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

28th August, 2026

Dear Chancellor

I am writing to share the policy priorities of the business services sector ahead of the Budget and to highlight how the Government can work with businesses, charities and social enterprises to deliver growth, jobs, investment, value for money and resilient public services.

The Business Services Association (BSA) brings together leading organisations delivering services and infrastructure across the public and private sectors, including defence, construction, education, skills training, AI, technology and digital transformation, facilities management, energy, transport and healthcare.

The latest estimates show that the sector generates over £165bn in GVA every year and supports growth throughout every region. Collectively, BSA members employ hundreds of thousands of people across the UK and play a vital role in providing the services, systems and infrastructure that citizens, businesses and government rely on. From building and maintaining our roads, energy supply, and digital ecosystem, to securing critical defence sites and keeping our hospitals clean and safe, the work of BSA members improves the lives of tens of millions of people in the UK every day.

On taking office, the previous Labour Government faced significant fiscal challenges and the need to prioritise stability. In seeking to address these issues, the former Chancellor increased taxes, especially on business, which inevitably had the effect of dampening growth. It is important that policies are aligned in order to strengthen confidence, unlock investment, and generate the growth on which the public finances depend. Businesses and charities are rightly being asked to invest, hire, upskill and modernise but have simultaneously had to navigate higher employment costs, taxation and regulatory burdens, and uncertainty in public sector pipelines. All this has come against a backdrop of ongoing global economic insecurity as well as conflicts in Europe and the Middle East which have caused significant disruption to supply chains and driven inflationary pressures.

We recognise the scale of the fiscal challenge still facing the country, including low growth, high debt, strained public finances and a fragile geopolitical and economic environment. We also recognise the importance of market stability and disciplined public spending. These objectives must be balanced with the need to maintain the confidence and capacity of businesses, charities and social enterprises including those delivering essential public services and infrastructure across the UK. This includes ensuring that the regulatory and taxation regimes in which these organisations operate are such that they actively encourage and facilitate the investment and innovation needed to deliver growth in every postcode throughout the UK.

Controlling public expenditure and demonstrating value for money remain prerequisites for tackling national debt and government borrowing. Challenging as this task undoubtedly is, the private and voluntary sectors have a crucial part to play in working with you and colleagues in HM Treasury to deliver the best possible value for taxpayers' money. This requires a balanced approach in which spending must be targeted and contracts must also be appropriately funded and managed in a pragmatic manner so that businesses and charities delivering vital public services can absorb unavoidable cost pressures, retain skilled staff, invest in innovation and deliver social value without undermining service resilience.

The following submission sets out practical, business-led proposals to help Government deliver stronger growth, higher productivity, good jobs, renewed public services and a more constructive partnership with business.

The submission is focused on pro-growth policies including attracting inward investment, transforming domestic skills and training offers, and maximising the benefits of recent and ongoing procurement reforms. It also discusses policies that support local economies and Community Wealth Building, including through building capacity at a local level and backing the local workforce. Finally, given the wide range of threats currently facing the country such as cyber-attacks, conflict in Europe, and environmental disasters, the submission looks at those policies which will bolster the country's resilience across a range of areas.

I would welcome the opportunity to discuss these proposals in greater detail, including how the sector and our members can support the Government. My email address is Mark.Fox@bsa-org.com should this be something you or colleagues in your department would like to take forward.

Yours sincerely,

Mark Fox
Chief Executive,
BSA – The Business Services Association

Growth, Community and Resilience

Business Services Association Budget Submission

August 2026

Introduction

The BSA brings together large and small businesses, professional services firms, charities and social enterprises delivering service and infrastructure projects across the private and public sectors. BSA members operate across transport, energy, water, digital networks, space, defence, justice, retail, schools, hospitals, police and local government, and their work supports essential services, critical infrastructure and economic activity in every part of the country. Recent BSA analysis shows that the sector generates over £165bn in GVA every year and supports growth throughout every region of the nation.

Our sector helps clients improve productivity, deploy technology responsibly, manage risk, deliver infrastructure, support employment and training, and provide the operational capacity on which both public and private organisations depend. We would therefore urge the Government to avoid measures which would add unnecessarily to these pressures, and instead focus on reforms which enable organisations to invest confidently in productivity, skills, digitalisation, resilience and service quality.

This submission draws on the BSA's forthcoming 2026 Manifesto and focuses on three connected priorities: delivering growth, supporting local economies, and bolstering the UK's resilience. These themes are particularly important in the context of higher labour and compliance costs, cyber risk, geopolitical and supply chain instability, changes in political and policy priorities, pressure on public finances, and the need to embed procurement reforms in a practical and proportionate way.

The BSA recognises the need for credible tax and spending plans and for public expenditure to be targeted and sustainable. However, the Government must balance fiscal discipline with the need to maintain the capacity of businesses, charities and social enterprises delivering public services. Contracts must be funded and managed in a pragmatic manner so that providers can absorb unavoidable cost pressures, retain skilled people, invest in innovation and continue to deliver social value. Government policy should therefore provide confidence, reward innovation and enable organisations to invest for the long term. This means avoiding unnecessary burdens on business activity and using public procurement as a strategic lever for growth, resilience, jobs, skills, and community wealth.

In addition to this, whilst we recognise that difficult spending decisions must be made, we would urge the Government to consider the positive impact that commitment to large-scale infrastructure projects has in boosting business and market confidence. Investment in digital, social and physical infrastructure can act as a catalyst for wider growth. Reliable connectivity, cloud capability, data infrastructure, secure digital systems, transport, energy, water and social infrastructure are all central to productivity, public service reform, AI deployment, regional growth and national resilience.

The business services sector is confident in its ability to help accelerate growth throughout the economy and in every region of the country. That confidence depends on stable policy, clear pipelines of work that provide a multi-year outlook, proportionate regulation and a tax and spending framework that supports long-term investment in productivity, technology, infrastructure and the workforce.

The pressures facing the sector include skills shortages in key occupations, higher employment costs, inflation, energy prices, technology and cyber security investment, and the need to adapt to multiple reforms in employment rights, planning, devolution and procurement. The BSA's Economic Tracker survey for Q1 Q2 2026, included in Annex 1, sets out these pressures in greater detail.

These pressures are not abstract. They affect pricing, workforce planning, service resilience, supply chains and the ability of organisations to invest for the long term. They must also be seen in the context of broader geopolitical and economic impacts which are affecting both organisations within the sector as well as those businesses and charities that they support throughout their supply chains.

This submission therefore sets out practical steps for consideration ahead of the Budget. These are intended to help government and industry deliver growth, value for local communities, and resilience. Steps include maintaining infrastructure certainty, supporting AI and digital adoption, reforming skills policy, improving procurement and contract management, strengthening cyber and wider resilience, and unlocking investment in local economies.

Part One – Delivering Growth

The business services sector has a clear role to play in delivering growth across every postcode of the country by investing in people, technology, infrastructure, supply chains and service improvement. BSA members work with public and private sector clients to improve productivity, deliver better services, manage risk and support innovation. They therefore have a direct role in helping the UK strengthen its economic performance and deliver better outcomes for citizens, businesses and communities.

Delivering growth will require a stable and predictable policy environment, a clear pipeline of work, investment in digital and physical infrastructure, and determined action to address skills shortages and labour supply challenges. It will also require public procurement and contract management to operate in ways that encourage innovation, fair competition, responsible risk allocation, prompt payment and the participation of businesses, charities and social enterprises of all sizes.

The proposals in this section focus on practical measures that HM Treasury can support through the Budget to strengthen confidence, unlock investment, improve productivity and ensure recent reforms deliver in practice. They include maintaining commitment to long-term infrastructure programmes, investing in digital capability, attracting inward investment, supporting AI and data-driven innovation, reforming skills policy and ensuring procurement reform is implemented effectively across the public sector.

