

Public Accounts Committee

Oral evidence: Government support for UK exporters, HC 574

Monday 14 September 2020

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[Watch the meeting](#)

Members present: Meg Hillier (Chair); Olivia Blake; Sir Geoffrey Clifton-Brown; Peter Grant; Gagan Mohindra; Sarah Olney; Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, National Audit Office, Charles Nancarrow, Director, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Department for International Trade and UK Export Finance: Support for exports (HC 574)

Questions 1-81

Witnesses

I: Antonia Romeo, Permanent Secretary, Department for International Trade; Louis Taylor, Chief Executive, UK Export Finance; Darren Tierney, Director General (Interim), Global Trade and Investment policy and programmes and UK Regions, Department for International Trade; Catherine Vaughan, Director General and Chief Operating Officer, Department for International Trade.

Written evidence from witnesses:

Examination of witnesses

Witnesses: Antonia Romeo, Permanent Secretary, Department for International Trade; Louis Taylor, Chief Executive, UK Export Finance; Darren Tierney, Director General (Interim), Global Trade and Investment policy and programmes and UK Regions, Department for International Trade; Catherine Vaughan, Director General and Chief Operating Officer, Department for International Trade.

Chair: Welcome to the Public Accounts Committee on Monday 14 September 2020. We are here today considering a National Audit Office Report on the Department for International Trade and UK Export Finance. The Report is called "Support for exports", and exports are even more important to the UK now that covid and Brexit are creating important and interesting challenges for our businesses. In 2019, the UK exported over £700 billion-worth of goods and services overseas. The Government is determined to increase our exports from around 30% of GDP to 35% of GDP, and is having to review all that, of course, in the light of covid.

We are here today with witnesses from the Department and UK Export Finance to talk to them about how they are going to meet that ambitious target, particularly in the light of the covid pandemic. I am delighted to welcome our witnesses to our meeting this afternoon: Antonia Romeo, the permanent secretary at the Department for International Trade—welcome back to you, Ms Romeo; Louis Taylor, who is the chief executive of UK Export Finance; Catherine Vaughan, who is the director general and chief operating officer at the Department for International Trade; and Darren Tierney, who is the director general GTI policy and programmes and UK regions at the Department for International Trade. Welcome to you all.

We will start, Ms Romeo, with some general questions outside the Report. I will ask Sir Geoffrey Clifton-Brown, the deputy Chair of the Committee, to kick off with those.

Q1 **Sir Geoffrey Clifton-Brown:** Good afternoon, Ms Romeo. Nice to have you with us. I have just a few general questions. Do you have a recovery plan for this dreadful covid virus, will it be merged into your 2020 refreshed trade plan, and when might we see that?

Antonia Romeo: First of all, thank you very much for inviting us to come and discuss the Report with you. On the covid issue, of course the answer to that is yes. Covid is essentially becoming part of business as usual. Managing covid and supporting businesses to manage through this period are becoming part of our business as usual. We will be merging our plans for covid support with our ongoing overall strategy for the Department.

Q2 **Sir Geoffrey Clifton-Brown:** When might we see that refreshed plan? Presumably it will be published, so when might we see it?



Antonia Romeo: This is all being done as part of our contribution to the CSR. We are in the process of a major look at all our work, all our support—covid and otherwise—and all our trade policy work. We will be doing that with the CSR, so I suspect that some time after the CSR will be the moment.

Q3 **Sir Geoffrey Clifton-Brown:** Thank you. The other side of this Report, which isn't dealt with too much, is inward investment. I don't want to dwell too much on inward investment, but it would be wrong to have a trade hearing without a question on it. Could you tell us a bit about what your Department is doing? Are there any similar targets for inward investment as there are for exports?

Antonia Romeo: For inward investment, we specifically measure, as reported in our ARA, what we call FDI wins, which are essentially the number of FDI projects right across the UK. Of course, that is not a terrific measure for reasons we can discuss. We are working out how we can calculate GVA—gross value added—from those projects, because that would obviously be a good measure to have. That is quite difficult to do, because of course DIT does not touch all inward investment. We look at macro measures like our overall position in the world in terms of inward investment, and the amount of inward investment, which was £1.5 trillion last year. We look at the whole range of measures, and we are working on improving them.

Q4 **Sir Geoffrey Clifton-Brown:** We will get to this in terms of exports, but do you have international comparators for inward investment?

Antonia Romeo: Yes. We look at two things. We look at where we are in terms of the amount of inward investment, but we also look at the fact that we are eighth on the World Bank's ease of doing business index, for example. We look at competitive indices; we look at all of those. Of course, I should say that this is a major cross-Government bit of work. We work very closely with BEIS in particular, but also with DCMS and many other Departments including the Treasury, to secure that inward investment and to make sure that we are focusing on attracting inward investment across the whole of the UK in the sectors that the Government thinks are important.

Q5 **Sir Geoffrey Clifton-Brown:** In terms of Tony Abbott's appointment as an adviser, I am tempted to ask what qualifications he has, but I won't ask you that. What exactly will he be doing?

Antonia Romeo: The Board of Trade is an advisory board to the Secretary of State. It aims to champion free and fair trade globally, but also to engage with businesses across the UK to ensure that we are hearing their voice and that what we are doing with our trade policy and our trade promotion activity fits with them. In terms of the process, these are direct ministerial appointments made by the Secretary of State. My job as accounting officer is to oversee the process. For example, we have a process whereby we do due diligence and so on, and then we provide that information to Ministers, who take the decisions.



- Q6 Sir Geoffrey Clifton-Brown:** The Report, at paragraph 5 on page 5, says that you have 275 UK-based staff and 1,400 staff overseas. Bearing in mind that this is a relatively new Department—four years old—have you got the right number of staff, with the right qualifications, in the right places?

Antonia Romeo: To be clear, these are 275 international trade advisers; that is not the total quantum of DIT staff that we have in the UK. We have significantly grown since the Department was created. Over the last three years, we have grown our overseas staff from about 1.1 thousand to 1.4 thousand. We have invested overseas, and we are obviously also investing across the whole of the UK; we have to do both.

I should say that although we are, as you note, a relatively young Department, I think that, at four years, we need to stop thinking of ourselves as a young Department. In that regard, we are quite focused on where we put our resource. It can be difficult to move resource between the UK and overseas, because people are working on contracts and so forth—for example—[Inaudible.] We are, as I mentioned, doing a full analysis of all our resourcing—whether it is in the right market, and whether it is in the right sectors—as part of the CSR, and it is conceivable that there will be some changes after that. But I am confident that, where we are at the moment, we have a good balance of staff, noting that the 275 figure is not the total number of UK staff.

- Q7 Sir Geoffrey Clifton-Brown:** What is the total number of UK staff?

Antonia Romeo: Over 2,000 staff overall in the UK—about 2.3 thousand. Outside London there are about 100 staff in addition to the international trade advisers, but a large number of those will be sector teams based in the UK HQ.

- Q8 Sir Geoffrey Clifton-Brown:** Could you give us an update on where your Department is on the various free trade agreements, including the roll-over ones from the EU?

Antonia Romeo: Certainly. We are still in the process of four but, as you will have seen, we have reached an agreement in principle for the Japan agreement. We reached that on Friday; it now has to go through legal scrubbing, and then it will be put before Parliament and ratified. On the US agreement, we are currently in round 4 of our negotiations. We exchanged our first market access offers at the beginning of September. In terms of Australia, we expect that round 2 will take place later this month. For New Zealand, I expect round 2 to take place—no date has been set—in October.

In terms of what we call trade agreements continuity, you will know that, at the point of leaving the EU at end of January, we had covered 74% of trade that we were seeking continuity for, having signed deals with 48 countries. We now no longer separate in that way, because Japan now has an EPA with the EU and we have an agreement in principle for the CEPA. Looking at the overall package of what we are doing, the priorities are the



FTAs and to keep working on the continuity agreements. We think we will have more to come, obviously before the end of this year.

- Q9 **Sir Geoffrey Clifton-Brown:** Could you be a little more precise on the two aspects—on the number of continuity agreements that you have concluded and the number of rounds with the USA and Australia, which do not mean a lot when you do not know the total number of rounds? Could you be more specific on those two points, please?

Antonia Romeo: Certainly. On the first point, we have signed 21 continuity agreements with 49 countries, including Japan, as I understand it. However, there are more to sign, and we are working very hard to do those before the end of the year.

I take your point about the rounds. Of course, it is not an exact science, so the rounds do not directly correlate with how quickly one gets a deal. I was trying to give a sense of how far we have progressed through our negotiations. We are, we believe, on track. We have got hundreds of people working on these negotiations.

The Secretary of State is very enthusiastic we should reach agreements soon, but we do not put a deadline on them, specifically because, as the Secretary of State has said many times, we will not do a bad deal and we do not want to apply timing pressure on that front. We want to make sure we have the best deal for the UK, and that means I cannot give you an exact deadline, I'm afraid.

- Q10 **Sir Geoffrey Clifton-Brown:** This is the final question from me, because Ms Blake wants to come in. The Trans-Pacific Partnership never seems to be included in that list. If you manage to do an FTA with Japan, Australia and New Zealand—three key members of that partnership—would it not make sense to go on to the Trans-Pacific Partnership?

Antonia Romeo: You are right to point that out. I should have mentioned that we are seeking to accede to the CPTPP. The Government have said that that is its intention. As you have noted, a significant benefit of the deal with Japan is to take us part way to the CPTPP. In fact, the terms of the CEPA, as it is called, demonstrate Japan's commitment that we should accede to the CPTPP. When we did the original consultations on trade agreements, we also consulted on accession to the CPTPP. You are quite right that that it is an important part of the portfolio.

