



The Business Services Association
130 Fleet Street,
London.
EC4A 2BH

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

14th September, 2022

Dear Mr. Kwarteng,

I am writing to you as Chief Executive of the Business Services Association ahead of your upcoming fiscal event.

As we discussed during our meetings with you as Business Secretary, and as I set out in my recent letter congratulating you on your appointment as Chancellor, the economic pressures facing the country are both considerable and wide-ranging. The challenges which businesses and VCSE organisations are experiencing must also be seen in the context of the legacy impact of the coronavirus pandemic, Russia's invasion of Ukraine, and the labour shortages we are experiencing across multiple sectors.

Whilst being mindful of the levels of national debt and the long-term implications for our economy, it is vital that people and businesses are encouraged to be economically productive; thereby helping to drive the economy forward into the growth areas of the future.

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 crucial to achieving UK objectives around growth, long-term prosperity, climate resilience, and security.

As key suppliers to government and UK industries, BSA members stand ready to play their part in bolstering the economy in the face of the challenges to come. Members include businesses of all sizes, charities, and social enterprises. A full list of members is included as an annex.

I have included below an overview of the key areas affecting the business services sector. I would welcome the opportunity to discuss in greater detail how the sector and our members can help the Government in growing our 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

E: bsa@bsa-org.com W: www.bsa-org.com [@THEBSASSOC](https://twitter.com/THEBSASSOC)

The Business Services Association Limited is registered in England No. 2834529



Business Services Association

Summary of the core issues affecting the business services sector

September 2022

Background and Overview

The BSA launched its Economic Tracker at the beginning of the year to monitor the key areas affecting the business services sector in the UK. The Tracker is refreshed and circulated with BSA members on a monthly basis, with the question-set regularly reviewed in order to best capture the issues affecting the sector. Our latest report, covering Q1 and Q2 of 2022, can be read [here](#) and is attached for reference.

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.

Support for businesses and VCSE organisations

We are pleased to see that government recognises the challenges faces businesses and VCSEs and has introduced policies aimed at addressing these. We would welcome the publication of further details on how the recently announced scheme to support businesses and other non-domestic energy users with the cost of energy will be implemented. Clear and timely guidance is required in order to best support businesses and VCSEs as they seek to navigate the challenges of our current economic landscape.

In addition to this, we would welcome any further measures to support businesses as they look to mitigate the economic impact of the pressures outlined above. For example, we would encourage HM Treasury to consider measures such as further reforms to the VAT regime - as made possible by our departure from the European Union.

Delivery of Public Services

In the face of economic uncertainty, it is critical that all sectors of the economy - public, private and voluntary - draw together in common endeavour, just as they did at the height of the coronavirus pandemic. As we emerge from the pandemic, find a new place in the world outside of the European Union and transition to a carbon neutral economy, collaborative working between the public, private and VCSE sectors has never been more important.

To support this, it is crucial that different sectors' goals are both clear and aligned, especially in relation to inclusive and sustainable growth, 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 wider economy. 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.



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.

Investment in the UK’s physical, social and digital infrastructure

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. This will be key to ensuring not only a more equitable society but also 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.

Upskilling and Reskilling

Finally, it is important to recognise that government and employers can continue to drive economic growth through the skills agenda, tied to local labour market needs, to help people enter or re-enter the workforce, or progress within work.

The coronavirus pandemic and the current economic landscape have highlighted the importance of a flexible approach to upskilling and reskilling people; in turn reducing the skills gap, supporting the levelling up agenda, and driving our transition to Net Zero. Upskilling and reskilling will be vital to ensuring that workers have the skills that the future economy needs and in meeting the challenges of today.

For example, employers and providers have long called for increased flexibility within the provision of apprenticeships, including the limitations around the use of Apprenticeship Levy funds.



We therefore encourage HM Treasury to consider practical reforms to the Levy including:

- reforming the Levy into a broader and more flexible system, including allowing for apprenticeships that do not require a 12-month long programme;
- allowing employers more flexibility in being able to use Levy funds for part time workers or shorter courses (such as Functional Skills including maths, English, and ESOL, as well as digital skills);
- allowing Levy employers to use a % of their Levy funds to pay salaries for new recruited apprentices; and,
- allowing employers to utilise levy funding to support new starters by purchasing the tech and hardware needed for the role and their learning assessments.

BSA members stand ready to play their part in supporting a system that works best for employers, providers and, above all, the learners themselves.

We would welcome the opportunity to discuss these and other proposals in greater detail with HM Treasury colleagues.



List of BSA Members, September 2022

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