Business, Innovation and Skills Committee

Oral evidence: Government support for Business

HC 770-v

Monday 15 December 2014

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Witnesses including written evidence where submitted:

- Rt Hon Matthew Hancock MP, Minister of State for Business and Enterprise, Department for Business, Innovation and Skills (supplementary) and (further supplementary)
- Adam Micklethwaite, Deputy Director, Business Support Delivery, Department for Business, Innovation and Skills
- Guy Warrington, Director, English Regions, UKTI
- Jan Dixon, Deputy Director, Regional Growth Fund

Watch the meeting

Members present: Members present: Mr Adrian Bailey (Chair), Mr William Bain, Paul Blomfield, Mike Crockart, Rebecca Harris, Ann McKechin, Mr Robin Walker

Questions 343-410

Witnesses: **Rt Hon Matthew Hancock MP**, Minister of State for Business and Enterprise, Department for Business, Innovation and Skills, **Adam Micklethwaite**, Deputy Director, Business Support Delivery, Department for Business, Innovation and Skills, **Guy Warrington**, Director, English Regions, UKTI, and **Jan Dixon**, Deputy Director, Regional Growth Fund gave evidence.

Q343 Chair: Good afternoon, and thank you for agreeing to help us with our inquiry. I want to crack on but, just for voice-transcription purposes, please introduce yourselves, starting with you.

Jan Dixon: Jan Dixon, Deputy Director, Regional Growth Fund, at the Department for Business, Innovation and Skills.

Matthew Hancock: Matthew Hancock, Minister of State for Business and Enterprise, and Energy.

Adam Micklethwaite: Adam Micklethwaite, Deputy Director, Business Support Delivery, at the Department for Business, Innovation and Skills.

Guy Warrington: I am Guy Warrington. I am Director for the English regions for UK Trade and Investment.

Q344 Chair: Thanks very much. We will deal with the specific Government funding schemes in a moment, but if I could just start with a general question to you, Minister, the Government has introduced a plethora of schemes designed to support bank lending and investment, but still the level of business investment in the UK compared with our competitors is low. I accept this has happened over a number of Governments. Why do you think this is?

Matthew Hancock: The first thing I would do is challenge the figures. There had been a longstanding assumption among economists and analysts of the British economy that business investment was a UK weak spot, but the recent change in the way that the figures are assessed has challenged that longstanding assumption. For instance, the increase in business investment since 2010—I apologise for using that as the time period, but it is just that that is the one I have in my head—was below 5% under the old way that the figures were calculated and is now deemed to have been over 20%. My analysis of the investment performance of the British economy is more positive than it was, and that applies further back, as in the levels of investment historically have been higher.

Having said all of that, I think we would all agree it has to be higher still and that the UK has a productivity challenge compared with some of our major competitors. The reasons for that are incredibly deep-rooted and need serious challenge, both on the levels of capital rather than reliance on labour in order to produce the same sort of output, and our focus on services, as opposed to manufacturing, which has come about over a long period of time. On the latest figures, it is slightly turning around over the last couple of years, but it is still a problem. Skill levels remain too low and clearly need action all the way through the education system to enable the UK workforce to perform at a higher level of capital intensity.

I would say that these are challenges that we need to address as a nation in order to remain one of the front-ranked nations, economically at least, upon Earth.

Chair: I understand from what you are saying that, in effect, for one reason or another, we have under-recorded historically the level of investment.

Matthew Hancock: And the growth rate as well.

Q345 Chair: Certainly the growth rate is more commonly known, I think. In terms of the problem, is that just an accountancy metric there that has changed or been found to have flaws? I would have thought that, comparing investment with other countries, there was basically a standard set of measurements that you would use.

Matthew Hancock: Yes, there is a standard set of measurements that are used, which are exactly the same across European Union countries and largely the same across the developed world. The reason that the UK was particularly under-estimated was that the metrics for measuring, for instance, R and D within the economy were quite simplistic before and have been made much more sophisticated. The UK is a leading player in research and development across a whole range of fields.

Another reason that the change has come about is that we have a more service-based economy than many of our major competitors, and investment in services is quite hard to measure. Again, the way that is measured has become more sophisticated. The reason this has had a bigger positive impact in the UK compared with some of our competitors is the structure of our economy; the areas where the work was improved by the international statistics bodies, and then by Eurostat at an EU level and then by the ONS domestically, were areas where we performed particularly strongly.

I know that the media coverage has been around some other areas that were previously unmeasured, but it is really in R and D and in services investment that it has had, in my assessment, the big impact.

Q346 Chair: I do not want the Committee to get bogged down in what is a fairly arcane area, but if you could provide some written evidence to supplement that, it would be very helpful.

Matthew Hancock: I will certainly do that, but I would point to the OBR report that came alongside the Autumn Statement as the best assessment. Most of my understanding of what I have just said is based on the OBR report from the Autumn Statement, which is already public.

Q347 Chair: Thanks very much. That is very helpful. Getting on to the British Business Bank, a report by the newspaper the *Independent* today said that basically it is only expected to lend £200 million, as opposed to the £800 million that had been projected in the March OBR report. What view have you on this?

Matthew Hancock: The first thing to say is that the £1 billion figure is not in fact the goal here. We have a goal of £400 million, and we are certainly closer to delivering on that target. The Green Investment Bank, which is what the figures are mostly referring to—

Chair: If I can just intervene at that point, I have got the figures for the Green Investment Bank, but we are dealing with the Green Investment Bank separately.

Matthew Hancock: You want to deal with that separately.

Chair: Could we just concentrate on the British Business Bank?

Matthew Hancock: The British Business Bank is undoubtedly increasing its pace of deployment, and one of the things I am keen to do is see that pace of deployment continue to rise. We have a balance to strike between getting the money out of the door and making sure we get the best possible value for money, and that includes bringing in as much private sector investment as possible. In all of my conversations with the Business Bank in terms of speed of deployment, our goal is to make sure we get that balance right, and we have got to care about both the value of money as well as the quantity deployed. After all, the budgets allocated to the British Business Bank can be allocated over time, and I would rather see that invested accurately and properly.

The other thing is that, if you get an investment decision from the British Business Bank right, it can be leveraged very strongly. For instance, when the British Business Bank supports the new challenger banks, then you can end up with a big increase, uplift, in the amount of capital available to businesses. The British Business Bank is best seen as supporting other providers of finance, whether challenger banks, whether peer-to-peer finance or whether investment funds and venture capital-type funds, rather than directly investing in business, in order to make sure that our finance markets are more mature—that we try to fill that gap that has long been identified in the British economy between start-up finance, which now is working pretty well, and large-scale finance, where our very liquid equity and debt markets are among the best in the world. The best way of describing why the Business Bank has been investing at this pace is because it wants to make sure it gets decent value for money.

Q348 Chair: Can I just come to a comment made by the Federation of Small Businesses? I am quoting. Successive Governments "have adopted a piecemeal approach to business support without setting out a long-term strategy". How do you think your policies counter that particular accusation?

Matthew Hancock: In a couple of ways. The main change that we have brought about very recently, announced at the start of this month, is to bring together Government support, which had been across a proliferation of different platforms, into three overarching structures. UKTI is well known as the fount of advice and, through UK Export Finance, which it sits alongside, of financial support for exports. The British Business Bank now has within it almost all of the Government financial support for business and is the go-to place for financial support, with the RGF working alongside it separately, because it is grant-financed as opposed to financial support. Thirdly, the new Business Growth Service brings together advisory function, advice and mentoring, and things like the Manufacturing Advisory Service, GrowthAccelerator and others under one roof.

