

BUSINESS SERVICES: CONNECTING PEOPLE AND PLACES



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ABOUT THE BSA

The BSA – Business Services Association – is a policy and research organisation. It brings together all those who are interested in delivering efficient, flexible and cost-effective service and infrastructure projects across the private and public sectors.

FOREWORD



Foreword by Kevin Quinn
BSA Chairman
November 2017

This year's BSA Annual Review reflects on the dynamic and varied contribution of the business services sector across the UK.

With a snap election, the start of Brexit negotiations and the establishment of new regional mayoralities, 2017 has been another year of political and economic turbulence. Yet some consensus has emerged on the main challenges facing the country. The notion of an 'economy that works for everyone' with no-one left behind is widely shared across the political divide.

BSA members play a unique role in delivering this. From Belfast to Birmingham and Exeter to Edinburgh, they are helping to improve and empower places through services and projects for both the public and private sectors.

Their work enables cost savings, drives innovation, improves productivity and boosts connectivity. It brings people, businesses and communities closer together. But the sector's impact cannot simply be measured in pounds and pence, important though this continues to be in a climate of restrained spending for both companies and government.

Business services providers are increasingly becoming 'place leaders' too, forming partnerships and helping to shape local strategies in ways which create social value and inclusive growth. They support training and apprenticeships, use local SMEs and social enterprises in supply chains, and incentivise inward investment. As devolution of powers and budgets to different places within the UK becomes the norm rather than the exception, this role will become even more vital.

2018 will bring challenges and opportunities for the UK economy as Brexit negotiations continue and flagship government policies like the Industrial Strategy are introduced. Policymakers must not lose sight of the current consensus on the need to deliver equitable economic growth, and the part business services can play in achieving this. By investing in infrastructure and skills, keeping the costs of doing business low, and, crucially, reforming public services and government procurement, the UK can continue to be an attractive place for the private sector to invest in the years ahead.

I would like to thank all BSA members for their contributions to this year's annual review. I am also grateful to the BSA team for their continued work in representing and promoting the sector and its members in 2017.

“Economic imbalances between different parts of Britain are larger than our competitors, with incomes and living standards lagging behind in too many parts of the country... Evidence and experience suggests that strong, streamlined, decentralised governance [...] can improve economic decision-making and spur innovation and productivity gains... A modern industrial strategy will have recognition of the importance of place at its heart.”

*Building Our Industrial Strategy,
UK Government Green Paper,
January 2017¹*

INTRODUCTION

After last year’s focus on the global reach of the business services industry, the 2017 BSA Annual Review turns its attention to the breadth and dynamism of members’ contribution across the UK.

Whether referred to as ‘inclusive growth’ or an ‘economy that works for everyone’, there is a consensus across parties and policymakers on the need to reduce inequalities between, and within, different parts of the country.

‘Place’ is increasingly at the centre of government policies such as the Industrial Strategy, the Northern Powerhouse and the Midlands Engine. From the election of new combined authority mayors in six regions across England in May and the new London Devolution Agreement to the signing of the fourth Scottish City Region Deal and the passage of the Wales Act in Parliament, this year also marked another significant shift of powers, budgets and responsibilities away from central government.

Only by empowering and connecting people, towns and cities throughout the UK can the country achieve truly inclusive economic growth. Business services have a vital role to play in achieving this and are already well-placed to deliver on this agenda.

Spread across five areas – Business Process Outsourcing; Information and Communication Technology; Facilities management; Construction and infrastructure; Public service delivery – and working in all parts of the UK, BSA members deliver services for the public and private sectors that directly benefit local communities.

The BSA’s activities and engagement programme in 2017 has continued to encompass all UK nations and regions. Members have led and contributed to policy discussions on transport and infrastructure in the North East, inclusive growth in Scotland, employment and skills in Greater Manchester, education services in Wales and much more. With this focus on ‘place’ the 2017 Review highlights the important work being done by BSA members by looking at:

- The industry’s economic contribution to different parts of the country, particularly in enabling greater productivity and connectivity
- The vital role public sector procurement and commissioning can play as a mechanism for improving local services and growth, with a focus on social value



