - but on closer inspection there is good news.

Our data, which only measures the direct spend with SMEs, shows that from Sep-20 to Aug-21 the public sector actually spent £45bn or 26% of the total with SMEs. Assuming that SMEs earned at least another £15bn indirectly as subcontractors, then the public sector would have achieved or even exceeded its 33% target.

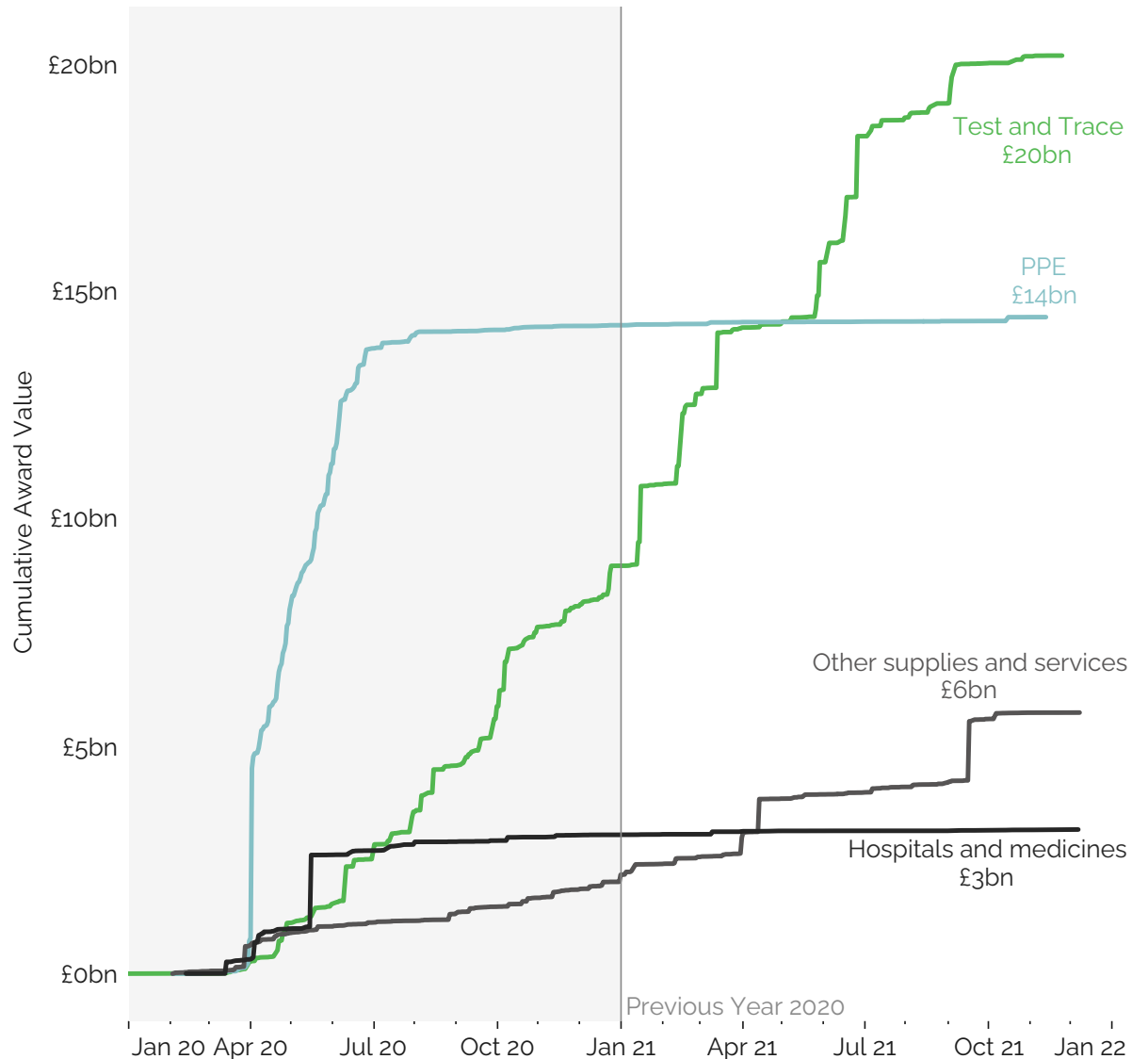
The majority of new covid contracts are Test and Trace

To date, the UK public sector has awarded nearly [5,000 contracts in response to the Covid-19 pandemic](#) at a total cost of £43bn, with £15bn of those contracts awarded in 2021.

The majority of the value has gone towards the Test and Trace program, which accounts for nearly half of all Covid-19 procurement.

Awards for 'Other Supplies and Services' also increased throughout 2021 by a total of £3.5bn, while awards for PPE and Hospitals and Medicines remained flat.