Sir Geoffrey Clifton-Brown: Thank you.

- Q11 **Olivia Blake:** Just one quick question about the CSR. Can you give us a bit more information about what you are bidding for within that? That question is for Antonia Romeo.

Antonia Romeo: Just in case Treasury colleagues are watching, I do not want to give too much away.

Chair: This is your chance to make a bid to the Treasury in public, Ms Romeo.



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Antonia Romeo: Quite right. We have a hugely ambitious agenda. We believe, as the Chair set out at the beginning, that exports and investments should be put at the heart of supporting businesses out of covid, but also the UK over the next period. We are strongly enthusiastic about getting a significant settlement.

We are looking at a number of areas. We really want to make our contribution to levelling up, so we are looking at what we can do on trade and investment across the whole UK, including all regions and nations. We want to keep up our work on trade policies and negotiations, market access and all the work that we are doing abroad.

We have some new specific things that we want to do, including many of those that were touched on in the Report, that are looking at how we can better support business, both in terms of providing an overall universal digital offer to all businesses, but also some really targeted segmented help to all types of businesses at the firm level. We are part way through our analysis, which will really help that work. We are keen to do that.

We will also be putting in collaborative bids with other Departments. In the recent Budget, we got some money with DCMS to put a digital trade network into the Asia-Pacific. We really believe that trade and investment are work best done in collaboration with other Departments. We are keen to put in particular bids on particular sectors in particular markets with other Departments.

Q12 **Olivia Blake:** Can I push you a bit more and ask precisely what you are going to be asking for from HMT? How many joint bids are you thinking of putting in?

Chair: Ms Romeo, before you answer, can I ask you to speak a little slower, as your sound quality is not 100%? If you could speak a little slower, we might find it a bit easier to understand. That is no criticism of you; it is the sound.

Antonia Romeo: I am afraid that I cannot answer that question at the moment, because I am still discussing it; I would not dare answering that without having final sign-off from my Secretary of State. Our bid is due in later this month, so I might be in a different position then.

However, to be clear, you can imagine that there are a number of Departments that we work very closely with, and I have asked the team to think of all the ways that we can collaborate to make sure that we are not duplicating our support to business, both on exports and investment, but also to really think smartly about how we, in the most efficient way possible, can support exports and investment, in terms of what we do as well. Naturally, as has already been referred to, we have an ambitious trade negotiation agenda, which we will also be seeking money for.

Q13 **Olivia Blake:** It is quite unusual for there to be joint bids that are approved. Has HMT given any kind of signal that they would be looking to approve?



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Antonia Romeo: On that, I would just say that, whether or not the bid ends up being a joint bid, we did get a joint bid with DCMS in the Budget, so that would indicate to me that the Treasury are potentially open to it." In my experience with the Treasury, the thing that they do not like is duplication, so if two Departments, or more than two, can find a way of working together that does not duplicate funding and delivers more for the taxpayer, I am hopeful that they would be supportive of that. But I do not want in any way to commit them or—

Q14 **Olivia Blake:** Thank you for that. Just moving back to Japan and the deal—the agreement—that has been in the press this week, what do you believe the balance of benefit will be between exporters in the UK and exporters in Japan from this deal?

Antonia Romeo: The key thing—the thing that we are focusing on—is, what is the benefit for the UK? Trade deals do not have to be win-lose, and they do not have to be zero-sum; they can be win-win, and we believe this one is win-win, in particular for the UK, because there are really significant benefits to digital service providers, digital and data, financial services, and food and drink. Japan will have done their own modelling on what will benefit Japanese companies, but I am in the business of making sure that the trade deals that we do benefit UK companies, and I am not worried if they also benefit other companies.

Q15 **Olivia Blake:** It is interesting that you raise digital, because that is a pretty fluid one, in my view. Do you have any precise examples of how you think this particular deal will benefit UK traders?

Antonia Romeo: For example, the deal will enable the free flow of data and introduce a ban on data localisation. So that will prevent British businesses from having to set up—

Chair: Ms Romeo, I am sorry—I am interrupting you for sound reasons again. Could you just lean back a bit from your microphone, because we are getting some feedback from it, and also you will be clearer generally? That is ideal—well, we will see if it is ideal. Let's see. Please continue. Apologies for the interruption.

Antonia Romeo: I apologise—it is my enthusiasm when talking about exports, investment and trade policy that has me talking too quickly and leaning in.

As I was saying, there is a particular provision that is about data localisation, introducing a ban on data localisation, which means that British businesses will not have the extra cost of setting up servers in Japan to do business there. For UK FinTech firms operating in Japan, this will help them to innovate and grow while minimising their costs.

Q16 **Olivia Blake:** Thank you for that. I have just one last question, if that is okay, Chair. It is just about the timescale. Obviously, the ratification of this deal is not until January. How do you think that that will impact on the other deals that you mentioned? Also, do you think that the reported stricter state aid rules that have been highlighted in the press today have



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implications for UK exporters?

Antonia Romeo: Sorry, I did not hear that. Have implications for—

Olivia Blake: UK exporters.

Antonia Romeo: In terms of timing, we had obviously set up the system such that we had the capacity to do all the deals that I have described. We obviously need to prioritise, because, unfortunately, there is not limitless capacity. But the absolutely crucial thing is that we can continue. This deal will hopefully be ratified and then brought into force. Once that has happened, we can then continue, with those businesses doing as I was suggesting, and keeping exporting abroad. But we will also be continuing the rest of our programme.

The state subsidies clause is a very standard clause. We took what was in the EU-Japan deal. So, what we were doing was EPA-plus. We were seeking to take the deal that the EU had with Japan, improve on it and not seek any roll-backs—improve on it in terms of liberalisation. As you noted, in this clause that we took exactly, there are two very specific areas where we banned very specific subsidies that we do not think would ever be used formally. So we do not think there is any negative impact in particular. Crucially, had there been, we might have taken a different approach. The whole point was that we deliberately ensured—we worked across Government on this; this decision was taken by Government—that this was an appropriate clause to adopt in the form it is in without detriment to British firms.

Chair: Could I just remind all the witnesses and Committee members about the sound? If you could avoid leaning into your microphone, that would be helpful. Also, Ms Vaughan, you are muted because of background noise. If someone names you in asking a question, could you unmute at that point?

I will now turn to Sir Geoffrey Clifton-Brown and we will we get into the main body of the National Audit Office's excellent Report.

Q17 **Sir Geoffrey Clifton-Brown:** Ms Romeo, let's just stick with free trade agreements for a minute—not that I think they are the entire nirvana of exports, but they are important. The FSB's 2020 report "The representation of SME interests in Free Trade Agreements" stated that utilisation by SMEs was disproportionately low compared to larger businesses. Would it be possible to have a chapter in each FTA specifically recognising SMEs, similar to the EU's Small Business Act?

Antonia Romeo: I really welcome the fact that in the most recent evidence that the FSB gave to this Committee late last week in advance of this hearing, they specifically welcomed our efforts to incorporate the needs of SMEs into support for both our export work and our trade policy work. As you will know, Sir Geoffrey, in the FTAs, the plan is to include an SMEs chapter. Indeed, there is one in the Japan deal—a chapter that focuses on things that SMEs are keen on, which tends to be transparency about regulations, opportunities in the supply chain, and collaboration on



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things that SMEs want. So without committing to exactly what sort of chapter it might look like, it is definitely the UK Government's position that we would seek to have a chapter that is supportive of SMEs in all trade agreements. Indeed, that has been the plan in terms of the commitments we have made already on the FTAs under way.

Q18 Sir Geoffrey Clifton-Brown: The next question is designed to draw out what your Department is doing in terms of exports and comparing your performance with international comparators. Can we take that question as a bottom line to start? Just tell us what you are doing to compare yourselves with international comparators.

Antonia Romeo: We have done a lot of analysis on international comparators because, obviously, we want to be best in class and we want the UK to be the gold standard. The outcome of this was put into the original export strategy in 2018. We designed that package based on what we considered to be the gold standard.

In terms of measurements, one of the key things that we look at is how other Governments measure the impact of what they do. On this, it is hard to see an obvious gold standard. I would say the UK is pretty close to the top in terms of what we are doing on performance metrics. A few other countries have a client survey. Denmark is one; Australia is another. Lots of them just rely on internal MI data—market intelligence data—and a few measure impact.

In the next step of what we do on our performance metrics, we want to get firm-level data—I can talk about this if you wish. We are hoping to get from HMRC, once the Trade Bill is passed, firm-level data that we could then do econometric analysis on that would really help us to understand the impact of FTAs on firms across the whole UK, but also how we can better segment and target support to individual companies. I would say that Denmark is fairly close to being a gold standard, and we want to be heading there.

In terms of other things that DIT does, we obviously have the client survey, which we think is pretty much best in class. We talk to 6,000 clients and get feedback—I am sure that we will be coming on to talk about that. We also have in process an econometric study that Frontier Economics is conducting on the current HMRC data. The data is not perfect, but that will also help us. We are developing a value-for-money model. And we model our performance in each sector in each country. We look at what the performance is via the regional trade plan and we look at the output.

So I think we have done quite a lot of work looking at how other Governments do this. It is not always easy to get to the data. I should say that our ambition that overall exports will be equal to the value of 35% of GDP acknowledges that we are not yet best in class in terms of how export-driven we are, because other countries, notably Denmark, at 56%, and Germany, at 47%, are in a stronger place. We are about on a par with France.



