



Department for Business Innovation & Skills

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Banking Competition

Key Facts

- The Competition and Markets Authority, established by BIS, announced on November 7 that it will conduct a full market investigation into the retail banking sector, including current accounts and SME banking.
- The divestment of TSB from Lloyds has created a new challenger on the High Street with over 600 branches.
- Measures in the Small Business Bill will require large banks to refer declined small business finance applications to alternative providers, through platforms that the Govt will designate. Draft secondary legislation was published on 18 December.
- The Current Account Switching Service has been running for a year, during which more than 1.2 million people have switched accounts – a 22% rise on the previous year. –
- The British Business Bank is investing to help diversify the business finance market, it generated almost £800m of lending and investment to business in 2013/14.

Top Government Actions (since May 2010)

1. Regulators have reformed the authorisation system for banks to make it easier for new entrants, boosting the prospects for competition. More than 20 applications are in the pipeline.
2. Government has legislated to introduce full utility-style regulation of the payments system, to ensure a focus on competition and innovation that will help ‘challenger banks’ to grow.
3. We are legislating to improve access to credit information and require large banks to refer on declined small business finance applications, making it easier for new providers to lend to small businesses
4. Both the new regulators have specific competition objectives, making sure the market remains under constant scrutiny.
5. Establishing the British Business Bank to increase the supply of lending to small businesses, including by supporting smaller lenders to diversify the supply of finance.

Elephant trap

Why not break up the banks now?

- Simply splitting up our large banks would be extremely complex – the CMA should take its time to consider all the options.

Cap on market share: Effective competition is about more than arbitrary market share figures, as the Governor of the BoE has made clear. That’s why the Government has taken action to reduce barriers to entry and help new challengers compete on a level playing field.

Business Bank

Key Facts

- The British Business Bank has been established to make finance markets work better for small firms, allowing them to prosper, grow and support the UK economy. Over the next five years, the Bank aims to unlock up to £10 billion of financing for viable smaller businesses.
- The British Business Bank brings together the management of all the Government lending and investment programmes into a single, commercially minded institution. It is not a bank in a conventional sense: it does not finance businesses directly, nor does it have a high street branch network. Instead, it provides funds and guarantees to private sector partners allowing them to finance more and different smaller businesses.
- The Bank aims to increase the supply of finance available to smaller businesses in areas where markets do not work well and to help create a more diverse market so that businesses seeking finance have a greater choice of options.
- The Business Bank will work with private sector delivery partners to deliver all of its programmes, allowing it to pull in significant amounts of private sector funding.
- The British Business Bank launched as an independent institution on 1 November following State Aid approval. This is an important development providing finance to small and medium-sized businesses in the UK and is a central plank of the Government's Industrial Strategy. It also fulfils a commitment set out in August 2013's Coalition Mid-Term Review

Top Government Actions

- British Business Bank programmes are already delivering significant results: Business Bank programmes facilitated a total of £1.45bn of new lending and investment in the year to end September 2014, to over 21,000 businesses
- In June 2014, in conjunction with the ICAEW the British Business Bank published a new guide which outlines the different finance options that are available for smaller businesses.
- A full board for the Bank has now been appointed and met for the first time in June 2014. The Bank is required to 'comply or explain' with The Corporate Governance Code.

EU Structural and Investment Funds

Key Facts

- The European Structural and Investment (ESI) Funds are:
 - European Regional Development Fund (ERDF);
 - European Social Fund (ESF);
 - European Agricultural Fund for Rural Development (EAFRD);
 - European Maritime and Fisheries Fund (EMFF).
- The Department for Business, Innovation and Skills (BIS) leads for the UK Government on policy for the European Structural Funds (ERDF and ESF). 'Managing Authority' (MA) responsibility for delivering the European Structural Funds within England in 2014-20 will rest with the Department for Communities and Local Government (DCLG) for ERDF and Department for Work and Pensions (DWP) for ESF. Defra is the MA for EAFRD and EMFF. The Devolved Administrations are responsible for delivering the Funds in their own nations.
- The value of the ESI Funds to the UK for the 2014-2020 funding period is over €15billion.

Top Government Actions (since May 2010) in England

- Government announced in 2013 that it will bring ERDF, ESF and part of the EAFRD allocation together into a single 'EU Structural Investment Funds (ESIF) Growth Programme'.
- Government confirmed that the ESIF Growth Programme's top priorities will be:
 - innovation and research and development;
 - support for small and medium-sized businesses;
 - low carbon;
 - skills;
 - employment and social inclusion.
- And that they wanted the funds to be:
 - easier to access;
 - go further; and
 - be even better value for money for the UK taxpayer.
- Government announced that the large majority of the funds in the ESIF Growth Programme will be notionally allocated to LEP areas. The breakdown of the allocations of ERDF and ESF by LEP area over the next 6 years was announced on 17 April 2014.
- Government has ensured that LEPs will have a key strategic role in delivering economic growth in their area. Each LEP has worked with local partners to develop a strategy for the investment of its notional allocation of these Funds.
- The UK Partnership Agreement which sets out the Government's priorities and management arrangements for the ESI Funds across the UK for 2014 to 2020 was formally adopted by the European Commission on 29 October 2014. This now paves the way for the programmes to be adopted too and for funding begin to flow.

- Government is working with partners to finalise the detail of how the programme will be delivered and subject to when the funding documents are agreed with the European Commission, we are aiming for the programmes to launch early in 2015.

Elephant traps

Judicial Review

- The original allocation decisions to both the Devolved Administrations and to LEPs in England were subject to Judicial Review. This was brought by stakeholders in Merseyside and South Yorkshire. Allocations were quashed by the High Court on the sole ground that BIS had not met its Public Sector Equality Duty as part of the decision-making process. The High Court upheld the Government's methodology used to make the allocations.
- Having now fully considered the potential implications of the Public Sector Equality Duty, the Government is now satisfied that the original allocations are still appropriate, as is the methodology on which such allocations relied.
- An appeal was heard on 30 June/1 July 2014. The Court of Appeal dismissed the appeal on all grounds on 28 July, finding that the April 2014 Structural Funds allocations to the UK's nations (and notional allocations to LEP areas in England) are lawful and reasonable.
- After the Court of Appeal result was handed down, the Appellants approached the Supreme Court directly to request an expedited hearing for permission to appeal. The Supreme Court granted permission for the appeal to be heard and the hearing took place on the 22-23 October. The Court's judgement is expected early in 2015.
- The Supreme Court made it clear that it does not want to influence or affect in any way the current discussions between Government and the Commission on the formal approval of the Partnership Agreement, as the Court has been made aware that funding cannot flow until such approval takes place.

Intermediary Bodies (IBs) and Integrated Territorial Investments (ITIs)

- The ESI Funds, including ERDF, are a complex programmes and it is essential to minimise liabilities to the taxpayer. Government has decided to maintain the position set out in July 2013, that no new Intermediate Bodies will be established for mainstream delivery of the ESI Funds in England. With the exception that the GLA will be an Intermediate Body for delivery of ERDF and ESF in London.
- An ITI is a way of combining expenditure from European funds to ensure local priorities are met in a specific geographic area. Cornwall and the Isles of Scilly is the only less developed area in the programme and as such the Government has announced that the area will be covered by an ITI as to do so will bring added benefit to this unique area.
- The approach in favour of national Operational Programmes for each Fund does not diminish local involvement, but it does streamline and reduce bureaucracy. Government does not propose to establish separate Operational Programmes at sub-national level or for separate categories of region.
- The current proposals for LEP and partner involvement in project selection do not rely on formal delegation of project selection responsibilities from government departments to LEPs (this formal delegation would result in the LEPs being classed as 'Intermediate Bodies').

- At present we are seeking to deliver the partnership model we agreed with partners earlier this year. However, the LGA and LEP Network have provided a paper to Government on how a limited form of Intermediate Body status might work. We are considering this on a without prejudice basis, in case an alternative to the current partnership model becomes necessary. We need to carefully consider how potential risks and liabilities to the Commission might be managed if project selection functions are delegated.
- The role of LEPs in co-ordinating local membership of ESI Funds partnership groups to support delivery of ESI Funds Strategies in each LEP area, as well as the role of these committees in agreeing which projects should be supported, is clearly stated in the programming documentation.

Potential delay to approval of the ESIF Operational Programmes for England

- The Government has been through a long and tough negotiation process with the European Commission in order to secure some of the key priorities important to Government and local areas, including funds for rollout of broadband and transport.
- We are now continuing to build on the framework set out in the Partnership Agreement in the negotiation of the detailed operational programmes. If programmes are not agreed by the end of the year then funding will not be able to start flowing until June.
- We are working intensively with the Commission to get programmes approved as quickly as possible.
- Government is doing everything it can to mitigate the impact of delays. For example, we are looking at the possibility of extending the deadline for spending on the 2007-13 European Regional Development Fund programme from end June to end September 2015. We are also planning to work with LEPs to launch the first calls for some projects as soon as the Commission has agreed the Operational Programmes informally but ahead of their formal adoption. This will allow us to minimise the impact of any delays.
- We are aiming to launch the first calls for projects in March 2015.

Parliamentary Commission on Banking Standards

Key Facts

- The PCBS published its final report in June 2013. The Government responded in July, accepting most of the main recommendations.
- These include: a new Senior Persons Regime for senior bank staff; a new banking standards regime for other bank staff; and the introduction of a criminal offence for reckless misconduct; The Banking Reform Act, which gained Royal Assent earlier in 2014, has implemented most of the necessary legislative changes. The FPC announced proposals in October to set a basic 3% leverage ratio for UK banks, topped up for larger institutions.
- On 17 November, members of the PCBS published a statement on the progress of implementation of their recommendations, warning about the risks of dilution.
- On 16 December, the Bank of England published the results of its 2014 stress testing of major UK banks. 7 out of 8 banks passed – Co-Op Bank failed and has resubmitted its capital plan to the PRA.

Top Government Actions (since May 2010)

1. Introducing the Banking Reform Act to establish a ring-fence and end 'too big to fail', creating the framework for a more stable banking system
2. Creating a new, judgement-led regulatory system for financial services through the creation of the PRA and FCA.
3. The PRA's Remuneration Code has restructured pay to significantly reduce cash bonuses and ensure up to 80% of bonuses are deferred and paid in shares, improving alignment of pay with risk and performance.
4. Regulators have reformed the authorisation system for banks to make it easier for new entrants, boosting the prospects for competition.
5. Government is legislating to introduce full utility-style regulation of the payments system, to ensure a focus on competition and innovation that will help 'challenger banks' to grow.

Elephant trap

Leverage ratio:

- The Government supports the FPC's proposals on leverage – we are currently consulting on giving the FPC the power it needs to implement the framework.

PCBS Statement:

- The Government welcomes the statement by the former members of the Parliamentary Committee on Banking Standards and agrees that maintaining the momentum in implementing the UK's financial services reforms are essential. Good progress has been made, for example on implementing the ring-fence.

SME Bank Lending

Key Facts

- Bank of England statistics show that gross lending to SMEs is on a significant upward trend. Lending this year up to the end of October is up 25% on the equivalent period last year.
- Net lending (excluding overdrafts) – that is the difference between new lending and repayments - has been modestly positive in six out of the last 12 months. The tide is turning. The annualised figure remains negative, but if current trends are maintained, this will turn net positive in 2015.
- According to the latest SME Finance Monitor report (latest quarterly report published in November 2014), 71% of all applications for loans and overdrafts within the last 18 months (Q2 2013 to Q3 2014) were successful. Within this overall figure, 99% of businesses seeking a renewal of existing facilities were successful. However, only 45% of first time applicants and 69% of existing borrowers seeking new money were successful.]
- [Businesses are more likely to get funding from their bank than they think. 50% were confident that their renewal would be successful, compared to current success rates of 99%, while 45% were confident about a new facility, compared to a 56% success rate.]
- The SME Finance Monitor also shows that there are a range of positive financial indicators from SMEs – more are reporting making a profit, more hold £5,000 or more in credit balances and more (with employees) plan to grow. The economic climate is less of an obstacle to growth, the risk profile is improving and fewer SMEs felt they 'had' to inject personal funds into their business.
- The major banks have established internal appeals processes allowing customers to appeal against a bank decision to decline lending. The process is overseen by an independent reviewer and is now in its fourth year. Around 26% of appealed lending decisions are currently being overturned. More businesses should be aware of and use this ability to request a review.

Top Government Actions (Since May 2010)

- We have established the Business Bank with £1bn of new money and consolidating an additional £2.4bn of existing schemes. We have already launched a £300 million co investment programme to provide diverse sources of funding for SMEs. It will aim to address long standing, structural gaps in the supply of finance to businesses and bring together the Government's business finance interventions.
- In the Autumn Statement, the Chancellor announced a one year extension of the Bank of England's Funding for Lending Scheme to the end of January 2016. Additional borrowing allowances for banks under the scheme will only be generated through positive net lending to SMEs. This represents a further focusing of the scheme on small business lending. The extension will give small businesses continued certainty over the availability of cheap funding in 2015.
- Government is continuing to enhance and develop the Enterprise Finance Guarantee scheme to reach more businesses.

- Delivering transparency and fairness through appeals processes, postcode level lending data and supporting the development of mentoring networks; working with the banks.
- We have worked closely with HM Treasury and the FCA to ensure that SMEs are provided redress for interest rate swap mis-selling.
- The Financial Conduct Authority has appointed “skilled persons” under s166 of the Financial Services and Markets Act to investigate allegations (made by BIS’s then Entrepreneur in Residence, Lawrence Tomlinson and others) about RBS’s treatment of businesses in financial difficulties. The investigation is expected to report in early 2015.

Small Business and Employment Bill measures:

- The Government is legislating to improve the ability of challenger banks and alternative finance providers to conduct accurate SME risk assessments by requiring the biggest banks to share SME credit data via credit reference agencies.
- The Bill also includes provisions which will require banks to refer customers who have been declined a loan to alternative providers (via designated platforms) if the customer wants it.

Elephant Trap

- Funding for Lending (FLS) scheme data published by the Bank of England in November shows negative net lending by scheme participants
- The FLS data gives only a partial view of SME lending and is limited to the data from scheme participants. Barclays and HSBC do not participate in the FLS yet, between, them account for about 34% of lending.
- Net lending is pulled down by reduced lending to small property development companies and deleveraging by RBS, but the rate of decline slowed in the last quarter. gross lending to SMEs in the 10 month period to the end of October is up 25% on the equivalent period last year.

Better Regulation

Issue

- The Coalition government have set out an ambitious agenda to reduce the overall burden of domestic regulation over the course of this Parliament.

Key Facts

- The One-in, One-out (OIOO) rule introduced by this Government, was the first of its kind anywhere in the world and in January 2013 it moved to an ambitious One-in, Two-out (OITO), where Departments will now have to find double the savings. Published the ninth and final Statements of New Regulation (SNR) on 30 December 2014. The report demonstrates that the annual cost to business from domestic regulation has been cut by at least £2 billion over this Parliament. **NB: The 9th SNR is due to be published at the end of this month. Update figures will be provided.**
- The World Bank 'ease of doing business' report placed the UK at 10th for the overall ease of doing business. The UK has remained in the Top 10 for the past 7 years.
- The World Bank specifically highlights our wide-ranging work on deregulation as a good example to follow (particularly the One-in, One-out rule and the Red Tape Challenge). By January 2014, the Red Tape Challenge had identified more than 3,000 regulations to be scrapped or improved
- Over 1000 changes have been implemented to date, saving business over £835 million per year.
- And the reform is on track to deliver savings of over £850 million per year by the end of this Parliament.
- And to ensure the UK implements EU law in the least burdensome way, in July 2011 we put in place Guiding Principles for EU legislation (and reviewed and strengthened them in 2013). These introduced a strict scrutiny and challenge approach to stop "gold plating", unless it is clearly in the UK's interest.
- Since then, there have been only two instances of "gold plating" (extending the scope of the Consumer Rights Directive and early implementation of Accounting Directive) which placed extra burdens on business at minimal cost. The first ensures greater protection for UK consumers, whilst the second aids transparency in the extractives sector and fulfils a G* commitment.
- Primary Authority was introduced to address business' concerns about how local authorities apply environmental health, licensing and trading standards legislation, including contradictory advice, duplicated efforts, and the lack of effective dispute resolution when councils disagree. Primary Authority partnerships are legally binding agreements that give businesses assured advice, driving consistent, proportionate and effective enforcement of regulation. By October 2014 over 1900 businesses were in partnerships with nearly 140 local councils and fire and rescue authorities.
- The new framework for regulatory delivery – the Regulators' Code – was published and came into effect on 6 April 2014 under the Legislative and Regulatory Reform Act 2006, replacing the Regulators' Compliance Code. It provides a clear, flexible and principles-based framework for how regulators should engage with those they regulate
- Over 3000 frontline regulators across 330 local authorities have been using the common approach to regulatory competency to ensure their knowledge and skills

facilitate business support for growth. In addition, a network of 30 topic groups nurtures high quality dialogue between business, regulators and government on how to comply.

Top Government Actions (since May 2010)

- Running the Red Tape Challenge to scrap or simplify regulations that are ineffective, unnecessary or obsolete.
- Introduced the “One-in, One-out” rule (and now moved to One-in, Two-out), a world-leading initiative which caps the cost of regulation to business. The aim of these rules are to encourage government departments to use regulation only as a last resort. In January 2013 the One-in, One-out rule moved to an ambitious One-in, Two-out whereby Departments now have to find double the savings if they want to introduce new regulations.
- Any government department that introduces new regulation has to consider the impact it will have on small business. To strengthen and build on the success of the micro business moratorium, we announced the introduction of a Small And Micro Business Assessment, which will come into effect from 1 April this year. Now, new regulations will only be extended to small business (up to 50) if they are essential, justified and proportionate.
- We published the Small Business, Enterprise and Employment (SBEE) Bill on Wednesday 25 July. This will require a target to be published for the removal of regulatory burdens in each parliamentary term, and for government to report transparently against it.
- This will mean that future Governments remain committed to reducing burdens, enabling small firms to grow and get on with doing business
- In June 2013, the Prime Minister established a Business Taskforce, to propose reforms to EU rules to boost competitiveness. Their report, “Cut EU Red Tape”, published in October 2013 puts forward 30 recommendations to reform specific rules. It also proposes a series of law-making principles (the COMPETE principles), to ensure that proposals are pro-innovation and pro-growth.
- In November 2014 an update report was published showing that 10 of the 30 recommendations had so far been achieved.
- There is also considerable support for the COMPETE principles among UK and EU business groups, the European Parliament, and the Commission’s own better regulation advisory group. We published a report ‘Cut EU red tape: One year on’ in November 2014, outlining progress to date.
- In Autumn 2012, we secured support for our 'Ten point plan for EU Smart Regulation' from 12 other Member States. Italy has since backed the plan, making 14 countries visibly like-minded. The Commission addressed six of these ten demands in its REFIT programme. We are pursuing the outstanding ones as COMPETE principles.
- The Commission launched its REFIT programme in 2012 to review the stock of existing legislation, to identify burdens, inconsistencies and ineffective measures and addressing them. An initial programme of actions was published in October 2013, and in June 2014, a further Communication put forward additional actions, subject to confirmation by the new Commission.

- Whilst we welcome the progress that has been made under REFIT, we continue to press the Commission to be more ambitious, move faster and with a greater focus on delivering costs savings for business, specifically for SMEs.

Export Licences Israel

Issue

- Whether to suspend export licences for Israel during the recent Israel/Gaza conflict.

Key Facts

- We are limited in what we can say on this matter, as it subject to ongoing legal proceedings.
- In light of the recent conflict, the Government conducted a review of existing export licences for Israel. The findings of this review were announced on 12 August.
- The review found that the vast majority of exports licensed for Israel were not for items that could be used by Israeli forces in operations in Gaza.
- However twelve licences for components were identified as potentially contributing to equipment that could be used for this purpose.
- If there is a resumption of 'significant hostilities', we will suspend these licences.
- On 4 November, the Government decided to carry out a further review of extant licences, including the twelve licences, and new applications for licences.
- This review is being carried out to ensure that up to date information and evidence is considered and taken into account. BIS and FCO will publicly announce the outcome of the review when it is completed.
- Our priority remains lasting peace in the region that allows both Israelis and Palestinians to live alongside one other securely and peacefully. The UK Government will continue to work closely with colleagues in the EU and the US to help achieve this.

Elephant trap

How will the Government decide that there has been a resumption of 'significant hostilities'?

- The Foreign Office continues to monitor the situation in Israel and Gaza very closely and the Foreign Secretary will advise the Business Secretary if in his judgment there has been a resumption of significant hostilities.

Q&A

Why would you suspend the twelve licences, rather than revoke them?

- If any existing licence is found to be no longer consistent with the export licensing criteria, that licence will be revoked. If there is a resumption of significant hostilities, our concern is that we may not have sufficient information to determine whether the licensing criteria would be contravened, for example, whether a serious violation of international humanitarian law might occur or whether equipment containing UK components might be used in relation to such an act. We would therefore suspend the licences as a precautionary measure while we establish enough information to make an assessment against the export licensing criteria.
- We are also carrying out a further review of the twelve licences to ensure that up to date information and evidence is taken into account. If following this review, we consider that we do not have sufficient information to determine whether the licensing criteria would be contravened, we will suspend the licences as a precautionary measure.

Was it a mistake to grant the twelve export licences that you may suspend?

- No. All export licence applications are rigorously assessed on a case-by-case basis against the Consolidated EU and National Arms Export Licensing Criteria. We would not grant a licence if to do so would be inconsistent with the Criteria. If circumstances in a recipient country change, as they did during the recent conflict, we have the power to suspend or revoke licences.

How does the Government monitor the situation in Israel/Gaza?

- The FCO, including the British Embassy in Tel Aviv and the British Consulate-General in Jerusalem, monitors the situation in Gaza very closely and provides regular advice.

Will you disclose the details of the twelve export licences that you may suspend?

- The licences relate to military equipment that could be used by the Israeli Defense Forces in Gaza. They include components for military radar systems, combat aircraft and tanks and launching equipment for munitions. Suspensions would not include components of Israel's Iron Dome missile shield which helps to protect Israelis from Hamas rocket attacks, commercial exports, or components for manufacture of equipment to be supplied to countries outside Israel. The Government is committed to full and open provision of information as far as we possibly can. The Business Secretary provided further details of these licences to the Committees on Arms Export Controls on 15 December 2014.
- Why were there so many licensed exports to Israel?
- The bulk of these exports are not for military end use and some are for Israel's own export market rather than for use within Israel. In particular, concerns have been raised about a licence for exports valued at over £7 billion for civil communications systems. However, we have no concerns that the intended end use was other than commercial. However, the licence was returned to BIS unused by the exporter.

Have UK exports supplied equipment for Israeli unmanned aerial vehicles used in the Gaza conflict?

- We have identified one licence for components for unmanned aerial vehicles for the Israel Defense Forces, dating back to 1999.

Israel is entitled to protect itself from a perceived threat?

- All countries have the right to self-defence under the United Nation's Charter. However, in all cases we need to ensure that the exports we license are used appropriately and do not constitute a breach of the arms export licensing criteria against which all applications are assessed.

Will the Government consider an arms embargo for Israel?

- The Government, as well as all European Governments, does not believe that imposing a blanket arms embargo on Israel would promote progress in the peace process.

Growth

Issue

- The Government has taken decisive action to protect the economy in this period of global uncertainty and is united around returning the public finances to a sustainable position. Deficit reduction and active monetary policy are fundamental for growth, but so is longer term structural change.

Key Facts.

- UK GDP grew by 0.7% in 2014Q3 following growth of 0.7% and 0.9% in 2014 Q1 and Q2 respectively.
- In the 3 months to September 2014, the employment rate rose 0.2ppts to 73.0% while the unemployment rate fell 0.2ppts to 6.0%.
- Annual CPI Inflation rose 0.1ppts to 1.3% in October.
- Business investment grew by 3.3% and fell 0.7% in 2014 Q2 and Q3 respectively. Recent methodological changes have revised up the contribution of business investment to growth, which is now estimated to have accounted for about 30% of UK GDP growth over 2010-13, against 5% previously.

Top Government Actions (since May 2010)

1. Government has set out its Industrial Strategy, a long-term, whole-of-government approach, working in partnership with business to support economic growth and has published 11 sector strategies. We are also taking action on four cross-cutting themes: technologies, access to finance, skills, and procurement.
2. The Government published its Plan for Growth alongside Budget 2011, setting out the four ambitions for growth: to create the most competitive tax system in the G20; to make the UK the best place in Europe to start, finance and grow a business; to encourage investments and exports; and to create a more educated workforce that is the most flexible in Europe.
3. The Government is reforming the banking sector, to make banks more resilient to shocks and easier to fix when they get into difficulties.
4. Corporation tax is the lowest in the G7. A further one per cent cut in the main rate from April 2014 has reduced it to 21%. From April 2015 the rate will be 20% - the joint lowest in the G20.

Elephant traps

Are the government's plans to create growth failing?

- No. The Government's strategy is working and we are creating the right conditions to achieve strong sustainable, balanced growth for all. Implementing our growth strategy is a priority across Government.
- All parts of the economy are growing: the deficit is down by a third as a percentage of GDP since its peak; Since March 2010 2 million private sector jobs have been created, more than offsetting the loss of 0.4 million public sector jobs.

- Globally, recovery has been slower than forecast due to persistent inflation from commodity prices, and the euro area crisis. Despite the on-going impact of the financial crisis on financial conditions the UK is on the rise, many risks remain but the country is on the path to prosperity – the Government's credible long term economic plan is working for all.

Science Funding

Key Facts

- [On Wednesday 17th December, Government launched the Science and Innovation Strategy, its long-term vision of how science and innovation will drive growth over the coming decade.]
- Investment in our science, research and innovation base is critical to ensuring that the UK remains at the forefront of new products and markets – harnessing new technologies and leading new innovations.
- Overall science funding is increasing. The ring fenced science and research programme budget was protected over 2011-15 at £4.6bn pa. Recent additional funding brings the resource budget to £4.7bn in financial year 15/16.
- Government has made a long-term commitment to investment in science and research infrastructure: increasing capital investment in real terms to £1.1 billion in 2015-16 and growing this in line with inflation each year to 2020-21. The Science and Innovation Strategy sets out a capital roadmap outlining how this £5.9bn commitment over 2016-2021 will be invested.
- The UK research base is world class: UK has recently overtaken the USA to become first by field-weighted citations, and is the most productive in the G8: .
- The UK is also second only to the USA for numbers of universities ranked in the world's top 100.
- Universities have more than doubled their external income (from business, charity and others) since 2001, to approaching £3.6 billion in 2012-13.

Top Government Actions (since May 2010)

- The 2013 Spending Review for 2015-16 protected the science and research programme budget at flat cash, whilst increasing the capital budget to £1.1 billion in 2015-16, and to thereafter rise in line with inflation to 2020-21. In allocating this funding, in April 2014, Government recommitted to the Haldane principle, which says that Government may set broad strategic policies for research, but the fine detail of which projects to fund is decided by experts from the community in arms-length organisations.
- During 2012, the Chancellor of the Exchequer announced £300 million for the UK Research Partnership Investment Fund (UK RPIF). It will enhance the facilities for world class university research, by leveraging at least double co-funding from private sector and charities. An additional £200 million over 2015-17 was announced in Spending Review 2013. Over £350m has now been allocated to 25 projects leveraging over £960m private co-investment in strategic R&D collaborations between universities, businesses and charities. This includes:
 - £15m funding from UKRPIF and £5m from Innovate UK to the University of Manchester's Graphene Engineering Innovation Centre (GEIC) in partnership with Masdar.
 - £11.6m funding for the 5G Innovation Centre at University of Surrey.
- In Autumn Statement 2012, the Chancellor announced the investment of £600m in eight great technologies in which the UK could lead the world in their development.

