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THE DEPARTMENT

BERR CORE BRIEF FOR NEW MINISTERS

BERR aims and management structure

BERR's role is to help to ensure business success in an increasingly competitive world. The Department leads work to achieve three of the Government's Public Service Agreements:

- PSA 1 Raise the productivity of the UK economy
- PSA 6 Deliver the conditions for business success in the UK
- PSA 7 Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions

BERR is also a key delivery partner for three further PSAs (lead department in brackets):

- PSA 2 Improve the skills of the population, on the way to ensuring a world-class skills base by 2020 (DIUS)
- PSA 8 Maximise employment opportunity for all (DWP)
- PSA 27 Lead the global effort to avoid dangerous climate change (Defra)

BERR's Departmental Strategic Objectives, listed in the Business Plan at **Flag 4.3** set out how we ensure business success in an increasingly competitive world.

The Departmental structure is illustrated at **Flag 4.2**, in the Mangement Board and Heads of Management Unit organogram.

Workforce numbers

The parts of the core Department retained in the Machinery of Government (MoG) change currently have a headcount of just over 2,000 staff (Full Time Equivalents), plus just over 4,000 in our Executive Agencies (Insolvency Service and Companies House). The old DTI was one of the few departments in Whitehall to achieve its 2004 spending review staff reduction targets and to do so ahead of schedule – cutting headcount by 25% by April 06 (two years early).

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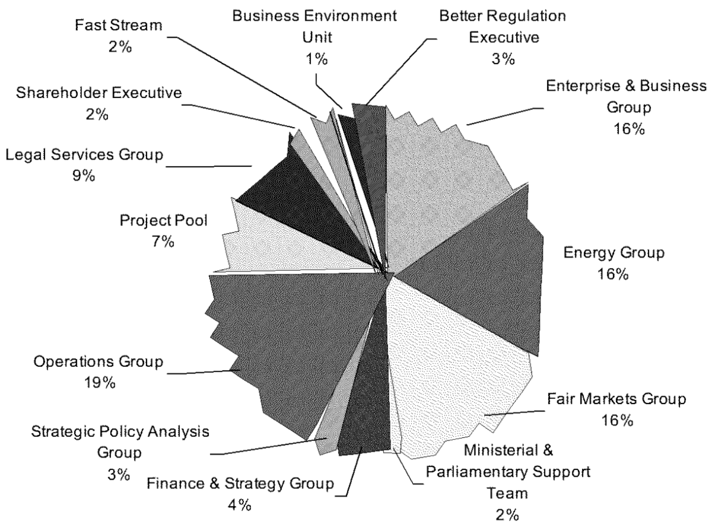
The breakdown of staff across the Department is as follows:



BERR's Delivery Partners

BERR is supported by a wide range of organisations in creating a more competitive Britain and one that can respond to the challenges of the future.

These partner organisations play a critical role in delivering its strategic priorities for business, consumers and employees.

Many of these bodies are funded by BERR. Others generate their own funds or receive public funds through other routes. All of them work closely with the Department on shared objectives.

Our delivery partners include Executive Agencies such as Companies House, executive Non-Departmental Public Bodies such as the Regional Development Agencies, non-Ministerial Departments such as OFT and advisory bodies such as the Low Pay Commission. The key delivery partners and their contribution to BERR's Departmental Strategic Objectives are shown on the chart at **Flag 4.6**.

Managing the Department

Our seventh departmental Strategic Objective is to **Provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered.** This summarises the aim of the Department's Corporate centre and it includes legal, economic, statistical,

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finance and human resources advice. The Corporate Centre leads work to maximise the Department's capacity, by making the most of our resources and find the savings we agreed to make over the current spending review period. It also leads work on building our capability.

High Level Finance

(NB: This is the situation as at 2 October, before the formation of the Department of Energy and Climate Change. The situation will have changed as a result of the mifgrationof the energy portfolio.)

BERR's financial situation is very tight. Since the CSR07 Settlement, the fiscal position has significantly worsened and the use of any EYF (End Year Flexibility), beyond that guaranteed in the Settlement letter for NDA, is extremely unlikely to be agreed. Without access to EYF it is considerably more difficult to fund pressures arising in-year.

BERR's Comprehensive Spending Review settlement set our Departmental Expenditure Limits (DEL) for 2008-11 as set out below:

	2008/09	2009/10	2010/11
Total DEL	**£3.38bn**	**£3.33bn**	**£3.33bn**
Capital DEL	**£1.23bn**	**£1.23bn**	**£1.23bn**
Resource DEL	**£2.15bn**	**£2.11bn**	**£2.10bn**
Of which:			
Near Cash Control Total	£2.04bn	£2.00bn	£2.00bn
Non Cash	£109m	£107m	£97m
Admin Control Total	£332m	£324m	£316m

The Department's DEL is heavily constrained by the scale of the ring fences within it. Around 70% of the total DEL is ringfenced (that means it can only be spent on the specific thing it was allocated for) leaving a non-ringfenced budget of just over £1bn.

Almost all of the ringfenced DEL goes to our delivery partners, including, for example, £1,535m to the Nuclear Decommissioning Authority and £536m for BERR's contribution to the Regional Development Agencies.

Expenditure limits are allocated to the Department's objectives and the pattern of expenditure will be broadly similar over the CSR07 period:

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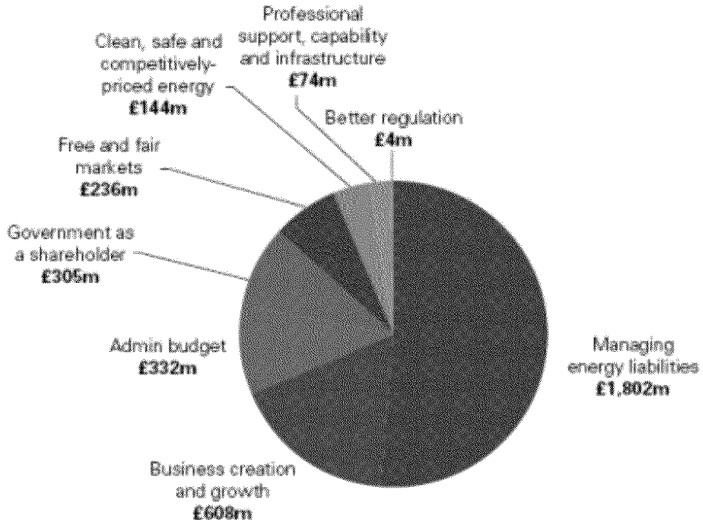

Administration Budgets

One area of budgetary pressure, particularly for 2010-11, is around administration budgets. In order to protect policy resource and ensure we can continue to deliver, we have a programme of cuts in corporate overheads, particularly information and communications technology and accommodation. We have also announced minor restructuring in some corporate centre areas. Further savings will be needed in 2010/11.

Capability Review

All Government departments now undergo regular Capability Reviews, which provide external assessment, advice and challenge of the way they are led and managed. Capability reviews aim to improve the capability of the Civil Service to meet today's delivery challenges and be ready for tomorrow's.

The Department is to have its second full Capability Review in November 2008. The first Review, as the Department of Trade and Industry, published on 13 December 2006 alongside a response to the review from the Department's Management Board, highlighted:

- Strengths in delivery, with the Department coming out as one of the top departments in Whitehall in this area;
- Our impressive record of analysis and use of evidence;
- Success in making efficiency savings.

The Review also identified areas where the Department needs to improve to meet the challenges that lie ahead. The Management Board worked with the Review Team to identify the improvements needed and are taking action in the following areas:

Clarity and standards: Ensuring that the Department's vision, role and purpose drive the performance of every unit and individual in the organisation.

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Leadership: Building on our leadership development work, developing a motivated workforce confident of their ability to influence across Whitehall.

Working through the delivery chain: joining up better with our delivery partners.

A capability stock take in February 2008 recognised that BERR has made significant progress to build its capability in these areas. The key challenges are to increase our influence with other government departments and to build our reputation with the business community as a department that delivers for them.

The BERR Communications Strategy and People Strategy are key ways in which we are building our capability in the areas identified.

The BERR **Communications Strategy** is aimed at increasing reputation and pride.

- Externally, we are working to increasing our reputation as a Department (including what it means to be the "voice for business" within Government): with the media, a range of other key stakeholders and with other government departments;

- Internally, we want to clarify BERR's raison d'etre (including what it means to be the "voice for business"), increase pride in the Department and establish a strong base for ambassadorship.

Our **People Strategy** is to create a high performing department by:

- Building our leadership capability.
- Managing our people to achieve high performance.
- Developing and deploying the skills and talents of our people.
- Working in partnership with our employees to develop and sustain a diverse, motivated and proud workforce.

This strategy is delivered by line managers at all levels in the organisation working with HR professionals.

Departmental Governance

The key body for making corporate decisions is the Department's Management Board. Its role is to provide corporate strategic leadership to the Department. This involves in particular:

- Working with Ministers to set the Department's Strategy and allocate resources;

- Agreeing business plans, and monitoring Departmental performance;

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- Assessing risks/issues which could undermine the Department's strategy/business plan;
- Assessing Departmental capability and plans for the future; and
- Setting standards, values and controls.

The Management Board is chaired by the Permanent Secretary. Its other members are the Directors General, the Chief Executive of UK Trade and Investment and 3 non-executive members. They are Arnoud de Meyer, Brian Woods-Scawen and Roger Urwin. The Management Board is supported by 3 Corporate Governance Committees:

The **Executive Committee** takes decisions on strategic, department-wide internal management issues, for example broad decisions on resource allocation.

The **Operating Committee** decides on BERR processes and resources relating to people, planning, IT, property, communication and project management.

The **Audit and Risk Committee** supports the Permanent Secretary as accounting officer by providing advice and assurance on: risk assessment and mitigation; governance; external and internal financial reporting; financial control; and internal audit assurance.

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Economic and productivity core brief

World background

Recent years have seen rapid expansion and change in the world economy. Cross-border flows of goods, services and capital have accelerated to new highs. In 2007, the volume of world trade rose by 6.8% per annum; world inflows of foreign direct investment grew by 38% in 2006. Further, a number of highly populous, rapidly growing emerging economies have begun to make their presence felt on the world economic stage (table 1).

Table 1: Growth Rates – annual percentage change in GDP and world trade

	US	Euro Zone	UK	Japan	China	India	Brazil	Russi a	World GDP	World Trade
2006	2.9	2.8	2.9	2.4	11.1	9.7	3.8	7.4	5.0	9.2
2007	2.2	2.6	3.1	2.1	11.4	9.2	5.4	8.1	4.9	6.8

Source: IMF World Economic Outlook April 2007

Global growth was strong in the late 1990s, with the US-led boom in ICT and the accompanying optimism in financial markets. With the end of this boom, global growth and trade slowed sharply in 2001 (2.2%) and 2002 (2.8%), before recovering in 2003 (3.6%). Global growth was similarly strong in 2004 (4.9%), 2005 (4.4%), and 2006 (5.1%), boosted by low global interest rates. Growth during this period was particularly strong in China and India. Global growth, however, slowed marginally to 5.0% in 2007, in the wake of the global credit crunch, and is expected to come in at around 4.0% per annum in both 2008 and 2009. But within this, a large number of developed economies are forecast to grow much more slowly in 2008 and 2009 than in the recent past.

After growing rapidly in the late 1990s, the **US** economy slowed sharply in 2001 before entering a recovery that steadily picked up pace, with annual GDP growth reaching 3.6% in 2004, before falling to 2.9% in 2006. The US has, however, been especially hard hit by the sub-prime mortgage crisis, and the subsequent global credit crunch that this sub-prime crisis triggered, and the US economy grew by just 2.2% in 2007. US growth is expected to remain subdued for some time: US GDP growth is forecast by the IMF to come in at 1.3% in 2008 and 0.8% in 2009. Aside from the credit crunch, commentators also remain concerned about the sustainability of the US' twin current account and fiscal deficits. A disorderly correction of these deficits poses a significant risk to global growth, especially if it involves a sharp slowdown in US consumption.

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Euro zone GDP has, until recently, grown reasonably robustly, coming in at 2.8% in 2006 and 2.6% in 2007 and the Euro zone and the EU27 were widely believed to have been relatively less adversely impact by the sub-prime crisis and the global credit crunch that followed – certainly compared to the US and the UK. But, more recently, the relatively robust economic performance of the Euro zone and the EU27 has stumbled – in part due to the strong Euro which has undermined the competitiveness of European exports – and in 2008Q2, euro zone GDP declined 0.2%, compared with the first quarter, driven by falls in GDP in Germany and France of 0.5% and 0.3%, respectively. Meanwhile, Eurozone interest rates remain at a seven-year high of 4.25%, as inflation remains above the ECB's comfort zone.

As noted above, world economic growth has been enhanced in recent years by rapid growth in two of the world's most populous countries: **China and India.** After high average annual growth in output since the late 1980s, by 2006 China accounted for 15% of world GDP, second only to the US. India's economy has also grown rapidly in the last four years, accounting for 6.3% of the world economy in 2006, a similar proportion to Japan. Meanwhile, profits from oil have continued to enrich states in the Middle East, and, increasingly, Russia, and these countries have also increased their profile on the world stage – including through their Sovereign Wealth Funds. However, since mid-2007, growth in some of these regions has also slowed – albeit by much less than growth in developed economies – in the wake of the US sub-prime crisis and the global credit crunch that followed, and rising global commodity prices, especially international oil prices. With this in mind, the IMF project global GDP growth to moderate to 4.1% in 2008 and 3.9% in 2009.

UK economy

Output

In common with a number of developed and developing countries, the rate of expansion in UK GDP has slowed in recent quarters in the wake of the global credit crunch, and HMT (Budget '08) now expects whole-year GDP growth to come in at between 1¾ - 2¼% in 2008 and 2¼ - 2¾% in 2009. The IMF (August '08), meanwhile, is now forecasting that the UK will see growth of 1.4% in 2008 and 1.1% in 2009 (down from 1.8% and 1.7%, respectively, forecast in July '08). The revised estimate for UK GDP growth in 2008Q2, compared with 2008Q1, was zero (0%), down from last month's provisional estimate of 0.2%, and indicating that quarterly GDP growth has now stalled.

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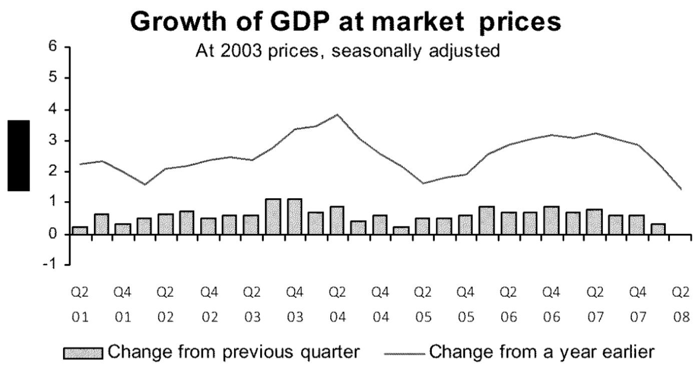

Source: ONS, SPA-EA

Looking at GDP in more detail, **consumption** has for some time now accounted for a significant proportion of GDP (currently around 62% in real terms). However, the credit crunch, falling house prices, and issues surrounding access to credit, particularly access to unsecured borrowing have hit consumer confidence recently. This appears to have impacted on consumer spending in certain areas – though the picture is not entirely clear-cut. While high-end 'big ticket' purchases have reported fallen, discount stores appear to be fairing much better than their higher-end counterparts. Retail sales volumes, as a whole, recovered slightly on the month of July 2008, however, many traders report that they expect trading conditions to be difficult going forwards.

Continuing the pattern of the last 30 years, and reflecting patterns seen in other major economies, **manufacturing**'s share of total UK output has fallen in the recent past - from 23% of GDP in 1990 to 13% in 2006. This has been mirrored by a roughly equal and opposite rise in the share of the service sector.

This long-term decline in the share of manufacturing in total output notwithstanding, the manufacturing sector as a whole performed robustly in 2008Q1, increasing output by 0.4%. However, the ongoing economic slowdown has made the environment less benign for domestically orientated manufacturers in particular, and, now increasingly, export-orientated manufacturers. The most recent ONS figures suggest that in 2008Q2, manufacturing output fell by 0.8% on the previous quarter, which also chimes with more subdued reports from recent business surveys.

Labour market

The UK labour market has performed well over the last decade-or-so with substantial gains in **employment** and reductions in **unemployment** in the second half of the 1990s and early 2000s largely sustained in recent years. At 74.8% in the three months to June, the working age employment rate is close to its historical high. The unemployment rate was 5.4% in the three months to June 2008, up 0.2 percentage points from the first quarter, although unchanged on a year earlier.

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Source: ONS, EMAR

The working age economic inactivity rate was 20.9 per cent in the second quarter, unchanged on the first quarter but down 0.3 percentage points from a year earlier.

This is close to its average over the last three decades.

Prices and interest rates

Driven by commodity (food and oil) price rises, inflationary pressures have picked up recently. In the twelve months to July, the Consumer Prices Index (CPI) rose by 4.4%, up from 3.8% in the year to June, and well above the upper threshold of the Government's 2.0% target rate. According to the Bank of England's latest Inflation Report, released shortly after the July inflation figures, annual CPI inflation will rise to around the 5% later this year, before falling sharply in 2009, to a little below the target rate, by the turn of 2010.

Against this backdrop of elevated inflationary pressures and flat output growth, the Bank of England's Monetary Policy Committee voted in August to maintain the official Bank Rate paid on commercial bank reserves at 5.0%. August marks the fourth consecutive month with no change in the monetary policy rate.

Trade

UK **exports and imports** have risen strongly over the last couple of decades. However, in recent years the value of our imports has exceeded the value of exports, resulting in a **trade deficit**. And the wider **'current account'** measure**, which includes net income from overseas investment,** has also run into deficit.

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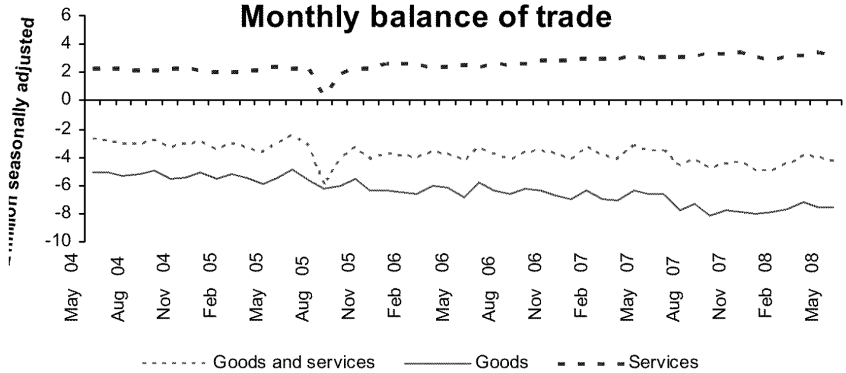

Source: ONS, SPA-EA

Although the current account deficits reflects the fact that the UK is spending more than it is earning, it also reflects the attractiveness of the UK as an investment location, as investment, both in stocks and shares and FDI, largely form the counterpart to the current account deficit.

Productivity

The central medium term economic objective of the Government is to raise prosperity and living standards. The best measure of prosperity is GDP per head, which shows the level of profits and wages produced by the economy for each person living in it. In the latest available OECD comparisons, for 2006, the UK had a GDP per head of $32,989, which following strong growth in recent years is higher than France and Germany, and the EU and OECD average, and around three-quarters of the US figure.

Prosperity depends on both employment and on how much those employees produce - their productivity. Productivity is also a critical determinant of UK competitiveness and hence is central to the UK's response to globalisation.

