



# HM Government – Going for Growth: Our Future Prosperity

## The road to recovery

Britain is emerging from the largest global financial crisis and deepest international downturn for almost a century. Thanks to swift Government action to stabilise the banking sector, a substantial fiscal and monetary stimulus to counter a collapse in private demand, a flexible labour market and targeted short-term help for businesses and workers, Britain will emerge from the recession with its capacity for long-term growth largely intact. British businesses and workers have shown exceptional resilience and adaptability through the toughest part of the downturn.

Measured against the destructive experience of past downturns, this is a considerable achievement. It positions businesses well for a strong recovery, but only if the right decisions are made about the future. The imperative now is to focus on equipping people and businesses to return the economy to growth, increasing employment, raising incomes and supporting an improving quality of life. Restoring the public finances to a sustainable position and preventing cuts to essential public expenditure, including key front line public services, means restoring growth in the economy. That growth needs to be environmentally sustainable, balanced, and resilient to economic shocks. The UK needs to build on the successes of the last decade and recognise the ways in which we must adapt to compete and prosper in the long term.

*The Pre-Budget Report 2009: Securing the Recovery* set out the action that the Government is taking to ensure fiscal sustainability over the medium term. Alongside that the Government needs to be creative and forward-thinking in how they invest public money, in the encouragement they provide for productive private investment and the environment offered to attract foreign investment.

*Going for Growth: Our Future Prosperity* builds on the strategic approach set out last year in *New Industry, New Jobs*, with government operating intelligently alongside business and the dynamic of the market to strengthen the policies and foundations of British industrial competitiveness. To prosper, Britain needs to ensure that policies and investment in skills, infrastructure, innovation and finance for businesses reinforces the fundamentals of our competitiveness. Government must use its role and influence as both regulator and customer to much better effect, and government action must be targeted on those sectors and markets where it can make most difference. This is the basis for a modern approach to industrial policy, and for public investment in business support, infrastructure, workforce skills and science and research.

*Seven core capabilities in the British economy will underpin the Government's drive to restore strong, sustainable, long-term growth:*

- Supporting enterprise and entrepreneurial activity, including the access to finance required for starting and growing firms.
- Fostering knowledge creation and its application.
- Helping people develop the skills and capabilities to find work and build the businesses and industries of the future.

- Investing in the infrastructure required to support a modern low carbon economy.
- Ensuring open and competitive markets to drive innovation and rising productivity.
- Building on the UK industrial strengths where they have particular expertise or might gain a comparative advantage, and where government action can have an impact.
- Recognising and employing the right strategic role for government in markets that allows the nation to capitalise on new opportunities.

## Enterprise

Businesses are the lifeblood of the UK economy. Britain has a strong tradition of entrepreneurship and this Government is committed to ensuring that Britain is among the best places in the world to start a business, access finance for company growth and expand a company into export or international markets. Despite the recession the rate of new business creation and self-employment has held up highlighting the enterprising nature of the UK economy.

### *Making it easy to start a business*

- The Government has increased the support available to those people who want to set up in self-employment or start a business, including the development of new business creation skills alongside vocational training. A range of approaches will be tested to provide a coherent 'qualify with a business' package for learners. The Government is also providing £5 million for enterprise support for Service Personnel returning from conflict, to reduce the costs and barriers associated with self-employment and starting up a business.
- The Government is building the service offered via Jobcentre Plus to provide access to intensive self-employment support and advice at the three month stage to enable more people to take up the skills, knowledge and coaching help they need to succeed. In addition, eligible jobseekers will be able to receive the £50 a week Self-Employment Credit at the three month stage to help the transition from benefits to work.
- The Government is close to delivering its commitment to reduce the administrative burden of regulation by 25 per cent between May 2005 and May 2010. By December 2009, departments had delivered around £2.9 billion towards the target.
- The Government is working alongside business organisations and the Local Better Regulation Office to assess whether businesses with fewer than ten employees face unique regulatory challenges and how they might be addressed.
- The Government has announced a range of measures in the 2009 Pre-Budget Report to support business in the recovery, including deferring planned increases in the Small Companies Rate of

corporation tax, extending the Time to Pay scheme to spread tax payments and maintaining a higher threshold on tax liabilities for empty properties.