These are big data; space; autonomous robotics; synthetic biology; regenerative medicine; agri-sciences; advanced materials; and energy storage.

- In Autumn Statement 2013 the Chancellor announced additional funding, including £270m funding for Quantum Technologies, and a £75m a year fund for collaborating with emerging powers. In Budget 2014, he announced £42m for the Alan Turing Institute and, on 3rd December, he confirmed that it will be based at the British Library in London.
- On Wednesday 17th December, Government launched its Science and Innovation Strategy, including setting out a capital roadmap outlining how Government will allocate the £5.9Bn long term settlement for science capital up 2020/2021. As announced at Autumn Statement 2014, this will include up to £235 million funding for the Sir Henry Royce Institute for Advanced Materials (led by Manchester University); £113m for a Cognitive Computing Research Centre; and £95m for European Space Agency programmes securing UK leadership of Europe's 2018 rover mission to Mars.
- On December 18th, the Higher Education Funding Council for England (HEFCE) will announce the results of the 2014 Research Excellence Framework (REF) – a periodic assessment of UK university research. The results will drive core research funding allocations for university research in the coming years, ensuring that public investment is targeted towards the very best research departments.

Aerospace

Key Facts

- The UK aerospace industry is No1 in Europe (No2 in the world, behind USA).
- Key strengths in the most complex parts of aircraft – wings, engines, and advanced systems; also one of the few nations that can design/build advanced helicopters.
- The Sector employs more than 109,000 people directly and supports a further 120,000 jobs indirectly; and aerospace salaries are over 50% higher than the national average.
- Annual turnover of £28 billion with around 90% of what is produced exported. Since 2011, the aerospace sector has grown by 14%.
- Huge growth prospects – 29,000 new large passenger aircraft worth around \$4.4 trillion needed by 2032. Over a similar period, requirements for new business and regional aircraft, and helicopters are worth an additional \$1billion.
- Over the past two years (2012/2013) UK Export Finance has supported almost £3billion aerospace exports.
- £433m of aerospace research work, including improvements to research infrastructure, now under way – against the £2billion joint funding commitment by industry and Government between 2013 and 2020. (Further detail below)
- Around 30,000 take offs (and landings) by large passenger planes a day with British built wings
- Half the world's advanced passenger jets are flying on wings made in Britain.
- At any moment, around 400,000 people are flying on aircraft powered by Rolls Royce engines; and every 2.5 seconds a Rolls-Royce powered aircraft takes off or lands.
- The ATI programme is in its 2nd year of a 7 year programme.

Top Government Actions (since May 2010)

- Created joint industry/Government Aerospace Growth Partnership (AGP) to tackle barriers to growth, boost exports and grow high value jobs. AGP launched the UK's Aerospace Industrial Strategy in March 2013.
- As part of this we have created a UK Aerospace Technology Institute (ATI) at Cranfield - which will assist with managing a strategic programme of research to keep UK at forefront of technology, backed with just over £2billion funding by Government and industry over seven years, from 2013 to 2020.
- Created UK Centre of Aerodynamics, which will now form part of the ATI.
- ATI funding from HMG and industry being put to good use: we've recently announced:
- £60m investment in a new aerospace facility at the Manufacturing Technology Centre at Ansty (Coventry); and £7m titanium casting research at the Advanced Manufacturing Research Centre in Sheffield.
- £15m investment to improve research capacity of wind tunnel facilities at seven universities and at the Aircraft Research Association.
- Over £300m investment in a range of new collaborative R&D projects spanning all four pillars of the ATI (wings, engines, aerostructures and advanced systems). These span 59 projects involving around 100 companies (large, mid-cap and small) , universities and research centres across the UK.

- The second open competitive call of the ATI, through Innovate UK, is open with up to £25m public funding, to generate projects worth up to £50m
- Supported a National Aerospace Technology Exploitation Programme (NATEP), as part of AGP, to help small and mid-sized companies develop innovative technologies and increase their ability to win new business with higher tier companies anywhere in the world. HMG is investing £23million through the Advanced Manufacturing Supply Chain Initiative, which is expected to lever £17million from industry. 5 projects worth £1m now underway involving 10 funded partners working with 7primes/end users; second round of 23projects, worth £6.5m, about to commence involving 56 companies.
- Created 500 additional Masters level postgraduate places for aerospace. Industry and Government are contributing £6million over three years. Over 300 bursaries already awarded so far with remainder to be awarded in 2015, in line with our target.
- Created an aerospace 'Sharing in Growth' intensive capability improvement programme to raise the performance of up to 40 aerospace suppliers to world class levels. The £120m programme is supported with £50m from the Regional Growth Fund.
- Also on skills, Ministers have approved a £10m+ bid from the aerospace sector - under Round 2 – Phase 2 of the Employer Ownership Pilot. This will support a range of aerospace skills and training programmes to make it easier for companies of all sizes to access new, high quality apprenticeship training programmes; train employees in specialist technical subjects; and address wider business capabilities needed to help companies to grow.

Defensive Lines

Rolls Royce Global Job Cuts Announcement

- Government is in regular contact with Rolls-Royce and is working with them to mitigate the effect of these job losses. Rolls-Royce will use the Talent Retention Solution which matches skilled engineers with employers looking for talent. This scheme has a successful track record of redeploying engineering talent, most recently with BAE Systems.
- We are working across government and with local partners such as Job Centre Plus to make sure services are offered to the workforce at the appropriate time.

AgustaWestland/Finmeccanica bribery allegations re sale of helicopters to India

- This is a matter for the Company and the Italian and Indian authorities. Need to allow the investigation to take its course.
- AgustaWestland produce world class helicopters for both the UK Armed Forces and export markets, including a recent £1 billion contract to supply 16 helicopters plus support and training to the Norwegian government.
- The UK has one of the world's toughest anti-bribery laws.

Serious Fraud Office (SFO) investigation into allegations of bribery and corruption at Rolls-Royce

- Rolls-Royce has made it clear that it will not tolerate improper business conduct of any sort. It is cooperating fully with the Serious Fraud Office, and we await the outcome of that process.
- The UK has one of the world's toughest anti-corruption laws, and HM Government takes any allegations of bribery/corruption extremely seriously.
- Investigations are on-going, and the allegations remain unproven. The Government continues to work with Rolls-Royce as usual to deliver important UK capabilities.
- The investigation into Rolls-Royce is a matter for the SFO, and it would not be appropriate for the Government to comment on the investigations.

Ratification of the Cape Town treaty

- The UK is committed to ratifying the Cape Town treaty which aims to facilitate asset based aircraft financing transactions. The Government recently held a consultation on how the UK should implement the treaty. We are analysing the response and will publish the response to the consultation in the autumn. The government aims to make the necessary regulations to implement the treaty in early 2015.

Automotive

Key facts

- In 2013 the UK automotive industry announced more than £2.5bn of investment, forecast to create over 5,000 new jobs. [Source: SMMT]
- UK automotive industry turnover in 2013 exceeded £60 billion, an all-time record, and 9% up on 2012
- UK car production exceeded 1.5 million in 2013, up 3% on 2012, and with 80% exported
- SMMT is forecasting that UK car and light commercial vehicle production will increase to over 2 million units by 2017.
- Automotive manufacturing employment in 2013 was 149,000, an increase of 8,000 over 2012.
- We have more than 40 companies manufacturing vehicles in the UK as well as a world class automotive design engineering sector. And we have some of the most productive plants in the world.
- The UK is recognised as a world centre for Motorsport. The sector is worth £9bn to the UK economy – a quarter of this comes from Formula 1.
- UK Automotive exports totalled £31.5 billion in 2013, 9% up on 2012. This was an all-time record, and accounts for 6.2% of UK's entire exports of goods and services.

Elephant Traps/Issues

F1 Difficulties (Marussia/Caterham – administrations & redundancies)

- Caterham's administrators continue their efforts to find a potential buyer for the team and the company's creditors have now agreed the administrator's plans to continue to seek a new owner. The Marussia race team has been shut down. Government, through local agencies, including the Council, LEP and Job Centre Plus continue to work with Caterham/Marussia and their administrators to see how the skills of the current workforce can be redeployed elsewhere using a range of local and national tools; including our Talent Retention Solution which matches engineering talent with new job opportunities

Geely / London Taxi Company

- The London Taxi Company [and its Chinese parent, Geely Automotive] has an ambition to invest and build a new factory in the UK. This new investment is set to create hundreds of new jobs and will see the development and production of a new, ultra low emission, taxi for the UK and global markets. We are working hard to support that ambition where we can.

Lotus redundancies

- Very concerned to hear of job losses particularly in an industry which has seen remarkable progress and growth in this country.
- We have supported Lotus in the UK and will continue to work with them and local partners to see how the skills of the current workforce can be redeployed elsewhere;

for example our Talent Retention Solution matches engineering talent with new job opportunities.

- Lotus has made clear the decision was related to the reorganising of the company so that it might prosper in the future.

If RGF raised

- We are in discussions with the company about whether this announcement will have an impact on the RGF supported projects.

Top Government actions (since May 2010)

- In July 2013 we published our Automotive Industrial Strategy. Government and industry will invest around £1 billion over the next 10 years in an Advanced Propulsion Centre (APC) to research, develop and commercialise the next generation of low carbon technologies. This investment has the potential to secure up to 30,000 jobs. So far we've announced:
 - The APC hub location at Warwick University (25 July).
 - The first spoke location (London) at the new Loughborough University campus at the former Olympic Park. (6 November)
 - 6 APC collaborative R&D projects, the last 2 were announced on 6 November and are led by JLR.
 - Three APC competitions, the third opened on 12 November, funding available has been increased from £75m to £100m.
 - APC launched its SME Technology Development Accelerator Programme in November. The programme aims to assist small and medium sized companies prepare better for partnerships with vehicle manufacturers and Tier 1 suppliers.
- Other key actions focus on boosting the UK supply chain, ensuring industry has a skilled workforce, improving access to finance such as through the establishment of a £24m new Tooling Loan Fund (£12m RGF funding and maintaining the UK's competitiveness in the global auto industry.
- On 30 July, DfT and BIS launched a £10m Driverless Cars competition, through Innovate UK. The winning projects were announced in Autumn Statement 2014. Following high quality proposals, a further £9m was also announced to enable 3 consortia to receive funding. All 3 projects will commence in January 2015 once Grant Offer Letters have been agreed. In parallel to the competition, DfT is leading a review of the relevant regulation and legislation - expected to report at the end of 2014.
- On 30 April, the Government announced a £20 million employer ownership fund for the automotive sector. This has provided a simple and flexible mechanism to help employers in the auto sector to address skills issues that cannot be supported through mainstream funding and which supports the Growth Agenda and the Industrial Strategy. Co-financing by Government and business is at its heart. £2.7m funding was provided in the first phase to 6 companies to boost training, with a further £10m phase now open to applications.
- The Automotive Investment Organisation (AIO), with up to £3million funding, is leading the campaign to attract inward investment as part of the industrial strategy.

Established in summer 2013, the AIO aims to double the number of jobs created or safeguarded to more than 15,000 during the three years to March 2016. The Automotive Council has identified at least £3 billion a year of potential new supply chain business opportunities for UK based companies.

- The automotive sector is receiving £294 million from Rounds 1-5 of the Regional Growth Fund. Alongside this, £83m support for 32 automotive projects with a total value of up to £226m under the Advanced Manufacturing Supply Chain Initiative (AMSCI) is creating and safeguarding over 5000 jobs.
- In September 2013, the Government launched: 'Driving the future today - a strategy for ultra low emission vehicles in the UK'. Major strands include: Supporting the early market; Shaping the required infrastructure; Securing the right regulatory and fiscal measures; Investing in the UK's automotive capability; and Preparing the energy sector. Government has made a £400 million commitment over this Parliament to make the UK a leading market for ultra-low carbon vehicles, and in July 2013 announced an additional £500 million of capital funding for the period 2015 to 2020. A call for evidence by the Office for Low Emission Vehicles inviting industry views on how best to target this support closed on 10 January 2014. On 29 April 2014 Government announced the key elements of our comprehensive support package for ULEVs out to 2020 (all elements subject to securing the necessary State Aid approvals). The package included £100 million for research and development.
- The NIP announced an additional £25 m of Government funding for R&D 2017-18 and 2019-20 and a London ULEV fund of £10m between 2017-18 and 2019-20 and the Roads Investment Strategy set aside £15 million between 2015-16 and 2020-21 for a national network of chargepoints. The commitment is for the Highways Agency to expand the existing chargepoint network to ensure that for 95 per cent of the time motorists will be no more than 20 miles from a chargepoint as well as switching the majority of the Traffic Officer Service fleet to ULEVs by 2020.
- This takes total Government support for ULEVs over the period 2015-2020 to £550m.
- On 17 July 2014, Government launched the £5m ULEV readiness scheme, supporting the uptake of low emission vehicles in public sector fleets to demonstrate clear leadership by the public sector to encourage future wide-spread acceptance. The first phase will see over 150 ULEVs added to central Government fleets. The scheme will be expanded in the autumn to the wider public sector, including councils, police forces and the NHS.
- Innovate UK is supporting close to £0.5billion of critical R&D investment in the Low Carbon Vehicle Sector, in partnership with OLEV and EPSRC. The majority of this is for collaborative R&D but also includes for example a £9 million investment in an advanced battery R&D and scale-up centre at the High Value Manufacturing Catapult at Warwick Manufacturing Group and in June 2013 a £1m competition to help SMEs develop new energy and emission efficient technologies for motorsport that could also have wider applications.

Construction

Key Facts

- Construction contracting output grew by 1.6% in 2013. However it remains 6.7% below where it was in 2011 (the post-recession peak) and 12.6% below where it was in 2007 (the pre-recession peak and historic high point).
- Construction contracting contributes 6.3% of GDP [GDP(O)] and was worth £121.7bn in 2013.
- Key sectors of growth include private new housing (9.4% in 2013) and new infrastructure (2.3% in 2013). However public new non-housing fell in 2013, by 10.3%
- The Labour Force Survey workforce jobs series, which includes self-employment, shows that there were 2.1m jobs in construction contracting in March 2014. This was the highest figure since December 2009. Jobs are not the same as people, as one person can have multiple jobs.
- BIS estimates that the wider industry, including materials production and professional services, had a turnover of £261.4bn in 2012 (latest available – BIS estimate using Annual Business Survey data from ONS).
- ONS figures published 12 December 2014 show October output fell by 2.2% compared to September. Compared with September 2013 output increased by 0.7%, the 17th consecutive month of growth..
- Apprenticeships. Skills Funding Agency figures show 27,570 apprentices in “construction, planning and built environment” in 2012/13 (which is the latest full year). In 2013/14 so far there have been 26,300 apprentices (August to April – the apprenticeship year runs August to July so we are still in 2013/14). So far in 2013/14 there are 13,320 new apprentices.

Top Government actions (since May 2010)

1. The Industrial Strategy for Construction, published in July 2013, set out a vision of where the industry will be in 2025 and the steps needed to get there. Collaboration between industry and Government will be central.
2. Implementation of the Strategy is driven by a 30-strong Construction Leadership Council, co-chaired by Vince Cable MP and HS2 Chair, Sir David Higgins.
3. The Strategy commits to develop a construction supply chain payment charter, published in April 2014. The Charter sets out 11 “Fair Payment Commitments” including reducing payment terms to the supply chain to 30 days from January 2018. The Leadership Council will encourage construction businesses from across the whole supply chain to comply.
4. The Council is also looking for opportunities for growth including through the green economy; more effective use of ICT and in overseas markets.
5. Government is also increasing demand in the construction industry through its support for the house building industry, and infrastructure development and improvement – The National Infrastructure Plan (NIP) sets a vision for infrastructure needs it identifies a pipeline of over 500 projects, committing an additional £3bn on infrastructure from 2015-16 and making £40 billion worth of guarantees available.

Defence

Key Facts

- UK's defence industry is a significant part of the UK's economy, contributing more than £22 billion of annual revenues.
- UK exports totalled £9.8 billion in 2013, maintaining our position as the second largest exporter of new defence products and services (after the US).
- The UK defence industry directly employs 162,400 staff in the UK and sustains a further 114,200 jobs through the supply chain. Recent export successes included AgustaWestland securing £1 billion Norwegian Search & Rescue contract, providing 16 AW101 helicopters plus a support and training package. In July, MBDA UK signed a £250 million contract to supply missiles to the Indian MOD.

Top Government Actions (since May 2010)

- Created the Defence Growth Partnership (DGP), bringing Industry and Government together to tackle barriers to growth, boost exports and grow high value jobs. The DGP published its Implementation Plan in July 2014, to build on our strengths in Air Capabilities and Intelligent Systems
- Through the DGP we are establishing a new UK Defence Solutions Centre to support collaboration and innovation (in Farnborough). Matthew Hancock opened a new Centre for Maritime Intelligent Systems in Portsmouth on 17 November, building on the strong maritime expertise and skilled workforce in the area. We are creating a new Defence Apprenticeship Trailblazer to develop the skills we need and strengthening UKTI DSO to support export led growth.
- Ministers across Government including the Prime Minister are committed to supporting UK defence and security exports.
- We continue to have the one of the largest Defence budgets in the world and have put in place a fully funded and affordable forward equipment programme which means that industry can plan better. MOD will continue to make significant spend on defence equipment and support: over £150bn to deliver the ten year equipment plan.
- Government is prioritising investment in science and technology with a commitment of over £400 million per year, as set out in the National Security through Technology White Paper (2012).

Elephant trap

Apache CSP (Capability Sustainment Programme)

- The UK currently operates the Apache WAH64, a variant of the US Apache AH64D Block 1. Action is required to address critical obsolescence, reduce operating costs and maintain operational capability in order to sustain the UK's Apache capability in service until 2040.
- The options for the Apache Capability Sustainment Programme are still with Ministers for consideration. The procurement strategy is a key consideration alongside its value for money to the taxpayer and Ministers will take into account the potential industrial and regional implications of large investment decisions as part of this process.

- The National Security through Technology White Paper remains the Government's approach to purchasing equipment, support and technology for the UK Armed Forces. The Defence Growth Partnership supports this with its approach to building greater competitiveness, innovation and international focus in the UK defence sector.

Insolvency Issues

- Consultation: In an insolvency there may be difficult constraints, but it is still important that as much meaningful consultation with employees is done as possible. My officials are speaking to stakeholders about how to improve outcomes in these situations.
- Prepacks: We are working with the profession and other stakeholders on the voluntary reforms recommended by the Graham review published in June.
- IP fees review/ DRO and bankruptcy petition limit review/ Continuity of supplies: I expect shortly to announce the way forward in the light of consultation.
- Breathing space: Anyone facing debt worries should seek independent, reputable and free debt advice as early as possible. We asked the Money Advice Service to put fund free debt advice on a sustainable footing. We will shortly publish the outcome of an independent review on this.
- Latest World Bank insolvency rankings (UK drops from 7th to 13th): UK regime still returns more money to creditors, quicker and at lower cost, than most others including US, Germany and France. Change to methodology favours slower and more costly regimes in the overall rankings.
- Enforcement Success:
 - In May and September two directors gave undertakings totalling 20 years after: allowing a bankrupt to act as a director, evading tax of at least £55m and making payments of £2.3m not shown in the books.
 - In October two directors were sentenced to a combined 13 months in prison and disqualified for 12 years each, for controlling companies whilst disqualified.
 - Since April the Insolvency Service has disqualified 883 directors for an average period of 5.7 years, around 10% were in excess of 10 years.
- (if asked) Scottish Power: It is not appropriate to announce whether or not a confidential investigation under section 447 Companies Act 1985 is taking place. A public investigation under section 432 Companies Act 1985 is not appropriate on the basis of current information. However the creditors of the companies in liquidation will receive reports from the liquidators if they are to be paid further dividends.

Marine

Key Facts

- The marine industries (i.e. engineering and manufacturing) employ nearly 90,000 people in 5,000 businesses across the country and contribute £3.8 billion Gross Value Added to the UK's GDP.
- The wider marine and maritime sectors (which additionally includes shipping, ports and maritime business services) contribute approximately £19 billion to the economy and employs 367,000 people.
- The UK has a world class reputation for building warships and submarines; high quality leisure boats, marine equipment and systems for international shipping, maritime autonomous systems and marine science.
- Marine Industries Growth Strategy vision is that "greater cooperation across the marine and maritime sectors could see their value to the UK economy rise to £25 billion a year by 2020".

Top Government Actions

- Implementation of the first ever Marine Industries Growth Strategy through the Marine Industries Leadership Council - co-chaired by Matthew Hancock and Gregory Darling Chairman of Gardline. Focusing on exports, technology, skills and supply chain. The Council is also working towards a single brand for marine and maritime to aid promotion of the sector at home and abroad.
- Increased investment in technology, with £17 million of Government funding since January 2013 for marine related collaborative research. A £7.5 million Managing Energy on Marine Vessels research competition will open on 12 January 2015.
- Support for Portsmouth and Solent area to build on strong maritime capabilities with £7.5 million to support Sir Ben Ainslie's America's Cup team, over £4 million investment in a Centre for Maritime Intelligent Systems to develop cutting-edge technology for use in autonomous unmanned boats, submarines or other vessels.
- The third round of announcements for the apprenticeship trailblazers saw three successful bids from the defence and marine industry. They were in advanced systems engineering, boatbuilding and for mechanical fitters.
- Delivering a Marine Export Strategy with additional resource in UKTI to work with industry. Identifying and pursuing export opportunities in major markets e.g. Brazil and China, and encouraging inward investment.

Prompt Payment

Key Facts

- Late payment is not a new issue, but the problem has worsened since the financial crisis. Between 2008 and 2012, the overall level of late payments owed to businesses almost doubled from £18.6 billion to £35.3 billion. Studies undertaken in 2014 suggest that the late payment debt burden borne by UK business stands at £46.1bn.
- Late payment can have a very damaging effect on cash flow, and is a particular issue for small and medium companies, as it impacts negatively on their ability to invest and grow.
- Most companies in the UK supply goods and services on credit, agreeing to defer payment for a period after delivery rather than demanding immediate payment. This system (known as trade credit) is an essential element of business practice in the UK. Around 80% of business to business transactions are undertaken on credit terms of some form, and trade credit constitutes about 37% of total business assets.
- Bacs 2014 study estimated that 60% of businesses have experienced late payment. UK SMEs are owed £39.4bn (average of £38,186 per SME) compared to corporates who are owed £6.7bn at any one time. Late payment places additional costs on business due to resulting overdraft fees and administrative costs etc. It was estimated in the Bacs study that an additional cost borne by UK business was £9.16bn a year due to late payment. As a consequence of money owed to them 30% of business said they spent £500 a month however this can be as high as £10,000 a month. The research also showed that 25% of businesses spent over 10 hours a week chasing payments. 21% of businesses say they are forced to rely on bank overdrafts due to late payment.
- The FSB estimated that late payment has led to £180 million in debt interest charges – money that could otherwise be used for investment and growth.
- Comparison with other European Member States:

Country	Average B2B payment term in days	Average B2B payment duration in days	Difference in average terms and average duration (payment beyond terms)
• Finland	• 20	• 26	• 6
• Sweden	• 27	• 35	• 8
• Germany	• 25	• 34	• 9
• France	• 40	• 54	• 14
• UK	• 25	• 42	• 17
• Spain	• 60	• 83	• 23
• Italy	• 65	• 94	• 29

Previous legislative attempts to tackle the problem

- The Late Payment of Commercial Debts (Interest) Act 1998 created a statutory framework for tackling late payment. This was amended in August 2002 (when the 2000 EU Late Payment Directive was transposed into UK law) and again in March 2013 (when the 2011 EU Late Payment Directive was transposed into UK law).
- The legislation's key provisions are:
 - Businesses are entitled to charge interest of 8% above Bank of England Base Rate for any late payment;
 - Administration costs for chasing late payment can be claimed by business, on a sliding scale depending on the size of the debt;
 - Payment contracts must not infringe on a business' right to claim interest and administration costs for late payment;
 - Mandatory 30 day payment terms for transactions with public authorities;
 - Maximum 60 day payment terms between businesses, unless they agree longer terms and this is not grossly unfair to the supplier.
- Few companies seek to exercise the rights provided by this legislation, especially against larger companies. Just 10% of businesses have considered using late payment legislation despite 22% of businesses having ended a business relationship with a customer because of continued late payment. A study by the Credit Management Research Centre found that the most prevalent reasons for not using the legislation were fear of losing a customer or damaging the relationship, or because of the administrative aspects of applying the charge.

Voluntary Measures to Increase Prompt Payment

- Tackling late payment is about more than legislation, it is about changing a business culture and how business customers view their supply chain. For this reason voluntary measures have been an essential part in tackling late payment.
- The Prompt Payment Code (the Code) was set up by the Institute of Credit Management (ICM) in 2008 on behalf of Government in order to promote a culture of prompt payment.
- The Code is voluntary and depends on signatories acting in good faith. Signatories to the Code agree to:
 - Pay suppliers on time;
 - Give clear guidance to suppliers on how to get paid; and
 - Encourage good practice.
- As of December 2014, 1,731 organisations had signed up to the Prompt Payment Code; 74 FTSE 100 companies.

Next Steps:

Duty to report

Through the SBEE Bill we will introduce a requirement for large and listed companies to report on their payment practices. This measure will give suppliers the information that

they need to negotiate fair contract terms, challenge unfair terms and better plan when to expect payment. Secondly, it will increase competitive pressure to improve payment practices and policies in line with peers. Thirdly, it will encourage businesses to process their payments more efficiently.

This measure will be implemented through secondary legislation. A consultation on draft secondary regulations was launched on 27 November, and will run parallel to the Bill's progress through Parliament. We propose that companies should report on a series of metrics, and several narrative components to give an indication of their payment performance and practices. The proposed metrics include, the proportion of invoices paid beyond terms; the proportion of invoices paid over 30, 60 and 120 days; and the average time taken to pay invoices. Our consultation proposes that the reporting frequency be quarterly, with the report to be published on a company's website.

As the measure is subject to the affirmative resolution procedure, we do not expect it to be implemented in this Parliament. Instead, it is likely to be implemented early in the next Parliament in late 2015 / early 2016, subject to the outcome of further consultation.

Ban on assignment

We will also introduce a measure to remove contractual barriers to invoice finance. The purpose of this measure is to make it easier for business to access invoice finance. The effect of this measure is to create a power for the Secretary of State to make regulations which can invalidate contractual barriers that inhibit small businesses' use of invoice finance. It is also hoped that invoice financing will be offered to suppliers at more affordable rates because of lowered administrative costs to invoice financiers.

This measure will be implemented through secondary legislation. We are consulting on draft secondary regulations which were published on 6 December. These regulations will be subject to the affirmative parliamentary procedure.

Prompt Payment Code

In conjunction with the Institute of Credit Management, we have created a business-led Advisory Board to strengthen the impact of the Prompt Payment Code. The principles in the Code will remain the same, and signatories to the Code will continue to be expected to pay suppliers on time, give clear guidance to suppliers and encourage good practice. The Board will focus on monitoring signatory behaviour, promoting awareness of the Code and improving website content to provide greater clarity to suppliers. The first meeting of the Board was held on 27 October.

We are also exploring the possibility of including a maximum payment term of 60 days for signatories. We plan to allow companies to make a case to be exempted from this rule in certain circumstances.

We have published a survey for members and non-members to seek their views on our proposals. This will close on 9 January 2015.

Right for Trade Bodies to represent businesses

An EU Directive permitted trade bodies to take action on behalf of their members to contest contractual terms or practices that are grossly unfair. However, some stakeholders, including the FSB, feel that this has not been transposed fully into UK law. We have made a commitment to consult on this issue, with a view to amending the necessary legislation (Late Payment of Commercial Debts Act). We plan to consult in the New Year.

