

Section 3
Delivering
the Department's
Strategic
Objectives

Supporting Successful Business

Introduction

Enterprise Growth and Business Investment

Strengthening Regional Economies

Promoting International Trade and Inward Investment

Effective Channels with Business

Introduction

Generally, Businesses succeed through their own efforts. Businesses not governments identify market opportunities and exploit them by providing a better product or service to that which currently exists. Firms do this in the expectation that prices charged fully reward the work force and generate a profit in excess to the cost of capital. The pressure of competition is the principal mechanism of generating improvements in businesses competitiveness.

Government, however, can help or hinder business success. At a macro level, businesses are more likely to invest in skills, physical investment and knowledge if they operate within a stable economic framework. Government is the custodian of institutions and laws that allows businesses to trade with each other with confidence and trust.

At the level of the individual firm, Government promotes the possibility of business success through investment in science, the generation of commercial value from its exploitation, whilst also facilitating the wide dissemination of knowledge. Government interventions in the actions of business can hinder competitiveness by poorly defined regulation, inefficient public procurement,

the stifling of firm innovation and suboptimal levels of public investment in built infrastructure, education and skills.

Successful businesses trade in a vibrant and dynamic economy, one where workers, knowledge and capital can move from relatively unsuccessful businesses to successful firms.

Freedom of movement of resources between firms across industries and regions makes it more likely that firms facing rapid increases in demand for their output have the resources to meet that demand and that marked disparities in regional incomes and growth rates are reduced.

A dynamic economy fosters enterprise including the birth of new businesses, their subsequent expansion and the death of businesses if they are not viable. Government can create or remove barriers to these essential dynamics of an economy made up of firms under intense competition both at home and overseas. Those workers at a disadvantage should also have access to work without major impediment.

UK business benefits from exposure to international trade in goods and services and cross border flows of foreign direct investment. Exporting and overseas direct investment allows firms to exploit

their firm specific commercial advantages. Imports are the source of the competitively priced components. Inward investment often embodies the most advanced technology, and productivity improving working practices.

Sometimes market failures impede international trade and investment. These both reduce the ability of UK business to exploit international markets to the firm's full potential benefit and can provide barriers to international investors who might otherwise locate in the UK. Effective Government remedies to these market failures can improve the performance of UK based firms and make an important contribution to increasing UK productivity and prosperity. Removing barriers to international markets is particularly important for knowledge intensive businesses, which need access to overseas markets to maximise returns to innovation and to keep abreast of ideas and technologies.

UK Business' and households cannot prosper without considered and targeted intervention by government at international, national, subnational and sometimes sectoral levels. But markets and governments can fail. The Department recognises that a shared understanding with business of the consequences of government actions on their performance with what the government is trying to achieve is most likely to reduce the costs of either failure.

Enterprise Growth and Business Investment

3.01 The Department's Enterprise, Growth and Business Investment objective aims to remove barriers to the creation of

new businesses and impediments to the exploitation of enterprise and small business growth. The Department promotes enterprise in disadvantaged communities and amongst disadvantaged groups to make it an attractive and viable option for people from all backgrounds and is committed to ensuring that more businesses that want to innovate and grow are able to.

Performance in 2005-06

By 2008, achieve an increase in the proportion of people considering going into business⁵⁵

'Make Your Mark' Campaign and 'Enterprise Week'

3.02 The Small Business Service (SBS) funds Enterprise Insight to run the Make Your Mark campaign – which aims to help create a more enterprising culture amongst young people (aged 14-30) in the UK. Enterprise Insight is a non-profit organisation, founded by the British Chambers of Commerce, the CBI, the Federation of Small Businesses and the Institute of Directors – whose Directors General sit on its board. The SBS is increasing funding over the next two years, primarily in support of the development of local enterprise campaigns to mobilise action and good practice at local level in support of the national campaign.

3.03 Enterprise Week is the campaign's annual focal point, and the second Week was held in November 2005. Its main message was that enterprise is about having ideas and making them happen. Over 2,200 events were run across the UK and 408,000 people attended them. More than 700 organisations led, with

⁵⁵ Source: SBS's biennial Household Survey of Entrepreneurship, in 2003, 11.3% of adults were considering going into business (baseline position). The target is to achieve a statistically significant increase by 2008.

the support of nearly 3,900 businesses. Two themed days focused attention on women's enterprise and social enterprise. More than 1,500 teams of school children took part in the 'Make Your Mark Challenge' (a simultaneous live enterprise competition) – with regional winners going on to a national final. In addition to the Challenge prizes, the SBS has arranged for unique work experience activities with top companies for each of the regional winners.

Social Enterprise

- 3.04 Entrepreneurs may often be motivated by social or environmental concerns as well as generating a return for themselves and shareholders. This is known as social enterprise and the SBS has continued to implement Government's strategy for encouraging this. In July 2005 the SBS published the first research into social enterprise in the UK, which identified 15,000 social enterprises turning over £18 billion. In September the Government launched the Community Interest Company, a new company form for social enterprises, since when over 100 social enterprises have chosen to register with the independent regulator as Community Interest Companies.
- 3.05 The SBS has worked closely with the Home Office and HM Treasury to identify opportunities for social enterprises, and other third sector organisations, to have better access to public sector contracts.

- 3.06 During 2005 the SBS commissioned a review of Government's social enterprise strategy⁵⁶ and established a Working Group to take forward the recommendations in a new action plan for social enterprise to be published in spring 2006.

Start-Ups

- 3.07 To help ensure greater consistency of help for people wanting to start a business, a core Business Link offer for start-ups has been agreed with the Regional Development Agencies. It includes development of a start-up pack and online diagnostic tool, and will come on stream from April 2006.

Improvements in the overall productivity of small firms⁵⁷

Small Business Research Initiative

- 3.08 Under the Small Business Research Initiative participating Government Departments are expected to procure at least 2.5 per cent of their extramural research and development requirements from small businesses. The key aim is to make sure small businesses have a fair opportunity to bid for public sector R&D contracts. The Initiative was introduced on a voluntary basis in 2000 and was made mandatory in 2005. The SBS will publish annual performance figures.
- 3.09 The Supplier Route to Government portal⁵⁸ is due to be live by the end of March 2006. This SBS-owned service will also be available through Businesslink.gov.uk, and will include support for businesses that wish to win work with Government. Government Departments are being encouraged to use this site as a 'first portal of call' for

56 Available on www.sbs.gov.uk/socialenterprise

57 Productivity is defined as Gross Value Added per employee, based on the Office for National Statistics' Annual Business Inquiry. The target is for small firms' productivity growth to exceed that of all firm

58 www.supply2.gov.uk

advertising lower-value opportunities, typically under £100,000. The SBS is leading an extensive engagement programme across government to promote its use of the new portal. Government Offices, Business Link Operators and small business Trade Associations will all be asked to promote it to the small business community. The site contains an online help facility, and a customer support helpdesk for any small business needing help using the service.

Manufacturing Advisory Service (MAS)

3.10 British manufacturing industry overall needs to increase its productivity if it is to sustain or increase its output in the face of price competition from low cost countries and non price competition from other industrialised countries. The primary aim of the MAS is to provide practical, hands-on assistance to firms that will help them to increase their efficiency and competitiveness through the adoption of the most productive manufacturing practices. The service is operated in England and Wales by the Department in partnership with the RDAs and the Welsh Assembly Government.

