NHS
London Procurement Partnership

Estates, Facilities Management, and Corporate Services Market Intelligence Quarterly Report

December 2024

NHS
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Foreword

Estates, facilities and corporate services teams in the NHS and public sector are crucial in ensuring the functionality of essential infrastructure and services that underpin the healthcare system and other public sector operations. However, their work is not without significant challenges. The procurement landscape they navigate is complex, marked by pressing demands for efficiency, sustainability, and innovation.

One of the most persistent challenges lies in balancing capability and capacity within procurement functions. Teams often face resource constraints, whether in skilled personnel, technological tools, or time, which can impede their ability to identify and engage with the best suppliers. This issue is compounded by the evolving nature of procurement itself, which increasingly requires expertise in emerging areas such as sustainable supply chain management, digital tools, and data-driven decision-making.

Financial efficiency is another paramount concern. The NHS and public sector organisations operate within tight budgets, where every pound spent must demonstrate value for money. The need to drive down costs while maintaining quality and service levels puts immense pressure on procurement teams. Complex supply markets, inflationary pressures, and fluctuating demand further complicate the equation, demanding innovative approaches to sourcing, contracting, and supplier relationships.

In addition to financial efficiency, the call to achieve net-zero carbon emissions is reshaping procurement priorities. Estates and facilities teams must transition to sustainable materials, energy-efficient solutions, and low-carbon transportation systems while considering the total lifecycle costs of their choices. Waste management strategies must align with circular economy principles, ensuring that environmental impacts are minimized. The procurement of corporate services also requires a strong emphasis on sustainability, including the adoption of greener technologies and more ethical sourcing practices.

These challenges are interconnected, and overcoming them requires a coordinated and strategic approach. Collaboration across departments and organisations is vital to pool resources, share expertise, and align efforts towards common goals. Digital innovation offers opportunities to streamline processes, enhance transparency, and improve decision-making, while robust training and development programs can build the procurement capability needed to thrive in this demanding environment.

As we move forward, estates, facilities, transport, waste, and corporate services teams play a pivotal role in shaping a procurement strategy that addresses operational needs while advancing financial sustainability and environmental responsibility. By embracing innovation, fostering partnerships, and focusing on value, these teams can meet challenges and deliver impactful outcomes for the NHS and public sector. NHS London Procurement Partnership can support them in navigating complex procurement challenges that will shape the future of healthcare delivery and public services in the UK. Our experienced team can help them embrace innovation, collaboration, and a commitment to efficiency and sustainability so that they can create a healthcare system that is resilient, cost-effective, and aligns with societal goals.

Nawaz Habib

Assistant Director for the Estates, Facilities Management and Corporate Services Category at NHS LPP

UK Businesses Economic Outlook

Headline Indicators summary (Source: House of Commons Library – Economic Indicators)

GDP is estimated to have risen by 0.1% in July–September 2024 compared to the previous three-month period (April–June). Eurozone GDP grew by 0.4% in July–September 2024.

Services output was up by 1.6% in the three months to September 2024 compared to the previous year. **Manufacturing output** fell by 1.1%.

CPI inflation was 2.3% in October 2024, up from 1.7% in September. Inflation in the Eurozone was 2.0% in October 2024, up from 1.7% in September.

The Bank of England's Monetary Policy Committee (MPC) **cut interest rates to 4.75%** on 7 November, down from 5.0%. The MPC had last reduced rates in August.

Average wages excluding bonuses were 4.8% higher in the three months to September 2024 compared with the year before, and 2.7% higher after adjusting for inflation. CPI inflation for this period was 2.1%.

33.3 million people were in **employment** in July–September 2024, up 211,000 from a year before. **The employment rate** was 74.8%, the same as the previous year. 1.49 million people were **unemployed** in July–September 2024, up 79,000 from the year before. **The unemployment rate** was 4.3%.

Productivity across the whole UK economy decreased by 0.8% in Q3 2024 compared with the previous quarter. Compared with the previous year, it was down by 1.8%.

The **value of sterling** was unchanged between September and October 2024, following an increase of 1.5% between August and September. Compared with a year ago, it is 5.4% higher.

The volume of **retail sales** increased by 0.8% in the three months to October 2024 compared with the previous three months, and increased by 2.5% compared with the previous year.

The **ONS (2024)** reports that approximately one in seven (14%) trading businesses reported they expect their overall performance to decrease over the next 12 months, with this proportion trending upwards since July 2024 (9%); meanwhile 43% of trading businesses reported they expect their overall performance to stay the same over the next 12 months, with this proportion trending downwards since July 2024 (49%).