1. Department for Business, Energy & Industrial Strategy – Building our Industrial Strategy – January 2017.

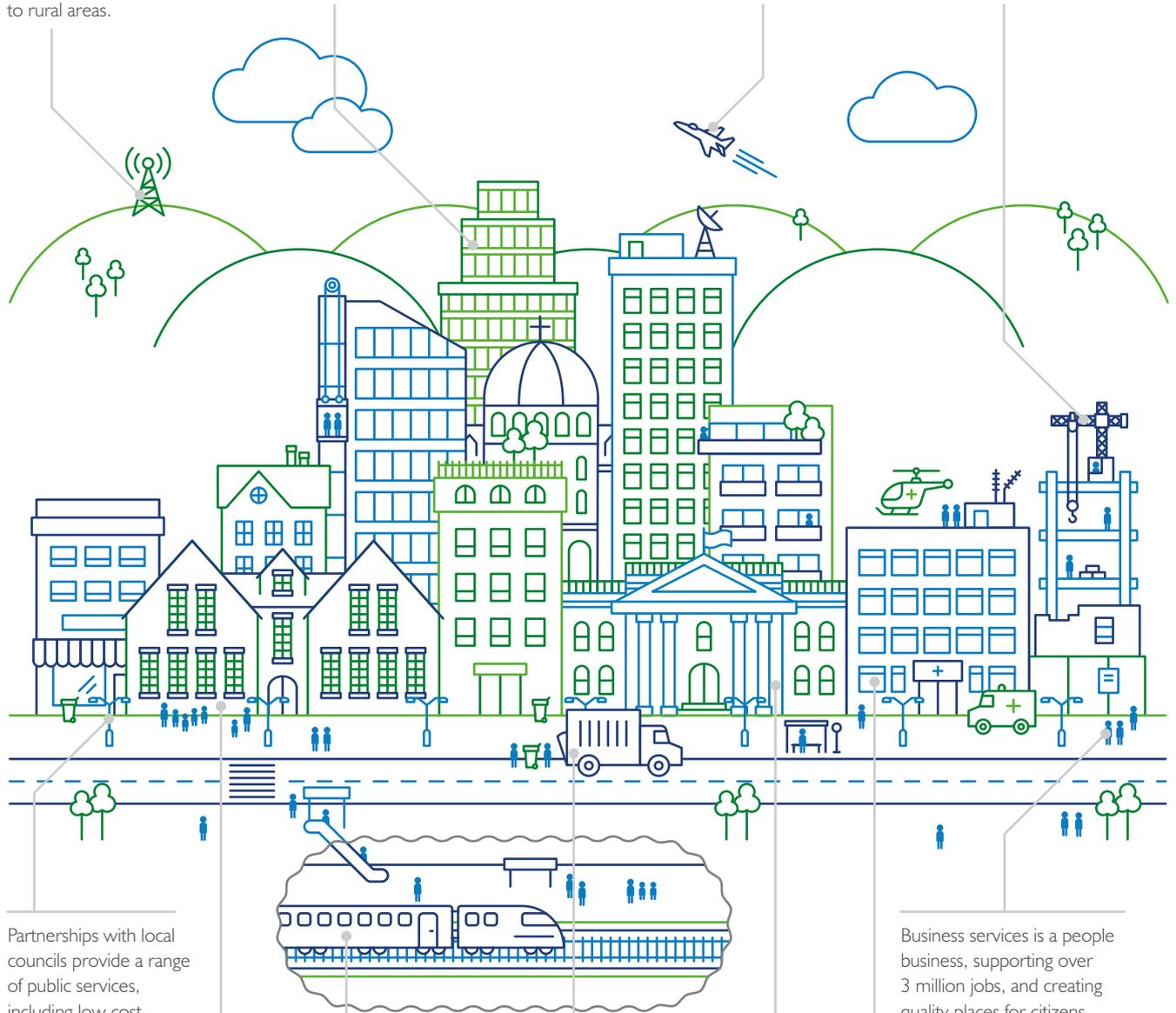
BUSINESS SERVICES: UNDERPINNING EVERY PLACE, EVERY DAY

ICT, digital and data-related solutions (broadband, cloud, Internet of Things) connect people, businesses and public services from major cities to rural areas.

70% of business services are provided for the private sector as outsourcing non-core business functions allows companies to invest more elsewhere.

FM services on MoD bases, from the south of England to the Highlands, provide the best environments for the army to operate and prepare from.

Members support thousands of SMEs through their supply chains as they assist with vital construction and infrastructure projects, such as HS2.



Partnerships with local councils provide a range of public services, including low cost, energy efficient lighting.

Maintaining, investing in, developing and managing infrastructure on railways, roads and airports, is a core part of business services.

The public sector accounts for 30% of activity, with members delivering for government and local authorities in justice, welfare, defence and more.

Business services is a people business, supporting over 3 million jobs, and creating quality places for citizens to live and work.

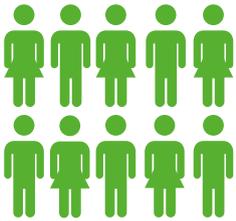
Providing schools, colleges and universities throughout the UK with catering and maintenance services helps ensure a modern learning environment for students.

The industry offers sustainable, environmentally friendly cleaning solutions from offices to our streets.

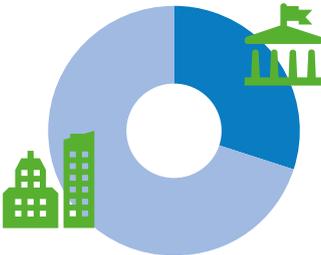
Members support the day-to-day running of hospitals across the country through cleaning, catering, back office and support services.



The sector accounts for **9.3 per cent** of gross value added to the economy



The sector employs **3.3 million people**



70 per cent of outsourced activity is for the private sector and **30 per cent** for the public sector

2. Andrew Haldane, Bank of England – Speech: One Car, Two Car, Red Car, Blue Car – December 2016.
3. Institute for Fiscal Studies – Living standards, poverty and inequality in the UK: 2017 – July 2017.
4. Office for National Statistics (ONS) – Regional gross value added (income approach), UK: 1997 to 2015 – December 2016.
5. Oxford Economics – The UK market for business services – January 2015.

PART I

BUSINESS SERVICES ACROSS THE UK: PLACE-BASED GROWTH, PRODUCTIVITY, CONNECTIVITY

Industry Overview

The economic picture across the UK varies widely and growing recognition of this has moved concerns about ‘place’ up the agenda. GDP per head in London is approximately 2.4 times higher than the poorest parts of the UK.² Income inequalities *within* regions are even larger than differences in average incomes between them.³ London and the South East account for over a third of the share of UK total GVA – three times as much as the North West and North East combined.⁴

While other large parts of the economy tend to be clustered in particular cities or regions, the components of the business services sector – such as cleaning, catering, software management, customer support and guarding – are common to organisations in the public and private sectors, regardless of location. It is a leading example of a part of the economy that is diverse both in terms of the sectors it operates in and its spatial distribution.