If you are a business looking for support from Government, we tried to redesign it from your point of view, so from the small business's point of view. The fact that there are now three simple services for exports, for financial support and for advisory support makes this a much easier landscape to navigate. It is all then brought together on one website, greatbusiness.gov.uk.

Q349 Chair: Thank you for that. Can I just move on? At a previous session, Mr Garner, the Chief Executive Officer of Norton, a successful business but a business that found it very difficult to borrow capital, said, and I am quoting again, bankers "are scared [for] their jobs, and they are scared to lend". He was convinced, and there is a certain body of evidence to underline this, that there is not a healthy risk appetite in our banking sector. What can you do to counter that?

Matthew Hancock: That is something I hear quite a lot. There is a whole range of policies in place to try to deal with the wider problem of a banking sector that is not working. On this issue of access to finance, when businesses complain of poor access to finance, for a long time there was a debate about whether this was insufficient demand or insufficient supply of credit. No doubt you have heard it at this Committee. For me, that debate always missed the point. As a former economist, demand and supply intersect when you look at the price and the terms at which credit is available.

The answer to this is to have a more competitive and better founded banking system, and to make use of new technology to allow new forms of finance to flourish. This is what the Business Bank is there to support in the first instance. It does some other things as well, like start-up banks, but in the first instance it is there to support the extension of support to broaden the competitiveness of the finance industry to British businesses.

Starting from the point of the biggest providers of finance, the banks are recovering their capital bases. The single best thing that can happen there is to have sound and strong major banks. After all, RBS still has almost half of the market for finance to SMEs. Without sorting out that single bank, you are not dealing with half of the problem. Then it is to have more, stronger and bigger competitive banks. In the century up to 2010, there were no new banking licences issued. Since then, I think the figure is now at 20, which is terrific. Metro Bank was the first of those and, my goodness, it took them a lot of effort to get through the processes. It is now easier. The next thing is to use new technology, and expand peer-to-peer lending and peer-to-peer equity platforms, and, finally, Government direct support to businesses through for instance the RGF.

Our response to that particular problem is not only to try to have a more stable long-term economic footing for the nation, which is obviously taken as read as a crucial part of this, but then to look across the whole spectrum of financial provision. I should have mentioned of course the expansion of public equity markets—for instance, the fact that there is no stamp duty on AIM anymore—to allow the bond and equity markets to flourish too.

Sometimes this debate is frustrating because it focuses on the behaviour of individual bankers and on the provision of support that the Government directly gives. Both of those two are important, but they are only a small part of a much bigger solution to providing equity finance.

I have now found the piece of paper on the *Independent* report from this morning, which I should have found quicker, because I should have anticipated better that you would raise it. In the 12 months to the end of September 2014, the British Business Bank programmes facilitated £1.5 billion of new lending, an increase of £500 million over the previous 12-month period. When I said it was moving in the right direction, those figures reflect that things have been picking up.

Q350 Chair: How do you account for the discrepancy between the report in the *Independent* and the figures you have just given?

Matthew Hancock: The *Independent* report was for 2013-14 and the figures I gave you were for the 12 months to the end of September 2014. The roll-out of the British Business Bank is accelerating. After all, it only formally was made an independent bank on 1 November this year, so these are quite early days.

Chair: The brief I have says £800 million by 2014-15; it expects to come in at £200 million.

Matthew Hancock: If the aim is £800 million in 2014-15, I have just said that we are facilitating £1.5 billion in the year to the end of September, so the report should have been rather more adulatory.

Chair: Should have been what?

Matthew Hancock: Sorry, I am always an optimist—more adulatory.

Q351 Chair: Would you like to submit some supplementary evidence on that?

Matthew Hancock: No, my evidence is that the amount of finance that the British Business Bank is putting out there is increasing fairly rapidly. If we are criticising the British Business Bank for not being bigger earlier, we should also reflect on the fact that it is coming up to scale pretty fast.

Q352 Chair: I am not criticising it. I am just interested in the difference between your figures and those reported here.

Matthew Hancock: I can give you a full breakdown. I will write with a full breakdown as well.

Q353 Mike Crockart: At the start of your evidence, you said that the report to look at is the OBR report, but of course that is what the *Independent* is quoting in its article today. It is table 4.40 in the OBR report, just to help: public sector borrowing, 2014-15, British Business Bank, £0.2 billion. I tend to accept that it is doing better than that, because I know that it had managed to get £829 million out of the door in its first year of operation, which was before it became a properly constituted bank. The question is: where does this forecast come from that the OBR is giving, given the evidence that you have already given to this inquiry?

Matthew Hancock: I will have to look at why there is a discrepancy there.

Chair: This has only emerged today. If you could just provide us with your interpretation of that, it would be helpful.

Matthew Hancock: I will do that.

Q354 Mr Bain: One thing that is undeniable is that, if you look at the Bank of England's figures, lending to small and medium-sized businesses is still extremely weak in historic terms. The Department's written submission stated that the "British Business Bank programmes are designed to enhance smaller businesses' access to a range of finance options". How is the Department marketing the services available to the smallest and hardest-to-reach businesses?

Matthew Hancock: We are doing this through a whole series of advertising and direct communication. This is a really important part of the piece: making sure that businesses know that this is available. The first thing, of course, is that, in supporting alternative access to finance, we are supporting organisations that themselves will then have a commercial interest in going and advertising. When we support one of the challenger banks, for instance, by making their capital cheaper, they then will go out and market their business. We do not have to do it all directly; we do it because we support finance providers. The same goes for crowd funding. There was around £130 million provided through crowd funding over the past 12 months. We do not have to go and advertise crowd-funding platforms; they do it themselves, but we support them and come in alongside them. That is the first thing.

The second thing is the web offer that I was talking about. The greatbusiness.gov.uk website has had 1.3 million unique hits in the last year, which is starting from scratch. It is a new website. It is an unusual story, because it is a Government website success story, and 1.3 million unique visitors is a long way ahead of our expectations for it. Of course, it deals with advice, as well as finance functions, and it links very closely to the UKTI, so it is not just on the financial side. The third thing is we do have a national advertising campaign on this under way, under the Great campaign—you may have seen it on billboards around the country—in order to ensure that small businesses know that this is available.

Finally, we have done a lot of work to pull together Government communications across different Departments, so there is now a Government business communication board, which I chair, which brings together all the Departments around Whitehall, but focuses principally on the ones that have the biggest impact—DCLG, DEFRA, BIS, the Treasury and HMRC in particular. Now for instance, when HMRC communicates with small businesses, as they do and will continue to do, they also communicate about the positive offers from Government, as well as asking businesses to pay their taxes. This opening up of the use of Government communications that are always going to happen to small businesses also to include information on the positive offers from Government has been a big step in the right direction.

Q355 Mr Bain: Could that business communication board be expanded to involve co-ordination in terms of policy? We hear frequently from SMEs that they want to see an end to the silo mentality that they perceive has been present in Government for too long. For example, the FSB wants to see small business administration based in BIS, which acts across Government for small businesses. This comes to a very important point, because the British Business Bank is independent from your Department, so what arrangement is there within Government to ensure that the work of the Bank can complement Government policy?

