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BSA Response to draft guidance on the Public Interest Test

May 2026

Contents

Background and general observations **2**
Key points **4**
BSA responses **5**
Innovation and outcomes 5
Characteristics of Services with Insourcing Potential (6.2.3) 5
'Government-created markets' 6
Evidence and Data 6
Neutrality 7
Governance and accountability 7
Transparency 8
Wider market impact 8
List of BSA Members, May 2026 ..... **10**
Overview – The Business Services Association **11**

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Background and general observations

The BSA would like to thank Cabinet Office and the Government Commercial Agency for sharing a draft of this proposed guidance with us. We are also grateful for the engagement on the Public Interest Test (PIT) to date and are pleased to see that some of the points we have raised during our discussions are reflected in this draft, particularly those surrounding commissioning authorities' capacity and capability.

The BSA supports a Public Interest Test which addresses the need to achieve high quality services, ensure long-term value for money, and deliver wider social value. We believe that decisions on whether to insource, outsource to large or small charities or businesses, or use a hybrid model, should be based solely on which model best achieves these objectives, including in areas like skills, local jobs and supply chains set out in the National Procurement Policy Statement.[1]

It is appreciated that the background to the PIT is the Manifesto commitment regarding insourcing.[2] It is important to note, however, that the context to this commitment was a belief that there had been an "ideological drive" under previous governments in favour of outsourcing over in-house delivery. This context has been lost.

There are many examples of good practice in all types of delivery model.[2] The key is making delivery decisions according to the objectives of quality, long-term value and social value, with particular reference to the strategy of the organisation concerned, and aligning commissioning and procurement processes accordingly.

We are particularly aware that the Chancellor and Cabinet Office Minister Chris Ward wrote to ministers last week urging them to 'Buy British' in the context of critical industries.[3] This must surely mean that a stable and productive relationship with private and charitable partners delivering goods and services will continue to form a core part of our future delivery model and must therefore be kept balanced. Government must also resist the temptation of introducing policies which adversely affect those private and charitable sectors whose success is key to the economic growth that we all want to see.

The Government's Industrial Strategy rightly identifies Professional and Business Services (PBS) as one of the country's key sectors, which under the right conditions can and does lead to innovation, job creation, upskilling and wider inclusive growth.[4] This point is not reflected in this draft.

It is important not to put these benefits – and the investment, including inward investment, that the Government seeks – at risk by being seen to create an unbalanced situation whereby service offerings are not judged simply on their merits. Currently, there is only a section on the 'Benefits of Insourcing' (1.3), whilst the potential benefits of outsourcing are entirely neglected.

Furthermore, the PBS Industrial Strategy Sector Plan explicitly acknowledges the role that the Government can play in supporting SMEs throughout the country via public procurement, a benefit that again is not recognised in this draft.[5]

There are a number of matters on which further clarification would materially strengthen confidence in the operation of the Public Interest Test and support its application in a balanced, proportionate and evidence-based manner.

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[1] National Procurement Policy Statement - GOV.UK
[2] Case studies - BSA
[3] Rachel Reeves tells ministers to 'buy British' in four key industries | Rachel Reeves | The Guardian
[4] The UK's Modern Industrial Strategy 2025 - GOV.UK
[5] The UK's Modern INDUSTRIAL STRATEGY - PROFESSIONAL AND BUSINESS SERVICES - Sector Plan

In particular, greater clarity would be welcome in relation to accountability and governance, mechanisms for review, the evidential basis on which assessments will be undertaken, and the safeguards that will ensure consistency and objectivity across contracting authorities.

It does not require a wholesale rewrite to reflect these points, but rather an acknowledgement that partnering with the private or charitable sectors can bring benefits and challenges and that these need to be balanced against the potential benefits and challenges of insourcing. This can be stated at the start of section 1.3, and also as the contrasting characteristics to the points in 6.2.3.