Key Asks

- Commit to a clear, long-term pipeline of large-scale infrastructure projects, including physical, digital and social infrastructure, to boost business confidence, support supply chains, unlock private investment and provide industry with the certainty needed to invest in people, technology and capacity.

- Invest in digital infrastructure, including secure connectivity, cloud capability, data infrastructure and national 5G and gigabit coverage, with targeted grants and support schemes to help SMEs and micro-organisations digitise, automate and strengthen cyber resilience.

- Take a proactive approach to attracting inward investment by promoting the UK as a stable and attractive place to invest, strengthening access to finance, supporting R&D and innovation, and using international engagement to bring capital, expertise and market opportunities into the UK economy.

- Create favourable conditions for businesses, charities and social enterprises to invest and grow by maintaining stable policy, proportionate regulation, fair and predictable taxation, well-managed public contracts and clear multi-year funding commitments.

- Invest in procurement and contract management capability across contracting authorities to ensure the new regime delivers in practice.

- Promote good, collaborative contracting behaviours across public procurement to unlock better value for money, efficiency and scalability.

- Support the workforce development needed for AI, digital, infrastructure, net zero, defence and public service delivery.

- Encourage contracting authorities to set clear, measurable and relevant outcomes, engage early with the market, allocate risk proportionately and recognise the different contributions of large suppliers, SMEs, charities and social enterprises.

Investment and Commitment to the UK's Infrastructure

Our physical, digital, and social infrastructure is essential for sustained economic growth and prosperity. Recent official evidence underlines this point. The 10 Year Infrastructure Strategy states that infrastructure investment is central to driving growth, raising living standards, creating and connecting people to good jobs, supporting new housing and neighbourhoods, strengthening public services, and improving resilience.[1] ONS estimates published in July 2026 show market sector infrastructure investment reached £31.3 billion in 2025, up 12.1% on 2024, while new work infrastructure construction was valued at £37.3 billion, up 3.2%.[2]

The March 2026 Infrastructure Pipeline update also identified £718 billion of planned private and public sector investment over the next decade and estimated that delivery would require an annual average construction and infrastructure workforce of between 629,000 and 706,000 over the next five years.[3] This evidence illustrates the positive impact of infrastructure investment not only through the development of assets themselves, but also by creating employment opportunities, supporting supply chains and generating additional value for surrounding communities.

Notably, large-scale projects provide substantial continuity and scale of work, which enhances certainty for industry to invest in further initiatives and in modernisation efforts. Such investments bolster jobs and support local businesses via supply chains that extend across all regions of the UK.

Furthermore, significant projects committed to adopting advanced construction methods and digitalisation offer the industry greater confidence to invest and create platforms for integrating digital practices. This approach fosters industry-wide modernisation, enhances productivity, and supports smaller enterprises working within the supply chains of larger contractors.

We therefore encourage the Government to consider the positive impact that commitment to large-scale infrastructure projects has in boosting business and market confidence. In short, the investment in both people and place that government can support with these large-scale projects is vital to our long-term prosperity.

Investing in Digital

Digital technology is central to the future of the business services sector. The rapid adoption of artificial intelligence, automation, cloud platforms and advanced connectivity is changing how services are designed, delivered and assured. Quantum technologies will follow, while cyber security capabilities must continually improve in response to threats that are becoming more sophisticated and commoditised. The UK continues to have a strong technology ecosystem, but realising its full potential will require sustained investment in digital infrastructure, skills, standards and responsible innovation.

It is therefore critical that government continues to engage with and support industry as digital solutions are further embedded throughout our economy. We would welcome measures in this Budget that would support these aims including further details on the commitment of a renewed push to fulfil the ambition of full gigabit and national 5G coverage by 2030.

Grants for industries and sectors to help them digitise and automate their operations can also drive growth and efficiency in the sector. By supporting businesses in adopting new technologies and processes, government and industry can help them stay competitive in the global market. This can also be used to allow SMEs and micro-organisations to invest in the security systems which are vital

[1] UK Infrastructure: A 10 Year Strategy - GOV.UK

[2] Infrastructure in the UK, investment and net stocks - Office for National Statistics

[3] Infrastructure Pipeline update signals future workforce needs - GOV.UK

to keeping not only their own operations secure but also bolstering the resilience of our wider cyber-ecosystem.

Attracting Inward Investment

In addition to directly investing in our economy, it is also crucial that government unlocks further investment from the private sector. Encouraging investment and innovation through tax incentives and improved access to finance is an important way in which government can achieve this. By providing support for research and development, startups, and growth sectors such as business services, government and industry can foster a culture of innovation and entrepreneurship, leading to new products, services, and business models that drive economic growth.

In addition to this support, we would caution against any further increase to the burden of taxation on business as they look to mitigate the range of economic pressures they are currently facing. These pressures, including labour shortages and longstanding inflationary pressures, are set out in our latest Economic Tracker Report for Q1Q2 2026 which is included as an Annex below.

A more proactive approach to attracting foreign investment is also crucial. By promoting the UK as a great place to invest and do business through international relations channels, government and industry can attract foreign investors and partners who can bring expertise, capital, and market opportunities to the economy.

Overall, by focusing on areas of the economy that address productivity challenges and offer innovative solutions, such as the business services sector, the UK government and industry can drive targeted investment, leading to sustainable growth and success both domestically and overseas.

Supporting the development and deployment of AI

AI and automation is being adopted wholesale across the business services sector. Businesses and VCSEs are increasingly using generative AI, machine learning, robotic process automation and intelligent workflow tools to improve service quality, strengthen decision-making and deliver better outcomes for public and private sector clients. New skill sets are emerging, and UK data and even data patterns, are national assets of global significance that must be curated, protected, and used in the UK's interest. This means ensuring that valuable public and commercial data is not simply given away to train AI systems in ways that erode the UK's long-term power, competitiveness and value. The Government must play a key role in this, and this requires understanding of the value of data by politicians and officials.

The UK should be a leader in the development and deployment of AI and automation technologies. This will involve investing in research and development, as well as providing incentives for businesses to invest in these technologies. This will ensure that the UK is at the forefront of the development of AI and automation technologies, and will enable businesses to take advantage of the opportunities presented by these technologies.

The BSA Manifesto 2024 set out a number of policies to ensure that the UK is well-placed to take advantage of the opportunities presented by AI and automation.[4] This will involve investing in research and development, providing incentives for businesses to invest in these technologies, providing training and support to businesses, and investing in the necessary infrastructure and data. Industry and government must continue to explore how best to harness the key drivers of rapid technological change, such as increased automation and deployment of AI, whilst remaining mindful of the challenges these may create.

[4] BSA (2023) BSA-Manifesto-2023-1.pdf (bsa-org.com)

It is also important that advances in digital transformation are accompanied by sufficient policy and guidance around digital ethics. This means not only improving the general literacy of key stakeholders and leaders with regards to automated or algorithmic decision-making, but also ensuring that AI and other new technologies are subject to appropriate safeguards and regulations.

The previous government engaged closely with global technology giants, particularly major cloud and AI providers principally from the US. The BSA can offer government a broader and more practical UK perspective, drawing both on its technology-sector members and on other businesses that are rapidly digitising their own operations. This wider voice would give ministers and officials a more rounded understanding of how emerging technologies are being developed, adopted and applied across the economy.

Improving Access to Data

As the trend towards digitalisation continues, data-driven decision making (DDDM) is set to have a significant impact on the business services sector and the wider economy. Recent government announcements on removing planning barriers to new datacentres and creating a National Data Library are welcome and we would welcome further details on the latter in this Budget. It will also be key that government recognises the supporting infrastructure and investment required to unlock the full economic benefits of these sites. This includes partnering with organisations from across the business services sector to deliver the roads, water supply, security, skills training, and facilities management services that these projects require.