### *Finance for business growth*

- In January 2009, the Government took steps to reinforce the stability of the financial system and to increase the confidence and capacity to lend. This included legally binding lending commitments with the Royal Bank of Scotland and Lloyds Banking Group until March 2011.
- The successful Enterprise Finance Guarantee scheme has been extended for 12 months, enabling £500 million of additional bank lending. The scheme has already backed nearly £1 billion of eligible applications from almost 9000 Small and Medium sized Enterprises (SMEs).
- The creation of a new growth fund will provide finance for growth for SMEs seeking between £2 million and £10 million. The new fund will be a partnership between the public and private sectors.
- The UK Innovation Investment Fund will provide a new source of equity capital for high tech firms. The UKIIF has attracted £325 million for investments from January 2010, including specific support for low carbon industries.

### *Expanding into export markets*

- British firms will be able to take advantage of a Letter of Credit Guarantee scheme that effectively insures UK exporters from default by viable customers. The Government has also extended the Export Credit Guarantee Department's Fixed Rate Export Finance scheme until March 2011.
- The resources of UK Trade and Investment (UKTI) were strengthened with an additional £10 million at Budget 2009 to reinforce their work assisting UK exporters and attracting investors to the UK, with a special focus on emerging markets.

## Knowledge

Britain is a knowledge economy. Knowledge and the skills to apply it as innovation are fundamental to our economic growth. When knowledge is applied as innovation it drives improvements in existing products, processes and services and increases productivity. Businesses in Britain need to be constantly improving the way they work and the products they offer customers in order to remain competitive and drive new markets. The UK has a strong research base, and the process of transforming knowledge developed in Britain, into economic benefits for Britain must be a key focus over the years ahead.

### *Transforming knowledge into economic growth*

- The Government has invested nearly £600 million in the Higher Education Innovation Fund since 2001 to support university spin-outs, generating an estimated £3 billion to £4 billion in value. They are increasing investment in the Higher Education Innovation Fund over this spending review period, rising to £150 million in the year 2010-11, and will continue to look for ways to support universities with this agenda.
- Future investment in university led research will have a strengthened focus on its resulting economic and social impact through a revised Research Excellence Framework, supporting strong links with industry.

### *Incentives to innovate*

- As announced in the 2009 Pre-Budget Report, the creation of a 'patent box' will incentivise innovation applying a new lower corporate tax rate to income from new patents from April 2013, so strengthening incentives to invest in innovative industries and ensuring the UK remains an attractive location for innovation.
- The Government has improved incentives for SMEs to innovate through changes to R&D Tax Credits, enabling innovative SMEs to access the scheme more easily. In total £3 billion has been provided to UK businesses since the year 2000.

### *Cutting edge technologies*

- The Technology Strategy Board (TSB) created by the Government is now in its third year of growth, and received a big funding boost in 2009. It acts as a vital link between government, industry and the research base and funds cutting edge technological work. It has launched seven

pioneering Innovation Platforms to date including a £70 million programme on low environmental impact buildings and the world's largest demonstrator programme for low carbon vehicles.

- The Government has stepped up the expansion of the UK's centres of excellence and innovation in key areas, including plans announced in 2009 to foster the development of British capabilities in plastic electronics, composites, industrial biotechnology, new drug development and civil nuclear engineering. Additionally, we are investing in carbon capture technology as part of our future energy policies.
- Additionally, we have asked technology entrepreneur Hermann Hauser to lead a review working closely with the TSB and BIS to see how the UK could learn from innovation networks such as the Fraunhofer Institutes in Germany.

## People

People are Britain's most important asset. It is people who generate ideas and start businesses, people who provide opportunities to employ others and help them to achieve their potential. The knowledge that people have, and its application in the form of skills and innovation underpin our comparative advantage and our economic potential.

### *Targeted help through the downturn for those who have lost their jobs*

- The Government intervened quickly to minimise the depth of the recession and its impact on employment by making up to £5 billion available since November 2008 to help those on out-of-work benefits get back to work. This assistance and the flexibility of the UK labour market have kept unemployment much lower than in previous recessions.
- The Government will build on the September Guarantee, that ensures all 16 and 17 year olds are offered a suitable place in learning, by guaranteeing the offer of an Entry into Employment place and access to the Education Maintenance Allowance to all 16 and 17 year olds who are not in education, employment or training in January 2010.
- The Government will provide a new Young Person's guarantee for 18-24 year olds to ensure access to jobs, training and work experience opportunities after 6 months claiming for Job Seekers' Allowance (JSA). The creation of a Future Jobs Fund as part of this will provide extra resources in areas of high unemployment. The fund will be worth around £1 billion and will create 170,000 new jobs – at least 120,000 for young people.