In addition to this, there are a few areas where we would like to share feedback in a constructive and supportive manner. Again, it is important to emphasise that the ambitions of achieving high-quality services, ensuring long-term value for money, and delivering wider social value should be at the heart of decisions, including whether to insource, outsource to large or small charities or businesses, or use a hybrid model. It is therefore important that these decisions, and the PIT, are not weighted in any direction, and that they instead reflect the need to achieve these ambitions.

Finally, whilst we recognise that there are tight delivery timetables in place, there has been limited opportunity for detailed industry scrutiny of these proposals. Given the potential significance of the Test for public service delivery, competition and market confidence, we would urge the Cabinet Office and Government Commercial Agency to engage directly with industry before the guidance is taken forward.

Key points

1. **The Public Interest Test should be genuinely delivery-model neutral**
   Decisions should be based on which model best delivers long-term value for money, service quality and social value, rather than indicating a default preference for insourcing.

2. **The guidance is currently unbalanced in its treatment of insourcing and outsourcing**
   It highlights the benefits of insourcing without giving equivalent consideration to the benefits and opportunities associated with outsourced or hybrid models, particularly innovation.

3. **The guidance note has been produced with limited industry scrutiny**
   Given its potential significance for markets and public service delivery, there should be fuller review and constructive engagement before the guidance is finalised.

4. **Complex services are not by definition better suited to insourcing**
   In many cases complex, infrastructure-heavy, or rapidly changing services can be better delivered through external providers or partnerships with specialist capability, integrated supply chains and investment capacity.

5. **The evidence base for conducting PITs is currently weak**
   Many contracting authorities do not hold sufficiently accurate, current or comparable data to assess delivery options on a like-for-like basis, raising concerns about objectivity and fair risk assessment.

6. **Governance, accountability and transparency need to be much clearer**
   The guidance does not adequately explain who is accountable for PIT decisions, what independent assurance will exist, or how performance, transparency and value for money will be maintained if services move in-house.

7. **The PIT could have significant market effects**
   If the PIT is perceived to be biased towards insourcing, this will affect commercial behaviours across a range of sectors. This in turn has broader implications for competition, jobs, skills, tax revenues, pension exposure, SMEs, investment and the health of the wider UK economy.

BSA responses

Innovation and outcomes

An important point missing from the draft, in particular section 3, is the role innovation can play in delivering desired outcomes. There should be explicit recognition under 3.2 that during a time of rapid technological and societal change better outcomes for all involved can be achieved through innovative methods of delivery. Unless consideration is given to this possibility at this point, there is a danger that services become stuck in aspic and there is no potential for businesses or charities to demonstrate potential modernisation and innovation or to suggest scaling and replicating change from elsewhere.

In particular, suggesting that a 'list of required outputs', rather than an outcome-focused approach, may be sufficient for new services fundamentally undermines the Cabinet Office's focus on innovation and public service reform as set out by the Chief Secretary to the Prime Minister and others.[6] This point should also be reflected in 4.2.2.

The guidance would be strengthened by fuller recognition of the role of innovation, skills, complex delivery environments and whole-life value. The current draft does not place sufficient emphasis on the importance of defining services in terms of outcomes rather than narrow inputs or outputs, which may have the effect of constraining innovation and locking authorities into static delivery approaches. Nor does it adequately recognise the importance of skills, including the creation of employment and progression opportunities, as a material element of social value.

Characteristics of Services with Insourcing Potential (6.2.3)

The candidates for insourcing are written in very broad terms, which undermines the progress being made in tackling some of these issues through the Playbooks.[7]

For example, 'complex' services are not always a candidate for insourcing, as suggested in section 6.2.3. Service complexity should not in itself be treated as evidence of insourcing potential; in many cases the opposite may be true. Digital transformation services are a good example of this as they operate within a constantly evolving landscape as nascent technologies unlock greater potential for innovation and new delivery models. Defence equipment and support procurement will also be affected by the ever-shifting threat landscape and wider geopolitical context which may require a rapid redeployment of resources at short notice. The important thing once again is the ability to define the outcomes, not necessarily the service characteristics.

This is particularly relevant in infrastructure and asset-intensive services, where external providers and partnership models may offer specialist capability, integrated supply chains, investment capacity as well as the ability to manage risk and maintain performance over time. The contribution of delivery partners to national resilience, surge capacity and preparedness in areas such as defence and critical infrastructure would also merit fuller recognition.