3.11 Since its launch in 2002, the MAS has established itself as a highly regarded source of support for manufacturing firms. In that time it has dealt with 76,000 enquiries, undertaken 13,700 on-site manufacturing diagnostic reviews, and, following on from the reviews, completed 4,100 interventions to provide practical, in-depth support to

help firms to improve their productivity and competitiveness. The impact of these interventions is assessed using industry-standard measures of quality, cost and delivery (QCD); a typical intervention will target specific aspects of performance and the results in these targeted areas as reflected by the QCD measures can be summarised as follows:

- ▼ 28% average improvement in people productivity;
- ▼ 25% average reduction in scrap and defect rates;
- ▼ 29% average improvement in space utilisation;
- ▼ 28% average improvement in delivery performance;
- ▼ 38% average improvement in annual stock-turns;
- ▼ 33% average improvement in operational effectiveness.

In terms of its overall impact, the in-depth interventions undertaken by MAS have yielded £213 million in value added for beneficiary firms to date, significantly in excess of target. A national evaluation of MAS is now under way which will provide robust evidence on the efficiency, effectiveness and value for money of the programme.

Business Performance Diagnostic

3.12 The best practice dissemination product launched in 2004 has been adapted so that the material is now more easily accessible by Internet.⁵⁹ Between April and December 2005 the Business Link network delivered 3,257 diagnostics and 881 grant-aided business improvement projects.

59 <http://www.businesslink.gov.uk/>.

Design

3.13 The Design Council⁶⁰ is an Executive NDPB, jointly sponsored by the Department and DCMS. The Design Council has developed a comprehensive programme of design awareness workshops, 12-24 month mentoring support by experienced designers for manufacturing and technology businesses and regional design capacity building designers in working with SMEs, in collaboration with several RDAs and the Engineering Employers Federation (EEF). This is the culmination of the Council's Manufacturing and Technology Campaigns of the last two years whose pilots resulted in the following figures in the companies involved.

- ▼ 14% average increase above forecast in turnover;
- ▼ 9% average increase above forecast in profit;
- ▼ 13% average increase above forecast in employment.

3.14 The first RDA, Yorkshire Forward, started to deliver this Design for Business Programme through the local Business Links in January 2006 and the Design Council is now engaged with all RDAs on its wider implementation. [We expect another 3 RDAs to start to deliver the programme during 2006]. The Design Council is the Sector Skills Council, 'Creative and Cultural Skills', lead partner for the design industry and is on plan to deliver a nationwide industry skills development plan during 2006. The 10-year public awareness and engagement programme, 'Designs of the Time', has been launched with the first joint venture being created

with the North East for 2007. This will provide the opportunity for designers, businesses and public service providers to engage with the people of North East England through design in local business, communities and the environment.

The programme will have three distinct elements: Public Design Commissions, an education programme and a design showcase of events.

3.15 Sir George Cox's independent review of 'Creativity in Business: building on the UK's strengths'⁶¹ was commissioned by the Chancellor of the Exchequer in the 2005 budget and strongly endorsed in his pre-budget report, December 2005. Drawing on the parallel Departmental economics paper⁶², the review sets out the steps that the Government and the business, broadcasting and education sectors should take to ensure that UK businesses harness the world-class creative talents that the UK possesses to increase its productivity and competitiveness across all sectors, particularly SMEs and manufacturing. Implementation of the recommendations has already started.

These include:

- ▼ Making the Design Council's Design for Business Programme available nationally;
- Improvements to the SME Tax Credits system including the creation of dedicated Research & Development (R&D) units in HM Revenue and Customs HMRC, agreed in the pre-budget report 2005, and the extension of additional R&D tax credit support to companies with between 250 and 500 employees, agreed in budget 2006 subject to the outcome of state aids discussions;

60 www.designcouncil.org.uk

61 Sir George Cox. Creativity in Business: building on the UK's strengths November 2005. (ISBN 1-84532-108-1. Available from HM Treasury internet site: <http://www.hm-treasury.gov.uk/cox>)

62 **Department of Trade and Industry. Creativity, Design and Business Performance November 2005. (Available from HMSO and DTI website: http://www.dti.gov.uk/economics/economics_paper15.pdf)

- ▼ Better integration of design into business and technology research and undergraduate courses at universities, and universities innovation support work with businesses. The Higher Education Funding Council for England (HEFCE) are leading the move to develop centres which combine the three disciplines – design, business and technology and business schools, design schools and engineering institutions are engaged;
- ▼ Much better use of design in innovation in public procurement;
- ▼ The establishment of a network of Centres of Creativity and Innovation to promote and facilitate the use of these skills across the economy. The London Development Agency LDA has already commissioned the feasibility study for the London hub of this network, steered by an advisory group chaired by Sir George Cox.

More enterprise

(i) in disadvantaged communities

(ii) amongst women

(iii) amongst under-represented groups

Disadvantaged Communities

3.16 The SBS is supporting the processes linked to Government's new Local Enterprise Growth Initiative, which was announced in 2005. This initiative complements SBS's PSA Target 6(iii) – "...with...more enterprise in disadvantaged communities". It is worth £300 million over the three years 2006-07 to 2008-09 (£50 million available in 2006-07, rising to £150 million per year by 2008-09, subject to confirmation in the next Spending Review). It will provide

flexible, devolved investment in some of the most deprived areas to support locally developed and owned proposals that pursue ways of stimulating economic activity and productivity through enterprise development.

3.17 The initiative is a joint ODPM, DTI and HM Treasury drive "to release the productivity and potential of our most deprived local areas and their inhabitants through enterprise and investment – thereby boosting local incomes and jobs". This aim is supported by three national-level outcomes: to increase entrepreneurial activity; support sustainable growth and reduce the failure rate of locally-owned businesses; and to attract appropriate investment into deprived areas. The Government announced that 10 bids (covering 15 local authorities) had been successful in securing funding in the first round.

Women's Enterprise

3.18 Women make up 51% of the UK population and 46% of those active in the labour market, but only 26% of all self-employed people. Recent figures show an improvement in female enterprise activity: the number of self-employed women in the UK is approaching a million after an increase of 24,000 in the last year; and women's share of newly self-employed people has increased from 32% to 34% in the last 18 months⁶³.

3.19 Following publication of the booklet, "Promoting Female Entrepreneurship" which set out the economic case for women's business, Government's objective is to take the UK further towards US levels of entrepreneurship – there could be at least 500,000 more businesses in the UK if US levels were

63 Source: ONS Labour Force Survey. In the 3 months to Jan 2006, there were 983,000 self-employed women compared to 959,000 a year earlier (seasonally adjusted). Data for newly self-employed women relates to the year to May 2004 compared with the year to November 2005.

matched. The Government is establishing a Task Force on Women's Enterprise to work with the Government and the RDAs over the next three year period, to increase levels of female entrepreneurship.

Under Represented Groups

3.20 The SBS is working with the Ethnic Minority Business Forum, RDAs and other Departments to promote ethnic minority enterprise and deliver on the enterprise recommendations contained in the National Employment Panel Report "Enterprising People, Enterprising Places". In response to the fact that two in five ethnic minority businesses experience difficulties accessing finance⁶⁴, the SBS has commissioned an ethnic minority business finance survey to improve understanding of the problems ethnic minority businesses face and help inform policy. SBS is also working with the Forum on delivery of their action plan "The Way Forward"⁶⁵. The Forum held a conference in March 2006 drawing together key players in the enterprise agenda including RDAs, business support organisations and government officials. Following this event SBS has launched an extranet service to promote good practice and exchange ideas amongst business support organisations building on the energy and enthusiasm generated by the conference.

