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Baroness Donaghy
Chair, EU Services Sub-Committee
House of Lords
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27 May 2021

Dear Baroness Donaghy,

Thank you for your report, *Beyond Brexit: trade in services,* published on 24 March 2021. It contains valuable analysis across a broad spectrum of UK sectors related to services and investment and I welcome both your Committee's and the sector's endorsement of what we have negotiated in the Trade and Cooperation Agreement (TCA) with the EU.

The UK Government agrees with the committee that UK businesses need our support to maximise the opportunities of our new relationship with the EU as they recover from the impacts of this pandemic. This is why we have shared extensive guidance on providing services to the EU and will continue to build on this guidance over the coming months with more detailed advice. We are providing financial support and expertise for service providers through our Office for Investment and Cultural Recovery Fund, among many other initiatives, and as you will see from the detailed responses below, the UK government is continuing its dialogue with the EU to make further agreements on financial regulation and data adequacy to our mutual interest.

This cover letter provides an overview of the Government's response to the 5 sector-specific chapters in your report. The responses for each chapter have been cleared by the appropriate Ministers in Departments across Government, which I have listed below along with a short summary of their response to your recommendations. The full responses to the Committee's recommendations follow these summaries.

Financial Services (Economic Secretary to the Treasury, John Glen)

The Government recognises the major contribution that the financial services sector makes to the UK economy. The Government took extensive action to ensure a smooth end to the transition period and has since set out the forward path for the UK's regulatory landscape in financial services. The UK remains committed to world-leading regulatory standards and taking up opportunities in up-and-coming sectors in international markets, including Green finance and fintech.

Since the publication of the Lords' Report, the Financial Services Act 2021 has passed into law. The Act was the first step in shaping a regulatory framework for the UK's financial services sector outside of the EU and is a key part of a wider process of developing our regulatory arrangements.

We have also reached technical agreement on a Memorandum of Understanding (MoU) on regulatory cooperation with the EU. Once signed, the forum the MoU creates will help facilitate meaningful and productive dialogue between the UK and the EU, and should aim to reduce uncertainty and improve transparency, while working towards a common understanding of one another's regulations.

Professional and Business Services (Minister for Investment, Lord Grimstone of Boscobel Kt)

In my letter to the PBS sector, published 13 May, I acknowledge that PBS is a fast-growing sector with an excellent international reputation.[1] The Government recognises the sector's remarkable value and is therefore committed to developing a plan for joint working on key areas such as skills and net zero later this year. More immediately, the Government is supporting PBS businesses, especially SMEs, to adapt to the TCA through guidance available on GOV.UK. This includes new country-by country guidance for business travellers, information on EU reservations, and providing a range of support measures for regulators and professional bodies such as a new team to facilitate recognition arrangements for professional qualifications.

The Government continues to promote the UK as a leading services and investment destination outside the EU. This includes working across government to attract investment from other countries and boost our recovery from the Covid-19 pandemic, as well as ensuring that all regulators can easily enter into recognition agreements with their overseas counterparts via the newly introduced Professional Qualifications Bill.

Data & Digital (Minister for Media and Data, John Whittingdale, and Secretary of State for Digital, Culture, Media and Sport, Oliver Dowden)

The Data & Digital provisions in the TCA help facilitate cross border trade, supported by the exchange of data. These provisions are highly important to businesses, many of whom increasingly render their services online. The Government welcomes the Committee's response to the Digital Trade Title of the TCA, which is one of the most modern and forward-leaning in the world, and also welcome the Committee's comments on the importance of maintaining a close dialogue with the EU on data. It is important that the technical approval process regarding the UK's data adequacy is concluded swiftly, as per the declaration published alongside our Trade and Cooperation Agreement.

As the Committee notes in their report, data and digital trade is a fast-moving area, and new precedents are continually emerging. The UK is committed to being a world leader in these areas and therefore stands ready to engage in any future review

[1] "Letter From Lord Grimstone To The PBS Sector". *GOV.UK*, 2021, https://www.gov.uk/government/publications/lord-grimstone-letter-to-the-professional-and-business-services-pbs-sector/letter-from-lord-grimstone-to-the-pbs-sector.

processes and looks forward to engaging with the EU through the appropriate structures in due course.

Creative Industries (Minister for Media and Data, John Whittingdale, and Secretary of State for Digital, Culture, Media and Sport, Oliver Dowden)

The UK's cultural and creative sectors are the finest in the world, and an important contributor to the UK's soft power. Our cultural exchange with EU citizens in these sectors gives our citizens a sense of pride and belonging to eachother's communities, making them uniquely valuable.

We are working on plans to support the creative sectors tour in Europe more easily, with discussions facilitated through a DCMS-led working group. This includes developing sector specific 'landing pages' for GOV.UK, which will allow cultural and creative professionals to easily locate and access the guidance relevant to them. Additionally, the Department for International Trade (DIT) is working with industry partners to support creative industries companies export to Europe, including developing co-production partnerships and other creative collaborations.

More broadly, the Government recognises the unprecedented challenges faced by the creative industries and arts sectors from the COVID-19 pandemic. Through the Culture Recovery Fund, among others laid out in the full response, the Government continues supporting the arts and key cultural organizations to continue operating as the nation recovers from the pandemic.

Research and Education (Minister of State for Universities, Michelle Donelan, and Parliamentary Under-Secretary of State for Science Research and Innovation, Amanda Solloway)

The Government was pleased to agree the UK's association to Horizon Europe as part of the TCA. Our association to Horizon Europe will give UK researchers and businesses access to the largest collaborative research funding scheme in the world. Additionally, the government has committed to investing £14.9 billion in research and development in 2021/22. This follows four years of significant growth in R&D funding, including a boost of more than £1.5 billion in 2020/21 and a £400 million increase in UK core research budgets announced at SR20 for UKRI and National Academies in 2021/22. It will mean UK Government R&D spending is now at its highest level in four decades.

The Turing Scheme is part of the Governments' long-term ambitions for a global Britain in the field of research and education. This scheme will fund students in schools, colleges and universities across the UK to go on educational placements and exchanges around the world, from September 2021.[2] It is not a like-for-like replacement of Erasmus+. Rather than being EU-focused, the Turing Scheme is truly

[2] "New Turing Scheme to support thousands of students to study and work abroad". *GOV.UK,* 2020, https://www.gov.uk/government/news/new-turing-scheme-to-support-thousands-of-students-to-study-and-work-abroad

global, and every country in the world will be eligible to partner with UK educational settings. It will also do more to encourage participation among disadvantaged students, to enable the opportunity to gain an international education experience.

I would like to thank your Committee again for its work on this subject. The Committee's experience and scrutiny is a welcome contribution to this discussion, and the Government remains committed to engaging on this topic as we transition to our new trading relationship with the EU.

Kind regards,

Lord Grimstone

Lord Grimstone of Boscobel, Kt

Minister for Investment

Department for International Trade

Department for Business, Energy and Industrial Strategy

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The conclusions and recommendations in *Beyond Brexit: trade in services* report have been grouped together where appropriate and are in the numbered paragraphs below, in bold italics, followed by the Government's response.

Financial Services (Economic Secretary to the Treasury, John Glen)

Financial services are an important part of the UK economy. The sector contributes £132 billion to the UK, amounting to 6.9% of total economic output, and contributed more than 10% of UK tax receipts in 2019/20. While the absence of substantive financial services provisions in the TCA was disappointing, it was not a surprise, and the sector was well prepared for 1 January. But delays to key decisions about the future relationship, particularly on equivalence, mean that financial services remain in a period of uncertainty. (Paragraph 27)

The results of the UK's exit from the passporting regime have included the movement of some activity to the EU and firms facing the challenges involved in navigating different market access requirements in each Member State. We are concerned that it may, over time, lead to a substantial shift of people and assets out of the UK (Paragraph 28).

