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BSA Response to Industrial Strategy Green Paper 2024

Background

The BSA - Business Services Association - brings together large and small businesses, professional services firms, charities, and social enterprises delivering service and infrastructure projects across the private and public sectors. The work of BSA members improves the lives of tens of millions every day across every region of the country; from building and maintaining our roads, energy supply, and digital ecosystem, to feeding school children and keeping our hospitals clean and safe. A membership list is attached for reference, alongside a summary of the BSA.

The business services sector is key driver of growth, employment, innovation and productivity. It employs millions of people throughout every region of the country and is a significant contributor to our national economy. Our recent report, '[The Business Services Sector in the United Kingdom](#)', showed that even by the narrowest definition of 'business services' the sector accounted for at least 2.83m jobs throughout the UK in 2022, generated over £222.04bn in total turnover in 2021, and produced over £124.53bn in gross added value in 2021.

Our members' work therefore lies at the heart of many of the Government's priorities, including supporting the five missions and breaking down the barriers to opportunity.

The Government has published a [Green Paper](#) on its Industrial Strategy. The BSA has contributed to the development of this paper. The PBS sector is named as one of the eight priority sectors that will be championed as part of the Industrial Strategy. 'Ambitious and targeted' plans will now be drawn up for PBS and the other sectors.

The BSA has been asked to join the Professional and Business Services Council's PBS Industrial Strategy Steering Committee, which will collaborate with senior officials at the Department for Business and Trade to help create a PBS Sector Plan.

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Overarching Questions

Questions

1. *How should the UK government identify the most important subsectors for delivering our objectives?*

The Government can identify the most important subsectors by analysing their economic impact. This includes their contribution to GDP, employment generation, export potential, and their role in attracting direct foreign investment.

For example, the BSA's recent report, produced for the Department for Business and Trade, demonstrated that over 15% of total turnover for UK non-financial business in 2021 can be attributed to the business services sector and associated activities (£635.58bn).¹ As a percentage of total turnover, 'business services and associated activities' increased from 11.35% of non-financial business' total in 2012 to 15.48% in 2021. The business services sector and associated activities also accounted for £342.54bn in approximate gross value added at basic prices (aGVA) in 2021, representing an increase of 68.98% since 2012 and accounting for over 25% of the total for non-financial business.

In addition to this, the Government should leverage its ability to act as a market shaper in relation to those services and projects it procures from private sector partners and the opportunity to align procurement policies with its wider mission-based approach. This includes using the new National Procurement Policy Statement to ensure that mission-based procurement catalyses the delivery of wider outcomes such as the ambition to achieve the highest growth in the G7.²

Government should also consider not just each subsector's own growth potential but also the ways in which they interact with other subsectors throughout the economy. For example, many business services organisations are at the forefront of technological innovation, developing new products and services that enhance efficiency and competitiveness. They can introduce new ways of working, technologies, or business models that can be adopted by other sectors and promote productivity by helping other companies to improve their operations, for example, through IT services. They can also facilitate the diffusion of innovation and best practices through their interactions with a broad range of industries. In doing so, they contribute to the overall performance and competitiveness of the UK economy.

Finally, the Government should continue to proactively engage with industry voices such as trade associations to ensure that emerging trends and subsectors with high potential for growth and innovation are identified and their specific needs addressed.

2. *How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?*

Emerging sectors and technologies often operate differently than traditional sectors, and thus, conventional data sources may not accurately reflect their performance or contribution to the economy. The Government can account for these sectors in several ways:

- 1) **Use technology-specific metrics:** For instance, with the artificial intelligence sector, the Government could measure the number of AI startups, the amount of investment in AI, or the number of AI patents filed as indicators of growth.

¹ [The-Business-Services-Sector-in-the-United-Kingdom-BSA-Report-Updated-June-2024.pdf \(bsa-org.com\)](#)

² [BSA-Response-to-Cabinet-Office-survey-on-the-new-National-Procurement-Policy-Statement-31.10.24.pdf \(bsa-org.com\)](#)



- 2) **Work with industry associations:** These groups often have access to sector-specific data that the Government could use for its analyses.
 - 3) **Conduct industry surveys:** Surveys can capture data directly from companies in emerging sectors, providing a more accurate picture of their operations.
 - 4) **Partner with research institutions and think tanks:** These organisations often have more expertise and resources to conduct in-depth studies on emerging sectors.
 - 5) **Regularly update data collection methodologies:** As new sectors emerge and evolve, the Government should ensure that its data collection methods reflect these changes. This includes revising SIC codes to ensure that they accurately capture and delineate between different types of business activity.
 - 6) **Consult with experts in the field including industry leaders and academics:** This can help the Government understand the nuances of these emerging sectors and allow for more accurate data collection and analysis.
3. *How should the UK government incorporate foundational sectors and value chains into this analysis?*

Incorporating foundational sectors and value chains into economic analysis is essential for understanding the broader economic impact and crafting effective policy. The UK government can approach this by taking the following steps:

- 1) **Map Value Chains:** For each foundational sector, map out the value chain from raw materials to final consumption. This involves understanding the different stages of production, the actors involved (including SMEs), and the interdependencies between different sectors.
- 2) **Assess Economic Impact:** Analyse the economic contribution of each sector and its value chain to the UK economy in terms of GDP, employment, and regional development. This can include direct, indirect, and induced effects.
- 3) **Conduct Risk Assessments:** Evaluate the vulnerabilities within these sectors and their value chains, including supply chain risks, geopolitical risks, and exposure to economic shocks.
- 4) **Stakeholder Engagement:** Engage with businesses, trade unions, academia, and other stakeholders within these sectors to gain insight into the specific challenges and opportunities they face.
- 5) **Investigate Innovation and Productivity:** Study how innovation and productivity improvements within foundational sectors can lead to greater economic resilience and competitiveness.
- 6) **Policy Integration:** Ensure that analysis of foundational sectors is integrated into broader economic policy, including industrial strategy, trade policy, and regional development initiatives.
- 7) **Regulatory Environment:** Examine the regulatory environment affecting foundational sectors and value chains and consider how it can be optimised to support growth and stability.
- 8) **Investment Strategy:** Identify areas within the foundational sectors that could benefit from targeted investment, such as infrastructure upgrades, research and development, or skills training.