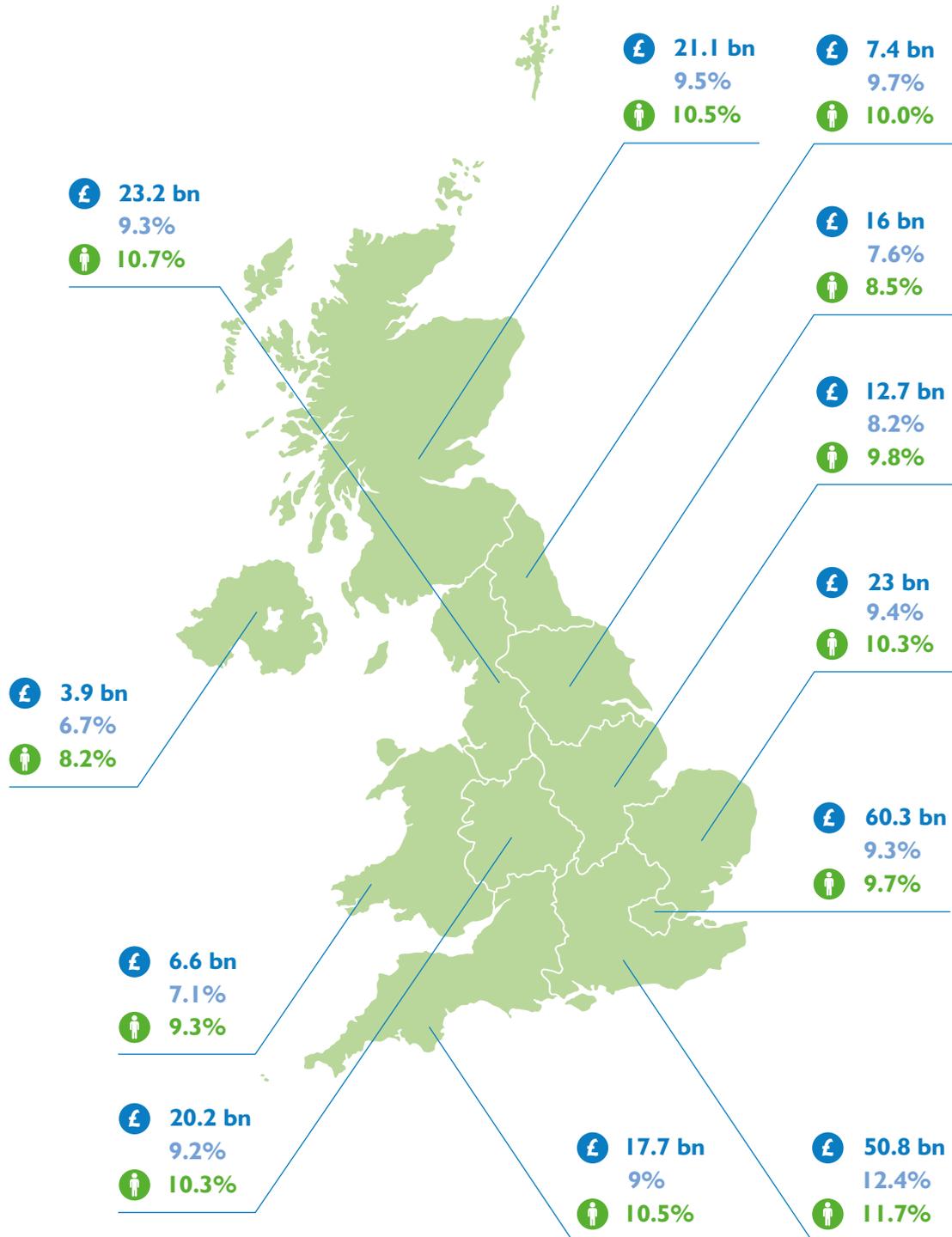
Across the whole of the UK, the sector employs some 3.3 million people and accounts for 9.3% of GVA to the economy. It makes up at least 8.5% of employment in every English region and over 10 per cent in the ‘Northern Powerhouse’ region, where BSA members employ around 700,000 people.⁵ In Scotland, Wales and Northern Ireland the figure is 10.5%, 9.3% and 8.2% of the total workforce respectively.

Several BSA members operate place-based partnerships within cities across the UK, including with major local authorities, that improve public services, bring innovation, create significant savings, and invest in training and staff progression.

When the business services industry does well, so does the whole of the UK. The impact of the sector can also be seen in terms of two themes central to improving place – productivity and connectivity.



SIZE AND VALUE OF THE BUSINESS SERVICES SECTOR ACROSS THE UK



- Business services turnover, £ billion
- Business services turnover as % total regional output
- Associated employment as % total regional workforce jobs

Source: Oxford Economics – The UK market for business services, The national, regional and constituency picture in 2013, January 2015



CASE STUDY: **AECOM: SUPPORT IN CUMBRIA**

AECOM has had a presence in Cumbria for 30 years. Given the rich potential of the county to meet the strategic energy, defence and advanced manufacturing policies of the UK government, the area should be more prominently involved in plans for the Northern Powerhouse and in the overall economic development of the North. The area has an especially important role to play in helping the UK reach a lower-carbon future.

AECOM is helping to connect the North to areas of world-leading expertise and innovation. AECOM is currently focused on delivering the fundamental building blocks to guide future infrastructure investment in Cumbria. It believes a business-led approach is the way forward in positioning Cumbria as a strategic investment opportunity with real potential for future growth. Services delivered by the team in Westlakes include nuclear decommissioning, civil and structural engineering, architectural design, building surveying, construction delivery, asset management and project and programme management. The company is committed to providing career opportunities for Cumbrian-based school leavers and graduates. There are a number of employees at the office who joined from local schools and are currently working towards chartered engineer status.



The UK business services sector helps build and maintain:



70 airports

creating the largest air transport system in Europe



40 major ports

handling 95% of the UK's import/export trade



10,000 miles of rail systems

in a public transport network ranked top for efficiency, reliability and safety amongst the world's greatest cities



245,000 miles of roads

including 31,500 miles of main roads and motorways



90 per cent

superfast broadband coverage to UK homes and businesses – a higher proportion than Germany, Spain, Italy and France

Business Services – Activity by Sector

Telecommunications and IT Services	Facilities Management	Business Process Outsourcing	Construction-related Services	Outsourced Public Services
Telecoms; IT and data-related services	Catering; combined facilities management; cleaning services; landscape and security services	Office administrative, office support and other business support activities	Property, repair and maintenance; property development services; engineering-related consultancy and testing	Frontline services for local and central government; complex public services

Productivity

Productivity gaps in UK cities and regions have been identified as important factors that hold back particular places – business services can play a key role in addressing this.

Nationally, it is estimated that the UK has a 30-point productivity gap against the US and German economies. Recent research by the Centre for Economic Performance (CEP) found that most UK cities lag behind the German productivity



CASE STUDY:

TERRAQUEST: CLOUD-BASED SERVICES DELIVERED THROUGH NEW BELFAST OFFICE

TerraQuest has operated in Northern Ireland for over 15 years through its activities with Land and Property Services department in Belfast. During this time the company has come to appreciate the availability and accomplished skills required to support the infrastructure businesses found in the province.

As the national strategic infrastructure agenda continues apace, TerraQuest recently established a dedicated office to provide support to the land acquisition activities of schemes such as HS2, Highways England, Crossrail and many more involved in the process of achieving a Development Consent Order, the legislative regime through which approval for major developments is awarded.

The service involves the identification of land owners impacted by the scheme and lends itself perfectly to online delivery through connectivity to the TerraQuest head office in Birmingham where the central data hub is located.

A key consideration in the decision to commit to Belfast was the availability of geography graduates from Queens University, with whom TerraQuest has developed a close relationship. The Belfast presence has grown significantly in less than 12 months from an initial team of 10 to one of 32. Based on successes to date, TerraQuest is intent on influencing current compulsory purchase and planning regimes in Northern Ireland to support the region's infrastructure ambitions.



CASE STUDY:
**SODEXO: PROVIDING FM SERVICES ACROSS
 THE NORTH WEST OF ENGLAND**

Sodexo is committed to being an active participant in the communities where it operates

Sodexo provides a range of services in the North West of England for major clients in markets including justice, healthcare, education and corporate services. One of the largest is Central Manchester University Hospitals NHS Foundation Trust, where an 800-strong Sodexo team delivers services to the Trust's five specialist hospitals which together treat more than one million patients every year. Other clients include HMP Forest Bank, a number of Oasis Academy schools, Cheadle Hulme School, The Co-Operative Group and AstraZeneca.