Matthew Hancock: This is a very important point. We have a small business administration. We are a small business administration. The Enterprise Directorate within BIS supports small businesses, as you say, right across Whitehall. This Government's record on small business is second to none, in terms of supporting and promoting support for small businesses, whether it comes to fiscal measures like the employment allowance or deregulatory measures or access to finance and advice. Those communications and across-government communications are an important part of that.

We also communicate through different secondary bodies, like the accountants and through the banks themselves and the Business Bank, and indeed the small business bodies that you mentioned, to ensure that we communicate in order to make sure that small businesses know the support that is available to them. In terms of having a cross-government approach, that is the job of the Department for Business: it is to make sure that, across Government, we support job creators and wealth creators, of which small businesses are right at the fore.

Q356 Mr Bain: The performance of the Business Bank is monitored in several ways by the Government. There are evaluation plans and key performance indicators. In five years' time, what would the Bank have to have achieved in order for it to be viewed as a success?

Matthew Hancock: Good question. Firstly, the growth of sustainable, competitive and dynamic alternative providers of finance—and where I say "alternative", I mean alternative to the big banks—is the first goal. The second is to ensure that the Business Bank's own investment has been successful across the portfolio as a whole. I have quite a high tolerance for individual risks on individual projects, because I think, unless you do, then the whole system becomes too risk averse. However, across the portfolio, the Business Bank needs to come good and needs to be able to reinvest its capital in future projects. Those are the two biggest goals, and the third is that the environment for business finance in the UK should be a stronger one.

Q357 Mr Bain: The problem is that, when you speak to a lot of people in the pension funds industry, they say that they have tens of billions, in some case hundreds of billions, of pounds of surpluses, which they are keen to invest, but they say the pipelines for finance in Britain are still broken. Would we have to wait five years for more structural reform to business finance within Government, or would you be prepared to take other measures between now and then?

Matthew Hancock: There are other measures here that are potentially very exciting. Of course, one of the goals of the Business Bank and wider Government policy is to make sure that this pipeline is fixed through their provision of finance to enable those big funds to take on projects that have come through the pipeline. However, we should also tackle this from the other end of the telescope, which is to say that pension fund regulations are currently very tight on direct matching of assets and liabilities, and actively discourage and, one could say, thwart the ability of pension funds to invest in the riskier end of the spectrum, even on a portfolio basis. In making sure that pension funds regulation is better balanced between the need to ensure that they are solvent in the very long term, over the lifetime of their liability base, and the need to take a more productive view of risk in the short term and therefore supply risk capital into British industry, the balance has moved too far towards direct matching and we could do more to allow pension funds directly into this market. There were measures announced in the Autumn Statement to take that forward, but there is a lot more work to do, both to support at the small end the growth of growth capital, but also to allow the really big funds to come down the scale.

Chair: Mike, you are back in with the Green Investment Bank now.

Q358 Mike Crockart: Matthew, we are going to start out with a question similar to the one raised about the British Business Bank, and it relates back to the *Independent* article. The figures that they are quoting for the Green Investment Bank I find even more difficult to understand, but once again they are taken from the OBR's report. Green Investment Bank new net borrowing, £0.3 billion. Now, that does not seem to fit with certainly what the Green

Investment Bank is talking about getting out in new capital. It was £635 million in its first year, £668 million in its second and it seems to be aiming for about £1 billion this year. It is just really to understand where those figures are coming from.

Matthew Hancock: In a sense, you have answered your own question, because you have given the figures I would have given in response to the article. The OBR is of course independent and we are going to have to look into why it has such a downer on these two institutions, when things are moving pretty rapidly in the upward direction. As you say, the Green Investment Bank is performing well and it has established itself as a very strong player in its particular sector. In fact, we are looking to see how it can expand more.

Q359 Mike Crockart: I do not want to labour the point, but at the end of November they announced a £240 million investment in offshore wind. That would seem to suggest that, for the rest of the year, they are going to be putting their feet up on their desks and saying, "Job done."

Matthew Hancock: I would prefer to go with the figures of the British Business Bank and the Green Investment Bank, and we will see why the forecasts have got a different view. I have not seen any explanation of why there is a difference.

Q360 Mike Crockart: One of the things that we talked quite a lot about in previous sessions was the whole debate around borrowing powers. In 2011, the Government stated that the Green Investment Bank would not be allowed to have borrowing powers until public sector debt was falling. At that point, we were talking about that potentially being by the end of the Parliament; now we are looking at it being later than that. In evidence sessions, the Green Investment Bank said it does not need it right now, but it can see that, the way things are taking off, it is going to need it pretty soon. Is Government looking to change that condition that was laid down in 2011?

Matthew Hancock: We have an open mind towards that. There is a policy question of whether that is done purely for Government support that is deemed commercial, and there is an interaction with the state aid rules here. That is something that I have an open mind towards.

Q361 Mike Crockart: Of course one of the other ways that it has of raising capital investment is to set up funds, which it has done very successfully. Equally, it could also move into issuing green ISAs or green bonds. Is that something that the Government would support, giving it the powers to expand into those areas?

Matthew Hancock: What it has done successfully so far is, like with the British Business Bank, support funds that do that sort of thing, rather than do it directly, in most cases. The British Business Bank does do some things directly, like start-up loans, which I mentioned. That allows the private organisations that have the Government support to be able then to act much more freely than if a Government organisation were directly to try to intervene in that way.

Q362 Mike Crockart: That is not strictly true though. The business models are different from the British Business Bank's, which is investing into funds that then can make direct investments. Green Investment Bank has done much more direct investment. I do not have the figures in front of me, but in the first year, yes, there was a large proportion that went into funds. In the second year, that almost disappeared and it was much more direct investment.

Matthew Hancock: The majority of the Green Investment Bank's investment goes directly into renewable deployment investments. The purpose of the Green Investment Bank, when it started, was to ensure that there was a secondary market for renewable investment assets, which did not exist at the time. That secondary market is now developing in a pretty healthy way. The Green Investment Bank also supports funds that are more diverse in what they do, which is all to the good, and for instance Community Energy Funds, which it also supports. Its direct investments are relatively low-risk, long-term capital. The more innovative programmes are best done through private organisations that the Green Investment Bank supports.

The crucial thing here is that both of these organisations need to live within tight state aid rules, and the speed of movement of a Government organisation, when you are trying to stay within state aid rules, is not fast. It is better to support organisations that can go and be more innovative and dynamic, and take some of the risks but in a portfolio-based approach. Therefore, you do not get the same direct risks on the taxpayer balance sheet. I would not propose to move away from that model in most cases. I am keen on the Green Investment Bank taking a higher risk profile, but doing so in a way that supports the growth of other finance organisations. Doing it directly by a government organisation is quite hard work. Does that make sense?

Q363 Mike Crockart: Yes. The final very small question is you talked about state aid there, and that did come up in the previous session. Are there negotiations ongoing to widen the areas in which the Green Investment Bank can get involved? The one that I raised with Shaun Kingsbury when he was here was interconnectors, just as an example, but there are areas where the marketplace is not working at the moment, where state aid is stopping the Green Investment Bank being able to get involved. Are we actively moving in those?

Matthew Hancock: We have a frequent dialogue with the European Commission on the state aid limitations of action by the Green Investment Bank.