We agree that the financial services sector is vital to the UK economy, employing 1.1 million people across the UK, and contributing nearly £76 billion in tax revenue in 2019/20 which was more than 10% of total tax receipts.[3]

The government took extensive action to ensure a smooth end to the transition period and set the forward path for the UK's regulatory landscape. This included implementing a programme of legislation under the EU Withdrawal Act, to ensure that the UK regulatory regime continued to function effectively at the end of the Transition Period and confirming that the Temporary Permissions Regime (TPR) and the Temporary Transitional Power (TPP) would apply from the end of the Transition Period. The Government also announced a package of equivalence decisions for EEA states to provide certainty for UK and EEA businesses. In addition, UK firms carried out extensive preparations so that they can continue to do business with the EU, and they are now operating under these arrangements.

In their financial policy summary published in March, the Bank of England's Financial Policy Committee (FPC) judged that 'the transition period between the UK and European Union (EU) ended without any material disruption to the provision of financial services.' This reflected 'extensive preparations made by authorities and the private sector over a number of years'. HMT and the regulators continue to monitor how firms are adapting to new arrangements.

The Government acknowledges concerns that the UK's exit from the passporting regime could lead to some migration of people and assets out of the UK, although there have been no such movements of notable scale to date. We continue to work closely with the Bank of England and FCA to monitor any relocation of financial services activity from the UK to the EU. The Governor of the Bank of England said in January that between 5000-7000 jobs have migrated to the EU. These numbers are very low in comparison to the overall size of the sector (1.1 million people across the UK).

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[3] TCUK Research: https://www.thecityuk.com/research/key-facts-about-uk-based-financial-and-related-professional-services-2021/

The government has taken action to boost the attractiveness of the UK's financial sector. In November, the Chancellor outlined the Government's vision for the future of the sector: a sector that will remain well-regulated, open and competitive, pioneer financial technology to benefit consumers and businesses, and use innovation and finance to tackle climate change and move to a net-zero future. In addition, in November the Chancellor also announced a package of equivalence decisions for the EEA to provide clarity and stability for industry. The government has since announced further measures to strengthen the sector and tailor regulation to the needs of UK firms, markets and consumers.

Getting the right leadership at the top by ensuring that all talented people can succeed is key to tackling the range of strategic challenges and opportunities facing the financial and professional services sector. To support this HMT and BEIS have commissioned a Socio-economic Diversity Taskforce. Led by City of London Corporation, it will consider diversity at all levels within the Professional and Business Services and the Financial Services sectors.

We welcome the plan for structured regulatory cooperation in financial services, which we hope will be a solid foundation for future UK-EU relations. However, this dialogue will be worth little if it is not based on transparency and trust. We urge the Government and regulators to pursue as deep a level of cooperation, predictability and information sharing as possible. The Government should consult regularly to ensure it is representing the UK financial services sector's interests and priorities in the dialogue. (Paragraph 35)

We have negotiated a model of structured cooperation that will facilitate meaningful and productive dialogue between the UK and the EU, which respects the sovereignty and autonomy of the UK and EU and fulfils the commitments made in the Joint Declaration on Regulatory Cooperation agreed alongside the TCA.

We are in agreement with the EU that this framework should aim to reduce uncertainty and improve transparency, while working towards a common understanding of one another's regulatory frameworks.

The financial services industry are of course important stakeholders. The Memorandum of Understanding we have agreed provides for engagement with stakeholders before and after meetings between the UK and the EU.

The UK financial services sector opposes the EU's line-by-line approach to equivalence and supports the Government's outcomes-based approach. We agree that broad positive equivalence determinations would best meet the needs of practitioners in both the UK and the EU, but recognise that in many areas the EU is unlikely to grant these without the UK sacrificing more decision-making autonomy than equivalence is worth. (Paragraph 52)

We welcome the view of the financial services sector that equivalence should be a technical, outcomes-based process and in November 2020 HM Treasury published a Guidance Document on the UK's equivalence framework for financial services, which outlined that the UK would undertake an outcomes-based approach to equivalence assessments. We agree with the Committee that a comprehensive set of mutual equivalence decisions is in the best interests of both the UK and the EU. The Government therefore remains open and committed to continuing dialogue with the EU, including about their intentions for equivalence.

The European Commission sent the UK over a thousand pages of questionnaires. HMT responded fully and comprehensively, returning over 2500 pages of responses by the beginning of July 2020. Through this process we have made sure that the EU has all of the information that it requires to complete its equivalence assessments for the UK. The EU have not asked us any questions on these responses. We remain open to further discussions with the EU about their intentions on equivalence.

As mentioned previously, in November the Chancellor announced a package of equivalence decisions for the EU/EEA in favour of openness, and where it made sense to do so. These equivalence decisions provide a range of benefits, including supporting well-regulated open markets, facilitating effective pooling and management of risk, and supporting UK and EEA clients' access to financial services and market liquidity.

However, we need to be clear that equivalence assessments are an autonomous, unilateral process. The EU is assessing the UK independently, as the UK did for the EU, and we are unable to speak for the Commission regarding their intentions for equivalence.

Nevertheless, the Government's focus is on ensuring that the UK FS sector is regulated to the highest standards to ensure the UK strengthens its position as a global centre for financial services and assisting firms in seizing new opportunities in a rapidly changing global economy.

Regulatory regimes, like the sector itself, are not static and the UK and the EU will evolve as both jurisdictions adapt their regulatory framework to the needs of their markets.

We regret that the extension of equivalence for UK central counterparties (CCPs), which continue to provide an important service for EU practitioners, is time limited. A longer-term equivalence decision for UK CCPs would better serve the interests of both Parties. (Paragraph 53)

The government also regrets that the EU's decision for UK Central Counterparties (CCPs) is time limited. Cross border clearing through well managed clearing houses, regulated to international standards, is a global norm for developed markets and UK Central Counterparties (CCPs) play a vital role in ensuring EU firms are able to access global liquidity in clearing markets.

The Government and the regulators have always been clear that we stand ready to cooperate with EU authorities to manage the impact of the UK clearing market on the EU, as long as the EU's approach remains consistent with international norms on supervisory cooperation.

While recognising that this remains a unilateral decision, we believe the long-term interest of both the UK and the EU lies in a less prescriptive policy on market access, whether a reformed approach to equivalence or something

closer to the non-discriminatory, outcomes-based deference model increasingly favoured globally. (Paragraph 54)

The Government views equivalence as one of a range of tools (including Free Trade Agreements, Mutual Recognition Agreements, Financial Dialogues and Economic and Financial Dialogues with overseas jurisdictions) to support the openness of the UK's international financial services and facilitate cross border market access.

We agree that operating an outcomes-based model of deference is in the best interests of the UK. Equivalence is a form of unilateral deference and can provide market access to overseas market participants, and preferential treatment for UK firms accessing overseas markets. The exact impact of an equivalence decision varies by sector.

In November 2020 HM Treasury published a Guidance Document setting out the principles and processes which govern the UK's equivalence framework. In particular the Guidance Document sets out that the UK's equivalence framework will operate with the following principles in mind:

- Equivalence will be judged on outcomes. Assessments of outcomes will be underpinned by compliance with internationally agreed standards and through different combinations of rules and supervisory practices, if these practices provide an equivalent outcome to the corresponding UK legal framework
- Equivalence is a transparent process.
- Equivalence is an evidence-based process
- Equivalence – in its establishment and thereafter - should be a cooperative process
- Equivalence is a stable and reliable arrangement for cross-border market access and for promoting regulatory coherence
- Equivalence decisions are compatible with the UK's policy priorities, including those relating to the rule of law, international sanctions, human rights and efforts to combat money laundering.