3.21 While some minority ethnic groups have high levels of enterprise, others (such as Black and Black British), are under-represented. The target is to narrow the gap between self-

employment rates of under-represented groups and others by 2008. There has been some progress but it is too early to assess whether this is part of a long-term trend⁶⁶.

Fewer businesses which want to grow report difficulties in obtaining finance⁶⁷

The Risk Capital Summit 2005

3.22 As part of the UK's Presidency, the Departments Small Business Service and the European Commission jointly held the Risk Capital Summit, attended by around 300 international delegates. The Conference informed and debated how risk capital can support the establishment of Europe as a leader in innovation, growth and enterprise. Specific deliberations were made on how policy makers and practitioners can work best with markets to stimulate the provision of risk capital for businesses with high growth potential – issues identified as being important to the Lisbon Agenda and the 2005 Spring European Council "Working together for growth and jobs".

3.23 A number of outcomes have resulted including:

- ▼ A commitment given by Heads of State at the Hampton Court Informal to improve the supply of risk capital across Europe;
- ▼ The conference outcomes are being utilised as part of the UK's negotiating position to influence the Competitiveness and Innovation Programme CIP negotiations and have informed the report 'Creating an Innovative Europe' (The Aho Report');

64 Source: SBS Annual Small Business Survey 2003- of those who tried to obtain finance, around 2 in 5 experienced difficulties

65 (http://www.sbs.gov.uk/SBS_Gov_files/embf/thewayforward05-08.pdf)

66 Source: ONS Labour Force Survey. The baseline position was a 4 percentage point gap between the self-employment rates of under-represented groups and others (summer 2004 – spring 2005). The latest data (winter 2004 – autumn 2005) shows a decrease in the gap to 3.7 percentage points.

67 Data from the SBS Annual Small Business Survey 2003 showed that 25% of businesses with employees which wanted to grow reported difficulties accessing finance. The target is to reduce this to 22% by 200

- ▼ The European Commission is drawing on the draft recommendations to inform the proposed Commission Communiqué 'Financing Growth – The European Way' due to be published in Spring of this year.

Small Firms Loan Guarantee

3.24 There has continued to be a high level of take-up for the Small Firms Loan Guarantee (SFLG). For the year April 2004 to March 2005 7,130 loans with a total value of £481million were guaranteed and for the year April 2005 to March 2006 the corresponding figures were 5,957 loans with a total value of £422 million. In practical terms, each loan guaranteed represents a small business being able to access finance that would not otherwise be available to them, and thus having the opportunity to develop their full potential and in turn to make a more significant contribution to the economy than would otherwise be the case.

3.25 Working in partnership with the participating lenders a simplified, strategically targeted and more consistently available SFLG was introduced in December 2005. The changes reflect the recommendations of the Graham Review and focus on start-ups and younger businesses with viable business plans who do not have the necessary track record or assets to access debt finance. Through the use of a secure web portal and the allocation of lending limits, the decision to approve and administer individual loans has now been fully devolved to the participating lenders, whose performance will be supervised and audited. The lending decision is centred on the quality of the business proposition and lenders may provide up to £250,000 to each qualifying business on commercial terms.

Figure 3.1

Small Firms Loan Guarantee Scheme

	2001-02 Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn
Volumes					
Loans guaranteed	4,269	3,916	5,966	7,130	5,957
Value (£ ms)	254.7	269.0	409.3	481.3	422.10
Average loan (£)	59,663	68,693	68,605	67,504	70,857
Demands against guarantee	1,629	1,690	1,573	1,600	2,039
Value of demands (£ ms cash)	44.93	50.00	52.68	57.42	76.10
Average demand (£ms cash)	27,581	29,586	33,490	35,888	37,322
Expenditure					
Gross cost (£ms)	44.10	78.17	75.25	109.31	80.00
Receipts (£ ms)	9.31	9.48	12.51	18.36	23.57
Net Cost (£ ms)	34.79	68.69	62.74	90.95	56.43s
Potential Future Liabilities					
Provision (£ ms)	78.95	106.81	128.90	179.78	182.16

Enterprise Capital Fund (ECF)

- 3.26 Following clearance from the European Commission, the competitive bidding round for fund managers seeking to operate a 'Pathfinder' Enterprise Capital Fund was launched in July 2005 and closed on 19 September 2005. The Department received over 40 bids and intend to support up to five funds in this round. SBS officials are currently in the later stages of assessing the bids received and are being advised on which bids should be supported by the recently formed Capital for Enterprise Board.
- 3.27 The 2006 Budget announced that the first two funds had been approved. The Chancellor also announced that the 'pathfinder' round of funds had been deemed successful and that further funding of £100m (£50m in 2006-07 and £50m in 2007-08) would be available to extend the pathfinder. Up to three further funds could be announced as part of this initial stage of the pathfinder round of Enterprise Capital Funds, which is still ongoing.
- 3.28 The funds are designed to be commercial funds, investing a combination of private and public money in small high-growth businesses that are seeking up to £2 million of equity finance. The Government will provide up to two thirds of the capital in each fund, in return for a preferred return of 4.5%, and a limited share in any profits of the fund. The preferred return is intended to cover Government's cost of capital. In a longer term programme the profit share from successful funds should offset any losses on unsuccessful funds, leading to a broadly cost neutral programme.

Scoreboards

- 3.29 During 2005-06 the Department published expanded and improved versions of the annual R&D and Value Added Scoreboards. The Scoreboards show the business benefits of investment, which can help make a business case for funding by lenders or equity investors, and allow companies and their investors to benchmark their performance against UK and international competitors. A new online value added calculator allows firms not in the Scoreboard to compare their performance to top UK and European companies.

Increase the number of businesses seeking external advice⁶⁸

Grant for Research and Development

- 3.30 The Grant for Research and Development provides grants to individuals and small businesses to help with the costs of researching and developing new, technologically innovative products and processes. Responsibility for delivery (including the legacy of commitments from its predecessor scheme, Smart) was delegated to the RDAs in April 2005, with funds held in the RDA Single Pot. During 2004-05, the final year in which delivery rested with SBS, outturn expenditure on the Grant and Smart was £39.4 million.

Businesslink.gov

- 3.30 Since its launch the Business Link⁶⁹ portal, has recorded over 16 million user sessions. Awareness has continued to rise and the portal now attracts over

68 SThe target is to increase the proportion of small businesses seeking external business advice to 53% by 2008, from a baseline of 50% (source: SBS Annual Small Business Survey)

69 www.businesslink.gov.uk

500,000 unique visitors a month. In the past year it attracted 5.6 million unique visitors and over 121,000 registered users. As of January 2006, a fifth of all visitors to the site were repeat customers (compared with 7% 12 months previously).