Recommendations we have considered: during the Commons stages of the SBEE Bill, the Opposition tabled amendments in particular on the following:

- Automatic payment of interest for late payment – the Government opposed because we felt it would lead to perverse consequences, ie that companies would extend their payment terms to ensure they never had to pay interest;
- Bans on retrospective unilateral changes to contract terms – the Government opposed because (a) banning this would in effect mean changing contract law – as a matter of law it is simply not possible to unilaterally change a contract, rather this has to be done by agreement; and (b) this would in any case not tackle the practice causing all this harm, because in practice big companies lean on their suppliers to get them to agree to a change in terms. This is what happened in the Premier Foods scandal. We are however consulting on requiring big companies to report on any changes to their contract terms, to make more transparent such bad practices.
- Bans for payment to be on supplier lists – the Government opposed because we were not clear how prevalent an issue this is; and we have already acted in the Grocery sector where this clearly was an issue (through the statutory Grocery Supply Code). Again, though, we are consulting on this practice and what more, if anything, Government should be doing.

Retail Sector

Key Facts

- Retail sales totalled over £321 billion in 2013, around 20% of UK GDP. Internet sales in 2012 were £32 billion, (around 10% of total retail sales).
- UK retail employs 2,955,000 people and is the sixth largest retail sector in the world by sales.
- 9% of UK VAT-registered businesses are retailers, 187,390 in total.
- Retail sector pays £17.5 billion, of the 4 largest taxes (VAT, Business Rates, national insurance and Income Tax), 9% of the UK total.
- Almost a third of retail employees are under 25 years of age.
- Exports represent 1% of UK total.

Latest Figures (Source: ONS Statistical Bulletin, Retail Sales, released 18 December 2014)

- Retail sales volumes in November 2014 was estimated to have increased by 1.6% compared with October 2014. Sales increased by 6.4% compared with November 2013, this is the highest year-on-year increase since May 2004.
- In November 2014, the value of retail sales increased by 4.3% compared with November 2013. And by 1.2% compared with October 2014.

Top Government Actions Since May 2010

- The 2013 Autumn Statement announced the biggest package of business rates support in over 20 years, including; £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 ;Capping the RPI increase in bills to 2% in 2014-15 Extending the doubling of the Small Business Rates Relief to April 2015. A review of business rates administration is currently being undertaken.
- The business rates announcement was part of a billion pound package to support for the UK's High Streets announced in December 2013 which also included a new multi-million pound competition, to support business-led digital town centres, and action to tackle unfair parking practices.
- In October 2013, "A Strategy for Future Retail" was published; developed in partnership and building on the previous strategy published in 2012. The Strategy comprises actions to address barriers to retail growth and performance, and to help retail prepare itself for the future. Gloucestershire Local Enterprise Partnership was named as the first LEP Retail Pathfinder Standard
- In spring 2013 the BIS Select Committee announced an inquiry into the UK Retail Sector, it focused on Government support for the sector. The Select Committee published its report in March and BIS worked with relevant government departments to publish a response on 13 June.
- The UKTI Retail International Action Plan was launched in March 2013. It commits Government to work with the sector to support international growth of UK companies by taking action to maximise investment in priority markets.

SBEE Bill

Issue

- SBEE Bill will open up new opportunities for small businesses to innovate, compete, and get finance to create jobs, grow and export.
- Bill passed Commons Third Reading unopposed on 19 November and was then immediately introduced in the Lords for its First Reading. Lords Second Reading took place on 02 December where debate was broadly balanced across the Bill as a whole.
- Lords Committee Stage will begin on 07 January and will involve line by line scrutiny of the Bill.

Key Facts

- Bill will:
 - improve companies' payment practices so that small businesses have more information on what to expect from them, can negotiate fair terms and ensure more of their invoices are paid on time;
 - improve access to finance through increasing the availability and sources of investment for small businesses; improve access to credit by allowing HMRC to provide non-financial VAT registration data to approved parties increasing the reliability to credit reports; and introduction of 'Cheque Imaging', allowing depositing cheques remotely via Smartphone or tablet meaning businesses receive their funds more quickly;
 - assist small business expansion overseas, increasing the support available from UK Export Finance and widening their powers to support UK exports and exporters; and improving access to exporter data, providing greater visibility for UK exporters;
 - streamline public procurement to remove barriers and help small business gain fair access to the £230bn public procurement market, and will, subject to consultation, include requirements to ensure procurers run an efficient process, accept electronic invoices, do not charge for bid information, and do proper pre-market engagement. Also make it easier for small businesses to raise concerns about public procurement practices;
 - cut down on red-tape by ensuring that regulations affecting business are reviewed frequently and remain effective. Bill will require a target to be published for the removal of regulatory burdens in each parliamentary term, including transparent reporting on progress;
 - introduce a Pubs Code and Adjudicator to govern the relationship between large pub owning companies and their tied tenants, bringing fairness to the sole traders and small businesses that run thousands of tied pubs across England and Wales to help ensure that they are treated fairly and are no worse off than their free-of-tie counterparts. Following amendments made at Report stage of the Bill, the measures also include a Market Rent Only Option. This requires large pub-owning companies to offer their tied tenants the right to become free-of-tie at certain trigger points;
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- promote a prosperous and growing childcare market making it easier for schools and other providers to offer out-of-hours childcare and give childminders more flexibility about the premises from which they can operate;
- provide new and improved information on learning outcomes by tracking students through education into the labour market; identifying which schools and colleges best enable their students to progress; and giving a fuller understanding of the impact of education choices on lifetime labour market outcomes;
- streamline insolvency law to remove unnecessary costs and ensure effective oversight of insolvency practitioners;
- enhance the reputation of the UK as a trusted and fair place to do business, increasing transparency around who owns and controls UK companies and helping deter and sanction those who hide their interest in UK companies to facilitate illegal activities or who otherwise fall short of expected standards of behaviour;
- strengthen the rules on director disqualifications to help creditors recoup some of what they are owed; and increase the types of information to be taken into account when considering a director disqualification;
- deter employers from breaking National Minimum Wage legislation by creating a power to allow the penalty for under payment to be imposed on employers on a per worker basis;
- stop abuse of zero hours contracts by rendering unenforceable, where included, 'exclusivity clauses' which stop individuals from working for another employer, even if the current employer is offering no work.
- reform Employment Tribunals by encouraging more efficient management of Tribunal postponements to reduce delay and cost, and will introduce a penalty to ensure that Employment Tribunal awards are paid; and
- reform public sector redundancy pay to prevent public sector workers receiving large pay outs if they then go on work elsewhere in that part of the public sector.

Elephant trap

The proposed reforms will not specifically support small business.

- That is simply not true. There are many measures that are specifically designed to help small businesses, including:
- Increasing the availability of investment for small business;
- helping small business gain fair access to the £230 billion public procurement market;
- cutting down on red-tape and ensuring that regulatory burdens affecting all business are reviewed frequently and remain effective;

Simplifying Business Support

Lines to Take

- Businesses have told us they find it hard to find the right type of support. We have listened, and on 5 December the Government launched a transformed support offer making it simpler and easier for every business to get the help that they need.
- For all businesses there is a single place to go for help: , so businesses can find support easily. This together with the Business Support helpline and the provide a simple, straightforward way to get help to start-up, grow and find finance.
- For up to 20,000 firms each year with the ambition and capacity to grow, the Government's Business Growth Service now brings together expert advice to improve and grow in one place.
- The service has brought together the support provided by Growth Accelerator, the Manufacturing Advisory Service, IP Audits and Designing mentoring as well as UKTI/ UKEF export advice. The service is closely linked to InnovateUK and the British Business Bank.
- At the local level growth hubs will bring together national, local, public and private support so that there is one access point for business support in each LEP area.

Key Facts

- Research shows SMEs that use advice are more likely to achieve growth and more likely to make business improvements.
- SME employers who sought external advice or information in the last 12 months were more likely to be aiming to grow their business over the next 2-3 years (76%), than those who had not sought advice (61%) (Small Business Survey 2012).
- Research shows the use of business support, whether public or private sector, is low – less than half of all SME employers (45%) sought external advice or information last year. The main barriers to take up are businesses finding it difficult to value the benefits of advice, concerns over trustworthiness or capability of external advisors and not knowing how to access external advice.
- Only 6% of SMEs used a business mentor in the last year – this means that 4.5 million UK SMEs are not using a business mentor.

Estate Agents Double Charging

Issue

- Concerns have been raised about the emerging practice of so-called “double charging” by estate agents and its potential impact on the housing market. “Double charging” is where the buyer is charged the agent’s fee (sometimes as much as 2% +VAT of the final asking price) and the vendor is charged a small amount for marketing the property (some £150+ VAT)
- The practice in itself is not illegal and although not widespread is causing confusion and isn’t clear. To try to address this the Property Ombudsman has prepared specific guidance for estate agents underlining their obligations, under their mandatory Code of Practice, for transparency, disclosure, avoidance of conflicts of interest and fairness. This was published on their web site on 16th December .
- The intention is that this guidance will ensure both buyer and seller have the information necessary at the earliest point possible to help them make the right transactional decisions.

Key Facts

- The conduct of an estate agent is regulated by the Estate Agents Act 1979 (EAA). Estate Agents must also abide by the Consumer Protection from Unfair Trading Regulations 2008, as well as their own self-regulatory industry codes, and must therefore already make fees and charges clear for both buyers and sellers.
- Since 1 October 2008, all estate agents in the UK engaged in residential estate agency work have been required to join an approved redress scheme dealing with complaints about the buying and selling of residential property.
- Enforcement is by way of local Trading Standards Services under the oversight of the National Trading Standards Board (NTSB) and Powys County Council as the lead enforcement authority for the sector.

Top Government Actions (since May 2010)

1. Earlier this year the Minister for Consumer Affairs met the redress schemes, The Property Ombudsman (TPO) and Ombudsman Services: Property who advised that marketing analysis did not show a significant problem but shared our view that this was not a practice that should be encouraged. They agreed to monitor complaints in respect of this practice. There is a danger that if we were to rush into further legislative measures, we risk damaging and stifling growth within the industry.
2. The Property Ombudsman committed to addressing the matter through guidance to ensure the industry recognise their obligations under their code of practice and adhere to high standards of behaviour.
3. The issue has been debated in both houses during the Consumer Rights Bill and an amendment banning the practice was tabled by Baroness Hayter at HOL’s Report Stage in November. The opposition pressed for a vote ; the Government won by a majority of 43 votes. Lack of transparency, excessive charges and conflicts of interest are the main concerns. Baroness Neville Rolfe assured the House that the Property Ombudsman

(TPO) would issue his guidance in December. This was published and disseminated to agents on 16th December.

Elephant trap

What use will guidance have?

- The guidance will ensure agents recognise their obligations, under The Property Ombudsman Code of Practice, for transparency, disclosure and avoidance of conflicts of interest. It also stresses that agents should not charge the buyer more in agent's fees than they would normally charge a seller. If the guidance is not complied with, agents will be in breach of that Code. Breach of the Code could result in removal from the redress scheme – this would effectively prevent them from operating as an estate agent as membership of one of the redress schemes is a legal requirement for estate agencies. The Property Ombudsman will continue to monitor complaints and developments in this area and keep Government informed.

Paperless Billing

Issue

- A Public Campaign called 'Keep Me Posted ' wants to create a legal right to receive paper bills through the post rather than digital bills; and not to be charged extra for that service. There is associated discontent about charges a) for processing non direct debit payments such as cheque or cash and b) for phoning customer services with an account or service query or to pay a bill.
- Charges for paper billing by utility companies, telecomms providers and financial services practices are claimed to be penalising the elderly and vulnerable.
- The matter has been the subject of a number of Lords Debates, culminating recently as amendments tabled to the Consumer Rights Bill.
- The most recent amendment from Baroness Oppenheim-Barnes at the Report Stage in the Lords of the Consumer Rights Bill sought to compel industry to provide paper bills and statements and the continued processing of cheque (rather than electronic) payments free of charge. The most controversial aspect of this amendment was that it sought to prohibit industry from offering a discount to those opting for cheaper electronic transactions. It is likely that this requirement would have contravened relevant provisions of an EU Directive on payment surcharges but it was rejected by a vote of 189 to 163.

Key Facts

- This is not necessarily a penalty for choosing paper. In many cases, rather than paying an extra charge, customers are simply not receiving the discount available available to those that pay by direct debit. Choosing paper bills retains an additional service for those who wish not to take a 'paperless bill discount' for surrendering that service.
- The Government would not wish to intervene to deprive those opting for paperless transactions from receiving the cost savings and deprive industry of the ability to use more cost-effective and lower risk collection and administration processes such as internet statements and direct debit payments.
- Discounts for paperless billing, statements and direct debits must be justified by and reflect the actual lower paper, postage, overhead and administration costs incurred. And Consumer Protection Regulations prevent traders from making a profit on charges for paper documentation and cheque payment processing.
- It is not necessary to use the internet to set up an on on-going direct debit arrangement or to pay by credit or debit card for a single payment.
- Direct debits are often arranged by post or telephone ; and payments by credit or debit card may be made over the telephone. The Government has recently introduced legislation to prevent callers being charged premium rate and making it easier to complain about and reclaim any overcharge.
- To put this in perspective, charges for traditional non electronic transactions are typically a very small percentage of the overall cost of any utility or essential services tariff. .
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- The most important advice for consumers is to look around to find an appropriate service tariff and overall price for their needs - including the cost of paper bills and payments if they want them – at the best price possible as savings could far exceed the cost of the bill or payment method. There are now many organisations looking to support those such as the elderly and vulnerable consumers in finding the most appropriate service level and value for money.
- Complainants about unfair treatment should seek advice from Citizens Advice who may in turn refer any widespread intractable issues to Trading Standards or the relevant regulator/ombudsmen to investigate and respond.

Top Government Actions (since May 2010)

Premium Telephone Lines

- Government is intervening in the related cost of premium rate customer service telephone lines. Government funding has allowed Citizens Advice Consumer Service Helpline to change their premium number to an 03 this month. 03 numbers are charged at the same price as a local call (01 and 02 prefixes), and should be included in any “free minutes” allowance from landline and mobile providers.

Cost of Living

- Government is addressing the costs of items such as electricity supply and petrol which are having a much larger impact on cost of living than paper bills. Government intervention requires energy companies to make customers aware of the best tariff.
- The Government has done a lot to support groups of consumers wishing to switch to suppliers offering a better deal, and this has been very successful especially for gas and electricity tariffs.

Financial Services

- The Government is committed to improving access to financial services for individuals. Access to a transactional bank account is key to enabling people to manage their money effectively, securely and confidently on a day-to-day basis.

Digital Inclusion

- A new cross-government Digital Inclusion Team based in the Cabinet Office's Government Digital Services has been established in order to co-ordinate and drive forward the digital inclusion agenda. This team will work across Government to develop a digital inclusion strategy
- UK Online Centres, which is a network of 3,800 community-based centres throughout the UK (funded by BIS and DWP) offer free digital skills training to the most marginalised groups such as the elderly, long-term unemployed and disabled. Their tutors are trained to cater for all learning abilities.

Consumer Rights Directive (CRD) 2011

- From 13 June 2014, when UK Regulations implementing the CRD came into in force, suppliers should obtain consumers' express consent to any extra charges including those for paper bills. They should not use an approach that requires consumers to untick boxes in order to avoid charges.

Elephant traps

- Several separate requests from 'Keep Me Posted' for meetings with BIS Ministers were recently declined on the grounds of a heavy work schedule. A round robin invitation to SoS was not taken up. BIS has offered the campaign's president a meeting with policy officials and - so far - no response to this has been received.
- The 'Keep Me Posted' lobby group position, was strongly supported by some members of the House of Lords during the debates on the Consumer Rights Bill in Grand Committee in that House, the Lords seemingly not impressed by the prospects of digital roll out or of promised digital training for the elderly. Their point remains that – even if they could - they do not want to have to use the internet – they want choice to receive paper bills without being penalised by charges and, similarly, to pay their bills by cash, cheque or postal order.
- BIS took the lead in responding to the EDM and leading in this matter in the November 2013 Lords Short Debate and follow up debate in December (Lord Younger). This was because of BIS overarching consumer protection brief. However, policy responsibility and power to act is spread widely across Other Government Departments and Regulators.

Pubs Code and Adjudicator

Issue

- Through the Small Business, Enterprise and Employment Bill the Government is introducing a Statutory Code of Practice and an Adjudicator to enforce the Code, to govern the relationship between pub-owning companies and their tied tenants.
- Measures will address the imbalance in bargaining power between large pub-owning companies and the thousands of tenants that run tied pubs across England and Wales.
- Following the Government's defeat in the Commons on 18 November 2014, the Code will also require pub-owning companies to offer tied tenants the option to go free-of-tie at rent review or other specified circumstances. The tenant would pay a market rent for the pub but would be free to source beer and other products from any source (known as 'Market Rent Only').

Key Facts

- Tenant groups, the BIS Select Committee and other campaigners are concerned about unfairness in the relationship between pub companies and their tied tenants.
- 57% of tenants tied to large pub companies earn less than £10,000 per year, compared to just 25% for tenants who are free-of-tie, and 80% of tied tenants earn less than £15,000 per year (CAMRA).
- BIS Select Committee has published five reports in ten years on pubs, consistently calling for Government action, including recommending the establishment of a Statutory Code and Adjudicator in 2011.
- The Office of Fair Trading found in 2010 that there were no competition issues in the market. Government is not intervening for competition reasons, but to ensure tenants are treated fairly.
- The Government's consultation in 2013 received over one thousand one hundred written responses and over seven thousand responses to an on-line survey conducted in parallel.

Top Government Actions (since May 2010)

- In November 2011 Government secured a commitment from the industry to build on self-regulation. Following a call for evidence on how it was working in October 2012, the Secretary of State announced to Parliament in January 2013 that while it had brought a number of improvements, self-regulation did not appear to be working well enough, and he would consult on statutory intervention.
- An eight week consultation took place between 22 April and 14 June 2013 on establishing a Statutory Code of Practice and an independent Adjudicator.
- On 4 June 2014, the Government's responses to the consultation and to BISCOM's July 2013 report were published and, on 3 June 2014, the Queen's Speech announced that a Pubs Code and Adjudicator would be taken forward in the Small Business, Enterprise and Employment (SBEE) Bill in the 4th Session.
- The SBEE Bill moved from the Commons to the Lords in December 2014 and Lords Committee starts on 7 January 2015.

Elephant Traps

Market Rent Only

Government said Market Rent Only would have unpredictable consequences for the pubs sector so why have you changed your mind?

- We resisted the Market Rent Only amendment partly on the basis that it could have unintended consequences for the pubs sector.
- However, we recognised the strength of feeling in Parliament on the Market Rent Only issue and understand that many in and outside of Parliament believe that pub-owning companies need the threat of tenants going free-of-tie before they will offer their tenants a fair tied deal and ensure there are 'no worse off'.
- That is why we confirmed at Second Reading of the Bill in the House of Lords on 2 December 2014 that we accept in principle the introduction of a Market Rent Only option.
- Our focus now is on making this option workable, to ensure that we minimise the risks of unintended consequences.

What about claims that the Market Rent Only proposals, if implemented, would constitute a breach of the Human Rights Act?

- The vote in Parliament demonstrates that Members strongly believe that pub-owning companies need the very real threat of tenants going free-of-tie before they will offer their tenants a fair tied deal.
- Although some of the longer-term impacts may be hard to quantify, we consider that these measures are a proportionate and targeted response to the long-standing problems in the pubs sector – they strike a fair balance between protecting pub-owning businesses' property and bringing in crucial new protections for the rights of tied tenants. For those tenants, these protections are not just about their business but also about their home.

The Parallel Rent Assessment (PRA) is redundant now that the Bill includes a Market Rent Only option. Will you be removing this requirement?

- As drafted the legislation and Code would also require pub-owning companies to provide a parallel free-of-tie rent assessment (PRA) to tied tenants upon request if rent negotiations fail, which would make clear whether the deal being offered would leave the tenant no worse off than a free-of-tie tenant. Government is considering whether to retain the PRA in light of the addition of the Market Rent Only option into the Bill at Commons Report stage.

Secondary Ticketing

Issue: Secondary Ticketing

Key Facts

- We have taken action – this summer we introduced a new section into our guidance setting out what information a trader selling tickets must give a consumer. Transparency is all important – consumers must know what they are buying from a trader.
- Of course we should do more if it's proportionate to do so. However, only 0.06% of calls to Citizens Advice are about tickets, and industry are concerned about extra burdens, so we haven't yet satisfied the proportionality test.
- The Consumer Protection from Unfair Trading Regulations 2008 make it a criminal offence if a trader provides misleading information and a consumer buys a ticket on the basis of that misleading information.
- The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 provide that a trader must give or make available to the consumer information about what they are buying, the total cost of the purchase and from whom they are buying in a clear and comprehensible way before they buy. They came into force recently – on June 13th 2014.
- Consumers appreciate being able to resell tickets, and may turn to unofficial channels if we make this difficult: ICM polling found that over 85% of consumers thought they should be able to freely resell tickets they have bought.
- The All Party Parliamentary Group said, earlier this year: "We believe that the existence of a secondary market is justified by the need of consumers to pass on tickets bought for events that they can no longer use".
- The Culture, Media and Sport Committee said: "Any attempt to ban the secondary market outright would also be a very serious step in that it would criminalise what has been a perfectly lawful activity".
- The OFT said "Secondary agents can provide a useful function for consumers who need tickets for events and are willing and able to pay premium prices."

Top Government Actions (since May 2010)

- The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 came into force recently on June 13th 2014. Guidance, including a specific paragraph on what ticket sellers need to do.
- Ministers have met with all the key players: the main ticketing websites and the sporting bodies.

Elephant trap

Rugby World Cup in England and Wales 2014

- I have been very impressed by the action the 2015 organisers are taking:
- They are using a ballot system, have anti-forgery designs on the ticket and an official dedicated resale site will be launched next year – these all moves that will help protect the market.

18 to 21 Work Skills Pilot

- On-line and blended English and maths training for the young unemployed without level 2.

Issue

- In February the Deputy Prime Minister announced a pilot scheme for 18-21 year olds who do not have level 2 in English and maths.
- This formed part of the Cabinet Office review of all policies, funding and provision for 16- to 24 year-olds not in employment, education or training.

Key Facts

- On 25 November, the 18-21 Work Skills Pilot was launched in several Jobcentre districts in England providing young jobseekers without English or maths qualifications at Level 2, training to improve these crucial skills.
- Much of the training is through innovative online learning which will allow young people to learn at their own speed and work towards GCSE qualifications or Functional Skills.
- New JSA claimants aged 18-21 identified as having English or maths below Level 2 will be mandated to a provider assessment leading to maths and/or English training for up to 16 hours per week, alongside their jobsearch.
- The pilot will be evaluated through a Randomised Controlled Trial (RCT). It will test the impact on educational and employment outcomes of systematically mandating 18-21 year-old JSA claimants to undertake this type of training at this stage of a claim.

Q and A

Why the focus on English and maths?

- Being competent in English and maths can make a real difference to a person's life, both in terms of employment outcomes and their general well-being.

Isn't this duplicating existing provision?

- By making the best use of learning technology, young people will be helped to get the English or maths skills they need to find and stay in work, where perhaps more traditional classroom-based learning may have failed them in their previous education.

18 to 21 Work Skills Pilot 2

Issue

- Pilot 2 was announced by the Deputy Prime Minister in February 2013 to help reduce the risk of permanent disadvantage in the labour market. The objective is to give young people who have been claiming Jobseeker Allowance on a long term basis the opportunity to address the barriers they are experiencing in obtaining sustainable work.

Key Facts

- Jobseekers who have been claiming Jobseekers Allowance for 6 months are required to participate in a suitable work-related activity lasting up to 3 months.
- Jobseekers are identified by Jobcentre Plus (JCP) and invited to attend a diagnostic interview with their Work Coach. Through discussion Work Coaches will determine barriers and agree with jobseekers their appropriate activity to undertake.
- If a jobseeker is already participating in worthwhile provision at this stage where job goals are likely to be reached, it may be more beneficial for them to continue. But fundamentally, all claimants will be participating in something, doing nothing is not an option
- Work-related activity:
- Work Experience Placement (unable to mandate).
- Traineeship.
- Skills training.
- Sector-based work academy.
- Mandatory Work Activity.
- Other ie New Enterprise Allowance Scheme.
- Pilot 2 is being delivered in Kent; the pilot is running throughout the whole district. Upto 3000 participants will take part in the pilot.
- The pilot was launched on 25 November 2014.

24+ Advanced Learning Loans

Issue

- 24+ Advanced Learning Loans are available to thousands of adults wishing to retrain.

Key Facts

- Learners aged 24 and above studying at Level 3 and Level 4 can access loan support to help meet up-front fees, removing one of the main barriers to learning.
- Loans enhance shared responsibility for skills funding, recognising that much of the benefit of advanced vocational study goes to the learner.
- Introducing loans has allowed grant funding to be focused where the barriers to learning are greatest for young people and those without basic level English and Maths.
- 24+ Advanced Learning Loans went live in April 2013. To end October 2014, around 118,500 applications had been submitted (71,000 in 2013/14 and 47,500 so far in 2014/15).
- The loans operate on the same eligibility and repayment basis as HE student loans, with nothing to repay until the learner has left the course and is earning above £21,000; and any outstanding loan amount written off after 30 years.
- On 19 June 2014, the Government launched the consultation 'Further Education – Future Development of Loans', seeking views on proposals to expand and simplify loans in Further Education. An expansion would have no impact on the fully-funded provision. The Government response is due to be published early in the New Year.

Elephant Trap

- Challenge: The take up of loans this year is lagging behind last year.
- Response: We will continue to monitor take-up and work with the sector to help them share best practice on how providers have made loans work.
- Challenge: BIS is overdue in publishing its response to the consultation
- Response: The divergence of views that we received in response to the consultation, and the interaction between the future of loans policy and other policy areas means that Government has needed more time than anticipated to come to decisions.

Adult Skills Funding

Key Facts

- Overall funding for adult FE and Skills is £4.1 billion for the 2014-15 Financial Year. Of this £3.4 billion has been granted to the Skills Funding Agency to support learners.

Lines to take

- Despite the tough fiscal climate, we have retained funding for adult Teaching and Learning in 2014-15 at broadly the same level as 2012-13
- Adult skills funding is prioritised where its impact is greatest and our priorities remain focused on Apprenticeships, Traineeships, and supporting unemployed people to improve their skills for work and all adults to gain a good standard in maths and English.
- By 2015-16 BIS's funding for FE teaching and learning will fall by about 8%. In order to deliver these savings we are targeting our funding more effectively, and using our funding to leverage new private sector contributions.

Adult Vocational Qualifications

Issue

- The adult vocational qualifications system is designed to provide a skilled workforce with access to relevant, rigorous qualifications that employers value, enhance social mobility and improve progression into further or higher education and employment.

Key Facts

- Vocational qualifications play an important part in supporting the development of relevant and up-to-date skills in the workforce. They match the skills, knowledge and understanding people require for entry into an occupation or progression in a career or to further training. High quality vocational education is essential to meet new demands of changing global economies and new technologies and support economic prosperity.
- In March 2014, the Government published “Getting the Job Done”, which set out its reform programme for vocational qualifications for learners in full-time education, for adults and for apprenticeships. In each case, it set out the steps we are taking to develop rigorous qualifications which are recognised as valid by learners and employers. This programme is now being taken forward by BIS, DfE, Ofqual and the Skills Funding Agency.
- In particular, Ofqual have just completed a consultation on the framework for vocational qualifications (the QCF). The main outcome being that the QCF rules will be removed. Which will mean qualifications can be better designed around the needs of employers rather than prescriptive QCF rules. The Skills Funding Agency has put into place new business rules to approve qualifications submitted for funding, leading to a smaller and more relevant funded offer. A qualification will need to have recognition by business, a clear purpose and appropriate content and show that it will help a learner into a job or be a pathway to higher-level skills. Existing qualifications with no or low take-up are reviewed annually, and removed from the scope of funding unless they fill a particular niche. Nearly 4,000 qualifications have been removed from the 2014/15 publicly funded offer because they have not met the business rules, and more will be removed for 2015/16.
- The changes mean that nearly £200m of the adult skills budget has been re-directed towards the highest quality and most relevant qualifications. The business rules will sit alongside the Agency’s funding policy rules and the Agency will continue to ensure that qualifications which attract public funding are high quality, valued by employers and responsive to learner need.