The Government agrees with this recommendation and our equivalence framework is in line with this proposal. The Government also conducted a call for evidence on elements of the UK's overseas regime that closed on 11 March. The purpose of this call for evidence was to get a better understanding of how firms are using existing tools and to determine whether reforms are needed. The Government is currently considering these responses.

We welcome the Government's assurance that there will be no bonfire of financial services regulations. We recognise that the UK and the EU will seek to change their regulatory regimes where it is in either Party's interest but call on the Government not to disregard the value of a close UK-EU relationship in financial services. Changes should be transparent and designed to enhance the attractiveness and competitiveness of the UK's financial services sector. (Paragraph 59)

The government is committed to the highest standards of regulation and ensuring that the UK remains a competitive jurisdiction for financial services. Building on our respected FSMA model of regulation, the Future Regulatory Framework (FRF) review will support confidence in the UK as a safe and dynamic regime within which to base international activity.

Through new policy framework legislation, Government and Parliament would be able to specify new regulatory principles, for example setting out how the regulators must consider competitiveness issues when designing new rules. We will be bringing forward a second consultation on the FRF review later this year.

In parallel, we are undertaking a series of policy reviews to ensure regulation effectively addresses the risks arising in the UK's financial system, is tailored to the needs of UK firms, markets and consumers and enhances its competitiveness.

As the Committee notes, regulatory and supervisory frameworks of both the UK and the EU will change over time. We are continuing to work closely with the EU and our other international partners to ensure that we meet our global responsibilities as a leading financial centre. The UK-EU Financial Regulatory Forum will serve to share information on regulatory developments, including developments of supervisory frameworks, with the EU.

The Financial Services Bill currently before Parliament pre-empts the Government's proposals for the future regulatory landscape and will come into law before these plans are published. This is a missed opportunity. The return of greater powers to UK regulators allows for more flexible and innovative regulation but will require changes to the way Parliament scrutinises the regulations and holds the regulators to account. (Paragraph 63)

The Financial Services Act 2021 is the next step in shaping a regulatory framework for the UK's financial services sector outside of the EU. It should be understood as a key part of a wider process of developing our regulatory arrangements to reflect the UK's new position outside the EU.

It is important that the UK continues to maintain its world-leading regulatory standards and remains open to international markets. The Financial Services Act implements measures in the immediate term that support this ambition. For the Bill measures on prudential regulation, the approach taken is broadly in line with the proposed approach in the consultation but does not seek to pre-empt it.

Parliament determines the roles and powers of the regulators, and therefore Parliament has a unique and special role in relation to the scrutiny and oversight of the PRA and the FCA. The regulators are committed to an open and transparent relationship with Parliament, and to providing Parliament with the information required to allow it to effectively scrutinise policy and rule-making particularly during consultation periods.

It is already the case that the regulators should have due regard to the conclusion of any Parliamentary scrutiny of draft rules and consultations. This should include providing a comprehensive response to any relevant Parliamentary Committees regarding an issue raised as a result of this scrutiny.

Appropriate democratic accountability and scrutiny of the regulators is vital for an effective and legitimate regulatory framework. The Government agrees that more responsibility for the regulators should be balanced with appropriate democratic policy input and oversight from Government and Parliament.

The ongoing Future Regulatory Framework review includes consideration of how we can ensure the appropriate arrangements are in place for Parliament to scrutinise financial services and hold the regulators to account going forward, particularly considering any changes that may be made to roles and responsibilities as a result of the review.

Our first consultation on the Future Regulatory Framework, which closed on 19 February, sought views on how scrutiny arrangements should work, while acknowledging that Parliamentary scrutiny is first and foremost an issue for Parliament to consider. The Treasury will publish a second consultation later this year.

The Government and regulators now hold significant power in setting financial services regulation. We welcome the House's recent decision to establish a Select Committee on Industry and Regulators, which is an important step towards bringing greater parliamentary oversight to these decisions. However, this new Committee's remit is broad and its resources are likely to be too limited to undertake dedicated scrutiny of the financial services sector. We recommend that the Liaison Committee considers further the merits of a committee dedicated to scrutiny of the financial services sector. (Paragraph 64)

The establishment of Parliamentary committees is a matter for Parliament. The Government should use the UK's innovative leadership to maintain high standards in financial services regulation on the global stage. (Paragraph 67)

We agree with the importance of the UK using its global leadership in the development and implementation of consistent international standards of financial services regulation. The UK remains committed to the highest standards of financial services regulation. An open global economy requires an internationally stable financial system, underpinned by strong standards.

The government is determined to seize opportunities to provide policy leadership in key areas of financial regulation, including on Green Finance and a low carbon future, fintech and payments innovation, financial crime, financial inclusion and the levelling-up agenda.

Through HM Treasury's, the Bank of England's and the Financial Conduct Authority (FCA)'s membership of the Financial Stability Board, and the Bank of England and FCA's membership of the standard-setting Bodies, the UK places significant value on being engaged and influential in multilateral regulatory discussions. As the UK seeks to build a global role outside of the EU, it will take its international responsibilities and leadership as seriously as ever.

Professional and Business Services (Minister for Investment, Lord Grimstone of Boscobel Kt)

Professional and business services are a vital feature of the UK economy and the UK's largest export. Trade with the EU is critical for these thriving sectors. We welcome the conclusion of the TCA, which alleviates some uncertainty for the sector and provides a platform for constructive dialogue with the EU. Nevertheless, the TCA represents a major change from Single Market membership, introducing new non-tariff barriers to trade, and businesses have been required to adapt to this in a short space of time. (Paragraph 78)

The TCA's market access provisions for professional and business services are limited by extensive national reservations, particularly in heavily regulated sectors. UK service providers face a patchwork of complicated rules that vary by sector and by Member State. This fragmentation will act as a barrier to trade for UK companies, and this has the potential to hit smaller businesses the hardest. (Paragraph 95)

We welcome the Government's intention to provide advice to businesses on national reservations, and urge it to publish this guidance as a matter of urgency. The Government should ensure that it is accessible for businesses, particularly SMEs, and should explore options for additional support. We are disappointed that this guidance, which we recommended in October 2020, was not delivered before the transition period ended. (Paragraph 96)

The Government agrees that the Professional and Business Services (PBS) sector brings significant value to the UK economy through both its domestic and international activities. PBS professions have a unique ability to unlock economic potential in an array of non-PBS sectors and, when combined with the UK's open and attractive environment for foreign service providers and investors, this trait has made PBS a highly competitive and fast-growing sector with an excellent international reputation.[4]

We recognise the sector's value and are therefore working to develop a plan for a sector partnership later this year. This plan will highlight the sector's strengths and detail how we can work more closely together on key areas such as skills and sustainability to help deliver the UK's plan for growth. It will also reflect on the impact of Covid-19 and the UK's new trading arrangements with the EU.

The Government wants to support businesses, especially SMEs, to navigate the changing regulatory environment and to make the most of opportunities which arise from the TCA. This is why we are currently undertaking work to make information on EU reservations more accessible to businesses so they can more easily identify which ones are most relevant to them. We will publish further guidance on GOV.UK in the next few months and will continue to offer sector-specific support, such as our published information for auditors and accountants in the UK and the EU, where

[4] Since 1998 the output of the UK PBS sector has grown by 70%, an annual rate of growth of 4.6%, twice that of other areas of the economy. Source: ONS GDP(O) Low Level Aggregates 2019, valid for 2018

appropriate.[5] Businesses should always seek professional advice if in doubt about their position.