- 3.32 As part of the national-regional partnership on Business Link, the RDAs are developing local versions of the national site: the rollout should be completed by April 2007. The Start-Up Journey Manager is a tool to guide the users through the process of starting up a business. Phase 1 was launched in January, and phase 2 is planned for release for the latter part of 2006.
- 3.33 Business Link performance has continued to improve, despite this being a transition year with management of the local service being transferred to the RDAs. Penetration has increased reaching 688,918 customers in the twelve months ending December 2005. This represents 38.2% of the Inter-Departmental Business Register baseline). The high levels of customer satisfaction have been maintained with an increase of one percentage point to 91%. Those customers receiving intensive assistance from Business Link remains constant at 40,000 businesses. (2.2% of the Inter-Departmental Business Register baseline. Since 2001-02, the number of businesses helped by Business Link has increased by 109% (over 265,000 businesses) and the number of pre-starts has risen by 102% (80,492 businesses).

Civil aerospace industry able to continue to finance the development of major civil aerospace projects through the implementation of Launch Investment policy.

- 3.34 During the year, appraisals of two potential investments were completed and a decision in principle made to invest (jointly with Invest Northern Ireland) £150million in the development of Bombardier Aerospace's proposed

C-Series family of aircraft. No disbursements were due under existing contracts this year.

- 3.35 The Department continuously monitors its existing portfolio of investments ensuring that receipts are received on time and are of the correct amount. Receipts from existing investments totalled £146million for the year.
- 3.36 The value of the portfolio is reviewed twice a year – the net present value of the future income is determined by forecasting the expected sales of the aircraft and engines covered by the portfolio of Launch Investment contracts. The value of the portfolio is determined as at the end of the previous financial year (the End-Year valuation) in April-May and then revised around December to provide the Mid-Year valuation. Developments in the aerospace markets caused the Department to value the asset for the 2004-05 accounts at £1.65 billion, a reduction of £476 million on last year's valuation. However, the portfolio remains above its historic value of £1.2 billion.
- 3.37 The Launch Investment portfolio is the Department's largest asset. As such, the Audit Committee and the National Audit Office (NAO) oversee the management of the portfolio carefully. Both the Audit Committee and the NAO understood the reasons for the new valuation and were satisfied with both the management of the portfolio and the methodology of the valuation.
- 3.38 The specific benefits flowing from individual investments are evaluated as part of the application process. The government makes its investment in the expectation of an agreed rate of return – the monitoring and valuation of the portfolio are undertaken to ensure that happens. In addition, there are a range of benefits, which are likely to flow from investing in the design and development of new major civil aerospace projects in the UK. These include:

- ▼ The creation and/or maintenance of high-skill, high value added jobs attracting a wage premium;
- ▼ The development of new technologies or the first application of new technologies in the UK;
- ▼ These in turn provide an opportunity for creating technological spillovers in the UK.

3.39 For example, at the time of the investment in the Airbus A380, it was estimated that the project would create (both directly and indirectly) up to 22,000 jobs, and Rolls Royce Trent 600/900, it was estimated to safeguard 7,000 jobs. These investments have helped to maintain centres of manufacturing excellence in the UK.

Plans for 2006-07

- ▼ Launch and promote the supplying to Government web portal;
- ▼ Expand the Enterprise Insight Campaign, including Enterprise Week, to cover the ambition to grow a business and ensure young people have more information about enterprise;
- ▼ Implement a refreshed action plan to deliver the Government's Social Enterprise Strategy for growth in social enterprise;
- ▼ Lead work across government to simplify business support;
- ▼ Develop a forward looking strategy and funding plan for the Manufacturing Advisory Service via the MAS Development Board.

Figure 3.2

Expenditure on Enterprise, Growth and Business Investment (£ million)

Outturn	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Working Provision	2006-07 Plans	2007-08 Plans
Total (excluding Launch Investment)	141.4	190.6	231.9	266.9	208.8	215.6
<i>of which:</i>						
Access to support to implement best practice products	0.0	11.0	12.0	11.0	4.0	3.0
BLU	1.5	1.9	2.4	1.9	1.0	1.0
Business.gov	8.9	15.0	10.5	20.0	17.8	17.8
Gateway-Capital Grants	5.1	8.0	4.8	8.0	0.0	0.0
Gateway-Resource	3.7	3.3	3.0	4.3	3.3	3.3
Design Council	6.9	7.1	6.2	7.0	6.3	6.3
Enterprise Fund. Including Enterprise Capital Fund	83.8	108.6	138.9	120.3	145.7	160.7
<i>of which:</i>						
Programme including Small Firms Loan Guarantee	60.7	74.0	97.8	97.3	93.7	99.7
Capital	23.1	34.6	41.1	23.0	52.0	61.0
Manufacturing Advisory Service	0.0	0.0	0.0	0.0	0.0	0.0
National Business Link Marketing	3.0	4.0	3.0	5.0	1.7	1.7
Phoenix Fund	25.4	26.0	28.0	26.0	12.0	9.0
Promotion of Enterprise	1.1	3.6	4.0	5.0	2.1	2.9
Social Enterprise	0.9	1.0	0.7	1.0	0.8	
Research and Evaluation	1.1	1.1	1.0	1.9	1.1	1.1
Legacy Programmes	0	0	17.4	9.2	9.2	6.2
Aerospace Launch Investment	218.0	-109.0	-126.8	-134.4	-158.3	-158.3
<i>of which:</i>						
Capital	323.6	0.0	0.0	0.0	0.0	0.0
Expert Advice and other programme	2.9	0.8	0.5	1.0	1.0	0.4
Receipts (excluding CFERs)	-20.9	-30.1	-29.7	0.0	0.0	
Total Receipts	-108.5	-109.8	-127.3	-135.4	-159.3	-158.7

Strengthening Regional Economies

The prosperity of the UK economy depends on strong regional and local economies. Economic performance, measured in terms of productivity and employment, varies among and within the countries and regions of the UK. These differences are deeply rooted and have persisted for most of the last century.

The Department, together with HM Treasury and the ODPM, owns the Regional Economic Performance Public Service Agreement⁷⁰ which commits Government to work to increase the growth of all English Regions and, in the longer term, to narrow the gap in growth rates between the best and least well performing regions. In pursuit of this, the Department has continued to develop the evidence base for tackling performance differentials in employment and the five drivers of productivity – skills, investment, innovation, enterprise and competition. Work taking forward this programme continues in collaboration with DWP, DFT and DFES and, working with the Government Offices, with key regional partners.

The Department is the sponsor of the Regional Development Agencies (RDAs).

Performance in 2005-06

England's RDAs

3.40 The RDAs' mission is to transform the English regions through investing in and promoting sustainable economic development. The RDAs' responsibilities, set out in the Regional Development Agency Act 1998, include economic development and regeneration,

promoting business efficiency, investment and competitiveness, promoting employment and skills development, and contributing to sustainable development in the UK. The Act also requires each RDA to draw up Regional Economic Strategies (RES) for its region. RESs are revised every three years in close partnership with key national, regional, sub regional and local partners who will help to deliver them and with other key stakeholders. During 2005-06, RESs have been under revision in six of the nine English Regions. RESs drive RDA's three-year Corporate Plans which are submitted to Ministers for approval.

3.40 A new RDA Tasking Framework, agreed between Government and the RDAs, came into effect in April 2005. It requires each RDA to show in its Corporate Plan for 2005 to 2008 how, in support of its statutory role and responsibilities and through its own activities and influence on others, the RDA will contribute to addressing the priorities identified in the RES for the region. By implementing the RES, each RDA will contribute to the delivery of Government's PSA targets on Regional Economic Performance, Sustainable Development and Productivity/ Rural Productivity and, through these, to the delivery of a range of other PSA targets. Through self-reporting by the RDAs on progress in delivering the Corporate Plan commitments, assessment of the RDAs by the National Audit Office and each RDA's own impact evaluation of the effectiveness of their interventions on economic growth in their regions, we will obtain evidence about RDA performance and delivery.