### *Skills for the future economy*

- The UK will now have a National Skills Audit every year, overseen by the UK Commission for Employment and Skills working with business, that will help us set strategic targets for filling skills gaps and inform skills policy at every level of government.
- The Government will create an additional 35,000 new Advanced Apprenticeships for 19-30 year olds over the next two years, almost doubling capacity and creating a new class of British technician – filling a longstanding gap in the British labour market. This is in addition to the £7 million to support Group Training models already announced which could deliver up to 15,000 new 16-18 year old Apprenticeships within the next five years, and a significant new subsidy for businesses taking on apprentices in 2010. As a result of this new focus on vocational training the Government aims to ensure that three-quarters of people should participate in higher education or complete an advanced apprenticeship or equivalent technician level course by the age of 30.
- The Government is taking action to improve skills co-ordination in key sectors such as renewable energy, where eight sector bodies are working on a Renewable Skills Strategy.

### *Individuals and businesses recognising the value of skills*

- The new frameworks for higher education and adult skills put a strengthened emphasis on the relevance of skills for the modern world of work. Both strategies create new incentives for universities, colleges and training bodies to work closely with business and Government to define and provide the skills needed for the jobs and businesses of the future. The Government will introduce a statutory right for employees to request time to train.

*The value of skilled migrants to Britain*

- The UK Border Agency will build new additional flexibility in the points based immigration system to create a simpler way for employers to bring in non-EEA interns and trainees to work and train in the UK. The new system will reward ‘highly trusted’ business users of the points based system by introducing extra benefits to this group in 2010 and implement a clearer process through which Government will make all future major changes to the points based system.

**Infrastructure**

Modernising Britain’s infrastructure and adapting it to the requirements of a low carbon economy is not only vital, but will be a major source of new jobs and business opportunities in the decade ahead. As part of the Government’s response to the global recession, they brought forward some £3 billion of capital spending from 2010-11 into 2009-10 to support some of the sectors hardest hit by the downturn. However the costs of renewing Britain’s infrastructure and adapting it to the demands of a low carbon economy will stretch into the hundreds of billions of pounds and cannot be met by public investment alone. Government will need to set the right environment and framework to incentivise private investment in this critical area.

*The infrastructure of the future*

- The High Speed Two Company was established by the Government in 2009 to make recommendations on a dedicated high speed North-South rail line for the UK. The Government is currently considering the proposals developed by High Speed Two including a detailed route plan for the first stage between London and the West Midlands and will respond in the first quarter of 2010.
- Building on the private sector investment in next generation broadband, the Government will create a next generation broadband fund that will ensure that businesses and households across at least 90 per cent of the country can be wired up to this vital modern infrastructure.
- In 2009 the Government published the Low Carbon Transition Plan which sets out our plans to move the UK to a permanent low carbon position and to maximise economic opportunities, growth and jobs from this programme of new construction and generation: this included massive new investment in carbon capture for coal powered electricity plants, substantial investment in low carbon technologies such as wind and tidal energy and planning statements for a new generation of nuclear power stations.

*A more strategic approach to infrastructure and planning policy*

- Infrastructure UK was established by the Government in 2009 to bring together commercial and delivery resources to provide strategic leadership, assess the scale of the challenge and offer creative advice to the Government on the investment needed in our national infrastructure. A strategy for UK infrastructure, developed working with Government departments, private sector infrastructure investors and providers, and regulators will be published by Budget 2010.
- The Infrastructure Planning Commission was established by the Government in 2009 to accelerate the speed of planning decisions on major projects.
- The Government has launched a new independent review led by Adrian Penfold, Head of Planning and Environment at British Land, into the wider planning consents regime and requirements, other than planning permission, to identify and address any blockages and delays that businesses experience when they seek to invest. This review will report in Spring 2010.
- To help ensure access to finance for low carbon energy projects, the Government has brought together the European Investment Bank and three partner banks – RBS, Lloyds and BNP Paribas Fortis – in a new lending scheme which will facilitate investment of up to £1.4 billion in onshore wind over the next three years.