Q19 Sir Geoffrey Clifton-Brown: Yes, I hope we will soon be higher in the league than France. It does seem to me that perhaps you should be looking at some of the higher-growth economies of south-east and east Asia. For example, South Korea is very good at supporting small firms, and the Hong Kong trade office does a fantastic job for its businesses. Do they appear on your radar in international comparisons?

Antonia Romeo: Yes, they do. We essentially look at all countries; and with those that we can get information on, we then seek to take the best of that. Some are more relevant than others, of course. Some smaller economies operate in a different way from us. It can be difficult for us to move exactly that sort of model to the UK. Also, some countries have quite a different model of trade promotion. For example, they might devolve a lot more of it to chambers of commerce, as opposed to having a central Government Department. But the answer is yes, we do have quite a lot of international comparison work.

Q20 Sir Geoffrey Clifton-Brown: Yes, and of course Germany has compulsory membership of its chambers of trade. We in this Committee are very keen on comparators and added value, so I now want to come on to the figure that you mentioned and how we can actually measure your Department's performance. You have got rid of the £1 trillion target; you are now moving to a target of 35% of GDP, up from 30% of GDP. But when a country such as Sweden has a baseline of 45% of GDP, it makes you wonder whether the GDP measure is the best measure we can have to measure your Department's performance and whether you are actually going to meet the 35% target.

Antonia Romeo: The first thing to say is that I am not expecting just to be monitored on that. We don't refer to it as a target; we refer to it as an ambition. We are trying to do two things. We are trying to capture the macro-level outcomes that we believe we should have our sights focused on—again, I welcomed the FSB's recent evidence that said that it fully supported DIT's ambition of increasing from 30% to 35%. That is an ambition that we should all have in mind, because it indicates a step change that we want to achieve.

But actually we also need, obviously, much more operational detailed measures. Delivering against those is of course how you should hold me and the Department to account, and how I should hold my colleagues to account. We capture them at region and sector level. One example is that we look at the value of export wins. We look at the number. And then we have a whole spectrum of other measures—there are about 35 in all; they are not all on exports—that we measure ourselves on.

The important thing is—it is very difficult. In terms of what we do, Government is supporting business, to promote exports, in a number of ways. We directly touch exporters, whom we might encourage to export and who otherwise wouldn't have done so. Or we give them information via a website, and they might never actually speak to somebody. Or we are working out at post to open up markets through market access, reducing market access barriers. Or we are negotiating an FTA.



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So it is quite difficult to come up with a single measure, or even a small number of measures, to capture the full gamut of what we do in a way that would directly relate the activity with the end point, which of course includes UK prosperity through exporting.

- Q21 **Sir Geoffrey Clifton-Brown:** Maybe we should have more than one measure. Surely the percentage of GDP is a pretty crude measure, because if it goes down this year but your exports stay the same, your percentage has effectively increased. That is not really a very satisfactory measure, is it?

Chair: Before you answer that, Ms Romeo, you are giving in to temptation and leaning into your computer again. If you could try to be disciplined and lean back, it would make it easier for the rest of us to hear.

Antonia Romeo: Thank you, Chair. In answer to Sir Geoffrey, I could not agree more, which is why we have a number of measures. As I said, we have one overall ambition, but we also have about 35 other metrics, all of which we report on in our annual report and accounts, and all of which we expect to be measured on. They are much more specific. Export wins, for example, are the value of exports that we think DIT has directly contributed to, as agreed and determined by the companies that we have helped—that was £24.4 billion last year. We have a raft of other measures and we should be held to account for all of them.

- Q22 **Sir Geoffrey Clifton-Brown:** Well, I have got three measures out of you so far—you say that there is a raft of them. Are there any specific ones for which we can look at your performance now and, if we have this hearing again in two years' time, we can decide how well you have done on those specific metrics?

Antonia Romeo: The first thing to say is, yes, in terms of what they are—the value of exports wins, the number of export wins, the ambition that you have already set out, the share of goods that we export to the world—there is a whole raft of measures that you could look at. Of course, you could also look at input measures, such as where we put people and what they spent their time on.

I mentioned earlier the satisfaction survey of 6,000 businesses. You could, for example, hold us to account for positive net promoter scores on the services that we provide. Having worked on and been deeply involved in this—and as an economist—I do not believe that there is a single measure that will give you what are quite reasonably searching for, which is a direct link between how somebody spends their marginal hour and contributions to UK prosperity by exports. That is why we have a whole basket of measures.

- Q23 **Sir Geoffrey Clifton-Brown:** Good—we have some metrics on which to hold you to account. Can I talk about another one? When I was a shadow Minister fifteen years ago, there were 230,000 companies exporting. There are 230,000 companies exporting today, out of 5.9 million businesses in the UK. That is a pretty unambitious target, isn't it?



Antonia Romeo: That is a good question, and I think the current Government would say that you are right. Over the three and a half to four years that I have been in my role, we have been on a journey about what exactly the right metrics are. You mentioned the trillion target earlier; we used to have a target on the number of SMEs helped. The problem was that we felt that could be distorted in the absence of a number of other measures, because it would drive you to try to help one company export one widget and then move on to the next, as that helps you achieve your target rather than actually thinking about the overall value to the economy. So we have essentially been trying to do both things.

I agree. We now estimate that about 235,000 registered businesses export and that is certainly something that we now want to increase. I should add that we want to increase it outside London, in particular—focusing on the levelling-up agenda—and we probably want to have a particular focus on SMEs.

- Q24 **Sir Geoffrey Clifton-Brown:** Does it not tend to indicate that you are concentrating on the larger firms? I understand why you do that, because they have bigger results, but in the longer term surely you should be focusing on some of the smaller firms, because smaller firms grow into medium-sized firms, which grow into larger firms. Shouldn't you be placing more emphasis in your Department on some of the smaller firms, one way or another?

Antonia Romeo: The answer is that we have to do both. I certainly agree that we should be placing some emphasis on smaller firms, but these big companies often employ a lot of people and create a lot of value, so I wouldn't want to say that we shouldn't focus on the large companies exporting. We also want to encourage companies that are not exporting to export, to encourage companies exporting low amounts to export higher amounts, and to support the high-value exports.

One of the things that we are working on at the moment is essentially to separate out those two models, and the Report notes that. We want to continue the one-to-one touchpoint between these ITAs—the international trade advisers that you mentioned earlier—and businesses, but we specifically want to improve our digital model significantly. It is kind of a one-to-many: providing support through offering export opportunities to SMEs, but also offering peer-to-peer support, which is one of the most significant factors in encouraging a company that does not currently export to export.

- Q25 **Sir Geoffrey Clifton-Brown:** Okay. I am going to give you a rest, Ms Romeo, and ask Catherine Vaughan some really quick-fire questions—they only need very short answers—on some quite technical subjects. The FSB has said in evidence that international trade advisers can vary considerably between regions. How about accrediting international trade advisers?



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Catherine Vaughan: We are in the process of thinking about the future of our ITA service, and all suggestions about how we can improve the quality and consistency of the model are definitely welcome.

Q26 **Sir Geoffrey Clifton-Brown:** International manager for hire schemes are used very successfully in some of the devolved regions. When I was doing the shadow job, it was also used quite successfully, particularly in encouraging small businesses to get the right advice. Is that something you are looking at?

Catherine Vaughan: I am afraid that I do not know the answer to that question. One of my colleagues may do, but I am not aware of that scheme.

Sir Geoffrey Clifton-Brown: Perhaps you could let us have the answer to that.

Catherine Vaughan: I will do.

Q27 **Sir Geoffrey Clifton-Brown:** This next question is a very old chestnut; again, it was around 15 years ago. Small businesses continually complain about the £2,500 grant for trade fairs, as it hardly covers the airfare for two businessmen going over there, let alone taking all their goods, hiring a site and everything else. Is that something you would be prepared to look at?

Catherine Vaughan: Our tradeshow access programme is one of the services that DIT gets some of the most positive feedback from. It is designed to provide incentives and some additional support; it is not designed to cover the full cost of accessing those events. It is a useful way of helping to encourage exporters who might not be able to go to trade fairs for the first time. We will certainly continue to look at the evidence for making sure we target that in the most appropriate way, and it will continue to be part of our comprehensive spending review bid.

Q28 **Sir Geoffrey Clifton-Brown:** For a small business, a trade fair is probably the first place they might be able to display their goods and begin to get known—of course, there are electronic methods as well—so I just wonder whether you couldn't encourage more small businesses to go on trade fairs to promote their goods.

Catherine Vaughan: We continually review the impact of all the schemes we provide, including the tradeshow access programme, to make sure we are targeting those businesses for whom it will make the most effective marginal impact. It is continually under review to make sure that scheme is appropriately targeted.

Q29 **Chair:** Ms Vaughan, can I just chip in on that particular point? Sir Geoffrey is right: it is a small amount of money, and you just let slip there that this is something you are—I could not quite hear the answer; perhaps you could just expand. Are you bidding in the spending review for more money specifically to support the small businesses that Sir Geoffrey has been talking about in going to trade fairs?



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Catherine Vaughan: As the permanent secretary said earlier, we will be signing off our comprehensive spending review proposals for the Secretary of State during this month. We do know that this particular scheme is valued by business, and we do think there is good evidence of the impact it makes on encouraging first-time exporters, so I would expect us to be bidding for resource for that. The amount we bid for will be a matter for our Secretary of State's decision later this month.