Q364 Ann McKechin: If we could turn to the Funding for Lending Scheme, it is a Bank of England and Treasury scheme designed to assist businesses. Can I just ask: in your role in the Business, Innovation and Skills Department, what influence do you have over how this scheme operates?

Matthew Hancock: As you say, it is a Treasury/Bank of England scheme, so Government responsibility for it rests with the Treasury working alongside the Bank of England. As it is focussed increasingly on small businesses, as the Minister responsible for promoting small businesses across Government, I am very happy with that, but the role of BIS here is to promote support for businesses as job creators and wealth creators across Government, rather than directly policies like this one.

Q365 Ann McKechin: I am just trying to find out how much co-ordination is occurring between your Department, the Treasury and the Bank, in terms of this scheme.

Matthew Hancock: There are constant lines of communication, but that one in particular really is a lead for the Treasury.

Q366 Ann McKechin: You mentioned the continued priority for SMEs. What type of business is the scheme designed to help? Are there any sort of geographical parameters or a size or sector where you are trying to focus the funding?

Matthew Hancock: The decision taken and announced with the Bank of England at the Autumn Statement was to focus FLS on smaller businesses. The details under that you will have to look to the Bank of England to supply.

Q367 Ann McKechin: One of the criticisms, as you will know—we have had it in our written evidence—is that in fact it does not address the issue about lending criteria and risk appetite. Net lending to SMEs is still negative. On the changes being made towards SMEs, from your conversations with banks do you think they are beginning to recalibrate their lending criteria, or are we still facing the same initial problem that business groups have told us was the biggest barrier?

Matthew Hancock: I would say that things here are improving but still not sorted. There is no doubt that, just because the problem is not solved, it does not mean that we have not made some progress. Firstly, the amount of gross lending has risen. At the same time, the amount of repayments has risen. Many repayments, especially during the early phase of an economic recovery—and the Bank of England credit condition survey suggests this too—are because companies can repay and are choosing to repay. The amount of net lending is obviously the offset of the two and, again, the gap has been closing, even while repayments have been going up.

I also would not characterise any one policy intervention as the answer here. FLS undoubtedly has a positive role, but the headwind here is rebuilding the balance sheets of the major banks, which were obviously very seriously affected by the crisis. It has taken a long time for them to do so, especially at the same time as we have been increasing the regulatory requirements on banks to be more solid. The move to having the regulatory capital requirements decided in the same institution as monetary policy, by the FPC sitting alongside the MPC, chaired by the same person, the Governor of the Bank of England, allows a structure in which the long-term necessity for banks to have strong capital bases, which was a problem that was essentially ignored under the old system, can be taken alongside decisions over the impact of the transition to the macro-economy.

Q368 Ann McKechin: I certainly do not argue with you on that, Minister, but one of the criticisms that has been made is that the capacity and knowledge within banks to properly assess risk was depleted seriously. This comes to my next question. The FSB told us that, despite the scheme, last year only 50% of small businesses that applied for credit were granted finance. Have you carried out any analysis as to why the figure appears to be pretty low?

Matthew Hancock: That is not the figure that is reflected in the Bank of England's credit conditions survey, and it is also not reflected in individual banks' reporting. That leads me to worry about something else, which is that small businesses are put off even asking for credit, because their relationship has been so damaged or they are so worried about their relationship following the crisis. The improvement of relationship banking for small and medium-sized businesses is going to have to continue for a long time before trust gets back to anywhere near where it was before the crash, especially as I agree with you about the depletion of resources within the banks and people on the ground who really understood what was going on in the local economy, and having the discretion to make decisions.

Chair: We will approach the FSB to ask for further evidence of this.

Matthew Hancock: I can also provide our understanding of that.

Ann McKechin: That would be helpful, because the FSB has referred to their own research, but we will need to question why they got that figure.

Q369 Paul Blomfield: I wonder if I can move us on to a new area. As a Sheffield Member of Parliament, I am very concerned about advanced manufacturing and very conscious of the advances that we have made in the city in a partnership between industry and the University of Sheffield. What assessment have you made, Minister, of the effectiveness of the Advanced Manufacturing Supply Chain Initiative in supporting SMEs specifically?

Matthew Hancock: AMSCI has been pretty effective. There has been £276 million across the seven rounds, and 44% of the funding has been allocated to SMEs. More than half of the projects are SME, and 44% of the funding. That is a relatively high level of SME participation, and it has leveraged in nearly £300 million of private investment. Our assessment of it has been that it has been positive and been able to get through to small businesses as well as large.

Q370 Paul Blomfield: How do you then respond to some of the concerns that we have had expressed during this inquiry? For example, Julie Madigan of the Manufacturing Institute commented that the scheme had not sufficiently engaged with small companies in the supply chains, or considered the obstacles that they faced.

Matthew Hancock: Engaging with small businesses for a Government scheme is always difficult. Small businesses generally do not have departments to deal with interactions with Government, so we from our side have to go out of our way to make it as easy as possible. There are always going to be some small businesses that are not able to participate, just because of the nature of running a small business, which is incredibly time-intensive and you do not have the resources to devote to it. We are doing an evaluation, which we will publish. The evaluation is specifically going to look into the impact on supply chains and test whether we have met the goals that we set, in terms of ensuring that the benefits cascade down the supply chain.

Q371 Paul Blomfield: That would be helpful. When is that to be published?

Matthew Hancock: Some time next year. We are undertaking the evaluation at the moment. We do not have a publication date yet.

Q372 Paul Blomfield: Can I then perhaps move on to another related area, the Manufacturing Advisory Service? From the evidence we have had so far, we have heard that it has been good at supporting firms with productivity on a day-to-day basis, but not really up to the job of supporting the development of new business models or adapting to new challenges. Do you think that is fair criticism and, if so, how do you intend to address it?

Matthew Hancock: It is a bit unfair. The purpose of the Manufacturing Advisory Service, which is now being rolled up as part of the wider Business Growth Service that we were talking about to reduce the proliferation of schemes, is to support manufacturers in order to grow in the way that they wish to grow. 97% of those companies that use MAS say that their advice was valuable, so that is a pretty impressive response rate, so we know that those who use it value it, and so think that it is good value for money and time invested. Therefore, to criticise it for not being broad enough in the advice that it gives depends on what the manufacturer wants to use it for. If you want to go down the route that you suggest, it is a partnership between the manufacturers and the MAS advisers to look into whatever options are available. They are not constrained in any way.

Q373 Paul Blomfield: My question was based on the comments we had received from those involved in manufacturing, and the satisfaction levels that you talk about may well be based on those who go to it for the sort of day-to-day issues that they feel it has provided an adequate service for. Whether it is reaching out to provide the sort of support that is necessary in helping manufacturing to develop to meet new challenges and new opportunities is the area where I wondered whether you were satisfied.

Matthew Hancock: The best way to answer that is that one of the advantages of having a single service, as opposed to having separately the Manufacturing Advisory Service, the GrowthAccelerator and the Intellectual Property Office advisory services, is to be able to address different challenges that businesses might have in the best possible way. If the criticism is that we should have advisory services that really push businesses to grow and see the big picture, that is what GrowthAccelerator tends to do. Bringing the two together and reducing the silos between the two will address those concerns.

Q374 Mike Crockart: Could I turn now to UKTI? We have had some very good evidence about UKTI and about the support that it gives internationally to many companies. We have certainly seen that awareness of UKTI has grown over the last few years, but where did its target come from? It has this target of doubling exports to £1 trillion by 2020. Was that suggested by UKTI or was it imposed on them by BIS?