For businesses navigating the EU's national reservations, it is important to acknowledge that the UK trades a significant portion of its services with only a handful of Member States. Germany, France, the Netherlands, Ireland, and Spain made up approximately 62% of our services trade with the EU in 2019.[6]

We will continue to signpost UK businesses and trade associations to information on how to best adapt to the changes via Ministerial roundtables, Growth Hubs, the Business Support Helpline, webinars and video explainers, letters from the Secretary of State, and regular newsletters highlighting new and amended guidance.

The TCA's business mobility provisions represent a major change in the UK-EU trading relationship for services. The tourism and travel sectors will be hit particularly hard, undermining opportunities especially for young people seeking seasonal work experience in Europe. Professional service providers which rely on agency staff, such as recruiting and advertising, also face considerable barriers to mobility. The impact of these provisions has been delayed by the COVID-19 travel restrictions, but will be felt once international business travel resumes. (Paragraph 111)

We welcome the Government's proposed country-by-country guidance on business travel to the EU and urge the Government to ensure this is timely, detailed and easy for business to use. (Paragraph 112)

The Government understands that mobility is of major importance for services providers, and we are engaging regularly with businesses across all sectors to help them understand the new requirements for travel in the EU.

The TCA includes several provisions that facilitate business travel, such as work permit waivers for a range of short-term business visitor activities, and guaranteed market access for UK contractual service suppliers and self-employed professionals across a range of key sectors (subject to Member State reservations).

When travelling to the EU, business travellers may now need visas, work permits, and/or other documentation. However, the UK's inclusion on the Schengen visa-waiver list means that UK nationals, when carrying out select activities (e.g. meetings, attending conferences, short term study) can travel without a visa for 90 days in a 180-day period. Additionally, some EU Member States offer more permitted activities that can be performed visa-free. For stays longer than 90 days or when carrying out an activity not expressly allowed or exempted for, a work permit and/or visa will likely be needed.

The Government is committed to supporting individuals and businesses adjust to our new relationship with the EU. Our efforts support all professional services providers, including advertisers, recruiters and those working in the tourism industry. We have

[5] "Accounting For UK Companies". *GOV.UK*, 2020, https://www.gov.uk/guidance/accounting-for-uk-companies; "Auditing for European Economic Area (EEA) auditors and audit firms operating in the UK". *GOV.UK*, 2020, https://www.gov.uk/guidance/auditing-for-european-economic-area-eea-auditors-and-audit-firms-operating-in-the-uk.

[6] "UK Trade In Services: Service Type By Partner Country, Non-Seasonally Adjusted, ONS February 2021 -

engaged extensively with the tourism sector since the referendum to hear their priorities for the UK's future relationship with the EU. This engagement informed the End of Transition Period guidance page for the sector.[7] Additionally, in April, the Government published the Global Travel Taskforce report which makes 14 recommendations to increase tourism demand safely and take the lead on global standards.[8] This includes developing a Tourism Recovery Plan setting out the transformation and growth of the sector over the next five years as part of our economic recovery, and at the appropriate time, running a flagship overseas marketing campaign, promoting the UK as an attractive and safe place to visit.

We are grateful for the Committee's support for our country-by-country guidance project, which will complement existing travel advice for all sectors as set out above. This work will provide UK business travellers with a better understanding of the available visa and work permit routes for each EU Member State (except Ireland due to rights provided for under the Common Travel Area), Norway, Iceland, Liechtenstein and Switzerland. It will also provide a clearer starting point for UK nationals taking their own decisions about what, if anything, they need to do to undertake a short-term business trip abroad. The first group of country summaries has now been published on GOV.UK,[9] and the remainder will be published in the coming weeks. This guidance will help support businesses and individuals, particularly SMEs, move between the UK and the EU for work purposes once international business travel resumes.

While large relocations of economic activity in professional and business services from the UK to the EU are not expected in the short term, some organisations may need to establish a branch or subsidiary in the EU to comply with national reservations on local presence. The Government should continue to do as much as possible to persuade and incentivise UK service providers to maintain their economic activity in the UK, while also encouraging EU service providers to establish here. (Paragraph 121)

The TCA's commitments secure continued market access and non-discriminatory treatment to provide further certainty and transparency to investors in the UK and the EU. Since the TCA came into force, the Government has supported businesses through various mediums, explaining local presence requirements clearly to allow UK and EU businesses to continue activity without having to relocate. As mentioned by witnesses to this inquiry earlier this year, businesses are aware that there are significant cost implications to moving headquarters into the EU, and services providers are more likely to consider restructuring organisational functions rather than relocating to ensure their cross-border trade with the EU can continue.

[7] "The Tourism Sector And The EU". *GOV.UK*, 2021, https://www.gov.uk/government/collections/the-tourism-sector-from-january-2021.
[8] "Global Travel Taskforce: Safe Return Of International Travel". *GOV.UK*, 2021, https://www.gov.uk/government/publications/global-travel-taskforce-safe-return-of-international-travel.

[9] "Travelling To The EU, Switzerland, Norway, Iceland Or Liechtenstein For Work". *GOV.UK*, 2021, .

The UK attracted 696 new inward investment projects from the EU in 2019/2020 financial year, a 3% increase on the previous year.[10] In total, 39,000 jobs were created in England thanks to foreign direct investment (FDI) projects, with over 26,000 coming from outside London[11]. This demonstrates continued confidence that businesses have in the UK.

The Government has also set up the Office for Investment which will identify and secure major investment into the UK to build back better across the whole country.[12] It will work closely with existing and new investors to resolve issues, ensuring the whole of Government works in tandem to improve the business environment, and drive investment into all corners of the UK..

The Government's ongoing dialogue with the PBS sector through the PBS Council and its working groups helps us set the right conditions for PBS companies to thrive in the UK, further encouraging investment in all regions of the UK.

The absence in the TCA of mutual recognition of professional qualifications is disappointing and could have an impact on many sectors. Instead, the TCA replicates the CETA model, where not a single mutual recognition agreement has been reached in over three years since its entry into force. The likely timelines for achieving recognition on a profession-by-profession basis are thus unclear. (Paragraph 135)

UK regulators and professional bodies should negotiate and conclude EU wide and bilateral mutual recognition agreements as soon as possible. The Government has said that it will support this process. We would welcome updates on how and when this support is being provided. (Paragraph 136)

The TCA leaves open the possibility of a new agreement on mutual recognition of professional qualifications in the future. This would be a major improvement on a patchwork of sector-specific agreements, and we urge the Government to seek such an agreement with the EU in the medium term. (Paragraph 137)

The UK was ambitious in its initial proposals on RPQ to the EU, seeking to agree comprehensive provisions on qualification recognition across a wide range of sectors. Unfortunately, the EU did not engage with this approach substantively, so the Government worked hard to agree a framework under which the UK and the EU may agree Mutual Recognitions Agreements (MRAs) for RPQ, covering the UK and all 27 EU Member States, on a profession-by-profession basis.

We successfully negotiated several key improvements to the EU's RPQ proposals and to the CETA model. For instance, we agreed a streamlined process by which regulatory and professional bodies make recommendations to the Partnership

[10] Department for International Trade figures published in July 2020

[11] Source: https://www.gov.uk/government/news/new-office-for-investment-to-drive-foreign-investment-into-the-uk

[12] "Build Back Better: Our Plan For Growth". *GOV.UK*, 2021, https://www.gov.uk/government/publications/build-back-better-our-plan-for-growth.