The UK has longstanding productivity gaps with key competitor nations (the US, France and Germany) in terms of both the main measures of productivity, output per worker and output per hour worked. Good progress has been made in closing these gaps in recent years, and on output per worker the gap with Germany has been closed. Progress has also been made in narrowing the gap on the output per hour worked measure. Between 1996 and 2006, the output per worker gap with France fell from 19 to 10 per cent, with Germany from 13 to 0 per cent, and with the US from 31 to 28 per cent. The output per hour worked gap with France fell from 25 to 17 per cent, with Germany from 30 to 17 per cent, and with the US from 24 to 19 per cent.

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UK trend productivity growth (per hour worked) is estimated to have grown by 2.4 per cent per annum over 1997H1-2006H2, compared with 1.9 per cent per annum over the previous two cycles (1978Q1-1986Q2 and 1986Q2-1997H1).[1]

These improvements in productivity performance have coincided with the UK's very strong recent employment performance, which might have been expected to lower productivity growth. Equally, while our main European competitors, France and Germany, have benefited from higher productivity, employment rates are lower and unemployment rates are much higher than those in the UK. The UK has managed to improve productivity without compromising its employment objectives.

[1] The latest Treasury estimates, cited in Budget 2008.

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BERR RESPONSE TO ECONOMIC CHALLENGES

Current Economic Climate

These are challenging times for business, with issues surrounding access to credit, falling house prices, and plummeting consumer confidence continuing to weigh on business. More recently, elevated global commodity prices, especially international oil prices, have increased the cost of living and put pressures on many businesses' margins. Some sectors – like finance and banking, commercial property, house-building, and retail – appear already to have been hard-hit. Manufacturing output has also declined in recent months, affected by slowing domestic demand and subdued demand in key export markets. The slowdown in general economic activity that appears to be gaining ground in Continental Europe (where output declined 0.2% in the Euro area in the second quarter), and the potential effect on the economy of the crisis in the financial markets that re-erupted in September, points to potentially even more challenging times for UK business going forward.

The difficulties that many businesses are facing are also feeding through to employees and consumers. Whilst employment remains close to record levels and the labour market is well placed to respond to economic challenges (partly because of the strong growth and labour market reforms of the last decade), there have been recent signs that performance is weakening. Unemployment is beginning to rise, and there are dangers that the current wage moderation may not continue and this could lead to job losses as economic activity slows. Consumers are also being affected by reduced access to credit and higher prices, and are likely to rein in spending owing to greater economic uncertainty, in part caused by increased labour market uncertainty.

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About BERR

BERR's key objective is to ensure that UK businesses can be successful and develops policy in line with this aim. Successful businesses deliver long term economic growth for the UK, and BERR ensures that the UK remains a competitive and attractive place to do business. BERR provides a key cross government role as the 'voice for business in Government', listening to what business is saying, and providing an intelligent filter to these views. In creating the conditions for business success we are balancing the needs of business with those of consumers, employees and investors.

What we are doing to help business with short term challenges

BERR continues to monitor the UK and world economy, to understand the economic conditions facing business, employees and consumers. Annex A sets out the most recent analysis of the UK economy.

Across the department, we review our policies to ensure that they are robust to achieving our objectives in all economic conditions. The following BERR policy areas have been identified as being of particular relevance in the current economic climate.

Enterprise

- Business Link is providing advice and resources for businesses to help them beat the credit crunch; and healthcheck resources to help improve finance and business administration
- Business Link is also developing new advice to help firms cut energy costs and increase energy efficiency
- Increased funding for the Business Debtline – free confidential independent advice to small businesses with cashflow/debt problems
- We have renewed the emphasis on prompt payment and further advice to businesses on credit management issues

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- BERR is strengthening of the Small Firm's Loan Guarantee (significantly more money and extending the eligibility to more businesses) and £50m expected to be committed in the current round of Enterprise Capital Funds, managed by Capital for Enterprise Ltd (CfEL)
- BERR work to increase awareness of the national mentoring network
- BERR has been working with the Olympic Delivery Authority, RDAs and Devolved Administrations to open up Olympic supply chains, assisting businesses, including via Business Link support, across the UK to secure contracts – up to 75,000 business opportunities.
- The Enterprise Strategy committed to a more robust assessment of any new legislation affecting small firms (employing fewer than 20 people) by considering different options and also to identifying where existing legislation could be simplified for small firms.

Regulation

- The Better Regulation Executive within BERR leads the regulatory reform agenda across Whitehall and is:
  - working with OGDs to ensure that the approach departments are taking to tackle the current economic challenge includes a review of whether it is possible to accelerate simplification measures or slow down the flow of new regulatory measures to reduce the costs faced by business. BRE will review departments immediate proposals, together with HMT;
  - consulting on introducing a system of regulatory budgets which, if implemented, would provide better prioritised regulation by government departments; greater transparency on the impact of regulation; better maximisation of the benefits of regulatory interventions and minimisation of the costs; and greater scrutiny of regulatory proposals;
- There are also a number of deregulatory measures in the pipeline, as set out below.

Measure	Effect
Already in force	
Consumer Protection from Unfair Trading	Regulations simplifying consumer protection legislation entered into force in late May 2008 - 23 pieces of overlapping legislation were repealed or amended, leaving in place a general duty not

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Regulations	to mislead consumers. Major reductions in consumer detriment and significant admin burdens reductions.
October 2009	
Reduction of capital order	This is further progress in completing the Companies Act 2006 and introduces the solvency statement route which will allow private companies to reduce share capital without reference to the court. It will lead to a further significant tranche of admin burdens savings being realised (approx £70m pa).
Regulatory Enforcement and Sanctions (RES) Act 2008	Commencement of various parts of the RES Act gives the Local Better Regulation Office statutory powers to promote more consistency across local authorities in the way they enforce regulations and work with central government. It also provides a framework of administrative sanctions that will allow regulators to tackle non-compliance and introduces a duty for specified regulators not to impose or maintain unnecessary burdens.
April 2009	
Employment Bill	This should enter into force in April 2009. It overhauls workplace dispute resolution and together with new Acas dispute resolution services will deliver £150m in admin burdens reductions. The Bill also introduces tougher penalties for agency and NMW enforcement, which has also been welcomed by business.
Flexible working	The aim is for this measure to enter into force in April 2009 with the potential to deliver up to £100m of admin burdens reductions.

Employment

- John Hutton signalled that after the Agency Workers agreement no further major piece of employment legislation will be introduced. This should apply to any proposals instigated outside BERR.
- BERR aims to ensure that overall employment legislation is reduced, existing and proposed regulation such as the Agency Workers agreement are implemented effectively and that advice and guidance provided to businesses and individuals is both clear and simple
- We are looking at ways of reducing barriers to employing more people and improving productivity through promoting good working practices and constructive employee engagement

Consumers

- Since 2006 BERR has funded around 500 advisers supplying free face to face debt advice and provides £1m p.a. for the National Debtline.

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- Funding the Citizens Advice to roll out a national programme this year to raise awareness among low-income consumers of the savings that can be made by switching energy supplier and/or payment method.
- The proposed Competition Bill is due to be consulted on in the autumn. The changes are intended to facilitate claiming redress for consumers and businesses and improve the UK's merger control regime. They should results in lower prices, wider choice and help deter anti-competitive behaviour.

EU and International Trade

- BERR is implementing Services Directive which will make it easier for UK businesses to enter new markets and is worth £4-6 billion per year to the UK creating 81,000 jobs. We are also negotiating Directives to further liberalise energy and telecoms sectors to reduce costs for consumers. Full liberalisation of network industries is expected to be worth £52-66 billion across the EU.
- We are working with the Commission to reduce administrative burdens by 25%, expected to be worth around £30 billion to EU businesses.
- BERR is also working with the Commission and Member States on the development of a Small Business Act that is focused on embedding the Think Small First and better regulation principles in EU policy-making, as well as facilitating SME access to finance and helping smaller businesses benefit more from the opportunities of the Single Market
- BERR is ensuring companies are taking advantage of the potentially cost saving EU duty suspensions regime for components. This helps manufacturers compete against imports of finished products by allowing the duty-free import of components that are not made in the EU.
- BERR is working with Europe to have strong state aid rules that help create a level playing field for business.
- BERR is working to ensure the UK is well-placed to take advantage of the opportunities presented by globalisation in the longer-term, for instance:

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- Pursuing open trade policies to ensure UK businesses and consumers continue to benefit from liberalisation, which include seeking to influence the global trade environment, institutions and regulations.
- Continuing to work towards a positive Doha Development Deal which would boost the global economy by € 120 billion.

UKTI

- UKTI has ongoing targeted marketing strategies to enhance the global brand of the UK's strong offers in key sectors – Financial Services, ICT, Creative Media, Life-Sciences and Energy. Strategies on advanced engineering and climate change are being developed.
- UKTI has moved resources to 17 high growth markets (including China, India, Brazil and Russia) and deployed a team of private sector specialists to assist UK companies to take advantage of the opportunities in these markets, which can help them achieve greater resilience in their revenue streams in the current economic climate.
- UKTI is planning a targeted marketing campaign for the autumn to encourage companies to diversify their export markets, by promoting the opportunities in markets which continue to grow faster than others.
- UKTI will develop a new package of support to help companies increase their internationalisation capabilities, which will provide access to a highly flexible package of public and private sector support designed to help innovative companies (both manufacturing and services) with 2-10 years export experience grow their businesses through entering new overseas markets. They will be offered:
    - Strategic and tactical advice together with practical support to identify and access overseas opportunities
    - Specialist private / public sector advice and skills development to help companies internationalise.
- UKTI will put in place a new, focused initiative on value chain access, building on current value chain activities. We will deliver a clearly defined package of support for companies, especially SMEs, with an active focus

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on identifying relevant value chain opportunities, backed up with tailored help and advice to help them compete effectively for this business.

- UKTI is developing a series of programmes to maximise the impact of the Olympic Games on British business and the UK economy and to demonstrate that the UK is the place to do business.

Sectors

BERR engages with a range of sectors and gathers a range of intelligence to help us understand how the current economic environment is impacting on them, and how our policies can support them. Some specific examples are provided here:

- BERR has started to work more proactively with the banking sector, including a meeting between Brian Bender and other senior BERR officials and the British Banking Association. BERR is also involved in the Professional Services Global Competitiveness Group, which is co-chaired by Kitty Ussher at HMT and Sir Michael Snyder
- BERR's Construction Unit has two initiatives to secure cash flow in the construction industry:
  - Using the public sector's weight as a major customer of the industry (the public sector accounts for about 40% of the industry's output) to ensure that cash flows through the (often quite extended) construction supply chain. BERR has worked with OGC to develop and implement a Fair Payment Charter and Guide to fair payment practices.
  - BERR is aiming to improve operation of Part 2 of the Housing Grants, Construction and Regeneration Act that regulates payment and dispute resolution terms in construction contracts. Draft clauses for technical scrutiny were published last month.
- Retail
  - Shriti Vadera has recently met the British Retail Consortium, Asda, Sainsbury, Tesco and John Lewis to help Government better gauge the impact of the current economic conditions on the retail sector, and John Hutton met the British Retail Consortium (along with other business groups) on 2 October.

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- BERR is working with OGDs to try to ensure that current economic conditions in retailing are taken into consideration when considering introduction of new regulatory burdens (eg on sale of alcohol or use of plastic bags) on the sector.

Regions

- The Government has a range of regional budgets. For BERR, the main regional budget lies with the RDAs, who have a budget of around £2,219m, of which around £500m comes from BERR.
- The nature of the devolution arrangements mean that the RDAs allocate funding against their priorities which they set on the basis of their local knowledge (set out in their Regional Economic Strategies and Corporate Plans). They do have flexibility to respond to changing economic conditions and priorities, and local knowledge means that they are able to reflect the local economy's needs.
- In addition, to ensure that the RDAs are well set to respond, HMT and BERR have launched two initiatives during the summer.
  - <u>Regional Funding Advice</u> was launched on 30 July. This is a consultation seeking the regions views about the appropriate allocation between the existing regional budgets. This is a medium term process, designed to elicit better prioritisation over structural reform spending.
  - <u>Regional Economy</u>. HMT and BERR have been working with the RDAs in July and August to produce regional economy documents which set a framework for helping the RDAs and regional partners to identify the current state of their economies, and calibrate appropriate responses.
- BERR is co-ordinating a regional monthly intelligence assessment which will use RDAs business intelligence to generate a better understanding of the evolving state of the regional economy.
- In October/November, BERR will complete an evaluation into the £15bn spent by the RDAs, which will shed much more light on 'what works' and the value for money of their interventions.

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Other areas with potential new announcements

The new Manufacturing Strategy - 'New Challenges, New Opportunities' - was published on 8 September 2008. It sets out the views of Government on what the sector needs for success in the long term - including seizing the opportunities of the low carbon economy, supporting skills, realising overseas opportunities, and improving the perceptions and understanding of manufacturing. The new framework is intended to inform a dynamic process that will shape further new policies and programmes going forward. It builds on the 2002 manufacturing strategy and the 2004 stakeholder review.

Policy Reviews

BERR is also involved in a number of Reviews that are due to report throughout the rest of 2008. The recommendations with these Reviews may provide further opportunities to support business at the moment. We will consider the recommendations in the light of the current economic climate before any implementation.

Review Name	Description	Due To Report
Caio Review of Broadband	The next phase of broadband UK: Action now for long term competitiveness, concluded that Broadband has become essential platform for access to information, knowledge and services across the world. And recommended that UK Government define a framework for delivery of fast broadband in the UK, Launch initiatives to remove obstacles and facilitate investments, Benchmarking progress and invest contingency plan	Reported in September 2008
Review of Public Services Industry (PSI)	The Review examined the role of the PSI in the UK, including its contribution to the UK economy, and made a number of recommendations as to how government policy could better support its future development.	Reported July 2008 Government response due autumn 2008

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Supporting Innovation in Services	This report, developed in partnership with DIUS and NESTA, is based on a series of industry-led reviews of the retail, construction, logistics, internet services and environmental services sectors. It identifies service sector themes, barriers to growth and the Government actions necessary for a thriving, competitive service sector. Findings cover technology, standards, skills and Government's role in championing innovation in markets.	Reported August 2008
Killian/Pretty Review of the planning application process	Independent review of the end-to-end planning application process and recommend areas for simplification and burden-reduction	October 2008
Anderson Review of Guidance	Independent review into the best way to deliver clarity and certainty in Government generated guidance, focusing initially on employment law. The review will focus on potential to give small business greater certainty that when they have followed guidance that they complied with the requirements of the law.	Autumn 2008
Glover review of SMEs and Public Procurement	Inquiry into the barriers small firms face in winning public sector contracts, to make recommendations on the necessary action to reduce these.	Autumn 2008
BERR Consumer Law Review	Root and branch review of consumer law, with workstreams on legislation, enforcement, and empowerment/redress – leading to a Green Paper	December 2008

Innovation and Growth Teams

BERR has two "Innovation and Growth Teams" that bring together business and Government to consider and make recommendations on policies that will promote the competitiveness of specific sectors. These are:

- Industrial Bioscience Innovation and Growth Team (due to report in April 2009)
- Automotive Innovation and Growth Team (due to report in Spring 2009)

BERR is also reviewing implementation of recommendations by the Bioscience Innovation and Growth Team, which reported in 2005, and will make further policy recommendations in the light of the review.

Value for Money

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It is right that we should focus on the short term challenges associated with the current economic difficulties. However, these difficulties will not last for ever. We need, therefore, not only to ensure that the government's short term responses are consistent with our longer term vision and objectives and also that we are in a position to introduce the appropriate policies when the current problems subside.

And in responding to the current economic challenges, BERR has remained focused on continuing to deliver against our priorities (as set out in our DSOs and PSAs) and our value for money commitments. BERR has been tasked with making annual savings of 3% on our core programme budgets and 5% annual savings in our administration budget equivalent to savings of £307 million in 2010/11. These savings will be made in three main areas: core programme and capital budget; efficiency savings in corporate services and BERR's agencies and NDPBs; and through service transformation.

While BERR is a relatively small department in net budget terms, with a departmental expenditure limit of £3.3bn, we have a disproportionate impact on business and thereby on the growth of the economy via our policies, including the better regulation agenda. BERR and its delivery partners are focusing on where we can have the biggest impact, which means not only working towards long term economic growth, but also ensuring we are supporting business in meeting current economic challenges.

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HOW OUR DELIVERY PARTNERS HELP US DELIVER ON OUR STRATEGIC PRIORITIES

- **Promoting the creation and growth of business and a strong enterprise economy across all regions**

- Office of Communications (OFCOM)
Public corporation

Ofcom is the independent regulator and competition authority for the UK's communications industries, with responsibilities across television, radio, telecommunications and wireless communications services. Ofcom is also responsible for the management of the civilian wireless radio spectrum.

- Staff employed - 800

- The Postal Services Commission (Postcomm)
Non-Ministerial Department

The Postal Services Commission is an independent regulator, established in 2000 to ensure the provision of a universal postal service throughout the UK: and to further the interests of postal users by developing competition, where appropriate. It licenses postal operators, and also controls the price and service quality of (Royal Mail's) universal services.

- Staff employed - 63

- Postwatch (closing end Oct 08)
Executive NDPB

Postwatch represents the interest of business as well as individual users of postal services. It acts as the voice of the consumer in all postal matters, ensuring that customers get the best possible service at realistic prices.

- Staff employed - 90

- Regional Development Agencies
Executive NDPBs

The Regional Development Agencies enable sustainable economic development in the English regions. They produce regional economic strategies for their areas and undertake various programmes aimed at producing regeneration and improving skills and competitiveness in the region.

- **Advantage West Midlands (AWM)**
  - Staff Employed – 327
- **East of England Development Agency (EEDA)**
  - Staff employed – 223
- **East Midlands Development Agency (EMDA)**

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  - Staff employed - 347

- **London Development Agency**
  - Staff employed – 488

- **North West Development Agency (NWRDA)**
  - Staff employed – 402

- **One North East (ONE)**
  - Staff employed -446

- **South East England Development Agency (SEEDA)**
  - Staff employed – 342

- **South West of England Regional Development Agency (SWRDA)**
  - Staff employed – 303

- **Yorkshire Forward**
  - Staff employed - 428

- Capital for Enterprise Ltd

CfEL delivers and manages the Government's financial interventions in the SME sector, applying its knowledge and understanding of small and medium sized businesses and the financing environment in which they operate. Additionally CfEL will inform and improve the quality of Government policy initiatives through its close involvement in the market.

- Staff employed - 13

- **Delivering free and fair markets, with greater competition, for businesses, consumers and employees**

- **ACAS (Advisory, Conciliation and Arbitration Service)**
Executive NDPB

ACAS aims to improve organisations and working life through better employment relations. It delivers a high quality employment relations service to businesses and individuals in Great Britain. ACAS is required by statute to offer conciliation to all employment tribunal claimants and respondents. It provides up to date information, independent advice, high quality training and it works with employers and employees to solve problems and improve performance.

- Staff Employed - 789

- Companies House
Executive Agency

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Companies House is an agency of BERR and has two main functions. The first is to incorporate and dissolve companies, and to register the information they have to make public in exchange for the benefits of limited liability. The second is to make information filed by companies available to searchers, who may take information as end users or as middle-men in the business information industry.

- Staff employed - 1,085

- Competition Commission
Executive NDPB

The Competition Commission is an independent NDPB set up by the Competition Act 1998. It is independent of Ministers apart from a small number of cases involving defence, national security and the media.

It conducts in-depth inquiries into mergers, markets and the regulation of the major regulated industries (relating to sectors such as utilities, postal services, railways, airports, air traffic control and financial services. Every inquiry is undertaken in response to a reference made to it by another authority, usually the Office of Fair Trading. It has no power to conduct inquiries on its own initiatives.

- Staff: 150

- **Competition Service**

Executive NDPB

The Competition Service funds and provides support services to the Competition Appeal Tribunal which hears appeals in respect of competition related matters.

- Staff employed – 18

- Financial Reporting Council (**FRC**)

The Financial Reporting Council (FRC) is the UK's independent regulator for corporate reporting and governance. Its aim is to promote well-founded confidence in corporate reporting and governance in the UK.