DDDM is an increasingly central part of BSA members' operations as many begin to integrate Internet of Things (IoT) sensors into buildings in order to monitor conditions in real-time.[5] This data is then analysed using advanced analytics tools to identify potential maintenance needs or safety risks. By leveraging digital technologies, clients across the public and private sectors have been able to address maintenance issues proactively, enhance safety measures, and optimise resource allocation.

The public sector and business services providers will need to take a series of actions to ensure that they are well-placed to take advantage of the opportunities that DDDM presents.[6] For example, by investing in the necessary infrastructure and training staff in the use of data-driven decision making tools, organisations will be able to make informed decisions and take advantage of the opportunities presented by DDDM. This will enable them to identify new opportunities, reduce costs, improve customer experience, and develop innovative services.

The key to capitalising on the opportunity that DDDM presents is to ensure that businesses have access to the necessary data and technology to enable them to make data-driven decisions. In addition to the investment outlined above, this will involve considerable efforts to ensure that the data being used is both up-to-date and accurate. Engaging with stakeholders including clients, suppliers, regulators, and investors will be crucial to ensure that all parties are using the same metrics when assessing various criteria.

It is also vital that suppliers work with their clients to ensure that the data they are receiving is as accurate as possible to avoid unforeseen challenges when undertaking a new project. For example, despite the positive steps that have been taken in recent years, the quality of data in and around public procurement remains inconsistent and often outdated.

Whilst the National Data Library and the new central platform discussed in the section on procurement reform below is a welcome step towards tackling this, government currently remains disjointed in its approach to requesting data from its suppliers. This creates inefficiency as suppliers are asked to provide duplicate datasets. Further commitments to improving the availability of

[5] Digiteum (2022) [The Role of IoT Facility Management | Digiteum]
[6] BSA (2023) [BSA-Manifesto-2023-1.pdf (bsa-org.com)]

accurate data will help to reduce this inefficiency and we would welcome discussions with Cabinet Office and BIST on how best to support this.

Procurement Reform

Around £400bn of goods and services are purchased each year through public procurement both to ensure the continued delivery of core public services and critical national infrastructure projects, as well as to implement new approaches and innovations which improve these services and projects.[7] This amounts to around a third of public sector spending. Ensuring that this money is spent sensibly, fairly, and transparently is therefore key to increasing public sector productivity growth and efficiency.

The UK government, like its counterparts in Canada and the EU, is now seeking to use this purchasing power as a strategic lever to further national policy. This includes commitments on 'buying British' which focuses on high quality jobs and skills as well as supporting SMEs.

In order to ensure that the new regime is successful, procurement professionals across both the public and private sector will need to be upskilled so as to best capitalise on the benefits of the new regime. In addition, the new regime is set to bring about a number of changes to the way in which contracts are awarded, disputes are handled, and procurement is conducted in the UK with its aim to "create simpler, more flexible and effective procurement."[8] We would therefore urge the Government to provide suitable funding

Finally, uncertainty about future funding arrangements and contract terms can make it difficult for business services organisations to plan for the future and make long-term investments. This lack of clarity can also lead to hesitancy and indecision in the procurement process, further slowing it down and causing inefficiencies. We would therefore ask that the Treasury continue the welcome trend for multi-year funding allocations across departments and is so far as is possible resists any actions which may undermine wider industry confidence.

Upskilling procurement officials, embracing innovation, and appropriate funding levels

With the introduction of the new regime, the new Contract Management Playbook, and revisions to the existing Playbook suite, there will be several changes in the procurement process throughout 2026/7 and beyond. In order to ensure the success of the new regime, it is crucial for procurement officials in both the public and private sectors to undergo upskilling. This upskilling process will equip them with the necessary skills and knowledge to capitalise on the benefits offered by the new regime.

One important area that procurement officials will need training in is contract management, not least the new Contract Management Playbook. Training in contract management will enable officials to understand and navigate these changes, ensuring that contracts are well-managed and adhere to the new regulations and requirements. This includes skills in drafting contracts, negotiating terms, and monitoring contract performance.

Supplier relationship management is another crucial aspect that procurement officials will need to be trained in. Under the new regime, there may be a shift in the supplier landscape, with new suppliers coming into play or existing suppliers needing to adapt to the new regulations. Training in supplier relationship management will enable officials to build and maintain effective relationships with suppliers, ensuring that they can secure the best value for money and maintain a reliable supply chain. This includes skills in supplier evaluation, performance monitoring, and dispute resolution.

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[7] Government procurement to prioritise national security - GOV.UK
[8] Gov.uk (2023) The_Procurement_Act_2023_-_a_short_guide_for_senior_leaders.pdf (publishing.service.gov.uk)

The utilisation of the new central digital platform will also be a key component of the new regime. Procurement colleagues will continue to need to be trained in the use of this platform to leverage its full potential as new functionality is added. Training in the use of the digital platform will enable officials to streamline their procurement activities, improve transparency, and enhance overall efficiency in the procurement process.

Finally, ensuring that public sector commercial teams are adequately funded is essential not only for successful procurement processes, as it allows for the implementation of best practices and the adoption of innovative solutions, but also for ensuring the best possible public services for UK citizens. Increased funding can also help streamline the procurement process and reduce delays. It is also important for government contracts to have fair margins and risk-sharing provisions that are proportionate to the size and complexity of the project. This can help prevent cost overruns, delays, and potential disputes.

Supporting local economies and Community Wealth Building

The business services industry supports and works in all sectors of the economy and in local economies across the UK. It can help other companies compete more effectively, build up local SMEs, and help employ and train local workforces. Business services providers are also expert at scaling and replicating the innovation and change now required. All stakeholders which retain such capacity and capability need to draw together in common endeavour to accelerate this work.

The new Government has announced a step change in the devolution of powers and responsibilities from Whitehall[9]. It is important to remember also that the voices of local communities themselves, as well as their local and devolved government representatives, should be at the heart of the decision-making process going forward.

Key Asks

- Use public procurement, local commissioning and devolution as practical levers for Community Wealth Building, ensuring local communities help shape priorities and benefit from economic growth.

- Encourage contracting authorities to adopt outcome-based commissioning, early market engagement, diverse supply chains and clear long-term pipelines that help businesses, charities and social enterprises embed themselves in communities.

- Support sufficient commissioning, procurement and contract management capacity at local and regional level, particularly where contracts are broken down to enable greater SME participation.

- Promote best practice sharing between devolved and local authorities so common procurement, employment and social value principles are easier for UK-wide organisations to respond to.

- Back local workforce development by joining up skills provision, employment support, health and work services, and local economic planning.

- Make full use of the established employment support sector to address economic inactivity and help disadvantaged groups access learning, work and progression pathways.

Community Wealth Building

The importance of 'Community Wealth Building' – strengthening organisations and people in local communities – has been recognised for some time. The aim of the Community Wealth Building agenda is to enable communities themselves to enjoy the benefits of economic growth, and a central part of that is about giving them more control.

These communities are best able to determine their strengths and weaknesses, the limiting factors to good growth in their area, and how these can best be addressed. That is why the devolution and localisation of powers, including commissioning, is so important. Devolution can also be used to help break down the barriers which have existed between economic and social infrastructure.

The goals of wider service integration and improvement should not be seen as an alternative to economic growth but as contributing to it. Services such as employment support, skills provision, and health and social care provision not only improve people's quality of life but help provide a healthier,

[9] REWIRING_THE_STATE_-_CABINET_STATEMENT.pdf

more skilled and more productive workforce. The aim should be to produce a virtuous circle of local service delivery which will help generate good growth. This, in turn, then generates the income that funds the service provision.