Greater Manchester is also home to the organisation's IS&T, finance and HSEQ teams and Sodexo's Salford office accounts for some 400 of the 4,000 employees it has across the North West. It received a Business of the Year award at the 2016 MEN Business Awards in recognition for making a significant contribution to the region through employment, development and investment.

Sodexo is committed to being an active participant in the communities where it operates and as a major employer works with clients across the region to identify opportunities where it can support the wider community. For instance, Sodexo's catering team at AstraZeneca UK's Alderley Edge and Macclesfield sites has strong links with the local community supporting the next generation of chefs from Liverpool Community College as well as mentoring young chefs from across the local area.

average. Compared to the combined average⁶ of the UK's ten 'Core Cities' productivity is 88% higher in Munich and also 42.8% greater in Rotterdam. Closing this productivity gap would deliver a further £24.4bn a year to the UK economy.⁷

Yet each part of the UK has something to offer, with underlying strengths and industries. The UK boasts regional specialisms such as the oil and gas industry in north-east Scotland, manufacturing hubs in the Midlands, chemicals production in Tees Valley, and the nuclear sector in the North West.⁸

The business services sector invests in providing high-quality administrative services, facilities management, infrastructure and IT so other businesses can do what they do best, whether that is manufacturing, retail or internet-based companies. Helping businesses to work smarter means they are more productive and innovative. The UK outsourcing market recorded its strongest half-year performance since 2012 between January and June 2017, with the vast majority of activity concentrated in the private sector.⁹

Research commissioned by the BSA shows the link between the use of business services and productivity. An increase in outsourcing of 1 per cent adds £2 billion in productivity gains to the UK economy each year, as businesses focus on delivering their core activities more efficiently. This also enables them to reinvest money back into the type of initiatives that can then drive growth and efficiencies, from investment in skills and training to expenditure on plant hire and machinery. Analysis of those sectors which use outsourced services also shows this resulting



CASE STUDY: SERCO: BUSINESS SUPPORT ACROSS THE UK

The increasing adoption of digital technology and significant investment in infrastructure has brought new opportunities to businesses, communities and organisations. Serco delivers support services required to stimulate business and community engagement, with new technologies increasing awareness and enabling the exploitation of digital technology.

Serco has delivered 7 UK superfast broadband exploitation projects working alongside 35 local authorities across the South West, Wales and Cheshire to maximise take up of the new infrastructure and new technologies it enables for business and communities. These services delivered information to 85,000 businesses, more than 780 workshops and one-to-one advice for 2000+ businesses. We are:

- Supporting superfast broadband exploitation in partnership with 22 local authorities in Wales, where we delivered one-to-one support to more than 1,000 businesses in the first 18 months.
- Supporting take up of broadband and improving digital skills in communities and businesses across Devon and Somerset through our Get up to Speed contract, engaging at parish level to unlock the potential of these rural localities through improved connectivity.
- Delivering targeted digital advice and revenue funding to high-growth businesses in Cornwall and the Isles of Scilly, helping them to enter new markets, develop new products, create jobs and deliver transformational change.

productivity growth is not coming at the expense of jobs. In addition, the most intensive users of outsourcing have also experienced more than double the average annual export growth.¹⁰

Enabling companies to focus their investment on skills and training for their workforce, in particular, is a vital part of tackling the wider productivity challenge. UK employers spend less on training than other major EU economies and less than the EU average, a gap which has widened since 2005.¹¹ While government measures such as the Apprenticeship Levy are designed to address this discrepancy, the role of outsourced services should also be considered as freeing up private sector resource to concentrate on skills provision.

Business services can also address many of the issues in the workplace which hold back productivity. The Stoddart Review found that smarter use of Britain's office space could improve productivity by 1 to 3.5 per cent and deliver a boost of up to £70 billion to the economy.¹² Providers of facilities management services are increasingly finding ways to be innovative in order to provide savings and improve the workplace environment.

6. Centre for Economic Performance, LSE – Industry in Britain: An Atlas – September 2017.

7. The RSA Inclusive Growth Commission – Final Report: Making our economy work for everyone – March 2017. The 10 Core Cities are: Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Sheffield, Glasgow and Cardiff.

8. ONS – The spatial distribution of industries in Great Britain: 2015 – March 2017.

9. Arvato – Outsourcing Index: Q2 2017 – July 2017.

10. Oxford Economics – The use of business services by UK industries and the impact on economic performance – September 2015.

11. Chartered Institute of Personnel and Development (CIPD) – UK's skills crisis laid bare as new CIPD report shows nation is bottom of international class on key measures – April 2017.

12. The Stoddart Review – The Workplace Advantage – January 2017.

The resulting network offers better connectivity, improved performance and faster speeds



CASE STUDY:
CAPITA: DIGITALLY CONNECTING SCOTLAND'S PUBLIC SERVICES

The Scottish Wide Area Network (SWAN) is one of the most significant single public sector ICT initiatives ever undertaken in Scotland. SWAN was set up to establish a single shared network and common ICT infrastructure across Scotland's entire public sector.

In 2014, Capita, together with Udata, part of Capita - was awarded the contract to build and run this new programme. Udata is the UK's leading Network Integrator. By building and managing networks and services, they enable organisations to transform how they work by connecting people and systems to drive efficiencies.

In the first 12 months after the contract was signed, over 2,800 sites (including schools, hospitals, GP surgeries, pharmacists and local council offices) were connected and a core network and operations centre constructed. Capita is currently working to reach 7,500 sites, delivering connections across the mainland and islands to some of the most geographically challenging areas in Scotland.

The resulting network offers better connectivity, improved performance and faster speeds as well as delivering value for money for the Scottish taxpayer, as detailed in the £30m savings stated in the Scottish Government's recently refreshed digital strategy. The outcomes for Scotland mean public bodies are more easily able to communicate with each other, share services and better serve Scottish citizens.

SWAN allows all its customers to benefit from economies of scale as well as increasing productivity and collaboration. Key clients of SWAN include central government departments such as the Scottish Government, Scottish Qualification Agency, Historic Scotland and the Scottish Environmental Protection Agency, all 22 boards across NHS Scotland and 50 per cent of local authorities.

This joined-up approach to road works generated savings for all parties



CASE STUDY:
AMEY: STAFFORDSHIRE CONNECTED ROADWORKS PROJECT

The Staffordshire Connected Roadworks Project was completed in February 2017 after a successful 18-month project. The project, led by Amey and Staffordshire County Council with project partners, aimed to identify opportunities for utility companies and local authorities to operate simultaneously at a site, minimise disruption to the public, reduce resource use and lower costs.