- Staff - 76

- Hearing Aid Council (Executive NDPB)
Executive NDPB

The Hearing Aid Council (HAC) is responsible for setting standards of professional training, performance and conduct for individuals and companies involved in the assessment of hearing loss and the subsequent sale of hearing aids in the private sector.

- Staff employed - 7

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- The Insolvency Service
Executive Agency

The INSS is an executive agency, with responsibility for administering the insolvency regime in England and Wales. This includes administration of individual (bankruptcy) and corporate insolvencies through the Official Receiver, director disqualifications and bankruptcy restrictions, regulating the insolvency profession, paying statutory redundancy payments to employees of companies in formal insolvency, conducting fact finding investigations into companies where there is a public interest to do so through the Companies Investigation Branch and providing detailed practical information on insolvency procedures. The agency also manages director disqualifications and redundancy payments in Scotland.

- Staff - 2564

- Low Pay Commission
Advisory NDPB

The Low Pay Commission (LPC) was established by the National Minimum Wage Act 1998 to advise the Government about the National Minimum Wage. It's remit is set each year by Government. It is asked to make recommendations including rate recommendations, taking into account the impact of the minimum wage on the economy. It has a long-term research programme which includes fact-finding visits to all parts of the country.

- Staff - 9

- National Consumer Council (NCC)
Executive NDPB

The NCC, and its sub-councils the Scottish Consumer Council and Welsh The NCC, and its sub-councils the Scottish Consumer Council and Welsh Consumer Council, aims to put users at the heart of public services. It strives to ensure that markets work for consumers, that disadvantaged and vulnerable consumers get a fair deal and generally achieve more sustainable consumption.

- Staff employed - 35

- Office of Fair Trading (OFT)
Non-Ministerial Department

The OFT is the UK's consumer and competition authority with a mission to make markets work well for consumers, and plays a leading role in promoting and protecting consumer interests throughout the UK, while ensuring that businesses are fair and competitive.

The OFT's goal is to make markets work well for consumers. To do this it enforces competition law and consumer protection law and investigates the operation of markets

- Staff employed - 650

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- SITPRO Simplifying International Trade
Executive NDPB

SITPRO is the UK's trade facilitation agency and is working to simplify the documentation and procedures for the international movement of goods.

- Staff employed - 9

- **Ensuring the reliable supply and efficient use of clean, safe and competitively priced energy**

- Energywatch (closing end Oct 08)
Executive NDPB

Energywatch is the independent statutory body representing the interests of gas and electricity consumers. It provides advice on consumer matters to Government and to the industry regulator. Energywatch investigates complaints that consumers have been unable to resolve with their supplier and provides advice on a range of energy issues.

- Staff - 216

- **Ensuring that all Government Departments and Agencies deliver better regulation for the private, public and third sectors**

- Local Better Regulation Office
Company limited by guarantee

The LBRO's key role is to reduce burdens on business without compromising regulatory outcomes, working in partnership with local authorities, national regulators and departments to drive up the quality of local authority services

- Better Regulation Commission
Advisory NDPB
To advise the Government on action to reduce unnecessary regulatory and administrative burdens; and, ensure that regulation and its enforcement are proportionate, accountable, consistent, transparent and targeted.

- Staff employed - 8

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KEY POLICY ISSUE	**Lead Official**
Globalisation	Vicky Pryce

Key Issues

- Ensuring the UK is well placed to respond to the challenges of globalisation by raising our competitiveness and productivity. Concerning the latter, BERR has the lead on an overarching PSA target, with HMT and DIUS, to raise the productivity of the UK economy.
- The need to better communicate with business, OGDs and the general public, to create a better understanding of the opportunities globalisation can present for UK firms and consumers, whilst recognising the potential difficulties, so as to ensure that support for globalisation is maintained and that there isn't a backlash against globalisation.
- Ensuring BERR plays a leading role in Whitehall and beyond in providing thought leadership and setting the policy agenda on globalisation.

Context

- Globalisation is 'the process through which an increasingly free flow of ideas, people, goods, services and capital leads to the integration of economies and societies'.
- The latest wave of globalisation has led to, and continues to lead to, profound transformations in both developed economies like the UK and developing economies - with the latter group, particularly China and India, increasing their share of global output, trade, and investment in recent years.
- This rapid growth of emerging economies provides substantial potential opportunities for the UK - with new markets for our exporters and investors and cheaper, more diverse goods and services for our consumers. There are, however, challenges associated with globalisation - such as job losses in the UK as production is relocated to lower cost economies, concerns about adverse environmental impacts, etc. - and negative public perceptions linked to these challenges.
- Recent financial market difficulties have been transmitted through international linkages, resulting in a global credit squeeze and slowdowns in GDP growth across countries. Whilst it is still hoped these impacts will be short lived, they also present new challenges to the government, through maintaining a positive picture on the subject, and taking positive policy steps to ensure the UK remains well placed to deal with the new subdued environment.
- In order to fully exploit the opportunities afforded by globalisation and minimise the potential downside risks associated with it, it is essential that the UK responds by raising our productivity and competitiveness. This means continuing to make progress in key areas such as: entrenching and maintaining macroeconomic stability; promoting an enterprise culture; strengthening innovation; improving skills; ensuring fairness through a flexible welfare state; and promoting sustainable development, including through effective multilateral action.
- Budget 2006 set out a strategy to promote the UK's long-term strengths in the global economy, with a focus on raising productivity growth. The five drivers of productivity - investment, innovation, skills, enterprise and competition - are thus central to the promotion of the UK's long-term strengths in the global economy. BERR leads on the PSA to raise the productivity of the UK economy.
- Responding to the challenge of globalisation is core to BERR's purpose – and is supported by all BERR's objectives and PSAs.
- In February 2008, BERR launched a paper, "Globalisation and the Changing UK economy", which outlined the process of globalisation, the changing UK economy, and discussed the policy response to an increasingly globalised world.
- BERR plays a central role in the main cross-departmental body working in this area, and has undertaken activities to relaunch and expand the Permanent Secretaries' Group on Globalisation. BERR provides the secretariat for the Group.

Future Challenges

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- The communications challenge. There is a need to highlight the potential benefits of globalisation to the UK - such as new markets for our exporters and investors and cheaper, more diverse goods and services for our consumers.

- Within Whitehall, positively building on the work of the Permanent Secretaries Group on Globalisation.
  Here, the newly drafted core scripts on Globalisation will require effective dissemination.

- Increased engagement with OGDs, especially those whose policy areas are affected by globalisation, will help formulate a more robust message.

Key Players Relationship Map

Supporters

- Other government departments – particularly FCO and HMT. Joined up Whitehall thinking on globalisation currently led by the Permanent Secretaries Group on Globalisation.

Challengers

- Some UK trade unions – particularly those whose members have been hit by off-shoring of production to lower cost economies.
- Elements within other governments who advocate the protection of 'national champions'.
- Some OGDs may have policy priorities that are challenged by globalisation, and so require engagement.
- Some NGOs – particularly with respect to trade liberalisation and adverse environmental changes associated with globalisation.

Neutrals

Key Milestones

Issue / policy area	Feb '08	Jul '08	Aug '08	Sept '08	Oct '08	Nov '08	2009 onwards
The opportunities and challenges of globalisation.	Publication of 'Globalisation and the changing UK economy'.		First draft of paper on global value chains		Paper on the opportunities afforded to the UK by the Rise of India and China. Final draft of Paper on global value chains.	Possible joint BERR-CBI paper on globalisation for the next Perm Secs' dinner with the CBI's international board.	Work on globalisation and the regional economic performance PSA.
Perm Secs' Group on Globalisation.	First meeting of the working level group in support of the Perm Secs' Group.			Second meeting of the working level group in support of the Perm Secs' Group.		Meeting of the Perm Secs' Group, likely to discuss: 1) core scripts on globalisation (BERR); 2) The opportunities to UK business afforded by the growth of new markets (BERR); 3) financial globalisation (HMT); 4) Potential issues for trade, and trade negotiations post-Doha (BERR); 5) Sovereign Wealth Funds and the role of the sate (HMT).	

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EY POLICY ISSUE Business Creation and Growth	Lead Official UKTI: Andrew Cahn

Key Issues

- UK Trade & Investment's (UKTI) five-year Strategy
- Integration of Defence and Security Organisation into UKTI

Context

- UK Trade & Investment (UKTI) brings together the work of the Department for Business, Enterprise and Regulatory Reform (BERR) and the Foreign & Commonwealth Office (FCO) on international trade and investment. In July 2006, in response to the 2006 Budget Statement which put UKTI at the heart of the government's response to the challenges and opportunities of globalisation, UKTI published its five year strategy, "Prosperity in a Changing World".
- The UKTI strategic objective is "By 2011, deliver measurable improvement in the business performance of UKTI's international trade customers, with an emphasis on innovative and R&D active firms; increase the contribution of foreign direct investment to knowledge intensive economic activity in the UK, including R&D; and deliver a measurable improvement in leading overseas markets as the international business partner of choice."
- UKTI has challenging corporate targets for trade and investment, which ensure they deliver economic benefits for the UK economy. Through its performance measurement and monitoring data UKTI can demonstrate :
    - Last financial year, UKTI's services delivered an additional £3 billion bottom-line benefit to our clients
    - Latest independent monitoring survey results in the year to end Q1 2008/09 show that UKTI assisted 19,800 individual companies to exploit opportunities in overseas markets. Some 16,100 of these were innovative companies.
    - 56% of all businesses assisted improved their business performance as a result of UKTI support.
    - UKTI achieved 73% quality and 77% customer satisfaction across all its trade services.
- UKTI exceeded its inward investment target with 549 investment projects of which 182 were high value. The UK remains the number one location in Europe for Foreign Direct Investment and saw a 10% increase in new investment projects. A record 1,573 investment projects were won, marking a fifth consecutive year of growth. The UK was the top global defence exporter in 2007. It won a record £19 billion ($19bn) of new business and a 33% market share of the world market.

UKTI Strategy, *Prosperity in a Changing World*
UKTI's five-year Strategy has three key themes:

- An increased effort on marketing the UK as the place in which and with which to do business;
- More effective partnership between all those with a role in presenting the UK overseas in the business context;
- A greater focus on those companies, sectors and markets which offer the greatest potential to make a difference. We want to make sure that UKTI's limited resources make the maximum impact.
- The underpinning economic evidence published alongside the strategy indicated that UKTI efforts

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were best focused on:

- providing access to key contacts and networks overseas, and strengthening the social networks underpinning bilateral business connections;
- strengthening the internationalisation capabilities of innovative and high growth businesses;
- providing access to information which the private sector would be unable or unwilling to provide;
- facilitating strategic cooperation among UK businesses, including showcasing UK capabilities in new markets and strengthening the UK's reputation in key markets and sectors.

UKTI's Strategy embedded these areas of focus and included

- targeting of innovative and R&D intensive businesses
- reinforcing resources in high growth markets to develop relationships and highlight opportunities for UK business
- and high level international marketing strategies to strengthen UK reputation in key sectors and markets.

Defence and Security Sector

- On 1 April 2008 the responsibility for defence export support transferred from MoD to UKTI to form a new group called the UKTI Defence & Security Organisation.

Key current challenges

- Integration of Defence and Security Organisation into UKTI.

Future Challenges

- Delivery of commitments set out in UKTI's five-year Strategy
- An increased focus on supply chain initiatives
- Launch of Advanced Engineering and Low Carbon marketing strategies in early 2009
- Implementing the conclusions of the joint reviews of RDA/DA overseas presence for inward investment and of UKTI regional trade delivery

Key Players Relationship Map

Supporters	**Challengers**	**Neutrals**
UK Business (thro CBI etc) – generally supportive **Other Government Departments** – FCO, HMT, MOD, DFID; close Whitehall coordination needed to secure objectives. **CBI:** Positively endorsed the Strategy. **BCC & EEF**: Generally supportive. Concerned about trade support in light of the current global economic conditions. **RDAs:** Implementing recommendations from joint reviews with UKTI of RDAs'/DAs' overseas presence and of UKTI's trade operations in the English regions (published March 2008). Involves UKTI-led coordination of inward investment activity overseas; and greater involvement of RDAs in UKTI regional trade delivery strategy and planning.	[redacted]	**HMT:** Supportive of Strategy. **DAs**: Participating in the UKTI-led coordination of inward investment activity overseas, as far as their devolved powers allow.

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Key Milestones

Issue / policy area	Sept '08	Oct '08	Nov '08	Dec '08	2009/10…
Issue 1 Integration of DSO into UKTI	Appointment of Chair, Defence Advisory Group	Appointment of Chair, Security Advisory Group	1. SLA Review with MOD 2. Relocation of UKTI DSO staff		Cross-Whitehall anti-corruption Agenda (common industry standards)
Issue 2 Increase focus on supply chain initiatives	Manufacturing Strategy published				Development of supply chain initiative (April 2009)
Issue 3 UK Sector Marketing Strategies					UKTI to launch marketing strategies for Advanced Engineering and Low Carbon marketing strategies (early 2009)
Issue 4 Implementing the conclusions of the joint reviews of RDA/DA overseas presence for inward investment and of UKTI regional trade delivery					1. Full roll-out of new coordinated arrangements with RDAs and DAs in overseas inward investment markets (April 2009) 2. Full implementation of "enhanced Dual Key" arrangements with RDAs on trade delivery in the English regions 3. Joint UKTI/RDA/DAs Trade and Investment Summit (June/July 2009)

KEY POLICY ISSUE	Lead Official
Manufacturing Strategy	Robert Sullivan (Director)

Key Issues

- **Implementation of the new Government's Manufacturing Strategy launched by the PM and Cabinet members on 8 September 2008 in the West Midlands.**

Key Facts/Other Sector Unit initiatives

Manufacturing Strategy Review 2008

- The Strategy had a high profile launch at the Jaguar Car Plant in the West Midlands on the 8th September, involving the PM, and the SoSs for BERR and DIUS.

- The Review was driven by the need to ensure Government's support for manufacturing reflects changes to the manufacturing environment (including the increasing importance of global markets and new opportunities presented by the low carbon economy).

Key Themes

Headline policy proposals include:

5 key dynamics were identified in the Review as changing the current landscape of manufacturing, and offering great opportunities for UK manufacturing, namely:

- Global Value Chains - that the manufacturing process is a series of separate operations networked across the globe.

- Technology Exploitation - Ensuring companies have the necessary support to exploit new

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technologies and are able to keep pace with the uptake and diffusion of technologies, which have increased dramatically.

• Intangibles - that manufacturing is no longer the investment in machines and factories - it's now the less obvious factors such as skills, R&D and brands.

• People and Skills - ensuring the right skills set and the ability to attract people into manufacturing.

• Low Carbon Economy - see below for more details – this agenda is having an increasing influence on manufacturing and presents major opportunities for UK manufacturers.

Low Carbon Economy

- The Manufacturing Strategy includes a chapter on low carbon. This focuses on how UK manufacturing industry can capitalize on a move to a low carbon resource efficient economy by supplying the goods and services required where the UK might have a competitive advantage. For example, Renewables could create up to 160,000 jobs and nuclear up to 100,000. Companies can capitalise on the UK's economic, demographic and geographical advantages, providing natural lead markets for wave and tidal power for example.

Key deliverables in the Manufacturing Strategy are as follows:

Key initiatives for each of the dynamics are as follows:-

1. Globally fragmented value chains

• UKTI will allocate new resource to help 600 UK companies identify and exploit manufacturing value chain opportunities in China and India. Intellectual Property Office will provide advice and guidance on protecting and exploiting intellectual property in these markets.

2. Accelerated pace of technology exploitation

• Advantage West Midlands and the East Midlands Development Agency will deliver a new purpose-built Manufacturing Technology Centre at Coventry providing industrial scale demonstration facilities. Projected £130 million investment from private and public sector over 10 years.
• Technology Strategy Board - additional investment of £24m into research central to high value added manufacturing

3. Investment in intangibles: using British lead in design, brands, services

• The Government will expand "designing demand" service especially for SME's which enables them to win new business with design advice and will support new design skills alliance to ensure designers are meeting manufacturers needs.

4. Investment in people and skills

• 1500 new apprenticeships for manufacturing in addition to 9000 announced recently by DIUS. 1500 will be in novel scheme where larger manufacturers, with government support, will train more than they need themselves for smaller companies who do not have the resources. 10,500 new manufacturing apprentices adding to current 80,000
• Establish Manufacturing Insight, a body tasked with making the public perception of

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manufacturing reflect the reality, ensuring young people are aware of the exciting career opportunities available e.g. less than a third of electronic engineers go into manufacturing
• Launch a Manufacturing the Future campaign in schools to promote manufacturing careers prospects for young people - building on the recently introduced engineering diploma for 14-19 year olds
• Simplify skills system – Memorandum Of Understanding signed at the same time as the launch commits all those who interface with manufacturers to provide this immediate and seamless access to comprehensive and straightforward skills service and manufacturing will be the pilot for the UK Commission for Employment and Skills simplification recommendations.

5. Transition to low carbon economy-green collar jobs

• The Government will produce in 2009 an integrated low carbon industrial strategy bringing together government levers and activities to help manufacturers identify market opportunities and support them in becoming global leaders
• The new Office of Nuclear Development will work to develop the UK nuclear supply chain so it can maximise the high value added captured by UK in our nuclear programme and, as we have first mover advantage, capture export markets from the global nuclear renaissance - akin to 1970's north sea oil exploration which created UK offshore industry which is still a world leader and major export earner
• The Government will also establish the Office for Renewable Energy Deployment which will address barriers to deployment including helping to develop the UK supply chain
• Support the development of advanced low carbon vehicles (including new pilot programme for electric cars) – Number 10 is applying urgent pressure on this particular issue (see Advanced Low Carbon and Electric Cars brief for full information **Flag 5.3.1**)

Stakeholder management

- The key focus for engagement with stakeholders was a set of Regional Manufacturing Events, arranged jointly with the Regional Development Agencies, covering the nine RDA regions in the North, Midlands and South of England. More than 300 people attended the events, providing Ministers with the opportunity to hear first hand, key messages, around the dynamics for change underpinning the Review. Views expressed were registered and noted, as policy and narrative around the strategy was being developed.

- A Ministerial Advisory Group provided expert input into the review and has a core membership of CBI, TUC, EEF, RDAs, TSB and selected industry representatives. Ministers were extremely grateful for the valuable input from the Ministerial Advisory Group into the policy development process. There has yet to be a decision on the function of the group following the delivery of the new strategy.

Background

- Manufacturing makes a vital contribution to the UK economy, adding over £150bn a year to the economy. The UK has the sixth largest manufacturing output of any country, and manufacturing accounts for 13% of UK GDP, around half of exports, almost 3 million jobs, and three quarters of the UK spend on business research and development.

- In 2002 DTI published the first manufacturing strategy for over 30 years, based on raising investment, applying science and innovation, world-class practice and a high level of skills to create a high value manufacturing sector.

- In 2004 a progress report on the Manufacturing Strategy was published, leading to an Action Plan setting out key priorities of macroeconomic stability, investment, science & innovation, best practice, skills and education, modern infrastructure and market framework.

- A key success of the manufacturing strategy has been the creation of the Manufacturing Advisory Service. Through regional delivery MAS is providing manufacturing companies with direct access

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to practical advice and hands-on support from experts. It plays a vital role in helping UK manufacturers to improve productivity in an increasingly competitive global economy. Since 2002 and the creation of the MAS, Government and RDAs have invested £90m in the service, helping 24,000 firms. In addition, £559 million of added value has been generated from MAS interventions.

