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Public Sector (Non-Residential) Construction Market Report - UK 2017-2021 Analysis

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Introduction and Overview

The 5th edition of the '**Public Sector (Non-Residential) Construction Market Report - UK 2017-2021 Analysis**' specifically focuses on public sector construction activity within healthcare, education, defence, custodial, justice and other public sectors against a backdrop of continuing public sector funding cuts and uncertainties surrounding Brexit.

Key areas in the report:

- Structure, size and value of the public sector construction market and a detailed assessment of the major sectors within public sector construction.
- In-depth analysis of government funding for schools, higher education, healthcare and defence. Analysis of both resource and capital spending levels to 2021.
- Detailed review of major contractors and consortia involved in public sector construction forecasts of market developments to 2021.
- Review of investment levels and progress in sector-specific procurement routes and construction programmes within the key public sectors.
- Analysis of construction output in the public sector with forecasts to 2020-21. Future opportunities for public sector work for the construction industry.

Areas of particular interest:

- Capital spending is now being prioritised following the easing of austerity measures, enabling the government to use public borrowing to fund capital developments. This will see capital spending rise from £52.3bn in 2016-17 to £74.2bn in 2021-22, a rise of around 41.8% over the 6 year period.
- Analysis of the likely impact of Brexit on public sector funding and public sector projects, EU funding and the availability of new loans from the EIB.
- Review of key public sector procurement routes and programmes including PFI and PF2; and Regional Construction Frameworks such as the London Construction Programme; the Southern Construction Framework; the North West

- Construction Hub; EMPA/SCAPE Contractors Frameworks; YORhub; Constructing West Midlands; and NEPO in the North East.
- A review of the new public sector market frameworks and alternative procurement routes to central government frameworks including Pagabo Major Projects Framework for EU compliant projects covering Scotland, the North, Wales and South.
- Detailed market data and insight on the public sector construction market by AMA Research, a leading UK provider of construction market intelligence.

Some of the major contractors featured include:

Amey, Balfour Beatty, BAM, Bowmer & Kirkland, Bouygues, Carillion, Farrans Construction, Galliford Try, Graham Construction, Henry Boot, Higgins Group, Interserve, ISG, Kier, Laing O'Rourke, Lend Lease, Mace, McLaren Construction, McLaughlin & Harvey, Midas, Miller, Morgan Sindall, R G Carter, Robertson, Morrison, Seddon Construction, Shaylor, Shepherd, Sir Robert McAlpine Skanska, Vinci, Volker Fitzpatrick, Wates, Willmott Dixon.

Public Sector Construction Market in the UK

- Value of construction output 2012 to 2021. Total new work and RMI output in the residential and non-residential sectors, trends by sector and forecasts to 2021.
- Public non-residential construction analysis and outlook 2012-2021 - output, forecasts and sector analysis: health, education, defence, police, custodial, justice and other public sectors.
- Current and forecast public sector spending and investment. Impact of 'Brexit' on public sector spending and public sector projects to 2021.
- Analysis of policy and announcements in the 2016 budget and 2016 autumn statement.
- Public sector funding: Education - DfE spending; higher education spending; education capital spending.
- Public sector funding: Healthcare - NHS spending; CCG spending; NHS in Scotland & Wales; healthcare capital spending to 2021.

Procurement Programmes in Public Sector Construction

- Overview of government investment in PFI projects. Analysis of forthcoming public sector projects under PF2.
- Construction and procurement programmes in the education sector: PFI; PSBP; academies/free schools programme; Scotland-schools for the future programme; Wales - 21st century schools programme.
- Construction and procurement programmes in the healthcare sector: PFI & PPP; PF2; ExpressLIFT; Scottish hub initiative and frameworks Scotland; Procure21+ and P22; and designed for life: building for Wales framework.
- Construction and procurement programmes in the defence sector: next generation estate contracts (NGEC) programme with a mix of prime contracts and capital works frameworks.
- Construction and procurement programmes in the justice, police, fire & rescue and custodial sectors.
- Review of regional construction frameworks such as the London construction programme; the Southern construction framework; the North West construction Hub; EMPA/SCAPE contractors frameworks; YORhub; Constructing West Midlands; and NEPO in the North East.

Construction Supply in the Public Sector

- Detailed review of major contractors and consortia and overview of contractor capability and experience in public sector construction work.
- Key contractors in the education healthcare, education, defence and other public sectors. Capability, experience and key projects and frameworks awarded in 2016.

Report Summary

The largest single areas of public sector spending by the Government are in the departments of Work & Pensions (23%), NHS (Health) (19%), Education (9%), HM Revenue & Customs (6%), and Defence (5%). The Government is now distancing itself from the 'austerity' position and is no longer committed to balancing the books by 2020, with current chancellor, Philip Hammond stating that the public finances would return to surplus by sometime in the next Parliament. As such, capital spending is now being prioritised, continuing the gradual reversal of plans by the Coalition Government's 2010 Spending Review for big reductions in public investment.

The austerity measures over the previous 4-5 years have meant that declines in public sector construction output have tempered overall construction recovery. However, despite short-term activity still being led by private housing, infrastructure and commercial sectors, areas of public sector construction are showing the first signs of increasing output, which is expected to continue slowly over the next few years.

Education has been a relatively strong driver of public sector construction output over the last two years, with output increases of 15% and 7% recorded respectively in 2014 and 2015. Low growth of around 1% is expected in 2017, with forecasts for modest growth of 2% to 2021. Despite 4 years of declining output between 2011 and 2014, the outlook for health construction output remains stable into the medium-term, with annual rates of growth of 2-4% currently forecast to 2021.The Ministry of Defence (MoD) is a major construction client and is expected to invest around £4bn in new construction, maintenance and property management over the next 10 years.

In total, public sector construction is forecast to grow by around 1.5% in 2017 and 2018, before rising slightly to 2% to 2021. However, whilst public sector capital investment is expected to increase to over £70bn by 2020, it is unlikely that the fiscal constraints will be removed completely. As a consequence, local authorities are expected to remain severely financially constrained and, as a result, output levels in the public sector are only expected to see moderate growth into the medium-term.

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