Cumulative total value of Covid-19 response contracts awarded, since 2020



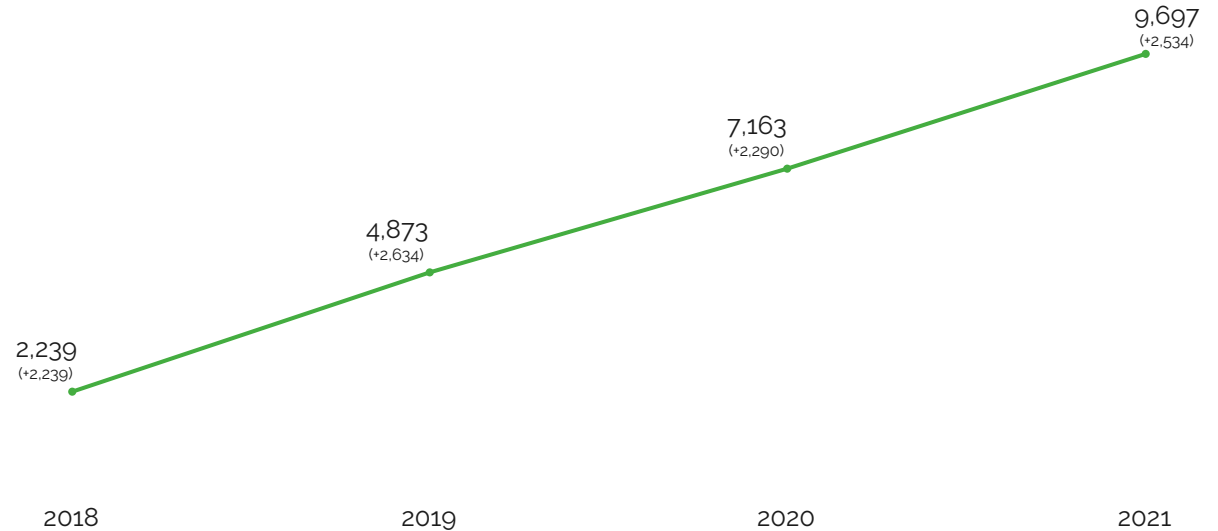
Trend of ever-more frameworks continues

In 2021, Tussell developed an [advanced frameworks analytics capability](#) that matches call-off contracts to the framework agreement they were purchased under. Using this new capability, it's possible to understand which frameworks have significant usage and where opportunities lie.

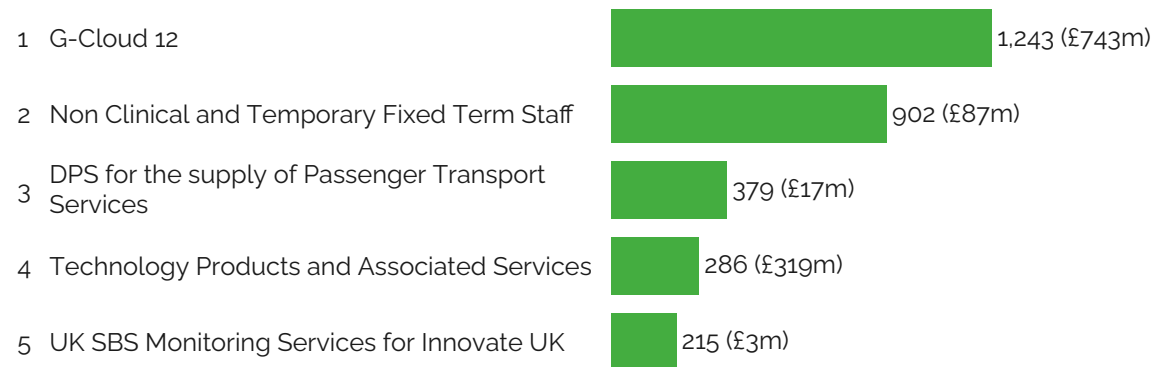
By conducting some initial analysis of the data, two things became increasingly clear:

- There is a proliferation of frameworks in the public sector, with more than 2,500 new frameworks added last year
- Only a small minority of frameworks have a significant number of call-off contracts awarded against them.

Cumulative volume of established frameworks, since 2018



Top 5 used framework in 2021 by call offs (and value)