Matthew Hancock: This was before my time, but it was based on an assessment. It was in 2010 or 2011 that the target was put. It was based on an assessment of the world economy at the time. Of course, since then we have had the Eurozone in recession a number of times and, more recently, a slowdown in the developing world. That was based on the assessment back then. Guy, do you want to come in?

Guy Warrington: The target originated from the Treasury, but it has been endorsed at the highest level since, so it is a whole-of-Government target now.

Matthew Hancock: I did not know the Queen supported it as well.

Guy Warrington: Sorry—by the Prime Minister and the Chancellor. It did not start in UKTI. It is also important to stress that it is a whole-of-Government target. It is not just what UKTI is going to achieve. UKTI obviously takes responsibility for driving forward the export drive, but we cannot do so on our own. We need all other Government Departments to participate and, ultimately, it is companies that export, not Governments. It is a target for the entirety of the economy and for the entirety of Government.

Q375 Mike Crockart: You will forgive me if I read that range of responses as setting up excuses for why we have not met it: that the economies are different; that it is not Government that exports; that it is the whole of Government. There is a whole range of excuses. Is this an ambition, rather than a target?

Matthew Hancock: Firstly, the latest export data have been much more positive. It was an explanation of why exports have been more difficult than was previously anticipated. It is perfectly reasonable to give an explanation to the Committee.

Mike Crockart: The target remains.

Matthew Hancock: The target remains. It is a target for 2020. That is just over five years away.

Q376 Mike Crockart: It has been suggested to us that UKTI could be more accessible to smaller companies if it was able to charge larger companies for its advice and then cross-subsidise. Last week, we were taking evidence from Ms Bolton, Managing Director of UKTI. She told us that it might be illegal to do that. Is that the case?

Matthew Hancock: That is my understanding, because it would be a cross-subsidy through a Government agency from large to small businesses. It would therefore be illegal under EU law, because it would constitute state aid to the smaller businesses. Instead, we have put more resources into supporting the activities that UKTI does that small businesses use particularly, like for instance the extra money in the Autumn Statement for the trade shows, which are a particularly popular source of support for small businesses.

Q377 Mr Bain: This is related to Mike Crockart's question. If you delve into the trade figures that were issued by ONS last week, you find that the UK is running a £9.6 billion deficit on goods in October, but is running a surplus of services of £7.6 billion. The Committee heard last week some evidence that indicated that one of the areas of future growth for the British economy that has perhaps been under-utilised at the moment is high-value services and indeed the creative sector. BIS and the Government more widely have strategies for what they see as key growth sectors. How do you ensure that there is a tie-up between the UK's industrial strategy and its exporting strategy, given that ONS data?

Matthew Hancock: There is a tie-up between the industrial strategy and our export strategy. Exports are a key part of the industrial strategy, one of the five overarching themes, and so UKTI is intensely plugged into the industrial strategy. After all, in this whole exports debate, the question for UKTI—of course it has its £1 trillion goal—is what would have happened without the support of UKTI. UKTI supports many billion pounds' worth of investments, and the tie-up to the industrial strategy is a really important part of that.

Q378 Mr Bain: Given the fact that progress towards the export target has been slower than the Government would have anticipated, what changes are you making to your industrial strategy to help meet the target by 2020?

Matthew Hancock: The short answer is that we are broadening it. Let me give you an example: we brought in an education industrial strategy last year, and it had a goal of £1 billion worth of exports, which it has already reached for additional exports. Overall, the assessment is that UKTI has created £49 billion of additional sales. Of course, measuring that is an imperfect art, but that is our assessment, so there is one example of where, in education, we have broadened out the industrial strategy into an area where the UK has a competitive advantage around the world, and brought in a specialist UKTI team in support of that industrial strategy in order to promote those exports. We are doing that across the piece.

Q379 Mr Bain: We were told that healthcare services is an area where the UK has real global leadership. Do you have a strategy in that field as well?

Matthew Hancock: Yes, absolutely. Healthcare UK is the UKTI export arm of British health companies. Like education, it is a growth industry around the world. It is something that Britain does very well and something that we are promoting internationally.

Q380 Mr Bain: You wrote that awareness of UKTI has increased from 51% four years ago to 65% now. What are you doing to reach the other 35% of businesses that do not know that UKTI is there to help them with their exporting?

Matthew Hancock: We have a load of great big adverts that you might have seen. The answer to this is essentially the same as my answer on the advisory services and on the support that is available, because we brought together the comms for all of these things under the Great Business campaign. Through that, we have united the awareness-raising activities of trade advice, domestic advice and domestic financial support. We have the advertising campaign, we use Government's own channels and we use trade bodies, like the FSB, which you mentioned earlier, in exactly the same way. It is all part of a joined-up strategy under the business communication board.

Q381 Mr Bain: One thing I might advise is perhaps that tie-ups with local chambers of commerce could be improved, because I have quite a few examples of SMEs in Glasgow that have been surprised to hear that UKTI might be there to help them. It is not something that they had proactively thought of. Is that something that the Government could take up in order to help reach this remaining 35%?

Matthew Hancock: We already do through chambers of commerce.

Guy Warrington: We work very closely with all the local chambers of commerce. There is an issue in Scotland, because trade promotion is a devolved matter, so the SDI would be working with them primarily. They act as our agents in promoting our overseas trade network in Scotland, but the actual working with chambers is very much part of our DNA, and we have an Overseas Business Network Initiative, which is all about linking chambers here to UKTI and to chambers overseas.

Q382 Mike Crockart: On that very point, what information and data do you have about the reach that you have into devolved areas and how much of an uptake there is in the services that are being offered into those areas, given the extra step that you have to take to deliver there?

Guy Warrington: I do not have the numbers. We do have the numbers and we can give them to the Committee, but it is worth pointing out that the main activity, which is our ITA network, operates in England. The Scottish, the Welsh and the Northern Irish have their own ITA networks, so you will have to ask them for those numbers, as to what the turnover is in terms of their services.

Q383 Mike Crockart: A very small quick question about industrial strategy: we have aerospace, agriculture, tech, automotive and lots of things in there. Do you think we need one for entrepreneurship?

Matthew Hancock: I am open to the proposition of an industrial strategy from any sector that feels that it could benefit from a partnership, of dialogue in the first instance, and support if good value for money and funding can be secured, with any sector. The thing is entrepreneurialism spans across all sectors and, indeed, all parts of life. The Department is a department for enterprise, and we have an Enterprise Directorate within the Department specifically to focus on promoting enterprise. I would say that that would be a cross-cutting theme, rather than a sector strategy. Adam, what are your views there?

Adam Micklethwaite: I agree it is a cross-cutting theme of the industrial strategy. The Enterprise Directorate's mission is to be the voice of small business in Government, and we spend a lot of time talking to the FSB, British chambers and small businesses on the ground to ensure that everything we do is designed with those small business needs in mind, making support as easy as possible for them to use and really putting their voice at the heart of Government policymaking.

Q384 Mike Crockart: Do you think that is a sufficient focus for an area that is booming in the country, in which the potential for contribution to GDP growth and to exporting particularly is massive?