This was achieved through a smart city platform which used algorithms to identify 'hotspots' on a map where work was planned near to another party, during a similar timeframe. The local authority and Amey were then able to coordinate utility providers and local authority crews to work sites where collaboration was possible. This joined-up approach to road works generated savings for all parties.

During the project, roadworks occupation on the Staffordshire network reduced by 52 weeks. This was realised across 31 joint initiatives and produced a social return on investment of £1:£58. In Staffordshire, it is predicted there could be 2,000 fewer days that roadworks occupy the network if the smart city platform was used, generating £4.5 million worth of travel time savings to the local economy through reduced congestion.

**CASE STUDY:****CAPITA: SHEFFIELD CITY COUNCIL PARTNERSHIP**

Over the last 3 decades Capita has partnered with a range of local authorities of different sizes, with a range of needs. This has resulted in a proven track record for transforming services, delivering cost saving efficiencies, maximising assets to generate new revenue streams and achieving better outcomes for local communities.

Capita's partnership with Sheffield City Council provides a range of revenues, benefits, ICT, HR, Payroll and financial solutions, including the launch of online services for residents and council employees. Its Channel Shift programme won the Excellence in Innovation Award from the Institute of Revenues Rating and Valuation (IRRV). This programme covers software, e-forms, electronic billing, facilities to support residents, reshaping processes to encourage customers online, sophisticated IVR, marketing packs and a programmes and communication plans to encourage online take up.

**CASE STUDY:****PA CONSULTING: DEVELOPING LEADERSHIP SKILLS TO MAKE THE UK'S LARGEST INFRASTRUCTURE PROGRAMME A SUCCESS**

With construction work about to begin on the new high-speed railway, High Speed Two (HS2) saw that strong leadership would be essential to getting their 1,400-strong workforce performing effectively. HS2 asked PA Consulting to help it develop and set expectations for a key group of more than 300 senior leaders and line managers.

After careful analysis of HS2's needs, PA Consulting designed a blended solution with three elements. First, an online learning portal with checklists, video shorts and 'how to' guides people can use to get practical support whenever they need it. Topics cover everything from conducting an interview to running a performance review.

Second, a two-day leadership course, incorporating our '20 days later' habit-building programme. After each session, participants take a series of daily challenges to embed their learning and report back 20 days later. It could be to delegate an activity to a colleague or initiate a coaching conversation, for example.

Third, a series of experiential learning events focused on a single theme such as 'leading your team through change' or 'employee well-being'. Participants were put in immersive and sometimes uncomfortable environments so they could experience how people feel in the face of different attitudes and practices. This is highly effective for changing mind-sets and behaviour.

This innovative approach to development helps give leaders and managers the exceptional skills necessary to drive ambitious and complex infrastructure programmes such as HS2.

Connectivity

The underlying belief behind place-based growth is that city regions and their surrounding areas, acting together, can produce socio-economic outcomes which are greater than the sum of their parts. Improved physical and digital connectivity is fundamental to this as it aids the flow of information, goods, businesses and people.

The UK's connectivity challenges are well known. The World Economic Forum last year ranked the quality of Britain's infrastructure 24th in the world, down from 19th in 2006.¹³ HS2 will be the first new major railway north of London built in the last 120 years, and aside from City Airport the UK has built no new runways in the south-east of England since the late 1950s.

Transformational improvements to transport infrastructure, particularly outside London, are required for city region economies to achieve their full potential by functioning as one interlinked economy, pooling their labour and expertise and thus opening up opportunities. IPPR North's recent study pointed out that the North is six times less well funded per capita than London on infrastructure.¹⁴ In rail, for example, there are pockets of very poorly serviced areas that rely on outdated and inefficient infrastructure and rolling stock.

As well as joining up services, reducing commuting times, connecting people and businesses and supporting local supply chains, enhanced connectivity would also help attract and retain talent to local economies. This would help reverse the 'great British brain drain' that sees areas outside London lose out on talent.¹⁵

BSA members work with businesses, central government, transport bodies and local authorities to deliver such improvements. They operate within some of the UK's largest transport networks in airports, on roads and railway lines – carrying out tasks from luggage handling to infrastructure maintenance. Business services companies are delivering large-scale developments that are vital to the long-term success of places within the UK. Members are helping central government to progress everything from HS2 to the rollout of superfast broadband, while partnering with local authorities in joint ventures for regional infrastructure improvements.



PART 2

PUBLIC SECTOR COMMISSIONING

Local Government

30% of business services are delivered to public sector organisations.¹⁶ Business services providers can help government achieve efficiencies and transformation, behave more commercially, deliver integrated services and provide social value through contracts.

Local authorities have seen significant financial reductions from central government since 2010 and future projections indicate funding gaps without new sources of revenue.¹⁷ Coupled with rising public demand, local authorities are under greater pressure than ever to deliver good-quality local services, on everything from waste management to social care.

Business services are a vital part of ensuring that the public sector can manage this transformation. Whether through shared outsourced services across departments or agencies, or other delivery models such as strategic partnerships, public service



CASE STUDY:

ISS: ROYAL DERBY HOSPITAL PARTNERSHIP AND INNOVATION

ISS has been the Facility Services provider for this NHS UK Foundation Trust teaching hospital in Derby since 2009. The principal hospital in its region, it illustrates the essence of public service – highly valued by the community, while facing challenges of growing demand for services against budget limits.

ISS is valued as a flexible and proactive partner, aligned to the client's culture and objectives, energetic in innovating solutions to support the way the hospital delivers clinical services. In 2016, ISS and Royal Derby Hospital agreed a ten-year contract extension, which is unprecedented in the sector. Key innovations and solutions aligned to the hospital's objectives include the following:

Financial: ISS cost leadership to drive continuous financial and service improvement, actively supporting partnership joint savings through shared targets that incentivise.

Exceptional patient experience: delivering quality in all aspects of patient care, safety, effectiveness and the quality of the building.

Infection reduction: ISS participation in the development of a Cleanliness Charter, supported by structured and proactive education and training for all staff to ensure infection prevention.

FOR-Ward Model: reviewing activities of both clinical and non-clinical tasks, to identify and scope opportunities to ensure that tasks are undertaken by the appropriate people.

13. Financial Times – Why the UK is struggling with poor infrastructure – August 2017.
14. IPPR – Transport Secretary urged to close £1,600 per person London-North spending gap – August 2016.
15. Centre for Cities – The Great British Brain Drain – November 2016.
16. Oxford Economics – The UK market for business services, The national, regional and constituency picture in 2013 – January 2015.
17. Local Government Association – Under pressure: How councils are planning for future cuts – April 2014; BBC – Councils warn of £5.8bn 'funding gap' by 2020 – July 2017.