Equally, the guidance should acknowledge that outsourced models often support a broader ecosystem of SMEs and local suppliers, and that any perceived preference for insourcing could send adverse signals to the market, weaken competition, and reduce the wider economic and social benefits that supply chains can generate.

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[6] "Move fast, fix things" – Darren Jones sets out plan to rewire Whitehall and incentivise innovation in the civil service - GOV.UK

Furthermore, if under this section the existing delivery model is overly prescribed, the requirements of innovation mean looking at the possibility of being less prescriptive, not turning immediately to insourcing. Equally, prescribed delivery models may simply reflect earlier buyer choices that are inconsistent with the Playbook emphasis on buying outcomes rather than over-specifying solutions.

In many instances, over-prescription may arise as a result of poor commissioning practices, such as a lack of meaningful pre-market engagement, which is therefore entirely separate from a fair assessment as to whether the service should be delivered in-house or outsourced.

Clarification would also be welcome on whether departmental or organisational insourcing strategies will be published. Publication could assist suppliers in planning for potential market exits, but such documents may also be market sensitive and would therefore need to be handled with care.

Finally, evidence of poor performance by a single supplier should not be conflated with evidence of a weak market, as the latter may be relevant to the assessment whereas the former may not be.

'Government-created markets'

This section in particular is written in very broad terms which will discourage many of the businesses and charities which, until now, the Government has sought to attract.

There is repetition of this sector being one with "high insourcing potential". It is important to consider the implications of this. Last year the Government published a Defence Industrial Strategy which promised to make defence an "engine of growth, backing British jobs, British industry and British innovation".[7] This was also reflected in a recent letter from the Chancellor.[8] Yet defence is a 'Government-created market'.

Other sectors where businesses and charities of all sizes have delivered innovation and contributed hugely include employment support services, another 'government-created market'. It is very important not to send mixed signals about the Government's approach to such sectors if we are to back them as engines of growth and investment.

Finally, this section also states that it is the lack of a broader commercial marketplace that makes it challenging for suppliers to price risk. The consistent feedback from BSA members, however, is that it is the paucity of data provided to potential suppliers that impacts their ability to accurately price the risk associated with delivering many of these services. This has been acknowledged in several of our discussions with colleagues from the Government Commercial Agency, Cabinet Office, and individual departments.

Again, poor commissioning practices should not be used as evidence that a specific service should be delivered in-house.

Evidence and Data

There are substantial challenges in relation to the evidence base that will underpin these assessments. In many cases, contracting authorities do not hold sufficiently precise, current or comparable data to enable delivery models to be assessed on a genuinely like-for-like basis.

[7] Defence Industrial Strategy 2025: Making Defence an Engine for Growth - GOV.UK
[8] Rachel Reeves tells ministers to 'buy British' in four key industries | Rachel Reeves | The Guardian

This raises an important question as to whether the PIT can operate as a truly objective assessment in the absence of greater confidence in the underlying evidence base. The guidance would therefore benefit from setting out more explicitly what data should be used, how that data will be validated, and how authorities can ensure that cost, performance, asset and risk information is sufficiently accurate and comparable across delivery models.

This is relevant not only to value-for-money judgments, but also to the fair assessment and pricing of risk, given that suppliers are often constrained less by market weakness than by limited access to reliable information.

Neutrality

The guidance should do more to demonstrate delivery model neutrality in practice. As currently structured, the document risks implying that insourcing is the preferred starting point, rather than one option among a range of legitimate delivery models.

It would therefore be helpful for the guidance to state more clearly that insourced, outsourced and hybrid arrangements are all valid options, and that the appropriate model should be determined by reference to which approach best secures long-term value for money, service quality, resilience and social value in the circumstances concerned.