Matthew Hancock: Yes. It is a huge focus right across Government. It comes down to this debate about whether there should be a small business administration, as there is in the States. There would be a downside to having a small business administration that is deemed independent from Government. You need a minister prepared to knock down doors and bang heads together to make sure that the whole of Government operates in a pro-enterprise way. That is best done from within a Government Department, and that is what the Department for Business does. Within the Department for Business, we have a team, of which Adam is a part, and the Enterprise Directorate is there to go and make that happen. That is what it is all about.

Q385 Rebecca Harris: Minister, my first question is: what do you see as the primary purpose of UK Export Finance? Is it to increase exports or to enter hard-to-reach markets or support SMEs? What do you see as its main function?

Matthew Hancock: The goal of UK Export Finance is to make sure that finance is available to support trade. This is an area where it has long been deemed that there is a market failure and where Government imprimatur itself sometimes opens markets, but also where the market was not functioning as effectively as it should. It works incredibly closely with UKTI in order to match up the advisory side with the finance side and, in a sense, is there also to ensure that that provision of finance is there for the long term, even in tough times in the capital markets.

Q386 Rebecca Harris: That might go some way to answering my next question. The question is: as we are told that UKEF must operate at no cost to the Government, and in fact it needs to make a profit, it seems like their role is described very much as identical to a private insurance company, so can you explain what the market failure is that they are therefore addressing?

Matthew Hancock: The market failure is that this type of finance comes and goes in its availability. In tough financial times, if it goes, that compounds any economic problems that you might have.

Q387 Rebecca Harris: Given that it now makes a profit, why has the private sector not entered this market yet, do you think?

Matthew Hancock: The analysis is that, increasingly, it is at the moment but, given the fragility of this market in the past, I would caution against therefore withdrawing any Government support from it.

Q388 Rebecca Harris: It does not worry you that the way it makes a profit means that it is only backing the safest exports and perhaps rejecting those that most need help and those most unlikely to get private finance themselves.

Matthew Hancock: No, because it is not charged to make a profit; it is charged to cover its costs. It broadens the availability of finance. I take the point, which is: if the market works, why should we intervene at all? The answer is because there have been times in the past when the market has not worked and has collapsed. When that happens tends to be at a time when you have domestic economic problems anyway.

Q389 Rebecca Harris: How do you monitor and how confident can you be that it is in fact serving a need where there is market failure, and not just doing something that could be done by private markets, or missing opportunities that would not be served by market failure, but they should be taking up?

Matthew Hancock: Guy, do you want to answer that? In a way, we have made a policy decision to continue support in this area and that is what we are going to do. Making sure that it does not undercut or get in the way of other potential private support is an important part of the job.

Guy Warrington: UKEF is there to complement the market, not to compete with the market. UKEF is not there to make a profit, but it does have to cover its costs. I am not sure if that answers your question. UKEF acts as an entry point for a lot of the companies that we interact with into the private market. One of the changes that has happened is that UKEF is now interacting with SMEs and MSBs and helping them to get finance from the private sector, so they can act as the guide. In the same way that our trade advisers help you interact with whatever organisations you need to interact with to conduct trade, UK

Export Finance advisers help you interact with the private sector to get private sector finance, as well as covering the more difficult markets.

Q390 Rebecca Harris: Do not get my wrong; I think it is a jolly good thing. It is just that there is clearly the potential there for it to be duplicating what would be done or, similarly, missing the opportunities that have been missed by the private sector. It is how you tease that out.

Matthew Hancock: Maybe it is best to answer it by way of example. UKEF, in a typical year, will support only a single-figure percentage of UK exports. Almost all exports are supported by private finance. It is there for those marginal decisions where you either need long-term financing to know that it is going to be available or where Government involvement is important. For instance, there are some other countries for which in order to provide to them, especially in order to provide into their public sector, they need to know that the domestic Government supports the project, whether that is by a long-stop liability or simply by recognition of the product, because other Governments are not as liberal to trade and incoming investment as we are. There is an important role for a government service, not least in countries where government-to-government contact is necessary for private business-to-business contact to be successful.

Q391 Chair: "LEPs are dead." That was an observation made by some of our previous panellists, and that was based on the assumption that, with UKTI and the British Business Bank, they would be taking over their functions. Do you agree?

Matthew Hancock: No.

Q392 Chair: That was a nice clear answer. The argument was that, in comparison with the Business Bank and UKTI—members here may be quite pleased with the comparison—LEPs are "very slow, archaic organisations that don't act as fast as businesses need to". You may not agree with that, but obviously there is a perception out there that lies behind those statements. How are you working with LEPs to ensure they do meet businesses' need?

Matthew Hancock: Instead of "LEPs are dead", I would say LEPs are great. Of course, there are LEPs that could be strengthened. There are LEPs that are progressing incredibly well. There are LEPs that are highly innovative. There are LEPs that take a lower risk approach. This is part of the beauty of localism and is an inevitable part of asking local areas what their local needs for growth are. I do not think we should see those distinctions as a problem. We should see them as part of taking a local view.

Let me give you an example. I was mentioning how we are bringing together the different national advisory services under the Business Growth Service. There is also a plethora of local advisory services, and some LEPs are taking the lead in going through exactly the same process we have at a national level, the Star Chamber process, as it came to be known, to amalgamate, merge and make simpler the business advice structures available locally, in particular Northants, Sheffield and the M3 corridor LEP. What is the name of the M3 one?

Adam Micklethwaite: Enterprise M3.

Matthew Hancock: They are at the forefront of bringing together services locally, in the same way that we have brought together advisory services nationally.

Q393 Chair: LEPs are great, you say. I had better make my own view clear at this point that some of them are, but there is a real patchwork quilt of competences across the country. Given the fact that there is a national need for LEPs to be successful across the country, what can you do to get those that are not great to become great?

Matthew Hancock: Through the Growth Deal process, the Government negotiates with LEPs about what is needed locally and also what support an individual LEP might need in order to perform its functions well. It is very important that LEPs continue to be business-led for instance, and making sure that they have continued engagement at a strategic priority-setting level of their businesses is important.

Likewise, they have an increasing number of functions in terms of allocating resources locally and then negotiating with Government for what schemes are most important locally. Their ability to handle those negotiations effectively is really important, so there is money available to support LEPs to deliver on these functions; there is effort that goes into strengthening the LEPs that need extra attention, but I do not think any of that should detract from the idea that having business-led local growth priorities is an important part of the mix.

Q394 Chair: Can I just move on to a slightly different subject? Dr Marshall from the British Chambers of Commerce recommended that local businesses have much more say on local spending, i.e. roads, infrastructure, etc. They called for you to guarantee, and I quote, "a Business Ratepayers' Vote on local economic strategy". Do you think this is a sensible proposal?

Matthew Hancock: It is an idea that I have not come across before. I am always keen for the highest levels of business engagement. Deciding on a voting structure might be difficult. We have to ensure that the business voice remains strong within LEPs, and I am open-minded as to ways to do that.

Q395 Chair: Each LEP will have a Growth Hub. How can you assure that these hubs do not increase the confusion for businesses, in terms of knowing where to go for support? Despite all the additional support for LEPs and one or two very good examples, there is still a very low level of awareness of them among local businesses.

Matthew Hancock: The awareness of the national Government support schemes is at 38% among businesses, which is good but could be higher.

Chair: I would not have thought 38% was very good.

Matthew Hancock: 38% of all businesses is quite high, excluding self-employed. That includes a lot of very small businesses that only have a couple of people, so I was quite pleased with it. I take your admonishment.