Estates, Facilities Management & Corporate Services Economic Outlook

UK Gas and Electricity Prices – ONS Reports

Electricity prices rose by 7.7% in October 2024, having fallen by 7.5% between the same two months last year. Gas prices rose by 11.7% in October 2024, having fallen by 7.0% between the same two months last year. By the first quarter of 2023 (January to March), electricity prices had peaked and were just under twice as high as they were in March 2021. Gas prices also peaked in the first quarter of 2023 but were just under three times as high as they were in March 2021.

As shown in fig 1 below, both indices fell between March 2023 and September 2024 before rising in October. Gas and electricity prices now stand at 36% and 22% below their respective peaks. However, gas prices peaked at a higher level than electricity prices. Therefore, although gas prices have fallen at a faster rate than electricity prices, they're still more elevated compared with their March 2021 level (around 88% higher) than electricity prices (around 56% higher).

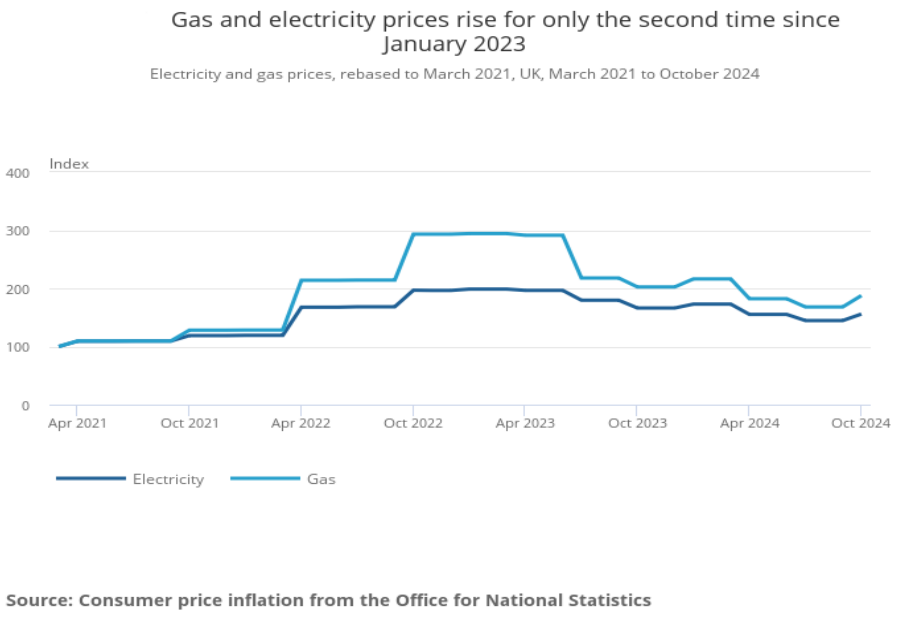

Fig 1. ONS UK Gas and Electricity Prices

Transport – ONS Reports

Overall prices in the transport division fell by 2.0% in the year to October 2024, compared with a fall of 2.4% in the year to September. On a monthly basis, prices rose by 0.1% in October 2024 compared with a fall of 0.2% a year ago.

The average price of petrol fell by 2.8 pence per litre between September and October 2024 to stand at 134.0 pence per litre, down from 155.1 pence per litre in October 2023. Diesel prices fell by 2.7 pence per litre in October 2024 to stand at 139.1 pence per litre, down from 162.2 pence per litre in October 2023. These movements resulted in overall motor fuel prices falling by 13.7% in the year to October 2024, compared with a fall of 10.4% in the year to September.