- Q30 **Chair:** Can I just ask a question about this issue of businesses going out? You talk about trying to measure success, and earlier Ms Romeo was talking about the difficulty in pinning down how your actions relate to increasing exports. For how many years do you track that, from that first visit to an overseas trade fair, which might involve a very small introduction—I am sure Sir Geoffrey will follow this up—to then actually achieving success for that business that is long-term and sustainable and possibly creating jobs and wealth in the UK?

Catherine Vaughan: Thank you, Chair. You rightly suggest that it is genuinely challenging to ensure that we understand the input that we provide and how it impacts on the outcomes for the individual firms. We recently introduced a value for money model that seeks to assess the impact of our different interventions. That is relatively new, and as the NAO and we recognise, there is work for us to do to improve our overall evidence base, particularly in a longitudinal way, and to make sure that we understand the long-term impacts of some of those interventions. In our analyses, we have a specific monitoring and evaluation framework for the tradeshow access programme. It is relatively early in its design, so we expect that to improve in the coming years.

- Q31 **Sir Geoffrey Clifton-Brown:** May I press you on that last answer—"in a longitudinal way to understand the value to those small businesses involved"? What does that actually mean, in plain English?

Catherine Vaughan: We want to make sure that, wherever possible, we understand whether individual firms' behaviours might change over time. They might access a particular tradeshow—the scheme permits people to access multiple tradeshows, up to a certain limit—and we really want to understand whether that makes a difference to their long-term exporting behaviour and to how much they are able to grow as a result of the exports that they are now delivering.

- Q32 **Sir Geoffrey Clifton-Brown:** I understand all that, but given that this was a complaint 15 years ago, shouldn't you really have that information by now?

Catherine Vaughan: It is certainly an area where we recognise that some of the historical information on the impact of some specific interventions by the former UK Trade & Investment organisation was not good enough, and we therefore put in significant additional resources. DIT was established to have more sophisticated monitoring and evaluation, and our evidence base will continue to improve over time.

Chair: Mr Tierney, did you want to come in on that?



Darren Tierney: In our export client survey, we ask a particular question about the impact of the tradeshow access programme within a three-month period. Businesses tell us that 92% of people who have gone have identified new opportunities, 56% made a deal as a result of the programme and 68% started or had increased exporting. That is only survey information, but it gives you a bit of a sense of the impact.

Q33 **Sir Geoffrey Clifton-Brown:** Mr Tierney, did you follow that information up, and did you discover why a very high percentage of those firms only exported in year one and never exported in year two?

Darren Tierney: I am not sure that I have the answer to that.

Sir Geoffrey Clifton-Brown: Could you look at that and give the Committee a note on it, please, because it is a really important point?

Darren Tierney: I certainly will.

Q34 **Sir Geoffrey Clifton-Brown:** Ms Vaughan, when you launched your digital portal, it was the great white hope, but sadly its use seems to be declining. What are you doing to stem that decline?

Catherine Vaughan: We have a wide range of services on great.gov.uk, as well as on gov.uk. We have actually had more than 7 million visits to our gov.uk website since March 2019. There are some challenges in tracking unique visits to our website, because we do not expect businesses to have to log in; they can access our services without logging in. There are also some restrictions through the cookies policies that we need to use for GDPR.

However, we have actually expanded a whole range of digital services, particularly over the last year, with services replacing digital services provided by the EU—for example, for exporters to check how to trade with other countries, or for those importing into the UK to check new UK tariffs. Our export opportunities service published more than 230,000 opportunities last year, compared with only in the region of 12,000 not long previously when those services were fully manual, rather than the new digital services that we provide.

Q35 **Sir Geoffrey Clifton-Brown:** Can I just examine that answer for a minute or two? Your very small firms are not even given an opportunity of a trade access grant. They are shifted towards your digital portal. What the FSB tells us is that once they have logged on and registered what they do and what they want, they are often not given much follow-up. Unlike a bigger business that has staff to do it, they cannot afford the time to have somebody constantly watching their website or their emails to see if there is an opportunity. So again, it seems as though the digital portal is not working terribly well for very small businesses, in terms of follow-up.

Catherine Vaughan: That is helpful feedback to know. The export opportunities service, I appreciate, provides an awful lot of information to businesses. If you are small, I can appreciate that it may be challenging to pick exactly the right opportunity for your business. There are a whole



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range of products—for example, market guides that help people to understand, if they are going to enter a country, what we think might be the best sort of opportunities to pursue. There are guides on how to export. We know that there is more work to do to improve our digital services offer. We have done hundreds and thousands of hours of research with our users, and we continually iterate services in response to the user feedback that we get.

Q36 Sir Geoffrey Clifton-Brown: I have some technical questions on the digital offering. Could the “Report a trade barrier” tool be more available to SMEs?

Catherine Vaughan: I am not aware that it is not available to SMEs. It is a new service that we think is particularly useful to help us—

Q37 Chair: So in response to Sir Geoffrey’s question, you are saying that it is available?

Catherine Vaughan: I believe it is available to everybody.

Q38 Sir Geoffrey Clifton-Brown: Well, they do not know about it and they are not using it, so clearly something is wrong.

Catherine Vaughan: That is helpful feedback, but it is a service that is universally available. It is relatively new, so I am sure we can do more to promote it better.

Q39 Chair: Ms Vaughan, you have said twice now that that was helpful feedback. Of course Sir Geoffrey is always helpful, but I do not think that he or I felt that him coming to the Committee today to feed that into you would be helpful feedback. Surely you must have been aware of the challenge for some businesses of accessing that information beforehand. Was what Sir Geoffrey said a complete surprise?

Catherine Vaughan: It is a relatively new service and it is universally available, so we are seeing take-up increase, and we continue to iterate it. The FSB feedback is very welcome, and we will continue to talk to those organisations to make sure that we are targeting and promoting those services well.

Q40 Sir Geoffrey Clifton-Brown: The DIT Europe trade hub was established in April 2019 following the DIT North America export portal. As it has been welcomed by all sizes of businesses, are you thinking about rolling it out to other parts of the world?

Catherine Vaughan: I will ask my colleague Darren Tierney to follow up. The priority for that particular trade hub was recognising the changing trading environment that exists as a result of us leaving the European Union, and therefore the official support that we need to provide to exporters and to exporters in those countries who are seeking to import their goods to the UK. At the moment, I do not think there are any plans to expand, because it was particularly designed to respond to that change as we left the EU, but Darren may be able to follow up further.

Q41 Sir Geoffrey Clifton-Brown: Mr Tierney, given that China and south-



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east Asia is probably our biggest export market—or potentially our biggest, because of course America is at the moment—would it not be a good idea to expand it to Asia?

Darren Tierney: It is a good question. Because it has been successful, we will be talking to the other trade commissioners about what would work best in their regions. That will be tied a bit to our overseas business network support in those countries as well.

Sir Geoffrey Clifton-Brown: Thank you. I have no more questions at this stage.

Chair: Thank you, Sir Geoffrey. I am sure we will come back to you.

Q42 **Sarah Olney:** I will speak first to Mr Taylor of UK Export Finance. Paragraph 18 of the Report says “UKEF is concerned that it may...have missed opportunities to use export finance to support UK exports in some markets” because of the lack of technical skills among DIT staff to promote export finance. I wonder if you could tell us a little more about that and what more you think DIT should be doing to help UKEF promote its products and support UK exports.

Louis Taylor: I think the first thing to say is that we do not need everybody in the Department for International Trade to be an expert in UK export finance. We need them to be competent enough to have the conversation, when it is necessary, to get the information that will allow them to bring in the expertise. That said, we would like to make sure that UKEF is not forgotten at all at an opportune moment. We have done a couple of things to ensure that that does not happen.

The first thing is a little to Sir Geoffrey’s point: we have created an online training module, the award in trade finance, accredited to the Institute of Export & International Trade, worth 36 CPD points for those who enrol, and over 500 DIT staff members have enrolled in that online course. The second thing we have done is, because we felt it was really important to have somebody within a region of the world who was an expert in export finance, so over the least two years we have recruited a small number of regionally focused export finance executives with pretty much universally a background of being late-stage-career bankers with a great rolodex and understanding of the local capital markets, helping the DIT teams to triage opportunities to what is and is not a real financing possibility, and also being able to have a regularity and intensity of interaction with counterparties in their region. So we feel we are addressing the lack of real technical knowledge in a—

Q43 **Sarah Olney:** Sorry to interrupt you. When you say that is what you need, is that what you currently have or are working towards getting? Whereabouts are you in that process?

Louis Taylor: We have a plan to have up to 20 of these export finance executives placed in embassies around the world. We have got 12 recruited already and we will be recruiting the rest of those during the next few months. Those in situ already are delivering a lot of value.



- Q44 **Sarah Olney:** Excellent, thank you. Antonia Romeo, Mr Taylor has talked about the training module for DIT staff and said that about 500 staff have currently enrolled. Are you satisfied with that? Do you need more staff training on export finance? Are you comfortable with the amount of expertise among your workforce?

Antonia Romeo: The first thing to say is that I completely endorse what Louis Taylor said: not everybody in DIT needs to be an expert in export finance, but the people who do need to be and are talking to business all the time should have some basic level of export finance. As the Report has—I think rightly—identified, we are not the whole of the way there. We first spotted this problem at the time we did the export strategy, which is why we have the module and, in particular, as Louis said, we have heads of UKEF overseas. But we also need to improve that training. Where I think you are getting to, Ms Olney, is that, with 500 having enrolled, I want to ensure that those 500 have completed the module. I would not necessarily expect many more than that to need to enrol—perhaps a few more overseas. I am more interested in who is doing it and what level of knowledge they have, and that is work in progress.