Context

- The volume of exports of UK manufacturers increased by 36% between 1997 and 2007.
- In 2005, China produced 7% of the world's cars, half of the world's colour TVs, and 70% of the photocopiers. According to the FCO, the US will continue to be the world's dominant national economy (in terms of nominal GDP) in both 2015 and 2025. By 2015, China is likely to have just eclipsed Japan, to become the second-largest economy globally. By 2025, the Chinese economy is forecast to be much larger than the Japanese economy.
- The UK has many world-class manufacturing companies which are rising to the challenge of globalisation.
- In 2007 our Automotive sector produced more than 1.75 million vehicles,
- Our Aerospace industry has a turnover of over £19 billion and has invested £2.53 billion on R&D in 2006.
- Our pharmaceutical industry invested £3.9bn in R&D in 2006 and 15 of the world's current best selling drugs originated in the UK.

New high-tech sectors are emerging:

- UK Environmental Industries is expected to grow from £25 billion in 2005 to £34 billion in 2010 (42% growth from 2005) and on to £46 billion by 2015.
- Our Bioscience industry is the 2nd biggest in the world (to the US) accounting for 24% of new European biotechnology drugs in late stage clinical trials, more than any other country.

Future Challenges

Major challenges

Key issue is to ensure that the Manufacturing Strategy delivers. It needs to match expectations and maintain the support that it achieved at the launch.

It is only in recent years that the UK has begun to close the manufacturing productivity gap with our key competitors in the G7.

At the same time the costs of basic raw materials have been volatile - this year saw at one point a nearly 50% increase in the price of oil.

But manufacturers – especially high technology manufacturers - have shown it is possible to succeed. The UK's manufacturing exports rose from £145bn in 1997 to £178bn in 2007, and the UK continues to attract more inward investment in manufacturing than other European countries.

Key Players Relationship Map

Supporters	Challengers	Neutrals
• EEF – critical friend • CBI – critical friend • RDA's – delivery partners for Strategy & MAS	• Treasury – Budgetary Constraints	• List key stakeholder organisations

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The Ministerial Advisory Group, which acted as a sounding board for Ministers in developing the 2008 Manufacturing Strategy Review, contained the following stakeholders:

Essential people to meet in first weeks

MANUFACTURING, MATERIALS & ENVIRONMENTAL INDUSTRIES

Importance	Person & Job Title	Company/Organisation	Timing	Rationale
Highly desirable	Martin Temple Chairman	EEF	As soon as possible	The EEF is a key departmental stakeholder on manufacturing and a wide range of related issues involving employers, energy, etc. Regular bilateral meetings with SoS well as with Minister for Competitiveness. Martin Temple is also a key member of the Ministerial Advisory Group on Manufacturing.
Highly desirable	Philippe Varin Chief Executive	Corus	As soon as possible	Largest steel producer in UK, now owned by Tata of India. Key concerns about implementation of EUETS
Highly Desirable	Brian Jackson Chair of EMDA	East Midlands Development Agency	As soon as possible	Lead DA on manufacturing
Highly Desirable	Brendan Barber General Secretary	TUC	As soon as possible – as part of general discussion on other policy areas.	Key contributor to policy on manufacturing.
Desirable	Merlin Hyman Director	Environmental Industries Commission		Leading TA in the environmental industries arena with strong links to SPADs etc
Desirable	Richard Lambert Director-General	CBI		CBI is a key departmental stakeholder on manufacturing

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Key Milestones

Issue / policy area	Sept '08	Oct '08	Nov '08	Dec '08	2009/10…
Issue 1	Launch of Manufacturing Strategy Review Report				
Issue 2	New BERR ministers				
Issue 3					
Issue 4					
Issue 5					

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Key Policy Issues Supporting Brief

Priority Issue	**Lead Official**
Advanced Low Carbon and Electric Cars	DG / HMU – Mark Gibson/Simon Edmonds

Context

- **Manufacturing Strategy** → success and sustainability of UK automotive industry → innovation of advanced low carbon vehicle technologies (including for Electronic Vehicles) → manufacture of high added value components and vehicles → green-collar jobs → strategic recommendations by New Automotive Innovation and Growth Team, March 2009

- Diversity of UK's automotive market and manufacturing base; design engineering, manufacturing and export of internal combustion engines a major global strength

- Announcements for Manufacturing Strategy
  - Providing more than £90m of funding for UK research, development and demonstration of low carbon vehicles over the next 5 years. And in addition dedicating £20m to provide lead markets for low carbon vehicles through the use of strategic public procurement;
  - Committing central government departments and their executive agencies to achieve a fleet average of 130g CO_2/km or less for new car purchases within the next 3-years.
  - Taking forward a study on issues relating to the development and commercialisation of vehicles with electric drive including looking at how to maximise the benefits to the UK economy;
  - Assessing the impact on the electricity system of the widespread use of electric vehicles and ensuring we have the capacity to support a new charging network
  - Collaborating internationally and holding an international meeting of experts in the autumn to encourage the creation of the right consumer market and agree industry standards;
  - Working to remove any barriers in the planning system to facilitate the rapid-roll out of the necessary infrastructure
  - Announcing an extra £1m for Cenex, the UK's automotive centre of excellence for low carbon and fuel cells technologies, to enable them to continue to act as a critical agent for change assisting UK industry build competitive advantage from the shift to a low carbon transport economy.

Key Facts: Supporting Policy/Issue	Key Facts: Opposing Policy/Issue
• PM statement at G8 Summit (9 July) highlighting a role for electric vehicles (EVs) in transport → PM's subsequent breakfast meeting at Motor Show on 22 July stating his aim for Britain to be a global leader in the market for advanced low carbon vehicles • Jeddah process → reducing dependence on oil → BERR/DfT to arrange international meeting of experts in the autumn to discuss creating a market for advanced low carbon cars and to agree industry standards → declaration at December London Oil Summit	

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Next Steps

- Renewable Energy Strategy → renewables target of 15% by 2020 → surface (essentially road) transport renewables target of 10% by 2020 → sustainability issues with first generation bio-fuels → exploring alternative opportunity for electrification of transport → BERR/DfT study underway looking at viability of EVs in the market and impact of EVs on the Grid → possible announcements of incentives in PBR → RES March 2009
- Tackling climate change → drive to improved vehicle efficiency → EC proposed Directive "CO_2 from Cars" aiming for fleet average sales by manufacturer of ≤130gCO_2/km by 2012 → "*most important regulatory issue the European automotive industry has ever faced*" → UK stated longer-term ambition 100gCO_2/km by 2012 → "super-credits" for advanced low carbon vehicles?
    1. Secure "niche manufacturer" provision in "CO2 from Cars" regulation to safeguard future of Jaguar LandRover.
    2. Agree cross-Whitehall position on "super credits", No.10 to take forward with Fr/De/EC for possible inclusion in "CO2 from Cars" regulation
- Host successful international meeting of experts.
- Ensure continuing success of Low Carbon Vehicle Innovation Platform to promote transfer of know-how into manufacture of high value added components and systems.

Future Challenges

- Avoid picking winners or backing particular business models (e.g. Project Better Place)
- Safeguard, refresh and retain diversity of inward investments by global vehicle manufacturers
- Government response to NAIGT report March 2009 – likely action required but will it be affordable?
- Reinvent the UK's automotive supply industry in a post-internal combustion world (20-years+)
- Hollowing out of supply chain and threat of losing mobile investments to low cost countries

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KEY POLICY ISSUE	**Lead Official**
Enterprise Strategy	Mark Gibson/Adam Jackson

Key Issues

- Government's renewed Enterprise Strategy published with Budget 2008.
- Vision to make the UK the most enterprising economy in the world and the best place to start and grow a business over the next 10 years.

Context

- Government's record to date on enterprise is good. There are record numbers of businesses – 4.7 million at the start of 2007, over 970,000 more than in 1997. SMEs now employ 13.5 million, 59.2 per cent of the total private sector workforce. A strong SME sector is critical to the health of the UK economy.
- Globalisation, involving massively increased flows of goods, services, technology and ideas, presents challenges and opportunities to those enterprising individuals and businesses who are able to compete successfully in global markets. While ahead of many European competitors in terms of enterprise, on a number of key indicators we trail the US. The US has more businesses per head than the UK and more US businesses achieve quicker and higher growth than in the UK. If we matched the US in terms of number of businesses per 10,000 adult population, we would have an additional 850,000 businesses.
- The Government therefore published a renewed Enterprise Strategy in March 2008 which sets out over 50 commitments. The 10 year Strategy builds on the work of the 2004 Action Plan ("A Government Action Plan for Small Business" – completed in 2007) and aims to encourage business growth. It promotes a supportive business environment and encourages a strong entrepreneurial culture through a framework of five enablers of enterprise: A Culture of Enterprise; Knowledge and Skills; Access to Finance; Regulatory Framework; and Business Innovation.
- The Strategy reinforces the role of innovation as a driver of enterprise and complements the Government's new Innovation Strategy "Innovation Nation", published at the same time.
- The Strategy also considers the wider benefits of enterprise and aims to ensure that all sections of society can benefit from a growing and dynamic economy. Specific measures are targeted at bringing social and economic benefits to more deprived parts of the UK and at groups, such as women and ethnic minorities, who are currently under-represented in enterprise.
- This work contributes to the Departmental Strategic Objective "*Promote the creation and growth of business and a strong enterprise economy across all regions*" and PSA 6 "*Deliver the conditions for business success in the UK*".
- Progress is being made on all commitments in the Strategy and we are working closely with RDAs, other delivery partners and OGDs to ensure successful delivery.
- To help develop the 2008 Strategy, Ministers met around 600 small business owners and entrepreneurs in a series of regional events to hear their ideas for what more Government can do to further enable thriving UK entrepreneurship and SME business growth. Publication of the Strategy was high profile for Government and both the Chancellor and the PM hosted meetings with a number of successful entrepreneurs.

Future Challenges

- In the annual BERR survey of key corporate stakeholders, the Enterprise Strategy was recognised as a strong accomplishment for BERR in its new Voice for Business role. We will need to ensure we continue to positively engage with key stakeholders, primarily through the Small Business

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Forum (provides informal mechanism for Ministers to engage with key enterprise representative bodies – Confederation of British Industry (CB)I, Institute of Directors (IoD), British Chambers of Commerce (BCC), Federation of Small Business (FSB), Forum of Private Businesses (FPB), Engineering Employment Federation (EEF) - and individual entrepreneurs, and to demonstrate successful gains.

- Publication of the Enterprise Strategy is not the end of the story and continuing to develop new policy proposals to help SMEs, particularly through an economic downturn, will be critical for stakeholders.

- Stakeholders were supportive of the Strategy but note that delivery is key. We therefore need to ensure that the RDA's deliver the policy commitments outlined in the Strategy.

Key Players Relationship Map

Supporters
- CBI, IoD, British Chambers of Commerce, Federation of Small Businesses, Forum of Private Businesses, Engineering Employers Federation, and members of Small Business Forum.
- RDAs – strategic partners in regions and key delivery partners.

Challengers
- All key stakeholders will expect on-going active engagement and delivery of the Strategy.

Neutrals
- Social Enterprise Coalition

Key Milestones

Date	Milestone
October 2008	Publication of the report of Anderson Review on regulatory guidance. Publication of report of Glover Review on public procurement. Announcement of government commitment to tackle late payment by government departments. Announcement on availability of provision of Innovation Vouchers. Launch of National Policy Centre for Women's Enterprise Launch of Women's Enterprise "Spark an Idea" media campaign.

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November 2008	Global Entrepreneurship Week (17-23 November). Launch of First University Enterprise Networks. Consultation on Regulatory Budgets ends.
December 2008	Women's National Mentoring Network anticipated to be operational. Introduction of public departmental accountability, initially for secondary legislation, for regulating small businesses.

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Supporting Brief	**Lead Official**
Supporting small businesses during economic downturn	Mark Gibson/Adam Jackson

Key Issues

- Enterprise Strategy contained a package of measures to help small firms – including measures of direct help to businesses in the current economic climate. Government is also considering further ideas to help SMEs in coming months.

- The Government's record to date on enterprise is good and we are in a strong position. There are record numbers of businesses – 4.7 million at the start of 2007, over 970,000 more than in 1997 and SMEs now employ 13.5 million, 59.2 per cent of the total private sector workforce.

- The Government's renewed Enterprise Strategy published with the Budget provided a framework which aims to encourage business growth, provide a supportive business environment and a strong enterprise culture and to help enterprising businesses compete successfully in a global economy.

- Specific measures that are of particular help to small businesses in the current economic climate include:

  Providing improved advice to business
  - **National mentoring network** - Increasing awareness of existing mentoring programmes and raising awareness of the opportunities and benefits for both mentor and mentee alike.
  - **Helping small businesses prepare for investment** – New business product to be launched in the autumn. Helping businesses understand the different forms of finance and how to access it successfully (being able to pitch their business plan to investors).
  - **Business Debtline** – Government and banks have agreed to more than double funding for the 'Money Advice Trust's Business Debtline' service by 2010/11. The debtline provides free confidential independent advice to small businesses with cash flow/debt problems in GB.
  - **Business Link – Providing dedicated credit crunch advice** focusing on managing finance and increasing efficiency. It offers extensive range of resources to help businesses plan, prepare and protect against a financial downturn (http://www.businesslink.gov.uk/creditcrunch).

  Increasing opportunities to access finance
  - **Small Firm's Loan Guarantee -** increasing the amount of lending available by £60million to a total of £360million for this financial year (2008/9); and extending the eligibility of the scheme to businesses with growth ambitions that are more than five years old.
  - An additional £30million made available to stimulate the delivery of **mezzanine finance**
  - **Enterprise Capital Fund -** Current round to select fund managers underway. Around £50million expected to be committed, specifically for small high growth businesses

  Managing cash flow
  - **Help with handling Late Payments -** Government published "Preventing Late Payment" and "Handling Late Payment", available on Business Link website www.businesslink.gov.uk;
  - **Cash flow** - More advice to help businesses keep the cash flowing is contained in the Government endorsed leaflet by Institute of Credit Management from: http://www.creditmanagement.org.uk/.
  - **Factoring -** Factoring is an important source of finance for many businesses, particularly during the credit crunch. Government contracts had previously presented significant barriers to factoring. The Enterprise Strategy announced that the restrictions on assignment of debt would be removed. This has now been implemented.

Future Challenges

- Monitoring the current situation for small businesses in real time.

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- Ensuring we continue to develop new, innovative measures to help SMEs face and survive an economic downturn.

- Ensuring that we have a strong, coherent message to present to the small business community of package of measures.

- Need to be able to demonstrate that measures in the Enterprise Strategy and new ideas have helped to support small businesses.

Key Players Relationship Map

Supporters	Challengers	Neutrals
• CBI, IoD, British Chambers of Commerce, Federation of Small Businesses, Forum of Private Businesses, Engineering Employers Federation- members of Small Business Forum. Supportive of Enterprise Strategy and development of new ideas to help SMEs survive an economic downturn.	• All key stakeholders will expect on-going active engagement . Delivery of new ideas to support small businesses through an economic downturn will be critical.	

Key Milestones

Date	Milestone
August 2008	Publication of the UK Survey of SME Finances (2007) – Cambridge University
September 2008	Publication of the World Bank's Ease of Doing Business survey. Publication of BERR's Annual Small Business Survey (2007) Receipt of new innovative proposals from accredited lenders for the use of the Small Firms Loan Guarantee (SFLG) scheme to improve accessibility for SMEs.
October 2008	Publication of the report of Anderson Review on regulatory guidance.

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	Publication of report of Glover Review on public procurement. Announcement of government commitment to tackle late payment by government departments. Proposals to provide further help to small businesses in the current climate – for possible inclusion in the PBR.
November 2008	Publication of Business Start-ups and Closures: VAT Registrations and De-registrations (2007) Consultation on Regulatory Budgets ends.
December 2008	Bid appraisal and following due diligence Third Round Enterprise Capital Funds managers will subsequently be appointed

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KEY POLICY ISSUE	**Lead Official**
Business Support Simplification Programme (BSSP)	Mark Gibson (DG) / Janice Munday (HMU)

Key Issues

- Delivering PM commitment in 2006 Budget to reduce non-tax business support schemes from around 3,000 to no more than 100 by 2010, and make Business Link (BL) the main way business will access support.
- Collaborative effort led by BERR involving many stakeholders (Government Departments, RDAs, Local Authorities and business) with conflicting views.
- Tight timetable for delivery - and still need to agree for PBR when in 2010 products will need to close or notice of closure given as well as content of 23 October announcement on products, closures and brand.
- Delivery critical to BERR's reputation, including with key business stakeholders. Need to:
  - Get buy-in from local authorities
  - Assure business that this is about increasing effectiveness not cutting support.
  - Turn BL's current high customer satisfaction ratings into a broader awareness of the service, improving brand reputation and usage.
  - Prevent future re-proliferation of schemes.

BSSP is:

- A cross-Government initiative making publicly-funded business support easier for businesses to access, more effective and better value for money. It contributes to a number of BERR PSAs, including three cross government led by BERR (PSA 1,6&7).

Business Link is:

- The Government's multi-channel brand for delivering support to business. The service consists of three channels: an on-line service delivered through businesslink.gov.uk, a network of advisers throughout England and a national contact number.
- BL's current performance is high with over 856,000 businesses receiving support from advisers over the 12-month period ending March 2008. The Customer Satisfaction levels also remain high with 88% of customers saying they were either satisfied or highly satisfied with the services they received.

Context

- About £2.5 billion of public money is spent each year by central, regional and local government bodies on direct business support. Research has shown that businesses receiving support and advice are more likely to grow and flourish.
- But little co-ordination, numerous schemes and multiple providers, makes it difficult for businesses to know what best meets their needs. Neither is it cost effective to deliver.
- Business wants support to be easier to understand and access. BSSP will deliver this.

Where are we now?

- A new portfolio of business support products has been developed
- New capabilities are being built into BL offer to deliver the BSSP portfolio
- Shared marketing and branding framework for the new products has been developed
- RDAs are coordinating the transition of schemes to the new portfolio, and a Transition Management Board, chaired by Martin Temple of the EEF, is in place.
- First new product has been launched - rest will be by March 09.

Future Challenges

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- We will announce the full portfolio line-up in Oct 08, and are now working to finalise the product specifications and delivery arrangements.
- Martin Temple will give interviews to the FT and Local Government Chronicle to help address business and local authority concerns
- We are researching business perceptions of the BL brand. This will feed into plans to enhance the service and market BL to customers
- We will roll out new national qualifications for BL advisers and front line customer service teams over the next year improving the consistency and standards of advice available to customers.
- We will integrate the first tier of support from both UKTI and DEFRA into BL, using it as the primary access channel for the more specialist services they offer to business.
- We will incorporate the business support offered by remaining OGDs, ensure that the portfolio is flexible to a downturn in the economy, and takes account of the restrictions attached to EU funding streams.
- We will get agreement on governance principles and structures for the post-transition phase, and seek to prevent re-proliferation of new business support

Key Players Relationship Map

Supporters	**Challengers**	**Neutrals**
• HMT • CLG, DIUS • RDAs • CBI, EEF • Some Individual LAs	• Some Individual LAs	• Some Individual LAs • DCMS, DfT, MoD, DH

Key Milestones

Issue / policy	Sept 08	Oct 08	Nov 08	Dec 08	2009
ED (PSE) clearance on branding, portfolio announcement and 'go live' starts		X			
ED (PSE) clearance on monitoring & evaluation			X		
Product wave 2 and 3 'go live'			X	X	
Transition to new portfolio:					Remaining products 'go live' old products closed or merged.

KEY POLICY ISSUE	**Lead Official**
BERR Service Transformation	Mark Gibson Martin Wyn Griffith

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Key Issues

- Ensuring that businesslink.gov functions effectively as the Government's prime web portal for business, and ensuring that BERR meets the Government's 95% target for website convergence & rationalisation. We will use this process to improve the customer experience for businesses interacting with government.
- Improving the performance of telephone contact centres in the BERR family, and halving avoidable contact by 2011. This will lead to improvements in the business processes and savings in the money we, and our customers, spend on transactions and exchanging information.
- Leading on successful cross-Whitehall Service Transformation projects to deliver benefits to business, such as reducing the administrative burden of importing and exporting through the International trade Single Window, and providing a portal for businesses to access public procurement tenders.

