



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

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

9th November, 2022

Dear *Chancellor*,

I am writing to you as Chief Executive of the Business Services Association ahead of the upcoming Autumn Statement.

The Business Services Association - the BSA - 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 economic stability, long-term prosperity, and our transition to Net Zero.

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.

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.

We recognise both the need to balance different political and economic considerations at this time and that the Government is rightly focussed on rebuilding and securing our economic stability. Spending going forward must therefore be targeted to ensure that it is sustainable in the future, particularly in light of the difficult decisions that have already been made regarding Corporation Tax and the abolition of the Health and Social Care Levy.

Given the scale of the recovery task in front of us, it is critical that all sectors - public, private, and VCSE - draw together in common endeavour, just as they did throughout the coronavirus pandemic. To support this, it is crucial that their goals are both clear and aligned and that public sector commissioning and other decisions are always taken with that in mind.

I would welcome the opportunity to discuss in greater detail how the sector and our members can support the Government in securing our economic stability, driving a green economic recovery, 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



Business Services Association

Submission ahead of Autumn Statement 2022

November 2022

Background and Overview

The business services sector has a vital role to play in ensuring that investment is spent as efficiently as possible. We deliver administrative services, facilities management, infrastructure, and IT so that our business clients can focus on what they do best: enabling and encouraging businesses to invest in themselves and their workforce. Working in partnership with the public sector also brings new thinking, investment and the ability to scale. In addition to this, the sector delivers crucial advice and support services that enable businesses, both large and small, and in every region, to become more productive, profitable and competitive.

All of this will be crucial in re-establishing economic stability, driving our economic recovery, supporting jobs and local businesses across the country, adding social value, and delivering services and infrastructure of the highest quality to the British public.

Market stability is a pre-condition to economic growth, long-term productivity, and competitiveness. We therefore welcome the Chancellor's commitment to restoring this stability which is key to giving markets and business confidence to invest in our economy.

In order to further bolster this confidence, the Autumn Statement must include both well-designed fiscal targets and a credible plan for meeting them. Beyond this, we would urge the Government to coordinate with the Bank of England to tackle inflation, in addition to re-affirming its commitment to Net Zero so as to support a green economic recovery and future growth.

Challenges Facing the Sector

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 to BSA members on a monthly basis, with the question-set regularly reviewed in order to capture best 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.

Labour shortages pose a considerable challenge for the business services sector. Shortages weaken organisations' ability to operate at full capacity and to invest in upskilling their existing workforce. These pressures have subsequent impacts on growth potential and market competitiveness.



We are pleased to see that government recognises the challenges facing businesses and VCSEs and has introduced policies aimed at addressing these. We would welcome any further guidance or measures to support businesses as they look to mitigate the economic impact of the pressures outlined above.

Delivery of Public Services

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, and we have welcomed and been involved with the refreshing of the Cabinet Office's Sourcing Playbooks, but there is much that can be done to improve upon this.

In addition to the discussions conducted with ministers and officials from the Cabinet Office, we believe that HM Treasury has a valuable role in this process. Procurement processes and cultures are inconsistent across Whitehall. The Cabinet Office has the power to introduce reform centrally, but not enforce it across Whitehall. A significant policy initiative is needed to ensure all central government departments procure in the same way. This requires a policy, administrative, and cultural change across Whitehall.

We would also like to emphasise that much of the success of the proposed reforms will rest on ensuring consistent application and implementation across contracting authorities including at a local and devolved level. We believe, however, that the Government can further drive market changes via investment in both people and systems in this area. Unfortunately, there is still evidence of poor contracting behaviours including iniquitous risk transfer, inconsistency across departments, and excessive complexity in the tendering process.

These behaviours not only impact upon the efficiency with which taxpayer money is spent but also distort the market by effectively prohibiting the wider participation of potential suppliers, including VCSE and SME organisations, within the procurement process.

Contract Flexibility

One of the lessons arising from the Covid-19 pandemic for service delivery was 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 three 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.

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.



Supporting the UK's physical, social and digital infrastructure

Whilst remaining mindful of the difficult decisions that lie ahead, 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.

In particular, we urge the Government to consider the positive impact that ongoing commitment to existing large- and small-scale infrastructure projects has in boosting business and market confidence. The construction and infrastructure industry is of key strategic importance to the UK economy and has a particular role to play as we look to restore economic stability and rebuild our economy. The scale and flow of work that large projects bring, such as HS2 and Northern Powerhouse Rail, in turn provide greater certainty for industry to invest in other ventures and in modernisation. The industry supports jobs and local businesses through supply chains that cover all regions across the United Kingdom.

In addition to this, significant and sizeable projects committed to using modern methods of construction and digitisation give industry more confidence to invest and a platform through which to embed digital ways of working. In turn, this helps to accelerate the modernisation of the industry and supports smaller organisations operating within larger contractors' supply chains.

The benefits of increased digital infrastructure, such as the introduction of gigabit capable broadband, will be felt across the UK economy and the Treasury should continue to work with industries where the benefits of digital improvements could prove transformative, such as business services, to pilot particular technologies. This will be key to addressing the 'digital divide' that inhibits the levelling up agenda in areas that are currently underserved in this regard.

In short, the investment in both people and place that the Government can support with these large-scale projects is vital to our economy recovery in the short term as well as our long-term prosperity.

Upskilling and Reskilling

Finally, it is important to recognise that government and employers can continue to support workers and drive future economic growth through the skills agenda. There is considerable opportunity here, 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.

We therefore urge the Government, and particularly the DfE and DWP, to join up social infrastructure provision encompassing careers advice, skills provision and employment support. This will create joined up learning, work and progression pathways for young people struggling to start their careers, as well as career change and lifelong learning opportunities for displaced older workers.

We urge the Treasury to work with DfE and BEIS to consider practical reforms to current skills programmes including the Apprenticeship Levy. 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 to support recruitment and retention 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, November 2022

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