- 9) **Sustainability and Resilience:** Consider how these sectors can contribute to sustainable development goals and increase the resilience of the economy to future shocks.
- 10) **Monitoring and Evaluation:** Establish mechanisms for ongoing monitoring and evaluation of foundational sectors and their value chains to ensure that policies remain relevant and effective.

By incorporating these elements into economic analysis, the UK government can develop a more comprehensive understanding of the economy and create policies that support the vital sectors and value chains that underpin economic stability and growth.

4. *What are the most important subsectors and technologies that the UK government should focus on and why?*

The UK government should focus on several key subsectors and technologies that hold significant potential for economic impact, as outlined below:

- 1) **Business Services and Associated Activities:** This sector, as demonstrated by the BSA's report for the Department for Business and Trade, has shown substantial growth, contributing significantly to the UK's GDP and employment.³ The sector's turnover and approximate gross value added (aGVA) have seen marked increases over the past decade, indicating its pivotal role in the economy. The Government should continue to support and invest in this sector, prioritising areas such as office administrative, office support, and other business support activities which nearly doubled in aGVA from 2012 to 2021.
- 2) **Technology and Innovation:** The business services sector is at the forefront of technological innovation, which not only enhances its own productivity but also has spillover effects across other sectors. Investment in IT services, AI, data analytics, and cybersecurity can help boost efficiency and competitiveness across the economy. The Government should facilitate the growth of these technologies through incentives for research and development, as well as through targeted educational programs to build a skilled workforce.
- 3) **Mission-based Procurement:** Utilising the National Procurement Policy Statement and other reforms as part of the new Procurement Act, the Government can shape markets through its procurement choices. By aligning procurement with national missions, such as achieving the highest sustained growth in the G7, the Government can catalyse broader economic and social outcomes. This approach should be leveraged to support sectors that contribute to these broader goals, ensuring that public spending directly supports strategic economic sectors.
- 4) **Cross-sectoral Synergies:** The Government should focus on enhancing interactions between subsectors to promote overall economic resilience and growth. Business services, for instance, interact extensively with other sectors, providing opportunities for the diffusion of innovation and best practices. Supporting initiatives that enhance cross-sectoral collaboration can lead to widespread productivity gains.
- 5) **Engagement with Industry Voices:** Proactive engagement with trade associations and industry groups is crucial for identifying emerging trends and high-potential subsectors. This engagement can help tailor government policies to the specific needs of dynamic and rapidly evolving sectors, ensuring that regulation and support mechanisms are both relevant and conducive to growth.

³ [The-Business-Services-Sector-in-the-United-Kingdom-BSA-Report-Updated-June-2024.pdf \(bsa-org.com\)](#)



- 6) **Sustainable and Green Technologies:** As part of its commitment to environmental sustainability and in alignment with global trends, the Government should also focus on subsectors that contribute to green technologies and sustainable practices. This includes renewable energy technologies, energy and waste management, and sustainable construction practices, which not only help in meeting climate goals but also open up new markets and job opportunities.

By focusing on these strategic subsectors and employing a holistic, mission-based approach to economic policy, the UK government can effectively stimulate growth, enhance competitiveness, and ensure sustainable development across the economy.

5. *What are the UK's strengths and capabilities in these subsectors?*

The UK has a diverse and dynamic business services subsector, the contributions of which are set out more clearly in our recent report for DBT.⁴

In addition to their direct contribution to key economic factors such as aGVA and employment, business services organisations also support their clients to grow their own operations by offering innovative solutions and services.

6. *What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?*

The business services sector in the UK faces a dynamic set of challenges and opportunities that influence its growth trajectory.

Barriers to Growth

- 1) **Skills and Access to Skilled Workers:** The business services sector is particularly driven by human capital, and a shortage of skilled workers can significantly impede growth. This issue is exacerbated by inflexible skills policy, including constraints related to the Apprenticeship Levy, which is often criticised for not being sufficiently adaptable to the needs of businesses.⁵
2. **Economic Uncertainty and Inflationary Pressures:** Economic instability, fuelled by factors such as Russia's invasion of Ukraine alongside recent high levels of inflation, creates a volatile environment for businesses. This uncertainty can deter investment and expansion plans within the sector.
3. **Procurement Challenges:** The complexities of procurement processes, including contracting behaviours and short notice publication of pipelines, can delay or deter engagement with public sector contracts. Often, these challenges are rooted in a lack of capacity and skills in procurement and contract management within contracting authorities.
4. **Regulatory Challenges and Inconsistent Reporting Requirements:** Businesses often struggle with a regulatory framework that is not only stringent but also inconsistent across different regions and sectors. This inconsistency can lead to increased compliance costs and operational inefficiencies.

Enablers of Growth

1. **Government Investment in Large Infrastructure Projects:** Such investments can create substantial demand for business services ranging from construction to consulting and legal

⁴ [The-Business-Services-Sector-in-the-United-Kingdom-BSA-Report-Updated-June-2024.pdf \(bsa-org.com\)](#)

⁵ [BSA-Manifesto-2023-1.pdf \(bsa-org.com\)](#)



services. This not only boosts sector-specific growth but also has a multiplier effect across the economy.