Council, as well as broader possibilities for the types of arrangements which can be adopted under the TCA framework.

Since the TCA has been agreed, the Government has been working on a suite of support measures for regulators and professional bodies:

- BEIS has established a new Recognition Arrangements team to facilitate arrangements on RPQ, including MRAs under the TCA framework. This team is providing guidance and support to regulators and professional bodies, as well as identifying opportunities for potential recognition arrangements. The team has already proactively engaged regulators to begin progressing such arrangements, with an initial focus on encouraging engagement with Irish counterparts to uphold the UK's commitments under the Common Travel Area.
- BEIS recently published technical guidance for regulators on GOV.UK to help them identify, develop and agree recognition arrangements both within and outside the TCA framework, including with their non-EU counterparts.[13]
- We have secured the continued services of the UK Centre for Professional Qualifications, which advises individuals looking to have their professional qualification recognised in the UK and overseas.
- We have introduced the Professional Qualifications Bill which includes a provision to ensure that all regulators can be provided with the ability to enter into recognition agreements with their overseas counterparts, if they do not already have the power to do so.
- The Ministry of Justice (MoJ) is also actively supporting UK legal services regulatory authorities and professional bodies as they seek to agree arrangements with their EU counterparts.

While the Government acknowledges that the TCA leaves open the option for other arrangements in the future, the focus should remain firmly on ensuring there are routes for UK professionals to have their professional qualifications recognised in the EU. This includes utilising the TCA process where regulators wish to use it.

More broadly, now that the UK is no longer bound by EU law and the Mutual Recognition of Professional Qualifications (MRPQ) Directive, we have an opportunity to ensure that the recognition of professional qualifications in the UK is global in its outlook.

The Government should not diverge from EU regulation for divergence's sake, nor should it align for alignment's sake. Instead, the Government should establish effective regulatory dialogue with the EU to ensure any divergence is managed successfully—for example, by establishing a new Working Group under the supervision of the Trade Specialised Committee on Services, Investment and Digital Trade. (Paragraph 147)

[13] "Recognition Of Professional Qualifications: Technical Guidance For Regulatory Bodies". *GOV.UK*, 2020, https://www.gov.uk/government/publications/recognition-of-professional-qualifications-technical-guidance-for-regulatory-bodies.

The Government continues to discuss potential opportunities for regulatory reform with PBS sector stakeholders. The UK will always seek to uphold world-leading standards of regulation to support the professionalism and excellence of our services sectors, building on our existing strengths. We will seek to do this while making the most of the regulatory flexibility that we now have to regulate and support our industries in a way that suits our specific needs. An example of this approach is our proposals in the Professional Qualifications Bill which will make sure we have a framework for the recognition of professional qualifications that is attuned to the UK's needs.

The Government recognises that the TCA's Trade Specialised Committee on Services, Investment and Digital and wider governance structures can support dialogue on divergence, including sharing best practice, whilst respecting the parties' right to regulate.

Given the trade barriers under the TCA, new economic opportunities will need to be pursued to support the UK's professional and business services sector, particularly in the tech and green sectors. The Government must ensure the UK's regulatory environment helps these emerging sectors to thrive. (Paragraph 148)

The Government agrees with the importance of seizing new opportunities for the PBS sector following the UK's departure from the EU, including those in the tech and green sectors.

As outlined in our Plan for Growth, we are committed to driving growth that is green and supporting the transition to net zero, creating new opportunities for jobs across the country. Professional and business services will play a vital role in helping to grow net zero industries and encouraging new industries.[14]

The Government's Ten Point Plan for a Green Industrial Revolution, established in 2020, will bring together ambitious policies and significant new public investment, while seeking to mobilise private investment. This has the potential to deliver up to an estimated £42 billion of private investment by 2030 across energy, buildings, transport, innovation and the natural environment. In doing this, we will position the UK to take advantage of export opportunities presented by low carbon technologies and services into new, global emerging markets – providing jobs and reinvigorating our industrial heartlands.

There are also opportunities for growth and showcasing the strength of the UK's PBS sector arising from the UK's Presidency of COP26 and the G7. The Government is working closely with the sector on net zero and the COP26 agenda through the PBS Council and its working groups. This includes leading on a number of pilot activities to engage businesses, especially SMEs, in the Race to Zero and COP26 activities. Clean growth will be an element of this joint work between the PBS sector and government and the UK is now using its independent voice at the WTO to support the liberalisation of trade in environmental services. UK PBS companies are

[14] "Build Back Better: Our Plan For Growth". *GOV.UK*, 2021, https://www.gov.uk/government/publications/build-back-better-our-plan-for-growth.

world leaders in this area and efforts to liberalise environmental services would therefore support growth across the economy.

The Government is due to publish an Innovation Strategy in Summer 2021. The Strategy will outline how we look to achieve our ambitions in innovation and where we want to focus our efforts over the next decade. This includes approaches such as adopting tech-neutral regulation, encouraging greater regulatory experimentation and trialling of new services and products through initiatives such as sandboxes.

Innovation and technology are a key plank in the Plan for Growth. Under this plan, the Government will support and incentivise the development of creative ideas and technologies; support the sectors and technologies that will help shape the UK's future; finance to unleash innovation; and develop a regulatory system for an innovative economy.

For example, our world leading Lawtech sector (technologies that aim to support, supplement or replace traditional methods for delivering legal services) will play a crucial role in supporting growth in PBS services, specifically through driving productivity across the economy and advancing the use of AI and data. Government has committed over £2m to the LawtechUK programme which has projects focused on both barriers to and catalysts for growth of the Lawtech Sector, whilst providing direction to the legal sector and creating an environment in which innovation and new technology can thrive. The LawtechUK programme includes a sandbox which has been designed to fast-track transformative ideas, products and services that address the legal needs of businesses and society.

Recognising that digital skills will be critical to allowing businesses to seize the opportunities presented in the tech sector, the Government has launched the Help to Grow: Digital scheme which will allow small businesses to access free impartial advice on technology, and a discount on software for eligible businesses to help them save.[15] The Help to Grow: Management scheme will support small business leaders to develop their strategic skills including innovation and digital adoption.[16]

The Government are supporting targeted innovation through a host of other initiatives, including the Global Investment Summit (GIS). This summit will welcome some of the world's most powerful executives and heads of major institutions in tech and green sectors. By showcasing the very best of the UK's clean technologies and innovative companies, the summit will drive forward the Prime Minister's 10-point plan for a green recovery, demonstrating how £12 billion of government investment is creating and supporting up to 250,000 highly-skilled green jobs in the UK, and spurring more than three times as much private sector investment by 2030.

We regret the Government's decision to defer establishing the Partnership Council and other bodies and urge them to review this position. The Partnership Council, the Trade Partnership Committee and the Trade Specialised Committee on Services, Investment and Digital Trade should be established as soon as possible and the Government should facilitate transparent business and civil society engagement with these bodies. The TCA should be treated, as much as possible, as a live agreement as

[15] "Help To Grow". https://helptogrow.campaign.gov.uk/.
[16] ibid.

meaningful dialogue and collaboration will help businesses to see the TCA as a long-term relationship. (Paragraph 156)

The transparency provisions of the TCA should be put into effect as soon as possible, and the UK and EU should ensure that published information is displayed prominently online and is easy for businesses to use. (Paragraph 157)

The EU asked for an extension to the original period of provisional application so that they could complete their internal processes. In that period, we did not think it was appropriate that TCA committees should formally begin their work, unless there were necessary decisions that could not be deferred.