The BSA has published a note showing how local commissioning can help deliver long-term legacies for communities[10]. The principles set out include outcome-based commissioning, early market engagement and diverse supply chains. Key is a long-term perspective that enables businesses and charities - large and small - to embed themselves in communities and deliver social value outcomes in line with the priorities of the region concerned. This can be achieved through measures such as clear pipelines of work that go well beyond the statutory minimum, embedding a single procurement strategy across an organisation, and / or adopting a programmatic approach to project procurement and delivery. The note highlights examples from West Yorkshire where such an approach has been adopted to great effect.

It was therefore appropriate that last year's PBS Sector Plan[11] emphasised the positive role public procurement can play, encouraging adoption of best practice such as "a collaborative approach with stakeholders, early engagement, the fair and appropriate allocation of risk, the publication of timely and accurate pipelines of work to encourage and enable businesses and charities to embed themselves in communities and plan long term".

As the Plan said, "This will help deliver objectives on training and employment of local workers, investment, innovation, easier access for SMEs, and the development of equitable supply chain opportunities for SMEs".

Devolution and localisation will inevitably mean priorities in each area should and do respond to local need but there will also be common themes between areas. Many devolved authorities have worked together on issues like good employment charters and principles for public procurement, to make sure that, where such common themes exist, it is easier for UK-wide companies to respond to requirements in different areas.

Building Capacity at Local Level

All of these principles require best practice sharing and sufficient commissioning capacity at a local or regional level. That will make sure commissioning and procurement practices are such that infrastructure and service providers can embed themselves in communities and deliver a long-term legacy for those communities - including in employment, upskilling and strengthening local SMEs. It also includes capacity to engage with stakeholders and technical skills to deliver project pipelines.

This requirement is even more important if contracts are broken down in order to enable more SMEs to deliver them directly, because a larger number of contracts involves a commensurate increase in contract management capability.

These are all points we emphasised in our submission to the previous Government's Northern Growth Strategy[12].

Backing the local workforce

The BSA has organised seminars around country on these issues. One topic we have discussed is stemming the outflow of skilled workers from areas which have been hit hardest in recent years. The new world of work now provides opportunities to address this, with some employers focusing less on

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[10] Successful Local Commissioning: Principles and Case Studies - BSA

[11] Industrial Strategy: Professional and Business Services Sector Plan

[12] BSA-NGS-response.pdf

offices in major cities. Many employees, however, will still wish to work, live and socialise with and in proximity to their peer groups, especially those working in similar fields.

Partly this is about linking local skills development with local job availability, but it is also about encouraging skilled people not to move away for other reasons. This means an attractive civic realm, local amenities, affordable housing, and groups of like-minded people. Encouraging employers to locate in and/or recruit from localised hubs with others in the same sector is one way to help achieve this. It also helps with cross-fertilisation of ideas and skills within that sector. At the heart of this, employers, providers, and local government must all work together in partnership to develop skills plans that best support communities across the local economy.

It is important to ensure that groups which have to date been disadvantaged in the labour market, including disabled people, care leavers, ex-offenders and the homeless, can take full advantage of the new world of work. Many BSA members help to provide tailored employment support for those who need it most including learners, job seekers and those who are unable to work or increase their hours due to disability, a health condition or illness, or caring responsibilities.

Government could make full use of the established employment support sector to address the large scale of economic inactivity. Initiatives should particularly address the 'hidden unemployed', who may face wider barriers to entering and remaining in employment, including disabilities or long-term health conditions.

Joining up the provision of health, work and skills support would facilitate learning, work and progression pathways for young people looking to start their career, alongside providing lifelong learning opportunities and career change pathways for older workers.

Resilience

Recent shocks have underlined the importance of resilience in all its forms. In 2026, the challenge is wider still: the UK faces a more contested security environment, daily cyber threats, pressure on critical national infrastructure, climate risks, fragile supply chains and the need to strengthen domestic capability in key sectors.

BSA members are key partners to government and the private sector in strengthening resilience across vital areas including cyber security, defence readiness, infrastructure support and energy systems. As the Strategic Defence Review made clear, security now requires stronger homeland defence, faster innovation and a closer partnership between government, industry and society.

Furthermore, the Covid-19 pandemic showed that Government and business can act quickly and effectively together when the national interest demands it. The pressures today are different, but no less serious. These include geopolitical instability, volatile energy and input costs, fragile supply chains and persistent uncertainty over global trade. Annexes III and IV set out the range of issues facing the business services sector in greater detail.

Many of these forces sit beyond the control of either Government or business alone. The UK will be better placed to withstand them if policy is developed with, not imposed on, the businesses that carry the cost, take the risk and create the jobs and outputs needed to reduce debt pressures, rebuild public services and improve lives across the country.

Key Asks

- Develop resilience policy in partnership with businesses, charities and social enterprises that carry operational risk, create jobs and deliver essential services and infrastructure.

- Support stronger national cyber resilience through proportionate regulation, clear guidance, effective information-sharing, incident response planning and targeted support for SMEs and micro-organisations.

- Use the Budget to incentivise SME investment in cyber security measures and staff training, including through tax breaks, reliefs or targeted grant support.

- Embed cyber security, supply chain assurance, software security and resilience requirements clearly and consistently in public procurement, particularly where public services depend on cloud platforms, managed service providers, AI-enabled tools and connected infrastructure.

- Provide sustained and adequately funded defence programmes, with long-term visibility of capability, infrastructure, technology and support requirements so industry can invest in people, sites, supply chains and innovation.

- Work with industry to futureproof the Defence estate, including anticipating future Armed Forces requirements, rationalising or commercialising surplus land where appropriate, and ensuring estates and facilities services are aligned with future capability needs.

- Support improved energy management, local or regional advice networks and targeted incentives that help organisations, particularly SMEs, cut costs, improve efficiency and adopt new energy technologies.

- Prioritise reforms to expand and strengthen grid capacity, including planning, regulation, connections, community benefits and supply chains, through coordinated action between government, industry, regulators and communities.

Cyber Security

Cyberattacks remain a significant and growing threat to organisations across the UK. Ransomware, supply chain compromise, attacks on managed service providers and disruption to critical national infrastructure can all have serious consequences for businesses, public services and citizens.

This threat must be understood in the context of worsening geopolitical tensions and a more hostile cyber landscape, with the NCSC warning that Russia, China, Iran and North Korea are actively targeting the UK to steal industrial secrets, disrupt services, damage democracy, and cause economic and physical damage.[13]

Hostile cyber actors are becoming more sophisticated, using automation, AI-enabled methods, credential theft and third-party vulnerabilities to increase the scale and speed of attacks. The response must therefore go beyond perimeter defence. Organisations need stronger prevention, early warning, identity and access controls, network segmentation, continuous monitoring and tested incident response plans so that attacks can be detected quickly, contained effectively and recovered from safely.

Measures such as Cyber Essentials continue to play an important role in raising baseline cyber resilience, particularly for SMEs and micro-organisations that may not have specialist in-house capability. As the Cyber Security and Resilience Bill progresses, government should ensure that new requirements are proportionate, practical and supported by clear guidance. Additional support, including targeted reliefs or grant funding, would help smaller organisations invest in the security systems, training and assurance needed to protect their own operations and strengthen the resilience of the wider cyber ecosystem.

For BSA members delivering services and infrastructure projects for public sector bodies, cyber security is of the utmost importance. Government should ensure that cyber security, supply chain assurance, software security and resilience requirements are embedded clearly and consistently in public procurement. This is particularly important as public services become more dependent on cloud platforms, managed service providers, AI-enabled tools and connected infrastructure.