Apprenticeship Reforms in England

Key messages

- Delivered 2 million apprenticeships starts in this Parliament (Announcement 9 December 2014).
- Apprenticeships are at the heart of the Government's drive to equip people of all ages with the skills employers need to grow and compete.
- Apprenticeships are real jobs with training; locations and sectors are determined by employers offering apprenticeships and recruiting apprentices.
- While apprenticeships already deliver strong returns for the economy, employers and apprentices, we want to ensure that they become more rigorous and responsive to the needs of employers.
- We want it to become the norm for young people to choose between an apprenticeship or university place as equally prestigious routes to a great career.
- Apprenticeships give young people the chance to reach their potential, giving them what it takes to achieve a successful career and secure future finances.

Apprenticeship Reforms are:

- Putting employers in the driving seat - designing apprenticeships that are more responsive to the needs of business. Giving them control of funding will also make them more demanding customers.
- Producing short, simple apprenticeship standards written by employers that are replacing complex frameworks.
- Increasing the quality of apprenticeships through higher expectations of English and maths, more end point assessment.

Trailblazers -Employer-led, are designing the new apprenticeship standards and assessments, which are being trialled during 2014/15 academic year.

- Our aim is that from 2017/18 all apprenticeship starts will be on the new standards.
- More than 1000 employers are involved in over 75 sectors.
- 73 standards approved and published with more than 75 new standards in development.

Funding Reform –

- Routing funding for apprenticeship training and assessment through employers will give them greater control and purchasing power over apprenticeship training.
- A technical consultation is currently being evaluated independently of BIS and we will publish a response shortly.
- We are trialling the funding model with Trailblazer standard-based apprenticeships started 2014/15 Academic Year. This will be based on Government contributing £2 for every £1 the employer contributes to external training and assessment costs, with additional payments for small businesses, employment of 16-18 year old apprentices, and successful completion.
- The Autumn Statement on 3 December 2014 announced from April 2016 employers will not be required to pay employer National Contributions for apprentices under the age of 25 on earnings up to the upper earnings limit.

Careers Advice and the National Careers Service

Issue

- The Government has announced the creation of a new employer-led careers company, which will operate independently of government and will be tasked with supporting engagement between employers on the one hand, and schools and colleges on the other. It will ensure that young people aged 12-18 get the support they need for success in working life. The National Careers Service will continue to work to help adults and work with the new company to improve the offer to young people.

Key Facts

- The government's growth agenda makes it vital that careers advice, guidance and inspiration in schools are fit to prepare young people for a modern economy and long-term economic plan.
- Ofsted's Annual Report (2013/14) reported that many schools need help to formulate careers advice strategies, and improving employer engagement.
- The company will work closely with the National Careers Service, which will continue to support young people through its helpline and website and to help the company bring employers, schools and colleges together through its local brokerage role. The NCS will also remain the mainstay of the government's offer for adults.
- The Secretary of State for Education has invited Christine Hodgson to chair the new company, and it will be formally established by her. We expect the new organisation to be up and running by March 2015.
- Since its launch in April 2012, the National Careers Service has delivered: over 1.6m new adult customers face to face advice sessions; 113,953 telephone, web chat, e-mail and text contacts with young people; over 500 thousand unemployed 18-24, with 1.5 m hits a month on its website.
- It operates from over 2,800 locations co-located with Jobcentres, colleges and in 116 prisons, and achieves high satisfaction levels amongst adults – with over 50% stating that the careers adviser contributed to their success.
- BIS is providing £110.9 million in 2014-15, including £14 million ring fenced for provision in prisons and £1.4 million for the Youth Contract.
- In April 2014 DfE published revised statutory guidance, and departmental advice of good practice for schools, emphasising the need to provide pupils with experience of work, labour market and progression routes.
- In the December 2014 Autumn Statement, £20m was announced to improve careers advice and support for young people.

Employer Ownership Fund

Key messages

- EOF is further developing the Government's ambition to give employers a leading role in the adult skills delivery
- Building on the lessons learned from the Employer Ownership Pilot (EOP) to deliver a new flexible way for employers to tackle skills challenges with government funding match
- Employer Ownership Fund is strategic, simple and fast delivering funding to projects quickly so they can get underway.
- Funding goes directly to individual businesses to support training costs on a 50/50 matched basis.

£20 million for skills in the automotive supply chain (2 releases)

- First £10 million announced on 30 April and closed on 25 July. 6 projects being supported with £2.7m of grant funding matched by employer investment.
- Second £10 million opened for applications on 3 November.

£30 million to support engineering skills for employers (3 releases)

- £10 million to help people progress in engineering careers (opened 19 June and closed 5 December 2014)
- £10 million to develop more women engineers (opened 23 June and closed on 5th December 2014)
- £2.5million (part of £10million package) to help small firms tackle their engineering skills challenges (opened 12 December – scheduled to close 27 February 2015)

Top Government Actions (since May 2010)

- Launched and supported the Employer Ownership Pilots to test the concept and appetite among employers to take ownership of the adult skills agenda. £340 million has been made available for two funding rounds through to FY2015-16
- Provided funding for the Employer Ownership Fund to continue to give employers a role in the delivery of adult skills ensuring that it meets their needs.
- Successfully implemented the first Automotive Skills fund, with 1st tranche of successful projects now operational and receiving grant funding. First Engineering project now approved and grant offer made.

Elephant trap(s)

What will be the focus of future calls?

- We will continue to engage with employers to identify strategically important skills issues where co-investment by Government and business could help to tackle serious skills shortages that are inhibiting economic growth.

The Adult Skills Budget is undergoing fiscal tightening, where is the money for the EOF coming from?

- EOF is being managed flexibly within the Adult Skills Budget. We are mindful of the need for budgetary oversight and will only deliver calls that we can afford.

Employer Ownership

- Employer Ownership is a key aspect of the Government's policy reforms to make the skills system more responsive to employers' needs and to further encourage employers to invest in improving the skills of their workforce. The concept is being tested through the Employer Ownership Pilot Programme (EOP) and we have taken the best elements of the EOP to create a new, permanent funding mechanism called the Employer Ownership Fund (EOF).

Top Government Actions (since May 2010)

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- Provided funding for the Employer Ownership Fund to continue to give employers a role in the delivery of adult skills ensuring that it meets their needs.
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Employer Ownership Pilot (EOP)

Key messages / facts

- Companies, or groups of companies, bid directly for funding to enable them to develop and deliver solutions for their own workforce, or on behalf of their sector, supply chain or locality.
- Aim is to generate innovative approaches to training and development, encourage more employers to invest in training and promote greater leverage on private sector funding, thereby increasing value for taxpayer money.

Two funding rounds...

- Round 1(2012) - attracted 269 applications, with 36 projects offered funding. Total investment around £102 million public funds with £115 million in employer contributions.
Round 2 (2013) - 315 applications received, (six times oversubscribed). 276 projects offered funding going forward. £150m approx. awarded to 7 Industrial Partnership programmes (Aero, Auto, Creative & Cultural, ICT, Life Sciences, Nuclear and Tunnelling/Construction).
- A full impact evaluation of the Employer Ownership Pilot will run from 2013 to autumn 2017.

Employer Routed Funding

Issue

- Opponents of the reforms argue that paying providers directly for Apprenticeships works well and does not need to change. The proposed reforms put added burdens on employers and will lead to a reduction in the numbers of apprentices.

Key Messages

- We intend to publish the Government response to our technical consultation on Apprenticeship Funding Reforms this month (January 2015)
- We are not going to rush any changes that would make apprenticeships unattractive to employers
- Giving employers direct control of apprenticeship funding remains a core and non-negotiable part of our reforms to ensure that apprenticeships become more rigorous and responsive to their needs
- Routing funding to employers will help them secure the most appropriate and effective training and make providers more responsive to employer needs.
- By moving away from a provider driven system and giving employers the purchasing power to influence quality and value of training, we are looking to deliver the best value for taxpayers' money and to drive up quality and participation.
- We are giving careful thought to how we ensure that any off-putting administrative and financial burdens are avoided. We want the system to be efficient and attractive to employers of all sizes, including micro businesses and sole traders.
- We are involving businesses, providers and their representatives in the design and development of the new system, to ensure it reflects their needs and priorities
- We are trialling a funding model with new employer-designed apprenticeship standards in the 2014/15 academic year. We will be maintaining an open mind moving forward as we learn from this trial
- Any new process will be fully prototyped and live-tested to ensure it is simple, secure and easy to use before it is implemented.

Key Facts

- The technical funding consultation ended in May 2014.
- We received 1,459 individual responses, almost half of which came from small and micro businesses.
- We also undertook a series of wider stakeholder discussions, focus groups and met with employers to discuss the proposed models outlined in the consultation
- We are trialling a cash co-investment model this year, and will be looking at further trials in 2015-16, and these trials will inform our future decisions.

Engineering Skills

Issue

- Boosting supply of engineering skills to meet industry needs and support growth.

Key facts

- Significant growth in university applications for engineering: up by 6.1% in 2014
- There are multiple pathways into engineering, including training within the workforce and conversions from qualifications in related subjects: Only 60% of current engineering professionals are educated to degree level.
- 45,000 Engineering Apprenticeship starts since May 2010. Over 13,000 Engineering Apprenticeship starts in the 2011/12 academic year.
- Less than 10% of engineering professionals in UK are women (lowest in EU).

Top lines to take

Government actions in response to the Perkins Review of Engineering Skills:

- £250k seed-funding for the Tomorrow's Engineers employer engagement programme to inspire more young people to choose engineering
- Over £30m to support employers improve engineering skills in their workforce through employer ownership fund (EOF)
- £50 million for new National Colleges to train more engineers in manufacturing, high speed rail and nuclear sectors £200m investment in engineering and science teaching capital fund in universities matched by private funding and requiring a commitment to equality and diversity.
- Additional £185m for teaching in high cost subjects, including engineering
- £6m over two years for HEFCE to work with engineering professional and regulatory bodies to develop an engineering conversion pilot to enable qualified non-engineering graduates to pursue a career in engineering
- New employer-led "Trailblazer" apprenticeships with a focus on engineering, including aerospace, automotive and energy.
- Working closely with the engineering community to boost employer engagement with young people, teachers, schools, colleges and universities.

Government action to improve diversity in engineering

- Created the Tomorrow's Engineers Week campaign to inspire young women about engineering careers. Inspired by the success of the inaugural campaign, the engineering community have committed to make this an annual event.
- Set up the Your Life Call to Action, under which over 200 organisations have pledged concrete action to increase women in engineering and technology.
- £400k pa to address diversity in the STEM workforce through a joint programme run by the Royal Society and Royal Academy of Engineering.
- BIS funds STEMNET £6.3m per year to run a UK-wide network of over 28,000 volunteers who travel to schools to inspire students with the range and rewards of STEM careers and to help teachers. 40% of Ambassadors are women.

FE and Skills Capital Funding

Context

- Capital investment in the skills infrastructure supports economic growth and improved learner outcomes.
- The Government's FE College Capital Investment Strategy (December 2012) set out its priorities for the renewal and modernisation of the FE College estate to provide attractive, flexible, state-of-the-art accommodation, facilities and industry standard equipment. To support the strategy, £550m was made available in 2013-14 and 2014-15 for investment on the Capital and College Investment Fund (CCIF) administered by the Skills Funding Agency (the Agency).
- From 2015-16, responsibility for local skills capital funding will move to Local Enterprise Partnerships (LEPs) as part of their Growth Deal Local Growth Funds (LGF). Colleges were encouraged to engage with their LEP to support the development of local skills priorities, strategies and capital investment plans.

Key Facts

- Overall, since May 2010, the Government has made almost £1.7bn available for capital investment in the skills infrastructure, enabling over 1000 college projects. A further £740m has been made available to support skills capital investment in 2015-16 and 2016-17.
- Between May 2010 and November 2012, the Government was able to make over £330m available to support over 500 new college projects across the country, enabling total college capital investment in excess of £1bn.
- Since the launch of the FE College Capital Investment Strategy in December 2012, the Skills Funding Agency has completed seven rounds of capital funding and operated a College Condition Fund. Over £480m has been committed to over 200 college projects with a total project value of almost £930m.
- In June 2013, Government announced that it will put £330m of skills capital funding into the Local Growth Fund (LGF) in 2015-16 to support the delivery of local skills strategies. In November 2013, the government confirmed that it would put a further £330m into the LGF for skills capital investment in 2016-17 – making a total commitment of £660m.
- Local Growth Fund allocations for LEPs were announced on 7th July, including skills capital allocations worth £665m over 2015-16 and 2016-17.
- In June 2013, government also announced that it will continue to invest in the development of National Colleges and support local initiatives, with a smaller amount of skills capital funding (up to £40m pa) being held centrally within BIS in 2015-16, and 2016-17 to support strategically important skills infrastructure projects and initiatives.

Further Education Workforce

- Government published its FE Workforce Strategy in July 2014. The strategy focuses on four priority areas:
 - Improving the quantity, quality and professionalism of teachers and trainers, especially the teaching of Maths and English
 - Being responsive to employers need
 - Improving the quality of leadership, including system leadership and FE governance
 - Making effective use of technology in teaching and learning
- The Government is investing £30m over the next two years (2013-14 and 2014-15) in a range of measures to improve the quantity and quality of teachers in FE – with a priority on English and maths including: bursaries for graduates to teach in FE, golden hellos, grants to colleges and providers to help meet the costs of training maths teachers who qualify as a teacher whilst they teach and enhancement programmes to improve the maths and English skills of existing teachers.
- ETF have been asked to lead a review of what employers & learners need from maths and English qualifications taken by students not studying GCSEs.
- Government is also investing £25m in 2014-15, via JISC (the sector-owned company), to provide ICT infrastructure, support and digital resources to enable and enhance online learning and better use of technology and research in FE and skills, taking forward the recommendations from FELTAG (FE Learning Technologies Advisory Group).
- Government is grant funding the Education and Training Foundation, the sector owned improvement body - £22m in 14-15. The Foundation is leading the sector's drive to improve quality of teaching and learning and published revised professional standards for FE teachers and trainers in May 2014. From 1 November 2014 the Foundation will become responsible for conferring professional status for teachers in FE i.e. Qualified Teaching Learning and Skills (QTLS). QTLS is the kite mark for FE teachers and is equivalent to Qualified Teacher Status in schools.
- Over 2200 teachers undertook the maths enhancement programme run by the Education and Training Foundation. Over 900 teachers already enrolled on the English enhancement programme that is just starting with a target of 1400. There are now: 174 English, 124 Maths, 124 SEN (422 in total) FE Initial Teacher Training bursaries.

Localism and Skills

Key messages

- We are reforming the FE and skills system so that is increasingly responsive to local individuals and businesses, particularly focused on Local Enterprise Partnerships (LEPs) and Cities growth agenda. We are building a system driven by needs of employers and learners and local growth opportunities, not central targets or commissioning.
- We are putting control in the hands of learners and employers, via Employer Ownership funding, Advanced Learning Loans for 24+, and reform of Apprenticeships with employers leading on design and delivery and control of funding through an employer led system.
- The Government recently announced devolution packages for Greater Manchester Combined Authority (Nov 2014) and Sheffield City Region (Dec 2014), given them the lead role in working with the Government to re-structure their local FE systems. The aim is for there to be forward looking skills system to be in place by 2017 - including responsibility for part their respective Adult Skills Budget. We are devolving Apprenticeship Grant for Employers (AGE) to the Cities with immediate effect.
- LEPs have significant local influence over the skills system.
- The Government announced (7 July) plans to invest at least £12 billion in local economies in a series of 'Growth Deals' with LEPs. This includes:
 - skills capital allocations worth £665m across 2015-16 and 2016-17 as part of the Local Growth Fund. (£261m in 2015-16, and £404m in 2016-17), and
 - access to £170 million in 2015-16 (ring-fenced within the adult skills budget) as match funding for EU funds via Skills Funding Agency's matching service.
- LEPs are responsible for identifying local skills priorities, working in partnership with key players across their local economies. Growth Deals enable them to align investment in skills capital, with other funding, to their key growth priorities.
- LEPs also have a lead role in determining the use of ESF in the next round (2014-2020).
- Three LEPs in North East, West of England and Stoke and Staffordshire are also developing pilots designed test their local influence over skills delivery, due to be live in the academic year 2014/15.

National College Programme

Issue

- Development of specialist National Colleges to provide high level skills training in industry sectors critical to economic growth.

Key Facts

- National Colleges are being established by employer-led partnerships to provide specialist higher level vocational training at Levels 3 to 5 in sectors critical to economic growth, where there are recognised skills gaps.
- They will set industry standards for training within their sector based on emerging and future technology, with learners able to use state-of-the-art equipment and facilities. They will operate in partnership with schools, UTCs, colleges and universities to provide strong progression routes from entry level to post-graduate.
- The model may vary depending on the sector, but most will be set up as college corporations. Employers will take a lead role, demonstrated by substantial co-investment to match the capital funding available under the programme, and involvement in the governance of the institution, and the development and delivery of provision.
- In December Ministers announced plans to create 4 new national colleges, specialising in Digital Skills; Creative and Cultural Industries; Wind Energy and Advanced Manufacturing. This follows the call for engagement document which was published in June and invited interested parties to come forward with proposals for other sectors that could benefit from a National College. These colleges will join the three National Colleges announced earlier this year, which will specialise in High Speed Rail, Nuclear, and Onshore Oil and Gas. Up to £80 million of capital funding will be provided for the colleges, matched by employers over 2015-16 and 2016-17 – a potential investment of £160 million by 2017.
- Five million pounds has been allocated for maintenance scholarships that will enable the strongest candidates from across the country to attend the National Colleges in 2016/17. Building on this, the Government will subsequently develop and introduce new maintenance loans to support students at National Colleges.

Top Government Actions (since May 2010)

- Industrial Strategy published in 2013 prioritised those sectors where the UK can compete on a global scale. National Colleges will provide strong support for this by giving employers a lead role in developing and designing the specialist training needed in some of these sectors.

Elephant traps

- There may be criticism that National Colleges are an expensive duplication of what already exists. They will provide specialised training in areas where there are recognised gaps, and are therefore very different from most general FE colleges, which focus on meeting a much wider range of education and skill needs within a local area.

Raising Standards in Further Education

- Government's reform policy is freeing colleges from central government control and placing responsibility for the quality of teaching and learning firmly on the shoulders of the colleges themselves.
- With support of grant funding from Government (worth £21m in 14-15), the sector-led Education and Training Foundation is helping providers to improve the quality of teaching and learning, with a strong focus on Maths and English and to improve leadership and governance.
- Ofsted's strong focus on teaching and learning is also driving quality improvements.
- If some providers do fail to deliver, Government has robust arrangements to address swiftly poor performance and protect learners.
- Ofsted's the Government's independent inspectorate. They inspect the quality of post 16-learning and skills provision that is publicly funded by the SFA, EFA and Local Authorities. Ofsted's Annual Report 2013/14 reported that 81% of all FE colleges and providers are graded 'good' or 'outstanding'. Ofsted are consulting on changes to the common inspection framework and its inspection methodology. These changes will be implemented from September 2015.
- The SFA sets Minimum Standards for the delivery of post-19 further education and Apprenticeships. DfE sets Minimum Standards for vocational and academic qualifications for 16-19 year olds delivered in all settings.
- BIS is developing a wider set of outcome based success measures for performance based on 3 core aspects: destinations (whether into employment or further learning); progression in learning (from level to level); and earnings. We published the first set of experimental data on 12 August 2014 and a consultation on how these measures will be used for accountability and informing choice. Government's response, published 10 December, confirmed that we will develop a new accountability framework based on a wider set of success measures.
- Where there are quality and finance issues in FE Colleges and FE institutions the FE Commissioner intervenes, advising Ministers and the Chief Executive of the funding agencies on the actions necessary to secure improvements. He is supported by a team of FE Advisers. Quality and financial failure in Sixth Form Colleges is dealt with by the SFC Commissioner, managed through the EFA.
- The FE Commissioner regularly writes to FE sector leaders sharing lessons learned. He wrote in February, June and October 2014. The letters have covered governance and leadership, financial issues and quality improvement. He will publish his first Annual Report in November 2014.
- Independent training providers funded through a contract for services with the SFA will continue to follow the assessment, escalation and intervention process set out in the contract, which would usually result in termination of contracts where performance fails.

Traineeships

Issue

- Traineeships were introduced in August 2013 and are an education and training programme with work experience, focused on giving young people the skills and experience they need to be able to compete for apprenticeships or other jobs.

Key Facts

- Traineeships are off to an excellent start – with over 10,000 participants reported in the first year. Hundreds of major employers such as Virgin Media, Jaguar Land Rover and BT are already on board as well as smaller employers locally.
- To ensure a quality programme, only those providers graded ‘good’ or ‘outstanding’ by Ofsted are eligible to deliver traineeships.
- TUC and CBI announced their joint backing for traineeships in August 2014.

Top Government Actions (since May 2010)

- We removed the ‘16 hour’ training rule for jobseekers on traineeship in March 2014, making it easier for unemployed young people to undertake the programme.
- In August 2014, we extended eligibility to 24 year olds and gave providers and employers greater flexibility to design work placements.
- We consulted on funding changes over the summer and published our response on the 18th November 2014. These changes will mean that:
 - From 1 January 2015, we have extended the eligibility criteria so that 19 to 24 year olds qualified to a full level 2 are able to do traineeships, in line with the current offer for 16 to 18 year olds;
 - In 2015/16, we will use minimum standards and publish data on trainees’ destinations at provider level, to ensure that traineeships focus on high quality outcomes for young people

Elephant traps

- There have been accusations that traineeship starts are low compared to the number of young people who are NEET. Traineeships are not suitable for all young people who are NEET who are catered for by a range of programmes.
- There has been criticism that traineeships are unpaid workfare but it is a voluntary training programme. While work experience in traineeships is exempt from the National Minimum Wage, employers are encouraged to offer travel and subsistence costs subject to benefit rules. Many trainees are eligible for Jobseekers Allowance, the 16-19 Bursary fund or Discretionary Learner Support for those aged 19 and over.

Young People NEET

Key Facts

- In Quarter 3 2014, the proportion of 19-24 year olds who are Not in Education, Employment or Training (NEET) decreased year-on-year by 2.4 percentage points (107,000) to 17.6% (731,000). This is statistically significant and is the lowest Quarter 3 figure since 2008.
- 44.1% of those 19-24 year olds NEET are unemployed. The rest (55.9%) were economically inactive - caring for dependants, people with a disability or ill health, or waiting for a course or job to start.
- Youth unemployment levels continue to fall. There were 219,200 18-24 year olds claiming Jobseeker's Allowance (JSA) in October 2014, down 5,800 on the previous month and down 115,900 on the year.
- On average young people leave JSA more quickly. Around two thirds of 18-24 year olds close new JSA claims within 3 months, compared to a half for older claimants.

Top Government Actions (since May 2010)

- Traineeships were introduced in August 2013 to support young people into apprenticeships and other jobs. They are off to an excellent start – with over 10,000 participants reported in the first year.
- Young people aged 19 to 23 are entitled to full funding for their first full level 2 and/or 3 qualification. Adults aged 19 and over may also be eligible for full funding for qualifications and units to increase their skills for work, including English and maths qualifications.
- For 16-24 year olds, £85m in FY14-15 and the same again in 15-16 is available for the Apprenticeship Grants for Employers. This will fund over 100,000 additional incentive payments of £1,500 to smaller employers to take on young apprentices.
- Pilot schemes of support for 18 to 21 year olds on Jobseeker's Allowance (JSA) were announced in December 2013. Claimants without level 2 qualifications in English or maths will be required to study these alongside job search; claimants on JSA for 6 months or longer will be required to participate in a work experience placement, a traineeship or other relevant skills provision, or community work placement.
- National Careers Service (NCS) launched in April 2012, offers unemployed adults impartial one-to-one support from a qualified, careers adviser.

Applications to Higher Education

Issue

- Has the introduction of increased fees had a detrimental effect on full time applications to HE?

Key Points

- Clearly young people have not been put off applying to university. In 2014, the number of applicants who had been accepted for entry increased to over half a million, the highest ever.
- This year, we increased the number of higher education places by 30,000, creating more places than ever before.
- This will provide students with more options, and importantly more of them will receive offers from their first choice.
- In 2015 we are lifting the cap on aspiration and publicly funded universities can choose to recruit as many students as have the ability and wish to apply.

Accepted Applicants

- In 2014, the total number of applicants who were accepted for entry increased to 512,400, the highest ever. Acceptances from England also rose to a new high of 382,500.
- More applicants than ever before (372,200) have been accepted for their first choice course
- The entry rate (percentage of the 18 year old population who are accepted for entry to a full-time undergraduate course via UCAS) for English 18 year olds is 30.4%, the highest it has ever been.
- The entry rate for those from disadvantaged backgrounds has risen to a record high (18.2%) ; entry rates for those from advantaged areas have not increased as much, reducing the differences in entry rates between the groups to new lows.
- There have been healthy increases for mature acceptances: 4.1% for 21-24 year olds, 8.6% for those aged 25 and over.
- Entry rates increased for all ethnic groups.
- Entry rates for 18 year olds increased for both men and women, but young women are still a third more likely to enter higher education than young men.
- There have been increases for most subjects, especially computer science (+9%), technologies (+9%) biological sciences (+9%) and subjects allied to medicine (+8%), but falls for mathematical sciences (-1%), linguistics/classics (-1%), European languages (-4%) and non-European languages (-15%)

Application data

- Total applicants are up by 3.3% to 699,700, only slightly below the peak of 2011
- Applicants are up from England (4%) and Wales (2%), but down in Scotland. Applicants from Northern Ireland show no change.
- The English application rate (The application rate is the percentage of the 18 year old population who applied) has increased to the highest ever level (34.8%), even more impressive when seen in the context of the continued fall in the 18 year old population.
- The application rate for those from the most disadvantaged backgrounds has continued to rise to a record level of 20.7%.

HE Key Facts

Students

- There are almost 2 million students benefitting from Higher Education at HE Institutions in England – Of these, around 450,000 (23%) are postgraduates and around 560,000 (29%) are studying part-time.
- The UK attracts the 2nd largest number of international students after the USA. Almost one in five students at UK HEIs come from overseas and of these over 70% are from outside the EU.
- Three and half years after graduation, around 88% of graduates are in employment and / or further study and 83.5% are happy with their career.
- The 2013 National Student Survey showed that students are more satisfied with their experience at universities or colleges in England than at any time in the nine years of the Survey, with 86 per cent saying they are satisfied overall with their course (up from 85% last year).
- Most studies of the graduate earnings premium suggest it is holding up at well over £100,000 extra lifetime earnings after tax. The latest BIS research indicates the lifetime net earnings benefit of higher education is £165,000 for men and £250,000 for women.