2. **Multi-year Budget Settlements:** Providing clarity on budget allocations over multiple years can help businesses in planning and investment. This stability is crucial for long-term contracts and can significantly enhance business confidence.
3. **Business Confidence in Longer-Term Policy Positions:** A stable policy environment enables businesses to make investment decisions with greater confidence, reducing the risk associated with policy volatility.
4. **Procurement Reform:** Overhauling procurement processes and enhancing the skills of those involved in procurement and contract management can streamline operations and open up more opportunities for business services firms.
5. **Embedding New Technologies:** Encouraging the adoption and integration of new technologies can enhance efficiency and open up new avenues for service delivery and innovation within the sector.
6. **A Stable Political and Regulatory Environment:** Consistency in political and regulatory frameworks can significantly reduce the risk profile of investments and operations in the business services sector.

Government Intervention Strategies

To address these barriers and leverage the enablers, the UK government could consider the following interventions:

- 1) **Reform the Apprenticeship Levy:** Use the new Growth and Skills Levy to allow businesses to use funds in a way that directly meets their skills needs, including more freedom to spend on non-apprenticeship training.
- 2) **Stabilise Economic Policies:** Implement measures that mitigate economic fluctuations and protect the sector from inflationary impacts, such as targeted subsidies or tax relief in times of economic downturn.
- 3) **Simplify and Standardise Regulations:** Engage with industry leaders to streamline regulations and reporting requirements across regions and sectors to reduce the administrative burden on businesses.
- 4) **Enhance Procurement Processes:** Increase the capacity and skills of contracting authorities through targeted training programs and revised guidelines that simplify procurement processes.
- 5) **Promote Technological Integration:** Provide incentives for businesses to adopt new technologies, such as grants or tax breaks for investments in digital tools and systems.
- 6) **Ensure Policy Consistency:** Commit to maintaining a stable regulatory and political environment, providing clear, consistent policy guidance that enables businesses to plan for the long term with confidence.

By systematically addressing these barriers and effectively leveraging enablers, the UK government can significantly contribute to the sustained growth and competitiveness of the business services sector.



7. *What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?*

Investment in the business services sector is a crucial driver of economic growth, but various barriers impede this process.

- 1) **Lack of Business Confidence and Economic Uncertainty:** The business services sector largely relies on capital investments. However, a lack of confidence in the business environment, often caused by economic uncertainty, can discourage investment. For example, during recent periods of sustained high inflationary pressures, many businesses held back on investments due to the economic uncertainty and instability.
- 2) **Sudden Changes in Government Policy or Introduction of New Regulations:** Businesses often plan their investments based on existing policies and regulations. Sudden changes or introduction of new regulations can disrupt these plans, causing delays or even cancellations of investments. For instance, initial feedback suggests that recent changes to employers National Insurance Contributions may lead to some organisations changing their investment strategy.
- 3) **Planning Delays:** Investment projects often require extensive planning and approvals from various bodies. Delays in these processes can significantly impede investment. For example, infrastructure projects often face significant delays due to planning and approval processes, affecting investments in the sector.
- 4) **Grid Connectivity:** Particularly for sectors like manufacturing, technology, or energy, the lack of adequate infrastructure such as grid connectivity can hamper investments. In regions where grid connectivity is poor, businesses may be discouraged from investing due to the high costs of setting up their own infrastructure.
- 5) **Lack of Available Skills and Workers:** The lack of skilled workers can also serve as a significant barrier to investment. Lack of skilled workers has been the most reported issue for BSA members in every report of our Economic Tracker survey since its launch in 2022.⁶ For instance, the tech industry often faces a shortage of skilled workers, which can limit investment in the sector. Moreover, changes in immigration policies can impact the availability of skilled workers, further affecting investment.

8. *What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (e.g. buildings, machinery & equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?*

See answer to question 7.

9. *What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?*

See answer to question 7.

⁶ [Economic-Tracker-Q1-Q2-Report-2024-1.pdf \(bsa-org.com\)](#)



10. *The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?*

NA

11. *How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy?*

The Industrial Strategy Council plays a crucial role in supporting the UK government to deliver and monitor the Industrial Strategy, which aims to boost productivity and economic growth across the UK. Here are several ways the Council can effectively support the Government:

- 1) **Expert Advice and Guidance:** The Council, composed of experts from business, academia, and civil society, can provide specialised insights and recommendations on various sectors and policy areas covered by the Industrial Strategy. This could include advice on emerging technologies, skills development, and sector-specific growth strategies.
- 2) **Independent Assessment:** The Council can function as an independent body to assess the Government's progress against the goals and commitments outlined in the Industrial Strategy. This involves evaluating the effectiveness of various initiatives and whether they are likely to meet their intended economic and social outcomes.
- 3) **Performance Metrics and Benchmarks:** By developing and implementing a framework of metrics and benchmarks, the Council can help measure the effectiveness of the Industrial Strategy's policies. Regular reporting on these metrics would ensure transparency and provide a basis for adjusting strategies as necessary.
- 4) **Stakeholder Engagement:** The Council can facilitate a bridge between the Government and key stakeholders (businesses, educational institutions, local governments, etc.). This engagement will ensure that the voices of various sectors are heard and integrated into policy development and implementation.
- 5) **Research and Data Analysis:** Conducting in-depth research and data analysis to provide a robust evidence base for policy decisions is another critical area. The Council can identify gaps in data and recommend areas for further research to ensure that policy decisions are well-informed.
- 6) **Policy Review and Recommendations:** Periodically reviewing existing policies and providing actionable recommendations for improvement can help in refining the Industrial Strategy. This could include suggesting new policy areas as economic and global conditions evolve.
- 7) **Promoting Best Practices:** Highlighting and disseminating best practices from specific regions or sectors can help replicate success across the country. The Council can play a significant role in identifying these practices and facilitating knowledge exchange.
- 8) **Long-term Strategic Vision:** The Council can assist the Government in maintaining a long-term perspective on industrial policy, beyond the typical political cycles. This includes planning for future economic challenges and opportunities, such as the transition to a green economy, digital transformation, and changes in the global trade environment.
- 9) **Public Communication and Awareness:** Enhancing public understanding and support for the Industrial Strategy can be facilitated by the Council through clear, consistent communication