Government should continue to support small and micro-organisations to build cyber resilience while also investing in effective national systems, information-sharing mechanisms and response plans. Protecting critical national infrastructure will require close partnership between government, regulators and industry, with a focus on resilience by design, rapid incident reporting, trusted suppliers and the ability to recover essential services quickly after an attack.

In the budget, we suggest incentivising SMEs through tax breaks for actively putting in place cyber security measures and staff training. A whole of society approach is necessary, including the public. BSA members are aware of the threat, those involved in technical sectors are engaged closely with the NCSC, and are ready to play a greater role in government led resilience initiatives.

Bolstering the UK's Defence capabilities

Securing adequate and sustained funding for UK defence is essential in the context of a more volatile geopolitical landscape, including conflict in Europe, threats to critical national infrastructure, cyber risk and pressure on global supply chains. Defence investment should be understood not only as a security imperative, but also as a driver of economic growth, productivity and regional opportunity.

A strong defence sector supports high-quality jobs, specialist skills, advanced manufacturing, digital innovation, research and development, and resilient supply chains across the UK. Providing industry

[13] Richard Horne speaking at the RUSI Annual Security Lecture | National Cyber Security Centre

with long-term confidence and properly funded programmes will help strengthen sovereign capability, improve readiness, support local economies and ensure that the UK is better prepared to withstand and respond to future shocks.

BSA members are a core part of the UK's wider defence and security ecosystem, delivering estates, training, logistics, digital services, facilities management, cyber security and infrastructure support. As the Strategic Defence Review sharpens the focus on warfighting readiness, homeland resilience and industrial capability, the role of service and infrastructure partners becomes even more important.

Government must continue to provide clear long-term visibility of defence capability, infrastructure, technology and support requirements. A stable pipeline enables industry to invest in people, sites, supply chains and innovation, while also supporting better value for money, stronger resilience and greater sovereign capability.

Expectations for military capability requirements over the coming years will also shape the size, shape and geographical location of the Armed Forces going forward. This will have further ramifications for rationalisation of the Defence estate as well as on how estates and facilities services are delivered and how the estate is managed.[14] There may be further opportunities to dispose of, or commercialise, surplus MoD land, some of which could be used for housing, for example. Any future or changing requirements for the Armed Forces, however, need to be understood and anticipated now so that the Defence estate can be futureproofed.

Supporting armed forces personnel and their families

As well as delivering projects and services, BSA members do much to support the Armed Forces and many employ a number of Reservists, Veterans, and spouses of service personnel. The BSA was one of the first organisations to sign up the Armed Forces Covenant and the majority of members are also signatories as well as holding Defence Employer Recognition Awards.

One area we would like to explore further is the potential for closer ties between Defence and industry where there are overlapping skills requirements, for example through the Sponsored Reserves model.

Energy Management and Grid Capacity

Russia's invasion of Ukraine, and the impact on global energy markets, has reinforced the importance of developing our domestic energy systems and markets.[15] By managing energy consumption more effectively, there are also opportunities for cost reduction and increased efficiency, extension of asset lifecycles, and the implementation of sustainability strategies.

Incentivisation and/or support funding will also enable the creation and adoption of new technologies. For example, local or regional support networks could be introduced to allow organisations access to relevant and appropriate information and possible localised incentives to implement measures and practices, something which is particularly important for SMEs.

In addition to this, the capacity of the UK's electricity grid must be taken into consideration. As National Grid set out in its recent report '*Delivering for 2035: Upgrading the grid for a secure, clean and affordable energy future*' it is clear that specific reforms are required on planning, the regulatory

[14] Ministry of Defence (2016), *Defence Estate Optimisation (DEO) Portfolio*. Online: https://www.gov.uk/guidance/defence-estate-optimisation-deo-portfolio
[15] House of Commons Library (2023), *Tackling the energy trilemma*. Online: https://commonslibrary.parliament.uk/research-briefings/cdp-2023-0074/

system, the grid connections process, community benefits and supply chains.[16] This will involve a collective effort between government, industry, the regulator, and individuals to consider practicable steps to expand and bolster the grid's capacity whilst also being mindful of the increased demand it faces as we transition towards Net Zero.

[16] National Grid (2023), *National Grid sets out case for urgent reform to drive the energy transition*. Online: https://www.nationalgrid.com/national-grid-sets-out-urgent-reform-energy-transition

Annex I

BSA Economic Tracker - Q1 Q2 Report 2026

Background and Overview

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. A list of current BSA members is included as an Annex along with an overview of the BSA and its work.

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.

The BSA Economic Tracker provides a regular economic overview of the areas impacting the business services sector. The Tracker is refreshed and circulated with BSA members on a monthly basis. Each month, the questions are reviewed and, if necessary, updated to reflect both members' feedback and the wider economic landscape.

The Tracker both reflects the importance of BSA members and the business services sector to the UK economy and provides an insight into the key areas affecting the sector. Anonymised monthly reports are passed on to the Department for Business, Innovation, Science and Trade, HM Treasury, No 10 and other key stakeholders, who have fed back how useful they have found members' responses.

The BSA uses these findings to inform its policy and engagement strategy and provides insightful data to government departments outlining the economic conditions faced by members. This allows the BSA to advocate effectively for its members, contribute to policy-making processes, and support the business services sector.

The 2026 Tracker continues to provide a concise and regular overview of the issues affecting BSA members. This report summarises the responses gathered during Quarter 1 (Q1) and Quarter 2 (Q2) 2026.

Contents

Section One: Executive Summary

Key points

- 93 responses were received across Q1 Q2 2026, with all six core areas of the wider business services sector represented in the respondent base.
- Labour supply was the most widely reported issue across Q1 Q2, cited in 52 responses, equivalent to 56% of all responses recorded in the raw data.
- Inflation remained a major pressure, cited in 50 responses (54%), while energy prices were cited in 42 responses (45%).
- Conflict in the Middle East was introduced to the Tracker in March and was cited in 42 responses between March and June, equivalent to 67% of responses in the months where the question was included.
- Cybersecurity, wages and regulatory challenges were also prominent, cited in 45 (48%), 41 (44%) and 39 (42%) responses respectively.
- Respondents were asked to rate their confidence in the UK economy's performance over the next six months on a scale of 1–10. The average score was 4/10 across Q1 Q2, falling from 5/10 in January and February to 4/10 between March and June.
- Respondents reported continuing cost increases. The average cost-change score was 7/10 in every month across Q1 Q2, where 5 indicates no change and 10 indicates significantly increasing costs.