Resources

- There are 132 HEFCE funded HEIs in England; 203 FE colleges receive direct HEFCE funding for delivering HE in England; and 102 alternative providers have specifically designated courses.
- There are over 150,000 academic staff at HE institutions in England.
- The total income of UK HEIs was £29.1 billion in 2012/13. The total expenditure of UK HEIs was £27.9 billion – 55% of this is staff costs. (Compared to £12.7 billion total expenditure in 1999/2000).
- The UK's research base is world-class, third after the USA and China for numbers of citations and has the second largest share of the world's most highly cited articles after the USA.
- Combining HEFCE recurrent grant for teaching and estimated fee income from students subject to regulated fees, the resource for teaching rose from around £7.9bn in 2011-12 to £8.5bn in 2013-14 and, if applications meet expectations £9.9bn in 2015-16.
- Universities in the UK contributed £3.6 billion to the economy in 2012/13 through services to business and community activities, including commercialisation of new knowledge, delivery of professional training, and consultancy

Higher Education Funding

Issue

- Relaxation of student number controls: impact on public finances

Lines to Take

- Our reforms have made it possible for record numbers of young people to enter university this year, and increasing the number of places by 30,000 in 14/15 was an important feature of an orderly transition to the removal of controls in publically funded institutions in 15/16. We estimate that this could eventually lead to around 60,000 additional entrants per year.
- On expansion, precise costs will depend on the total number of students who take up places, and the ability of the higher education sector to respond to demand. HMT has provided £5.5 billion in student loan outlay, and additional Resource funding for this over the next five years.
- The government is committed to expanding higher education to accommodate all who can benefit from it. The graduate premium has been sustained despite rapid increases in the graduate population in the past. We will continue to monitor the system.
- There are three types of expenditure which make calls on our budgets and all are fully funded as part of the Autumn Statement announcement. These are:
 - Grants such as HEFCE teaching grant and maintenance grants for student support
 - Outlay of loans to students
 - The RAB charge (currently around 45%)

Elephant Traps

HEFCE Grant Letter

- In a tough public spending environment, Government cannot fund everything and we have been faced with hard decisions about our priorities. The last grant letter is clear where our priorities lie: meeting a fair proportion of the costs of teaching high cost subjects such as science and engineering; supporting higher levels of participation in HE by those from disadvantaged backgrounds; and meeting the unavoidable costs of small and specialist institutions and provision.
- Our funding reforms have put higher education on to a sustainable basis with the resources available for teaching rising, from £7.9bn in 2011-12 to around £8.5bn in 2013-14.
- The next HEFCE grant letter will be published, in the normal way, early in the New Year.

Isn't it true that the RAB charge is just growing and growing. Won't your reforms just become more expensive than grants?

- In March 2011 we estimated that around 30% of the value of post-2012 loans would not be repaid. We currently estimate that around 45% of the value of these student loans will not be repaid. The RAB charge is affected by many factors but this change is partly

due to an increase in the value of the £21,000 repayment threshold relating to forecast earnings. For example, if we were calculating an equivalent threshold today it would be about £19,500. This is as a result of lower than expected earnings across the economy.

- Let's be clear, there is a strong rationale for investing in higher education. Across the world countries are increasing the number of graduates. Recent research by National Institute of Economic and Social Research (NIESR) shows the benefits to the economy. Walker and Zhu illustrate both benefits via taxation and to the individual through increased earnings (Private returns: £250k women, £165K men. State returns: £254K for men and £318K women).
- The RAB charge is an estimate based on a prediction of economic circumstances some 35 years in the future. Estimates can and will continue to change.
- We will of course monitor the overall affordability of the system. However, we believe this is the best way to use limited public funds to meet the country's long term high level skills needs.

Unplanned Growth in Alternative Providers

Issue

- Press reports that unplanned growth by alternative providers is out of control and may result in cuts to mainstream HE budgets. Ministers have taken urgent action to manage budgets and prioritise degree level study.

Key Facts

- There are 102 alternative providers with specifically designated courses whose students are accessing financial support. Tuition fee loans of £84.9 million were paid to 25,900 students at Alternative Providers in 2012/13.
- Student Number controls have been applied to alternative providers in 2014/15 and are based on the 2012/13 recruitment profiles. Early data from HEFCE suggests that providers are sticking to their 2014/15 student number control.
- As soon as it became apparent that some alternative providers were not adhering to expectations and planning to increase recruitment in 13/14, steps were taken to manage the unplanned expansion (by 23 providers). All providers complied.
- We are lifting student number controls from publicly funded providers in 2015/16. We reserve the right to retain controls on the highest risk provision. We will announce in due course the criteria for how number controls will apply to alternative providers in 2015/16.

Top Government Actions (since May 2010)

- In June 2011 in the White paper "Students at the heart of the system" Ministers set out an intention to improve the choice available to students by increasing the provision of higher education through alternative providers and that providers who were designated for student finance would be subject to a number of conditions including "reformed number controls". Alternative providers will be subject to student number controls from 2014/15
- To ensure any growth is manageable the Department wrote last November to 23 providers with the most ambitious expansion plans for growth in HNC and HND courses to tell them we would not be providing any new students they recruited this year with student support.
- No new providers had HND courses designated in 13/14 , and there is currently a moratorium on the designation of any new HND courses for all providers. Most of the growth in student numbers has been a rapid increase in HND provision at a small number of providers that have courses already designated. We enabled students at alternative providers to access loans for tuition fees to a maximum of £6,000.
- We have published guidance on specific course designation process which introduces a universal set of quality standards to all providers of HE for the first time. Key changes include a successful QAA Review; and three years audited accounts.

Elephant trap: What about European students abusing the system?

- The Government is committed to ensuring a wider range of providers can deliver higher education, whilst at the same time ensuring rigorous controls over public spending
- False claims for maintenance will not be tolerated and immediate and decisive action has been taken. Stringent new measures to prevent abuse have been introduced, around a third – or £2.5 million – of money wrongly claimed has been recovered already and recovery work continues in earnest.

Catapult Centres

Issue

- The Government has established a network of elite Catapult Centres, through Innovate UK, the new name for the Technology Strategy Board, to commercialise new and emerging technologies in areas where there are large global market opportunities and a critical mass of UK capability to take advantage.

Key Facts

- The first seven Catapults are now open for business (High Value Manufacturing; Cell Therapy; Offshore Renewable Energy; Satellite Applications; Connected Digital Economy; Future Cities; and Transport Systems) with total public and private investment exceeding £1.4 billion over their first 5 years of operation.
- The Chancellor announced a £185 million budget increase for Innovate UK for 2015/16 in the 2013 Spending Review and the areas set to benefit include an expansion of the Catapult network with new Catapults in Energy Systems and Precision Medicine.

Budget 2014

- The Chancellor announced a further £69 million investment in Catapults to expand capability through construction of a Cell Therapy Catapult Manufacturing Centre and a Graphene Applications Innovation Centre through the High Value Manufacturing Catapult.

Autumn Statement 2014

- This investment was further boosted at Autumn Statement with an additional £61 million for the High Value Manufacturing Catapult to generate economic growth through two specific programmes (HVM Plus and HVM Reach) and £28 million to develop a National Formulation Centre at Sedgefield.

Key messages

- As the initial Catapults start to show their impact, we asked leading technology entrepreneur, Hermann Hauser, to conduct a review to advise on the medium-term strategy and future scale and scope of the Catapult network. His report and recommendations were published on 5 November. Government very much welcomes his report and has reflected on its key findings in the Science and Innovation Strategy.
- The High Value Manufacturing Catapult opened its doors for business in October 2011 and seven partners are working together to bring their expertise in different and complementary areas of high value manufacturing.
- The Cell Therapy Catapult, based at Guy's Hospital in London, is working to grow a viable and sustainable cell therapy industry in the UK.
- The Offshore Renewable Energy Catapult is headquartered in Glasgow, with an operational centre at the National Renewable Energy Centre (NAREC) in Blyth, Northumberland, and is focused on the development of commercially viable technologies applicable to offshore wind, wave and tidal power.

- The Satellite Applications Catapult is based at the science, innovation and business campus at Harwell in South Oxfordshire to help UK businesses to develop new satellite-based products and services.
- The Connected Digital Economy Catapult is based in London and aims to position UK business to lead the introduction of radically new applications and experiences across the increasing breadth of internet services.
- The Future Cities Catapult is hosted in London and will help to make cities become smarter and more forward thinking.
- The Transport Systems Catapult is based in Milton Keynes and will support UK industry in exploiting the massive global market for new products and services that will drive the integration of transport and its systems.

Top Government Actions (since May 2010)

- Technology areas all announced by March 2012 (High Value Manufacturing, Cell Therapy, Offshore Renewable Energy, Satellite Applications, Connected Digital Economy, Future Cities and Transport Systems).
- Appointment of seven high profile chairs and CEOs by August 2013.
- Commencement of operations in first seven Catapults by August 2013.
- Announcement of two further Catapults in 2013 Spending Review.
- Publication of Hermann Hauser's Review of the Catapult Network on 5 November.

Digital Economy

Key Facts

- The ICT sector is one of the largest wealth creators in the UK. Each year over 25,000 new ICT businesses are created in the UK.
- The internet economy's contribution to UK GDP is growing at 10.9% annually, higher than the G20 average and almost double the growth of China.
- The UK has one of the strongest ICT infrastructures in the world. The IT and telecoms industry accounts for 8% (£75 billion) of the UK's total Gross Value Added.
- The UK is the biggest e-commerce market in Europe – and Europe is the biggest e-commerce market in the world.
- The UK cyber security sector is worth over £6bn per year and employs 40,000 people.

Top Government actions (since May 2010)

- The Information Economy Strategy was published in July 2013. The strategy identified a long-term strategic action plan for industry, government and academia, working in partnership to create the business conditions for a thriving UK information economy.
- We fund Tech City UK to deliver programmes focused on accelerating the growth of digital businesses, in London and cities across the UK, at all stages of their development. This includes the Future Fifty programme offering tailored support to 50 growth-stage digital companies.
- In October 2014, the Tech North initiative was launched to co-ordinate the existing digital technology expertise of Manchester, Leeds, Sheffield, Liverpool, Hull and the North East tech cluster.
- In November 2014, the Digital Catapult opened its Digital Catapult Centre in Kings Cross, which provides a space for technologists, businesses and academia to collaborate and develop their new ideas, as well as showcase their products to the UK and the rest of the world.
- We have made changes to our education system and apprentice system and are working with employers to help deliver the digital skills the UK requires. We are making improvements to the visa system with an exceptional talent visa, an entrepreneur, graduate entrepreneur and investor visas providing other routes to enable businesses to access to the supply of global talent.
- We established a Smart Cities Forum that brings together cities, industry, Government departments and research organisations to identify barriers to success, and ways to remove those barriers. We invested £33 million in a series of city demonstrator projects to show what can be achieved by the imaginative use of technologies.
- We launched to guide businesses in protecting themselves against cyber threats and published best practice cyber guidance to help protect and . We also launched a (a MOOC) with the Open University to raise awareness & improve cyber skills.

Elephant traps

You have put all your effort in to creating the right conditions for (tech) start-ups. What have you done to support scale-ups?

- We have been very successful in supporting tech start-ups and our next big challenge is scale-ups. We are delivering better access to finance, lower taxes, less regulation and better business advice, creating an environment in which start-ups can turn into scale-ups. We also have introduced a number of targeted growth support programmes for tech start-ups, for example Tech City UK's Future Fifty Programme.
- UKTI is helping 50,000 businesses a year to enter new markets, the British Business Bank will deliver over £10 billion of new investment into growing firms over the next five years, and the GrowthAccelerator programme will help high-growth firms release another £2.2 billion of economic growth by March 2015.

We keep hearing that there is a digital skills gap? What are you doing to make sure the UK has the digital skills needed for growth?

- It is essential that Government works in partnership with industry to ensure that education and training routes are providing the skills that employers need now and in the future.
- The changes to the curriculum launched in September 2014 and will help to build a digitally confident population. The new curriculum fosters computational thinking, which will enable young people to adapt and profit from our increasingly digital world.
- In July we announced £18.4m of co-funding for the employer-led Tech Partnership, which will give businesses the opportunity to take responsibility for their digital skills needs.
- Reforms to the Apprenticeship system are enabling employers to develop new Apprenticeship standards that reflect the skills that are needed for roles. Six standards for digital roles have been published in the last year, with more in the pipeline.
- We have announced three new interventions to help strengthen the digital skills pipeline:
 - Degree apprenticeships: which will enable young people to get a fully integrated honours degree alongside on the job training.
 - A pilot of digital short courses: these will be designed and accredited by business, setting new benchmarks for FE provision to meet current skills needs.
 - A National College for Digital Skills: the ambition is for this to be a beacon for digital skills provision, driving up standards across the country.

Agency Workers Regulations

Issue

- Implementation and review of the Agency Workers Regulations.

Key Facts

- The Agency Worker Regulations came into force on 1 October 2011 and are derived from the European Union directive, the Agency Workers Directive.
- The Agency Workers Regulations are compliant both with the Agency Workers Directive and the CBI-TUC agreement.
- The Government is committed to ensuring that businesses understand the regulations so that they can comply with and implement them in the simplest way possible
- The Regulations give all agency workers equal treatment entitlements in relation to access to facilities and information on vacancies from day 1. After 12 weeks with the same hirer in the same role, agency workers are entitled to the same basic working and employment conditions, including pay and annual leave, and paid time off for ante-natal appointments during an assignment as directly recruited employees.
- The Agency Workers Directive allows for derogation where there is pay between assignments. It is an exemption from the equal treatment provisions on pay where a temporary work agency offers an agency worker a permanent contract of employment which pays the agency worker between assignments. Agency workers engaged under this derogation benefit from the additional rights associated with being an employee.
- We believe that it is important to allow employers and individuals choice on the type of contracts that they sign. Pay between assignments contracts are an important part of that choice. These contracts will not be suitable for all businesses or agency workers but they will be right for some. We do not want to deprive employers or individuals of this choice.
- As part of the Red Tape Challenge, Government committed to examining the paperwork obligations of the Agency Workers Regulations. The purpose was to ensure that the practical arrangements for employers were as simple as possible. The review focused specifically on the record keeping requirements.
- The review identified that while temporary work agencies can invest some resource in updating their systems to ensure compliance, there was consensus overall that the AWR is working relatively well.
- More can be done to help though, and we will work with interested parties over the coming months to simplify and refine the existing guidance.
- The European Commission has reviewed implementation by all Member States of the Agency Workers Directive. The review aimed to identify any major problems, whilst considering whether the original objectives had been achieved and whether any amendments to the Directive were required. The Commission published its report on 21 March 2014.
- The Commission concluded there is no reason to amend the Agency Workers Directive at this stage. However, this is on the basis that more time is needed to consider whether the Directive has met its objectives.
- The Agency Workers Regulations were identified by an EU consultation of SMEs as one of the Top 10 most burdensome pieces of EU legislation.

Balance of Competency

Issue

- Balance of Competency (BoC)

Key Facts

- The social and employment policy Call for Evidence was launched on 29 October 2013 and closed on 17 January 2014. The final report was published on 22 July 2014 which can be accessed on <https://www.gov.UK/government/consultations/review-of-UK-and-eu-balance-of-competences-call-for-evidence-on-social-and-employment-policy>
- This report covers the main areas of regulation that impact on the workplace: non-discrimination, regulation of the employment relationship, social protection and health and safety at work. It also covers improving coordination between Member States on social and employment issues. Led by BIS and contributed to by DWP, HSE and GEO.
- Social and employment policy is one of the most controversial areas of EU competence and the debate about whether the balance is right between the EU and Member States goes to the heart of what the EU is about.
- This is not a new argument and this report found that there was still a great deal of fragmentation amongst respondents about whether EU competence in this area is a good thing.
- There is a spectrum of opinion. Some respondents considered the EU to be fundamentally an economic project, some felt this meant all social and employment competence should be removed from the Treaties and left to Member States. Others were more pragmatic and said the EU should only pursue social and employment policy objectives where to do so supported economic goals or to the extent that a minimum level of social and employment policy supported the functioning of the Single Market. Some other felts that the EU competence in this area is valid in and of itself, regardless of whether it supports the Single Market.
- However, it was clear that for many respondents it is not a binary trade-off between economic and social policies, and the arguments are far more complex and nuanced.
- For example, almost all respondents agreed that social and employment policies are important. However, for some this meant that they should reflect domestic culture and traditions. Others felt that the EU had an important role to play.

Top Government Points

- The government is carrying out an overall review of the EU's competences, which the Foreign Secretary launched in July 2012. This is an audit of what the EU does and how it affects the UK. It is important that Britain has a clear sense of how our national interests interact with the EU's roles, particularly at a time of great change for the EU. The Social and Employment policy report forms part of the overall review which is scheduled for completion by the end of 2014.

Blacklisting

Issue

- The Consulting Association held details on 3,213 construction workers and traded their personal information for profit. Several companies have been accused of using such information as a 'blacklist' for workers to deny them work, for example because they belong to a trade union.

Top Government Actions

1. Blacklisting is an unacceptable and illegal practice and we take any allegations of blacklisting very seriously
2. The Government introduced anti blacklisting legislation in 2010 to deal with this serious offence and increased the penalty the Information Commissioner's Office (ICO) can impose for serious breaches of the Data Protection Act to £500,000.
3. The Secretary of State met with the Information Commissioner, Christopher Graham, at the beginning of April 2013 to make sure that he is ready and able to investigate any new evidence and to use the new powers given to the Commissioner.
4. In July 2013, the Scottish Affairs Committee (SAC) contacted the Secretary of State to say they have new information that blacklisting continues. We have referred the information provided to the ICO as the appropriate body to investigate this matter.

Elephant traps/defensives

Will the Government introduce a construction industry funded scheme, to compensate victims blacklisted before the Regs come into force?

- No. There are already remedies available under existing trade union law. We understand that some complaints by workers listed by the TCA have already been made to the High Court.
- When the Blacklists Regulations came into force in 2010 they were not retrospective and were not intended to be. We see no reason to revisit this decision – nothing has changed. It would be inconsistent with that approach (and involve the passing of primary legislation) to introduce a compensation scheme for past blacklisting.

Will the Government ban blacklisters from using public sector contracts?

- Under EU procurement rules, public procurers may exclude a supplier from bidding when it has committed a criminal offence relating to its business or profession or has committed an act of grave professional misconduct in the course of its business or profession.

- Blacklisting of employees is an unacceptable and illegal practice and the Government takes very seriously any allegations. However, we have seen no evidence of this practice recurring since the introduction of the Blacklisting Regulations in 2010 made blacklisting unlawful.

Why have you not created any criminal sanctions in the regulations, as Section 3 of the Employment Relations Act 1999 enables ?

- We believe the 2010 Blacklists Regulations constitute an effective, targeted and proportionate package of measures to combat blacklisting without the need for criminal sanctions. During the 1999 Act's Parliamentary passage, we indicated that we would use the criminal sanctions sparingly, "if at all". (Lord McIntosh, Government Minister. Lords Committee, 16 June 1999). Our approach is similar to the approach taken under other existing trade union law. However, there are criminal sanctions under provisions in the Data Protection Act 1998 which could well come into play in future blacklisting cases (as they did in the Consulting Association construction case in 2009).

What is Government doing about the SAC evidence that employees of Crossrail may have been blacklisted?

- There have been several allegations of new evidence of blacklisting, to date, but no evidence of this practice recurring. The Scottish Affairs Select Committee and Information Commissioner are both currently investigating the potential for ongoing offences, and Government continues to take a close interest in this issue.
- We have always encouraged anyone with evidence of blacklisting to come forward so that we can investigate. Despite several claims of new evidence of blacklisting, the SAC are the first to have got in touch formally (in July 2013) to say they possess new information that blacklisting continues, in relation to particular companies and individuals, which they are willing to share. We are grateful to them for doing so.
- The Secretary of State will continue to take a close interest in this matter and if evidence of blacklisting is found, perpetrators can expect to feel the full force of the law.

Collective Redundancies

Issues

- On 6 April 2013 Government changed to the rules governing consultation on large-scale redundancies, and issued new ACAS guidance.
- BIS is currently appealing an Employment Appeal Tribunal (EAT) decision from 1 July 2013 which has negative implications for collective redundancy consultations.

Key Facts

- Following consultation, Government has:
 - reduced the 90-day minimum period before dismissal for 100 or more potential redundancies to 45 days;
 - excluded fixed term contracts which have reached their agreed termination point from collective redundancy consultation obligations;
 - ACAS also published new guidance on 'How to manage collective redundancies'.
 - BIS has permission to Appeal the EAT decision.

Top Government Points

- Our reforms strike an appropriate balance between making sure employees are engaged in decisions about their future and allowing employers greater certainty and flexibility to take necessary steps to restructure.
- The 90-day minimum period delayed necessary restructuring, made it difficult for those affected to secure new roles quickly and had a significant negative impact on the morale of staff, including those who may not ultimately be directly affected.
- The 45 days is a minimum period before dismissal. Consultations must also be completed before dismissal and we know that can sometimes take longer. We expect that to continue wherever appropriate.
- The EAT ruled that it should remove the EU test of 'establishment' from UK law. We are appealing this judgment as we do not agree with this interpretation of the law. The Court of Appeal decision to refer the case to the European Court shows that this matter needs to be clarified.

EAT decision involving ex-Woolworths and Ethel Austin employees

- We have applied to the Court of Appeal for permission to appeal and this has been granted by the Employment Appeal Tribunal (EAT).
- The Government takes the view that how businesses with multiple sites or operations should be treated in redundancy situations depends on the facts and that this is best decided by an employment tribunal on a case by case basis, based on the facts and evidence before it (For example, the extent to which the different sites are linked in terms of management and finance structures are potentially relevant factors).
- We think the right interpretation of the law is that employers must consult employee representatives if making 20 or more redundancies at one establishment. In a dispute, it

is for the employment tribunals to decide what is an establishment on the facts of each individual case.

- The Department is not appealing against the principle of payments being made to employees who have not been consulted properly. The SoS cannot make payment (from the public purse) until entitlement is determined and there is legal authority to do so.

Additional Background

- The Department is currently appealing an Employment Appeal Tribunal decision involving ex-Woolworths and Ethel Austin employees.
- The key issue from the ruling relates to the EAT's interpretation of the phrase 'one establishment' in the relevant UK legislation.' The legislation requires consultation if 20 or more redundancies are proposed within 90 days at 'one establishment'. This 'establishment' could comprise of a single site (e.g. factory). It could also comprise of multiple sites (e.g. the depots of a bus company) and in these cases the position is more complicated.
- Before the EAT judgment, whether such multiple sites formed one 'establishment' depended on the facts of the particular case. However, the EAT has changed the position in relation to these cases. It has said that the legislation should be interpreted so that in every case an employer proposing 20 or more redundancies must consult even if the redundancies are spread across numerous sites. This represents a significant and unwelcome change, and could make consultation processes unnecessarily complex and expensive.

Early Conciliation

Issue

- Early Conciliation (EC) means that other than in specific circumstances, prospective claimants will first need to contact Acas and consider conciliation before they can lodge proceedings at an Employment Tribunal (ET).

Key Facts

- The central aim of EC is to help both employees and employers resolve a dispute without the intervention of the ET, removing the cost and stress associated with tribunal proceedings. It places a requirement to contact Acas before an individual can proceed to Tribunal.
- While the requirement to contact ACAS is mandatory, the decision to accept the offer of conciliation is entirely voluntary; either party will be able to decline the offer. Whether EC is declined, or is unsuccessful, will be of no relevance in any subsequent ET claim. The discussion during EC cannot be used for any subsequent Employment Tribunal claim.
- EC is provided free of charge and commenced on a voluntary basis on 6 April 2014 and was mandatory from 6 May 2014. We did this to stop claimants with very little time left on their limitation period on 6 April complying with EC in a rushed manner.
- Since its launch on 6 April, the early signs are that EC is bedding down well. The number of notifications is as forecast (about 1500 a week) and Acas' operational processes, including their IT systems, are working as planned. Feedback on EC in the HR and Employment Press and in social media has largely been positive. Acas has also received a number of testimonials from satisfied service users.
- As part of the evaluation work of Early Conciliation, Acas now publish quarterly statistics which are presented on a cumulative basis and now cover April – September 2014. The latest figures show that about 18 % of cases resulted in direct settlement brokered by Acas and another 58% did not proceed to tribunal. There will be a number of reasons why cases do not go to court stage such as private settlement or a claimant simply deciding they did not want to take their claim any further. Acas will carrying out some survey research work to get more insight behind this figure in 2015.
- Acas figures also show that take up rates of EC are very high at around 80% this shows a real willingness from both employers and employees to give EC a try.
- Acas have now published a wide range of guidance products from a leaflet called 'EC Explained', a process guide, FAQs and their EC helpline is now up and running.
- ACAS's previous similar offering, Pre Claim Conciliation has now ceased.

Top Government Points

- Set out the high level operating principles of Early Conciliation as part of the response to the Resolving Workplace Disputes Consultation – January 2011. Primary power taken as part of the ERR Act.

- Presented the draft regulations that underpin Early Conciliation for public consultation in January 2013.
- The consultation was also accompanied by an Impact Assessment which estimated that the introduction of EC will reduce the number of claims to ET by approximately 17%, saving business some £40m pa. Exchequer savings of approximately £10m pa were also forecast.
- HMCTS statistics will be monitored closely to look at the overall number of employment tribunal claims and we will use these to help assess whether the 17% fewer ET cases target has been met.

Employee Shareholder New Employment Status

Issue

- Introduction of a new employment status 'employee shareholder'

Key Facts

- The Growth and Infrastructure Act 2013 provides for the new employment status of 'employee shareholder'.
- Employee shareholders must be given shares of at least £2,000 in the employer or employer's parent company, and the gain on the first £50,000 of shares are not subject to capital gains tax. The first £2,000 of shares do not attract income tax or national insurance liability.
- Employee shareholder is a way for companies limited by shares to hire staff and structure their work force, in addition to the existing employment statuses of employee and worker.
- Employee shareholders have all of the rights associated with employees except for:
 - unfair dismissal rights (apart from automatically unfair reasons and where dismissal is based on discriminatory grounds or for health and safety reasons)
 - rights to statutory redundancy pay;
 - certain statutory rights to request training;
 - the statutory right to request flexible working (except in the 2 week period when parents return from parental leave).
 - Certain notice periods for family leave- employee shareholders will give more notice to their employer of their intention to return early from maternity leave, additional paternity leave or adoption leave.

Top Government Points

1. Employee shareholders are entitled to the following protections:
 - automatically unfair dismissal right if an existing employee turns down an employee shareholder contract; and
 - a right not to be subjected to a detriment if an existing employee turns down an employee shareholder contract.
2. When offered an employee shareholder job, individuals must be given a written statement setting out the employment rights they would not have as an employee shareholder and the rights attached to the shares. The individual must gain relevant independent advice and consider the job offer for a period of seven days before they can accept an employee shareholder position. If the individual or employer does not follow this sequence of events the employment contract will not take legal effect.
3. Shares issued to an employee shareholder must be fully paid up and the individual must give no consideration for those shares other than agreeing to the new status.
4. Any company limited by shares will be allowed to use the status i.e. not only UK registered companies but also EU and other overseas companies.

5. The 2013 Finance Bill included measures that:
 - allow gains on the first £50,000 shares issued to employee shareholders to be exempt from capital gains tax;
 - ensure the new employment status is not used as a tax loophole; and
 - provides that income tax and National Insurance contributions will not be payable on the first £2,000 of shares awarded to employee shareholders.
6. Companies limited by shares have been able to use the employee shareholder status since 1 September 2013.
7. We are unable to collect data on the take up of the new status as companies are not obliged to tell government.