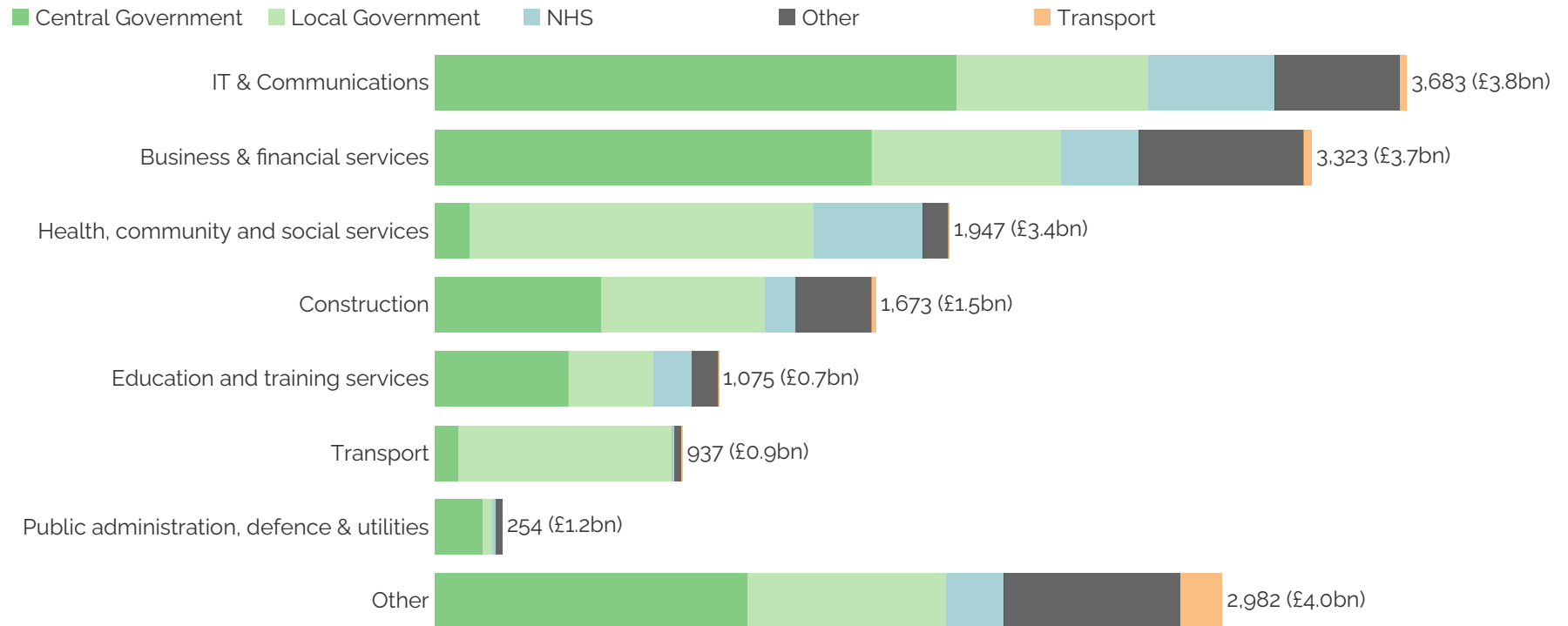


£19bn of services contracts due expire in 2022

There are 16,000 services contracts, worth £19bn in total, expiring in 2022. These contracts are likely to be re-procured, so provide an indication of what the public sector will be looking to buy this year.

The majority of these will be IT and communications contracts, but there are significant opportunities in all industries and across the entire public sector.

Non-Covid-19 service contracts awarded by buyer category, expiring in 2022



Conclusion

2021 was another tough year for businesses – many of which have struggled from the devastating impact of covid.

On the other hand, those that have doubled down in the public sector, or moved into government contracting for the first time, will have benefited from both stability and growth.

For the time being at least, the era of “big government” looks set to continue, driven by the government’s three big priorities of post-Covid recovery, levelling up and the transition to Net Zero. For suppliers, this means that the public sector will continue to show strong demand for years to come.

So how do you make the most of 2022 to increase your public sector revenue?

1. Take advantage of market intelligence to get to know your customers, monitor your competitors and build a pipeline of new opportunities.
2. Pre-engage with [key-decision makers](#), using shifting government priorities as a way of making meaningful connections.
3. Use insight to find the [frameworks](#) that are actually being used to purchase the products or services you provide.

All the best for a successful 2022, from all of us at Tussell.

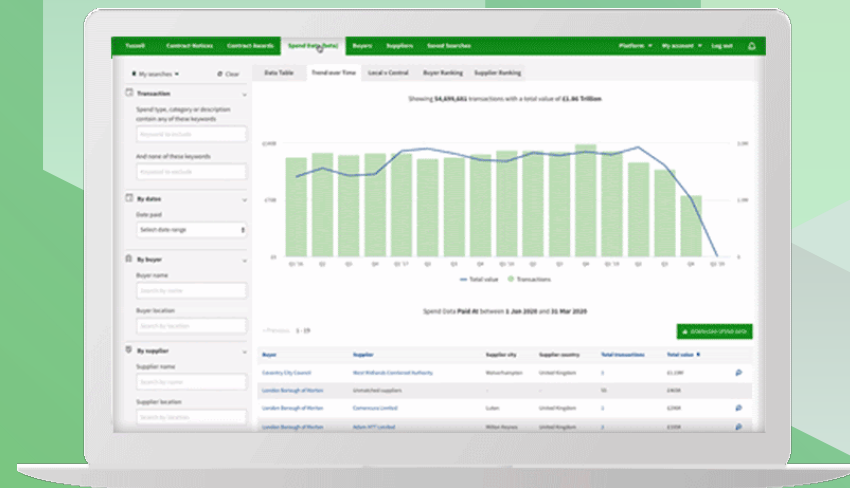


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All the data in this report came directly from Tussell's online market intelligence platform



To learn more or book a demo visit [tussell.com](https://www.tussell.com)