- Q45 **Sarah Olney:** Both you and Mr Taylor have said that not everybody needs to be an expert in export finance. How many people do need to be, though? What proportion of your staff? I personally feel it is quite an important area in terms of promoting exports and you have both been a little bit defensive. What proportion of your staff need to be not necessarily expert but able to have an informed conversation?

Antonia Romeo: I certainly did not mean to be defensive. I have about **765** staff who work in what we call global trade and investment, so they are doing the business-facing end of it. For starters, the majority of them should have some level of knowledge. Don't forget, we also have a module for induction into UK Export Finance. That is a less advanced module. Some people would just need to do that. In addition to that, of the 1,400 people I have overseas, I would want a number of them—in the low hundreds—to have completed whatever level they needed to do. I want people to be able to spot the opportunities for export finance. Equally, I would like export finance colleagues to be able to spot additional opportunities for trade promotion, as it were, and to pass them back.

One final thing we have done recently is ensure that there is a proper connection between the international trade advisers across the UK and UK Export Finance colleagues. That is important because those people are going out every day and talking directly to business across the UK.

- Q46 **Sarah Olney:** Thank you very much. Mr Taylor, you have started to increase the numbers of UKEF staff based overseas. Why have you started doing that now, but not previously?

Louis Taylor: There are always budgetary constraints. Also, we identified a specific need, as we have just articulated, and found an economical, good-value-for-money way of bringing expertise into a region, without necessarily duplicating the network that DIT already has. With 1,400 staff overseas, DIT is an incredibly valuable resource to us. We would like every



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one of those 1,400 staff to know that UKEF exists. As Antonia has just said, we need a few hundred of them to be confident enough to have the conversation and get us involved.

- Q47 **Sarah Olney:** It sounds to me, Mr Taylor, like these formal links between DIT and UKEF are really important to both sides, so that you can move forward on what you are both trying to achieve. I understand from the Report that you were planning to develop a memorandum of understanding, which presumably would have strengthened those links between the two organisations, but you had not signed it in April 2020. Can you tell me a little bit more about how that is progressing?

Louis Taylor: There are two MOUs here. The one that the NAO highlights in the Report was centred around the administrative management of this overseas cadre of UKEF employees that we were talking about. They are now entirely managed by UKEF, so there is no need for that MOU. The MOU that is really important going forward is one between the two Departments, which enables us to be able to ensure consistency in objectives and outcomes across the piece in terms of mutual help. As Antonia said, it is not just international trade advisers who refer opportunities to UKEF in the UK; we have 23 export finance managers around the UK who refer to DIT as well. It is about formalising that and ensuring that we have an agreement and proper expectation management of what it is that we are each doing for each other.

Other areas that will be covered will include digital, to ensure our web presence is congruent and integrated with DIT's; it will encompass this mutuality between international trade advisers and export finance managers; it will have sector collaboration, in terms of the events that the DIT sector teams run, to ensure that UKEF is present and able to make a pitch at those events. Those things will ensure consistency and regularity in each direction.

- Q48 **Sarah Olney:** What stage have you got to with that memorandum of understanding?

Louis Taylor: That is under discussion. We hope to be able to introduce that in the next few weeks.

- Q49 **Sarah Olney:** Thank you. Ms Romeo, what obstacles do you perceive in getting that memorandum of understanding in place?

Antonia Romeo: Very few. The crucial thing is that we already work closely together. For example, Louis is on my executive committee, and DIT is represented at DG level on his. At a strategic level, we are already in contact. We are trying to embed a change of approach. The MOU will write down the change of approach. The thing I am really interested in is getting the change, giving people the knowledge, and getting the culture to change where it is needed to do that sharing. We think we are quite far down that path. Writing down what we think it will look like will not be difficult.



My own view is that this MOU will be most useful once we have determined priority sectors and markets, because we want those to be checked, so that we are all working to the same strategic priorities. That is something that I expect will come out of the CSR. So we could either consider doing a sort of mini-MOU and signing it, or we wait until we have something that says “These are the sectors and priorities now; this is the way of working”: we write that bit now and then we can sign it—but I don’t think there will be any blocks. Louis and I are both completely committed to writing it down and signing it.

Q50 Sarah Olney: Excellent. Speaking about sectors and markets, and developing your understanding, in paragraph 15 the Report says, “DIT’s insight into exporters in different sectors of the UK economy is variable.” They mention particularly sectors such as renewable energy, which, I think we all know, is going to play a massive role in the future as we work towards a zero-carbon economy. How can you work better with other Departments such as BEIS to exploit some of these opportunities for UK industry in overseas markets?

Antonia Romeo: I very much agree. I just want to make a comment on the point about sectors. We have been doing a big upskilling of the sector teams over the last year, and we brought in a number of director-level sector leads, who have been really helping us get under the skin of those sectors where we were less well advanced, and able to support business less. Obviously, the green transition, low carbon—this is a massive priority for our Department as for all, and we are doing a large number of things. On FTAs, for example—I know you didn’t ask about this, but with permission—we are specifically looking to promote low-carbon goods and services via those FTAs. Indeed, the EU-Japan deal has about as advanced a clause on multilateral environmental agreements, etc, as any. So we are very focused on this.

We are doing a lot of work with BEIS in particular. Last year’s Dogger Bank inward investment of £4.5 billion to generate clean energy is a good example of UKEF, DIT and BEIS working together. Obviously as part of COP26 we are working with BEIS and with DEFRA on building a coalition on sustainable trade. That will be via the trade dialogue. We obviously are doing work on the global resistance summit as well, which is early next year, which will develop finance solutions to systemic risks. So there is a lot of work that we have got going on, and in terms of trade promotion we are seeking increasingly to include promoting trade in low-carbon goods and services. As we are supporting businesses, we are particularly focusing on those.

A final thing to say is, as you might have spotted, on our UK global tariff published earlier this year, we in fact cut tariffs—so this is the tariff that will apply when the transition period is over—on over 100 products to back renewable energy efficiency and carbon capture, so we are very focused on the sector.

Louis Taylor: It is incredibly important that we are seeing it not just in the light of pure exports; it is really important that we get inward



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investment into the right sectors as well, in order to develop an industrial capacity for the industries of the future, which will include renewable energy. So we all have a role to play, which we do very actively with BEIS, in delivering the industrial strategy commitment to growing the industrial base in the UK in renewable energy.

- Q51 **Sarah Olney:** Thank you very much. I appreciate that point, although we are specifically looking at exports today. I just wondered, Ms Romeo, if you can talk a little bit more about other emerging sectors that you think the DIT, working with BEIS, have identified as potentially big new export sectors for us, and how you go about identifying those.

Antonia Romeo: We very much see our role as working with, from the global perspective, but delivering, the Government's overall strategy; so we focus on delivering the industrial strategy, and priority sectors, and, as I say, we work very closely with BEIS on that. In terms of emerging sectors, I already mentioned digital trade and tech, and obviously we just had the end of London Tech Week. We are doing a big push there, particularly into Asia-Pac; but also, overall in terms of technology, we obviously see that this is going to be a large part of any future strategy for the Government. So we are seeking to do more in terms of exports and indeed investment on that front. In terms of markets—I don't know if you were referring just to sectors, or to markets as well.

- Q52 **Sarah Olney:** Specifically sectors. I am interested in how you would know whether there is an emerging sector in the UK that is ripe for future export development.

Antonia Romeo: Essentially, to work out what our target sectors and markets are, we look at growth. We look at international growth trends. We look at where the UK has a comparative advantage or could have a position of strength, or where we might create one. We look at what the Government's overall strategy is—it could be set by the industrial strategy, in terms of where the Government wants us to do more. We expect, by the way, to be looking at some of the work that the Department has also been doing on supply chain resilience. We think that will identify certain areas where we might want to ensure we have additional capability. It might be about ensuring that we have domestic investment, and it might potentially be about exports from there. We look at a whole range of areas, and then we look at which sector we want to apply, in which market, and what we are going to go after.

- Q53 **Sarah Olney:** Would it be fair to say that your identification of emerging sectors is primarily driven by the Government's industrial strategy?

Antonia Romeo: No, but I see why you would say that in response to what I said. That is a crucial part, because we fit in with the Government's overall policy and strategy, of course, but what we are trying to bring to the party is international analysis of growth trends globally—what is happening and where markets are growing. For example, Africa has six of the top 10 fastest-growing economies in the world. We have doubled the size of the network in Africa over the last three years, and we want particularly to be moving support into Nigeria and Egypt, where we think



the middle classes are growing and could be good purchasers of the sort of things that the UK exports. We look at the global picture, and we try to bring that back. I was just seeking to demonstrate that we do it within an overall strategy.

- Q54 **Sarah Olney:** I understand that. Do you think people in Nigeria and Egypt will be interested in the things we currently export? It might be that we take a view that we are really keen to encourage exports in certain regions of the UK, for example, so we look at the particular industries that are prevalent there and encourage exporting from there, but that doesn't seem to be the way that you do things. You are not looking to see where future growth may come from the UK. You are looking to see what the markets abroad might deliver for our existing exports.