Employment Status Review

Top Lines

- Determining your employment status is essential in claiming the employment rights you are entitled to.
- It has become increasingly clear that determining whether you are an ‘employee’ or a ‘worker’ is not a simple calculation, mired in complex legislation and decades of case law.
- All too often, your status is only confirmed when everything has gone wrong and you are in an employment tribunal.
- There needs to be a change in the system, a fundamental shift towards simple, clear legislation and guidance with a framework that enables individuals and employers to have a professional conversation about terms and conditions.
- The Government is committed to achieving a system that is fair and transparent - an environment where businesses feel more confident in hiring permanent staff because they have complete clarity on what is expected of them and where individuals know their rights and have the security they desire.
- The Department for BIS are currently undertaking the review and an update was presented to Ministers before Christmas

The problem

- During the process of developing a number of policies (for instance, on zero hours contracts and flexible working), it has become clear that the reliance on a definitive understanding of employment status to determine rights and protections can create unnecessary confusion. This problem may have been exacerbated during the recession and now that we are on the road to recovery we need to make sure that no one is being exploited and that we share the benefits of growth.

In order to address these issues properly, we must approach the problem from three angles:

- For individuals: How can individuals be sure of what their employment status is so they can claim their statutory rights without an Employment Tribunal?
- For employers: How can employers be sure of what rights their staff are entitled to without the unnecessary risk of being taken to an employment tribunal?
- For government: What does the UK labour market look like and how can government deliver a framework that strikes balance between the rights of the individual and the needs of business, supporting growth and prosperity?

Q&A – Internal Employment Status Review

Why are you doing this?

- We believe individuals should know what rights they are entitled to and when they are entitled to those rights.
- An individual’s entitlement to statutory rights is determined by their status.
- As it stands, individuals can only identify their employment status once at an Employment Tribunal. This can’t be right.

What is in scope?

- It is too early to be sure as initial analysis may open up new areas for consideration.

- To begin with though, we will be looking specifically at employment status and trying to better understand how employment rights map across to the UK labour market.

Who will the review cover and what do you see as an outcome?

- The review will be broad and look at the full range of employment statuses.
- It will seek to identify opportunities for clarification and improvement, creating transparency for individuals and employers and their responsibilities.

‘Workers’ are likely to see the biggest changes. How many ‘workers’ do you believe there are?

- We simply don’t know, in part because there is no way of capturing this information accurately without assessing the reality of the working environment for all individuals in the UK. However, we believe the number to be small, maybe around 5% of those employed in the UK labour market but this is based on a number of assumptions that are yet to be tested.

Will the review focus on the individual’s status more than the wider impact on business?

- Employers are just as confused with employment status legislation as individuals. This review is about improving the situation for everyone.
- The review is not designed to penalise businesses but enhance their understanding.

When do you expect to produce an outcome from the review and do you expect to see any changes prior to the 2015 General Election?

- The review will begin the process of reform. It will produce a better understanding of employment statuses and outline potential options for change.
- Any fundamental reform is likely to require legislation and therefore not be implemented until the next Parliament.

Although this is an internal review, will there be any external sources of information or interaction with relevant parties?

- The review will be led by BIS officials but we will be contacting relevant stakeholders and other Government departments to provide an input to the review.

Is this review because of the issues with the Working Time Directive?

- No. This is about addressing the current complexity and to ensure that we get the right balance of transparency and fairness.

Will this look at the significant rise of Self-employment in the UK?

- BIS are already looking at this and this will feed into the review.

NB: Currently, Total employment is 30.6m for the three months ending July 2014. Total employment grew by 774,000 over the last year, self-employment accounted for around half of this growth (368,000).

Are the Office of Tax Simplification (OTS) not already doing this?

- The OTS has started the process of an employment status review for tax purposes which is slightly different. We will work with them to ensure common ground is covered.

Why can’t you just get the ONS to get you the data?

- Simply because they would encounter the same issues we have.

- We are talking about a group of individuals in the case of 'workers' who are not easily identified. In many cases, what they agree to in their contract may not reflect the reality of the working relationship.

Employment Tribunal

Issue

- Encouraging the earliest possible resolution of disputes, delivering a more efficient employment tribunal system for all users and supporting growth by giving business more confidence to take on new staff

Key Facts

- Enterprise and Regulatory Reform Act reforms to the employment tribunal system will deliver estimated net benefits of more than £49 million per annum to business.
- BIS estimates that employers face average costs of £6200 (excluding effect of tribunal fees), where a case goes forward to an employment tribunal hearing – and that the exchequer faces an average cost of £3200 per case.
- Last year over 100,000 employment tribunal claims were received.

Top Lines

- The simplified and improved rules implementing the recommendations from the Underhill Rules Review will mean that the employment tribunal works more efficiently and effectively for everyone saving cost for all parties.
- The new rules are half the length of the previous ones and use plain, simple language where possible. This cuts out a level of complexity for individuals using the employment tribunal system, particularly if they are self-represented. The rules have been welcomed by stakeholders.
- The new rules give tribunals greater powers to identify weak or vexatious claims earlier and deal with them effectively through an initial sift and greater flexibility of deposit orders.

Top Government Actions (Since May 2010)

- The Government response to the Resolving Workplace Disputes consultation was published in November 2011 and the implementation of our package of reforms is well underway.
- On 6 April 2012 the unfair dismissal qualifying period increased from 1 to 2 years.
- The Ministry of Justice published its response to the public consultation on fee charging for employment tribunals on 13 July 2012. The new fee structure was implemented on 29 July 2013 and a review of the remissions scheme was completed in October 2013.
- The new employment tribunal rules implementing the recommendations of the Underhill review were implemented on 29 July 2013. The new rules are expressed in a simpler language and strengthen tribunal powers to identify and deal with weak or vexatious claims. The new rules incorporate the new rules on fees and the Enterprise and Regulatory Reform Act (ERR) measures on cost and increased flexibility of deposit orders. Changes to the payment of interest on tribunal awards designed to encourage prompt payment will also come into force on this date.
- Government conducted further research into the issue of the enforcement of unpaid tribunal awards. We published this research on 1 November 2013 alongside some of

the policy proposals we are considering to address this issue, including: introducing penalties for non-payment (currently being taken through the Small Business, Enterprise and Employment Bill – Lords stage), and working with enforcement officers and across Government to address barriers to effective enforcement and tackling the issues related to rogue companies. We will conduct further research on this important issue soon.

Elephant Traps

Rebuttal lines on ET fees and pregnancy discrimination

Pregnancy Discrimination

- Pregnancy discrimination in the workplace is unacceptable and unlawful. The Government recognises the need to tackle this type of discrimination, and believes that in order to do so in the most effective way, we need to understand the causes and extent of pregnancy discrimination in UK workplaces.
- This is why, on 4 November 2013, Government announced an extensive research project into perceived pregnancy and maternity discrimination in Great Britain. The research will be jointly managed and funded by the Department for Business, Innovation and Skills and the Equalities and Human Rights Commission, supported by the Government Equalities Office. The research will report in 2015.

Discrimination

- Government recognises that the Public Sector Equality Duty is an on-going one, and for this reason, regularly reviews management information on a range of indicators about the Employment Tribunals, including data on case receipts, case progression and case outcomes.
- The revised claim form for issuing proceedings in the Employment Tribunals, introduced alongside fees, now seeks information on claimants' protected characteristics. Any data collected on these characteristics will be helpful in assessing any impact fees have had on vulnerable claimants, when we undertake the post-implementation review of fees to which we have committed.

Tribunal Fee

But there has been a huge fall in claims. Fees have just deterred people from bringing claims.

- It is not the intention that fees should discourage claimants from bringing claims they believe to be genuine. Only claimants who can afford to so should have to contribute towards the cost.
- While we accept that the introduction of fees has had an impact on volumes of claims, it is too early to know the full impact and whether this has prevented people from accessing justice. We have made a commitment to carry out a review of the introduction of fees and we will do so.

Financial Penalties

Issue

- Set out in Section 16 the ERR Act, Financial Penalties (FPs) give discretion for the tribunal to impose a financial penalty on employers who have committed an aggravating breach of an individual's employment rights.

Key Facts

- Aggravating breaches include those that are deliberate, malicious or negligent. In other words employers who flout employment law.
- Objective of FPs is not to raise money for the exchequer; instead their aim is to deter non-compliance with employment law and avoid cases ending up at tribunal.
- Good employers have nothing to fear – business will not be penalised for inadvertent errors.
- FPs create a level playing field so that bad employers are not able to gain a competitive advantage by mistreating their staff.
- FPs will be set at half of the amount awarded to a claimant. They have a minimum threshold of £100 and an upper ceiling of £5,000. Also, the amount payable will be reduced by 50% if the employee pays within 21 days.
- FPs will be a civil penalty NOT a criminal penalty, so only standard civil enforcement levels will be required. No interest can be applied.
- Companies in insolvency will be able to present evidence to the tribunal regarding their ability to pay the FP and subsequently a judge will take this into account in deciding whether or not to impose a penalty.
- FPs commenced 6 April 2014, for cases lodged on or after that date.
- To date, there have been no FPs imposed.

Top Government Points

- Part of the Resolving Workplace Disputes Consultation that ran from January 2011- November 2011.
- The original proposal was for an automatic penalty. However, in light of business responses to the consultation – a change was made to make the penalty discretionary and only applicable for cases with aggravating features.
- An FP will only be imposed in exceptional circumstances, in cases that involve an award to a claimant and when a judge decides that the breach of employment law was deliberate and the employer's actions were malicious or negligent.
- The judge will also give consideration to the size of the employer, the duration of the breach and the behaviour of the employer and the employee.
- A third party supplier is in place to administer the collection of FPs.
- Acas have devised some information products that further explain FPs.

Flexible Working

Issue

- The Government extended the right to request flexible working to all employees from 30 June 2014, in line with the Coalition commitment to extend the right to request flexible working to all employees, following consultation with business on how best to do so.

Key Facts

- Approximately 20.6m employees now benefit from the extended right to request, doubling those eligible under the previous right which was limited to parents and carers.
- The extension to the right to request flexible working to all employees came into force on 30 June. (Note: Employee shareholders do not have the right to request flexible working, except on return from parental leave.)

Top Government Actions (Since May 2010)

- In November 2012, the Deputy Prime Minister announced the Government's intention to press ahead with plans to extend the right to request flexible working to all employees.
- We want to highlight that family friendly policies and economic growth are not mutually exclusive. Flexible working really can help employers boost productivity and profits - this is critical to maintaining the UK's competitiveness in the global economy.
- Alongside the extension of the right to request to all employees, we have made it easier for employers to consider requests for flexible working. We have replaced the current statutory process for considering requests with a duty on employers to consider requests in a 'reasonable manner'. This is a deregulatory measure intended to facilitate the discussion between employers and employees without the process for that discussion getting in the way. Under a duty to consider the request in a reasonable manner, employers are able to use their own informal processes for considering requests, as long as they can show that the way they considered the request was 'reasonable' for their circumstances.
- Acas have published a statutory Code to help businesses understand what a reasonable manner means. The Code is designed to offer short, practical advice to make it as easy as possible for employers to handle requests and fit them to their specific circumstances and procedures. This is supplemented by more detailed good practice guidance.
- We are working to encourage cultural change in flexible working, especially to encourage employers to think about flexible working when they recruit new employees (the right to request flexible working is designed to help employees remain in employment but does not support people into work who need flexible working arrangements in order to start employment).
- We are encouraging the use of the strapline "Happy to Talk Flexible Working" by employers when advertising jobs.

Industrial Action

Key Facts

- There were 126 stoppages between September 2013 and September 2014. This was down 3.8% from the 131 stoppages in the previous year.
- 836,700 working days were lost through industrial action in the year to September 2014, which is low by historical standards.
- It represents a relatively small fraction of the working days lost in the 1980s (when the annual average was 7.2 million days lost) and the 1970s (when the annual average was 12.9 million days lost).

Top 5 Government Actions (Since May 2010)

1. Public sector pensions negotiations: The discussions with the health, education and civil service unions, led by Francis Maude and Danny Alexander, have concluded. The Public Service Pensions Act 2013 implements these agreements. Changes to other public service pension schemes are being considered and are at different stages of development.
2. Trade union facility time in the public sector: following consultation, Cabinet Office has identified best practice requirements for Departments to update facility time agreements in the Civil Service, including ending the practice of full-time trade union representatives and restricting funding for facility time to 0.1% of the paybill. Eric Pickles announced on 1 March similar arrangements for local Government, but restricting funding to 0.04%.
3. ACAS (a BIS partner organisation): Resolution of disputes is a matter for the parties, though ACAS stands ready to assist where both parties request their intervention – and did so effectively in the tanker drivers' dispute (2012)

Elephant trap

Q&A

- Minimum industrial action ballot thresholds: The Government believes that disputes are best handled through negotiation between the parties. Strikes and other forms of industrial action should be regarded as a last resort after attempts to resolve differences through dialogue have been exhausted.
- The reforms to industrial action law introduced during the 1980s and early 1990s are now a well-established part of the UK's industrial relations framework. In general, both trade unions and employers have fully adapted to it. Perhaps as a consequence, the incidence of industrial action is now much less than when these provisions were introduced. The Government therefore has no plans at present to change industrial action law. However, the Government monitors the application of the law in this important area, to ensure our legislation remains compliant with all our international obligations.

Living Wage

Key Facts

- This Government is committed to improving living standards, particularly for the low paid. We support businesses that voluntarily choose to pay the Living Wage when it is affordable and doesn't cost jobs
- The only way to achieve a sustainable increase in living standards is to focus on economic growth, employment and cutting taxes for the low paid. This is exactly what we are doing.
- Unlike the Living Wage the National Minimum Wage is carefully set by the independent Low Pay Commission at the highest possible level without costing jobs. This year the Government was pleased to accept the LPC's recommendation to increase the minimum wage above inflation for the first time since 2007. From October 2014 over a million low paid workers will receive up to £355 extra in their pay packets, the biggest cash increase since 2008. We want to continue to see the minimum wage rise in real terms and last week we asked the Commission to assess whether above-inflation rises could be made next year without harming employment.
- In addition to the NMW we are raising the personal allowance allowing people to take home more of what they earn. From April 2015 the average person will pay over £800 less in income tax than 2010 and over 3.2 million people will be taken out of income tax altogether.
- There are now more people in employment than ever before and employment growth is at record levels. Since 2010 an additional 2 million private sector jobs have been created.

Government Actions since May 2010

- The government is helping raise living standards through cutting taxes and increasing employment. The personal allowance increases to £10,000 from April 2014, one year earlier than planned, protecting the incomes of working households that have been squeezed through high inflation and low earnings growth.
- There are now more people in employment than ever before. Government is improving work incentives through welfare reform and the introduction of Universal Credit.
- The National Minimum Wage has been a success in supporting the lowest paid. Since its introduction in 1999, the adult rate of the National Minimum Wage has increased faster than average earnings, prices and nominal output.
- Vince Cable is keen that lower paid workers benefit from the emerging recovery. He has asked the Low Pay Commission to look at what economic conditions would be needed to allow the National Minimum Wage to rise in the future by more than current conditions allow- without an adverse impact on jobs.
- We are absolutely clear that anyone entitled to be paid the minimum wage should receive it. HMRC investigates every complaint made through the free and confidential Pay and Work Rights Helpline. Employers who fail to pay the National Minimum Wage will be named and shamed under revamped criteria. This is on top of financial penalties which employers already face.
- A mandated pay floor completely detached from an affordable level is likely to bring about job cuts. A compulsory Living Wage takes no account of the effect of the

consequences of raising the cost of labour. The National Minimum Wage is a carefully calibrated instrument balancing the need to provide a fair wage whilst not damaging employment.

- The Government supports businesses that choose to pay the Living Wage where it is affordable. However, decisions on what wages to set, above the National Minimum Wage, are for employers and workers.

Q&A

How much is the living wage?

- The UK Living Wage is currently £7.85 and the London Living Wage rate is £9.15.

Does the Government support the Living Wage?

- The Government supports employers that choose to pay the Living Wage. However, decisions on what wages to set are for employers and workers to agree as long as employers pay at least the national minimum wage.
- We are cutting taxes so people take home more of what they earn: From April 2015 the average person will pay over £800 less in income tax than 2010 and over 3.2 million people will be taken out of income tax altogether.

Why doesn't Government implement a national Living Wage?

- The Government helps the low paid through the statutory National Minimum Wage which is specifically set at the highest possible rate that will not damage employment prospects.
- A mandated pay floor completely detached from an affordable level is likely to bring about job cuts and these effects would most likely be hardest felt by the young and those who are further from the labour market.
- The National Institute of Economic and Social Research has estimated that increasing the NMW to the rates supported by the Living Wage Foundation would cause 300,000 young and unskilled employees becoming unemployed.
- This Government is committed to improving living standards, particularly for the low paid and the only way to achieve a sustainable increase in living standards is to focus on economic growth, employment and cutting taxes for the low paid. This is exactly what we are doing.

Will the Government become a living wage employer?

- Each department sets their own pay policy and the vast majority of civil servants are paid above the Living Wage. We support employers that choose to pay higher than the NMW however it is for employers and their workers to decide.

[Specific to BIS]

- On the basis of fairness and affordability I (Secretary of State) instructed the department to give the lowest paid contracted staff (including cleaners) an above inflation pay rise.

- From 1 April, the lowest paid contracted staff at BIS offices across the UK will be paid £7.85 per hour, up £1.40 or nearly 22% from the current £6.45 per hour rate. This increase will restore and surpass the real value of wages that has fallen in recent years.
- This means that BIS contractors will be amongst the top 25% (upper quartile) of contractors across Whitehall. This will benefit 252 employees across 81 sites in the UK. All other BIS employees are paid above the London Living Wage.

NB: DECC has signed up to become a Living Wage employer.

Will the Government require contractors to pay the Living Wage?

- We would absolutely encourage contractors to pay the living wage where affordable - but this is a decision that must be taken by the contractors themselves. We will always award contracts on the basis of the best value for money for the taxpayer.

Will the Government introduce tax breaks for employers who pay the Living Wage? (*In response to Labours Make Work Pay Contracts*)

- We would encourage employers to pay the Living Wage when it is affordable and not at the expense of jobs.
- Labour's plan applies for 12 months only, and will cover less than a third of the increased cost to the employer. Increasing the costs of employment could encourage businesses to employ fewer people, damaging growth and causing benefit spending to go up. And it could make businesses less profitable, reducing the amount of tax they pay and risking cuts to public services.
 - The IFS have said that this policy: "may distort employers' behaviour in undesirable ways... Overall, it is unclear whether the policy would raise revenue for the exchequer, as claimed by the Labour Party."
- The only real way of achieving sustainable increases in living standards is through focusing on economic growth and employment - as we are doing.

Migration

Issue

- The Prime Minister and the Home Secretary have both said publicly that they want to reduce net migration from hundreds of 1000s to tens of 1000s. This target is not part of the coalition agreement. Recent figures suggest this will not happen in the lifetime of this Government. There is an on-going debate between those who see increased immigration as good for the UK and those who would like to see numbers reduced.

Key Facts

- The latest ONS Quarterly Migration Statistics show Net Migration to the UK was 260,000 in the year ending June 2014 – up from 182,000 in the previous 12 months.
- The increase in net migration is driven by significant increases to both EU and non-EU immigration. Non-EU migration has risen for the first time since 2011.
- Work remains the most common reason given for migrating to the UK. 247,000 migrants arrived in the UK for work related reasons in the year to June 2014.
- There has been a sharp rise in National Insurance numbers allocated to Bulgarian and Romanian nationals.
- Immigration for study remained stable (176,000) in the year ending June 2014.

Government Activity

Stability – The Immigration Bill has made changes to some policy framework including policy changes relating to access to services for migrants. In relation to the visa system, the Home Office are focussing on adjustments to existing routes in response to feedback from users, or to new visa requirements.

The Immigration Bill – Measures on regulating migrant's access to benefits and public services, including the NHS, form part of the Immigration Bill. Following agreement by both Houses on the text of the Bill it received Royal Assent on 14 May. The Bill is now an Act of Parliament (law).

MAC Review of Shortage Occupation List - The Migration Advisory Committee last reviewed the SOL in Autumn 2012 and it is now in the process of doing so again. Given the closeness to the election and time constraints, the HO narrowed the latest review to focus on the professions/sectors of health; the digital technology sector; and linesworkers in the energy industry. The MAC are currently reviewing feedback.

Immigration and visas fees - The Home Office have been chairing a cross-Government committee looking at various options for ensuring those who benefit directly from the immigration system and enhanced border services contribute appropriately to their costs in the future. This process is coming to an end and the Home Office are currently in the process of seeking Home Secretary clearance for a Home Affairs Committee letter which sets out revised visa fees for the coming year.

Elephant traps

Do migrants make a net positive or negative net contribution to the UK?

- Migrants generally arrive on these shores when they are of working age and they often leave before they retire – contributing more in taxes and spending than claiming back in social benefits. Immigrants are more likely to be net contributors to the economy.

What effect will imposing a migration cap of tens of thousands have on the UK economy?

- Migration is good for the UK economy; it allows international business links to form and for skill gaps in the native work force to be filled. Introducing a cap could potentially damage efforts to reduce the deficit as most immigrants are more likely to be of working age and net contributors to the economy, contributing more in taxes and spending than claiming back in social benefits.

What is the effect of migration on jobs for the native workforce?

- There is relatively little evidence that migration causes significant displacement of UK natives when the economy is strong, however there is some evidence which suggests low skilled natives may be displaced during periods of recession although the effects dissipate over time. Migrants can actually create job opportunities in the UK and are more likely to set up their own business than natives.

What effect does migration have on the wages of native workers?

- Studies show that migration largely has no impact or a small positive impact on average wages. Some sections of the native workforce believe that the presence of migrant workers results in wages being undercut. National Minimum Wage legislation is in place, and is enforced robustly, to prevent this fear from becoming a reality. The maximum fine for not adhering to the NMW legislation has been quadrupled from £5,000 to £20,000.

What impact has lifting EU migration restrictions on Romania and Bulgaria had on the UK?

- Whilst there has been a sharp rise in NINo allocations to Romanian and Bulgarian nationals in the year ending September 2014 compared to the previous 12 months, 50% of EU2 nationals registering for a NINo between January and September 2014, had arrived in the UK before the transitional controls had been lifted. Transitional controls for these countries were lifted on 1 January 2014 and it is still too early to know the precise impact it has had on the UK.

National Minimum Wage Enforcement

Issue

- The Government is committed to simple, effective NMW enforcement which supports workers and businesses by deterring non-compliant employers from underpaying their workers and removing the unfair competitive advantage that underpayment can bring.

Key Facts

- In 2013/14, HMRC identified £4.6m in arrears of wages for over 22,600 workers. This represents an increase of over 17% in the number of workers that HMRC were able to help compared to 2009/10. Also, the average arrears per case identified increased by over 260% in 2013/14, compared to 2009/10.

Since 2010 enforcement has improved in a number of ways. In 2013/14 for example:

- We identified over 17% more workers in 13/14 than we did in 09/10
- The average workers per case has increased by nearly 200 per cent and the arrears per case by over 260 per cent
- We have improved the incidence of finding arrears in cases by 38% .

Top Government Points

- HMRC investigates every complaint made to the Pay and Work Rights helpline. In addition, HMRC conducts risk-based enforcement in sectors or areas where there is a higher risk of workers not getting paid the legal minimum wage.
- The Government is taking a tougher approach on employers that break National Minimum Wage law. The Government has already named 30 employers. Between them they owe workers a total of over £50,000 in arrears and have been charged financial penalties totalling over £24,000.
- We will be naming other employers that break National Minimum Wage law very soon.
- The Government has also increased the financial penalty percentage that employers pay for breaking minimum wage law from 50 per cent to 100 per cent of the unpaid wages owed to workers and the maximum penalty from £5,000 to £20,000. The increase came into effect on 7 March 2014. The Government will also introduce primary legislation so that the maximum £20,000 penalty can apply to each underpaid worker.
- In the Autumn Statement the Government just announced an increase of £3 million to HRMC's enforcement budget.
- The extra money is to increase the number of HMRC compliance officers to identify businesses that exploit workers (including migrants) by paying them below the National Minimum Wage. HMRC compliance officers will be proactively going after the worst offending employers.

Posting of Workers Enforcement Directive

Issue

- Implementing the Posting of Workers Enforcement Directive.

Key Facts

- The Posting of Workers Enforcement Directive (2014/65/EU) was agreed on 20 May 2014. The UK must implement the Directive by the Commissions deadline of June 2016. It is a single market measure, to ensure a level playing field when businesses or agencies post workers temporarily from one Member State to provide services in another.
- The Directive entitles posted workers to minimum statutory employment rights available in the country they are posted to (e.g. national minimum wage rates, maximum work periods). Everyone who works in the UK has the same rights.
- The directive supports the freedom to provide services across the EU. Around 1 million workers are posted across the EU each year.
- Numbers sent to and from the UK are relatively low (the European Commission estimates 37k each way) but it is a significant issue for some MS (e.g. Germany and Poland)
- In negotiation, the European Parliament sought administrative requirements of business, comprehensive joint and several liability and operative measures to combat illegal working, which were not adopted. This was good news for the UK as it would have created burdens on business.

Top Government Points

1. The UK does not experience some of the issues faced by other Member states as it has in place a strong raft of protections for all workers, for example, the National Minimum Wage, health and safety regulations, working time restrictions and the full range of anti-discrimination measures. The pay and work rights helpline and ACAS also provide guidance and advice for everyone working in the UK.
2. The UK Government is now working with stakeholders representing employers and employees to discuss how the Enforcement Directive can be implemented in a way which works for the UK economy and its workers and will consult on proposals for implementation in 2015.
3. The Government supported the final text because:
 - For workers it increases awareness of minimum rights and how they can be enforced and improves cooperation, collaboration and the exchange of information to support cross-border enforcement.
 - For businesses, it clarifies their responsibilities and helps them avoid falling foul of employment laws in other Member States.
 - For the UK economy, it provides reassurance that companies can freely operate across Europe.

Public Interest Disclosure Act

Whistleblowing (Public Interest Disclosures)

Key Facts

- Public interest disclosure regime is an employment protection measure designed to protect workers from being unfairly dismissed by their employer or suffering other detriment whenever they have reported their concerns to the employer or the regulatory authorities.
- Act protects employees and workers from victimisation by their employers and co-workers if they “blow the whistle” in a responsible way.
- The whistleblowing charity Public Concern at Work (PCaW) set up a Commission February 2013, to examine the effectiveness of existing arrangements for workplace whistleblowing in the UK and to make recommendations for change.
- On 27th November 2013, the PCaW Commission produced a report making a number of recommendations to the Government, including but not limited to
 - the introduction of a Statutory Code of Practice on employer whistleblowing arrangements,
 - a clear procedure for regulators to deal with whistleblower who go to them,
 - the inclusion of whistleblowing in regulators annual reporting mechanisms,
 - the expansion of the provisions to include more categories of “worker” in the protections and
 - Government research into whether there needs to be a central system for the reporting of concerns.
- Government ran a call for evidence from 12 July - 1 November to explore further whether the provisions are working overall. The Government published its response to this on 25th June. We have announced a number of legislative and non-legislative measures in the Government Response to improve the way the legislation works.

Top Government Actions (since May 2010)

- The whistleblowing framework is designed to provide a legal remedy, via an Employment Tribunal, for workers who have suffered detriment in the workplace as a result of raising an issue of public concern regarding certain categories of wrongdoing.
- The Government made changes during the Enterprise and Regulatory Reform Act 2013 to strengthen the legislation further. The changes brought into scope more workers and widened the route for redress by introducing vicarious liability. It also introduced a public interest test to ensure whistleblowing continued to be about public interest matters.
- BIS launched a call for evidence on 12 July to explore further whether the provisions are working overall. The Government published its response to this on 25th June 2014.
- We have announced a number of legislative and non-legislative measures in the Government Response to improve the way the legislation works.