Chair: We will have to agree to differ on that.

Matthew Hancock: We could probably agree that we should continue to work to make it higher. Where was I? One of the goals of the Growth Hubs is precisely to simplify the local offer. Because there are local schemes as well as national schemes, the danger is that, by simplifying the national schemes, as we have done, on the ground, from a customer point of view, that only simplifies part of the picture. We have tried to do all of this from the point of view of the customer, where the customer is the small business. That has been a total focus. The idea behind the Growth Hubs is to bring together the local support. Indeed, in three areas we are going further: linking up the national Business Growth Service with what is available at the Growth Hub, in D2N2 in Manchester and in the West of England. I hope that those examples, once they have worked through how to do it, will then be able to spread across the country.

Q396 Paul Blomfield: Going back to your statement "LEPs are great", are you therefore concerned we heard evidence from LEPs that the Local Growth Fund had not provided enough flexibility to be an effective substitution for the Regional Growth Fund?

Matthew Hancock: The Local Growth Fund was a negotiation between LEPs and central government, so it is entirely appropriate that both central government and LEPs come from a starting point of what they think is appropriate. If LEPs come forward with projects that are poor value for money, for instance, then central government will question and query that. Likewise, central government might have some cross-cutting proposals, like the national colleges, for instance, that it wants to promote in certain local areas. The process is meant to be a negotiation and this is public money at stake, so we need to make sure that it is spent wisely.

Paul Blomfield: I do not think anybody would question the wisdom of ensuring it was spent wisely.

Matthew Hancock: What to you and I looks like being spent wisely on the ground may look like being inflexible.

Q397 Paul Blomfield: Let me say a bit more about the inflexibility that was felt from the LEP evidence we received. It was that, because the Local Growth Fund was something that was sourced from DfT and the SFA, it tended to focus much more on those areas of activity and, therefore, did not provide the same flexibility that the RGF had before it. Do you think that is not the case?

Matthew Hancock: That is definitely not the case. It was much bigger because it could bring in funding from other areas, but it also included a load of RGF underspends. Because it was bigger, there were parts of it that were specifically designated to important national priorities delivered according to local need, but there were other elements of it that were much more flexible. I am going to bring Jan in in a minute.

Let me give you an example. On the FE capital, it is very important to Britain as a nation and to England more accurately, because this is devolved, that we have high-quality FE provision, and so there was a budget allocation to FE provision. Where precisely locally that is delivered and how it interacts with other local business priorities is probably better defined on the ground rather than nationally. We had an allocation for FE capital and we were content for the precise details of which projects locally went forward and how they interacted with other things that were going on to be worked out locally. That is a really good way to bring the balance. If you were a LEP looking at that, you would say that they have set that there is going to be a total allocation of X for FE capital and that is a constraint. Sure, it is a constraint, but better that than me, as the Minister at the time, sitting in Whitehall, and deciding exactly where every pound of that funding was going to go, which was the situation hitherto.

Jan Dixon: A further point to make is that the Regional Growth Fund has carried on talking to LEPs and taking a view about what the situation is on the ground to try to make sure that we complement the Local Growth Fund. As you know, LEPs bid into their Local Growth Fund, and that was set up with £100 million taken from the RGF budget. We continue to look very carefully at applications that come in from businesses or players other than LEPs and understand really what is going on, on the ground, in any particular locality. We take notice of whether a particular project is in line with the LEP's wider strategy or has the support of the LEP, and that forms part of our appraisal. Sometimes, people are able to cross-fertilise between the two schemes. Solent LEP, for example, had a programme that was initially funded through the RGF and has then successfully been able to use the LGF to extend it, so we try to make sure that we are as joined-up as we can be, so that there is maximum flexibility on the ground.

Q398 Paul Blomfield: Do you think that it has provided adequately for wider business support? The suggestion to us was that that was not the case.

Jan Dixon: As well as our specific projects that we give to individual beneficiaries, RGF also provides support to a number of programmes that are either delivered locally or on a nationwide basis. That is how, through RGF funding, we route funds through to small firms, so that they do not have to go through the burden occasionally of bidding into a national scheme. They can interact at a local level or with an intermediary, so I would say that, as far as the RGF is concerned, it is trying to be conscious of the need to provide wider business support to smaller firms.

Matthew Hancock: Likewise, the Local Growth Fund through LEPs—a lot of LEPs are supporting business support.

Q399 Paul Blomfield: I wonder if I could move on to a different area, which is a problem shared with us from a witness who had experience of applying for the Regional Growth Fund but told us that, when it came to dealing with BIS and DCLG, the Departments "did not know which of the two was in charge".

Matthew Hancock: Which round was this?

Paul Blomfield: I cannot recall without checking, but that witness found that that provided practical difficulties. Who do you think is in charge?

Matthew Hancock: We are in charge of the RGF. We do now have a joint Minister in Greg Clark. That is the Department for Business. However, I would say that there have now been six rounds in total of the RGF, and we have improved our processes all the way through. If they had said that it was round one, then I would say we learned quite a lot from how the process worked in the early rounds. There is a cross-Whitehall working group. There is then a programme board. There is governance in order to structure this.

Chair: If I could just intervene to clarify, the witness who stated this I think did point to the early rounds, so fair enough; it may have moved on since then.

Matthew Hancock: We have tried to learn from each of the rounds. We are very open-minded as to how to deliver this in the most customer-focussed way. That is why a lot of the RGF is delivered through local partners. You might have noticed that lots of local newspapers, for instance, bid to be RGF delivery agents, because they can naturally get out to an audience to say that this is about.

Q400 Paul Blomfield: It was put to us that there was a case for moving administration of the RGF to the British Business Bank. Do you have a view on that?

Matthew Hancock: Yes, we looked at that. As part of this simplification programme, we looked at that and we decided not to, on the grounds that this is grant funding, whereas the British Business Bank does financial support. They have very close ties and a close working relationship, but we decided it was better to keep it outside.

Q401 Rebecca Harris: You wrote to the Committee to outline your vision for "simplifying Government's support offer for growth potential businesses". These are wrapped up in the "Business is Great" campaign banner. How much has this campaign cost and how are you measuring its impact on the economy?

Matthew Hancock: The impact we measure through the take-up of the different schemes, through the call to action, which is the website I mentioned, which has had 1.3 million unique visitors since November when it started, and there is a helpline that is associated with that. I am just trying to find the figure for how much money we have spent on the advertising itself, because it was part of the wider Great campaign. Have you got those figures?

Adam Micklethwaite: I believe it was £5 million last year and about £7 million this year, but we can write with the figures.

Matthew Hancock: That is complemented by the free communications I was talking about before—the emails from HMRC, letters from HMRC and obviously the website.

Q402 Rebecca Harris: We did have some witnesses praising the "Business is Great" campaign, but saying that some of the advertising did not point to what the offer was for business.

Matthew Hancock: The call to action is on every single one of those adverts, absolutely. It is a really important point.

Q403 Rebecca Harris: How does this campaign stand up the Federation of Small Businesses' assertion that "much needs to be done to provide businesses with a more straightforward, effective offer"?

Matthew Hancock: There are two parts to our answer to that. That call by the FSB was in fact reflected in many conversations I had and evidence we were given, and led directly to the establishment of this single point of contact. Bringing together the advice under the Business Growth Service and bringing together the access to that, UKTI and the British

Business Bank all under this new website is all part of a response to exactly that criticism. We landed it earlier this month. It seemed to go down pretty well. As I say, the use of the website has far exceeded our expectations, but I will not rest until every small business is happy with the support functions that it is getting from Government.