Context

- The model for Service Transformation across Government is based on the November 2005 report *Transformational Government, Enabled by Technology* strategy and the subsequent December 2006 report by Sir David Varney *Service Transformation: A better service for citizens and businesses, a better deal for the taxpayer* which was published alongside the Pre-Budget Report.
- Sir David Varney, the Prime Minister's adviser on Public Service Transformation, has recently put to permanent secretaries and ministers the case that the Government is not doing well enough to improve its services. We are not keeping up with the increasing expectations citizens have as they experience different models of service delivery in the private sector; we do not co-ordinate the demands for information or the delivery of services sufficiently well; we are not sufficiently adept at using technology, especially web technology, to bridge this gap. 55% of people don't know where to start to find the service they need, and 50% say Government information is hard to understand. Service Transformation therefore aims to put the customer first.
- Service Transformation is about designing services around the needs of citizens and businesses, providing modern efficient services, and ensuring that we have the capability to deliver. The aim is to provide services that are ***easy to access, simple to understand and use, and secure so that customers find it easy to comply with rules and regulations and can access services and carry out transactions in as few steps as possible.***
- Service Transformation covers citizen and business ***transactions*** (e.g. filing company accounts), ***interactions*** (e.g. calling a contact centre or visiting a local office), and ***information requests*** (e.g. how to get an export licence, or finding a Business Support product.) It does not cover the delivery of inward facing business services such as finance and personnel functions.
- Key Government Actions to Deliver the Varney Recommendations
  - **Engaging more with citizens and businesses** and putting customer insight at the heart of service design in order to ensure that we deliver customer focused services.
  - **Grouping Service Delivery** around customer needs and life episodes and not government services, departments and policies to provide a service that suits the way people live their lives.
  - **Rationalising Service Delivery** by radically reducing the number of websites (with Directgov and Businesslink.gov becoming the primary web channels for citizens and businesses); reducing the array of phone lines and improving contact centre performance; re-organising front offices to make it easier and simpler for customers to deal with Government.
  - **Making best use of the Government's information asset** by managing identity and data to personalise services, reducing duplication, improve security and speed up transactions.
- A Service Transformation Agreement (STA) was published in October 2007 as part of the Comprehensive Spending Review settlement. Each department has submitted a Service Transformation Plan detailing key activities under a number of headings. The Service Transformation Agreement contains two government wide progress measures. These are:

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- **Improving processes - reducing avoidable customer contact - by 50% by 2011**
- **Building better online services – migrate more than 95% of citizen and business e-services to direct.gov and businesslink.gov by 2011**

A list of BERR websites to close, along with any exceptions have also been agreed with BERR Ministers and the Cabinet Office. Progress on delivering against both measures will be monitored by the BERR Service Transformation Board and reported to the Government wide Delivery Council and Contact Council.

Future Challenges

- Web convergence and other Service Transformation policies will raise questions about the Department's relationship with delivery partners and the extent to which we can influence them in co-ordinating service delivery and maintaining a customer-centric point of view. Challenges will come over the life of the programme as we increase pressure for change.

Key Players Relationship Map

Supporters

- Sir David Varney
- Companies House
- Cabinet Office
- COI Digital Policy Team

Challengers

Neutrals

- BERR Delivery Partners are supportive of aims but have concerns on the implications for their market presence.

Essential people to meet in first weeks

Sir David Varney (PM's Special Advisor on Service Transformation)

Key Milestones

Issue / policy area	Oct '08	Nov '08	Dec '08	2009/10…
Issue 1			Negotiations with direct.gov and businesslink.gov	March 2011 Final Deadline for website rationalisation
Issue 2				
Issue 3	PBR Announcement (inc. possible projects)	ITSW Research Project (Joint HMT)		

KEY POLICY ISSUE	**Lead Official**
Implementing the review of sub-national economic development and regeneration (SNR)	Mark Gibson / Philippa Lloyd

Key Issues

- BERR and the Department for Communities and Local Government (CLG) are jointly responsible for implementing the SNR.
- However, there is not currently agreement between the two departments on how we should proceed following a recent consultation exercise. This results from each department seeing the

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issues in terms of their core interests, CLG – housing, spatial planning and local government, and BERR – economic growth and the needs of business.

- We are concerned that CLG may be developing options independently that may negatively impact on regional development agencies (RDAs) and be badly received by business.
- Subject to the resolution of these issues, we will be legislating during the next session – through a CLG Bill – to put in place those reforms that require primary legislation.

Context

- The SNR was carried out by the Treasury, CLG and BERR to inform CSR07 and focussed on how to strengthen economic performance in regions, cities and localities throughout the country, as well as tackling persistent pockets of deprivation.
- The review was aimed at helping to deliver the regional economic performance public service agreement (REP PSA) led by BERR.
- The review recommendations focused on:
    - ➢Empowering local authorities to promote economic development, with greater flexibility, stronger partnership working with other agencies, and better incentives for achieving economic growth.
    - ➢Supporting local authorities to work together, through pooling resources, responsibilities and targets at the sub-regional level.
    - ➢Streamlining the regional tier of governance outside of London. This includes asking more effective and accountable RDAs, working with local authorities, to prepare a new single strategy for the region, which will bring together existing economic and spatial strategies
    - ➢Reform central government's relations with regions and localities.
- Following the publication of the review in July 2007 BERR and CLG were tasked with delivering its recommendations.
- A consultation was held between March and June on whether and how to implement some of the key recommendations. We are aiming to publish a Government response to this in September (Cabinet Office guidance says that the Government should publish a response to consultations within 3 months of the close of the consultation).
- It has also been announced that the BERR Select Committee will be conducting an inquiry into the RDAs and the implications the SNR may have for their role.

Future Challenges

- The immediate challenge is to reach an agreement with CLG on the detail of the policy following the recent consultation – there remain differences of opinion between our departments. We need to do this in order to publish a Government response to the consultation.
- The new structures will take time to put in place and during this transition period we need to ensure that the existing system, particularly in relation to spatial planning, continues to operate – we are already hearing from the RDAs and others that the delays in implementation are impacting on business as usual and retention of staff.

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Key Players Relationship Map

Supporters	Challengers	Neutrals
• John Healey – was the Treasury Minister responsible for the review.	• Business representative organisation (CBI, IoD, BCC, EEF and FSB) – concerns over larger role for local authorities • Local Authorities in the South – concerns over RDAs taking on regional planning role • Social, economic and environmental partners – concerns over loss of role in regional assemblies and focus on economic growth	• Treasury – interest lessened following publication of initial review • Other Departments – DfT positive about some recommendations, DEFRA negative about focus on economic growth, others largely uncommitted • RDAs – publicly positive but privately have concerns

Essential people to meet in first weeks

- A meeting with the Secretary of State for Communities and Local Government to agree a way forward.

Key Milestones

Issue / policy area	Oct '08	Nov '08	Dec '08	2009/10…
		New legislative session begins – including Bill implementing SNR reforms if legislative approach chosen, though actual date of introduction to be confirmed		2009 – Royal Assent of Bill if legislative approach chosen 2010 – earliest possible dates for first regional strategies

Future Options

There are a number of possible future options that could be put in place and have been considered by officials. They are:

- Implement the SNR in full, as originally planned, through legislation
- Implement some SNR recommendations (either through legislation or administrative means) but not others
- Implement the SNR with minimal or no legislative change
- Do not implement the SNR and return to the status quo

KEY POLICY ISSUE	Lead Official
European Structural Funds delivery and reform	Tom Walker

Key Issues

- Ongoing debate on the future of the EU Structural and Cohesion Funds (SCF)

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- RDA management of new European Regional Development Fund (ERDF) programmes in England
- Closure of old SCF programmes

Context

- For the period 2007-13 there are 2 EU Structural Funds operating in the UK: European Regional Development Fund (ERDF) and European Social Fund (ESF). Both are designed to help economic development and promote employment in the poorer regions of the EU as well as regions facing structural difficulties.
- For the 2007-2013 programming period, the UK will receive approximately €9.4 billion (2004 prices) in comparison with €16.6 billion for 2000-2006. This includes €2.6 billion in "Convergence" funding for its poorest regions (Cornwall, West Wales & the Valleys and the Highlands & Islands), and approximately €6.2 billion in "Competitiveness and Employment" funding for other regions.
- All the new Operational Programmes have been approved by the Commission and are starting to be implemented. Financial allocations are made for each year and must be spent (or lost) within 2 years ("N+2")
- The RDAs are taking over responsibility for the regional management of 2007-13 ERDF in England, under delegated authority from CLG, which is the Managing Authority. CLG has been criticised by the RDAs for being slow in putting systems in place for the new programmes
- CLG is negotiating with the Commission on the extent of clawback of Funds for old programmes, due to irregularities.
- The UK published its vision for the EU Budget in June 2008, including that the Structural Funds should be focused increasingly on the poorer Member States, and should not be available as they currently are in every region.
- The House of Lords Select Committee "A" published its Report on the future of the Funds in July 2008. The Government's reply was given Ministerial approval at the beginning of October.

Future Challenges

- The UK's line on the future of the Funds is not shared by most other Member States.
- It is opposed by the Scottish Executive.
- RDA management of the new ERDF Programmes.
- Successful closure of the old programmes (due to be completed by March 2010). CLG may try to offload financial liabilities onto BERR.

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Key Players Relationship Map

Supporters
- HMT
- Welsh Assembly Government
- Governments of Sweden, Netherlands, Denmark and Estonia (on some issues)

Challengers
- European Commission
- Most other EU Governments
- Scottish Executive
- Local authorities
- DWP/DIUS/DCFS (on some issues)

Neutrals
- CLG
- Northern Ireland Government
- German Federal Government

Essential people to meet in first weeks

None.

Key Milestones

Issue / policy area	Oct '08	Nov '08	Dec '08	2009/10…
Future of the SCF	HMG response to Lords enquiry Commission Green Paper and consultation on Territorial Cohesion		Informal Council of EU Regional Ministers	Spring – Commission paper on Cohesion Policy post-2013
Closure of old SCF programmes				Due March 2010
EU budget review		Commission budget conference		Spring 2009 – Commission's vision paper on budget review

KEY POLICY ISSUE	**Lead Official**
Regional Accountability	Mark Gibson/Philippa Lloyd (Kerry-Anne Crean)

Key Issues
- BERR SoS jointly manages with the network of Regional Ministers, the SoS CLG which meets quarterly
- Regional Select committees and regional grand committees were announced in July 2008 for each English region outside London.

Context
- Over the past year, Regional Ministers have provided a crucial link between Government and regions – being an advocate for their region in Whitehall and representing the Government within their region.

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- Regional Select Committees were announced in the Governance of Britain Green Paper.
- The Modernisation Select Committee held an inquiry into Regional Accountability looking at what the most appropriate structures were for enhanced regional accountability/scrutiny.
- Mod Com reported on 10 July and the Government responded on 21 July agreeing with the recommendations for regional select and grand committees
- The focus of select committees will be primarily on the RDAs and the regional strategy

Future Challenges

- An adjournment debate was held in Jan 08 to discuss the role of the Minister for the West Midlands where Conservatives accused Regional Ministers of visiting more Labour constituencies than Conservative and suggested that public money may have been used for party political ends.
- The Government will bring forward detailed proposals on regional committees to the House in the autumn, including changes to standing orders.
- There is a high likelihood that BERR regions Minister will be involved with the grand committees and may possibly be called to give evidence at the regional select committees.
- It should be noted that there were over twenty contested votes at ModCom's meeting to agree the report, with Conservative Members not content with the inclusion of the recommendation for regional select committees (preferring instead a light-touch model based solely around grand committees) and the Lib Dems, while supporting select committees, opposing the principle of party breakdown being on a national rather than regional basis. Mod Com members of both parties therefore voted against the report as a whole.

Key Players Relationship Map

Supporters

- Most RDAs and other regional stakeholders support Regional Ministers

Challengers

- Conservatives (Select Committees and Regional Ministers)
- Lib Dems (political make up of Select Committees)

Neutrals

-

Essential people to meet in first weeks

Network meeting with the Regional Ministers probably within first month or two.

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Key Milestones

Issue / policy area	Oct '08	Nov '08	Dec '08	2009/10…
Issue 1	Debate in the House on Regional Committees		Regional Select Committees established	Regional Select Committees start inquiries. Regional Grand Committees to hold 1-2 meetings per year
Issue 2				
Issue 3				
Issue 4				
Issue 5				

KEY POLICY ISSUE Regional Development Agencies (RDA) Evaluation Project	**Lead Official** Mark Gibson (DG) /Philippa Lloyd (HMU)

Key Issues

- BERR is the contract holder for the RDA Evaluation Project, which is seeking to provide a robust assessment of the benefit of RDA interventions for regional and national economies.
- PricewaterhouseCoopers (PwC) have been contracted by BERR to manage the project and will publish nine Regional Evaluation Reports and a National Evaluation Report.
- The reports are due to be delivered by 30 November 2008.
- Delivery critical to the RDA's reputation, with increasing political and press pressure being exerted regarding their functions and effectiveness.
- BERR Select Committee will be conducting an inquiry into the RDAs. The RDA evaluation project will have an important role in this inquiry.
- The results of this project could have implication on the future functions of RDAs

Context

- Ministers decided in October 2007 that BERR should take control of the RDA evaluation programme. This was to give greater reassurance to Ministers that a robust assessment of RDAs effectiveness would be in place before the next spending review and alongside any National Audit Office (NAO) value for money enquiry.
- Officials have arranged robust governance and extensive stakeholder management processes, which are essential as this project is one of the largest and most complex evaluations ever undertaken by BERR or DTI.
- The first stage of the project involved Price-Waterhouse Coopers (PwC) undertaking a thorough audit of existing RDA evaluations to identify gaps in coverage. The second stage involved the filling of these gaps through the commissioning of further evaluations. In almost all cases these evaluations were carried out by RDAs consultants, with PwC serving as quality assurers.
- For the purposes of the Impact Evaluation Report a minimum target of 60% of each RDA's eligible spend from 2002/2003 – 2006/2007 was set. The 60% figure covers RDA programme spending only, excluding;
    - administration,
    - legacy programmes (expenditure prior to creation of the Single Pot in 2002-03),

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- spending on national programmes (programmes that are only administered by RDAs).

- PwC will publish nine Regional Evaluation Reports, providing an independent assessment of the effectiveness of each of the RDAs in improving their region's economy, and a National Evaluation Report, providing an independent assessment of the effectiveness of the RDA network as a whole in improving the national economy. Both reports will be submitted to BERR on the 30th November, although initial drafts will be available in the second half of October.
- The NAO are undertaking a value for money study of RDAs which concentrates on three key areas; Strategic fit of RDAs, project appraisal approach, land planning and management. RDA evaluation data on regeneration will feed into this study. The study should report by April 2009.

Future Challenges

- The immediate challenge is to provide a robust assessment of the benefit of RDA interventions complete within the tight time scale
- The key future challenge is what long-term use the evaluation reports will have and their implications for the future of the RDAs.

Key Players Relationship Map

Supporters
- Regional Development Agencies
- HMT
- CLG
- RDAs

Challengers
- None

Neutrals
- None

Essential people to meet in first weeks

None

Key Milestones

Issue / policy area	Oct '08	Nov '08	2009/10…
RDA Evaluation Project	Regional and national conclusions to Ministers RDAs appear at Select Committee SOS at Select Committee	PwC publish their Regional and National Evaluations Reports Sign-off from Minister on both regional and national reports	Public Accounts Committee scheduled (April)

KEY POLICY ISSUE	Lead Official
Skills	DG / HMU Mark Gibson EBG Philippa Lloyd REG

Key Issues

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- Implementing World Class Skills

Context

- ***World Class Skills 2007*** - Govt's response to Leitch Review of Skills. Established demanding trajectory and PSAs at all skills levels. BERR is a partner in delivery of DIUS' skills PSA.
- **Establishment of the UK Commission for Employment and Skills** (UKCES) from April 2008, with advisory and executive functions: advice to Govt on progress towards World Class Skills, simplification of employment and skills system, executive responsibility for reform and re-licensing of Sector Skills Councils. BERR is a co-sponsor along with DIUS, DCSF, DWP, HMT, Devolved Administrations.
- **Demand-led reform agenda** – reform of skills system to reflect economically-valuable skills and qualifications that business values. Train to Gain is the DIUS flagship service to provide employers with support for qualification-based training and management and leadership support for SMEs. Sector Skills Councils are central to raising employer investment and demand and supply-side reform by influencing the qualifications framework, specialisation of FE and establishment of National Skills Academies.
- **Skills implications of Business support simplification**– skills products will be through Train to Gain Service and the primary access channel will be Business Link. RDAs will manage skills and business support brokerage service from April 2009, through a wider Business Link service. Ensuring high performance and quality of service will be a challenge for RDAs as resources for brokerage will be reduced and transition costs in some regions will be significant.
- Further institutional upheaval will potentially introduce more complexity; in 2010 the Learning and Skills Council is to be replaced by 2 separate funding agencies reporting to DCSF and DIUS and a National Apprenticeship Service.
- **Skills Implications of SNR** –proliferation of local / sub-regional partnerships, local Employment and Skills Boards, need to fit with development of Multi Area Agreements and Regional Economic Strategies' skills priorities.

Future Challenges

- UKCES must deliver on SSC reform and relicensing; as co-sponsors BERR actively supports that work. Timescale is ambitious, with recommendations to Ministers due by end of 2009. Risk of Commission being given new and additional tasks by Govt impacting on their original priorities. Sponsoring Ministers may be asked to approve potential new functions for UKCES eg governance of Investors in People.
- RDAs will be challenged to ensure the Business Link service delivers the skills outcomes demanded to meet the Train to Gain Plan for Growth and the PSA trajectories. The service will need to manage the implicit conflict between the demand-led, impartial service and pressure for brokers to deliver "learners starts" in a way that is not visible to the customer. As primary access channel, Business Link will be at the heart of employer engagement for government's offer on employment skills and business support. Strong referral protocols at regional level will be essential to deliver a joined up comprehensive service for employers; the Manufacturing Strategy will feature this.
- Sectoral/spatial - we need to ensure that SNR's emphasis on planning and prioritisation at the sub-regional level, through the creation and utilisation of Employment and Skills Boards (ESBs) within Multi Area Agreements, is joined up with the regional and spatial strategies and sectoral prioritisation. We are working with other Govt departments to produce good practice principles for ESBs.
- Voluntary versus regulatory approach – business has concerns that if progress towards *World Class Skills* is judged to be insufficient, government will move on other regulatory approaches such as right to time to train, training levies or increasing licence to practise arrangements. Legislation is currently being prepared for the right to request time off for training.

Key Players Relationship Map

Supporters
- DIUS
- Business representative organisations generally

Challengers

TUC more likely to favour a more regulatory approach to employer investment in

Neutrals
- List key stakeholder organisations

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Essential people to meet in first weeks

None for Skills, although if Ministers meet business representative organisations, skills issues may be raised. A meeting with Sir Mike Rake Chair of the UKCES would be a later priority.

Key Milestones

Issue / policy area	Oct '08	Nov '08	Dec '08	2009/10…
Issue 1				
Issue 2		BRE performance review		
Issue 3				
Issue 4				
Issue 5				

Business Link's integrated brokerage service goes live in April 2009

Future Options

Outline alternative positions to current approach:

- Ministerial room for manoeuvre
- Options for policy/tactical shift

KEY POLICY ISSUE	**Lead Official**
Digital Switchover	David Hendon - SRO Jane Humphreys – policy lead Jonny Martin – programme coordinator BERR/DCMS

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Key Issues

- Joint responsibility of BERR and DCMS. Programme is on time and on budget – public funding limited to £803m ring-fenced in the Licence Fee. But first region switches starting this November – plenty of scope for problems to arise before programme completion in late 2012.

- BERR leads on consumer protection e.g. ownership of the 'digital tick' certification mark, identification of competent aerial installers, alleged misselling of analogue TV sets, availability of easy-to-use equipment.