of goals, initiatives, and successes. This also involves engaging with the media and public forums to spread awareness and gather feedback.

By fulfilling these roles, the Industrial Strategy Council can significantly enhance the effectiveness with which the Industrial Strategy is both implemented and adapted over time, ensuring that it meets its goals of enhancing productivity and economic growth throughout the UK.

12. How should the Industrial Strategy Council interact with key non-government institutions and organisations?

The Industrial Strategy Council can play a pivotal role in fostering a collaborative environment between the Government and key stakeholders, including businesses, educational institutions, local governments, and other relevant parties. This engagement is crucial as it ensures that the perspectives and insights of diverse sectors are not only heard but are also effectively integrated into the formulation and execution of policy. To optimise this engagement, the council should actively invite non-council members to contribute their expertise and discuss the specific challenges and opportunities that their particular subsectors face. This could involve a series of targeted consultations or dedicated forums where these stakeholders can provide valuable input.

Additionally, the council should maintain a strong working relationship with trade associations, leveraging their networks and knowledge base to gain a more nuanced understanding of industry trends and needs. By doing so, the council can ensure that its strategies are aligned with the realities of the market and the workforce.

Moreover, council members should seek opportunities to speak at industry events to promote the council's work and objectives. This visibility not only enhances the council's credibility but also encourages dialogue and feedback from a broader audience, further enriching the council's initiatives and ensuring that they remain relevant and impactful. Through these concerted efforts, the Industrial Strategy Council can serve as an effective conduit for meaningful stakeholder engagement, ultimately contributing to a robust and forward-looking industrial strategy.

13. How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?

To improve the interface between such a council and its stakeholders, the UK government could consider the following strategies:

- 1) **Clear Mandate and Objectives:** The council should have a clear mandate and objectives that align with the expectations of both the Government and stakeholders. This ensures that the council's work is relevant and focused.
- 2) **Regular Communication:** Establish regular communication channels between the council and stakeholders. This could include updates, and briefings that keep all parties informed of activities, decisions, and progress.
- 3) **Consultation and Engagement:** Involve stakeholders early and often in the decision-making process. This could be through consultations, workshops, or working groups where stakeholders can contribute their expertise and insights.
- 4) **Representation:** Ensure that the council includes representatives from business, local government, and trade unions. This diverse representation can provide a broader perspective and foster a sense of ownership among stakeholders.
- 5) **Transparency:** Operate with a high level of transparency to build trust. Make documentation and decisions accessible, and explain the rationale behind recommendations and policies.



- 6) **Feedback Mechanisms:** Create formal mechanisms for stakeholders to provide feedback on the council's work and on how government policies are impacting them. This could include surveys, forums, or an online platform for comments.
- 7) **Accountability:** Hold the council accountable for its performance and for delivering on its mandate. Regular reports to Parliament or other oversight bodies can help to maintain this accountability.
- 8) **Skills Development:** Support stakeholders in developing the skills needed to engage effectively with the council. This could involve training in areas such as policy analysis, advocacy, or economic forecasting.
- 9) **Joint Initiatives:** Encourage joint initiatives between the council and stakeholders to address common challenges. This can lead to more innovative solutions and a stronger commitment to implementing them.
- 10) **Long-term Partnership:** Foster a long-term partnership approach rather than a transactional relationship. This means building relationships that can withstand changes in government or economic cycles.
- 11) **Facilitate Networking:** Create opportunities for stakeholders to network with each other. This can help them understand different perspectives and build alliances that can influence policy.
- 12) **Data Sharing and Analysis:** Share relevant data and analysis with stakeholders to inform their input and ensure everyone is working from the same evidence base.

By implementing these strategies, the UK government could improve the effectiveness of Industrial Strategy Council, ensuring it benefits from the input and expertise of a wide range of stakeholders.

14. How could the analytical framework (e.g. identifying intermediate outcomes) for the Industrial Strategy be strengthened?

NA

15. What are the key risks and assumptions we should embed in the logical model underpinning the Theory of Change?

NA

16. How would you monitor and evaluate the Industrial Strategy, including metrics?

Monitoring and evaluating the Industrial Strategy would involve a multi-faceted approach involving different metrics and tools.

- 1) **Measure the growth of key subsectors:** This can be done through a variety of metrics such as growth in revenue, number of employees, market share, and profitability. These metrics would provide a clear picture of how each subsector is performing. Also, tracking the number of new startups and businesses that are being established in these subsectors can also provide valuable insights.
- 2) **Engagement with trade associations:** Regular meetings and consultations with trade associations would provide valuable feedback on the industry experience. Surveys and



interviews could be used to gather information on new challenges and opportunities. Feedback from these consultations could be measured in terms of satisfaction scores, number of issues resolved, or the number of new initiatives implemented as a result of feedback from trade associations.