CASE STUDY:
BOUYGUES: KENT COUNTY COUNCIL STREET LIGHTING ENERGY SAVING SCHEME

The project brought together strategic programming, smart logistics and a dedicated mobile workforce

Bouygues Energies & Services partnered with Kent County Council to reduce street lighting energy consumption by at least 60 per cent while maintaining lighting standards.

The project will be delivered in three phases over 24 months that will see around 120,000 residential, road and town centre lights changed to LED lanterns. All the newly installed units will be linked to a central management system which will allow Kent County Council to manage and adapt lighting levels as required.

Bouygues Energies & Services delivered an energy focused design solution and guaranteed Kent County Council more than 65% in energy savings. This drove down their costs and increased their overall efficiency. The project brought together strategic programming, smart logistics and a dedicated mobile workforce. Additionally, installation crews managed by mobile supervisors in welfare/office vehicles ensure safety, productivity and quality.

Kent County Council has experienced numerous benefits through its partnership with Bouygues Energies & Services. The Local Authority's investment has been guaranteed by the underwriting of energy and maintenance savings; the smart logistics approach has enabled an accelerated programme option; the conversions will save Kent County Council £4m a year in energy and carbon tax; and maintenance costs will be reduced whilst residents will continue to experience a high quality of lighting.

mutuals and joint ventures, the private sector can offer targeted, intelligent services which maximises its knowledge, innovation and skills.

By creating partnerships with the private sector to provide functions from customer services to HR and ICT, councils can meet service demand in a sustainable way. Business and digital change led by private providers offers opportunities to reform processes for long-term efficiency without large upfront investment by local authorities. This efficiency and adaptability will be key as cities and regions anticipate the devolution of greater powers over housing, transport, planning, and skills.

Growth in the local government outsourcing sector is evidence of how contracting out business services can help maintain local public services while reducing spending.¹⁸ PwC's annual survey of local authority leaders has also highlighted the continued potential – and appetite – for public-private collaboration to provide services for residents.

When asked to identify the main barriers to delivering place-based growth and addressing council priorities, over two-thirds cited a lack of infrastructure investment, affordable housing, and influence over skills. In contrast, 'difficulty in agreeing collaborative arrangements with private sector partners' was identified by only 17% of respondents.

With the devolution agenda set to continue across the UK, councils have the opportunity to rethink how they run services and actively promote new ways of working. Recent years have prompted considerable innovation, with councils taking

18. Arvato – Outsourcing Index: Q2 2017 – July 2017.

19. PwC – Local State We're In 2017 – May 2017.

20. Localis – Commercial Councils: The Rise of Entrepreneurialism in Local Government – March 2015. NB: Councils referred to are in England only.



CASE STUDY:

ENGIE: NORTH EAST LINCOLNSHIRE COUNCIL: A PARTNERSHIP FOR REGENERATION

ENGIE's 12-year innovation partnership with North East Lincolnshire Council is a comprehensive urban and economic regeneration programme that is delivering on the council's ambitions.

This well-established agreement saw a number of council services (regeneration and growth, housing, highways and transport, architectural design, facilities management, and energy solutions) outsourced to ENGIE and the transfer of 300 council staff.

The long-term objectives of the partnership are to deliver real outcomes that underpin the council's strategic aims of creating a stronger economy and community. Key achievements to date include:

- Over £166m of public and private investment with £570m from new / existing businesses and creation of over 4,500 jobs
- Reducing the number of people killed or seriously injured in road traffic accidents by 65%
- Rationalising the council's property portfolio from 20 buildings into two main hubs and providing over £1.1m annual revenue savings
- Submitting North East Lincolnshire's Local Plan, setting out the council's agenda for development and growth over the next 15 years
- Preparing plans for the regeneration of Grimsby and Cleethorpes town centres, industrial developments along the South Humber Bank and housing schemes within North East Lincolnshire.

This year's survey has demonstrated that in the face of continued financial challenges and increasing political and economic uncertainty, councils need to forge a constructive identity and purpose for both themselves and their places. While austerity looks set to continue and will challenge the internal operations of councils, local government also needs to look beyond organisational boundaries and embrace the challenges and opportunities around securing whole place public service reform and enabling place-based growth.

*PwC Report, Local State
We're In 2017¹⁹*

action to partner with the private sector and act in a more 'commercial' fashion. The rise of so-called 'commercial councils' can be seen in a report by Localis²⁰ which found:

- More than half of councils (58%) own a trading company, and at the rate it is increasing, full coverage by 2020 is a possibility;
- A majority of councils (57%) operate a joint venture with the private sector;
- Without entrepreneurial activities, 8/10 councils say they would have to cut services and raise taxes.

At the heart of making a success of public-private collaboration is a more strategic approach to commissioning, tailored to the unique needs and requirements of the local area.

Integrated services

Devolution, whether to Edinburgh, Cardiff, Belfast or to combined authorities, has the potential to allow local policymakers to coordinate funding and services better and give them greater strategic oversight over evolving challenges.²¹ Business service providers can aid the transition of powers by continuing to deliver high-quality contracted services, allowing local authorities to focus on strategy and management, and to deliver new services where needed.

While the initial focus of devolution deals has been on areas such as infrastructure and transport, there are also opportunities from taking a strategic approach to integrate public services.²² Integrating services such as employment support, skills, and health and social care provision would not only improve people's quality of life but help provide a healthier, more skilled and more productive workforce.

In areas where devolution is furthest advanced, such as Greater Manchester, BSA members are already delivering more complex public services like the employment programme Working Well. The success of such schemes in future in other regions will greatly depend on whether concerns about inclusive growth are embedded at the beginning of the commissioning cycle.

For public procurement to be a mechanism for place-based growth, commissioning decisions need to:

- Identify need across the community, with outcomes led by the requirements and wishes of residents. The private sector can offer analytics and insight to 'market shape' the commissioning of services.
- Work with all stakeholders to identify ways to help meet those needs, with fully integrated public services focused on outcomes. Commissioners need to have meaningful dialogue with service providers early in the process to ensure that ideas for innovation in social and wider value can be adopted, and new ways of providing services can be developed.
- Avoid the contract being decided solely on the basis of lowest cost.