Now that the TCA has been ratified, we will agree the first meetings of TCA committees with the EU. These meetings will be important opportunities to ensure that the TCA is being implemented in the EU and the UK. Departments will engage with business and civil society stakeholders in the usual way on TCA implementation issues, including on those to be raised with the EU at TCA committees.

The TCA contains important provisions on transparency of the operations of its committees. We will meet those requirements, making sure the relevant information is available to business, and to Parliament.

Data and Digital Trade (Minister for Media and Data, John Whittingdale, and Secretary of State for Digital, Culture, Media and Sport, Oliver Dowden)

EU data adequacy is of vital importance for a wide range of service providers, and we warmly welcome the Commission's recent draft decision, which, if confirmed, will allow EU-UK transfers of personal data to continue. (paragraph 172)

We note, however, that a positive adequacy decision is not guaranteed to be permanent, given the requirement for renewal after four years and the precedent set by recent legal challenges, including the Schrems II case in 2020. The Government should therefore maintain close dialogue with the EU on data to support the long-term stability of EU-UK data flows, and ensure that the implications for EU data adequacy are factored into any changes to the UK's domestic data protection regime. (paragraph 173)

As the Committee notes, the European Commission has assessed that the UK provides an adequate level of data protection to allow for free flow of personal data from the EU to the UK and has in February published draft adequacy decisions in respect of the UK. The UK Government welcomes these decisions, which recognise the UK's high data protection standards. Prompt adoption of adequacy decisions would provide certainty for businesses, allow continued cooperation between the EU and UK, and ensure law enforcement authorities can keep our citizens safe.

In order for our adequacy decisions to come into effect and our citizens and businesses to benefit, they must now be approved by EU Member States at the Council of the EU, which is expected shortly. The European Parliament has no formal role in the adoption process, though has agreed a non-binding resolution concerning the UK draft adequacy decisions.

There is no reason why the EU should not complete this purely technical process swiftly, as per the declaration published alongside our Trade and Cooperation Agreement.

We welcome the Committee's comments on the importance of maintaining a close dialogue with the EU on data, and UK and EU officials continue to engage on this topic. The UK stands ready to engage in any future review processes. As the Commission itself has made clear, a third country is not required to have exactly the same rules as the EU in order to be considered adequate. The UK has a world-class data protection regime and will remain a global leader in data protection.

We welcome the TCA's digital trade chapter, which is one of the strongest areas of the deal for services and provides extensive liberalisation which goes beyond comparable EU FTAs. (paragraph 181)

Digital trade is a fast-moving area, and the provisions will need to be updated as new technologies develop. The Government should make use of the TCA's

framework for further dialogue, as well as the review clause, to ensure the digital trade provisions remain up to date. (paragraph 182)

The government welcomes the Committee's response to the Digital Trade Title of the TCA. The text is one of the most modern and forward-leaning in the world and it reflects the importance of digital trade to the UK and the EU.

As the Committee notes, digital trade is a fast-moving area, and new precedents are continually emerging. The UK is committed to being a world leader in digital trade, and looks forward to maintaining dialogue with the EU through the appropriate structures.

Creative Industries (Minister for Media and Data, John Whittingdale, and Secretary of State for Digital, Culture, Media and Sport, Oliver Dowden)

The UK's creative industries sector was worth over £100 billion in 2019 and grew at twice the rate of the rest of the economy. The benefits of a thriving creative sector go far beyond its significant financial contribution and include a sense of pride, community and joy, as well as promoting UK values and 'soft power' abroad. (Paragraph 189)

This sector has been hit hard by the COVID-19 pandemic, and its recovery will depend in part on getting the relationship with the EU right. Exports to the EU in the creative sector are worth over £15 billion and the relationship with the EU is important for promoting creative collaboration and innovation. (Paragraph 190)

This Government recognises the significant contribution of the cultural and creative sectors to the UK economy, and to enriching our lives and communities, and is committed to support them recover from the unprecedented challenges of the COVID-19 pandemic.

Last year, the Government provided a £1.57 billion support package for the culture sector through the Culture Recovery Fund (CRF), which to date has awarded over £1.2 billion to over 5,000 organisations and sites across the country. Furthermore, the Chancellor announced at the Budget 2021 an additional £300 million as part of the CRF, to continue to support key cultural organisations and ensure a vibrant future for the sector as the nation recovers from the pandemic. This is in addition to the extension of pan-economy schemes such as the Coronavirus Job Retention Scheme, the Self-Employment Income Support Scheme and the continued reduction in VAT, among other measures.

The Department for International Trade (DIT) will continue to work with industry partners to support creative industries companies to export to Europe, including developing co-production partnerships and other creative collaborations. Through its export hubs in Europe, DIT provides bespoke and practical advice to SMEs bringing together DIT contacts, knowledge and resources from multiple markets. DIT offers practical support across the UK for exporters. In England, SMEs can access the Internationalisation Fund through DIT's international trade advisor network. The fund helps exporters to buy in professional support from the private sector to help them grow their export business. The Export Academy gives small and micro-businesses in England the knowledge and confidence to sell around the world through a structured programme of webinars and events. DIT is establishing new trade hubs across the UK, with the Scotland hub opening soon. The hubs will provide businesses with the support and guidance needed to grow their export business. All this support will feature in the Creative Industries Export Campaign which will encourage both new exporters and companies wanting to look at new export markets to take advantage of the fantastic opportunities available to the UK as an independent trading nation, striking trade deals around the world.

The mobility provisions in the TCA make it difficult for those working in the UK creative industries to tour in the EU. The COVID-19 pandemic means these problems are hidden for now, but these mobility restrictions put the sector's recovery at risk. (Paragraph 212)

We urge the Government to negotiate, as a matter of urgency, a bilateral and reciprocal agreement to make mobility arrangements for touring performers, creative teams and crews. (Paragraph 213)

The end of freedom of movement was a key manifesto commitment that was delivered in the UK-EU TCA. The Government could not expect to end free movement into the UK while at the same time expecting that nothing would change with respect to movement into the EU. Just like the UK, EU Member States have the right to control their own borders and arrangements for non-EU workers. It was inevitable therefore that there would be significant changes in the arrangement under which creative workers operate in the EU, all the more so because many of the relevant rules are set at Member State level.

The Government understands that touring is a vital part of musicians' and performers' careers, providing not only income, but also enriching opportunities for cultural exchange across the world. In negotiations with the EU we fought for a good deal for our world-leading creative industries. The UK's offer was developed in consultation with our creative sectors, and would have enabled performers, artists, and support staff to tour and perform in the EU without needing work permits. The EU rejected our proposals.

Although some Member States allow touring without a permit, others will require a visa, work permit or other documentation. We are working with the sector to make sure arrangements are as clear as possible. Where visas apply, our agreement with the EU contains measures that set minimum processing standards, as well as transparency provisions that mean guidance for business travellers must be clear and regularly updated.

Some activities undertaken by creative professionals will be covered by the short-term business visitor activities in the TCA (including attending meetings or trade shows) and therefore do not require a work permit (unless otherwise stated in the Annex to the agreement). Activities not covered may require work permits, or other documentation. Of course, it is within the gift of Member States to provide more liberal arrangements than those guaranteed by the TCA. UK cultural professionals seeking to tour within the EU should therefore check domestic immigration rules for each Member State they intend to tour.