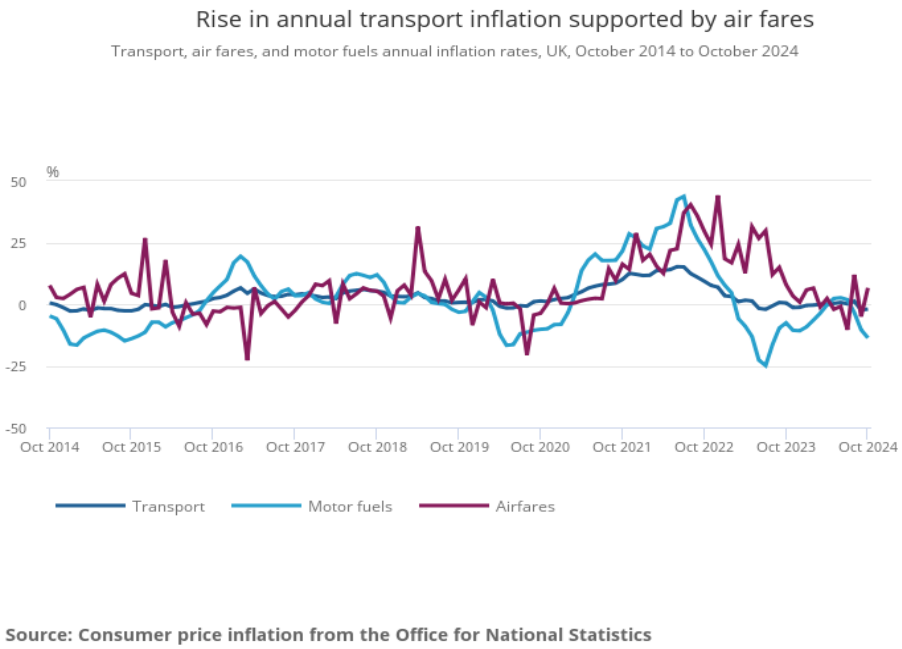

Fig 2. ONS UK Annual Inflation Rate Transport

Estates, Facilities Management, and Corporate Services Market Overview

Facilities Management Market Overview

Baachu (2024) reports that the UK continues to be a dominant player in the European FM market due to its maturity and sophistication, with a projected CAGR of 1.85% from 2024 to 2027, reaching a value of £42.2 billion by 2027. The sector is expected to grow due to factors such as increasing demand for non-core operation outsourcing, focus on sustainability and energy efficiency, adoption of new technologies, and the need to enhance workplace productivity.

The sector faces challenges including a shortage of skilled labour, increasing energy costs, and compliance with government regulations.

Opportunities lie in focusing on services promoting sustainability, energy efficiency, technology adoption, and employee wellbeing, and in developing niche services addressing specific client and market needs. The market can also benefit from strategic business partnerships (with leading real estate managers) to provide a broader range of services and solutions.

Facilities Management Sustainability

Phase 4 of the Public Sector Decarbonisation Scheme closed in late November and grant offer letters are expected at the end of May. With trends around Energy Performance of buildings stepping up, including more stringent expectations around EPC performance by the end of the decade, there is an increasing interest in renewable energy and energy efficiency projects and the data behind it. Building management systems with sub metering leads to a vast amount of data. From a recent event entitled “Why can’t energy be free?” interest in harnessing this data through Large Language Models across the NHS was highlighted, however, the costs and energy required to manage these are barriers to adoption.

Estates Facilities Management related NHS LPP frameworks

- Total Facilities Management Framework - https://www.lpp.nhs.uk/categories/estates,-facilities-corporate-services/total-facilities-management-framework/
- Minor Works and Maintenance Dynamic Purchasing System - https://www.lpp.nhs.uk/categories/estates,-facilities-corporate-services/waste-management-services-dynamic-purchasing-system/

Waste Management Services Market Overview

Market Research Intellect (2024) reports that the main market drivers for waste management services are environmental awareness and regulations, corporate sustainability goals, urbanisation and population growth and resource scarcity with circular economy initiatives. It is estimated that the UK generated 40.4 million tonnes of commercial and industrial (C&I) waste in 2020, of which 33.7 million tonnes (83%) was generated in England.

In 2020, it is estimated that the UK generated 59.4 million tonnes of non-hazardous construction and demolition (C&D) waste, of which 55.0 million tonnes was recovered. In 2022, England generated 63.0 million tonnes of non-hazardous C&D waste, of which 59.4 million tonnes was recovered (DEFRA Statistics, 2024).

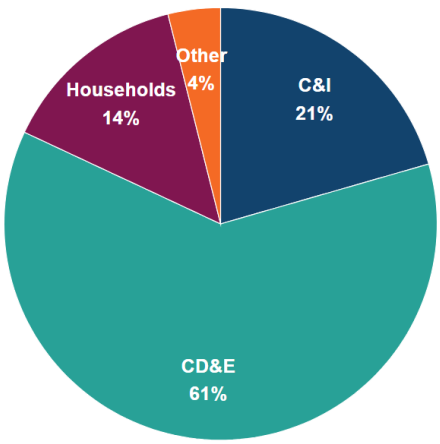

Fig 3. Waste generation split by source, UK, 2020 (Source: DEFRA Statistics, 2024)

Fig 3 shows the amount of waste generated split by source. Construction, demolition and excavation (CD&E; including dredging) generated around three fifths (61%) of total UK waste in 2020. Commercial and Industrial (C&I) waste accounted for around a fifth (21%) of total waste generation and the remaining fifth was split between 'Households' (14%) and 'Other' activities (4%).