This point is particularly important where a service is already outsourced, because any realistic assessment of the requirements for bringing that service in-house would necessarily involve an understanding of back-office functions, operational capability, health and safety responsibilities, technology and supply chain management. In such cases, there is a strong case for the incumbent supplier to be afforded an opportunity to contribute relevant information to the process, so that the authority can form a more accurate view of capability, resource requirements and cost. It would also be helpful for the guidance to acknowledge that contracting authorities will differ significantly in commissioning capability and decision-making maturity depending on whether they have existing experience of outsourced delivery.

Governance and accountability

The guidance would benefit from a clearer articulation of the governance and accountability arrangements that will apply to the PIT. As currently drafted, the assessment appears to be undertaken by the relevant department for its own purposes, with limited indication of what, if any, independent assurance, challenge or oversight might be introduced to ensure that the PIT is carried out appropriately and without bias. This gives rise to legitimate questions as to where accountability for the final decision will rest, how that decision will be governed, and what mechanisms will exist to ensure that evidence has been considered in a fair, balanced and transparent manner.

Greater clarity on how decisions will be reached, recorded and communicated would also assist in addressing concerns regarding optimism bias, confirmation bias, or the possibility that the PIT could, in practice, steer authorities towards a preferred outcome at the start of the process, thereby turning the Test into an exercise in cementing pre-existing biases rather than a genuine evaluation of how best to deliver the crucial services on which people throughout the country rely every day.

Relatedly, the guidance would benefit from greater clarity as to how equivalent transparency, accountability and performance discipline will be secured where services move in-house. Outsourced services are typically governed by explicit service levels, published performance measures and enforceable remedies where delivery falls short.

The draft presents contract management as a potential saving from insourcing, but does not explain what comparable safeguards will apply once services are delivered in-house, how performance will be measured and reported, who will be accountable for improvement, or how taxpayers will retain a clear line of sight over value for money and service standards in the absence of contractual remedies.

Transparency

The guidance should set out more clearly whether, and if so by what means, decisions may be reviewed, challenged or appealed where appropriate. Whatever the outcome of the PIT, whether the decision is to insource or outsource, there should be transparency as to whether that conclusion is capable of being revisited, particularly where the underlying assessments may be based on incomplete evidence or where meaningful market engagement could materially affect the outcome.

This is of particular importance given the concern that, once a provisional view has been reached at the PIT stage, it may in practice be difficult for the subsequent Delivery Model Assessment to displace it. In this context, further explanation would also be welcome as to why an authority would, in effect, be committed to an insourcing path for a period of five years, when public authorities are otherwise able to intervene at much shorter notice where an outsourced service is failing.

Linked to this, there is also a risk that, by effectively locking contracting authorities into a preferred method of delivery for such a long period, the PIT could limit government's ability to respond in times of national emergency. Leveraging private sector innovation and expertise was a key part of the response to the COVID-19 pandemic and there are many lessons to be learned regarding the benefits of effective partnerships in times of national emergency. Any measures that restrict government's ability to respond rapidly and at scale in times of crisis has implications for the UK's resilience. This should be of acute concern given the wider geopolitical environment in which we find ourselves.

Wider market impact

As currently drafted, and with a perceived bias towards insourcing as opposed to an objective assessment of the best way to deliver services and infrastructure projects, the PIT represents a significant market intervention with implications extending well beyond individual contracts.

Ministers should therefore be clear what analysis and modelling has been undertaken of the likely effects on market health, competition and market structure, employment and skills, HM Treasury revenues and costs, pension fund and employee shareholder exposure, supply chains and SMEs, and wider economic value including investment, innovation, apprenticeships, training and regional employment.

These are not marginal considerations and should be properly understood before this approach is embedded in practice.

Furthermore, the cost of bidding for public sector contracts is already substantial. Any perception that the PIT creates a default presumption in favour of insourcing is likely to make suppliers more selective about where they invest bid costs and whether they participate at all. There is therefore a risk that, if suppliers become more selective in bidding and opportunities diminish, high bid costs will be spread across fewer competitions, increasing pressure towards market concentration. Over time, this may reduce choice for contracting authorities, weaken negotiating leverage, increase revenue volatility for suppliers and lead to additional risk being priced into the opportunities that remain.