The Government remains committed to helping individuals and businesses to understand the actions they need to complete before travelling. As the Prime Minister has said, we are working on plans to support the creative sectors tour in Europe more easily, with discussions facilitated through a DCMS-led working group. For example, we are developing sector specific 'landing pages' for GOV.UK, aimed at the creative sectors, which will allow cultural and creative professionals to easily locate and access the guidance relevant to them. Additionally, we have now published the first group of enhanced guidance on EU Member States' immigration systems on GOV.UK, with the remainder of this information to be published throughout May to align with COVID-19-related easements on travel to the EU. This guidance will help support businesses and individuals move between the UK and the

EU for work purposes. We are also looking carefully at proposals for a new Export Office to provide further practical help.

We are also engaging bilaterally with Member States to improve their guidance around entry and work to make touring in the EU easier. The UK's rules for touring professionals are comparatively generous. If Member States are willing to change their rules to more closely reflect the UK's arrangements, we will have those discussions and encourage them to do so. Through our engagements, we have established that some touring activities are possible without visas or work permits in at least 17 out of 27 Member States. This includes France, Germany, the Netherlands, Denmark and many more. DCMS Ministers are speaking to their counterparts in a number of Member States about the reopening of our respective cultural and creative sectors, in the context of the COVID-19 pandemic. We are taking this opportunity to discuss the importance of touring. Where there are issues around the clarity of Member States' rules regarding business travel that run counter to commitments made in the TCA, we will raise these with the European Commission. The UK will continue to remain open to further conversations with the EU in order to mutually improve the understanding of the provisions in our respective systems.

The Government is aware that the cultural and creative sectors have raised additional concerns around recognition of qualifications, Member State reservations and data adequacy. The government response addresses these issues in the relevant sections on professional and business services, data and digital trade.

The Government should also seek to negotiate an agreement to resolve the barriers to the movement of goods used in cultural and sporting events that are imported on a temporary basis. These arrangements will be mutually beneficial to creative industries in both the UK and EU. (Paragraph 214)

Movement of goods

Since 1 January 2021, customs processes apply to all movements of commercial and non-commercials goods between Great Britain and the EU. This means that there are some new processes which need to be complied with.

We understand the concerns about these new arrangements and we are committed to supporting the sectors as they get to grips with the changes to systems and processes. To support this, the Government has introduced a £20 million Brexit Support Fund to support small and medium sized businesses (SMEs) adjust to new customs processes, rules of origin, and VAT rules when trading with the EU. This opened for applications on 15 March 2021 and applications will close on 30 June 2021, or earlier if all funding is allocated before this date. Further information, including how to apply, can be found on GOV.UK.

When travelling to work and tour in the EU, cultural professionals will need to take goods in and out of the EU, including musical instruments, technical equipment and merchandise. Where musicians or other professionals move these goods to the EU temporarily, which means they intend to return the goods to the UK afterwards, there are several options to avoid payment of import duties in the EU and on return to the UK, including via the use of ATA Carnets.

Where musical instruments are carried or taken with the individual in personal baggage or a vehicle, no formal declaration is required to move the goods from the

UK to the EU or back again under the Temporary Admission and Returned Goods Relief procedures. The goods can be declared orally or by conduct by either speaking to a customs official or simply walking through the green channel at a Port or Airport.

We do not foresee any changes to current customs requirements for movement of instruments or equipment, including the option to use carnets. The management of EU import and export procedures is the responsibility of the customs authorities of the Member States. It is important that businesses and individuals confirm the processes in advance of their journey.

Haulage

Under the TCA, UK operators will be able to undertake up to two additional movements within the EU, with a maximum of 1 cabotage movement. The Government recognises the leading position of the UK concert hauliers sector and its importance for the UK creative industries. The UK pressed for a special derogation from the cabotage restrictions for hauliers carrying equipment for the purpose of concert tours and similar activities, but the EU rejected this. We are aware that the new provisions in the TCA will require the sector to adapt to new requirements and ways of working with the EU now we are no longer a Member State, and the Department for Transport is looking at possible steps to support UK specialist hauliers to do so.

Now that the UK has left the EU's Creative Europe programme, the Government should ensure that funding continues to be allocated to the creative industries. This funding should continue to support international collaboration. (Paragraph 219)

The UK did not seek continued participation in the Creative Europe programme as part of the UK's withdrawal from the EU, but instead chose to look at other ways of supporting the UK's arts and cultural sectors. The Government understands the role international cultural partnerships and networking play in driving forwards the very best in leading contemporary practice. We will continue to assess the needs of the sector through the continued impact of COVID-19, and in establishing our place on the world stage outside of the European Union.

At the November 2020 Spending Review the Government announced £7million for a pilot year of the UK Global Screen Fund (UKGSF). This is not intending to be a replacement to the Creative Europe programme. Rather than contributing to that EU programme, the Government has decided to invest money directly into addressing the market failures most relevant for the UK screen sector. The UKGSF launched on Friday 28 April 2021 and will support the export and internationalisation of UK screen content, in particular independent film. As a pilot this is an opportunity to specifically address challenges faced by the UK screen sector, demonstrating what can be delivered through this targeted investment and furthering international collaboration with a focus on exports. DCMS has been working closely with stakeholders from across the UK screen sectors on the specifics and structure of the Fund. This pilot sits within a wider array of support for the sector, including the successful UK-wide tax reliefs and British Film Institute programmes and investment.

We welcome the embedding in the TCA of a mutual commitment to high standards of intellectual property protection, which is essential to a flourishing services sector. (Paragraph 230)

Keeping up with new technologies may lead to future divergence between the UK and EU intellectual property legislative frameworks. As in many other areas, managing this divergence will require an open and productive regulatory dialogue, both to provide assurance to businesses and to ensure that high standards of protection are maintained. (Paragraph 231)

We welcome the recognition that the TCA includes copyright provisions that will benefit the creative industries. The deal represents a good balance between securing high standards for copyright protection and securing the UK's domestic flexibility to continue to improve and adapt the copyright framework to meet future opportunities and challenges.

The UK has a very good copyright framework, one of the best in the world, and we want this to continue. Leaving the EU means that we have the opportunity to learn from the experiences of EU Member States that are currently implementing the Copyright Directive. The Government is currently reviewing the implementation of the Directive across EU member states, and assessing stakeholder views on these issues in a UK context. We remain interested in the wider views of copyright stakeholders on future changes to the UK copyright framework, as the government seeks to build back better with a strong economic recovery.

We recognise that the issue of exhaustion of IP rights is important for businesses given it underpins the system of parallel trade. As acknowledged, since January 2021 parallel imports into the UK from the EEA have been unaffected by the ending of the transition period and so are still able to continue. Parallel exports from the UK to the EEA may be affected and we have encouraged businesses to assess if this impacts their business, for both rights holders and traders of parallel goods.

The Government will be undertaking a consultation to assess this divergence and determine what the most appropriate exhaustion regime for the UK will be and to understand how any changes should be implemented. We are planning to launch the consultation in the first half of 2021, and will encourage businesses, civil society organisations and consumers to respond.

Research and Education (Parliamentary Under-Secretary of State for Science Research and Innovation, Amanda Solloway and Minister of State for Universities, Michelle Donelan)

The future relationship with the EU will be critical to the continuing success of the UK's research and education sector. We welcome the Government's decision to associate with the Horizon Europe programme, which was the strong preference of witnesses to our inquiry. (Paragraph 251)

Both sides should seek to ensure that final negotiations on the Horizon Europe settlement are concluded as soon as possible, to enable UK researchers to take part in the first calls for funding applications. (Paragraph 252)

The UK has agreed the overarching principles for its association to Horizon Europe under the broader UK-EU Trade and Cooperation Agreement (TCA) which contains the terms for the UK's participation in Union programmes.