The table below shows the total amount of waste at final treatment for England split by method, with 'Recycling and other recovery' being the most common final waste treatment type in the UK

All waste at final treatment, split by method, England, 2018-22 (million tonnes and % change)

Method	2018	2020	2022	Change (2020 to 2022)
Recycling and other recovery	96.5	88.0	98.8	12.2%
Incineration with energy recovery (R1)*	7.4	8.3	8.4	1.3%
Incineration (excl. R1)	7.0	8.0	8.7	8.9%
Backfilling	11.1	9.6	11.2	15.8%
Landfill	44.1	40.0	41.3	3.1%
Land treatment and release into water bodies	16.8	7.6	24.8	227.9%
Total	182.8	161.6	193.2	19.5%

Source: Defra Statistics

Waste Services Sustainability

A major theme around waste services sustainability is the reduction of waste through reuse, repair and circular economy interventions. This autumn Department of Health and Social Care (2024) released their Design For Life roadmap which focuses on building a circular economy for medical technology. This increases supply chain resilience, generates cost savings and improves sustainability. There is an opportunity for facility management organisations to include circular solutions in their offer which should reduce waste and costs whilst also contributing to a Trust's journey to Net Zero.

Waste Services related NHS LPP frameworks

- Waste Management Services Dynamic Purchasing System - https://www.lpp.nhs.uk/categories/estates,-facilities-corporate-services/waste-management-services-dynamic-purchasing-system/

Transport Services Market Overview

According to the World Health Organization (2024) by 2050, the world's population of people aged 60 years and older will double (2.1 billion). The number of persons aged 80 years or older is expected to triple between 2020 and 2050 to reach 426 million. Arthritis, heart attacks, osteoporosis, obesity, and strokes are very common among older population. Patients with severe illnesses may require both emergency and non-emergency services.

As a result, the market is expected to rise as the aged population grows as reported by (Future Market Insights, 2024). The global patient transport services market is expected to see rapid growth in the next few years. A report by The Business Research Company (2024) highlights that the market is expected to grow to £47 billion in 2028 at a compound annual growth rate (CAGR) of 10.4%, with a market size of £32 billion in 2024.

Major trends in the forecast period include telemedicine integration, fleet modernisation, community-based services, personalised patient care, data-driven logistics.

Transport Services Sustainability

The NHS Net Zero travel and transport strategy sets out the roadmap to a fully decarbonised fleet by 2035. By 2026 ICBs and trusts will be required to have sustainable travel strategies integrated into their green plans. The latest Carbon Budget, reaffirmed at COP, is an 81% reduction of emissions by 2035 from a 1990 baseline. Amongst other things, the specification includes increasing the number of electric vehicles on the road. This is in contrast to recent industry attempts to push back on this. Some reform may be seen in these rules in the future.

Transport Services related NHS LPP frameworks

- Non-Emergency Transport and Other Transport Services Dynamic Purchasing System - https://www.lpp.nhs.uk/categories/estates,-facilities-corporate-services/non-emergency-transport-and-other-transport-services-dynamic-purchasing-system/

Corporate Services Market Overview

The latest insight from The Global Payroll Association (GPA), reveals that the upcoming changes to employer National Insurance contributions and the National Living Wage mean that UK businesses who employ people on the National Living Wage will see the cost of each employee rise by £209 per month from April 2025.

In the government's Autumn Statement, it was announced that from April 2025, employer National Insurance Contributions (NICs) will increase from 13.8% to 15%; the threshold where employers pay NICs on each employee's salary will fall from £9,100 to £5,000 a year; and the National Living Wage (NLW) payable to those aged 21 and over will increase from £11.44 per hour to £12.21 per hour.

What do the changes mean for UK businesses?

GPA has looked at how much an employee aged over 21 who earns the National Living Wage and works 160 hours a month (40hrs per week) costs their employer in terms of employer NICs, wages, and pension contributions, and how this is set to change when the government's new employer NIC and NLW changes kick in from April 2025.

Increases to the NLW mean that the average employee's wage will, when working 40 hours a week, increase from £1,830 per month to £1,954 – an additional cost of £123 per month for the employer.

This will result in the average employer pension contribution rising from £39.31 per month to £43.01 – a cost increase of £4 per month for the employer.

National Insurance changes mean that the average monthly employer contribution will increase from £147.95 to £230.54 per employee – an increased cost of £83 for the employer.

Overall, this means that the average employee earning the NLW and working 40 hours a week will cost their employer £2,227.15 per month from April 2025, marking a total monthly increase of £209.