Antonia Romeo: I think that the industrial strategy, by the way, does some of that forward looking, because of course it has to plan for challenges, and so on, so it is not a static picture. We are seeking to look five to 10 years ahead. If we are trying to get into growth markets, we have to know what is going to be growing in five years' time. We are very much looking at that and analysing that picture. We are also clear that we should seek to support areas of the UK's comparative advantage, so we connect what we are doing overseas with what is happening back in the UK in areas where we can build capability, for example.

- Q55 **Sarah Olney:** Thank you. Finally, what are you doing to co-ordinate with the devolved Administrations to ensure a coherent, UK-wide approach to promoting exports?

Antonia Romeo: We do a lot with the devolved Administrations both on trade promotion and on trade policy. As you know, trade promotion is a concurrent power, whereas trade policy is reserved. On trade policy, we consult closely, and we seek to understand fully the impact of new trade deals on all nations. For example, we estimate that, as set out in our scoping assessment, a UK-US trade deal will benefit Scotland and Wales in particular, as well as some regions in the UK.

We have a number of ways that we co-ordinate and communicate with the devolved Administrations. There are ministerial-level discussions, led by the Minister for Trade Policy in DIT. We have extensive engagement at an official level. We have a DG-level executive forum, which Darren Tierney is on. That meets about twice a year, I think, and we have a number of more regular fora.

Overall, we try to ensure that we provide services that support all businesses across the UK. For example, companies in the devolved Administrations received 8% of TAP funding—tradeshow access programme funding—last year. We very much seek to encourage that. Of the estimated 52,000 jobs that were new jobs created by work that DIT did on inward investment, we think about 8,000 went individually to the three devolved nations and another 8,000 were in multi-locations. I know



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we are not focusing on investment, but that demonstrates our closeness of working with the devolved Administrations.

Sarah Olney: Thank you, Chair. I am finished.

Chair: Sir Geoffrey, do you want to come back in at this point?

Q56 **Sir Geoffrey Clifton-Brown:** Yes, please. I have a few more questions for Mr Taylor on UKEF. Your aspiration in 2020-21 is to support 270 customers, but in 2019-20 the target was 500. Why has that aspiration dropped?

Louis Taylor: I think it is a redefinition of the aspiration, because there are many ways in which we help companies. The direct help we give, where we are actually contracting with a company—that target is 270. But actually, we support a lot of other companies going into big projects that we support, where we give a large amount of money to a procurement contractor for a contract abroad. They will then offer indirect support to a large number of UK companies. We absolutely have the aspiration to be helping directly and indirectly a much larger number, but the number we will contract directly with is a minimum of 270. That is what we are saying.

Q57 **Sir Geoffrey Clifton-Brown:** Page 6 of the Report, at paragraph 6, says that “UKEF aims to complement, not compete with, the commercial sector to ensure that no viable UK export fails for lack of finance or insurance.” But your loan system relies on the banks to provide financial probity. According to the Federation of Small Businesses, that is leading to a number of requests from small businesses being declined. Do you have any comment on that?

Louis Taylor: I think that is credit worthiness rather than financial probity. In relation to small businesses, viability is a really important element of what we do. We are not there to lose money or to subsidise; we are there to provide finance for things that should get financed. To the extent that we turn things down ourselves—we turn them down very little—it is because they do not have viability. We are also boxed into working through the banks, because of the state aid rules. If we were to be giving 100% guarantees, there is a danger that we would be seen as being a state operator, whereas we operate through the banks and guarantee 80% of a loan. The 20% that the banks have, which is priced by the banks, means that this is not state aid. We need the banks to be willing to take that 20%. I am afraid that, very often, the banks are not willing to do that. That may well be for credit risk reasons, which are perfectly valid reasons for not going ahead with a transaction. But we really try to find ways to do all the business that comes to us—to structure it in a way that will make it less risky, or to be able to ameliorate it in a way that allows us to do it.

Q58 **Sir Geoffrey Clifton-Brown:** Nevertheless—I have no empirical evidence for this—I bet your loan book is highly skewed towards larger businesses, because the due diligence is much less for a bigger loan. I wonder whether the same thing that applies to DIT’s attention to small



businesses, in terms of export, also applies to UKEF in terms of small businesses. What sort of surveys of small businesses do you have in order to discover whether they are satisfied with your services?

Louis Taylor: It is certainly true that the vast preponderance of the finance we extend is for large projects overseas. We have two customer bases: overseas buyers of UK exports, where the predominance of support goes because those are big projects, and UK SMEs that we are providing working capital and bond support to. Due diligence is not the issue, although the cost of due diligence as a percentage of the transaction is clearly bigger for smaller deals. What we have done in order to address that issue is to delegate the use of our guarantee in relation to SMEs to the banks themselves. We do not duplicate due diligence. The banks will do the due diligence that Parliament's chosen regulator requires them to do and we are not seeking to add another requirement on top of that.

It is fair to say that with the product we have had out there—this is still a relatively new business for the UK, because a lot of what we did in this space was privatised in 1991 and we only got back into it a few years ago, after the financial crisis—a lot of that business we are obviously doing in collaboration with the banks. And actually we introduced a mechanism whereby there is almost no process. The banks simply inform us that in a given set of binary criteria we are actually giving them an 80% guarantee on a loan. We have stripped out process and we have made ourselves as accessible as possible.

There are some things that are not ideal. We have been focused on individual contracts for export rather than general working capital, but next month we will introduce a general working capital facility, which will be far more usable for SMEs that are exporters, and we hope that it will be a real driver of the number of SMEs that benefit from our support.

Q59 **Sir Geoffrey Clifton-Brown:** That was a very polished answer, Mr Taylor, but actually I think it probably demonstrates what I am asking you, because we know from our constituencies during the Coronavirus Business Interruption Loan Scheme's granting of loans by banks how very difficult the banks were with viable small businesses and the huge hoops they had to go through. So I ask the question again: what surveys are you doing among small businesses to make sure that you are either beginning to reach them or that they are satisfied with your services?

Louis Taylor: The truth is, Sir Geoffrey, that you probably need 2,000 customers do a proper survey, so we do not do a direct customer survey in the way that you are suggesting, but we have regular dialogue with trade associations like Make UK and the Energy Industries Council. We talk to them all very regularly and we work with UK Finance to develop the products that we have for SMEs, to make sure that we are relevant to the members of UK Finance, which is the big banks and other banks, and to their customers.

Q60 **Sir Geoffrey Clifton-Brown:** Political parties are doing it all the time; it



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is not very difficult to go out there and survey 1,000 small businesses. Why don't you do it?

Louis Taylor: Because we do not have 1,000 direct customers and most customers, who are indirect, do not know that we are supporting, because they do not need to know. It is their—

Sir Geoffrey Clifton-Brown: Businesses that specialise in surveys would do that for you at the drop of a hat.

Louis Taylor: Thank you.

Q61 **Chair:** Sorry, Sir Geoffrey, but maybe that question could be addressed to Ms Romeo, regarding the surveys that the Department for International Trade does in the same sector. Ms Romeo?

Antonia Romeo: As previously set out, we do survey; we have a regular survey of 6,000 customers. And that is when we look at things like net promoter score and overall satisfaction, and whether the service met needs or not. Of course, a large number of those responding to the survey are SMEs. So, if I am told that, with our tradeshow access programme, 82% of companies that used it said it met their needs, that seems to me to be data that I can use, and we build on that—

Q62 **Chair:** But do you have questions in that survey that would help UKEF and do you share that with them?

Antonia Romeo: We certainly share—we publish it, in fact. The NAO saw it before their Report. But we could—why don't Louis and I—

Q63 **Chair:** It is easy to add other questions, as Sir Geoffrey said, to surveys, in order to get other data. Is that something that you have discussed with UK Export Finance, so you can work together on this issue?

Antonia Romeo: Yes—I think. Let's agree to do that.

Louis Taylor: Many SMEs do not have a finance function that is broad enough to have multiple different types of finance; it is about cash. And a lot of the issues that SMEs face are not about export finance; they are about cash and about finance generally. So I think that this is a conversation that we can work with the British Business Bank on, because it is about access to finance for SMEs generally and it is not particularly about access to export finance, which most SMEs do not distinguish from any other kind of finance.

Q64 **Sir Geoffrey Clifton-Brown:** Mr Taylor, your organisation operated in 72 countries, but 80% of that amount was to just five countries. Ms Romeo mentioned two of the countries in the world that have populations of over 100 million. There are another 10; I won't ask you or Ms Romeo which the other 10 are, but it is an interesting Trivial Pursuit question. However, it is those countries that have populations of over 100 million that are likely to grow in the next 10 to 20 years. What are you going to do to make sure that you are supporting even large firms in some of the more exotic markets?



Louis Taylor: We are doing plenty. The first thing to say is that, while we have done a large amount of financing in five countries in the last year, that is because some of the projects abroad are quite lumpy and some of the financing for SMEs that we provide is very small. So, there are a large number of SME transactions, and a large number of countries, but the preponderance of finance goes to some big projects.

We talked earlier about our international export finance executives. We place them in the markets where we think growth is most likely to occur and where UKEF is most likely to be relevant. We have a representative in Jakarta–Indonesia being 250-odd million. We have a representative in India, with another coming soon, so two there. We cover the middle east region as well, where collectively 100 million-plus people live and there will be growth. So, other markets like that. Brazil certainly—well over 100 million there. We have somebody in Mexico—well over 100 million. So we are focused on these markets. There is no question about it.