**Open and competitive markets**

Competition in markets is the most important driver of innovation and rising productivity. Well-designed, proportionate regulation helps markets to operate effectively but poorly conceived and implemented regulation can act as an unnecessary barrier to competition. The UK remains one of the most

competitive business environments in the world, but we cannot afford to be complacent.

*Making markets work*

- The long-term health of the UK banking system requires greater diversity and competition. In November 2009, after an assessment by EU competition authorities, we agreed restructuring plans for RBS, Lloyds and Northern Rock in which parts of the banks will be broken up and assets sold to small or new players in the market. Together these divestments will represent nearly 10 per cent of the UK retail banking market.
- A Better Deal for Consumers, published in July 2009, set out government proposals for making markets work better for consumers. They also launched the Consumer Rights Campaign in September 2009, to help improve awareness among consumers and traders of their rights and responsibilities. In December 2009, we published a consultation paper on the proposed role and powers of the new Consumer Advocate.

*Open markets in Europe and around the world*

- Through the G8 and G20, the establishment of Global Trade Alert (GTA), and the World Trade Organisation’s protectionism monitoring work, Britain has played an active part in raising international awareness of the dangers of protectionism during the downturn. Britain remains a strong advocate of a Doha World Trade Deal in 2010 and a key supporter of Free Trade Agreements between the EU and major trading partners including India and ASEAN.
- In December 2009, the Government published Simplifying Trade Across UK Borders – A Plan of Action, a package of 19 substantive measures to reduce burdens on international traders. This includes plans to create a single electronic platform that covers all trade regulatory clearances which could deliver estimated annual savings to business of £100-200 million.

*A European recovery plan*

- The UK has proposed wide-ranging plans for a European recovery rooted in the full implementation of an open EU market for business services, greater investment of the EU budget in research and innovation, new European-level plans for low carbon and digital infrastructure and new European-level investment funds for innovative companies. The UK has strongly supported the European Commission in its intention to remove emergency flexibilities in EU state aid rules in 2010.

*Getting regulation right*

- In 2009 the UK was ranked fifth in the world by the World Bank for ‘ease of doing business’. The Government has set itself a new ambition to make Britain the best country in the G20 in which to set up and run a business, and therefore one of the most attractive places in the world to invest. The Government will deliver this by developing a single online process for incorporating and registering a company, and reducing the time and cost of resolving commercial disputes.

**Industrial strengths**

The UK’s economic recovery will be driven by firms and individuals across the whole economy, competing in a diverse range of sectors and markets.

This diversity, and the economy’s ability to adapt to change, are strengths in and of themselves. The Government can not predict exactly the future shape of the economy, but they can identify global trends and challenges that are driving increasing demand, and look at the comparative advantage we have or can develop to meet these opportunities. They can also assess how government action might realistically support these strengths, looking at the real and beneficial impact of targeted intervention. The Government has worked with business to develop strategies for growing areas, such as life sciences, Digital Britain, low carbon and advanced manufacturing.

Through the Strategic Investment Fund (SIF), established at Budget 2009 to underpin *New Industry, New Jobs*, the Government is supporting sectors where the UK has proven strengths and where government action could make a real difference in unlocking potential. The original £750 million SIF was topped up with an additional £200m in the Pre-Budget Report 2009.

*Examples of projects supported to date include:*

- New centres of excellence in plastic electronics, modern drug development, advanced composites and industrial biotechnology,

allowing companies to demonstrate new technologies that will underpin success in a range of sectors.

- Major investment in low carbon sectors including electric vehicles, nuclear, offshore wind and other renewable energies; and support for broadband and the digital economy. Decisive action to help develop the UK's manufacturing capability to address the low carbon challenge.
- A new Nuclear Low Carbon Economic Area is building on the strong existing nuclear expertise in the North West, and manufacturing and supply chain activity for the nuclear industry spread across Yorkshire. As part of this, the Government is investing in a nuclear advanced manufacturing research centre in Sheffield. A Nuclear Manufacturing Advisory Service (MAS) will assist companies who see business opportunities in the nuclear sector in breaking into this growing market.
- The UK now has the world's largest demonstration programme for ultra-low carbon vehicles, backed by investment from the Technology Strategy Board among others.
- In the Low Carbon Industrial Strategy, the Government earmarked up to £120 million, topped up through the 2009 Pre-Budget Report by a further £50 million, to support the development of a UK-based offshore wind industry. This includes the creation of a world-leading test centre which will pave the way for manufacturers looking to invest in the UK.
- The Government recently announced £50 million for a Boiler Scrappage Scheme to help households upgrade old boilers for more efficient models, helping to support the market for UK boiler manufacturers and installers.