- Digital Switchover will enable spectrum to be used more efficiently, freeing up capacity for new services. Ofcom, through its Digital Dividend Review, is managing the process of offering the freed up spectrum to the market – auction scheduled for summer 2009. There is tension between delivering switchover safely and achieving the "optimum" outcome of the DDR

- The Public Accounts Committee reported on switchover in June, focusing on the Help Scheme (DCMS lead) and misselling of equipment. The Government's response is due in October. We have a good story to tell.

Context

- Between 2008- 2012, television services in the UK will go completely digital, TV region by TV region.

- Almost all EU countries will complete switchover by end 2012 – four countries already have.

- Although the Government is responsible for the policy of digital switchover, including the timetable, and the establishment of a Help Scheme for the elderly and those with serious disabilities, the implementation is managed by Digital UK, an independent not-for-profit company set up by the broadcasters.

- 87.2% of UK households already have Digital Television (terrestrial – 39%, satellite – 36.6%, cable – 12.5%) on at least one set – take up is well ahead of projections.

- In 2005, it was estimated that switchover would bring quantifiable benefits to the UK economy of £1.7bn in NPV terms. Ofcom has also estimated that the reuse of spectrum released through switchover could have a total value to society of £5-10 billion over 10 years.

- Until analogue services are switched off, digital services through an aerial are not available to around 20% of households.

Future Challenges

- Border TV region is the first to switch starting with the Selkirk transmitter in November 2008. 16 main transmitter projects will be active in 2009, stress-testing the programme management

- Switchover in London is due to be completed in time for the 2012 Olympics, but Tyne Tees and Ulster are later. Domestic or European pressure to change the switchover timetable can be expected but would be complex to deliver.

- Television technology is developing – plans are already being put in place to upgrade the terrestrial network for High Definition TV in parallel with switchover, but such changes will need careful handling with consumers

Key Players Relationship Map

Supporters

- DCMS
- Digital UK
- BBC
- Ofcom
- Digital Switchover Help

Challengers

There is no opposition to the policy nationally. Some backlash from the award of the Help Scheme basic option contract in the

Neutrals

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Essential people to meet in first weeks

None for Secretary of State

Key Milestones

Issue / policy area	Oct '08	Nov '08	Dec '08	2009/10…
Issue 1		Switchover of the Selkirk transmitter		Switchover in West Country, Wales, Granada in 2009
Issue 2				
Issue 3				
Issue 4	Publication of the HMG response to the PAC report into switchover			
Issue 5				

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Priority Issue	**Lead Official**
• Next Generation Broadband Review	• Sam Sharps

Context

Government commissioned Francesco Caio, former CEO of Cable and Wireless, to carry out an independent review into the barriers to investment in next generation access (NGA) to broadband, and whether there was any evidence to support intervention by Government. Next generation broadband, with speeds up to 100Mbps is seen by many as vital to the future of the economy.

The Review is due to deliver in September and will make a number of recommendations that may help to bring down to cost of deployment of NGA and therefore enhance the business case for investment. Government will be expected to respond in due course.

Key Facts: Supporting Policy/Issue	**Key Facts: Opposing Policy/Issue**
• Limited evidence of roll out of NGA in the UK to date, compared with other countries. • BT and Virgin have announced some level of activity but yet to progress beyond this • No evidence that the UK is being disadvantaged by the lack of NGA, and therefore no real case for Government intervention at this time. • However, intervention may be necessary at some point in the future should the market not deliver. • Review likely to make a number of recommendations which will impact on policy.	• Some recommendations likely to be met with some opposition by OGDs – most notably, CLG and Defra may oppose the recommendation regarding the deployment of fibre overhead and DfT may oppose the recommendation on streetworks. Officials are working with them on this

Next Steps

- Review due to be published on 12 September.
- It is expected that Government will respond to the recommendations of the Review in the pre-budget report

KEY POLICY ISSUE	**Lead Official**
Better Regulation across Government	The Executive Chair of the Better Regulation Executive is **William Sargent**, who works 2-3 days a week. **Jitinder Kohli** is the Director General/Chief Executive.

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Key Issues

- BERR is responsible for driving the **Government's programme for better regulation** – including the flagship commitment to deliver a 25% reduction in what it costs business and charities to administer regulations by 2010 ("the administrative burden reduction target").
- We work with departments to (a) **simplify existing regulations**, (b) ensure that **new regulations are genuinely necessary and minimise burdens** on businesses, the third sector and public sector workers and (c) **change attitudes and approaches to regulation among regulators** to help them become more risk-based.
- On (a), Departments are all due to publish **simplification plans** by the end of the year. These plans will set out what initiatives departments are taking forward to reduce the burdens for which they are responsible. We need to be demonstrate that the Government remains on track to deliver 25% reductions across Whitehall. Key to this is **BERR's own plan** – where there is a real risk that the department will fail to deliver its promised reductions (John Alty and Simon Towler lead on this area).
- On (b), live issues at present include minimising the effects of implementing the **EU Agency Workers Directive** (BERR lead). We are also watching developments closely with regard to the **Competition Bill** (BERR lead), the **Pensions Bill** (DWP lead), No 10's **Alcohol Strategy**, and GEO's **Equalities Bill.** Key areas for the near future are around **Climate Change** (DEFRA lead) and the **Energy Strategy** (BERR lead)
- We are currently consulting on **regulatory budgets** (a new cap on how much regulation departments can bring in). While the consultation does not close until 12 November, we would welcome a steer from you on this high profile and politically extremely contentious policy area.
- BERR also initiates our own projects to improve key areas on regulation. You will need to be sighted on (a) the **Anderson review of guidance,** (b) the **Killian/Pretty review of planning** and (c) the **Consumer Law Review** – all due to publish in the next 8-12 weeks.
- On (c) the Regulatory Enforcement and Sanctions Act received Royal Assent in July. It aims to modernise the way that local authorities and national regulators regulate,and there remains considerable work to make it a reality on the ground. We are also leading external reviews of regulators, and are revising a statutory code which requires regulators to act in a risk-based manner, helping businesses to comply with regulation rather than routinely penalising small breaches that cause little or no harm.
- We also work with the **European Commission** and other member states to ensure that the EU takes forward an ambitious programme of regulatory reform. There is now an EU target to reduce administrative burdens by 25% by 2012.
- **Communication** and raising the perception of regulation is a key challenge and priority for the BRE over the next 18 months – 2 years. Historically, the BRE's focus has been on policy and delivery however, going forward we need to communicate what is being done, or has been done, so that people, particularly businesses, can see and feel the difference the agenda is making for them.
- We have also done some thinking on the **better regulation agenda post 2010** – and would like to discuss this with you in the coming weeks.

Context

Business and public sector workers alike complain strongly that regulation and bureaucracy get in their way. Common complaints are that there is *too much red tape*; *the pace of change is too much*; *it's difficult to find out what to do*; *much of it does not make sense*; and *business/public sector workers don't have the time to focus on their core role*. The largest non-tax areas of regulation faced by business are employment law, health and safety, planning law and consumer law – in the future, regulations to address climate change will become increasingly important.

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Concern about the regulatory burden is not new – and Governments have attempted to address this issue a number of times. However, few have made real progress. Our agenda is focused on making regulations as effective and easy to comply with as possible, not on out-and-out de-regulation. This has shifted the focus to ensuring that the protections offered by regulation do not come at a damagingly high cost to business, rather than attacking the protections themselves. There are **some signs that this current attempt is now working** – business groups remain warm about our efforts, and survey data on business perceptions of regulation is slowly beginning to improve. The key to success seems to be measurement and much greater transparency – eg departments have to deliver a 25% reduction in what it costs business to administer regulations.

Our work contributes to the CSR07 PSA 6: Deliver the conditions for business success in the UK, and a BERR DSO on better regulation. We are **publicly committed to making progress on seven measures**:

- Administrative burdens reduction across 19 government departments, consisting of a 25% reduction for the majority of departments by 2010. Includes BERR target to deliver 25% reduction in measured admin burdens by 2010
- Proportion of businesses (and voluntary sector organisations) who believe that "most regulation is fair and proportionate" in five policy areas – employment law, tax law, health and safety, planning law and company law
- Flow of regulation: total benefit/cost ratio of regulations coming forward over time
- Performance of local authority regulatory services as measured by the national indicator (to be agreed in 2008)
- Overall performance in the World Bank "Doing business" survey and OECD surveys of the policy environment
- Proportion of bureaucracy and red-tape which the public sector front line believes to be unnecessary
- Reduction in data stream requirements from central government to the public sector front line by 2010. Includes 30% cross-Government target to reduce burdens on front line public sector staff

Supporting Brief	Lead Official
• **Regulatory Budgets**	• **Neil Warsop** GRO

Context

Regulatory budgets will impose a cap on the total amount of new cost departments can place on business through regulation. This will provide a way to directly manage the flow of new regulation across government, which is currently lacking. It goes beyond the administrative burden reduction target because it not only covers those administrative costs, but all costs of regulation.

Budgets will be net of the measures that depts are publishing in their simplification plans – so the cost of new regulation being introduced by a dept can be offset by the cost savings that it has already identified.

- We are currently consulting on the system, with a view to starting a shadow rollout in April 2009 and the full system in April 2010. While the consultation does not close until 12 November, we would welcome a steer from you on this high profile and politically contentious policy area.
- As a result of its controversial nature, the Prime Minister, Alistair Darling and John Hutton have been closely involved in the policy.

Key issues:

- The government has committed to excluding regulation regarding climate change from the budget. This decision has been unpopular with business, who believe that it is a

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loophole in an otherwise solid system. We will need to manage both the definition of 'climate change regulation' and how it is controlled, to ensure that this exemption does not undermine the system

- In order to go live with a shadow system in April, we need to make decisions this Autumn even though the consultation closes in mid-November. This is a very tight timescale, which may well slip if we get into difficulties with other departments.
- We intend to provide budgetary allocation to departments in December, and so we need departments to analyse how much budget they require now. However, the quality of analysis is weak, and you may need to encourage other Secretaries of State to ensure that their officials correctly identify the likely regulatory flow over the next few years.
- John Hutton has publicly stated that his "ambition would be to set a regulatory budget as close to zero as possible." Our initial analysis shows that this is achievable, although there is a high risk that departments will argue for a budget set far higher.

Next Steps

- Over the course of the consultation, which asks both 'whether' Regulatory Budgets should proceed and 'how' they should operate, officials will continue to develop the policy with a view to:
  - gaining approval from the ED Committee to implement a system of Regulatory Budgets in the Autumn of 2008;
  - set the levels for an initial regulatory budget and draft a guidance document setting out how the system will operate by early 2009; and begin a pilot period of 'shadow running' in April 2009.

Supporting Brief	**Lead Official**
• 25% reduction in administrative burdens target	• Mark Hammond

Context

- In 2005 the Government committed to measure and reduce what it costs business in time, money and effort to do the form filling, provide other information and handle inspections associated with regulations (the "administrative burden" of regulations).
- The Administrative Burdens Measurement Exercise conducted in 2005-06 determined the cost of administrative burdens facing business and the voluntary sector was £13.4 billion. In autumn 2006, Government departments announced agreement to cutting these annual costs by a net 25% by 2010. To show progress towards this target, departments agreed to publish annual rolling simplification plans.
- Simplification is the term given to measures that will reduce the cost of regulation to frontline business, the third sector and public services. These measures must reduce regulatory burdens without removing necessary protections.
- Simplification Plans are published annually. The second round was published in December 2007, which together identified savings in administrative burdens of £3.5 billion by 2010. Of this, over £800 million of annual net administrative burdens have already been delivered.
- While the Government has measured and set a target for reducing administrative burdens, simplification plans also report progress in reducing the policy costs of regulation. Policy costs are the costs of complying with the policy intent of regulations, not just the associated red tape. Policy costs would be controlled for the first time if we introduced Regulatory Budgets (see below).

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- It is worth noting that HMRC's targets to reduce administrative burdens are different to those of other departments as HMRC is not considered to be a typical regulator. As the UK has a relatively low tax admin burden compared to other EU countries, their targets focus on the areas that cause the largest burden or irritation to business.

Key issues:

- Overall, the Government is on track to meet its 2010 target but we need to keep pressure on departments to deliver their simplification promises and to manage the costs of new regulations.
- Within this, the December 2007 Simplification plan showed BERR just about meeting 25% target. John Alty and Geoff Dart have provided you with a separate brief on this topic. Any failure by BERR (which is the largest business regulator as well as the champion of better regulation) to meet its departmental target would be embarrassing, and would undermine the credibility of the programme.
- Since the programme started there has been a small positive move in business perceptions of regulation. Effective communication of very practical ways in which the programme is making life easier for business is essential.
- There has been some criticism of the way in which administrative burdens are measured. We have some ideas of how to resolve this, and will be putting these before you soon.
- The NAO is due to publish a report in October looking at the value for money of the Admin Burdens programme. We have seen the final draft of this report and are broadly content with it.

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Next Steps

- The third round of simplification plans, showing progress towards the 2010 target, will be published in December. A number of departments' simplification plans are back loaded, with most of the reductions being implemented and measured in the later stages of the programme, it is essential that these remain on track to ensure the Government's target is met. This is especially true of BERR's own plan.
- We have been working up plans for this programme post-2010, when our current target expires. We will be providing you with these soon.

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Supporting Brief	**Lead Official**
• Anderson Review of Guidance	• Jennifer Smookler GRO

Context

There are an estimated 4.7 million private sector small and medium sized enterprises (SMEs) in the UK (businesses with less than 250 employees). They account for 99.9% of all enterprises, and more than half of the employment (59.2) and turnover (51.5%) of the UK.

These businesses consistently tell government that they have a real problem understanding and complying with regulations, in particular with employment, health and safety and tax issues. Government guidance can be difficult to follow, inconsistent and does not guarantee that, even if you follow the guidance, you will be complying with the law. 75% of small and medium-sized businesses say it is difficult to find information about which regulations apply to their business, compared to 58% of large businesses. Three fifths of small and medium sized business employers see regulation as one of the obstacles to their success. In addition, businesses spend at least £1.4 billion a year paying for external advisers to help them to comply with regulations, a significant regulatory cost.

Key Issues

Sarah Anderson, a small businesswoman and former member of the Small Business Council and the Better Regulation Taskforce is leading this Review, which is looking at how to give SMEs greater clarity and certainty on how to comply with regulation. This will:

(a) reduce the burden to business of understanding how to comply with regulation;

(b) reduce non-compliance and its associated costs to business, government and individuals; and

(c) improve the poor perception by SMEs of the government's regulatory regime.

The Review is focusing on five key issues identified by SMEs as barriers to their use of government guidance: certainty, clarity, consistency, cost and accessibility.

We are developing ideas towards:

- Ways of guaranteeing government advice where enforcement is by the state (i.e. compliance with advice would be regarded as compliance with the law)
- Incentivising the use of insured advice helplines on employment law
- Improving the number of businesses using Businesslink.gov.uk
- Giving greater weight to the existing Code of Practice on Guidance and applying it to existing guidance

The Review was launched as part of the Enterprise Strategy this March.

Next Steps

The review is due to report in November 2008.

Some of the ideas emerging from the Anderson Review may have significant cost implications (£40-50 million), and you will need to decide whether you think this is a acceptable amount to spend.

Supporting Brief	**Lead Official**
Consumer Law Review	Anne Willcocks – BRE/CCP GRO

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Context

- The UK is widely acknowledged to have one of the best systems of consumer protection in the world. However, our legislation has accumulated over decades and is complex and fragmented. The government's recent administrative burdens measurement exercise found over one hundred pieces of primary and secondary legislation attached to consumer law, imposing costs on business of around £1.25 billion per year.
- At the same time, new technologies and the opening of global markets are posing opportunities and challenges for businesses and consumers alike. As markets change, rules can become outdated. We need to ensure the law is sufficiently flexible and future-proof to deal with change.
- The government has done much in recent years to improve the other two key pillars of the consumer protection regime – enforcement, and consumer empowerment. However, challenges remain to make better use of enforcement resources and strengthen its consistency and effectiveness, particularly on internet enforcement. Empowerment is among the best in the world in many respects, but there is scope to improve consumer information and access to redress.
- Given the increasing complexity of markets and choices, we also need to ensure vulnerable consumers are sufficiently protected and supported.

Key issues

- The Consumer Law Review is looking at whether there are new approaches which could deliver better outcomes for consumers, whilst at the same time reducing unnecessary burdens for business and promoting fair and competitive markets.
- In particular, the review is looking at :
  - whether greater use can be made of principles rather than prescriptive legislation;
  - what enforcement structures and practices are needed so that resources are focused on areas of greatest detriment; and
  - whether enhancing consumer empowerment can provide incentives to help consumers get a fair deal and reduce burdens on business.
- The review was launched in July last year as part of the Government's 'Next Steps on Regulatory Reform'.

Next Steps

The review issued a call for evidence which closed on 31 July, and the team is currently analysing the responses.

The review is due to report by the end of the year. Decisions will be needed in the autumn on the extent and nature of the review's recommendations, particularly on legislation. There is scope and support for simplification of legislation, but there is also concern about the cost of change on the part of business.

KEY POLICY ISSUE	Lead Official
Supporting Brief	**Lead Official**
• Communication	• Louise Buckley GRO

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Free and Fair Markets – Doha Development Agenda	Claire Durkin

Key Issues

- A World Trade Organisation (WTO) Ministerial negotiation on the Doha Development Agenda (DDA) was held in Geneva on 29 July. The talks made significant progress, but eventually broke down. The Prime Minister has been personally involved in follow on work to capture the progress that was made in Geneva and maintain the momentum that was generated.

Context

High-level summary of Key Policy Issue:

- The current Round of WTO trade talks, the DDA, was launched in 2001. Negotiations cover agriculture, services, Non Agricultural Market Access (NAMA – or industrial goods), environment, rules, trade facilitation (e.g. improving customs procedures), It was agreed that all negotiations would form part of a "Single Undertaking" – WTO members would have to accept or reject the whole package when the negotiations conclude.
- Since then negotiations have been intermittent and varying in intensity, and have stalled several times. Over the past year though good progress has been made, which enabled Pascal Lamy DG, WTO) to call a Ministerial in July, with the aim of agreeing the agriculture and NAMA dossiers.
- This Ministerial made significant progress on many of the most difficult aspects of the negotiations, as well as securing some real indications of future ambition on services. However the meeting broke down without reaching a final agreement.
- Given the progress made, there has been a very broad willingness among the WTO membership to capture this and to maintain the momentum of the talks, with a possible view to reconvening Ministers before the end of the year (and the arrival of a new US administration).
- The Prime Minister has been very involved in these efforts - since the talks broke down he has spoken with several key players (including Pascal Lamy, Peter Mandelson (DG Trade), Presidents Bush and Lula and PM Singh) about the importance of capturing the progress made and ways to maintain the momentum to try and secure a deal.
- The UK is consulting key interested parties about the ways in which we can make the progress we want to see before the next US Administration takes office. This may include a Leaders meeting in the margins of the UNGA MDG meeting in New York in September to test and galvanise political will to complete the Round. The joint BERR/Dfid Trade Policy Unit (TPU) has been developing plans (in consultation with ODGs) for this meeting if it is to go ahead.

Future Challenges

- We need to ensure that the WTO membership do in fact sign up to capture the progress that was made in Geneva. This will be challenging. In particular, the US has stated that what they signed up to was a careful balance, indicating that any changes will tear apart this balance. In contrast, it is unclear whether India really signed up to the package in the first place.
- Achieving a real shift in political will, particularly in the US and in India, will not be straightforward. Without such a shift, the chances of success are minimal.
- Trade policy is a matter of Commission competence. Serious effort will be needed to maintain the EU dynamic. Good coordination in Geneva secured sufficient support for the Commission, but we will need to maintain this over the coming months to ensure the Commission has the right level of flexibility to fully engage in any future Ministerial. This will not be easy with an actively hostile French Presidency.
- Technical discussions need to continue in Geneva to try and resolve a range of difficult issues including the Special Safeguard Mechanism (which protects developing country farmers from import surges), cotton (where the EU may also come under pressure), bananas and NAMA sectoral agreements. All have the potential to be real deal breakers. We must continue working to manage these.