- Q65 **Sir Geoffrey Clifton-Brown:** Thank you. Can I come back to Ms Romeo? You have six overarching sectors. Ms Olney touched on this. How reactive is your Department to a change in those sectors and a change in export markets? For example, in 2018 the education sector exports overtook our entire insurance exports, so clearly there is a need to adjust your Department's focus. How reactive are you to changes in world markets and how often do you review the situation?

Antonia Romeo: In terms of strategy and focus, we are reasonably agile. In terms of resource allocation, obviously we do not reallocate resources on a weekly basis. We set out via the business planning process our regional trade plan, which is what the trade commissioners for overseas have signed up to, and the sector trade plan, which is what the sector directors have signed up to. The two things mesh and are supposed to be together, and of course they fit in with the FCDO's country plans and will do so increasingly. So those are set for the year. They are reviewed on a roughly quarterly basis, although we do not normally make a decision to shift resources, for example, between regions within a year, partly for the reasons that I mentioned earlier. It is quite difficult to do because you are paying people in one country. We look at it on an annual basis and do that refresh. I delegate the budget at the beginning of the year via the business planning process to the trade commissioners. It is their responsibility to maximise the contribution of exports to prosperity by making those decisions themselves. They might within the year, for example, decide to move some people from focusing on one sector to another sector if that was the appropriate thing to do in their market. That is the central way of running the budget.

- Q66 **Sir Geoffrey Clifton-Brown:** But it might not just be a question of moving from one sector to another within an individual trade commissioner's market. He or she might suddenly find that the total market was growing and that he/she needed more resources full stop, not just a shift from one sector to another. How do you review that?



Antonia Romeo: First of all, we have a challenge process on the regional trade plans generally, but also on a quarterly basis we review the overall budgets to come and we review the forecast spend against budget. Because of that process, the trade commissioners will have the opportunity to say, “I think I have a real opportunity here”, and they can pitch in for more money at that point. We have to manage that within the overall envelope, unless we happen to be, as we were this year, successful in getting some small amounts of money from the Treasury in order to do new things. For example, because we were successful in this Budget, we are putting more international trade advisors around the UK. We have an increase of about 60 to support the levelling-up agenda. Or we can put additional people, for example, into looking at market access, so opening up markets overseas. We put those bids in and then within that, on a quarterly basis, we review our budgets. Catherine might want to add something because I assume her team review on a daily or hourly basis, whereas I am worrying about the quarterly basis, which is when we do our resource allocation that’s needed.

Q67 **Sir Geoffrey Clifton-Brown:** You mentioned two of the more difficult markets, Nigeria and Egypt, but they are nevertheless very large markets and markets that are liable to grow. Surely there would be a case for putting greater resources per pound exported, if you like, into them than into either Europe or America, which are well-established export markets where, I would suggest, the growth is less than in some of the more unusual markets.

Antonia Romeo: Overall for the continent of Africa, we have doubled the number of people we have working over there, and that has probably been the fastest relative growth of any other overseas market. LATAC—Latin America—has also been fairly successful in having an uplift. The more mature markets like North America have seen less of an uplift over the past few years, so we are seeking to put resources where we think the growth is going to come from. In particular, we were successful in this bid for the digital trade network into Asia-Pac. That is going to be very significant, because that is particularly focusing on technology—it is a collaboration with DCMS—and it is an uplift in a market we think is going to be growing fast.

Q68 **Sir Geoffrey Clifton-Brown:** Excellent; that is your best answer today. Thank you.

Can I come back to you, Mr Taylor? Your organisation used to be very focused on large hydrocarbon deals. Ms Olney mentioned carbon reduction businesses and meeting our 2050 target. Is your organisation looking at the newer markets, or if I produce some green solution for something, would I find it much more difficult to get a loan from your organisation than if I were to go and drill for oil in Russia?

Louis Taylor: While we prioritise sectors such as renewables, as we were talking about, when we are being proactive, on a reactive basis, our products are pretty sector-agnostic. We can offer a buyer credit—that is, a guarantee to a bank—whether it is for an oil and gas business or for a



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renewable business, and we are quite reactive on a lot of things, particularly on big projects. However, we do quite a lot to promote new technologies and renewable energy. As I said, we need to make sure we see a supply chain developing out of the UK, because while we are not a subsidy, we are tied to UK content—or our support is. To the extent that we lack a supply chain, it is difficult for us to support that lack of a supply chain, so we are very focused on helping that develop, as I mentioned to Ms Olney.

Specifically in terms of what we were doing last year, we did our first offshore wind project in Taiwan, offering £230 million of financing. There are two follow-on transactions in that region to go. We also put almost £50 million into solar projects in Spain that will generate enough electricity for 250,000 homes in that country, and we were lending into a grid project in Angola that is linked to hydroelectric energy. Just last week, we signed a solar-powered pump and purification system for Ghana that is going to give clean water to 225,000 people, so we are absolutely focused on developing tomorrow's industries and the supply chain that the UK has to supply into those, without at the same time being unavailable to other projects at the moment.

- Q69 Sir Geoffrey Clifton-Brown:** I have a final question for you, Ms Romeo, which Ms Olney has again touched on. Regarding your co-operation with BEIS, and in particular Innovate UK, would it not make sense that Innovate UK—indeed, every activity in that area of growing high-tech businesses—should at least give thought to how they might grow that business into promoting exports?

Antonia Romeo: The short answer is yes, and this is something that came out of the Report. We obviously do work with Innovate UK, but I agree that there might be more work to be done together. There is a high degree of correlation between innovating, high productivity and exporting, which is why you are asking the question, and we have to bring those together. We have started that work; we do work with Innovate UK, but it is fair to say I am not confident that everybody in Innovate UK is fully aware of what it takes for a company to export and is passing through to us. I am not confident, either, that everyone on my team who is working with businesses is also thinking, "Is innovation funding available for this?" although we do quite a lot of that.

- Q70 Sir Geoffrey Clifton-Brown:** I'm sorry, but just to recap this theme of how many businesses in the UK can or do export—this is the very last question—I find it really strange that here we are, 10 years on, and 230,000 or 235,000, only a tiny fraction of a total of 5.9 million businesses in this country, actually export. I wonder what more your Department can do in order to, as it were, spark the idea in more businesses to export, or to think about exporting.

Antonia Romeo: That is one of the big drivers for the new digital universal service, because although we have to talk to people when they want to export, with 275 international trade advisers it is quite hard to touch all those millions of businesses. The export strategy says that we



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need to encourage people to export, as well as to inform them of how to do it, connect them with opportunities and finance them.

We know one thing that is most significant in encouraging businesses to export is peer support and hearing how it is done. That is why the model that we have been developing—the one-to-many model, as it were—will help all those small businesses to do more on that front. We need a way of running a campaign that will encourage those businesses that are not currently exporting to export. I think, as you have indicated already, ensuring that those bits of government and, indeed, the private sector that are talking to those businesses can spot an opportunity to encourage them to export.

I will give one brief example. We work very closely with the private sector. Take a bank. If a bank is selling services to a company that is not exporting, why should it not mention the opportunities of exporting? That is totally in line with the bank's business model as well, because then they can sell that company more services, and it is good for the country, because it is encouraging exports. That is a big part of the export strategy and something that we want to develop further.

Sir Geoffrey Clifton-Brown: You are 100% right about the banks, and some are much more successful at it than others. I suggest that you go to the banks that are not very successful at doing it.

Antonia Romeo: Thank you.

Chair: Thank you very much, Ms Romeo. I now turn to Olivia Blake MP.

Q71 **Olivia Blake:** This question is for Mr Taylor. To follow up Sir Geoffrey's question about the green agenda, I noticed over the summer a report that a new policy was going to be in place by 2021 to prevent any kind of investment in fossil fuels, although a massive investment was approved in Africa because, as the article in *The Guardian* on 12 August says: "aides were told that Africa's biggest ever financing deal was too far advanced for UKEF to abandon." How many other projects fall into that category? What further plans do you have to green your policies in the light of the policy that might be signed off?

Louis Taylor: Thanks, Ms Blake. The first thing to say, as I am sure you know, is that you should not believe everything you read in the newspapers. It is also fair to say that that Mozambique project is the subject of a judicial review, so what I can say specifically about that project is somewhat limited at the moment.

The starting point for UKEF's decision making is its statutory purpose—we were established by statute to help exporters. There is no qualification of that statutory purpose around the environment or development; that's informed by Government policy in the round. The first question for any project is: is it within our statutory purpose? The second, taking Government policy in the round, is whether there is any reason why we should not go ahead. The third question is whether the project is credit-



worthy and whether it is feasible for it to go ahead. That is the position at the moment.

In relation to oil and gas going forward, the Government have made clear that they are undertaking a review of policy. We are part of that review. It is premature for me to be able to say what the outcome of that review will be, but it will be a whole-of-government approach.

Q72 Olivia Blake: Moving on to small businesses, what more do you think UKEF could do for SMEs, and do you feel that you currently have the capacity to deliver the change that you would like to see?

Louis Taylor: I think we are doing a lot more for SMEs. One of the first things we did in response to covid was to take advantage of flexibility in international rules that allowed us to offer credit insurance for developed markets, whereas previously we had been restricted from doing that.

We can now offer SMEs that are trading with the EU, the US or other developed markets credit insurance where their normal provider will not do that; and in these times where risk appetite has shrunk, quite often that is the case. So credit insurance is the first thing.