⁷⁰ Make Sustainable improvements in the economic performance of all English Regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions demonstrating progress by 2006.

3.42 From April 2005, RDAs took on responsibility for the management of the Business Link network from the Department's Small Business Service. The Department retains ownership of the Business Link brand and web presence and works with the RDAs through the joint Business Link Strategy Board to continue to develop and improve Business Link. The RDAs are also taking the lead in pursuing the recommendations of the Lambert review of Business-University Collaboration and have been given a broader remit for regeneration in rural areas.

3.43 Nationally as a network, the RDAs exceeded all the five core targets set in 2004-05:

- (i) over 100,000 jobs were created and safeguarded
- (ii) over 7,500 new businesses were added to the regional economy
- (iii) over 1,000 hectares of remediated land was brought back into effective use
- (iv) over 200,000 learning opportunities were created
- (v) over £750million of private sector investment was leveraged in benefiting residents of the most deprived wards

These targets were all achieved as a direct result of the RDAs activities.

3.44 In early 2005 the Department worked closely with Advantage West Midlands and GOWM to scenario plan for the possible collapse of MG Rover. Following the entry of MG Rover into administration on 8 April, AWM set up and led the MG Rover Task Force which was charged with devising and advising on the delivery of the regional support package. By February 2006 over 3,600 of the individuals made redundant as a result of these events had begun new

jobs, a further 840 were booked onto training schemes and the Wage Replacement Scheme had saved over 1,300 jobs in the supply chain. The long-term phase of the support package is expected to continue for another two years.

Enable regional Government Offices (GOs) to play their part in implementing the Department's Strategy and Business Plan.

3.45 The GOs in the English regions, managed by the Regional Co-ordination Unit in ODPM, provide a regional network for many central Government Departments, including the Department. Foreshadowing some of what has more recently been agreed in the Government Office Review⁷¹, the Department has reshaped its priorities for the Government Offices in order to move away from direct delivery and into more strategic regional activities. The Department's three priorities for the GOs are:

- ▼ Getting the best from the RDAs. The GOs work with the RDAs to help them to deliver their contributions to the Regional Economic Strategies and Corporate Plans. They form a key part of the Department's performance management of the RDAs by taking part in the Independent Performance Assessment and they lead on the recruitment of board members;
- ▼ Being the Department's voice in the regions. The GOs have an important role in ensuring that the Department's policies are disseminated to and understood by the key regional audiences;
- ▼ Delivering specific outcomes, including administration of the current Structural Fund programmes.

71 http://www.hm-treasury.gov.uk/media/1E1/11/bud06_govtoffices_951.pdf

3.46 Likewise they play an important part in helping to shape national policy by making sure that regional concerns are fed into the policy-making process at the right time. Examples of the former include: the role that GOs have had in working with local authorities and other partners on the development of the economic development ("4th") block of Local Area Agreements; and the role that GOs have had in facilitating the Regional Funding Allocations advice (see below) that the regions submitted to Government at the end of January 2006. Underpinning these roles is the collection of economic and business intelligence and regional and local briefing.

Drive forward regional development across the Department and with GOs and RDAs

3.47 The Government (led by the Department, HM Treasury and the Office of the Deputy Prime Minister) and the RDAs have published an analysis of the key economic factors that contribute to the performance of the English regions.⁷² This focuses on regional empowerment, leadership, employment, skills, enterprise, innovation and investment. A second

publication by the three Departments, *Realising the Potential of all our regions: the way forward*⁷³ identifies the areas within these drivers of prosperity where Government action will have the greatest impact. These are: increasing employment rates, raising skills levels, increasing the levels of business start-ups, improving business performance and supporting high growth areas, increasing business investment in R&D, and the regional funding allocations. The appropriate mix of policies will vary between regions, but all need a vibrant and competitive private sector based on the delivery of innovative goods and services, which have high added value.

3.48 An important development in 2005-06 was the Regional Funding Allocations exercise. In July 2005, the Department published, jointly with HMT, ODPM and the Department for Transport, guidance to the regions inviting them to provide Government with advice on spending priorities in each region on transport, housing and economic development, within an indicative funding allocation envelope over the period to 2015-16. This advice was delivered in January 2006 and is now being considered by Departments.

Figure 3.3

Total Government funding for RDAs (£million)

	2005-06 Budget	2006-07 Budget	2007-08 Budget
Advantage West Midlands	289	286	293
East England Development Agency	131	136	139
East Midlands Development Agency	166	164	168
London Development Agency	397	393	402
North West Development Agency	384	403	411
One North East	248	253	260
South East England Development Agency	166	165	168
South West of England Development Agency	151	161	165
Yorkshire Forward	293	311	319
Total	2225	2272	2325

72 http://www.odpm.gov.uk/pub/481/RealisingthePotentialofallourRegionsthestorysofarPDF1197Kb_id1139481.pdf

73 www.odpm.gov.uk/pub/482/RealisingthePotentialofallourRegionstheWayforwardPDF1027Kb_id1139482.pdf

Regional Assistance

Working with the RDAs, to deliver the Selective Finance for Investment in England (SFIE) support product for investment in Assisted Areas.

3.49 With effect from 1 April 2004, a new capital investment product was introduced replacing Regional Selective Assistance (RSA) and Enterprise Grants (EG) in England. The new business support product Selective Finance for Investment in England (SFIE) replaced RSA in the English Assisted Areas and offered a more limited form of assistance in the Tier 3 areas, similar to that available under EG. SFIE has similar qualifying criteria to the previous product with additional focus on:

- ▼ Improving productivity, measured by Gross Value Added (GVA) per Full Time Equivalent (FTE) employee compared to sector and national averages;