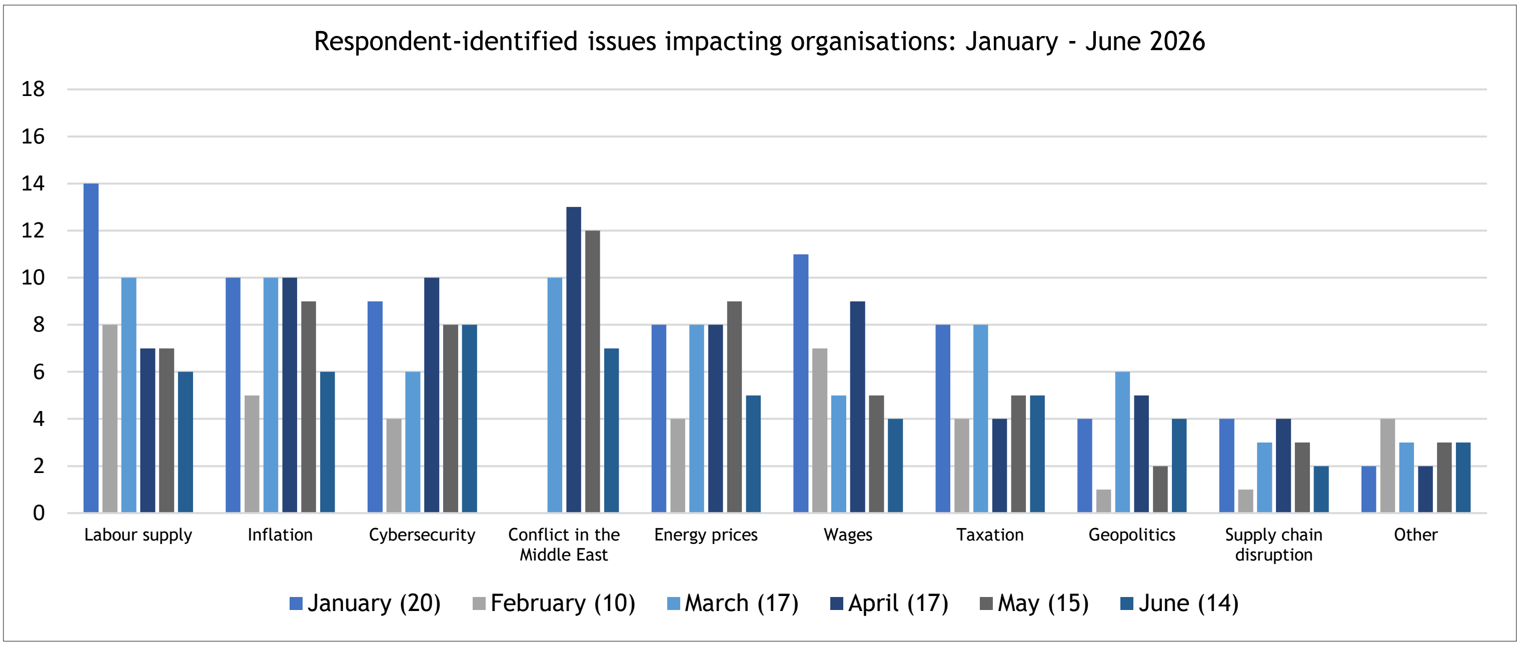
This report of the BSA Economic Tracker reflects responses to versions of the survey published between January 2026 and June 2026 (Q1 Q2). Responses were collated between 5 January 2026 and 30 June 2026. The Tracker was circulated to BSA members to complete as the question set was reviewed and refreshed each month.

93 responses were received across Q1 Q2. The majority of respondents each month were organisations employing 250 or more people in the UK, and organisations employing more than 30,000 people were represented in every month.

Challenges relating to labour supply remained the most widely reported issue across Q1 Q2. The comments submitted by members pointed to continuing shortages in technology, engineering, skilled chef, security, care, health, custody, digital and data roles. Respondents described a range of mitigation measures including apprenticeships, internal training, reskilling, targeted recruitment, specialist recruiters, salary and reward reviews, retention plans, subcontracting and agency support.

Cost pressures remained highly persistent. Inflation was cited by more than half of respondents across Q1 Q2, with particular references to food, labour, fuel, IT equipment, energy, licensing fees, travel, workwear and PPE. Energy prices and the impact of conflict in the Middle East became increasingly prominent in Q2, with members noting potential effects on fuel, energy, shipping, equipment, food and wider procurement.

Respondent-identified issues



0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected

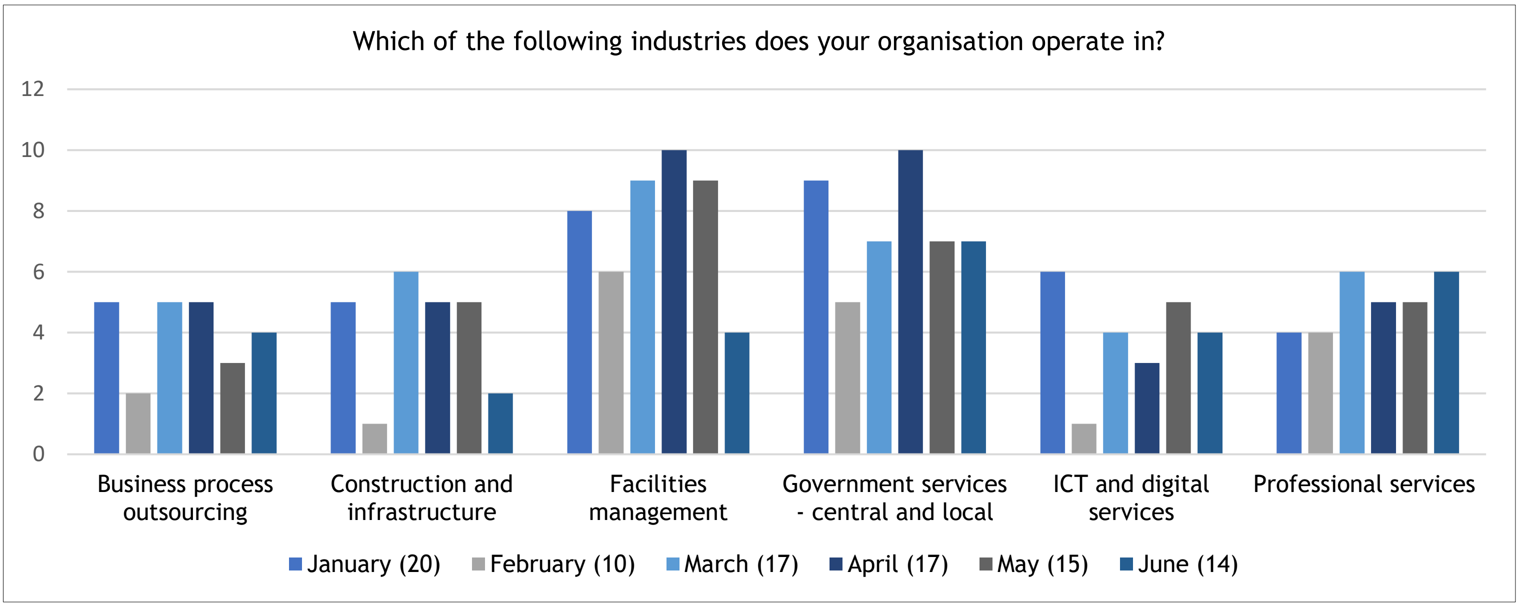
	January	February	March	April	May	June
Inflation	10/20	5/10	10/17	10/17	9/15	6/14
Conflict in the Middle East	N/A	N/A	10/17	13/17	12/15	7/14
Cybersecurity	9/20	4/10	6/17	10/17	8/15	8/14
Energy prices	8/20	4/10	8/17	8/17	9/15	5/14
EU exit	0/20	0/10	0/17	1/17	0/15	0/14
Geopolitics	4/20	1/10	6/17	5/17	2/15	4/14
Industrial action	2/20	3/10	2/17	2/17	2/15	3/14
Labour supply	14/20	8/10	10/17	7/17	7/15	6/14
Regulatory challenges	10/20	3/10	7/17	6/17	6/15	7/14
Supply chain disruption	4/20	1/10	3/17	4/17	3/15	2/14
Taxation	8/20	4/10	8/17	4/17	5/15	5/14
Wages	11/20	7/10	5/17	9/17	5/15	4/14

(Figure 1: Bar chart showing respondent-identified issues)
(Figure 2: Table showing a breakdown of the issues identified by number of respondents)