- 3) **Other Metrics:** Other metrics that could be used to evaluate the Industrial Strategy include the level of investment in research and development, the number of patents filed, the number of new products or services launched, and the level of exports. These metrics would provide a comprehensive view of the innovation and competitiveness of the industry.
- 4) **Benchmarking:** This involves comparing the industry's performance with other countries or regions. This could provide insights into areas where the industry is lagging behind and needs to improve.
- 5) **Regular Reviews and Reports:** Regular reviews of the Industrial Strategy and the publication of annual or biannual reports would provide an opportunity to assess progress and make any necessary adjustments. This would ensure that the strategy remains relevant and effective in the face of changing market conditions and technological advancements.
- 6) **Use of Data Analytics:** Advanced data analytics can be used to monitor and evaluate the Industrial Strategy. This would involve the collection, analysis, and interpretation of large amounts of data to identify trends, patterns, and insights. This could provide a more nuanced and detailed understanding of the industry's performance and the effectiveness of the strategy.

Talent and Skills

Questions

17. *Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?*

To address the lack of available skills and workers as a barrier to growth for the business services sector in the UK, the Government could consider a variety of policy solutions that align with the recommendations advocated by the Business Services Association (BSA) and other stakeholders. The following approaches could be instrumental in overcoming the skills gap:

Reforming the Apprenticeship Levy as the new Growth and Skills Levy

- 1) **More Flexibility:** The Government could offer increased flexibility in how the new Growth and Skills Levy is used, allowing for a broader range of training options, including those that do not lead to formal qualifications but still impart essential skills.
- 2) **Pre-Apprenticeship Skills:** Policies could encourage the use of levy funds for pre-apprenticeship programs that prepare individuals with the basic skills required to start an apprenticeship, thereby widening the talent pool.
- 3) **Functional Skills:** Focus on functional skills, such as literacy, numeracy, and digital proficiency, is crucial. Allowing levy funds to be directed towards these functional skills would equip individuals with the foundational competencies needed across various roles.



- 4) **Shorter Courses:** The Government could promote the development and uptake of shorter, more targeted courses that address specific skill shortages in the business services sector.

Strengthening Education-Business Links:

- 1) **Partnership Working:** Partnerships between higher education (HE), further education (FE) institutions, and businesses should be encouraged to ensure curricula are aligned with industry needs. This could involve work placements, internships, and advisory roles for industry professionals within educational institutions.
- 2) **Tailored programmes:** National and international businesses that employ significant numbers in each region should be encouraged to collaborate with local educational providers to create tailored training programmes.

National Effort for Labour Market Inclusion

- 1) **Integration:** A concerted national effort is needed to integrate those further from the labour market into employment. This includes focused employment support programs and outreach initiatives.
- 2) **Best Practice:** Learning from best practices, the Government could facilitate large providers with the capacity and expertise to partner with local providers, ensuring that employment support is effective and tailored to regional needs.

Skills Focus in Public Procurement Policy:

- 1) **Training Procurement teams:** Procurement professionals should be upskilled in contract management to better assess and ensure delivery of wider outcomes and opportunities including social value criteria.
- 2) **Suitability of contract length:** To enable businesses to invest confidently in training their workforce, the Government should ensure that public contracts are of sufficient length. This would provide stability and the assurance needed for businesses to commit to meaningful upskilling and training initiatives.

By reforming the Apprenticeship Levy to be more flexible and inclusive, strengthening the links between education providers and businesses, engaging in national efforts to draw in those further from the labour market, and embedding skills development into public procurement policy, the UK government can help the business services sector overcome the barrier of a skill-shortage and thus promote growth and development within the industry.

18. What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

As with the answer to question 17, reforms via the Growth and Skills Levy will be key to boosting employer investment in training. This will include reforms to create a skills landscape that is agile and responsive - allowing employers to quickly adapt to rapid advancing technology solutions and other shifting requirements for the workforces of the future.

Technology and Innovation

Questions



19. Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?

The UK government, in its efforts to enhance research and development (R&D) across various sectors, must consider numerous barriers that can impede progress. One significant area that is often fraught with challenges is accessing grid connectivity, especially in the context of energy-related R&D. This issue is crucial as the UK aims to meet its ambitious climate targets and facilitate the transition to a low-carbon economy. In addition to this, the wider points relating to skills policy are also relevant here.

Here are some key challenges related to grid connectivity that the UK government should consider:

- 1) **Capacity Limitations:** The current grid infrastructure may not have the capacity to handle increased demand from new technologies and R&D initiatives, especially in renewable energy sectors such as wind, solar, and electric vehicles. Expanding grid capacity or enhancing its efficiency is essential to support the development and deployment of innovative technologies.
- 2) **Regulatory and Administrative Hurdles:** Accessing grid connectivity can be hampered by complex regulatory frameworks and lengthy administrative procedures. The Government needs to streamline processes and reduce bureaucratic hurdles that can delay projects and increase costs for R&D organisations.
- 3) **Geographical Inequalities:** Some regions may have better access to grid infrastructure than others, which can lead to disparities in R&D opportunities. Ensuring equitable access to grid connectivity across all regions is crucial for fostering a balanced R&D ecosystem and preventing regional disparities in innovation and development.
- 4) **Cost Barriers:** The high costs associated with connecting to the grid can be a significant barrier, especially for startups and smaller enterprises that may lack the financial resources of larger corporations. Financial incentives, subsidies, or other support mechanisms could be critical in alleviating these cost barriers.
- 5) **Technological Integration:** As new technologies emerge, integrating these into the existing grid can be challenging due to compatibility issues or the need for new protocols and standards. The Government should support R&D in grid integration technologies and smart grid solutions to facilitate a smoother incorporation of innovative technologies.
- 6) **Security and Reliability:** Ensuring the security and reliability of the grid as new technologies are integrated is paramount. This includes safeguarding against cyber threats and ensuring physical security, as well as developing robust systems that can handle increased loads and variable energy inputs from renewable sources.
- 7) **Future Proofing:** The grid must not only meet current demands but also be adaptable to future developments. Investments in R&D for grid technology should consider long-term trends and potential future innovations in energy production and consumption.