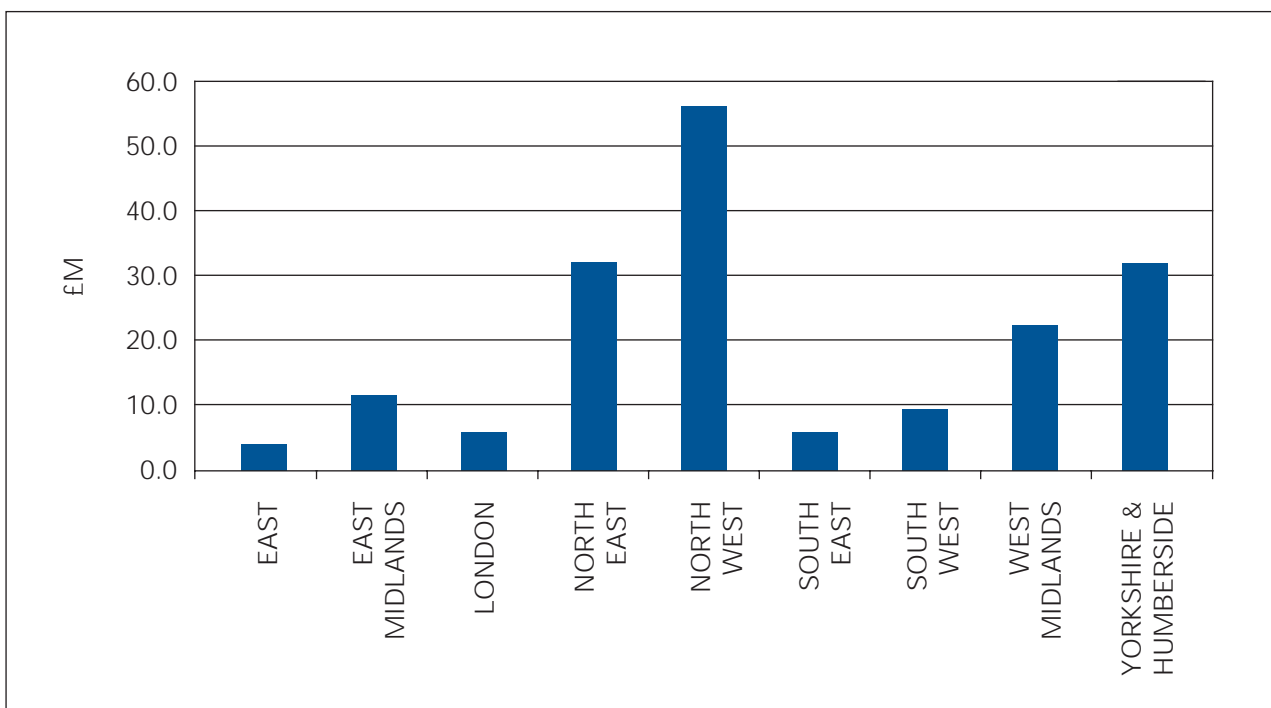
- ▼ Raising skill levels, with the majority of jobs required to be at NVQ level 2 (or equivalent) or above.

3.50 The RDAs are largely responsible for delivery of the product with only the largest cases (£2 million or more) undertaken by the Department.

3.51 The Department works very closely with RDAs, providing them with tailored training courses and day-to-day advice on appraisal and monitoring issues. An evaluation to assess the impact of the SFIE and RSA in light of its objectives and examine whether this represents value for money was started in January 2006. A critical aspect of the evaluation will be to assess whether the change from RSA to SFIE has increased the effectiveness of the scheme. Future spending on SFIE will follow new guidelines from the European Commission on regional aid. A new UK Assisted Areas Map will come into effect from January 2007 (see below).

Figure 3.4

Expected SFIE/RSA Expenditure for 2005-06 by region



Working in partnership with the European Commission to review Regional Aid

3.52 The review of Regional Aid Guidelines was prompted by recent political & economic developments such as the accession of 10 new Member States in 2004; the anticipated accession of Bulgaria and Romania and the accelerated process of integration following the introduction of the single currency. The Guidelines aim for less and better targeted state aid that helps create a level playing field for business across the EU whilst giving Member States scope to tackle regional underperformance through investment aid. The percentage of the UK population covered by assisted areas status will reduce from 30.9% (2000-2006) to 23.9% (2007-2013). Of this, approximately 4.6% has been allocated to Cornwall & Isles of Scilly, West Wales & the Valleys, and the Highlands & Islands which would get tier 1 or 87(3)a status. Given the unique circumstances and difficulties in spatial targeting in Northern Ireland (2.9% of the UK population) the province will receive 87(3)c status. This leaves the UK with 16.4% of discretionary coverage equating to approximately 11 million people that could receive regional aid.⁷⁴ In January 2006, the Department launched a consultation on how to deploy this discretionary coverage. A new Assisted Areas map will be in place by January 2007.

Negotiate for the UK on the European Commission's proposed Regulations for Structural Funds after 2006 and oversee the implementation of current programmes to avoid loss of EU funds.

3.53 The Department is responsible for coordinating UK policy on the European Structural Funds (ESF) and their implementation at the UK level. The Funds aim to promote regional economic development through support for business, R&D, innovation, regeneration and skills and training.

3.54 Current Structural Funds programmes last until the end of 2006. In July 2004, the Commission published a package of draft Structural Funds Regulations for the seven-year period from 2007. Discussions on these Regulations began in September 2004 and have now reached their final stages. In December 2005, the European Council reached agreement on the EC budget for 2007-13. This included an allocation of 9.4 billion (approximately £5.4 billion) for Structural Funds programmes in the UK.

3.55 Under the UK Presidency of the EU, good progress was made towards agreement on the rules governing future Structural and Cohesion Funds spending, and new revised texts of the draft Regulations were issued at the end of December 2005. In line with UK objectives, these provide for simplified implementation and reporting arrangements, respecting the principles of subsidiarity and proportionality to which Government attaches importance.

3.56 The new Regulations also make provision for a more strategic approach to future Structural and Cohesion Funds spending, in line with the proposals for reform put forward jointly by the the Department, HM Treasury and ODPM in March 2003.⁷⁵ In July 2005, the European Commission published draft Community Strategic Guidelines, which establish the overall approach and priorities at the EU level. The Department coordinated the UK response to this consultation.⁷⁶

74 Tier 2 or 87(3)c status

75 <http://www.dti.gov.uk/europe/consultation.pdf>

76 http://www.europa.eu.int/comm/regional_policy/sources/docoffic/2007/osc/report.pdf

3.57 Good progress was also made on the Community Strategic Guidelines that will set the strategic focus for future use of the Funds. The UK Presidency put forward new proposals for strategic reporting on SCF spending, that would see Member States report both on the contribution made to the Lisbon process of economic reform and on regional policy more generally.

3.58 For the period 2000-06, the UK has Structural Funds allocations of €16.5 billion (approximately £11.2 billion). The Structural Funds Regulations require individual programmes to meet annual expenditure targets in order to avoid loss of funding. In 2005, with the exception of small under-spends in some of the fisheries programmes and one ESF regional programme, all targets were met.

Influencing Other Government Departments

3.59 During 2005-06, the Department was strongly engaged in the work to achieve better alignment at the regional level of priorities for transport, housing and economic development. The Department has also been actively engaged in Government's response to Kate Barker's Review of Housing Supply including the

consultation draft of Planning Policy Statement 3 (PPS3): Housing⁷⁷.

Plans for 2006-07

- ▼ Work with the RDAs, Government Offices and other Government Department's to make sustainable improvements in the economic performance of all the English Regions by 2008 and narrow the gap in growth rates between them;
- ▼ Work in partnership with the RDAs so that they are even more closely engaged in Departmental policy formulation;
- ▼ Work with HMT, ODPM, the RDAs, GOs and others on the review of subnational Interventions on economic development and the regeneration and renewal of deprived neighbourhoods, announced in the Budget 2006;⁷⁸
- ▼ Make the most cost effective use of EU Structural Funds by maximizing take up of current Structural Fund programmes and securing agreement on the new EU regulations in line with UK objectives for reform;
- ▼ Complete the drawing up of the new Assisted Areas map in a way which maximises the impact of regional investment on future regional and national economic development and growth.

Figure 3.5

DTI/UK Trade & Investment Expenditure on Strengthening Regional Economies (£million)

	2004-05 Outturn	2005-06 Working plans	2006-07 Plans	2007-08 Plans	2008-09 Plans
Total of which:	655.8	811.6	1392.3	743	
RSA/Selective Finance for Investment in England	38.08	39	42	32	
EG/Enterprise Grants	0.0	0.0	0.0	0.0	0.0
RDA Single Pot	322.3	532.1	499.9	507.9	
ERDF expenditure	280.5	237.9	36.0	203.1	289.1
Rover Task Force					
University Innovation Centres	14.2	6.6	2.8	Nil	Nil

77 Consultation Paper on New Planning Policy Statement 3 (PPS3): Housing, ODPM – Dec 2005

78 Chapter 6, paragraph 6.8 of the Budget Report, March 2006. http://www.hm-treasury.gov.uk/budget/budget_06/budget_report/bud_bud06_repindex.cfm

PRIORITY ACTION 2005-06: Raise national and regional economic performance by working more effectively with the RDAs and other regional bodies.