CASE STUDY: **SERCO: INTEGRATED SERVICES**

The work of Serco covers a wide range of services and support, in many different contracts. These include managing Doncaster prison; the Emergency Planning College near York; the Work Programme in South Yorkshire; contact centres in Liverpool and Bolton, notably a 10-year contract with the Department for Work and Pensions delivering child maintenance support; Merseyrail; a number of leisure facilities in the North West, Mansfield and Nottingham; providing operation and maintenance support to the Solid State Phased Array Radar (SSPAR), part of the UK/US Ballistic Missile Early Warning System located at RAF Fylingdales, North Yorkshire; the National Careers Service and National Apprenticeship Service contact centres from offices in Newcastle upon Tyne; and environmental services contracts in Derbyshire.

The work of Serco covers a wide range of services and support



CASE STUDY: **PROSPECTS: SUPPORTING IN-WORK PROGRESSION**

Prospects is working with employers and individuals across 20 London boroughs to help achieve in-work progression for workers as part of the Employment Plus programme, in line with the Mayor of London's commitment to tackle low pay and improve working conditions of those working in the capital.

Prospects is working with hundreds of employers across the capital to help redesign job roles and up-skill their workforce through one-to-one support and mentoring as well as access to training and recognised qualifications to develop new skills, or refresh their existing ones.

Working through partnerships with community organisations and local authorities to deliver the training, Prospects expects to support over 4,500 participants in only 13 months on issues as varied as confidence and motivation, teamwork training, English and maths in the workplace, IT skills, customer service, various legislation updates and vocational training.

Prospects has been targeting specific sectors of the London economy known to face recruitment and retention issues, operational challenges and a prevalence of low pay, including the care sector, security and other facility management services and retail.

Although early in the programme, a direct and immediate impact has already been produced allowing participants to work in more lucrative roles and achieve increased rates of pay aligned to their level of training. Employers are expected to see results in terms of increased productivity in making best use of their staff, reduced staff turnover, identifying in-house talent and prospective leaders as a result of having a stronger and more loyal workforce which has up-to-date skills to take their business forward.

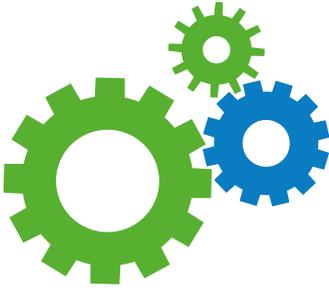
Social value

Investing in business services provides social value as well as direct benefits to the contracting authority, particularly where specific metrics are embedded in the commissioning process. Depending on the particular needs of the community, commissioning can promote social value and stimulate inclusive growth. Private sector service providers include social value clauses in a variety of contracts, from construction to employment services, promoting, for example:

- employment of local workers, including specifically those further away from the labour market;
- scaling up local SME capacity, making full use of the external expertise and supply chain management which larger companies can bring to the table;
- providing specific skills training where this is the key limiting factor in an area;
- inward investment into the area;

21. Core Cities – Declaration for Devolution – May 2015.

22. BSA – Devolution and Integrated Services – February 2016.



BSA full members work with
250,000 SMEs
through their supply chains

- developing people capacity, amongst employees and the wider community, through training, employment support and related services;
- wider community working with the local VCSE sector;
- scaling and replicating innovation and change in service delivery which has taken place elsewhere to spread best practice;
- reducing the environmental impact of service delivery; and
- measures on social wellbeing, including fair work practices, pay and conditions, and progression.

While many of these considerations stem from the Social Value Act, such behaviour is also simply good business – not just to win contracts, but to help recruit, motivate and retain talented people who are increasingly interested in wider business responsibility.

Business service providers often have large organisational structures which enable them to provide expert training and apprenticeships, but targeted in local areas where their contracts ensure the skills will be most employable. BSA full members employ over 17,000 apprentices and provide circa 845,000 days of

This programme delivers on some of the key objectives of both Kier and *hub South West* in providing help and assistance to SMEs

CASE STUDY:

KIER: UPSKILLING SMES THROUGH A REGIONAL PROCUREMENT VEHICLE'S PIPELINE OF WORK

Kier is an equity partner in the *hub South West* Scotland procurement vehicle, a public – private partnership that enables cost-efficient design and construction of community facilities within south west Scotland.

Hub and their Tier 1 contracting partners, including Kier, operate the Supply Chain Institute. One activity of the institute is the Building for Growth programme, an initiative aimed at upskilling SMEs based in the hub territory. This programme delivers on some of the key objectives of both Kier and *hub* in providing help and assistance to SMEs in health and safety training, gaining construction related accreditations, business management, bid writing, interview skills and techniques, responding to ESPD and PCS/OJEU Notices, financial health checks and generally improving their ability to win work, both as sub-contractors and in their own right with public and private sector clients and maintain and grow their businesses in a sustainable manner.

The Building for Growth programme is aimed at ambitious companies in construction and related sectors which are based in Lanarkshire, Ayrshire and Dumfries and Galloway. The programme is run over eight half-day sessions over a period of 12 weeks. It is open to any business looking to grow by building the skills and internal capacity to take on increasing volumes of work. The programme has been running since 2015 and to date, 52 locally based companies have now 'graduated' from Building for Growth.

Kier has provided tendering opportunities, either through the *hub* pipeline of work or through other procurement routes, to a significant number of these companies and has contracted with 12 of them on various projects.



training each year, much of which is targeted locally so earnings and skills have a positive impact on the area.²³

Working with supply chain partners in a responsible and collaborative way can also directly stimulate inclusive growth. Working with SMEs to deliver services also supports local businesses, for instance a company providing security services may choose to have its fleet serviced at a local garage, creating further jobs and value for the community. BSA members work with approximately 250,000 SMEs throughout their supply chain and run 'meet the supplier' days with local SMEs in an area where they have a contract.

Finally, investing in local projects, such as sponsoring sports teams, renovating schools or parks, and working alongside local charities, brings further value to an area and are seen by providers as an important way to engage with communities and become involved directly. In this way, business services companies themselves can become 'place leaders' that make material contributions to local communities.

23. BSA – Apprenticeships in the Business and Outsourced Services Industry – June 2014.



CASE STUDY:
SODEXO: FRUITFUL OFFICE

Sodexo strives to build harmonious relationships between individuals, communities and the environment in which it operates

As part of Sodexo's Better Tomorrow 2025 sustainability strategy, the company strives to build harmonious relationships between individuals, communities and the environment in which it operates. Sodexo has initiated a sustainable procurement programme to ensure that the company works with many social enterprises across the UK. One example is Fruitful Office, which currently offers a fruit delivery service to six Sodexo offices. Their mission is to improve health and wellbeing in the workplace by supplying offices with fruit baskets for employees. A UK survey showed that 81% of staff thought having fresh fruit available at their desk had 'improved their quality of life at work', while 45% ate fewer unhealthy snacks if fresh fruit was available.