The second thing is that, as I said, in about a month's time we will bring in the general export facility, which will enable SMEs that export to go to their bank and get UKEF support on the totality of their working capital rather than just working capital linked to a specific export contract. That will be a much more flexible product, we think. It is also the case that that product will be delegated to the banks to deal with, so we will not be adding incremental process beyond that which the SME would have to undergo through its bank anyway. The banks will be able simply to inform UKEF that we are guaranteeing 80% of the loan that they made. So there is a range of things that we are doing to help SMEs. As I mentioned before, we work in partnership with the British Business Bank in many places as well, to help SMEs to access finance, which is a general issue, rather than pure export finance.

Q73 Olivia Blake: One question that I would like to push on is the banks and the lending. I would really like to understand what influence both your Departments have on the situation and also whether there is any sort of strategy behind this to try to improve the situation for lending. I know you have mentioned that it is more to do with cash, but obviously it is a block for some companies, so could you give me more timescales and more of an idea of what you are doing to push that agenda?

Louis Taylor: We are trying to augment the banks' risk capacity by offering to guarantee up to 80% of exposure, so if a bank will lend £100,000 to a company, then with our guarantee they could lend up to £500,000 to the company. We are trying to have that impact.

It is fair to say that we can't force a bank to lend; nor should we, because that would be contrary to the way regulators regulate banks and they need to have prudence in their credit decisions. So we cannot force banks to lend, and as I have mentioned, we work through the banks because of



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state aid rules, which mean that we cannot provide 100% guarantees and provide the finance ourselves and demonstrate that it is on commercial terms.

For companies, the tricky thing is that risk appetite gets squeezed, but actually the British Business Bank runs a survey annually of businesses and their attitude to finance and it was increasingly clear last time that fewer and fewer SMEs are relying on bank funding, that there has been a massive increase in funding from other providers of finance, and that SMEs are wanting to run with lower levels of debt. Covid has made a difference on that, and there is a different response—not UKEF but through the British Business Bank, but from Government, in the form of CBILS and the bounce back loan scheme. I think that we need to let those play out a bit longer, and there are other Departments involved in dealing with the impacts of those.

Olivia Blake: And the same question to Ms Romeo.

Antonia Romeo: In terms of what we are doing working with and supporting SMEs generally or what we are doing—

Olivia Blake: What you are doing across Government and what your strategy is for improving access to finance.

Chair: Access to finance across Government.

Antonia Romeo: In terms of access to finance, we obviously are working closely with UKEF to ensure the finance is there. We obviously work closely with BEIS and Treasury. We are in the business of doing trade promotion, so it's more that we might spot an opportunity for finance or we might pick up that there is a particular area where we should be doing more to promote—

Q74 **Olivia Blake:** Do you think that those relationships are close enough and do you feel that things are running smoothly through that kind of—

Antonia Romeo: Generally across Government?

Olivia Blake: Yes.

Antonia Romeo: Generally, cross-Government working—essentially, DIT is a horizontal Department. There are other Departments that own sectors, be they BEIS, DCMS or DEFRA, and we operate exports and investment across all those sectors, so we have to work absolutely hand in glove with all Government Departments. We have different ways of doing it with different Departments. With BEIS, we have a regular forum, for example, on investment, in particular, where we bring together looking at domestic and international investment. On exports and trade promotion, we are talking all the time to the sector. Departments have sector teams to help us identify—we bring the markets knowledge and they will have some sector expertise to augment our own sector expertise.



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I do not want to sound complacent, because of course there are places where it is good and places where it needs work, but overall I think we have made a big push, since the creation of the Department, to be at the table and offer those discussions and to bring trade to all the discussions on business and what business needs. But it is a work in progress.

Q75 Olivia Blake: I was just going to ask about communication. I noticed an interesting quote from Marcus Dolman, the co-chair of the British Exporters Association, about how the DIT and UKEF communicate with exporters. I wanted to ask if you felt that you could strengthen the way that you are engaging and what you currently do to engage, and if there is an improvement plan behind that to make sure that you are seeking opinions in a timely and useful manner.

Antonia Romeo: What exporters like most is face-to-face contact, but within our resource envelope we cannot give every potential business exporting face-to-face contact. We have to prioritise. That is why we are seeking to focus in particular on some high export potential businesses, but we need to have an offer to all businesses. In particular, we want to focus on SMEs and particularly those SMEs outside London, because of the levelling-up agenda.

For example, next year, we will be piloting a new programme of support, essentially to ensure regional growth, for SMEs regionally. We are working closely with MHCLG and BEIS on that. We want to pilot that in the northern powerhouse, the midlands engine and the south-west. In particular, that will look at how we can provide peer-to-peer support earlier, so that is a new programme that we are currently looking at how we would do it. That would be joint working on the ground.

To finish, all exporters want—we know what they like most, because we ask them via our client survey—is face-to-face contact. We are trying to provide a full spectrum offering so we can capture all exporters and potential exporters within the resources that we have.

Olivia Blake: The same question to Mr Taylor.

Louis Taylor: From UKEF's perspective, all the time I have been here in the last five years, our biggest problem has been making sure that people are aware of UKEF. That remains our issue, even though we have been making some progress.

Our previous Secretary of State managed to secure, for the first time, a marketing budget for UKEF, so we have a £50-billion fund that now has a marketing budget behind it. We are looking to raise awareness. You can see behind me our product—let me move aside for a second—the “Exporters’ Edge” campaign is what we have developed. That is gaining a greater degree of awareness among SMEs. It has gone up from 20% to 31% since we began the campaign. But there is a way to go, no question about that, and we will continue to work with the DIT to make sure that we make awareness more prevalent.



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It is fair to say that, because we work through banks, the universe we need to be most aware of is bank relationship managers who, faced with a loan that they cannot themselves make, might think, "Should I use UKEF here?". We do not need the exporters themselves to be aware of us, because they are going to need a bank involved anyway.

Chair: Sir Geoffrey Clifton-Brown, you have the last word, I think.

Q76 **Sir Geoffrey Clifton-Brown:** Just two last points. On that last point, Mr Taylor, given that the number of bankers involved in the export area must be fairly small, it would surely be possible to communicate with almost every one of them in all the major banks to make sure that they are properly aware of the services that UKEF offers.

Louis Taylor: I do not disagree with you. It is in the hundreds or thousands, or the low thousands, if you take all the relationship managers around the country for, at the moment, the five big banks, but we intend to open it up to more. We certainly have the ability to make them aware, but it is also the case that the administrative processes that they have to follow for their internal products are incredibly onerous, and adding any incremental administrative element is disproportionately discouraging to the use of products. We are very much trying to demonstrate and use examples of those relationship managers who have used UKEF, what it has done for their customer and what it has done for customer satisfaction, as a way of getting other relationship managers to use the product.

Q77 **Sir Geoffrey Clifton-Brown:** Do you, in fact, use more than the big five to provide information on firms' financial soundness?

Louis Taylor: We do not use the banks to provide us with information on financial soundness. What we have said is that if they are willing to put up the 20%, why would we not be willing to do that, because they have prudential rules and they have skin in the game as well? We should be okay with that.

Q78 **Sir Geoffrey Clifton-Brown:** So you will take that from outside the big five?

Louis Taylor: On the delegated basis, not yet, but that is coming. We want to establish the system with the big five and create standard documentation, because we cannot have 45 different documents out there. We want a single set of documentation. That will be opening up to other banks shortly.

Q79 **Sir Geoffrey Clifton-Brown:** So we have exactly the same problem as we had during the covid interruption loans that it was only the big five and those businesses that did not bank with the big five were effectively cut off from them. Is that not something that needs rectifying?

Louis Taylor: First, we are going to broaden out the number of banks but, secondly, the vast preponderance of businesses bank with the big five.

Q80 **Sir Geoffrey Clifton-Brown:** Yes, but there are some that do not, and



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are therefore effectively shut out. Anyway, I have done as much as I can on that.

Final question: you heard me asking Ms Romeo about metrics that we can measure her Department's performance with. We do not seem to have any metrics from UKEF. What would you suggest the metrics should be, so that if we have you back as a witness in two years' time, we can assess how well your organisation has done?

Louis Taylor: Sir Geoffrey, we certainly feel that we have many metrics to which we have to manage, not least the Treasury's financial framework that they set for us, which allows us to operate the balance sheet that they give us. We have metrics around overall exposure, capital at risk, the premium we charge relative to the risk we are taking on, and on country limits. We have a wide range of financial metrics and we have maintained a position of being well within those and performing extremely well, to the point where our mandate is to operate at no net cost to the taxpayer, but we have given £700 million to the Treasury over the last five years. So we are not a subsidy; we generate income. We are not trying to generate massive profits, but even to break even you have to make a little bit of money.

Sir Geoffrey Clifton-Brown: I accept all that. Thank you very much indeed.

Q81 **Chair:** Thank you very much, Sir Geoffrey. I thank our witnesses very much indeed. This is an area that is, as I said at the beginning, of increasing interest to parliamentarians and the public and businesses out there, so we look forward to putting together our Report, which will be published in the next few weeks, and we look forward to seeing our witnesses again in—sorry, Ms Romeo, did you have something to add?

Antonia Romeo: Can I briefly correct a number that I gave to the Committee earlier? The correct number of staff based in the UK is 2.88 thousand. I think I said something closer to the lower 2,000s.

Chair: Thank you very much. It is always helpful to have that corrected on the record in the moment. That makes life a lot easier. There were a couple of points that you were going to write to us on, so that will be pursued through the Clerks' team. Thanks to the witnesses, to the National Audit Office for their support and to the Committee.