The National Regional Partnership Programme aims to embed the regions and regional issues more deeply in DTI's work. Closer working with the regions will help the Department to develop better national policies and processes which reflect regional diversity and generate economic development across the country.

The Programme has focused on four key policy areas – enterprise, innovation, energy and international trade and investment – where significant progress has been made. This demonstrates both the culture change taking place across DTI to think regionally and recognition of the value of the RDAs as true partners in the development and delivery of policy, a fact acknowledged and welcomed by the RDAs themselves.

Key achievements in 2005-06 include:

- ▼ closer, more focused engagement with the RDAs on the six Regional Economic Strategy reviews this year; SBS National Policy Directors located in the regions;
- ▼ joint DTI/RDA decision making boards working well, for example the National-Regional Partnership Board for Business Support and the Regional Innovation, Science and Technology Group;
- ▼ RDA Sector Facilitators (in RDAs) established to improve DTI/RDA engagement on sector related issues; outline regional business plans on energy projects for 2005-06 agreed with all RDAs; “ dual key ” arrangements for signing off DTI/RDA international trade activity fully in place;
- ▼ and inward investment targets agreed with all RDAs.

Promoting International Trade and Inward Investment

3.60 International trade and inward investment bring benefits by enabling countries to concentrate their resources on the things they do best – specialising in their areas of ‘comparative advantage’ – and by strengthening productivity and its key drivers.

3.61 Greater internationalisation can strengthen competition and innovation, and increase access to new ideas and technologies, while the opportunity to sell on world markets raises the return to innovation, delivers learning benefits, and enables businesses to achieve growth and economies of scale which domestic markets alone would not allow.

3.62 UK Trade & Investment is the Government organisation that supports both companies in the UK trading internationally, and overseas enterprises seeking to set up or expand in the UK. It brings together the work of the Department and its other parent department, the Foreign & Commonwealth Office (FCO), on international trade and inward investment.

- 3.63 UK Trade & Investment has an operating budget of some £280million and deploys around 2,300 people to achieve global reach for its services. It has a presence in the nine English regions and, via the FCO overseas network, in more than 100 countries.
- 3.64 UK Trade & Investment is not an employer in its own right. For the majority of its civil service manpower requirements it draws on staff employed by one or other of the two parent departments. In the UK most of its staff are drawn from the Department while overseas most of its staff are from the FCO. UK Trade & Investment also draws on its parent departments for some 'back office' functions including finance, HR and IT support systems.

Performance in 2005-06

- 3.65 Last year UK Trade & Investment helped nearly 2,000 companies prepare to do business internationally for the first time, and nearly 6,000 companies move into markets new to them. Many more were reached and helped in a variety of ways, both here in the UK with advice and support on sector-specific issues, and through contacts 'on the ground' with our Posts overseas. UK Trade & Investment's Enquiry Unit handled more than 40,000 telephone calls and emails. In 2004-05 over 1,000 overseas companies chose to invest in the UK, creating nearly 40,000 jobs and safeguarding a further 35,000. This represents 31% more investors and 55% more new jobs than in the previous year.

UK Trade & Investment's overarching aim is:

"To enhance the competitiveness of companies in the UK through overseas trade and investments; and attract a continuing high level of quality foreign direct investment."

- 3.66 UK Trade & Investment has one PSA target for the SR2004 period, shared with the FCO (Strategic Priority 5) and the Department's (PSA Target 8) that supports this aim:

"By 2008, deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers, with an emphasis on new-to-export firms; and maintain the UK as the prime location in the EU for foreign direct investment."

- 3.67 UK Trade & Investment's own 2006 Departmental Report sets out in more detail its activities and explains how the organisation is delivering its PSA target. This is available on UK Trade & Investment's website⁷⁹. A summary of progress to date against its PSA indicators is contained in this Report.

Plans for 2006-07

- 3.68 In his Budget Statement in March, the Chancellor announced an enhanced role for UK Trade & Investment in helping business respond to the challenge of globalisation. UK Trade & Investment has been given responsibility for coordinating and driving across Government and its partners a new strategy for marketing the UK economy internationally. The objective is that the UK should be a key location of choice for many more high value-added international businesses. A strategy

79 <http://www.uktradeinvest.gov.uk>.

covering how it will do this, for both trade and inward investment, will be published by the summer. This will focus on high growth countries of strategic importance, such as China and India; on innovative and R&D intensive businesses; and on promoting London as the world's leading financial and business services centre. In order to achieve the strategy, UK Trade & Investment will undertake a programme of organisational change, with the clear

aim of a fundamental transformation in its effectiveness in marketing the UK economy internationally. The overall goal is to ensure that within UK Trade & Investment there is the capability and sense of mission to deliver the Government objective that the UK should be a key location of choice for many more high value-added international businesses. Details of this programme will be published alongside the strategy.

Figure 3.6

Number of Participants supported at exhibitions, missions and seminars

	2003-04 outturn	2004-05 outturn	2005-06 working provision	2006-07 plans	2007-08 plans
Exhibitions	7,965	8,010	6,450	3,500 ⁸⁰	3,500
Overseas seminars	316	610	450		⁸¹
Outward missions	4,445				
Vertical missions		1,200	1,050		⁸²
Horizontal missions					
Inward missions (number of visitors)	550	⁸³	⁸³	⁸³	

(Please note that since the publication of the 2005 Departmental Report, the way UK Trade & Investment meets customer needs has changed in response to the SR04 settlement. Consideration about how to present UK Trade & Investment performance will be discussed before publication of the 2007 Departmental Report with a view to presenting a more up-to-date view in the following tables)

Figure 3.7

Inward Investment cases and effect on jobs

	2000-01	2001-02	2002-03	2003-04	2004-05
UK Trade and Investment					
Number of active cases	1,115	1,103	1,147	1,464	1,761
Number of inward investment decisions in which UKTI was significantly involved	245	165	147.00	213	396
Number of new jobs created	15,976	4,329	5,426	5,392	10,599
Number of jobs safeguarded	6,589	1,252	3,077	1,728	5,309
NATIONAL FIGURES					
Number of inward investment decisions	880	843	717	813	1,066
Number of new jobs created	71,168	35,359	34,624	25,614	39,592
Number of jobs safeguarded	52,359	23,961	20,265	34,000	35,451

80 SESA support was reviewed in 2005. As a result of the review from 1 April 2006 the revised scheme, now known as the Tradeshow Access Programme (TAP), will only cover overseas exhibitions.

81 As from 1 April 2006 seminar support becomes the responsibility of the individual UK Trade & Investment sector teams. They will support these seminars from their programme expenditure.

82 As from 1 April 2004 missions have been split into vertical (sector specific) and horizontal missions. Vertical missions were included in Support for Exhibitions and Seminars Abroad (SESA) until 31 March 2006. However, as from 1 April 2006 sectoral missions will be the responsibility of individual UK Trade & Investment sector teams.