To address these challenges, the UK government could consider policies and initiatives such as:

- 1) **Enhancing Infrastructure:** Investing in upgrading the existing grid infrastructure to handle new technologies and increased demand.
- 2) **Regulatory Reform:** Simplifying the regulatory process for grid connection to reduce the time and cost involved.
- 3) **Funding and Incentives:** Providing financial support and incentives for R&D projects that need to access grid connectivity.



- 4) **Regional Development Programs:** Targeting support to underdeveloped regions to ensure equitable access to grid connectivity and foster nationwide innovation.
- 5) **Collaboration with Industry:** Encouraging partnerships between government, academia, and industry to share knowledge and resources, and jointly address the challenges of grid connectivity.

By focusing on these areas, the UK government can better facilitate access to grid connectivity, thereby supporting robust R&D activities and fostering innovation across various sectors. This approach is essential for achieving the UK's economic and environmental goals.

20. What are the barriers to R&D commercialisation that the UK government should be considering?

NA

21. How can the UK government best use data to support the delivery of the Industrial Strategy?

The UK government can use data in several strategic ways to support the delivery of the Industrial Strategy, which aims to improve productivity and drive growth across the country. By aligning public procurement policy with the objectives of the Industrial Strategy, the Government can leverage its significant purchasing power to boost innovation, skills, and economic development. Here are some ways in which data can be utilised effectively:

- 1) **Creating Transparent Pipelines:** The Government can develop clear and accessible data on future procurement opportunities, which provides businesses with visibility of upcoming projects. This transparency enables companies to plan and invest in innovation, workforce training, and supply chain development. Data on procurement pipelines should include information on the timing, scale, and nature of opportunities across different sectors.
- 2) **Risk Assessment and Transfer:** Data analytics can help in assessing and appropriately transferring risks between the Government and private sector providers. By analysing historical data and market intelligence, the Government can make informed decisions on which risks are best managed by suppliers and which should be retained. This ensures that contracts are sustainable and deliver value for money while not discouraging innovation due to excessive risk transfer to suppliers.
- 3) **Early Engagement with Industry:** Utilising data to identify market capabilities and gaps can inform early engagement with potential suppliers. This allows the Government to shape procurement strategies that are realistic and encourage maximum competition and innovation. Early market engagement helps to co-create solutions with suppliers, aligning with the needs of public services and the objectives of the Industrial Strategy.
- 4) **Monitoring and Evaluation:** Data collection and analysis are crucial for monitoring the performance of suppliers and evaluating the impact of procurement on achieving Industrial Strategy goals. This includes tracking the development of skills, job creation, and the growth of SMEs. With robust data, the Government can hold suppliers accountable and make evidence-based decisions on future procurements.
- 5) **Encouraging Responsible Business Practices:** The Government can use procurement to incentivise responsible business practices that contribute to community development and environmental sustainability. By setting out clear expectations in the National Procurement Policy Statement (NPPS) and monitoring compliance through data reporting, the Government can drive positive change in the business services sector.



- 6) **Fostering Innovation:** Data can be used to identify areas where innovation is needed to meet the challenges set out in the Industrial Strategy. Procurement can then be structured to incentivise and reward innovative solutions, providing a market for new ideas and technologies.
- 7) **SME Participation:** Data can help identify barriers to SME participation in government contracts and develop strategies to overcome these. By understanding the capabilities and needs of SMEs, procurement can be designed to be more accessible, such as through breaking down contracts into smaller lots or providing support for consortium bidding.
- 8) **Skills Development:** Data on skills shortages and future workforce requirements can help shape procurement policies that encourage suppliers to invest in training and apprenticeships. This aligns with the Industrial Strategy's focus on building a skilled workforce.

By strategically using data in these ways, the UK government can ensure that public procurement policy supports the delivery of the Industrial Strategy, driving economic growth, fostering innovation, and creating a more skilled workforce.

22. *What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision making?*

- 1) **Data Protection Regulations:** The UK government could review and amend stringent data protection regulations that may hinder the sharing of certain types of data. This must, however, be done without compromising the privacy and security of individual and corporate data.
- 2) **Data Standardisation:** The lack of standardisation can make it difficult for businesses to utilise government data. This is particularly true when it comes to the data that government requests from its suppliers.
- 3) **Data Accessibility:** The Government could ensure that data is easy to find and access. This could involve improving the design and user-friendliness of government data portals such as the new central digital platform.
- 4) **Real-time Data:** To aid decision making, businesses need up-to-date information. The Government could invest in systems that allow for real-time or near real-time data sharing.
- 5) **Collaboration:** The Government could foster a more collaborative environment between the public and private sectors when it comes to data sharing. This could involve engaging with trade associations to organise regular forums or conferences where businesses can express their data needs.
- 6) **Data Quality:** If the data provided by the Government is inaccurate or incomplete, it can be of little use to businesses. The Government could commit to improving data quality through better data collection and verification practices.