Chair: We are on to the industrial strategy and long-term policy.

Matthew Hancock: The long-term economic plan, we call it.

Q404 Chair: No, the long-term industrial policy. Do you think there is a clear understanding within BIS of where the business support schemes sit in relation to the industrial strategy?

Matthew Hancock: Yes, I think so. It is very clear.

Chair: I would not have expected a different reply. Could you just elaborate?

Matthew Hancock: We have an industrial strategy team, which draws together the different strands of the industrial strategy. The industrial strategy is then split by sector and by cross-cutting element. "By cross-cutting element" includes skills, exports and access to finance. It interacts in that way, a cross-cutting way, with the business support team.

Q405 Chair: How do you reconcile the variety of schemes for investment in support with the sectoral approach of the industrial strategy? Do companies within the sectors have any sort of priority in any of the schemes that you have outlined?

Matthew Hancock: I do not think it is too difficult to reconcile, because the sector-based approach is about listening to individual concerns of individual sectors, on the grounds that Government inevitably, by its size, treats different sectors differently. For instance, we regulate pharmaceuticals with pharmaceutical regulation that does not affect anybody else, even though it would if they became a pharmaceutical player. Also, there are some parts of Government support that are much more effective for different areas, so the Intellectual Property Office has a mentoring and support service, but it obviously affects companies in the creative industries far more than in other industries, because IP is so much a bigger part of their business. Is there any more formal answer that I have missed, Adam?

Adam Micklethwaite: Only that at a local level, some Growth Hubs are prioritising specific sectors where it is absolutely right to in that local context.

Guy Warrington: I can say that Trade and Investment very much organises its work on a sectoral basis. We have sectoral teams that drive forward high-value opportunities within each of the priority sectors. There has always been a balance between geography and sectors as to how you cut your cake but, at the moment, our organisational structure is very dominated by the Government sectoral structure, and it reflects that.

Q406 Chair: One of the messages we get from business all the time is what they want is certainty and consistency of Government support. What steps have you taken to work with other political parties to ensure that, in the event of a change of Government, there will be this consistency?

Matthew Hancock: The first thing we are trying to do is win the election, because then that will not be a problem.

Chair: I rather thought you would say that, but go on.

Matthew Hancock: It is rather important for the future of UK business, but you may not agree with me precisely on that point.

Chair: We could have a much broader debate.

Matthew Hancock: More broadly, I am delighted that the industrial strategy has cross-party agreement. It is a really important part of it. It certainly has Lib Dem and Conservative full support, both in its development and for the future. I understand that the Labour party is very supportive of it as well. That is great news. There are many elements of the industrial strategy where there is also cross-party support. I thought it was telling that most of the debate within the Small Business, Enterprise and Employment Bill was based around questions of how we can do more, and that is a good position for the industrial strategy to be in. There are wider considerations around risks to the economy from ill-conceived macroeconomic policy but, on the narrower question of industrial strategy, that cross-party support is important.

Q407 Ann McKechin: Lord Heseltine, in his report *No Stone Unturned*, pointed out how fragmented advice was for businesses in the United Kingdom compared with other Western economies. It does appear, from some of the conversations we have had today, that basically, as and when a business decides, in its own time, it wants to seek support, its experience very much depends on what schemes are currently on offer. There is no consistency in terms of the way that people, for example in North America, would contact their chamber of commerce. There is a sort of standard, set relationship. If you ran an SME, had never asked for support previously and you wanted to ask for support, where is the first point of call?

Matthew Hancock: I would go to the Business Growth Service.

Ann McKechin: The Business Growth Service?

Matthew Hancock: The one that we launched earlier this month, responding precisely to this question, bringing together the GrowthAccelerator, Manufacturing Advisory Service, IP, Audit, Designing Demand and other schemes, and then hopefully at a local level through the Growth Hubs. It is precisely to bring together that plethora of schemes into one place, and with its online presence, this website I keep talking about, which has had more than 1 million hits.

Q408 Ann McKechin: That would replicate it. For many people, the first people they might speak to might be their bank or it might be another business. If you are talking about one centre per LEP area in England—roughly that is what you are talking about—how do people communicate with it? If it is in a large area geographically, where they might prefer to pop into their bank and speak to their bank manager, how do you link up how banks advise people with that Growth Hub?

Matthew Hancock: Firstly on the national scheme, the schemes that I mentioned, those which are brought together in the single proposition, are the Government-supported advisory services. Of course, a huge amount of business advice comes privately, and the Government, quite understandable and rightly, has nothing to do with it. Whether it is from banks, accountants, other businesses or friends and family, there is a huge amount of advice out there that, as Minister, it is quite important that we stay well clear of, but the Government does have advice. Bringing it all together for domestic advice, with UKTI for international, is a really important step. With that, we then liaise with all of these different organisations, all of the main business bodies, all of the main banks, the accountancy firms and the law firms also, because they have an advisory role too, to make sure they know what Government support is available, if they think that is appropriate.

Chair: Can I just conclude about measuring success?

Matthew Hancock: I should have mentioned the libraries as well, especially with intellectual property being an increasing important part of business. Libraries can play a very important role. I am sorry, Chairman; I cut you off.

Q409 Chair: Thank you. How do you measure the success of Government schemes? Does there need to be increase in employment or is it acceptable just to have an increase in economic growth, irrespective of employment outcomes?

Matthew Hancock: Yes, that is acceptable, but we have goals for both.

Chair: You do.

Matthew Hancock: RGF is measured only on jobs.

Jan Dixon: Jobs and rebalancing of local economies.

Q410 Chair: Have you yet get any quantitative assessment of the number of jobs and economic growth that has resulted from the totality of the schemes that have been introduced?

Matthew Hancock: On RGF or on local businesses?

Chair: I was really talking about the totality. Again, I realise this is possibly quite a complex response. If you could provide written evidence, that would be useful.

Matthew Hancock: I was given an eight-page note this morning knowing that you were going to ask this. I could read it out if you like.

Chair: No, thank you. If you could send it to us, that would be good.

Matthew Hancock: The gross value-added, for the summary, is £1.8 billion achieved against a target of £1.2 billion, with 24,837 jobs created and 61,946 jobs safeguarded from the Manufacturing Advisory Service, but I can give you a note. I am quickly getting notes from all sorts. 220,000 from UKTI. I can give you more details on that.

We absolutely measure this. It is a really important part of deciding whether we are getting value for money from this Government expenditure, both in terms of jobs and in terms of value-added. After all, that is what this is all about. I would say that, in this process of simplifying the schemes on the advisory side, we measured the value for money and the return in order to assess whether these schemes should close if they were not good value for money. We talked a lot about the optics of it for the customer, making the customer journey easier, but one of the advantages of contractually bringing them together is that, instead of having separate pots of cash from the Government for each of these different schemes, if one scheme is more beneficial to business, then the money can migrate directly to it and the pots become fungible, which is a better way to run this.

Chair: Thank you, Minister. That concludes our questions. Can I thank you? There are a number of issues on which we asked you to provide supplementary information. We may feel that there is a further question that we would like to ask, arising from the reading of the transcript, and we would be grateful for any further information you can give us, if indeed we feel that we do need more information. Thank you.