KEY POLICY ISSUE	**Lead Official**
	DG: John Alty, HMU: Claire Durkin

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BERR EU STRATEGY (& EU SERVICES DIRECTIVE IMPLEMENTATION)	

Key Issues

- BERR's EU Strategy is to facilitate open, fair and competitive markets - making the EU Single Market and EU Better Regulation priorities a reality for businesses and citizens and creating jobs and growth
- EU Strategy has two parts:

- Part 1, Short Term: specific EU priority issues that can be delivered by existing European Commission (which will be replaced in 2009) on Opening Markets; Supporting Business; and Improving the business environment

- Part 2, Long Term: presenting to the incoming Commission and new MEPs (both appointed in 2009) and other EU Member States a compelling vision of economic reform for the EU post 2009/2010

- BERR is committed to consulting with, and taking account of, the views of BERR's business and other key stakeholders in its implementation of the EU Strategy, as well as liaising closely with other Government Departments

- A high level BERR Ministerial EU business advisory group (chaired by BERR Minister for EU Competitiveness, with business and other stakeholder members) has been established to steer long term implementation of the strategy – first group meeting will be on 16 October 2008

- EU Services Directive: Adopted by EU in December 2006 (after lengthy negotiations), UK on target to implement by December 2009 deadline.

Context

- The BERR/FCO Global Europe business conference (speakers included the PM and BERR SoS) on 14 January 2008 signalled a shift in emphasis for government and business from EU institutional reform to action on developing EU policies for jobs and growth
- Following up the 14 January event, a meeting of BERR Ministers agreed that a new BERR EU Strategy should be produced in order to influence firstly the current Commission and MEPs (up to 2009) and the incoming new Commissions and MEPs (to be appointed in 2009)
- The EU Strategy complements and contributes to BERR's PSA 6 (Deliver the conditions for business success in the UK) and the Fair Markets Business Plan Objective on Opening markets in Europe and internationally
- Possible constraints are BERR's ability to influence the priorities and timetable of the current Commission and MEPs to match our EU priorities, which will also apply to the new Commission and MEPs to be appointed in 2009
- EU Services Directive: A key EU Single Market priority for UK as the services sector accounts for 70% of EU GDP but only 20% of intra-EU trade – this Directive aims to open up the EU services market. Member States required to remove barriers to cross border service provision that cannot be justified in terms of the directive and set up Points of Single Contact that will enable users to find out about the relevant rules and procedures for doing business and to apply remotely for any necessary licences or authorisations

Future Challenges

- To continue to promote an EU economic reform and open markets agenda through BERR Ministerial engagement at EU Councils and meetings with the Commission and MEPs in the face of opposition from more protectionist EU Member States
- Ensure that incoming Commission and MEPs in 2009 maintain momentum of EU economic reform and focus on measures to increase EU competitiveness
- EU Services Directive: Ensure effective implementation in UK by December 2009 deadline and to continue to influence other Member States so that they also open up their markets by implementing effectively and on time . Also need to set up mechanisms to ensure that future legislation and administrative processes comply with the Services Directive.

Key Players Relationship Map

Provide high-level picture of who they are and how they feel about the overarching Major Policy Issue

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Supporters

- UK Business (via CBI, IoD, BCC) - generally supportive of BERR's EU priorities
- European Commission – broadly supportive of our EU economic reform policies
- Other Government Departments: BERR links closely with several
- EU Member States (generally supportive of UK line): Netherlands, Finland, Denmark, Czech Republic, Estonia, Austria

Challengers

- European Parliament – MEPs and EP Committees have varied views, but overall strong support for social model can impact on economic reform measures
- EU Member States: France (but building closer links e.g. annual UK/France Summit), Southern Europe, Belgium, Poland, Lithuania, Romania

Neutrals

- EU Member States: Sweden (support on some issues), Germany

Essential people to meet in first weeks

EU Commissioners (either early meeting or early phone call): Verheugen (Enterprise), McCreevy (Internal Market); Mandelson (Trade); Kroes (Competition); Spidla (Employment); Piebalgs (Energy); Reding (Information Society e.g. telecoms)
EU MEPs: Gary Titley (Leader of Labour Group); Arlene McCarthy (Chair of Internal Market and Consumer Protection Committee)
EU Ministers: Lagarde (Economy Minister, France); Glos (Economy Minister, Germany); Vizjak (Economy Minister, Czech Republic – EU Presidency Jan-June 2009)
Key UK stakeholders: Richard Lambert (CBI); Brendan Barber (TUC); Miles Templeman (IoD); David Frost (BCC); Roland Rudd (Business for New Europe – key pro-EU business organisation)

Key Milestones

Provide key milestones covering the identified supporting issues / policy areas

Issue / policy area	Oct '08	Nov '08	Dec '08	2009/10…
Issue 1: Short term EU Strategy	BERR SoS visit to Brussels, 13-14 Oct to meet key Commissioners and MEPs	EU Ministerial Conference on Clusters, 13-14 November 2008 (Shriti Vadera attending) BERR/FCO Global Europe conference. London, 17 November	EU Comp'ness Council, 1-2 December French EU Presidency ends 31 December	Czech EU Presidency starts on 1 January 2009
Issue 2: Long term EU strategy	First meeting of BERR EU Ministerial business advisory		Draft BERR EU long term strategy "Manifesto" to be	Present BERR EU long term strategy and make early positive influence with new Commission and new MEPs to be appointed in mid 2009

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		group on 16 October		finalised, end December (for completion and BERR Ministerial approval by mid 2009)		
	Issue 3: EU Services Directive				EU Services Directive implementation date - December 2009	

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KEY POLICY ISSUE Employment Strategy	**Lead Official** Matthew Hilton
• Employment law and policy is a highly political part of future domestic and European agenda. ER manages, with SPADs, BERR's relationship with TUC. • Priorities: implementing the Warwick agreement (and managing new proposals) and delivering the simplifications to employment law and administrative burden reductions promised without diluting employment rights and protections. Key themes: protecting vulnerable workers (better enforcement of existing rights) and making compliance easier for good employers. • The "Warwick Agreement" (July 04) ranged over a broad spectrum of topics across Government and was subsequently transposed into the manifesto. Success at Work (March 06) set implementation of the core Warwick employment commitments in the wider context of the labour market. It was a definitive statement of the government's delivery for the workplace in this Parliament. Ministerial committee serviced by No10 has been monitoring progress in cooperation with the chair of the Labour party – majority of new rights now in place. John Hutton speech to Fabian Society on 29 May spoke of 'ending the era of regulating'. A new 'Warwick agreement' was made in July 2008 – need to manage expectations. • Key policy areas include: implementing outcomes from the Vulnerable Workers Forum which involved TUC, CBI and individual business and unions, plus all the workplace enforcement bodies. Setting the rate for the NMW – government evidence to the LPC Autumn. Employment Law Simplification and targeting rogue businesses – Employment Bill (before Parliament) crucial for delivery of simplification plan and administrative burden savings particularly delivery of Dispute Resolution changes and new simpler penalty regime for NMW. Family-friendly agenda/Strategic Challenges – extending the right to request and bringing in Additional Paternity Leave. Maintaining flexible labour markets and balance between TUC/CBI when other departments seek to use employment law to achieve their aims including pensions, skills, equality. European social law including future of the opt out from the working time directive, agency work directive. Migration. Relationship with Acas, independent but wholly funded by BERR.	
Key Facts: Supporting Policy/Issue • UK best EU Member State for ease of employment law (WB). • Employment is at a record level with 28.9 million people in work (2.5 million more than in 1997) and unemployment close to its lowest levels for over twenty years. • TUC pressing for delivering on Warwick1 and still pressing for more rights.	Key Facts: Opposing Policy/Issue • CBI and TUC broadly happy with plans to save approximately £430m (out of BERR's total of £1.9bn) for the administrative cost savings.

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Next Steps

- Juxtaposing implementation of manifesto commitments with challenging admin burdens and simplification targets. Risk that commitment to not diluting employment rights will be challenged.

- The Bill goes to Committee 14-23 October.

A number of early decisions will be needed, including:

- Warwick 'one off' increase in weekly limit for redundancy pay

- Tipping

- Trawlermen

Supporting brief	**Lead Official**
Vulnerable workers	Matthew Hilton

Context

- 'Success at Work - Protecting Vulnerable Workers, Supporting Good Employers' (March 2006) committed Government to protecting vulnerable workers. Fair framework of basic workplace rights, including the right to a minimum wage, a right to 24 days paid leave (being increased to 28 days from 1 April 2009), and the right not to be forced to work more than 48 hours a week on average. The challenge now is to ensure that vulnerable workers benefit from those rights.

- The report of BERR's Vulnerable Worker Enforcement Forum was published in August together with the Government's action plan for addressing the enforcement issues raised in the Forum.

- The TUC ran its own Commission on Vulnerable Employment(CoVE). Its terms of reference were wider than those of the Forum (which was focused on improving enforcement of the existing framework of workplace rights). The final CoVE report was published in May.

Key Facts: Supporting Policy/Issue	**Key Facts**: Opposing Policy/Issue
• The Forum report demonstrated government's commitment to helping vulnerable workers. The package includes: • A sustained, three year, government-led campaign to raise vulnerable worker awareness of basic employment rights and encourage the reporting of workplace abuses. • Establishment of a single telephone gateway to the enforcement bodies through which vulnerable workers will be able to report abuses and access advice on the rights enforced by government. This will significantly simplify and streamline the current	CoVE recommendations which are <u>not</u> being pursued: Government to enforce a broader range of employment rights • The emphasis in the UK is on individuals taking action to assert their rights, if necessary through reference to an employment tribunal. This allows the UK to avoid the prescriptive legislation and Labour Inspectorates common in other EU states. • The Tribunal system is currently being improved following a review by Michael Gibbons. Extend gangmaster-style licensing to other

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five helplines. • Action to tackle the legal information-sharing barriers that, for some of the enforcement bodies, prevent inspectors passing information to each other. This will enable better targeting of the worst employers. • A Fair Employment Enforcement Board chaired by the Employment Minister bringing together the enforcement bodies and independent experts to improve and co-ordinate enforcement activity. • Measures in this session's Employment Bill will increase the penalties that can be imposed on non-compliant employers; ensure that workers underpaid the minimum wage get fair arrears; and strengthen the enforcement bodies' investigatory powers. • Two vulnerable worker pilots led by the TUC and Marketing Birmingham were launched in June 2007 to identify practical ways of improving the advice and support available to vulnerable workers and their employers at local level. The pilots will run until April 2009. • There will be a third round of the Union Modernisation Fund with a focus on projects which will improve support for vulnerable workers.	sectors • Employment agencies operating outside the agricultural and food processing sectors are already subject to regulations enforced by the Employment Agency Standards Inspectorate (EAS). • The Government does not currently intend to extend licensing but to prioritise effective enforcement of the existing law, not introduce new regulation. Government will do this by taking steps to strengthen the EAS and raise its profile. • The number of employment agency inspectors has been doubled and provisions in this session's Employment Bill will give the EAS stronger powers of investigation and access to stronger penalties. • The Vulnerable Worker Enforcement Forum heard contrasting views on an extension of licensing from union and business and representatives of Citizens Advice.
Next Steps • BERR to take forward action plan from Vulnerable Worker Enforcement Forum report. • Establishment of Fair Employment Enforcement Board – first meeting in November.	

Priority Issue EU Employment Law agenda	**Lead Official** Matthew Hilton
Context • **Strategic:** EU term ends in 2009 and with much business still unfinished, including Reform Treaty, both Commission and Parliament (EP) are in a hurry and in legacy mode. An ambitious French Presidency is also determined that the EU will make its mark. EU discussions bring out tensions between openness and competitiveness as the most appropriate response to globalisation and more protective/protectionist approaches. Employment law (which provides EU minimum workplace standards) is one of the key	

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fault lines, dividing member states; the Council and the EP and the Social Partners (Business and Trade Unions). **Working Time (WTD) and Agency Work (AWD),** both critical elements of UK labour market flexibility have kept the EU in deadlock for several years – and kept other initiatives in check. But, following UK domestic agreement on Agency Work and with France changing tack to work with the UK (and Germany), the Council and Commission have agreed ways forward on both Directives as a package. But the EP now has to agree. This will be difficult; MEPs, especially from left of centre groups (including the EPLP), and from those countries not supporting agreements in Council will try to reverse gains – particularly on Working Time where they are likely to target the opt-out. Priority is to influence EP (both directly and through others) and ensure other Member States hold steady in the Council. With pressure to agree quickly, keeping good outcomes on both dossiers will need significant political and diplomatic efforts.

b) There is some risk the EP mood could be influenced by recent trade union outcry (shared by some MS) following **ECJ judgements on posted workers.** Unions are concerned that by not requiring the application of localised (only of national) collective bargaining provisions EU rules for posting of workers allow for "social dumping" – and is evidence of an EU not doing enough to protect its workers.

c) With time running out and no new employment legislation to show for it the Commission is pressing for changes to existing laws – including on **European Works Councils** (EWCs) and on **Work Life Balance** (maternity/parental leave and associated measures). EWC changes are expected to be agreed quickly (following an EU social partner intervention) which will be seen as positive action by the EP – but some family measures could well split both MS and EP leading to more difficult discussions.

Detail

- **Working Time Directive (WTD):** the most divisive and longstanding issue. For most, the practical priority is to resolve the legal problems around on-call time and compensatory rest resulting from the SiMap/Jaeger ECJ judgments, but the real political battle has been around retention of the opt-out. A qualified majority of 22 Member States has now accepted it will be retained – but with additional safeguards. It is this element – but possibly also other areas such as the SiMAP/Jaeger solution - that will come under the most sustained attack in the EP.

- **Agency Workers Directive (AWD):** dormant until resurrected by the Portuguese Presidency as a ploy to get agreement on WT. The sticking point was the "equal treatment" qualifying period – but MS using collective agreements could effectively rewrite Directive terms. The UK domestic agency work agreement provided another way forward for MS without that tradition. We understand EP likely to quickly agree AWD (which has enjoyed ETUC support) – thus breaking the direct link with WTD.

- **Posted workers** – current PWD facilitates cross border provision of services across the EU. To prevent unfair competition and protect posted worker rights, certain but not all minimum terms and conditions must apply to a posted worker. As some collectively agreed terms fall outside this definition the ECJ has found against unions taking action to force the application of localised collective rights. This has led to accusations of the EU being responsible for social dumping and undermining of union rights. The Commission is not minded to change the PWD but is providing for an EU discussion, in the autumn, on the implications of the ECJ judgements.

- **European Works Councils -** unusually EU Social Partners have written to the French Presidency proposing agreed changes to the Commission proposal to amend the current Directive. This is likely to facilitate a quick agreement between MS and within the EP. The UK will focus on trying to achieve some detailed technical amendments to avoid unintended consequences which could cause future problems for the wider Information & Consultation agenda. An agreement in the Council under the French Presidency is likely to set a positive tone in Europe.

- **Work Life Balance measures** – EU social partners have agreed to negotiate an

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<table>
<tr><td colspan="2">agreement on parental leave (which once started they must complete in 9 months). But the Commission expected to issue proposals on 1 October including on extending maternity leave and providing full salary throughout, flexible working, and protections around maternity related dismissal. Such measures may prove controversial and divide MS – for the UK whilst generally supportive of the principles there is a risk that the detail could bring risks to UK policy approaches and bring opposition, particularly from small business.</td></tr>
<tr><td><u>Key Facts: Supporting Policy/Issue</u>

• UK has very good story to tell on flexibility and fairness in the labour market - including high employment, low unemployment and a framework of basic rights for all workers not just employees.

• The WTD opt out is key element of flexible labour markets and personal choice. It is estimated to be worth £bns to the UK economy and approx 3.3m UK workers chose to work more than 48hrs per wk.

• HMG has agreed with CBI/TUC on a formula providing for <u>equal treatment after agency workers</u> have been in a particular job for 12 weeks.

• Recent ECJ judgments on the Posted Workers Directive properly reflect the objectives of the Directive in balancing the protection of workers rights and ensuring the freedom to provide services within the single market. Would not wish our domestic industrial relations framework to be unsettled by these recent judgements – and will work with interested parties to examine them and as necessary take action to protect UK position.

• Working parents now have more choice and support than ever before to help balance childcare with work in ways that benefit employers, employees and their children. This has been taken forward sensibly without stifling economic growth, enabling employers to benefit from the widest possible pool of talent available.</td>
<td><u>Key Facts: Opposing Policy/Issue</u>

• TUC opposed to the WTD opt out – this is likely to be the most difficult argument in the EP

• Unions remain convinced that the ECJ judgments allow for social by giving posted workers only minimum terms and conditions, not those set out in local collective agreements. They are also concerned that unions might be hampered from taking collective action in cross border disputes as they now have to ‘prove’ that the action is justified and proportionate.</td></tr>
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Future Challenges

- **Top priority:** maintain the Council agreements on AWD and WTD – or ensure any changes proposed are consistent with UK red lines most particularly to enable full implementation of the domestic agreement on agency work and to retain a workable opt out to WTD
- Avoid that concerns about posted worker rules undermine AWD/WTD agreements or otherwise lead to any unwelcome measures
- Achieve EWC outcome that doesn't undermine business adaptability
- Achieve outcomes on Work Life Balance that don't undermine UK family friendly policy – nor lead to increased burdens on business
- Once the new Commission and EP are in place maintain EU focus on jobs and growth, employability, fairness and flexibility. Strive for 'better regulation' and resist harmonisation of EU employment law.
- Continue to manage risks of any EC work on enforcement & review of existing laws.

Key dates / events

- 9 October EU Forum looking at implications of ECJ judgement (PWD)
- 14/15 October European Council
- 11/12 December Employment Council
- 15/16 December Employment Council
- 22 December end of 3 month EP process and possible 2nd Reading deal under French Presidency. Process can either be extended by max one month or move to Conciliation between Council and EP.

2009

- 1 January Czech Presidency
- 22 January final deadline for second reading deal; or move to EP/Council conciliation process (which must be completed within a maximum 8 weeks from start)
- End March latest expected conclusion of Conciliation
- 4-7 May last EP Plenary
- June EP elections
- 1 July Swedish Presidency
- 1 November new Commission takes office

KEY POLICY ISSUE	LEAD OFFICIAL
Simplification Plan – reducing administrative burdens of BERR regulation	John Alty (DG)/Geoff Dart (HMU)

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Context

1. BERR (and all other depts) to reduce administrative burdens by 25% by 2010. BERR responsible for approx 1/3 of government total (excluding tax).

2. Details of how Departments will achieve 25% target are set out in annual simplification plans. Second plans (SP2) Dec 2007, third plan (SP3) due Dec 2008. SP2 showed BERR just about meeting 25% target.

3. SP3 will set out progress on key measures delivering reductions including; the Companies Act 2006, Unfair Commercial Practices Directive (UCPD), improved Dispute Resolution procedures in the Employment Bill and improved employment law guidance. Increased confidence that target will be achieved but still challenging.

4. Departmental simplification plans are also a vehicle for reporting on wider better regulation initiatives – e.g. implementation of the Services Directive.

Key Facts: Supporting Policy/Issue

- BERR admin burdens baseline approx £4.2bn – 25% is £1.05bn (net of new burdens imposed since May 2005).

- Target reductions:
  - Companies Act 2006 - over £300m
  - UCPD regs - £216m
  - Employment Bill and new dispute resolution services - £150m
  - Employment law guidance - £365m from several workstreams.

- Total delivery to date about 9% net of new burdens – mostly from CA06 and UCPD

- New admin burdens just over £100m – most of the burdens predating this exercise. New burdens in pipeline before 2010 are small.