23. *What are the barriers to competitive industrial activity and increased electrification, beyond those set out in response to the UK government's recent Call for Evidence on industrial electrification?*

NA



24. *What examples of international best practice to support businesses on energy, for example Purchase Power Agreements, would you recommend to increase investment and growth?*

NA

25. *Where you identified barriers in response to Question 7 which relate to competition, what evidence can you share to illustrate their impact and what solutions could best address them?*

Enhancing Procurement Processes, including through increasing the capacity and skills of contracting authorities, transforming behaviour from transactional to partnership working, and the publication of timely and accurate pipelines, will allow suppliers to mature their proposed solutions and offer innovative answers. In term, this will allow more businesses to compete as they develop their offer.

26. *How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?*

NA

27. *Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?*

All new regulations tied to public procurement should be considered in the context of the additional barriers to entry they may present to SME partners.

Trade

Questions

28. *How can international partnerships (government-to-government or government-to business) support the Industrial Strategy?*

NA

29. *Which international markets do you see as the greatest opportunity for the growth driving sectors and how does it differ by sector?*

The UK business services sector plays a significant role in international trade by providing a wide range of services to clients, including governments, around the world. The UK has a strong international reputation for high-quality, innovative, and reliable services and is one of the world's leading exporters of services, with a strong presence in global markets. The sector contributes to the UK's export revenue by offering its expertise and solutions to international clients, helping them improve their operations and achieve their business goals. Additionally, UK business service providers help facilitate global trade by supporting companies in navigating complex international markets and regulations.

As the BSA's recent report for DBT shows, the main market for those actively exporting is Europe, closely followed by North America.⁷ In terms of specific countries, Germany was the most popular answer when respondents were asked to identify specific countries they wanted to expand their operations into. This was closely followed by Canada, Japan, Saudi Arabia, and the USA. Respondents were also asked to identify which business services activities they viewed as the key opportunities to

⁷ [The-Business-Services-Sector-in-the-United-Kingdom-BSA-Report-Updated-June-2024.pdf \(bsa-org.com\)](#)



grow the sector overseas. Information technology services, IT consultancy, general public administration activities, and translation and interpretation activities were the most commonly identified. Cyber Security and AI were also identified as separate areas where the sector could expand its overseas growth.

Other potential growth areas identified outside of the business services SIC codes included: climate resilience, decarbonisation, and energy transition; the defence sector; and capital project delivery expertise.

Place

Questions

30. Where you identified barriers in response to Question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

See answers to questions 7 and 31.

31. How can investment into infrastructure support the Industrial Strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?

Investment in infrastructure is a pivotal element of the UK's Industrial Strategy, aiming to boost economic growth, inspire confidence, and spur innovation and productivity across various sectors. By channelling resources into large-scale infrastructure projects and enhancing the digital ecosystem, the Government can lay a solid foundation for sustained industrial modernisation and efficiency gains.

How Infrastructure Investment Supports the Industrial Strategy

- 1) **Encouraging Innovation and Productivity:** Infrastructure projects that incorporate modern methods of construction (MMC) and digitalisation set benchmarks for innovation. They serve as catalysts for adopting new technologies and processes across industries, from construction to technology and manufacturing. This adoption drives productivity by reducing costs, shortening project timelines, and improving quality and safety standards.
- 2) **Building Confidence:** By committing to significant infrastructure projects, the Government signals to the private sector its dedication to long-term economic growth. This commitment reduces investment risk and encourages private entities to invest in similar projects or in the development of related technologies and services.
- 3) **Supporting Smaller Businesses:** When large contractors that utilise modern construction methods and digital tools engage with smaller businesses in their supply chains, these smaller entities benefit from technology transfer and new business opportunities. This integration helps in scaling up their capabilities and potentially accessing broader markets.

Government Actions to Support and Facilitate Co-Investment

To optimise the impact of infrastructure investments on the Industrial Strategy, the UK government can take several strategic actions:



- 1) **Financial Incentives:** Providing tax incentives, grants, or subsidies for projects using MMC and digital tools can lower the initial cost barrier for adopting new technologies. Similarly, offering financial support for R&D in infrastructure-related technologies can stimulate further innovation.
- 2) **Regulatory Frameworks:** Implementing supportive regulatory frameworks that encourage the adoption of MMC and digitalisation in infrastructure projects. This would include streamlining planning and approval processes specifically for projects that demonstrate potential productivity and innovation gains.
- 3) **Partnership Models:** Developing partnership models between public and private sectors, such as public-private partnerships (PPPs), can distribute risks and rewards equitably, making large-scale projects more viable and attractive to private investors.
- 4) **Education and Training:** Investing in education and training programs to ensure that the workforce has the skills needed to implement and maintain new technologies in infrastructure projects. This will not only support the current workforce but also ensure a pipeline of skilled workers for future projects.

Differences Across Infrastructure Classes

The approach and impact of infrastructure investment can vary significantly across different classes of infrastructure:

- 1) **Transport and Utilities:** Investment in these sectors often requires significant capital and long development periods, with a focus on efficiency and sustainability. Co-investment strategies here might focus more on long-term outcomes and involve international as well as domestic investors.
- 2) **Digital Infrastructure:** This class includes data centres, broadband networks, and mobile communications systems, which require continuous upgrades to handle increasing data loads and security demands. Investments here can often see quicker returns than in physical infrastructure and may attract different types of investors interested in technology and innovation.
- 3) **Social Infrastructure:** This includes schools, hospitals, and other public buildings that can benefit greatly from MMC and digitalisation. Investments in this area can directly affect social wellbeing and require careful consideration of social impacts alongside financial returns.

By tailoring strategies and support mechanisms to the specific needs and characteristics of different infrastructure classes, the UK government can more effectively leverage its infrastructure investments to support the broader goals of the Industrial Strategy. This nuanced approach ensures that the benefits of infrastructure development are maximised across the economy and society.