Being a social enterprise, Fruitful Office also gives back to the societies and communities where it sources its fruit from. Fruitful Office plants one fruit tree for each basket sold. This equates to 4,272 trees since January 2017, the majority of which are planted in Malawi. At current sales and distribution, this would lead to an annual forecast of nearly 7,500 trees but we expect this to increase significantly as more sites start dealing with Fruitful Office.



CASE STUDY:
INTERSERVE: FACILITY TO HELP SOCIAL ENTERPRISES OPENS IN LIVERPOOL

Capacity: The Public Services Lab is a collaborative venture between Interserve, Catch 22, Clubfinance and Big Society Capital

A new Interserve-backed organisation to help voluntary, community and social enterprises (VCSEs) across Merseyside opened in Liverpool in May.

Capacity: The Public Services Lab is a collaborative venture between Interserve, Catch22, Clubfinance and Big Society Capital. It acts as an 'incubator centre' to help VCSEs develop the skills and business practices in order to take a more central role in delivering innovative, effective and sustainable public services.

The facility was launched to look at ways to support organisations with procurement, risk management and project management so that they can become established and meet local need, including reducing re-offending and supporting people with health issues or accommodation. Capacity hopes that by 2022, 50 per cent of VCSE organisations will be delivering public services, a 40 per cent increase.



CASE STUDY:
**ENGIE: A COMMUNITY INTEREST COMPANY
 DELIVERING SOCIAL VALUE**

The Our Parklife Community Interest Company (CIC) was established as a social enterprise to help deliver the legacy of the 2012 London Olympic Games.

The first CIC to bring together skills and experience from the private, charitable and social enterprise sectors in one organisation, the unique partnership comprises ENGIE, principal contractor for estates and facilities management, and other sub-contractors, social enterprises and charities. Working in partnership with local communities, Our Parklife created approximately £2.7m of economic and social value for the local economy in 2016.

In 2016, Our Parklife:

- Coordinated and managed over 850 volunteers giving up over 13,700 hours of their time, creating a value of £133,600 to the Park and £1,849,500 of value through subjective well-being
- Delivered over 70 accredited training qualifications and supported 15 apprentices in facilities management, horticulture, cleaning and team leading
- Collaborated with local schools, colleges and universities – delivering educational visits and volunteer placements for over 20 local students with Special Educational Needs
- Facilitated local employment – its current estate facilities management workforce employs 149 people locally of which 67% are from surrounding boroughs
- 50 of staff were previously unemployed, creating approximately £740,000 for the local economy by getting people back into work.



CASE STUDY:
**ROBERTSON GROUP: WORKING
 WITH SUB-CONTRACTORS**

Robertson Group's Dundee-based subcontractors enjoyed a free event designed to encourage a healthy and productive working environment.

SME contractors working on the new Baldrage Academy attended the Healthy Working Lives (HWL) event on-site.

Also in attendance was People Asset Management Occupational Health (PAM OH), which offered confidential health-checks designed to support workers in adopting healthier lifestyles, delivered as part of Dundee City Council's Community Benefits targets.

As a large business, Robertson believe that it is absolutely vital to look after the health and wellbeing of not only its own employees, but also those of its SME subcontractors.

As part of its Community Benefits Programme Robertson holds a bronze HWL Award and is committed to providing a productive, safe workplace with a healthy, positive workforce which feels supported.



CASE STUDY:

BALFOUR BEATTY: SOCIAL VALUE THROUGH THE M3 UPGRADE

£69.9 million was spent with SMEs, representing 57% of the supply chain

Balfour Beatty was responsible for the upgrade of the M3 J2-4a Smart Motorway. This section of the M3 is used by over 130,000 vehicles a day and sees higher than normal levels of congestion at peak times. Our goal is to create value by engaging local communities, enhancing skills, offering employment, supporting local businesses and contributing to environmental well-being. We have demonstrated the creation of at least £73.4 million of added social value through delivery of social, economic and environmental outcomes. Highlights are shown in the graphic.

- The economic impact of our procurement choices – local employment, our supply chain choices and their subsequent re-spend – indicates that for every £1.00 of the gross project income, £2.23 was generated in the economy, equivalent to £496,987,097.
- We have contributed £5.6million of added value due to providing local employment.
- We hosted over 289 Meet the Buyer Events, and cross-skill training for 623 sub-contractors equating to £29,000 of added value. We received 7 Highways England Blue Stars for training initiatives such as our No9 Supervisors pilot, Black Hat forum and Hazard Training School.
- We directly spent £69.9 million with small and medium enterprises (SMEs), representing 57% of our supply chain. The added value to the local economy associated with selecting local suppliers was £66.5 million.
- The project completed 46 hours of school engagement activities, 136 hours of volunteering and 104 hours of expert advice to social enterprises. This, in addition to fundraising and supporting initiatives through the Community Matters Partnership, has created over £12,500 added inward investment into the area.
- 15% of our Balfour Beatty workforce was a graduate, apprentice or paid work placement. £113,000 was created through apprentice and graduate training opportunities and over £95,000 through 535 days of work placements and 12 weeks of pre-employment courses.
- Through our in-house materials expertise and supply chain collaboration we have recycled over £250,000 tonnes of materials and operate at a 99% diversion from landfill. We achieved a reduction of over 10,000t CO₂e against a defined baseline. The combined added value represents just under £1 million.

SOCIAL VALUE ADD



M3 J2-4a SMP

Balfour Beatty and the Social Value Portal have come together to measure the additional social value created through the construction of the M3 smart motorway between J2-4a. We used data collected through our Involved community investment programme, sustainability action plan and the National Skills Academy to calculate the community benefit which our project delivery team and supply chain partners have generated. This value reflects social, economic and environmental benefits..

Green and Sustainable Economy

£968k

Skills and Local Employment

£5.9M

Local Business and Economy

£66.5M



£2.23

of re-spend generated for every pound spent with Balfour Beatty

Total Social Value Add: **£73M**

£12,500
Value add in community and charity projects

Member of Community Matters Partnership



£69.9M

spent with small and medium sized enterprises (SMEs), 57% of total supplier spend.

£29,000

of value in supply chain support

£113k

Emerging Talent

value in apprenticeships and graduate training opportunities

63%

local employment

£5.6M

in local employment opportunities

535

days of work placements

£9,000

value in pre-employment courses

£188,394

Reduction of carbon emissions

251,000t

materials and waste recycled

£779,732

Value in reduction of waste to landfill

Infographic courtesy of Balfour Beatty.

BSA MEMBERS





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