It should also be noted that this reform is part of a wider suite of measures, such as the reintroduction of the Two Tier Code now on a statutory footing, that will also have significant cost implications for suppliers of all sizes.

Without careful planning, transparency, and market engagement, perceived biases could also lead to the withdrawal of service offerings across critical sectors. This could in turn drive premature transfers of services in-house before authorities are ready to deliver them effectively, with significant implications for delivery and service quality.

Finally, consideration should also be given to the potential for a new market in external consultancy support around insourcing assessments and implementation. Where advisers are engaged to assess, design or implement insourcing, there is a risk of conflicts of interest if the same firms stand to benefit commercially from recommending an approach that generates further work in transition, capability building or operational support.

Ministers should therefore consider whether this could create perverse incentives, increase costs to the taxpayer, and weaken confidence that decisions are being taken solely on the basis of value for money and delivery outcomes.

List of BSA Members, May 2026

3C3 Ltd
4Merit
AECOM
AKG
Amey
Aramark
Arcadis LLP
Arcus FM
ArvatoConnect
AtkinsRéalis
Atos
AutogenAI
Baachu
Balfour Beatty Plc
Barclays Corporate
Bellrock
Bevan Brittan LLP
Birkin Group
Browne Jacobson LLP
BT Group Plc
Capita Plc
Catch 22
CGI
City FM
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Fujitsu UK
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G4S Plc
GoodPeople
GSA Global
HP
IBM
Ingeus
ISS UK
Kier Group Plc
KPMG
Laing O'Rourke
Mace
Maximus UK Ltd
McLaughlin & Harvey
Medallia
Mitie
MTC
NatWest
NCG
Oxfordshire Business Consultancy Ltd
Pinsent Masons LLP
Public Digital
Reed in Partnership
Robertson FM
Royal Voluntary Service
Seetec Group Ltd
Serco Group Plc
Sharpe Pritchard LLP
Skanska UK
Sodexo Ltd
Sopra Steria Ltd
Space Solutions
The Grichan Whitestone Partnership
The Growth Company
The Palladium Group
The Shaw Trust
Turley
Twin UK
VINCI Facilities
VPS Group
Wand Consulting
Wates Group
Whitehead Ross Employment Services

Overview – The Business Services Association

Who We Are:

The Business Services Association (BSA) is a policy and research organisation. We are here to represent all those who are interested in delivering efficient, flexible, and cost-effective service and infrastructure projects across the private and public sectors. We are based in the United Kingdom and hold meetings and events throughout the country.

Our members are key providers of service and infrastructure projects to the private and public sectors. Members include large and small businesses, charities, and social enterprises. 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.

What We Do:

We provide a forum for service providers to come together to discuss issues of common interest. We also have a wide-ranging policy programme which can be broken down into three interconnected core themes: inform, advocate, and engage.

How We Do It:

Inform
We ensure that our members are kept up to date with government policy and wider market trends, whilst also keeping government informed on the issues affecting the sector. This includes producing daily, weekly, and monthly political and media monitoring reports for members; conducting our monthly Economic Tracker survey and sharing the insights with relevant stakeholders across central, devolved, and local government; and arranging briefing sessions and meetings with officials on pertinent policy areas.

Advocate
We champion the good work the sector does by collating case studies and producing reports that highlight the sector's contributions to the UK economy. It also involves working collaboratively and constructively with policy makers on key policy areas for the sector such as procurement reform.

Engage
We arrange regular engagement opportunities to promote positive relationships between the sector and key stakeholders. This ranges from holding roundtables with government ministers and prominent members of the opposition, to arranging large summits that bring together over 100 members and stakeholders to discuss a specific theme. Recent examples include summits on Digital Skills and the transition to Net Zero.

Why We Do It:

Our sector lies at the very heart of the UK economy. Service and infrastructure providers are key innovators and growth facilitators, spearheading our transition to a green and digital economy, and operating throughout both the public and private sectors. The sector also invests in providing high quality administrative services, facilities management, infrastructure, and IT so other businesses can do what they do best.

It is therefore crucial that the sector's voice is heard and its good work recognised.