- Following the Government Response to the call for evidence, Government is introducing a duty on prescribed persons to report annually on public interest disclosures made to them. This measure is included in the Small Business, Enterprise and Employment Bill, which was introduced into Parliament on 25 June 2014. The Bill received a Second Reading in the House of Commons on 15 July 2014. Committee Stage took place on 04 November 2014. The Committee voted that the clause stand part of the Bill.
- On April 6 2014, Members of Parliament were included on the prescribed persons list. Certain disclosures to MPs previously already qualified for protection, provided the relevant conditions had been met. Adding MPs to the list means individuals can make disclosures to them and these are protected in the same way as disclosures made to other bodies on this list.
- We have undertaken a major exercise; working with other Government Departments to update the Prescribed Person Order 2014 to ensure the list is accurate and up-to-date. The updated Prescribed Person Order 2014 was published on 01 October 2014. This is a move which all prescribed persons and the wider whistleblowing 'community' has welcomed as out-of-date lists were being relied on to interpret the law.
- Work is on-going to bring Student Nurses into the scope of whistleblowing protections by adding them to the definition of a worker as committed too in the Government's response.

Recruitment Sector Legislation

Issue

- Reforms to the Conduct Regulations

Key Facts

- The recruitment sector is regulated by the Employment Agencies Act 1973 and the Conduct of Employment Agencies and Employment Businesses Regulations 2003 (the 'Conduct Regulations').
- The legislation is complicated and difficult for businesses and individuals to understand and was identified by the Red Tape Challenge as needing reform.
- The Government consulted on proposed reforms to the recruitment sector legislation in early 2013 and the Government response was published on the 12 July 2013.
- We will be publishing a further consultation on specific changes to the legislation shortly.
- The Government consulted separately on a proposal to prohibit recruitment agencies from advertising jobs exclusively in other EEA countries. That consultation closed on the 2 September and the Government response was published on the 10 November. The new regulation came into force on January 2015.

Top Government Points

- We intend to reform the Conduct Regulations, removing some of the burden from business whilst continuing to protect people who are looking for work.
- We will carry out a further short consultation shortly.
- The Conduct Regulations are enforced by the Employment Agency Standards Inspectorate (EAS) in BIS.
- We are doubling EAS resource this financial year with a view to increased resource for financial year 2015/16. This additional resource will be used for targeted enforcement in high risk areas in order to protect the most vulnerable agency workers.
- The Pay and Work Rights Helpline is the main point of contact for individuals seeking help and advice.

Shared Parental Leave

Issue

- The Government has delivered the coalition commitment to “encourage shared parenting from the earliest stages of pregnancy – including the promotion of a system of shared parental leave”. All the legislation is now in place to support families juggling work and family life, and help the businesses that employ them.

Key Facts

- As women’s employment rights have increased their participation in the labour market has also increased. Women now make up half of the UK workforce.
- The Maternity and Paternity Rights and Women Returners Survey in 2009/2010 found that the vast majority (90%) of fathers took time off following the birth of their baby, with 74% of fathers taking some paternity leave.
- BIS consulted in 2011 on proposals to redesign the UK’s maternity, paternity and adoption system to introduce Shared Parental Leave. Through the Children and Families Act 2014 and a suite of regulations which came into effect on 1 December, all the legislation is now in force for shared parental leave and pay. The new system is designed to support shared parenting by enabling working parents to share leave to look after their child in the early stages. The changes will encourage both parents to take an active caring role, and help both parents retain their attachment to the workplace by allowing them to agree a pattern of leave that works for them and their employers.
- Shared Parental Leave is now in force for babies due on or after 5 April 2015, including any early births.

Top Government Actions (Since May 2010)

- Additional Paternity Leave and Pay (APL) was introduced from April 2010 as an interim first step towards this Government’s commitment to develop a flexible system of shared parental leave. The right provides new fathers with a right to up to six months additional paternity leave once the mother has returned to work.
- The system of Shared Parental Leave has been developed in conjunction with family and business representatives.
- This new system of Shared Parental Leave will enable employers to recruit from the widest possible pool of talent, and helps contribute to the UK’s skilled and flexible workforce.
- The Children and Families Act successfully completed its Parliamentary process in March 2014.
- The regulations that give effect to shared parental leave and pay came into effect on 1 December for babies due from April, . but who arrive early.
- We are focusing on promoting and raising awareness of shared parental leave and ensuring we meet the information needs of employers and employees.
- Guidance for employees and employers is on Gov.UK, along with a calculator to work out entitlement.

Elephant trap

No one is using Additional Paternity Leave and no-one will use Shared Parental Leave

- Additional Paternity Leave and Pay (APL) was introduced from April 2010 as an interim first step towards this Government's commitment to develop a flexible system of shared parental leave. The right provides new fathers with a right to up to six months additional paternity leave once the mother has returned to work.
- Shared Parental Leave offers parents much more flexibility in how they take the leave. It allows shared parenting, or for the dad to become the child's primary carer. The entitlement is designed to support shared parenting by enabling working parents to share leave to look after their child in the early stages. The changes will encourage both parents to take an active caring role, and help both parents retain their attachment to the workplace by allowing them to agree a pattern of leave that works for them and their employers.
- The Children and Families Act 2014 provides the legislative basis for introducing shared parental leave and pay.
- The regulations giving effect to the detail of the new arrangements have now come into effect. The proposed system of Shared Parental Leave was developed in conjunction with family and business representatives.
- This proposal gives employers the ability to recruit from the widest possible pool of talent, and helps contribute to the UK's skilled and flexible workforce.
- Guidance is available on Gov.UK and Acas websites to help employers and employees understand and use the new system when it is introduced.

What more are we looking to do?

- We will keep under review the take up by fathers/partners of shared parental leave and will look again at paternity leave at a later date, once we have information on the take up of shared parental leave.
- We have taken powers in the Children and Families Act to make legislative changes which will enable us to increase the number of weeks of paid paternity leave through secondary legislation at a later date, should the Government decide to do so.

Trade Reform

Issue

- Possible change to industrial action law to enable e-balloting for trade unions

Key Facts

- Unions seek to modernise how statutory ballots are held, to allow all union members to vote with electronic means.

Top Government point

- Unions are currently creating a working group to find an e-balloting method to fit in with legislation. Government needs to be satisfied that the means of voting in a ballot (such as e-balloting) meets the required standards, i.e. that those entitled to vote have an opportunity to do so, that votes cast are secret and the risk of any unfairness and malpractice is minimised, before the idea is taken forward

Defensive Q and A

What is the Government doing to promote e-balloting?

- The Government have engaged with unions and are content that the unions are working to find an e-balloting method to fit in with the required legislation. If the requirements of the legislation are able to be fulfilled then it will be possible to change the law to allow e-balloting in statutory union ballots.

Issue

- Implementation of Part 3 of the Transparency of Lobbying, Non-party Campaigning and Trade Union Administration Act. This relates to a new union requirement to provide annual assurance that their systems for keeping membership records accurate and up to date, are adequate.

Key Facts

- The Bill achieved Royal Assent on 30th January 2014
- The Government published a consultation on the proposed implementation of these measures which closed on 4th December.
- The Government is analysing the responses received after which and will issue a response document in due course.

Opposition from Trade Unions:

- The measures are very unpopular with trade unions. Their challenges to Part 3 are summarised as:
 - A perceived lack of rationale for the measures in the Bill, or evidence of a problem that the measures look to solve
 - The perceived additional burden on trade unions to comply with the new provisions
 - However, TUC and its affiliate unions now accept that they now need to focus on the implementation of these measures.

Top Government Points

Trade union administration – principles and rationale for change

- The principle behind these measures is already in place - we are building on an existing obligation, this is not about making it harder for unions to operate.
- These measures will give greater confidence about the accuracy of large membership registers as a whole – not just a few individual records. When unions have accurate and up to date membership registers it is easier for them to demonstrate the democratic basis when they make decisions and take action.
- These measures are an appropriate way to give greater confidence to union members and to the public that unions know who their members are and can contact them.

Trade union administration – reforms

- Unions that have more than 10,000 members will need to appoint a qualified independent person to provide an annual assurance regarding maintenance of their membership register.
- Unions with 10,000 members or less at the end of the reporting period will need to provide an annual self-assurance.
- The Certification Officer will have power to investigate discrepancies and to issue declaration and enforcement orders requiring unions to remedy failures.
- We will take a proportionate approach to implementation. We have sought evidence to inform the application of the measures in practice through engaging with unions and others, to ensure that they do not impose a disproportionate or unreasonable burden.

Elephant Traps/Defensive Q&A

There is no evidence of a problem in trade union membership records

- Membership registers lose their accuracy quickly because of changes in union membership as well as changes in the details of individual member addresses.
- The current system relies on an individual union member actively checking their details. We cannot be certain that unions are compliant with the requirement to maintain a register that is up-to-date so far as is reasonably practicable.

This is a politically motivated attack on trade unions

- This is not an attack on trade unions. Trade Unions are vital participants in the economy, working with employers to maximise employee engagement and delivering practical solutions to workplace issues.

The new regime can't be justified on human rights grounds

- The existing duty to maintain an up-to-date membership register has been around since 1984. Having agreed that a membership register is necessary, it follows that there should be an appropriate and effective enforcement regime.

2006 (TUPE)

As amended by The Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014 (SI 2004/16)

Issue – Amendments to TUPE

Key Facts

- TUPE is the legislation which protects employee rights when the business or undertaking for which they work transfers to a new employer. TUPE implements the Acquired Rights Directive (ARD).
- The Government was concerned that some businesses believed the TUPE Regulations were gold plated and bureaucratic. Following a consultation as part of the employment law and under the Red Tape challenge, the Regulations have been amended.
- Our amendments will ensure that TUPE continues to provide appropriate levels of employee protection, but eliminate unnecessary gold plating and red tape so that business transfers go through as smoothly as possible.
- TUPE's service provision changes (SPC) rules have not been repealed as earlier proposed. Repeal would have created significant uncertainty in the economy, as employers struggled to determine whether a service provision change was caught by TUPE or not. However, the rules on SPCs have been clarified on the face of the Regulations, in line with case law, so that if businesses radically change the way they provide services such changes are unlikely to be caught by TUPE.
- The requirement on businesses transferring staff to disclose pre-transfer employee liability information (ELI) has been changed so that this is required 28 days before the transfer. There was a clear response from business that repeal of ELI was not desired and that the timeline should be increased.
- TUPE has been amended to allow renegotiation of terms derived from collective agreements one year after transfer, even though the reason for seeking to change them is the transfer, provided that overall the change is no less favourable to the employee. This change empowers both employer and employee, after one year of working together, to agree mutually beneficial improvements to terms and conditions. Other changes include an amendment to the protections against changes to terms and conditions and dismissal so they more closely reflect the wording used in the Directive and CJEU case law. This will reduce the risk that the current provisions in TUPE are interpreted in a way that prevents changes to contracts or dismissals in more situations than the Directive does. It will also be possible for micro-businesses to directly inform and consult affected employees about transfers when there is neither a recognised independent union nor existing appropriate employee representatives.
- An employer proposing 20 or more redundancies may have an obligation to consult about the redundancies with employee representatives (this is often called “collective redundancy consultation”). Sometimes the new employer in a TUPE transfer situation may be proposing such redundancies following the transfer. The Trade Union and Labour Relations (Consolidation) Act 1992 has been amended to provide that in certain

circumstances, consultation about the redundancies which begins before the transfer takes place, can count for the purposes of the rules on collective redundancy consultation. This will provide certainty for business and employees as well as, among other things, increasing the efficiency and speed of the restructuring process and reducing administrative costs for transferee organisations, in particular where there is to be change of workplace on transfer.

- We have tried to make the TUPE rules more flexible, but recognise the real problem caused to business and the economy by the barriers in TUPE to harmonising terms and conditions of the workforce after a transfer, when groups of staff are brought together. Harmonisation would be a boost to business and could improve fairness for employees. Any provision to agree a variation to terms and conditions for the purpose of harmonisation would very likely be incompatible with the Acquired Rights Directive and so the Government would have to engage with European partners to demonstrate the potential benefits of a harmonisation framework for individuals and the economy. However, our priority is to prevent the Commission from making changes to the Information & Consultation Directives that would damage UK interests. Pressing for the immediate reform of the Acquired Rights Directive is likely to detract from these efforts. We must therefore balance carefully the timing and delivery of our objectives. Reform of the Acquired Rights Directive remains a long-term UK objective.

Top Government Actions (since May 2010)

- The Call for Evidence on the effectiveness of the TUPE Regulations was issued in November 2011. The Government's response to the Call for Evidence was issued in September 2012.
- We consulted between January 2013 and April 2013, publishing the Government response on 5 September 2013.
- Revised regulations (The Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2014 (SI 2004/16) were laid in Parliament on 10 January and came into force on 31 January 2014.
- Guidance appropriate to the new framework has been prepared and is available on Gov.UK.

Defensive if raised

This is one sided/very business friendly. You've ignored the employee's rights?

- No. Some of our amendments will help employees. For example, the retention of employee liability information (ELI) and the extension of the time frame in which it should be given are pro-employee. The provision of information about obligations concerning pay and conditions etc helps prevent later grievances arising between employer and new employer. Additionally, allowing micro businesses to inform and consult with affected employees directly in cases where there is not a recognised independent union, nor existing appropriate representatives, rather than having to invite employees to elect representatives, will reduce bureaucracy for employer and employee alike. Generally, we have aimed for a less burdensome regime from which both employer and employee benefit.

Unfair Dismissal Compensation

Issue

- Unfair Dismissal Compensatory Award Pay Based Cap.

Key Facts

- The limit on the compensatory award has risen rapidly in recent years and creates an unrealistic expectation about potential awards, given the median award (£4,560 for 2011/12) is far less than current cap (£74,200) and has been around £5,000 since 2005.
- Ending the Employment Relationship public consultation which closed on 23 November 2012, sought views on the appropriateness of the upper limit and a new 12 months' pay based limit.
- There was broad support for introducing this pay based cap, which would link the maximum potential award to an individual's own salary, to provide more certainty for both employers and employees
- Therefore the Government Response, published 17 January 2013, recommended introducing the 12 months' cap, while leaving the overall specified cap at its existing level.
- Estimate 1 in 400 (0.25%) unfair dismissal claimants per year affected.
- 94% of awards were below £30,000 and 98% of awards were below £50,000 in financial year 2011/2012.
- Given that the basic award can be as much as £13,500, the number affected by changing the compensatory award cap is likely to be much smaller, since the median award of £4,560 represents the total average award, i.e., both basic and compensatory award.

Top Government Actions

- We need to give business more certainty about their liabilities at tribunal, and promote realism about the level of awards
- We are addressing perception. The median award figure is £4,560 – nowhere near the current overall cap which is uprated annually in line with the retail price index and recently increased from £74,200 to £76,574.
- We estimate only 0.25% of unfair dismissal claimants (115 per year) would be affected by the introduction of an individual cap.
- Compensatory award for dismissals on or after 29 July 2013 that are subsequently found to be unfair is limited to £76,574 or 1 years pay, whichever is the lower
- The 12 month pay cap on unfair dismissal compensatory awards came into effect from 29 July 2013.

Elephant trap

- You will be aware of the judicial review that has been served on the department by compromiseagreements.com, citing discrimination against older workers in relation to the 52 week cap. The High Court refused permission for the JR. The Claimant has appealed and won an oral hearing. If challenged about this, your line should be:
- This matter will be reviewed by the High Court next month . It would not be appropriate for me to comment at this stage.

Unfair Dismissal Compensatory Cap Q&A

This will have a disproportionate effect on particular groups, such as older workers.

- The Equality Impact Assessment of changing the limit was published alongside our Government Response document on 17 January 2013. This assessment did not conclude that any particular group would be disproportionately affected.
- The median award is so low it is unlikely many people would be impacted by a pay based cap. Using the available data, this analysis calculated that around 0.25% of the total number of claimants for unfair dismissal might be affected by earnings based cap.
- In the labour market generally, the majority of people do move quickly to employment (if they want to). Of those over 50 making a new claim for Jobseeker's Allowance, 85% leave within a year.

How does this new cap apply to claims already in the system?

- Subject to approval of the regulation, the 12 month pay compensation cap would not apply to any claim for unfair dismissal lodged before 29 July 2013, even if they reach an employment tribunal after that date.
- Claims already in the system before then are unaffected.

Doesn't this cap ignore the loss of pension contributions?

- All political parties agree that there should be a cap on compensatory awards. Just because a claimant has a pension, doesn't mean that the cap on their compensatory award should be higher.
- The Employment Tribunal judges will consider the loss of pension contributions as part of their deliberations when deciding the amount of the compensatory award that's due. The cap of one year's salary only bites in cases where the tribunal was considering a compensatory amount greater than that.
- The median award figure of £4,560 inevitably includes any future pension contribution losses the tribunal assessed were due. Therefore it does not seem the 12 months' pay cap would have any real impact on people with significant pension contributions

Working Time Directive

Issue

- Current status of the Working Time Directive (WTD), and the impact of certain Court of Justice of the EU (CJEU) judgments on the domestic Working Time Regulations (WTR)

Key Facts

- The WTD is implemented in the UK by the WTR, which include rules on:
 - Annual leave allowance (a minimum of 28 days in the UK, the Directive states 20)
 - Rest breaks
 - Requirements for night workers
 - Maximum weekly working hours (average of 48 hours over 17-week reference period) – but the individual can opt-out of this element.
- The Commission is assessing the impact of the WTD and carrying out a public consultation, but there are no current negotiations
- Business organisations frequently cite the Directive as burdensome, whilst public service, especially health care are impacted by on-call rules
- There are a number of problems with the Directive, especially following:
 - CJEU rulings (Simap/Jaeger) around on-call time and compensatory rest (which particularly affect public services such as health)
 - CJEU rulings affecting annual leave and sick leave (e.g. Stringer/Pereda)
 - CJEU and UK court rulings affecting holiday pay entitlement (see below)

The UK's position

- Priorities:
 - To retain the individual's right to opt-out of the 48-hour limit in weekly working time.
 - Address problems caused by European Court Judgments on on-call time, compensatory rest and holiday pay.
- Ensure long-term, sustainable growth and measures that support labour market flexibility and do not impose significant costs on Member States or burdens on business.
- The Coalition Government is committed to limiting the application of the WTD in the UK.

Holiday pay – The *Fulton v Bear Scotland* case and subsequent Government Action

Government points

- The Government respects the EAT judgment in this case. This is a significant judgment for employers and workers.
- We understand the deep concern felt by many employers about the potential costs. This is why we intervened in the EAT hearing and [this is why we have taken action to stop claims from going more than two years back in time].

- BIS has also set up a Taskforce of business representatives and Government Departments to explore ways to limit the impact on business. We continue to discuss the implications of this ruling with a wide range of representatives.
- The right to paid holiday is very important and the UK offers a generous entitlement of 28 days which goes beyond the 20 days required in the Working Time Directive
- The Government wants to get the right balance between the needs of employers and employees. We want to see jobs created and protected, and for those jobs to provide employees with appropriate reward for their hard work.

Background

- Recent court cases have concluded that holiday pay should reflect sales commission (Lock British Gas - CJEU), flying supplements regularly earned by airline pilots (BA v Williams – CJEU) or non-contractual overtime v Fulton v Bear Scotland – UK Employment Appeal Tribunal).
- On 4 November 2014, the UK Employment Appeal Tribunal (EAT) decided that holiday pay should reflect non-guaranteed overtime. This judgment affects people who work non-guaranteed overtime and who are paid for it. This means where a worker has to do the overtime but the employer is not obliged to offer it. In practice Court decisions are expanding the definitions of holiday pay. We estimate that just over 20 per cent of the UK workforce work is paid overtime, it is important to note that many of these will already have overtime reflected in holiday pay.
- In claims for a series of regularly underpaid holiday pay going back months or years, a 3 month gap in underpayments breaks the series so that claims cannot be backdated any further.
- The UK Working Time Regulations can be interpreted and applied in line with these conclusions.

Next steps

- HMG is considering the EAT judgment carefully and what action we need to take as a result. We are working closely with the Taskforce and a wide range of representatives. We understand and are concerned about the potential confusion and the financial burden that this case may bring to the employers.
- [A limit of two years will apply to claims made for underpayment of holiday pay for claims made to employment tribunals on or after 1 July 2015].
- Employers may wish to check their current arrangements for holiday pay and overtime/sales commission, and seek legal advice when necessary. Employers and workers can also contact the ACAS helpline for free and confidential advice.

Annual leave

- There have been several CJEU & UK judgments affecting the interaction of annual leave and sick leave (e.g. the CJEU judgments of Stringer and Pereda). As a result of these rulings, workers who fall sick during scheduled annual leave can reschedule their leave within the same leave year. If they can't take annual leave due to sickness absence and are unable to take it again within the same leave year, they can take it forward into the next leave year (Pereda). Government guidance is clear on these points but there are no current plans to amend regulations.

The future of the Directive

- The European Commission is carrying out a public consultation on the Working Time Directive. It closes in March 2015.
- The Commission also recently sought national reports on the practical implementation of the Working Time Directive. The UK responded to the Commission's request on 31 October, setting out our priorities for reform of the Directive.

Zero Hours Contracts

Key Facts

- Zero hours contracts have a place in today's labour market. They can support workplace flexibility, make it easier to hire new staff, as well as providing pathways to employment for young people, retired people or those with caring responsibilities.
- Zero hours contracts are, on the whole, used responsibly in a wide range of sectors and have been for many years. They are not a new type of contract, nor has their use increased beyond 2% of the labour force.
- People on zero hours contracts should get a fair deal. Using exclusivity clauses in this type of contract is wrong. It prevents people from boosting their income when they have no guarantee of work.
- The Small Business, Enterprise and Employment Bill makes exclusivity arrangements in zero hours contracts unenforceable. That is, they are banned; they are made null and void.
- We have consulted on the best mechanism to tackle potential avoidance of the ban and appropriate routes of redress for individuals. That consultation closed on 3 November. We are analysing the results of the consultation now, and depending on these, Regulations could be drafted to address any issues identified.
- Data on zero hours contracts estimates they make up between 2 and 4% of the labour market.
- The latest ONS Labour Force Survey published on 13 August 2014, estimates 622,000 people reporting a zero hours contract in April 2014. This number represents 2% of the labour force.
- A separate ONS survey published this April¹ estimates 1.4 million individual zero hours contracts. This number represents 4% of the labour market. This number relates to individual contracts, not people.
- The ONS LFS estimates zero hours contracts provide an average of 22 hours of work a week.
- Data has been unreliable so is not a clear indicator that the numbers have gone up. There is no single legal definition of a zero hours contract. Different surveys have used different definitions and so the surveys cannot be compared.
- It is not simply the case that the number of those on zero hours contracts have increased from one quarter to the next. The ONS have advised against direct comparisons because of changes to the data collection methods and increased awareness of zero hours contracts.

Top Government Actions (since May 2010)

- Zero hours contracts are not new. In 2013 government recognised and took note of anecdotal evidence that has illustrated instances of abuse.
- The BIS Secretary of State published the consultation "Zero hours employment contracts" in December 2013, that sought views on the use of exclusivity clauses in zero hours contracts, i.e. where an individual is not guaranteed a number of hours of work nor are they allowed to work for another employer.

¹ Employee Contracts that do not Guarantee a Minimum Number of Hours – ONS, April 2014

- 83% of the responses stated that exclusivity clauses in zero hours contracts are unfair and unjustifiable. The consultation also found that zero hour contracts are seen by many as a flexible and efficient way for businesses and individuals to agree contracts that suit their situations.
- As a result, the Small Business, Employment and Enterprise Bill has a provision that will ban exclusivity terms in zero hours contracts. The Bill is now being scrutinised in the Lords.
- A further consultation was published on 25 August 2014 to find the best mechanism to ensure employers could not sidestep the exclusivity ban. That consultation closed on 3 November and will help inform the order making power on zero hours contracts in the Bill.

National Minimum Wage

Issue

- We are committed to increasing support for lower and middle income earners and improving the rewards to work. This Government supports the NMW because of the protection it gives low income workers and the incentives to work it provides.

Key Facts

The National Minimum Wage rates:

Category of worker	Rates (and % increase from 2013)	Increase since May 2010
Adults (21 years and older)	£6.50 (3%)	70p
Youth Development Rate (18-20 year olds)	£5.13 (2%)	30p
16-17 Year Old Rate	£3.79 (2%)	22p
Apprentices (either under the age of 19; or aged 19 and over and in the first year of their apprenticeship)	£2.73 (2%)	Introduced in October 2010

Top Government Points

- The NMW has been a success in supporting the lowest paid. Since it was introduced in 1999, it has increased faster than average earnings and prices.
- The Government is helping raise living standards through cutting taxes and increasing employment. Our increases to the personal allowance will benefit over 1 million low-paid workers with full time minimum wage earners receiving an additional £3552 a year in their pay packets. It is important that lower paid workers benefit from the emerging recovery. Following a request from the Business Secretary for more forward guidance the LPC have stated that we are now in a period of faster, real increases in the NMW, providing the recovery continues.

² Based on a full time 36 hour week

Chemicals Sector

Key Messages

- The chemicals sector is a key UK sector, employing over 106,000 people and generating £8.8bn in Gross Value Added in 2013. The chemicals sector is the second largest manufacturing exporter sector by value in the UK (after motor vehicles).
- The chemicals sector is the foundation of the UK's manufacturing industries, supplying raw materials and inputs to range of sectors, including household products, food, medicines, advanced materials, fuels, and process technologies.
- Chemistry provides the key enablers for renewable energy, low emission transportation, energy efficient homes and businesses, and sustainable agriculture. It is at the heart of the UK's development of a 'green economy'. For every tonne of carbon emitted, the chemical industry saves 2 tonnes³; this will increase with more implementation. For example: The UK chemical industry energy efficiency has improved by 35% in the past 20 years.

Key Chemicals Sector Statistics (excluding pharmaceuticals)

- Annual turnover was nearly £32bn in 2013; chemicals accounted for 10% by value of all UK manufacturing exports in 2013.
- Employed 106,000 people in 2013 with a labour productivity around 1.4 of the UK manufacturing average.
- Generated £8.8bn in value added in 2013 i.e. 5.6% of total manufacturing value added.
- The sector contributed a total of £617m UK R&D investment in 2013, accounting for around 3.3% of all business R&D in the UK⁴.
- A 2009 global study⁵ calculated for that every GtCO₂e⁶ emitted by the chemicals sector in 2005, the sector enabled c. 2.4 GtCO₂e in savings by other sectors/end users. This is a gross saving of 8.5 GtCO₂e or a savings ratio of 2.6 (which could rise to 4 under the right conditions⁷).
- In 2010, 72% by value of all UK produced chemical products were exported⁸. 61% of chemicals exports by value in 2013 were to the EU.
- Major chemicals clusters in the UK are at Wilton (Teesside), Hull, Runcorn (Cheshire) and Grangemouth (near Edinburgh).

Key Government Actions

Chemistry Growth Partnership (CGP)

- The CGP is industry-led sector council for chemicals and chemicals-using companies. The council meets thrice a year.
- The CGP is co-chaired by Matthew Hancock, Minister of State for Business, Enterprise and Energy, and Neil Carson, formerly Chief Executive of Johnson Matthey.