83 As from 1 April 2004 inward missions are the responsibility of the individual UKTI sector teams. They will support these missions from their programme expenditure.

Figure 3.8

UK trade and Investment Programme Expenditure:
Major Programmes (£ million)

	2003-04 outturn	2004-05 outturn*	2005-06 working provision**	2006-7 plans**	2007-08 plans**	2008-09 plans**
Trade Development	75.9	76.5	67.9	63.9	57.1	57.1
<i>of which:</i>						
Support for Exhibitions and Seminars Abroad (SESA) ⁸⁴	19.2	19.5	16.6	0	0	0
Tradeshaw Access ⁸⁴				10	10	10
Passport	5.4	5.2	5.9	6.6	6.7	6.7
International Trade Advisors	10.9	14.7	16.1	17	17	17
Overseas Project Fund	2.4	0.7	0.05	0	0	0
Sector support in markets	10.9	11.6	12.2	12	11	11
Outward missions	1.8	1.1	0.1	0	0	0
Export promoters	2.4	2	1	1	1	1
Sales lead services	1.4	0.4	0	0	0	0
Income	-1.3	-1.1	-1.1	-1.5	1.6	1.6
Inward Investment	20.7	22.9	27	31.4	34	34
<i>of which:</i>						
Grants to RDAs	12.9	13.2	15.2	17.2	17.2	17.2
Promotional expenditure	6.6	9.7	12.1	11.8	12.4	12.4

Note: This is not a comprehensive list of all UK Trade & Investment-funded programmes but includes the main areas of spend only.

*2004-05 outturn figures quoted in the 2005 Departmental Report were provisional

** Figures are indicative only.

*** Sales lead services has been incorporated as Business Opportunities and features on the UK Trade & Investment Website at www.uktradeinvest.gov.uk

Figure 3.9

Expenditure on Trade and Investment

	2003-04 outturn	2004-05 outturn*	2005-06 working provision**	2006-7 plans**	2007-08 plans**	2008-09 plans**
Expenditure	97.9	100.5	96.1	96.8	91.1	91.1
Income	-1.2	-1.1	-1.2	-1.5	-1.6	-1.6
Net	96.6	99.4	94.9	95.3	89.5	89.5

Effective Channels with Business

3.69 The Effective Channels with Business objective is a key conduit for dialogue with business and ensures that Government understands the consequences of its actions on productivity and performance particularly in relation to regulation, innovation, public procurement and skills. Understanding is built up through the combination of high quality analysis, focussed relationship management of

targeted businesses and intermediaries, and formation of Industry/Government growth teams and specific joint industry/Government discussion of major regulations.

3.70 This has continued to be strengthened and deepened via a strong two-way communication processes with some 260 key companies and 100 intermediaries who influence the corporate strategy and performance of the rest of their

84 SESA support was reviewed in 2005. As a result of the review from 1 April 2006 the revised scheme, now known as the Tradeshaw Access Programme (TAP), will only cover overseas exhibitions. Figures for the Tradeshaw Access Programme will be reported in future Departmental Reports.

sector. Such co-operative engagement has enabled the Department to further enhance its knowledge and ability to influence policymaking and regulatory development at an early stage, and thus to create the best conditions for UK business success.

Performance in 2005-06

- 3.71 Each year we survey our stakeholders to discover what they think about the work the Department has done for them in the previous year. The 2005 survey achieved an 83% response rate, which is very high for such surveys and this demonstrates that these companies care about the relationship with us. The scores of favourability held up despite the lower level of resources we have applied to this work this year. Stakeholders identified our ability to influence wider policy-making within Government as a most important attribute which was seen as improved, but not yet sufficient. Areas of co-operative engagement include: the Manufacturing Forum where industry, TUC and Government are jointly focussed on the issues of skills, public procurement and image with deliverables scheduled for 2006-07; and the EU Industrial Policy agenda where key policy issues in the Energy, Environment, Pharmaceuticals, Defence and Bioscience sectors have been co-operatively identified. Provisional monitoring results indicate that the overall business support portfolio is on track to realise anticipated economic benefits.
- 3.72 The Innovation and Growth Teams (IGTs) continue to have a broad membership drawn from industry, Government and other major stakeholders. IGTs draw upon sectoral analysis undertaken on behalf of the Department and look strategically at a specific industry sector and seek to identify key issues that will shape the future. IGTs have looked at the Automotive, Chemicals, Retail, Aerospace, Bioscience, Electronics, Environmental Goods and Services, Software and Digital Content and Materials sectors and published recommendations for action by industry and Government. We keep under review progress made on implementing such recommendations. Further reviews are planned for 2006-07.
- 3.73 Business recognises an ongoing improvement in the level of engagement with regional partners. The Department is working closely with RDAs to improve the way we work together on sectors. Key actions have been agreed to simplify the engagement process, such as the establishment of RDA Sector Facilitators, providing named sector contacts in each region and developing networks to ensure effective management of key companies.
- 3.74 The Department is maintaining the UK's position as one of the best places in the world for online business, with almost 100% of the population now able to access broadband services, and the UK's broadband market now ranked first for extensiveness among G7 countries.
- 3.75 The timetable for digital switchover was confirmed in September 2005 and resulted in the formation of Digital UK, a not for profit organisation, responsible for switchover implementation. The Department together with No 10 launched a Digital Strategy in April 2005. This envisaged action by several Government Departments working in partnership with business to engage people otherwise excluded from the information revolution.
- 3.76 The Department has also been actively engaged on issues of Internet governance

(representing the EU at the World Summit on the Information Society) where Departmental officials were instrumental in proposing and driving through the last-minute compromise that allowed the Summit to succeed. The Department also led the work with Ofcom and other Government Departments to decide on the implementation of the proposals contained in the independent audit of public sector radio spectrum, which had been conducted by Professor Martin Cave to implement a programme of spectrum management liberalisation.

3.77 The Department continued to effectively influence both policy and regulatory activity for the benefit of UK business. A key ingredient in this process has been the factoring in of business views to the Whitehall review process using the Sector Regulatory Fora. These Fora, in which Industry actively participate, cover the Bioscience, Automotive, Chemicals, Construction, Retail and Electronics sectors. The Department is also active in influencing regulation within the EU and the Sector Fora are an important part of this process.

Plans for 2006-07

- ▼ Drive development and delivery of Government's Manufacturing Strategy Action Plan, through the multi stakeholder Manufacturing Forum, including ensuring delivery of the Forum's priority actions on skills, public procurement and image;
- ▼ To co-ordinate all Departmental activities associated with the 2012 London Olympics, which includes joint responsibility with DCMS for maximising the wider economic benefits of the Games across the UK;
- ▼ Drive engagement in the EU Industrial Policy agenda by inputting directly to the following High Level Groups.
 - (i) Energy, Environment and Competitiveness
 - (ii) Defence
 - (iii) Pharmaceuticals;
- ▼ Continue to partner with the Ministry of Defence in delivering the objectives set out in the Defence Industrial Policy.

Figure 3.10

Expenditure on Effective Channels with Business (£million)

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Plans	2007-08 Plans
Total	17.5	12.2	12.7	9.6	8.6
<i>of which:</i>					
Building effective relations with business	11.1	8.4	9.2	6.2	4.7
Enabling infrastructure	6.4	1.7	1.8	2.1	2.6
Capturing and analysing data on business performance	0.0	2.1	1.7	1.3	1.3