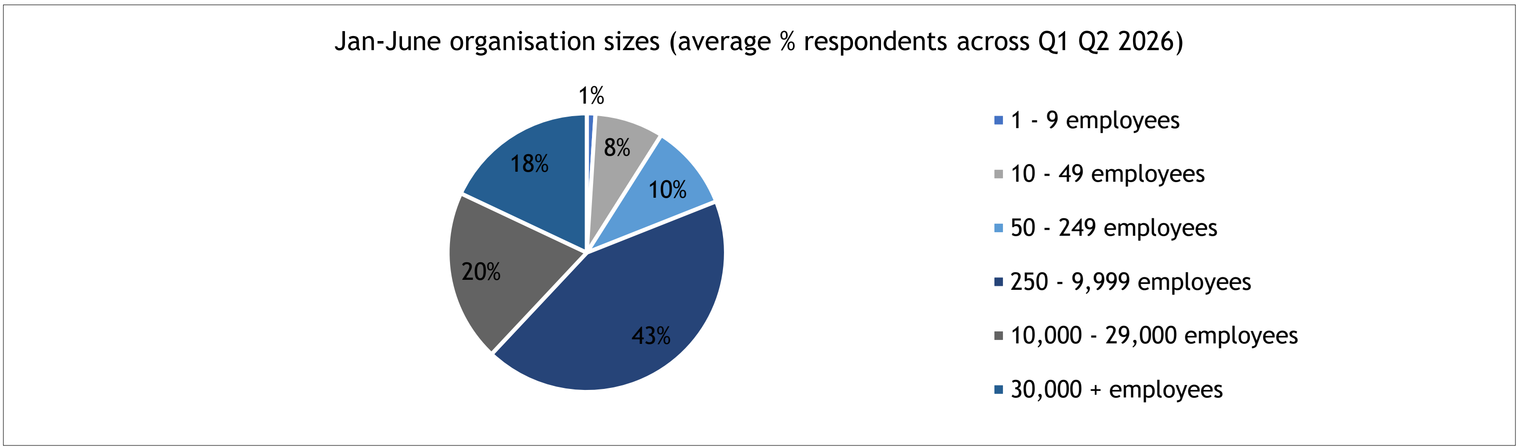
Section Two: Respondent Overview

Key Points

- The six core industries which make up the business services sector – ICT and digital services, business process outsourcing (BPO), facilities management (FM), construction and infrastructure services, professional services, and government services – were represented each month in Q1 Q2.
- The majority of respondent entries were from facilities management, government services, professional services, business process outsourcing, construction and infrastructure, and ICT/digital services.
- Responses to the Tracker included a range of organisation sizes from SMEs to large organisations employing over 30,000 people in the UK.
- The majority of respondents each month employed 250 or more people in the UK.



(Figure 3: Bar chart showing which industries Tracker respondents operate in)



(Figure 4: Pie chart showing the average sizes of Tracker respondent firms)

Section Three: Labour supply

Key Points

- Labour supply was identified by a majority of respondents, with 52 responses (56%) citing it as an issue across Q1 Q2.
- Labour and skills shortages were most commonly reported across technology and ICT, engineers, skilled chefs, data analytics and data scientists, frontline/security roles, psychologists, custodial and healthcare professionals, electricians, technicians, project management and other specialist roles.
- Vacancy levels averaged 5/10 in every month across Q1 Q2, where 1 indicates below normal levels and 10 indicates significantly above normal levels.
- Respondents reported using apprenticeships, internal development programmes, training academies, reskilling, targeted recruitment campaigns, specialist recruiters, wider advertising, visa routes, salary and reward reviews, retention plans, subcontracting, and overtime and agency support to mitigate shortages.

Breakdown as a total of respondents

0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected

	January	February	March	April	May	June
Labour supply	14/20	8/10	10/17	7/17	7/15	6/14
Industrial action	2/20	3/10	2/17	2/17	2/15	3/14
Wages	11/20	7/10	5/17	9/17	5/15	4/14

(Figure 5: Table showing a breakdown of the issues identified relating to labour supply)

Vacancies

- Respondents were asked to describe the number of vacancies across their organisations on a scale of 1–10. The average was 5/10 in every month across Q1 Q2.
- Members commented that some labour shortages are concentrated in specialist roles requiring specific experience, security clearance, onsite presence, or professional/technical qualifications.
- Members also noted that changes to employment costs and the wider policy environment, including National Insurance, the National Minimum Wage, employment reforms and public spending decisions, were contributing to more cautious recruitment planning.

Labour shortages by job-type

The following shortages were identified in Q1 Q2:

- Technology, including experienced IT technical professionals, AI, cybersecurity, data analytics and data science
- Engineers, including electricians and technicians
- Skilled chefs
- Frontline security staff
- Drivers

Section Four: Costs and supply chains

Key points

- Inflation was reported by 50 respondents across Q1 Q2 (54%).
- Respondents were asked how their organisations were seeing the cost of goods, services or raw material change on a scale of 1-10. The average was 7/10 in every month across Q1 Q2.
- Respondents were also asked how easy or difficult they were finding it to source goods, services or raw materials on a scale of 1-10. The average was 5/10 in January and February, and 6/10 between March and June.
- Members most frequently highlighted cost pressures relating to food, labour, fuel, energy, IT equipment, licensing fees, travel, workwear, PPE, protein and wider supplier costs.

Respondent-identified issues impacting organisations

0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected

	January	February	March	April	May	June
Energy prices	8/20	4/10	8/17	8/17	9/15	5/14
Inflation	10/20	5/10	10/17	10/17	9/15	6/14
Taxation	8/20	4/10	8/17	4/17	5/15	5/14

(Figure 8: Table showing a breakdown of the issues identified relating to changing cost of goods and services)

Changing costs of goods and services

- Inflation remained a sustained issue throughout Q1 Q2 and was cited by between half and three fifths of respondents in every month except May, when it was cited by 9 of 15 respondents.
- The cost-change score remained at 7/10 throughout Q1 Q2, indicating that members continued to report increasing goods, services and raw material costs.
- Energy prices and the impact of conflict in the Middle East became increasingly prominent in Q2, with members noting potential effects on fuel, energy, shipping, equipment and food.

Particular goods and services affected

Organisations of all sizes reported cost increases across all or most suppliers.
The following products were identified as particularly changing in cost in Q1 Q2:

- Food products
- Labour
- Fuel
- Energy
- Raw materials
- IT equipment
- Fleet

Sourcing goods and services

- The average sourcing score was 5/10 in January and February and 6/10 from March to June. This suggests members generally found sourcing neither easy nor difficult, with a modest improvement during Q2.

- Alongside the numeric sourcing score, members still highlighted risks around fuel, IT equipment, PPE, workwear, protein and wider supply chain pressures linked to geopolitical events and inflationary trends.

Taxation

- Taxation was cited in 34 responses across Q1 Q2 (37%).
- Qualitative comments continued to link taxation concerns to National Insurance increases, National Minimum Wage/National Living Wage pressures and the impact of higher employment costs on workforce planning.

Section Five: Misc

Business Confidence

- Respondents were asked to rate their confidence in the UK economy's performance over the next six months on a scale of 1-10. Business confidence averaged 5/10 in January and February before falling to 4/10 in March and remaining at 4/10 through June.

Conflict in the Middle East

- Conflict in the Middle East was added to the Tracker from March and became one of the most prominent Q2 issues, cited by 10/17 respondents in March, 13/17 in April, 12/15 in May and 7/14 in June.
- Respondents commented on potential or emerging impacts relating to fuel availability and prices, shipping, fertiliser, energy, foodstuffs, equipment delays, client operations, insurance or financial support for critical businesses, and broader inflationary pressure.

Cybersecurity

- Cybersecurity was cited in 45 responses across Q1 Q2 (48%).
- Comments indicated that cybersecurity remains a constant and increasing risk, while some members also cited shortages in cybersecurity, AI and advanced digital skills.

Regulatory challenges

- Regulatory challenges were cited in 39 responses across Q1 Q2. Members commented on changes in employment and procurement policy, including implications for workforce planning, employee relations, implementation requirements and public sector bidding processes.

Public sector industrial action

- An average of 15% of respondents across Q1 Q2 reported industrial action as having the greatest impact on their organisation.