³ July 2009 McKinsey report 'Innovations for Greenhouse Gas Reductions – A life cycle quantification of carbon abatement solutions enabled by the chemical industry'

⁴ ONS Business Enterprise Research & Development data

⁵ http://www.icca-chem.org/ICCADocs/ICCA_A4_LR.pdf

⁶ Global total emissions of carbon dioxide equivalent

⁷ http://www.icca-chem.org/ICCADocs/ICCA_A4_LR.pdf

⁸ ONS Analytical Supply Use Tables – produced at five year intervals only

- At its inaugural meeting in October 2013, the CGP launched its growth strategy, Chemistry at Work: A Strategy for Delivering Chemistry-fuelled Growth of the UK Economy⁹. This sets out an ambitious target of 50% growth in sector Gross Value Added by 2030 (from £195bn to £300bn).
- The CGP is undertaking work streams on three priority areas:
 - Securing competitive UK energy and feedstock supplies;
 - Accelerating innovation; and
 - Re-building UK chemistry supply chains.
- Work streams are also taking place on issues such as wider related themes including skills, exports, and engagement with Local Enterprise Partnerships (LEP). The skills work stream ensures the CGP is formally engaged with the Science Industry Partnership (SIP) to shape the SIP deliverables with the CGP strategy.
- BIS and UKTI are engaging with LEPs through a series of workshops to promote more collaborative working between Government, cluster organisations and the SIP.
- Recent CGP activities include a trade mission for agrichemical SMEs to Switzerland and Germany, in partnership with BIS, UKTI, and the Chemicals Industry Association (industry trade association). Further s are planned.
- The CGP has also formed a sub-group to look at supply chain issues and BIS has completed a pilot supply chain mapping survey to build our understanding of opportunities, threats and dependancies.
- The four chemical companies in the Strategic Relationship Management programme sit on the CGP – SABIC, INEOS, BASF and Johnson Matthey. Their contact Minister is Baroness Neville-Rolfe.
- In the Autumn Statement 2015, a £28m National Formulation Centre (NFC) was announced. This new centre will operate a hub and spoke model with the Centre for Process Innovation at its centre. The NFC will be based in Sedgefield (North East region).

• Name of CGP Member	Company
Neil Carson (Co-Chair)	Formerly Johnson Matthey plc
Paul Booth OBE	SABIC UK Petrochemicals Ltd
Tony Bastock	Contract Chemicals
Torben Jensen	BASF
Dave Tudor	GSK
Ian Shott CBE	Shott-Trinova
Harry Swan	Thomas Swan & Co. Ltd
Adrian Whitfield	Synthomer plc
Tom Crotty	Ineos
Steve Foots	Croda International
Charles Bragg	P&G
Ian Waddell	UNITE the Union

Resilience (including flooding)

⁹ <http://www.cia.org.uk/Policyissues/GrowthStrategy.aspx>

- The sector is currently not part of the UK's Critical National Infrastructure, but some sites – because of the volume and types of chemicals they deal with – may be caught within this category in future.
- Almost all chemical sites are located on either river or coastal flood plains. Depending on their local geography/topography, some are at risk of flooding. Because of the risk of chemical pollution from a flooding event, chemical companies take reasonable preparations and work with the Environment Agency (EA) to mitigate the danger.
- Other significant resilience issues include cyber security and security of energy/feedstock supplies.

Other issues e.g. explosives precursors, chemical weapons

- Chemicals can be used for many purposes – legal and illegal. Even consumer products can potentially be misused to make e.g. improvised explosive devices, Chemical Weapons, or drugs. The Home Office lead on explosive and drugs policy, DECC lead on CW issues; and we work with both to put in place effective measures to lessen the risks of chemicals being misused e.g. the incoming Explosives Precursors Regulation.

Energy

- The chemicals sector is energy-intensive, relying on fuel inputs (e.g. gas, biofuels) both for electricity and for feedstocks (process inputs). For information, see Topical Brief on Support for Energy Intensive Industries.

Green Economy

Issue

- Maximising business opportunities and maintaining industry competitiveness during the UK's transition to a green economy

Budget 2014

- Announced a £7 billion package of support for energy costs for businesses:
- Capping the Carbon Price Support mechanism at £18 per tonne of carbon
- Ensuring that the difference in price of carbon between the UK and Europe will never rise above £18.
- A package of measures designed to support energy intensive industries (EIIs), including extending the existing EII compensation scheme to 2020; introducing new compensation to protect them from rising costs of the Renewable Obligation and Feed-In Tariff to 2020; and an exemption to the carbon price floor for the electricity generated from good quality Combined Heat and Power plants.

Key Facts

- There are around 7,000 jobs in the offshore wind sector.
- The UK civil nuclear sector (inc. decommissioning, consultancy and its wider supply chain) generated estimated turnover of around £4 billion in 2011/12.
- Energy and climate change policies will impact primarily on electricity prices.

Top Government Actions (Since May 2010)

- Supporting innovation: Government has established a network of Catapult Centres to transform the UK's capability for innovation, including an Offshore Renewable Energy Catapult which opened for business in June 2013. The Chancellor announced a £185 million budget increase for Innovate UK for 2015/16 in the 2013 Spending Review and the areas set to benefit include an expansion of the Catapult network with new Catapults in Energy Systems and Precision Medicine.
- Industrial strategy: Government is working with business to deliver its industrial strategy to generate economic growth and create jobs. Sector strategies for the nuclear and offshore wind industries were published in 2013, demonstrating Government's commitment to helping these industries deliver their economic potential. This is creating business confidence, for example with Siemens and MHI Vestas deciding to invest in new offshore wind production facilities. Mathew Chinn has reviewed the Offshore Wind supply chain opportunities in the UK and points to the prospect of increased growth. The offshore wind industry council will take action on his recommendations. In March this year, the government published its industrial strategy progress report.
- Nuclear: The Government is working with energy developers, UK companies, inward investors and the research community to maximise economic benefits from nuclear energy – including new power stations, operations, maintenance, decommissioning and future designs.

- The Government is providing support to enhance the competitiveness of the supply chain, improve skills and employability in an industry that offers high quality, long-term jobs, and working with local communities to exploit the opportunities
- Green investment: The UK Green Investment Bank is operational with £3.8 billion of funding from the UK Government to invest in sustainable projects.
- Supporting Energy Intensive Industries: We are already compensating Energy Intensive Industries (EIs) who operate in an international market for the indirect cost of the EU Emissions Trading System. The Commission also approved our Carbon Price Floor State Aid application in May and we began making payments to eligible companies in August 2014.
- Reducing burdens: From 2014 the UK is also exempting mineralogical and metallurgical processes from the Climate Change Levy as allowed for under the Energy Taxation Directive.
- Electricity Market Reforms: We are also developing options to exempt EIs from the costs of Electricity Market Reform (EMR).
- Low Carbon Transactions: We work with DECC to support investment and growth in the low carbon supply chain such as through investment in the Siemens offshore wind production facilities. Working together, BIS and DECC ensure that before low-carbon generation projects can receive financial support, Government has opportunity to consider and approve each developer's supply chain plan setting out what impact on competition, innovation and skills the development will have. This will enable us to ensure that robust supply chains are in place, as well as understand how UK firms are benefiting from green subsidies.
- To help expand deployment and therefore the supply chain, the UK has a range of testing and demonstration facilities to support low-carbon tech development such as NAREC (National Renewable Energy Centre), EMEC (European Marine Energy Centre) and Wave Hub. This is supported by revenue and capital support set by DECC for the wave and tidal stream sectors enabling them to move from initial concept onto prototypes and first arrays.

The CfD budget announcement

- For pot 2 (less established technologies which includes offshore wind): a total of £235m will be available - £155m for projects commissioning from 2016/17, and a further £80m for projects commissioning from 2017/18 – an increase of £80m from the indicative budget announced in July.
- The total value of the Levy Control Framework for supporting low carbon electricity investment remains £7.6bn in 2020/21.
- The UK is supporting significant offshore wind deployment, and we have a healthy pipeline. The Government has set out a package which can deliver a range of 8-15GW^[1] of offshore wind by 2020 – with a clear pathway to around 10GW.
- We realise some companies may be disappointed with this year's CfD budget allocation, but we want to manage the budget to have a regular allocation of CfDs, instead of restricting access to one round.

^[1] All technology ranges taken from EMR Final Delivery Plan
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/268221/181213_2013_EMR_Delivery_Plan_FINAL.pdf - December 2013

Industrial Biotechnology Sector

Key Messages

- Industrial Biotechnology (IB) is the use of biological resources for producing and processing materials, chemicals and energy. It is a key underpinning technology with applications across the highly diverse chemistry-using industries. The UK's strong skills base and its significant presence in industries using IB makes it well placed to lead in this high value area of manufacturing.

Key Sector Statistics

- Industrial biotechnology is growing in importance as a key technology as world resources become scarce and the population continues to expand. Industrial biotechnology provides processes and technologies that can help us realise a low-carbon and resource-efficiency economy. For the chemicals sector, the shift from an industry based on oil to one based on renewable bio-based feedstocks, including waste, has the potential to redefine chemical manufacturing in the UK and at the same time develop a high value economy in the UK. Robust estimates of the global IB market to 2025 range from £150bn to £360bn and in the UK market range from £4bn to £12bn. [Source: IB IGT Report 2009]. It is widely accepted that this figure has the potential to be much bigger.

Key Government Actions

- The Industrial Biotechnology Leadership Forum, chaired jointly by BIS Minister Matthew Hancock and Steve Bagshaw from Fujifilm Diosynth, was set up to oversee the development of this work. Membership of the Forum is a mix from industry, Research Councils, TSB, academia, government and learned societies to develop new industrial biotechnology products and technologies
- BIS has funded the creation of an open access demonstrator facility in the North East to allow industry, particularly SMEs, access to the expertise and equipment needed to test develop their ideas.. As well as this, the Centre for Process Innovation (CPI) – part of the HVM Catapult – is a key pillar in the strategy set out by the chemical and chemistry using industries. It is a front runner in the development of commercial scale industrial biotechnology applications.
- In the summer of 2014, the Government responded to a House of Lords report into the opportunity for waste resources to underpin the development of a high value bio-economy. BIS and Defra have a joint Government championship role in coordinating cross-departmental activity relevant to this objective. A principle action is to oversee the production of a long term plan towards maximising a waste based bio economy by 2030. This work is now underway and will be published in 2015.

Plastic Products Sector

Key Messages

- The plastics and rubber industries form an integral part of the UK manufacturing base. Plastic and rubber products are utilised by almost all sections of manufacturing; in particular the lightweight characteristics of plastics have led to its increasing use in the agricultural, automotive, construction, electronics, energy, food/drink, furniture, medical and packaging sectors as those sectors seek to reduce the carbon footprint in their transport.
- The plastics sector has an important role to play in helping to the UK to become a low-carbon and resource-efficiency economy. Only 4 per cent of the global oil production is used for plastics. Plastics are also durable and lightweight, reducing the energy required to run cars and aircraft.

Key Sector Statistics

- The plastic and rubber products sectors had a combined turnover of nearly £22 billion in 2013 (4% of all manufacturing turnover)¹⁰. The combined sectors generated over £8.3bn of value added in 2013, 5.3% of all manufacturing value added.
- The plastics and rubber sectors employ over 160,000 people in 5,700 companies¹¹, the largest of which are significant, international players in terms of market access, geographical market positioning and raw material consumption.
- Over £6.8 billion of plastics and rubber products were exported from the UK in 2013.
- Approximately 50% of all products are now packed in plastics.
- The UK plastics and rubber sector is broadly on par, in terms of productivity, with our main European partners/competitors, and is the fourth largest producer in the EU of both plastics product and rubber processing after Germany, France and Italy¹².
- Approximately 25% of the 5m tonnes of plastics used in the UK annually are recycled.

Key Government Actions

- To help achieve the government's waste minimisation targets, manufacturers and retailers of plastics products are being encouraged to design them to facilitate reuse/recycling and to favour recycled materials over virgin materials
- The Government has set ambitious targets for the recycling of plastics packaging and estimates that this would provide a net benefit of £181m to the UK economy over the 2013-2017.
- The Government plans to introduce a 10 pence levy of plastic bags in England from October 2015 which should drastically reduce the amount of bags given out freely by large retailers.
- BIS is currently working with the British Plastics Federation to develop an industry strategy for maximising the economic potential of the UK plastics sector.

(Note: Manufacture of plastic itself (plastics in primary forms) is classed under chemicals

¹⁰ ONS Annual Business Survey data

¹¹ ONS Annual Business Survey data

¹² EUROSTAT Prodecom figures 2012

Support for Energy Intensive Industries

Budget 2014

- Steps have been taken by government to offer further relief to businesses affected by the rising cost of energy. These include:
 - A package of relief for Energy Intensive Industries (EII), such as steel and chemicals, whose competitiveness is impacted by energy and climate change policies, through:
 - compensation from the costs of the Renewables Obligation (RO) and small scale Feed in Tariff (FIT) from 2016/17, subject to state aid approval.
- extending the compensation scheme from indirect costs of the EU Emissions Trading Scheme (ETS) and Carbon Price Floor (CPF) beyond 2015/16 to 2019/20.
- exempting fuel used to generate electricity from Good Quality Combined Heat and Power (CHP) for onsite purposed from the Carbon Price Floor from 2015/16.
- capping the Carbon Price Support mechanism at £18 per tonne of CO₂ – ensuring the difference in the carbon price between the UK and Europe will not go above £18 – to limit its impact on British companies competing internationally.
- Government had also previously committed to exempt energy intensive industries for the indirect costs of the EMR Contracts for Difference starting in 2015 and to exempt mineralogical and metallurgical processes from the Climate Change Levy from April 2014

Issue

- Climate change and energy policy costs are creating a cost differential between the UK and other countries. This increases the risk of carbon leakage - i.e. multinational companies will still make the investment but in a more competitive country location. The bulk of these costs are on electricity.
- Government is therefore implementing measures to reduce the impact of policy on the costs of electricity for the most electricity-intensive industries. This includes £3bn compensation for electricity-intensive businesses to help offset the indirect cost of the Carbon Price Floor (CPF), the European Union Emission Trading System (EU ETS), the costs of the Renewables Obligation (RO) and small scale Feed in Tariff (FIT), subject to state aid guidelines.

Energy Intensive Industries - Government Actions

- EU Emission Trading System (EU ETS). Together with the CPF compensation, the Government made a commitment to compensate electricity intensive industries for the indirect costs of the EU Emission Trading System (EU ETS). We received state aid clearance in 2013 and at the end of October we had paid compensation of £45.6m to 53 electricity intensive businesses who operate in an international competitive market.

- Carbon Price Support mechanism (CPS). The Commission approved our State Aid application in May; we began making payments in August 2014. At the end of October we had paid out compensation of £21.6m to 49 companies, all of which have previously received compensation for the indirect costs of the EU ETS.
- Mineralogical and metallurgical exemption from the Climate Change Levy. As announced in Budget 2013 we are also supporting EIs by exempting mineralogical and metallurgical processes from the Climate Change Levy. This started in April 2014. CCL is a tax on fuels used for lighting, heating and power, by business consumers including consumers in industry, commerce, agriculture, public administration, and other services.
- Relief from the costs of renewables. Government has committed to compensate electricity intensive industries for the passed through costs of the Renewables Obligation (RO) and small-scale Feed-in Tariff (FiT), and exempt them from the costs of EMR Contracts for Difference, subject to state aid approval, Government has consulted on guidance on eligibility and how the schemes would run. This closed on 24 October, We received 46 responses predominantly from industrial stakeholders and are analysing responses. We will publish a response by the Spring 2015
- A separate consultation on draft regulations for the EMR CfD was also held, led by DECC, and this closed on the 5 November. We expect to lay regulations in January 2015 and subject to approval of our state aid case expect the scheme to commence in October 2015. As announced in Budget RO / FiT compensation will commence in April 2016
- Exempting Good Quality Combined Heat and Power (CHP) generation from the Carbon Price Floor from 2015/16. This will incentivise the uptake of CHP saving carbon emissions through energy efficiency and supporting industrial competitiveness. On 10 December, HMRC published its draft regulations for how this relief will be implemented, as part of its Finance Bill 2015 package.
- Capping the Carbon Price Support at £18 per tonne of CO₂. While the government remains committed to the Carbon Price Floor as a means to stimulate investment in low carbon generation, it is capping the Carbon Price Support rate at £18.00 from 2016-17 to 2019-20 to limit any competitive disadvantage British companies face in the global race
- State Aid Rules. The European Commission has issued revised energy and environmental state aid rules. They provide a framework for the UK Government to implement the measures above.

Background

- We have committed to a £7bn package of measures to support energy intensive industries, including £3bn of compensation, to run to 2020, when the Commission's current state aid guidelines expire.
- The UK pre-notified the ETS compensation scheme to the Commission in September 2012. Approval was granted in May 2013, and payments began in August 2013.
- The UK pre-notified the CPS compensation scheme to the Commission in September 2012. Approval was granted in May 2014, and payments began in August 2014.

- State aid cases are usually approved under relevant Commission guidelines. However, the CPS scheme did not fit any of the existing guidelines, thereby making its assessment and approval more difficult. The novelty of the CPS case was a major cause of the delay.
- The state aid guidelines under which these schemes were approved restrict eligibility for compensation to a relatively small number of sectors, based on a list of NACE codes defined by the Commission.
- New environmental and energy state aid guidelines were issued by the Commission in April 2014. The list of eligible NACE codes is significantly broader, covering more sectors.
- The UK pre-notified the Commission of the RO/FiT compensation scheme and the CfDs exemption in September 2014. We expect to be able to implement the exemption from autumn 2015 and pay compensation from April 2016, subject to the state aid process.
- These measures to support EIs are business critical for companies such as INEOS ChlorVinyls, Tata Steel Europe and Celsa Steel because of their electricity intensity and pressure from international competitors.
- The Government intends to seek a review of the list of sectors eligible for EU ETS and CPF compensation with the Commission, in order to bring relief for indirect carbon taxes for other UK based electricity intensive industries, such as cement, industrial gases and parts of glass and ceramics.

Post Office

Key Facts

- There are around 11,700 post office branches in the UK, with the Post Office network is at its most stable for over two decades.
- 93% of the national population (and over 95% in urban areas) live within one mile of their nearest post office branch.
- Around 18 million customers & a third of SMEs visit post offices every week.
- Government has committed nearly £2 billion¹³ to maintain a network of at least 11,500 branches and to protect and modernise the network by 2018.
- For 2014/15, Government is providing a subsidy of £330 million to maintain, modernise and protect the network.
- Post Office Ltd was separated from Royal Mail in April 2012, and is an independent company. It has a long term commercial agreement with Royal Mail to provide access to Royal Mail services at post office branches.

Top Government Actions (since May 2010)

- There will be no repeat of the closure programmes of the previous Government. We have committed to maintain a network of at least 11,500 branches, and to transform the network securing its sustainable future.
- We are providing funding to modernise post office branches by 2018. Two new operating models – "Main" and "Local" – will see improvements for customers. To-date over 3,500 branches have already been converted. The BIS Committee concluded "the reforms are necessary" and "in the right direction".
- Where a post office is "the last shop in the community" it will continue to receive public subsidy to ensure vital services remain available. There are around 3,100 'Community Branches', which will also benefit from a £20 million investment fund.
- The Post Office is making good progress on its ambition to provide more services on behalf of Government – for example it was recently awarded a new cross-government framework contract, running to 2020. DVLA and HM Passport Office have already moved their services onto this contract. The Passport Office is discussing introducing new in-branch services which would allow customers to apply for their passports digitally, without the need for any supporting paper forms.
- The Post Office card account is one of the Post Offices largest contracts which also drives important footfall for branches across the UK. The recent announcement by DWP to extend this contract until at least 2022 is a welcome development. Acknowledging the important role subpostmasters play in their communities while also protecting the revenue and footfall Post Office card account customers are responsible for.
- Government supports Post Office in its front office ambition.

¹³ £1.34 billion in the 2010 Spending Review, and a further £640 million announced in November last year to cover the period 2015/16 to 2017/18.

Elephant trap

[If pressed about the relationship with the banks]

- Post Office Ltd already provides access to 95% of current accounts across the counter at more than 11,500 branches. This is in addition to the Post Office's own wide range of personal financial services, which includes three types of current account.
- It also operates a network 2,500 ATMs which are free to use and part of the LINK network, enabling withdrawals from a full range of current and other accounts; many of these in rural and deprived areas.
- Since 2010, Post Office Ltd has reached agreement with RBS (including NatWest) and HSBC to allow customers to access their current accounts at post office branches. Post Office Ltd continue to engage with the one remaining high street bank (Santander) who have yet to offer their customers this service.
- The Secretary of State has written to the banks to ask them how they plan to ensure that the banking needs of vulnerable consumers are met, particularly in areas facing branch closures. He will also be encouraging them to give priority consideration to creating or building on existing partnership arrangements with Post Office Ltd, including considering how to address any additional financial and operational burdens on the Post Office.

[If pressed about Crown franchise proposals]

- Eliminating the significant losses incurred by the Crown post office network is a key element of the strategy to make the network sustainable in the long-term. As part of this strategy, Post Office Ltd is seeking retail partners to provide post office services in up to 58 branches, and the company will be holding local public consultations on all of these proposals.

[If pressed on the removal of car tax discs]

- Although the car tax disc is being withdrawn, DVLA customers who choose to pay for their car tax in post offices will continue to be able to do so.

[If pressed about the progress towards Mutualisation]

- The Government is committed to seeing clear progress being made towards mutualisation before the end of this Parliament. In early 2014 POL published a set of mutualisation milestones and a public purpose, developed alongside its stakeholders – this was an important step. In addition POL has also launched the Post Office Advisory Council, a consultative body for POL to engage – on a business as usual basis – with its stakeholders on matters of mutual interest.

[If pressed about Industrial Action ballot for POL's supply chain]

- The Government is fully committed to modernising the Post Office network and safeguarding its future. To achieve this Post Office has developed a strategy to deliver a sustainable network. The Government supports the Post Office in devliering that strategy.
- The Government does not play any role in pay negotiations between Post Office Ltd and its staff, which are an operational matter for the company and its CWU represented staff.

[If pressed about the Second Sight review into the Horizon system]

- An independent report, published in July 2013, explicitly confirms that there is “no evidence of system-wide problems with the Horizon software”. Horizon successfully handles six million customer transactions every day, and tens of billions since its national rollout in 1999.
- A review and mediation scheme, overseen by an independent Chair, has been established to address subpostmasters’ concerns in individual cases.

[Only if needed]

- Government cannot comment on any individual matters or documents in connection with the scheme – this is an independent and impartial mediation scheme. The Government, as shareholder of the Post Office is not involved.
- Details about any cases being considered by the Scheme are a confidential matter for the parties involved. It would be entirely inappropriate for the Government to be involved in individual cases.

[If pressed about business rates application to ATMs]

- The VOA, which is an executive agency of HM Treasury, is responsible for ensuring that all sites that should be assessed for business rates are correctly rated. The VOA treats all businesses equally when determining whether a business should be rated. This takes account of particular circumstances, such as contractual factors, between the ATM operators and the host business.
- As a matter for the VOA, your question should most appropriately be directed to the responsible Minister, the Financial Secretary to the Treasury.

Royal Mail

- HMG's overarching objective is to secure the long term future of the UK's universal postal service – the six day delivery and collection of letters at uniform and affordable prices.
- The Royal Mail sale of shares has enabled the company to access the fast, flexible private capital that it needs to invest in its future and compete in a rapidly changing market. Royal Mail has raised £1.8bn in bank facilities and debt capital markets since the IPO.

Sale of Shares

- The IPO raised gross proceeds of £1.98billion for the Exchequer.
- HMG has retained a 30% stake of Royal Mail to ensure that the taxpayer will share in any future increase in Royal Mail's value and receive dividends (nearly £40m in July this year).
- 17% of the shares in the company were made available to members of general public through a "retail offer".
- 10% of the shares were given free to eligible Royal Mail employees.

Share Price

- The share price remains volatile with ranging from 388p-618p in 2014 .
- Market analysts have not yet reached a consensus on the target price for Royal Mail shares which have ranged from 360p-700p.
- We could not have placed 600m shares at today's price.
- The price range was based on extensive analysis and engagement with a range of solid, long-term, high-quality investors. Ministers took advice from UBS and Goldman Sachs as well as from the Government's independent adviser Lazard. (see separate brief on Lord Myner's Review)

NAO/BISCOM Report

- The NAO and BISCOM reports confirmed that the Government achieved its primary objective in the privatisation of Royal Mail.
- We have protected taxpayers from the risk of needing to offer on-going support whilst safeguarding the vital six day a week service we all rely on.
- The alternative – a failed sale and retaining Royal Mail in public ownership – would have been the worst outcome for the taxpayer.
- We had no evidence to suggest that we could have achieved a higher price without introducing unacceptable risks to our overall objective of delivering a sale to safeguard the future of the universal postal service.

Investors

- The Government achieved its intention to ensure that RM started out with a core of long-term, stable investors who understood the business, along with some hedge fund participation to ensure liquidity in the aftermarket.

- We never expect the shareholder register to remain static. Some investors have sold their shares, presumably because they feel that the current price is too high. Others have bought shares. There is still a wide range of views on the value of this company between 360p and 700p.

Lazard Asset Management profiting from sale

- The relationship between the advisory and asset management arms of banks is overseen by the Financial Conduct Authority who require information barriers between the two. Neither the NAO or the Business Select Committee found evidence to suggest that there was a breach of these information barriers.
- While Lazard Asset Managements' clients made profits as a result of the rise in the share price, this side of the firm itself only generated income of some £40k on an annualised basis from the sale.

Sale of Residual Stake

- There are no current plans to sell all or part of the Government's 30% residual shareholding in Royal Mail.

Property

- Stripping out Royal Mail's surplus property would have reduced the company's value and required us to notify the European Commission under State Aid rules, jeopardising the sale timetable. Instead we chose full disclosure to investors in order to ensure it was reflected in their valuations and deliver value for money. There was no 'hidden value' here - full information on the sites was provided and market analysts included this in their research reports. We and our advisers are clear that the alternatives – stripping out or clawback arrangements – would have had a detrimental impact on value and the sale.
- Lord Myners' Review

Universal Postal Service and Postal Services Regulation

Universal postal service under threat

- The Government has taken effective steps to protect the universal service by enshrining its core requirements in law and by giving Ofcom, as the regulator for the market, the primary statutory duty and the powers it needs to safeguard the provision of the service throughout the United Kingdom.
- Ofcom has now reviewed Royal Mail's concerns about the effects of competition on the universal service and having assessed all the market evidence it has concluded that postal competition does not currently threaten the service. Ministers have been assured by Ofcom's Chief Executive that the Regulator will continue to monitor market developments on an ongoing basis and that if a threat emerged they would be able to act in good time to protect the delivery of the universal service.
- As part of a wider review, Ofcom is now looking at other factors that may affect Royal Mail's ability to provide the universal service in the future – namely Royal Mail's efficiency and its performance in the parcels market. The reviews will be concluded in 2015.

Changes to the universal postal service minimum requirements

- The minimum requirements of the universal postal service – which include 6 day a week letters service at a uniform price to urban and rural addresses up and down the country – are enshrined and protected in law. Only Government with the approval of Parliament can change the minimum requirements of the universal postal service. And this Government has no plans to change the minimum requirements.
- CompetitionProtection of the universal service is at the very heart of the regulatory framework. In carrying out its primary duty, the regulator is required by law to carefully consider the financial sustainability of the universal provider. It does have a general duty to promote competition, but if this conflicts with its primary duty, the universal service comes first. It is also required by law to look at the efficiency of the universal service provider to make sure that the universal service provider is providing a cost-efficient service to its customers.
- As far as market competition is concerned, the Government has made its position very clear: we recognise that competition can bring benefits to customers in terms of cheaper prices and innovative products and driving operational efficiencies, but market competition must never be allowed to compromise the provision of the universal postal service that is still vital to communities and businesses throughout the UK.
- The reforms that were progressed under the Postal Services Act 2011 have helped Royal Mail, as the only operator in the country capable of providing the universal service, return to profitability. Its latest figures show that its earnings continue to move towards the target range seen by Ofcom as being consistent with the provision of a sustainable universal service.
- Royal Mail is healthier and better placed than it has ever been to compete and to tackle the challenges of competition. This is good news for the future of the universal service and good news for all postal users who rely on the service.