32. *Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?*

Business services represent a crucial supporting sector for both manufacturing and service clusters. They are not isolated entities, but rather, they are intricately interwoven within these clusters, playing a significant role in their overall functionality and success. The role of business services is not merely confined to existing within these clusters, but they also sit alongside them. This unique positioning allows them to facilitate growth throughout these clusters, acting as a catalyst for



expansion and development. They provide the necessary support and resources that enable these clusters to thrive and expand.

In essence, business services are the backbone that strengthens and supports the growth of manufacturing and service clusters. They are the unseen force that propels these clusters forward, ensuring their continued growth and success. Without the integral role of business services, these clusters would struggle to maintain their growth trajectory. Therefore, the importance of business services within and alongside manufacturing and service clusters cannot be overstated.

33. What public and private sector interventions are needed to make strategic industrial sites 'investment-ready'? How should we determine which sites across the UK are most critical for unlocking this investment?

NA

34. How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?

The Industrial Strategy can accelerate growth in city regions and clusters of growth sectors across the UK through a number of different policy mechanisms, including Local Growth Plans. One of the key aspects of this is the need for long-term thinking and behaviour. This can be encouraged through the commissioning process in several ways such as ensuring the length of contracts is sufficient, setting out a clear pipeline of work for smaller projects, and adopting a programmatic approach to project procurement and delivery.

A portfolio approach, incorporating contracts of various sizes, durations and characters, can enable direct commissioning with SMEs and support the development of equitable supply chains. This helps to ensure a spread of risk and opportunity, and can also foster innovation and competition.

However, such policies require the development of commissioning capacity and capability. This is particularly crucial in contract management, as a larger number of suppliers necessitates a proportionately greater contract management capacity. Without such capacity, there is a risk of reversion to a box-ticking approach which can lead to sub-optimal outcomes for both the public sector and the SME supplier.

In terms of scale, combined authorities or clusters of local authorities are often the commissioning authorities. Where they are not, voluntary collaboration between councils has increased. This balances the objectives of understanding and responding to local need, ensuring democratic accountability, and making contracts attractive to local SMEs with ensuring scale and sophistication in commissioning.

Devolved authorities have also worked together on issues like good employment charters and principles for public procurement. This makes it easier for UK-wide companies to respond to requirements in different areas, promoting both innovation and the sharing of best practice.

By implementing these strategies and policy mechanisms, the Industrial Strategy can effectively accelerate growth in city regions and clusters of growth sectors across the UK.

35. How should the Industrial Strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales, and Northern Ireland?

The Industrial Strategy should align with devolved government economic strategies by recognising and supporting the distinct sectoral strengths of Scotland, Wales, and Northern Ireland. For instance, Scotland's strengths in renewable energy and life sciences, Wales's competencies in manufacturing



and creative industries, and Northern Ireland's expertise in agri-food and aerospace, should be leveraged to boost the UK's overall economic performance.

The Industrial Strategy should respect the devolved powers of these regions and work in collaboration with them to tailor strategies that suit their unique economic landscapes. This approach aligns with the principle of setting a clear overall strategy based on putting communities first, as it recognises the distinct needs and circumstances of each region.

Outcome-based commissioning can be used to align the Industrial Strategy with devolved government economic strategies. This involves setting clear, measurable outcomes that reflect the economic goals of each region, which can range from job creation, to innovation, to sustainability.

The Industrial Strategy should also encourage a diverse market, which is especially relevant for the business services sector. This can be achieved by supporting a mix of businesses and charities of all sizes, including SMEs, which are a vital part of the economy in Scotland, Wales, and Northern Ireland.

The strategy should also strike the right balance on scale. For example, while large-scale infrastructure projects can drive wider economic growth, smaller scale initiatives can also contribute to local economic development and community wealth building.⁸

Finally, the Industrial Strategy should promote long-term thinking. This is particularly important in the context of devolved government economic strategies, as it allows for the planning and time necessary to develop and implement effective policies. It also aligns with the principles of single settlements and longer-term budgets, which can enable more effective use of resources and better outcomes.

In summary, the Industrial Strategy should be designed to complement and support the unique strengths and aspirations of Scotland, Wales, and Northern Ireland. This requires a collaborative, outcome-focused approach that encourages diversity, balances scale, and promotes long-term thinking.

⁸ [Regional Work - BSA \(bsa-org.com\)](https://www.bsa-uk.org/Regional-Work)



Annex 1. - BSA Members November 2024

3C3 Ltd
4Merit
AECOM
Amey Plc
Angus Knight Group
Ankura
Aramark
Arcadis LLP
Arcus FM
AtkinsRéalis
Atlas FM
Atos
AutogenAI
Baachu
Balfour Beatty Plc
Barclays Corporate
Bellrock
Bevan Brittan LLP
Birkin Group
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
Compass Group Plc
Connections Consulting
Costain
Deloitte
DWF LLP
Elior UK Ltd
Equans
Eric Wright FM
FedCap
Form1 Partners
Forvis Mazars LLP
Fujitsu UK
G3 Systems Ltd
G4S Plc
Glaston Consulting
Global Secure Accreditation
GoodPeople
HP
IBM
Ingeus
ISS UK
Kier Group Plc
KPMG
Lumby CMS
Mace
Maximus UK Ltd
Medallia
Mitie
MTC
NatWest
NCG
Netcompany UK Ltd
Oxfordshire Business Consultancy Ltd
P3
Public Digital
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
Turley
Twin UK
VINCI Facilities
VPS Group
Wand Consulting
Wates Group
WSP