Annex II - 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.

Annex III - Summary of BSA resilience and supply chain discussions

Supply chains and procurement

- Early signs of shortages and rising costs in key components, potentially set to be further driven by a shift toward defence-related manufacturing.
- Delays in non-defence public procurement may create uncertainty across the wider sector and limit agility.
- New UK procurement regulations may restrict the ability to move quickly in crisis situations.

Food security

- Food supply identified as an immediate national priority in crisis or conflict scenarios.
- Concern that government focus may be too narrow, overlooking critical food service and logistics operations beyond retail and wholesale.
- Food inflation and fertiliser dependency pose longer-term risks, with links between agricultural inputs and defence supply chains.

Energy, fuel, and materials

- Rising energy prices are a major pressure on business operations and frontline staff.
- Fuel availability remains a critical risk, with potential impacts on transport, infrastructure, and materials such as bitumen.
- Lessons learned from previous contingency measures (such as during Covid) and planning for further national infrastructure disruptions.

Security risks

- Increased concern around domestic terrorism, civil unrest, and other security impacts, including risks to sites linked to allied nations.
- Growing awareness of “grey zone” threats, such as sabotage of infrastructure and cyber-attacks on suppliers.
- Internal communications challenges anticipated due to differing staff views and heightened tensions.

Defence

- Already seeing non-alignment between response from different forces (in-spite of the ‘One Defence’ approach)
- This and any further disruption will test the agility of Defence procurement and decision-making.
- Concerns were raised over the impact that an immediate redeployment of resources and MoD ‘bandwidth’ from commercial to operational may have on capital programmes thereby inhibiting wider war-readiness and resilience work.

Cyber Security

- Businesses are on heightened alert but currently experiencing business as usual.
- Many welcomed the prompt notice from NCSC.

Operational resilience

- Focus on operations in sensitive locations, supply chain continuity, and community support.
- Some organisations are already in active planning for remote working scenarios, influenced by fuel costs and wider geopolitical risk.

Workforce and welfare

- Staffing resilience, welfare, and recognition of key workers as critical infrastructure were highlighted.
- Inflation and cost-of-living pressures have considerable potential impact on frontline personnel.
- Current disruptions are affecting both staff in the affected regions but also those attempting to travel to Australia and other locations.

Government engagement

- Calls for clearer public awareness campaigns to explain the evolving threat landscape.
- Support for regular coordination calls to maintain shared situational awareness across industry.

Annex IV - The Threat Landscape

1. Geopolitical Tensions and Global Instability

Heightened geopolitical instability, including expanding state-based conflicts and geo-economic confrontation, has become a priority risk for UK businesses. The World Economic Forum's *Global Risks Report 2025* highlights state-based armed conflict as the most pressing near-term global risk, with conflicts increasingly disrupting global supply chains and raising costs for UK firms.[17]

Persistent geopolitical realignments, such as conflicts in Eastern Europe and the Middle East as well as tensions in South America and East Asia, further amplify cyber and operational exposure for businesses deeply integrated within global trade and digital ecosystems.

2. Cyber Security and Resilience Planning

Cyber risk has emerged as a leading threat for UK businesses, particularly given rising ransomware attacks affecting a range of sectors. The 2025 Allianz Risk Barometer identifies cyber incidents, including data breaches and IT supply chain failures, as the top concern, with AI-driven threats adding complexity.[18]

Further to this, the UK Government is updating its cyber regulatory framework through the forthcoming Cyber Security and Resilience Bill, tightening supply-chain oversight and addressing gaps in existing NIS regulations. This is part of wider work across government and the National Cyber Security Council to improve the cyber resilience of government suppliers, including the proposed introduction of the Government Cyber Charter for Strategic Suppliers.

3. Supply Chain Disruption and SME Partner Insolvencies

UK supply chains have become more vulnerable due to geopolitical instability, ongoing post-Brexit challenges, and systemic third-party weaknesses. Over one-third of data breaches now originate from third-party suppliers, underscoring the growing importance of robust vendor-risk management.[19] Broader supply-chain disruptions, from conflicts in Ukraine and the Middle East to climate-related events, have already cost UK firms and concentrated supplier dependence (including SME insolvencies) remains a critical single-point-of-failure risk.

4. Climate Change, Extreme Weather, and Environmental Risks

Climate-related shocks, such as flooding, storms, drought, heatwaves and wildfires, are increasing in frequency and severity.[20] These all directly affect business premises, infrastructure, transport networks, and workforce availability. Extreme weather has become a significant risk affecting operational continuity and supply chains across the UK. UK business services firms should therefore consider their operational exposure to these weather patterns both domestically as well as their potential impact on the supply chain globally.

5. Public Health Crises and Disease Outbreaks

The COVID-19 pandemic demonstrated the potential for deadly disease outbreaks to disrupt labour availability, customer demand, global logistics, and service delivery. Although specific new outbreaks are unpredictable, risk assessments increasingly incorporate pandemic-level disruptions as a baseline

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[17] Global Risks Report 2025 | World Economic Forum

[18] Top risks facing UK businesses in 2025 | Allianz Trade

[19] Global Third Party Breach Report - SecurityScorecard

[20] Climate crisis - extreme weather

scenario. The sector must maintain continuity plans for remote operations, workforce protection, and rapid service reconfiguration.

6. Critical Infrastructure Failures: Power, Water, and Food

Reliance on ageing infrastructure creates further resilience challenges. Cyber-physical threats to power grids, water systems, and food supply chains have risen alongside geopolitical tensions and supply-chain weaponisation. The UK's National Cyber Security Centre reports a "diffuse and dangerous" threat landscape to critical national infrastructure, necessitating greater preparedness across dependent business services.[21]

7. Civil Unrest, Domestic Terrorism, and Socio-Economic Instability

Geopolitical conflicts, economic fragility, inflationary pressures, and have created conditions in which civil unrest may occur with limited warning. Such events can impact staff safety, disrupt transport, and interrupt on-site operations for service providers. Similarly, organisations should be aware that the UK's current terrorism threat is set to SUBSTANTIAL, meaning that an attack is likely.[22] The conditions set out above have the potential to increase the likelihood of domestic acts of terrorism.

8. Sovereignty Considerations in the Context of Advanced Technologies

As the UK Business Services sector becomes increasingly dependent on cloud platforms, advanced computing infrastructure, and global technology providers, sovereignty over data, digital infrastructure, and emerging technologies is an escalating strategic concern.

For example, the UK's national security community has highlighted that quantum technologies, while offering transformative advantages, also pose unique risks—quantum computers could one day break current encryption standards, enable new forms of espionage, or be leveraged by hostile actors to compromise sensitive national or commercial data.[23]

For business services providers, these sovereignty dynamics have practical implications: greater scrutiny of where and how client data is stored; the need to assess the jurisdictional exposure of hyperscale cloud providers; the importance of preparing for quantum-safe encryption; and rising expectations from clients and regulators that firms can demonstrate control over critical digital dependencies. In this context, sovereignty is no longer a purely governmental issue, it is an emerging operational and competitive factor for every organisation relying on advanced digital infrastructure.

[21] NCSC warns of enduring and significant threat to UK's critical infrastructure

[22] Threat Levels | MI5 - The Security Service

[23] Quantum Technologies in the UK: Risks and Opportunities for National Security

List of BSA Members, August 2026

3C3 Ltd
AECOM
AKG
Amey
Aramark
Arcadis LLP
Arcus FM
ArvatoConnect
AtkinsRéalis
Atos
Avencera
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
CMS Cameron McKenna Nabarro Olswang LLP
Compass Group Plc
DWF LLP
Ecolog International
Elior UK Ltd
Equans
FedCap
Fujitsu UK
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