While this may not seem like a huge difference, it soon mounts up when accounting for all affected staff. To illustrate, research from Reuters has shown that the changes are going to have a staggering impact on staffing costs for some of Britain's biggest NLW employers.

"Serco Group said the UK government's national insurance tax changes would increase its direct labour costs by around 20 million pounds per year and that it was exploring ways to offset these costs.

Mitie Group expects NIC-related costs to be about 60 million pounds, but the company estimates that it would be able to recover 35 million pounds of those costs through contractual recoveries and commercial negotiations in fiscal 2026.

Contract caterer Compass Group which employs about 50,000 staff in its UK and Ireland unit, expects NIC-related costs to be in the "tens of millions".”

With staffing costs on the rise, businesses will face additional financial strain and may, therefore, have to find ways of cutting costs elsewhere. This could mean that benefit packages are slashed, staff numbers reduced, and cost of delivering the services may increase.

Corporate Services Sustainability

Sustainability continues to be a major theme throughout corporate services. Bidders into NHS frameworks are expected to be able to show their route to net zero through carbon reduction plans, requiring carbon calculations for businesses. This is leading to an increase in maturity around the carbon calculation market.

Corporate Services related NHS LPP frameworks

- Estates & Facilities Consultancy Services Dynamic Purchasing System - https://www.lpp.nhs.uk/categories/estates,-facilities-corporate-services/estates-facilities-consultancy-services-dynamic-purchasing-system/

NHS LPP EFCS News

The NHS London Procurement Partnership EFCS team are planning to re-procure the following agreement to help public sector procure compliantly and deliver value for money and sustainability initiatives:

- NEPTS DPS
- Payroll Services
- Analysis and Reconciliation (supporting our partner Hub)
- Legal Services (supporting our partner Hub)

The EFCS team is currently working on procuring a Waste Managing Agent agreement.

Atamis Reporting

Based on our record, below are the contracts for the respective London ICS that are coming up for renewal in the next 3-6 months

ICS	EFCS Areas	Project Name	Current Renewal Date
NCL	Consultancy	Programme Support	Mar-25
	Consultancy	Legal Advice	Mar-25
	Languages	British Sign Language Interpreting Services	Mar-25
	Languages	Primary Care Spoken Language Interpreting services	Mar-25
	Languages	Interpreting services	Mar-25
	Statutory Audit	External Audit	Mar-25
	Consultancy	Estates consultant	Mar-25
NWL	Consultancy	Legal Services Contract	Feb-25
	Facilities Management	Soft Facilities Management Asset Compliance and Security	Mar-25
SEL	Consultancy	Affordability Assessment of RIBA Stage designs	Jan-25
	Consultancy	Authorising Engineer - Water	Mar-25
	Legal Services	Legal Services - Property & Mental Health Act	Mar-25
	Legal Services	Legal Services - Workforce	Mar-25
	Consultancy	Design Programme	Jan-25
	Consultancy	Exit Advisor	May-25
	Linen & Laundry	Linen and Laundry Services	Apr-25
	Payroll	Payroll Services	Mar-25
	Statutory Audit	External Audit	Mar-25
	Statutory Audit	Internal Audit	Mar-25
	Facilities Management	Facilities: Managed Cleaning Services	Jan-25
	Minor Works and Maintenance	Provision of Reactive and Planned Building Maintenance Work	Mar-25
	Minor Works and Maintenance	Grounds and Gardens Maintenance Service	Mar-25

NHS LPP Contacts

Should you wish to discuss any of the highlighted NHS LPP agreements, please feel free to contact the respective Category teams below

NHS LPP Agreement	Contact
Estates & Facilities Consultancy Services Dynamic Purchasing System	Risha.mehta@lpp.nhs.uk / Sandra.Baiden@lpp.nhs.uk
Minor Works and Maintenance Dynamic Purchasing System	Ashwaq.fraser@lpp.nhs.uk / Remmy.Kamya@lpp.nhs.uk
Non-Emergency Transport and Other Transport Services Dynamic Purchasing System	Ashwaq.fraser@lpp.nhs.uk / Remmy.Kamya@lpp.nhs.uk
Total Facilities Management Framework	Jez.Rumsey@lpp.nhs.uk / Sandra.Baiden@lpp.nhs.uk
Waste Management Services Dynamic Purchasing System	Risha.mehta@lpp.nhs.uk / Remmy.Kamya@lpp.nhs.uk
Sustainability	Simon.Rowland@lpp.nhs.uk

Feedback

We would love to hear from you. If you have any suggestion on what you want to see in the next Quarterly report, please email: customer@lpp.nhs.uk

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