



The Business Services Association
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London.
EC4A 2BH

Rt. Hon. Rishi Sunak M.P.,
Chancellor of the Exchequer,
HM Treasury,
1 Horse Guards Road,
London.
SW1A 2HQ

18th March, 2022

Dear Chancellor,

I am writing to you as Chief Executive of the BSA ahead of this year's Spring Statement.

The BSA - Business Services Association - brings together all those who are interested in delivering efficient, flexible, and cost-effective service and infrastructure projects across the private and public sectors. 70 per cent of business services are provided business-to-business and 30 per cent for the public sector. The sector employs c.3.3 million people across the UK, accounting for around 1 in 10 jobs. The innovation the sector drives is therefore key to achieving UK objectives to be a force for good on global challenges around climate, biodiversity, prosperity, and security. Members include businesses of all sizes, charities, and social enterprises. A full list of members is included as an annex.

The economic pressures facing the country are both considerable and wide-ranging. As key suppliers to government and UK industries, BSA members stand ready to play their part in supporting the rebuilding and securing of our economic credibility, as well as in bolstering the economy in the face of the challenges to come.

Whilst we recognise the need to balance different political and economic considerations at this time, the challenges facing business and VCSE organisations operating within the UK must be taken into account. This is particularly pressing in light of the invasion of Ukraine, the impact of the coronavirus pandemic, and the labour shortages we are seeing across multiple sectors. It is vital that people and businesses are encouraged to be economically productive, thereby helping drive the economy forward into the growth areas of the future.

The BSA launched an economic tracker at the beginning of the year to monitor the key areas affecting the business services sector in the UK. Members' feedback has highlighted that the sector is facing a myriad of pressures; from concerning levels of inflation in the cost of core goods and services, to labour shortages across a variety of jobs and industries which are crucial to both key national infrastructure and the wider economy. Members are reporting cost increases from base materials (particularly timber, steel and copper) to specific products such as microchips. These trends are expected to continue with respondents all indicating that these increases would impact on their business operations over the next twelve months. Wage inflation was also cited as an area of concern by the majority of members in their responses, as was the so-called 'war for talent' as employers look to address labour shortages.

In light of these challenges, we would caution against any further increase to the burden of regulation and taxation on business as they look to mitigate the economic impact of the pressures outlined above, and encourage other measures to support business such as further reforms to the VAT regime - as made possible by our departure from the European Union.

Given the scale of the task in front of us, it is also critical that all sectors- public, private, and VCSE - draw together in common endeavour, just as they have done throughout the coronavirus pandemic. To support this, it is crucial their goals are both clear and aligned and that public sector commissioning and other decisions are always taken with that in mind. The way Government manages its supply chain is crucial to the efficiency and effectiveness of public services and our economic recovery. Recent steps to increase the effectiveness of public service delivery have been positive but there is much that can be done to improve upon this.

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One of the lessons arising from the Covid-19 pandemic for service delivery is the importance of contract flexibility. BSA members have acted agilely and played a vital role in keeping the economy going, delivering services and projects. For the most part, this has been possible because of their ability to adapt and has worked best where contracts can be flexed to meet new and changing requirements. The last two years have shone a light on the impact unforeseeable events can have on services and projects. This is particularly true for contracts of 5 years or longer. It is in the interest of all parties that there are mechanisms in place to address this in a structured way. For example, government does not yet recognise 'change in law' as a risk that may not sit best with suppliers. This area is key in respect of risk allocation and realisation of value for money, and we therefore recommend that this is reviewed.

In addition to the above, we urge colleagues within HM Treasury to be mindful of the implications of ongoing labour shortages and widespread inflation for government contracts. As we have raised in our ongoing discussions with ministers and government officials, these pressures are being felt across the sector and are expected to have a direct effect on costs which would in turn impact on pricing considerations in government projects and services.

We must also ensure that we do not lose sight of those projects and policies that will both secure, and embed greater resilience in, our future economy. For example, the BSA welcomed the recent publication of the Government's Levelling Up White Paper. This will be key to ensuring not only a more equitable society but also that that everyone can contribute fully to the economic effort.

In particular, we urge the Government to continue efforts to upgrade, extend and modernise the UK's physical, social and digital infrastructure as the focus for spending going forward. Supporting large-scale projects, such as HS2, and investing in green technologies will be key to Levelling Up through innovation, meeting the country's future infrastructure needs, achieving our Net Zero targets, providing stimulus to industry supply chains across the country, and rebalancing the economy.

We must also consider the long-term impact that the coronavirus outbreak will have on the future of work in this country and the central role that digital infrastructure will play in this. This includes tackling the skills and digital inequalities that exist across all age groups, supporting SMEs and investing in our regions, and for these reasons we welcome the Government's plan to establish further devolution deals. In particular, government and employers can continue to drive the skills agenda, tied to local labour market needs, to help people enter or re-enter the workforce, or progress within work.

I would welcome the opportunity to discuss in greater detail how the business services sector and our members can help the Government in driving a green economy, delivering world-class public services, levelling up the whole country, and unleashing Britain's potential.

Yours sincerely,

Mark Fox
Chief Executive,
BSA - The Business Services Association



List of BSA Members, March 2022

3C3 Ltd	KBR
3SC	Kier Group Plc
AECOM	KPMG
Amey Plc	Lita Group
Aramark	Mace
Atkins	Maple Strategy
Atos	Maximus UK Ltd
Baachu	Mears Group
BAE Systems	Medallia
Balfour Beatty Plc	Mitie
Barclays Corporate	MTC
Bevan Brittan LLP	NatWest
Bouygues Energies and Services	NCG
Bright Network	OCS Group UK Ltd
Browne Jacobson LLP	P3
BT Group Plc	Pinsent Masons LLP
Business 2 Business	Polar Insight
Capita Plc	Purpose Led Performance
Catch 22	PricewaterhouseCoopers UK
CBRE Ltd	Reed in Partnership
CGI	Robertson FM
CH & Co Group	Salisbury Group
City FM	Seetec Group Ltd
Clyde & Co LLP	Serco Group Plc
CMS Cameron McKenna Nabarro Olswang LLP	Sharpe Pritchard LLP
Community Models	Shaw Trust
Compass Group Plc	Sodexo Ltd
Corndel Ltd	Sopra Steria Ltd
Costain	Space Solutions
Deloitte	Spend Network
DWF LLP	Strictly Education
DXC Technology	TerraQuest Solutions Ltd
Elior UK Ltd	The Gap Partnership
Eric Wright FM	The Grichan Whitestone Partnership
Fujitsu UK	The Palladium Group
G3 Systems Ltd	The Sustainability Group
G4S Plc	Trowers & Hamblins LLP
Glaston Consulting	Turley
GoodPeople	Veolia
Grant Thornton	Vercity
Hinduja Global Solutions	VINCI Facilities
HP	VPS Group
IBM	Wand Consulting
Incentive FM	Wates Group
Ingeus	Willmott Dixon
ISS UK Ltd	
Jobs22	