#### *Selling our strengths abroad and attracting inward investment*

- The Government has created a new Advisory Panel to help secure globally mobile business investment in the UK. This Panel will help Government take a systematic and strategic approach to relationship management with the leading companies investing in the UK.
- UKTI will lead a cross government effort to maintain the UK's position as the leading recipient of global investment, including securing the largest share of investment from China and India, of any EU country by 2015.
- Hosted by the Prime Minister early next year, a major British International Investment Conference in London will allow British and foreign investors to come and see the great opportunities that Britain can offer the world.

## Government and the market

In *New Industry, New Jobs* the Government set out the importance of recognising how Government influences market outcomes. An active Government approach to engaging with the private sector has considerable potential benefits: increased certainty for business will facilitate investment; increased understanding of UK capabilities will help identify business opportunities and intelligent intervention will help develop UK comparative advantages.

#### *A more strategic approach from government*

- In *Partnerships for Growth* the Government set out new plans for how national, regional and local government should work together to drive growth – clarifying national priorities and taking a more coordinated approach to supporting innovation, skills and enterprise, and attracting investment.
- A new Ministerial Group on Investment Projects has been created to ensure a focused and coherent approach that can clear away unnecessary blockages to major inward and domestic investment projects. This more coordinated approach was core to the Government's success in securing the investment announced on 5 January 2010 from Dubai Ports World to drive forward development of the new London Gateway port: one of the UK's largest infrastructure projects.

- Current work is building the Government's understanding of how business responds to government action and has explored how a more strategic approach to planning and communicating the needs of large investment and public procurement projects can help UK-based businesses create jobs in sectors such as the broadband supply chain, the rail supply chain, housing construction and the waste management markets.

#### *Smarter procurement*

- The Government is committed to seeing innovative small businesses win a greater share of the £220 billion that the public sector spends each year on goods and services, and has changed the tendering process to make it easier for small firms to identify opportunities and compete for them.
- Government contracts will in future routinely be linked to the creation of places for apprentices to improve skills and tackle youth unemployment; they will also be used to increase demand for resource efficient, low or zero carbon publicly procured goods and services.
- The Government has developed a simplified new Pre-Qualification Questionnaire for public sector procurement to make life easier for both suppliers and procurers. The Government is promoting this for use across the public sector.
- Improved online resources will give SMEs better access to details about all public sector opportunities and free access to advice on bidding for public contracts.

## Conclusion

The 2009 Pre-Budget Report set out a clear framework for balancing Britain's public finances over the years ahead, reducing the current budget deficit by half over the next four years. It also set out the importance of locking in the recovery, and of seeing Britain right for the future, by investing collectively in Britain's strengths and capacity for growth.

Returning the British economy to sustainable growth will be critical to paying down the high levels of public borrowing incurred in preventing the collapse of the UK's banking system and supporting people and businesses through the downturn. Growth creates jobs and raises standards of living. Growth provides the fiscal strength that supports high quality public services. This is why growth matters.

Britain has grown strongly over the last decade, but the banking crisis is a stark reminder that growth cannot be taken for granted. The foundations of growth must be durable. For long term stability and shared prosperity, the growth of the British economy will need to be environmentally sustainable, more balanced and resilient to economic shocks, and shared widely across both regions and individuals. Growth must be underpinned by productive investment and diversified across a wide range of sectors and markets. Growth must be built on a deep commitment to raising the skills and widening the opportunities of all British people. To the greatest extent possible, it must be shared in an equitable way across all regions and nations in the UK.

This growth depends on the ability of British companies and people to compete in a global economy that puts unprecedented demands on them but carries with it new opportunities created by new markets and globally mobile investment. The UK requires sophisticated skills, world class infrastructure, a strong science and technology base and high levels of knowledge and innovation.

These fundamental strengths need to be complemented by a business environment that encourages competition and enterprise, ensures that companies have access to the finance to grow and expand, and supports them in expanding into overseas markets. Britain's growth and economic prosperity depend on encouraging private enterprise and on Government taking a strategic approach to support long term growth and investing in our collective future.

Published by:



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