- Plans generally regarded by stakeholders as addressing the right policy issues – delivery is acid test though.

Key Facts: Opposing Policy/Issue

- Employment law – some stakeholders sceptical about guidance delivering large reductions and challenge of delivery is great. £10m is being spent on targeted promotion and measurement of impact.

- Level of admin burdens reductions arising from UCPD implementation being validated with stakeholders – but changes are genuine policy changes.

- Complaints from business (e.g. BCC) that policy cost (not admin burden) on business is high and growing. Bad news on policy costs could obscure progress on admin burdens. Proposed system of regulatory budgets will help.

- Concern about measures with potential to impose new admin burdens shortly after target date – e.g. Agency Workers Directive.

- Any slippage in delivery either in time or amount would jeopardise ability of BERR to meet target. Efforts to find additional admin burdens reductions mitigating this risk.

Future Challenges

- Biggest delivery challenge remains employment law guidance projects – measurement exercise is in the field. Flexible working deregulation measure out to consultation.

- UCPD figures need to be validated with business stakeholders – planned for September 2008.

- Establishing whether there are additional admin burdens reductions to be scored and if so at what level – before publication of SP3 in December. Also whether there are new burdens to take into account from new employment strategy.

Impending decisions

- Content of SP3 to be finalised – 1st draft to BRE in September and Ministers shortly afterwards. Publication due in December.

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Key Players Relationship Map

Supporters	**Challengers**	**Neutrals**
• Most stakeholders generally supportive – but will challenge on specific policies. CBI, FSB usually provide balanced analysis and support BERR but also have specific concerns (mainly employment law)	• BCC most likely to challenge admin burdens methodology – more concerned about policy costs. Want more radical deregulation. • TUC promoting employment law policies imposing new burdens.	• National Consumer Council – support efforts generally, but have expressed concern that efforts are overly focussed on reducing burdens on business. With TUC want greater acknowledgement of benefits of regulation

Essential people to meet in first weeks

Senior representatives of key stakeholders - as above – but a meeting on this subject alone is not required – worth raising as part of a more general meeting with these key players.

Key Milestones

Issue / policy area	**Oct '08**	**Nov '08**	**Dec '08**	**2009/10…**
Admin burdens reductions	SP3 clearance. 1 Oct Common Commencement Date – new measures take effect		SP3 publication (with other Departments' plans).	CCDs April '09, Oct '09, April 10 – new measures take effect. Dec 2009 – Simplification Plan 4 published May 2010 – Target date for achieving 25% net reduction in admin burdens.

Key Policy Issue	**Lead Official**
Implementation of Companies Act 2006	Mike Penry

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Key Issues

Companies Act 2006 commencement timetable

The Minister of State for Competitiveness, Stephen Timms announced on 7 November 2007 that the commencement date of 1 October 2008, for some provisions of the 2006 Act, would be delayed to 1 October 2009. This was to take account of the Registrar of Companies' risk assessment of the time needed to complete necessary changes to Companies House systems and processes to meet the new requirements of the Act.

Provisions which will still be commenced in October 2008 include the new procedure for private companies to make capital reductions supported by solvency statement and removal of the restriction on restoring to the register companies dissolved before 1969.

Other issues

- Estimated to deliver benefits to business of around £250 million a year.
- Main controversial policy areas during the Bill were directors' duties and narrative reporting.
- Business was concerned that the statutory duties will increase directors' potential liability and result in excessive paper trails.
- Lobby groups (under umbrella of Corporate Responsibility Coalition) wanted directors to have duties to the environment etc. as well as to the company, and wanted all large companies (not just quoted companies) to produce an enhanced Business Review.

Context

- The 2006 Act modernises and simplifies company law in a way that makes it more accessible and easier to understand. The changes made by the Act were based on the recommendations of the independent Company Law Review commissioned with the task of looking at this in 1998. It introduces a range of deregulatory measures, with particular focus on small companies, which have been widely welcomed by business.
- It introduces a statutory statement of directors' general duties, which provides greater clarity on what is expected of directors. It also introduces narrative reporting/Business Review provisions to encourage meaningful strategic, forward-looking information to enable shareholders to hold the directors accountable, without imposing disproportionate administrative burdens on business.

Future Challenges

- Implementation of all provisions in Act and secondary legislation by 1 October 2009 (Ministerial statement made on implementation timetable 13 December 2007)
- Majority of remaining secondary legislation to be made or laid in draft by end of 2008. Parliamentary debates will require substantial Ministerial attention between September 2008 and March 2009 to meet the publicly announced commencement timetable.
- Companies House need to complete major changes to systems to incorporate new changes resulting from the Act. New software system CHIPS being used as basis for development of changes. Main risk to project remains slippage in delivery of system changes.
- Managing the pressure to include requirements in the DEFRA Climate Change Bill for mandatory reporting of carbon emissions. No case has been made for such requirements, and the admin burdens are likely to be significant. Report Stage is expected in early October.

There is currently no reason that we would not be able to meet these challenges as our project delivery plan remains on track.

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<u>Key Milestones</u> - Companies Act 2006 implementation timetable

We will quickly provide any new Minister, with company law within his or her portfolio, with a detailed overview of regulations requiring Ministerial approval between September 2008 and early 2009, including the potential timetable for Parliamentary debates. The milestones provided below give a brief overview of what is a packed timetable, which the Government has committed to publicly. Slippage would impact negatively on UK Business, particularly in preparation for the next AGM season.

Issue / policy area	**Oct '08**	**Nov '08**	**Dec '08**	**Early 2009**
Companies Act 2006 implementation	Final Commencement Order to be made. Further regulations to be laid or made.	Parliamentary debates on affirmative regulations.	Further regulations to be laid or made.	Parliamentary debates on affirmative regulations. Consequential Amendments order and other regulations to be made/laid in draft.

KEY POLICY ISSUE	**Lead Official**
Draft Competition Bill	John Alty/ David Saunders

<u>Key Issues</u>

- We have LP clearance for a draft Competition Bill in the next Session. We anticipate bidding for a Bill in the Fifth Session

- An effective competition regime is important to productivity, resulting in more efficient allocation of resources, lower prices and better quality goods and services. This is especially pertinent given the current economic climate.

- Proposals fall into two areas:
    - **Private actions** – making it easier for consumers and businesses to get access to redress (if necessary through the courts) for any damage they have suffered from anti-competitive behaviour. This should deter anti-competitive behaviour as well as empower consumers. .
    - **Improvements to procedures under which the competition authorities investigate Mergers and Markets**, to the benefit of business as well as the authorities.

<u>Context</u>

- The 2001 White paper *Productivity and Enterprise: A World Class Competition Regime* set out a blue print for improving the regime. Reforms, including legislation in the shape of the Competition Act 1998 and the Enterprise Act 2002 have resulted in the regime now being ranked among the best in the world.

- The OFT published a consultation on private actions in Nov 07 to establish whether parties harmed by anti-competitive behaviour had access to redress (one of the White Paper principles) – it demonstrated that private actions were rarely used by consumers and small businesses - thus a strengthening of private actions was required (see supporting brief). Review of the regime has also pinpointed changes to the merger and market investigation procedures which could usefully be made.

- The Chancellor announced the consultation in the Pre Budget report of October 07.

- The consultation has been delayed, initially due to discussions with the Ministry of Justice over the form of the proposals, and latterly due to a desire to await publication of the Civil Justice Council's Report on Improving Access to Justice through collective actions, as agreed with the Leader of the House of Commons (who has her own agenda in wanting to introduce similar

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proposals on private actions in discrimination cases).

- Draft Bill Status was granted by Leader of the House of Commons in July 08 with the proviso that the draft Bill is published before Easter Recess 2009.

- The proposals in the draft Bill will contribute to delivery of DSO3: Deliver free and fair markets, with greater competition, for businesses, consumers and employees

Future Challenges

- Time frames are very challenging as the draft Bill needs to be published before Easter Recess 2009 – and we have yet to issue the consultation document.

- Need to resist some colleagues' desire to extend principles of our proposals to other areas of the law.

- Managing the CBI as far as possible, as their members are likely to face claims for compensation and because they fear similar reforms could later be introduced in more unwelcome areas e.g. employment law..

Key Players Relationship Map

Supporters

- Consumer groups e.g. Which?
- Federation of Small Businesses & Retail Motor Industry Federation (believe will benefit small businesses)
- MOJ (Private actions – provided competition can be ringfenced from other areas of the law, where they oppose corresponding changes)
- HMT – see economic benefits.

Challengers

- CBI (although support thrust of merger proposals)

Neutrals

-

Key Milestones

Issue / policy area	Oct '08	Nov '08	Dec '08	2009/10…
ED Clearance for Consultation launch				
Publish Draft Bill				Before Easter Recess 2009

KEY POLICY ISSUE	**LEAD OFFICIAL**
POST OFFICE NETWORK	JO SHANMUGALINGAM

Key Issues

- £1.7bn Govt funding package in place to support network to March 2011. But shape and size of network beyond 2001 needs to be agreed by end 2009 to secure state aid clearance for funding.

- Programme to close up to 2,500 branches offset by 500 new 'outreach' services (e.g. mobile offices) well advanced – As at 2 September, decisions on only 7 out of 42 local consultations outstanding.

- Judicial Review (JR), challenging legality of BERR closure decision on grounds of breach of Disability Discrimination Act duties, goes to Court 8-10 October.

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- DWP decision on successor to Post Office Card Account to be announced in October. If POL does not win the new contract, closure of a further 3,000 post offices predicted.

Context

- Post Office Ltd (POL) is a heavily loss-making subsidiary of Royal Mail Group Ltd and operates the Post Office network. Operates on arms-length commercial basis from HMG under Postal Services Act 2000.

- Lifestyle and technological changes are reducing post office usage – direct debit, benefits into bank accounts and people doing transactions online. As a result, a purely commercial network would only be 3-4,000 branches.

- HMG provided £2bn of funding to POL between 1999 and 2006 to support the non-commercial network. Any HMG funding for POL requires state aid clearance from the European Commission. A further £1.7bn package was put in place in May 2007 following a public consultation on the future of the network. It includes an annual £150m subsidy. The funding package is designed to:

    - make the network stable and sustainable at around11,500 branches through the compensated closure of 2,500 branches.
    - return POL to profitability (post subsidy) by 2011.

- The closure programme is being implemented by POL through 42 local consultations. Decisions on only 7 local consultations still to be announced. Physical closure of all branches scheduled to be completed by December, though a small number will carry through to the New Year.

- JR case turns on whether we took into account our disability duties in formulating the current Post Office policy. It is a question of whether substance or process is more important: we will win if the Court focuses on the substance of the policy (inherently designed to protect Post Office access for vulnerable people), but are at a significant risk of losing if process is deemed more important.

Future Challenges

The major challenges are:

- NAO study into the current funding and closure programme: report and PAC hearing due spring 09.

- Decisions on post 2011 shape and size of the network and funding levels

- Political and media fallout if POL does not win POCA successor contract

- Reputational impact on BERR if JR claim is successful.

Key Players Relationship Map

Supporters	Challengers	Neutrals
• Post Office Limited	• National Federation of Sub postmasters (NFSP) • BERR Select Committee + MPs more widely • CWU • European Commission	• Postcomm • Postwatch/Consumer Focus • OGDs

Es[illegible]week

Alan Cook – Managing Director, POL
George Thomson – General Secretary NFSP

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Key Milestones

Issue / policy area	Oct 08	Dec 08	Mar 2009 onwards…….
Network Change Programme	JR decision Final closure decisions announced	Final closures apart from a short 'tail' of offices	NAO report and PAC hearing
Shape and size of funding beyond 2011. POL state aid clearance of post 2011 funding			Decision on post-2011 network size and associated funding required by end 2009
DWP POCA successor decision	Announcement of decision expected		

Future Options

- The independent (Hooper) review on mail services market may offer scope to review/recast relationship between POL and the rest of RMG, if desirable.

KEY POLICY ISSUE	**Lead Official**
Royal Mail	Stephen Lovegrove/Susannah Storey

Key Issues

- Government's response to the Independent Review
- Royal Mail's existing large pension deficit and expected larger deficit following next valuation in 2009 (to c£7 billion)
- Royal Mail's financial performance in difficult market conditions
- Recruitment of new Chairman to replace Allan Leighton in March 2009
- Directors' incentives/remuneration

Context

- BERR (Shareholder Executive) has direct responsibility for HMG shareholding in Royal Mail Holdings plc. Its subsidiary Royal Mail Group Limited comprises the RM letter business and Parcelforce. Post Office Limited is a subsidiary of RM Group Limited and operates the nationwide network of post offices (see separate brief on POL). SoS holds a special share in Holdings which means that SoS consent is needed, inter alia, for the Directors' remuneration framework and Board appointments. Postcomm is the independent sector regulator. Postwatch (to be merged into a new organisation, Consumer Focus, in October 2008) is the consumer body.

- Royal Mail's financial position is fragile. It has a £9bn turnover but made operating profits of only £162m in 2007/8 (expected to rise to £275m in 2008/9). The pension fund requires cash payments of c£800m per annum (c£250m to address the current deficit). The company needs to reduce costs by transforming its network but progress has been slow so far. Market conditions are also difficult with competitors targeting big mailers although the fall in volumes of letters sent (due to e-substitution) is more damaging to Royal Mail. A finance framework comprising debt facilities of £1.2bn and an escrow account of £850m was put in place in 2007 to support the transformation of RM and to support the pension fund (in deficit at around £3bn at the time) respectively. The

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relationship between the RM management and the CWU is poor. The union recognises that change is needed but obviously wishes to safeguard its members' interests. The CWU has threatened (but not balloted) industrial action on pension reforms introduced in April this year. It is also expected to resist Mail Centre closures such as those recently announced in Liverpool and Crewe.

- John Hutton announced an Independent review of the Postal Market in December 2007. The Chairman is Richard Hooper (ex-Deputy Chair of OFCOM) supported by Dame Deirdre Hutton (Chair, Food Standards Agency) and Ian Smith (ex-CEO Taylor Woodrow). The Review's terms of reference are to assess the impacts of liberalisation, explore trends in future market developments and consider how to maintain the universal service obligations in the light of the trends and developments identified. It is due to report this year (the "autumn" likely October).

Future Challenges

- Review Panel's recommendations
- Increase in pension deficit and Trustees demand for higher payments into the fund
- Difficult market conditions – falling letters volumes with more people preferring to use digital communications rather than post
- Finding a suitable candidate to replace Allan Leighton
- Pace of Royal Mail's implementation of its transformation plan

Key Players Relationship Map

Relationships with key players can be inconsistent. RM has poor relationship with union and Postcomm.

Supporters	Challengers	Neutrals
• Royal Mail	• CWU • Unite • Postcomm • Royal Mail • EU Commission	• Postwatch (Consumer Focus from October 2008)

Essential people to meet in first weeks

Richard Hooper/Deirdre Hutton/Ian Smith – Independent Review
Allan Leighton/Adam Crozier – Royal Mail
Billy Hayes - CWU

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Key Milestones

Issue / policy area	Oct '08	Nov '08	Dec '08	2009/10…
HMG response to Review	Iteration with Review Team. Publication of Final Review Report.	HMG Response – either a consultation document or moving direct to a policy statement (not consulting is potentially controversial)		if 12 week consultation route taken, consultation ends and policy statement made. Legislation to implement recommendations. Possible state aid notification to tackle pension deficit.
Royal Mail Chairman	Sift of candidates	Submission of suitable candidates to SoS	Announcement	New Chairman takes up post in March/April 2009
Directors' Remuneration	Submission on Long Term Incentive Plan			
Pensions				Actuarial valuation (March 2009 -June 2010).
State aid investigation into current 2007 funding	Possible decision by EC (cautiously optimistic that it will be favourable)			

Future Options

Ministers will have to decide whether to accept the recommendations of the Independent Review (which may be controversial and unpalatable to some stakeholders) and whether to issue a consultation document or issue a policy statement before implementation.
Regardless of outcome of the Review, the pension deficit will need to be addressed if the actuarial valuation next year means that the Trustees demand higher payments into the fund (which RM will not be able to afford).

Supporting Brief	**Lead Official**
Rising numbers of corporate insolvencies	Stephen Speed - Chief Executive Insolvency Service

Context

Corporate insolvencies have been at a consistent level over the past 3-4 years but have recently shown a rising trend. Administrations are up 60% year on year while with liquidations up 15% and receiverships up 129%. Although there is no evidenced reason for the recent rise, it is likely that it will be linked by commentators to the general state of the economy.

There have been some calls for the UK to adopt the Chapter 11 system used in the USA.

Key Facts: Supporting Policy/Issue	**Key Facts: Opposing Policy/Issue**
The first two quarters of 2008 have seen appreciable quarter on quarter	Some stakeholders consider that the UK system does not work for large restructurings. Some stakeholders consider that the UK system would

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increases in corporate insolvency procedures, notably for creditors' voluntary liquidations, receiverships and administrations. Before this, the trend in liquidations had been fairly flat for a number of years. It is too early to say whether recent quarters' figures represent the beginning of a longer term upward trend but, for corporate insolvencies as a whole, there are no recent legislative changes that would be expected to underlie the increases and it is more likely, therefore, that the numbers are largely driven by general economic conditions impacting on trading conditions. Chapter 11 is an insolvency process and if adopted would not reduce the number of insolvencies. The Enterprise Act reformed administrations to promote the rescue culture and reduce the costs of the process. Chapter 11 is an expensive, litigious process which encourages companies to survive when they are unprofitable and should fail. It can distort the market. The latest annual figures for company liquidations and, separately, for other corporate insolvencies are only about half of the levels reached during the recession of the early 1990's.	be better if it enabled companies in administration to seek finance to aid their restructuring (called DIP finance or post commencement finance)
Next Steps For Insolvency Service - Additional analysis of sectoral information over a longer period of time will be required to identify consistent trends in particular industry groups. For Insolvency Service and BERR – risk analysis to be prepared to cover the possibility of a large scale corporate failure that would gain wide publicity and highlight the risk of large scale job losses. Consider with BERR colleagues the adequacy of the corporate insolvency regime and whether any proposals for reform should be made.	

Supporting Brief	**Lead Official**
The companies act inspection into MG Rover Group Limited	Robert Burns – Inspector of Companies

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Context MG Rover went into administration in April 2005 with the loss of over 6,000 jobs at the car manufacturing site at Longbridge (SW Birmingham) and further job losses in the company's supply chain and the wider West Midlands area. The actions of the management of the company (the Phoenix Four) are the subject of an ongoing investigation, by Company Inspectors (appointed on 31 May 2005 by the SOS under the Companies Act 1985). The investigation into MG Rover is continuing.	
Key Facts: Supporting Policy/Issue The public interest required that the issues raised by the Financial Reporting Review Panel and developments after 2003, when the last accounts were published, be looked into by <u>independent</u> investigators. The Secretary of State decided that there was sufficient public interest to warrant the appointment of inspectors pursuant to section 432 of the Companies Act. However, the inspectors are "masters of their own procedures" as far as the investigation is concerned. They meet with BERR officials regularly in order to monitor progress and to ensure the momentum of the investigation is maintained. The inspectors are seeking to complete the report as quickly as possible, with due regard for the fairness of procedures, and to the thoroughness of the task. Total cost of the inquiry as at 31 July 2008 was £13,065,059 (broken down as £10,675,503 in costs, £443,696 in disbursements and £1,945,860 in VAT). These costs are essentially the time costs of the legal inspectors and the accounting inspector, plus his team.	**Key Facts: Opposing Policy/Issue** The Secretary of State asked the inspectors to report back to him as quickly as possible and in a form that will enable the report to be made public. Although Ministers have been asked repeatedly when the inspection will conclude we do not think it would be helpful or constructive to speculate. It would raise expectations.
Next Steps The inspectors have sent their provisional criticisms, to those they intend to criticise, a process which will inevitably take time. The Inspectors are very aware of the risk of challenge from the Phoenix Four, or possibly other players, as to the fairness of the inspection process.	