Protocol I, published in draft form alongside the TCA, sets out detail specific to the UK's association to Horizon Europe alongside specific details relevant to other Programmes the UK will participate in – Euratom Research and Training and Copernicus,

The UK will associate to Horizon Europe, subject to the finalisation of the EU's Programme Regulations for Horizon Europe (which has now taken place) as well as adoption of the Protocol setting out the terms of UK's association to Horizon Europe. The Protocol will be adopted by agreement of the UK-EU Specialised Committee on Participation in Union Programmes. As set out in the UK-EU joint declaration, both parties intend to adopt the Protocol at the earliest opportunity.

The Commission have confirmed that UK entities will have full rights to participate in the first calls for proposals of Horizon Europe as soon as they are published on the European Commission's website, including calls which may be published before the adoption of the Protocol.

As an associate member of the programme, the UK will not have a vote on decisions about the direction of the Horizon Europe programme and how it is run. The Government should work constructively with European partners to ensure that the UK's views are heard. (Paragraph 253)

Once associated to Horizon Europe, the UK will be able to attend and take part in programme committees governing Horizon Europe and looks forward to working constructively with our European partners.

The Government should provide clarity on how UK contributions to Horizon Europe will affect the domestic research funding commitments set out in the Research and Development Roadmap, published in July 2020. In particular, the

Government should make innovation funding available for SMEs. (Paragraph 254)

The government has committed to investing £14.9 billion in research and development in 2021/22. This follows four years of significant growth in R&D funding, including a boost of more than £1.5 billion in 2020/21. It will mean UK Government R&D spending is now at its highest level in four decades. This comes on top of the £400 million increase in UK core research budgets announced at SR20 for UKRI and National Academies in 2021/22.

Innovation is key to economic growth. The UK is a leading innovator globally, but there is more that we can do to unlock innovation throughout all parts of the UK and build on our excellent R&D base. In the recently published ‘Build Back Better: our plan for growth’, published alongside Budget, we announced the publication of a new Innovation Strategy in the summer. The Strategy will outline how we look to achieve our ambitions in innovation and where we want to focus our efforts to create the confidence for business investment in R&D and Innovation

The Government has also announced the new Advanced Research & Invention Agency (ARIA), backed with £800 million by 2024/25 and tasked with funding high-risk, high-payoff research that offers the chance of high rewards, supporting ground-breaking discoveries that could transform people’s lives for the better.

In addition, UK entities are eligible to apply for grants under the European Innovation Council’s accelerator fund. As a result, SMEs have access to more funding opportunities.

On 1st April, the Government announced it would make available an additional £250 million in 2021/22 for R&D. In addition, it confirmed £400 million of the funding announced at Spending Review 20 to support government priorities would be allocated help to pay for association to Horizon.

We will be confirming 2021/22 R&D budgets for our partner organisations as quickly as possible, and the outcome will be published in due course.

We are deeply concerned about the Government’s decision not to join the Erasmus+ programme as an associate member. This decision will limit the opportunities for UK students in the immediate short term and could harm the prospects for UK universities in the future. (Paragraph 274)

We explored the terms for UK participation in the next Erasmus+ programme but were clear they would have to be in the UK’s interests and represent value for money for the UK taxpayer. Instead we have chosen to pursue a global programme through the Turing scheme. The UK already contributed significantly more than we were getting out in the form of receipts and the only terms on offer for continued participation would have required an annual gross contribution in the region of £600 million or a net contribution of £2 billion over the course of the programme given the significantly increased budget for the next Erasmus+ programme. We fully respect the EU’s prerogative to set the terms for its programmes but, ultimately, participation on those terms was not in the interests of the UK taxpayer, hence our decision to pursue a global programme through the Turing scheme instead.

Under the Withdrawal Agreement negotiated with the EU, the UK will continue to participate fully in projects funded as part of the 2014-2020 Erasmus+ and European Solidarity Corps (ESC) programmes. This means that the projects successfully bid for during the 2014-2020 programmes will continue to receive EU funding for the full duration of the project, including those where funding runs beyond 2020 and the end of the transition period.

We welcome the proposed Turing scheme, which will provide funding for UK students to undertake study placements abroad. We do not, though, see this scheme as a replacement for the Erasmus+ programme, as it does not provide for inbound mobility and student exchanges. (Paragraph 275)

The Turing Scheme is a new global scheme to fund students in schools, colleges and universities across the UK to go on educational placements and exchanges around the world, not just the EU, from September 2021. It is not a like-for-like replacement of Erasmus+. Rather than being EU-focused, the Turing Scheme is truly global, and every country in the world will be eligible to partner with UK educational settings. It will also do more to encourage participation among disadvantaged students, to enable the opportunity to gain an international education experience. Under Erasmus+, we saw that UK undergraduates from more advantaged backgrounds have been 1.7 times more likely to participate in mobilities compared to disadvantaged students. The Turing Scheme will target students from disadvantaged backgrounds, including with additional financial support towards cost of living and travel funding.

The Turing Scheme is an outward mobility scheme for UK participants. It will fund UK participants to go abroad and we expect other countries to do the same. The UK is a very attractive destination for international students, the most attractive in the world after the USA for international Higher Education students with approximately 486,000 students from abroad. The UK is a world-leading destination for study and a reputation for world-class research, with four universities in the world’s top 10, and 18 in the top 100, according to QS World University Rankings. UK degrees are of a high standard and are internationally valuable whatever form they take. UK higher education providers are also renowned for choice and flexibility with choices from over 50,000 undergraduate and postgraduate courses, and our graduates are proven to be some of the most desirable globally - over 50 serving world leaders have benefited from a UK education.

We have seen a great deal of interest across the globe from governments and institutions who want to work together collaboratively with the Turing Scheme to support international mobility. Minister of State for Universities Michelle Donelan has spoken directly to several international institutions, including Yale University and MIT in the USA, Heidelberg University in Germany, Sorbonne University in France and many other institutions across our Commonwealth. We will harness our appeal as a destination to deliver an international education exchange programme that has a genuinely global reach, establishing new relationships with academic institutions across Europe and the rest of the world. This will strengthen the UK’s research and education sector and provide a better experience for students in the UK.

Ambiguities about the Turing scheme leave uncertainty for students and universities who may miss out on these opportunities this year. There are significant gaps in current proposals, as the scheme will not cover tuition fees or travel costs for all but the most disadvantaged students. There are also concerns about the practicalities of administering the scheme. We are concerned that the £100 million budget allocation for the scheme will not cover the increased costs associated with global placements. (Paragraph 276)

Organisations making a successful application will receive funding towards the costs of administering the scheme for their students. Rates will include administration costs granted for the UK education provider facilitating the project as we recognise that some of these relationships between institutions will be new.

The students taking part will receive grants to help them with the costs of their international experience. These grants are broadly in line with Erasmus+, but will reflect that it is a global scheme, with grants dependent on the destination country. With Erasmus+, under current exchange rates, Higher Education students received a monthly grant equivalent to £320 - £365 with an additional contribution of £105 for students from disadvantaged backgrounds. Under the Turing Scheme, we will provide a grant of £335 - £380 per month plus a disadvantaged supplement of £110 per month.

For all students participating in the Turing Scheme, we expect tuition fees to be waived by host institutions on a reciprocal basis, as is already the case under many other exchange partnerships. Higher Education institutions both in the UK and overseas routinely arrange to waive tuition fees as part of their exchange partnerships.

For schools and colleges, all participants will receive travel funding and we are providing travel funding for all disadvantaged students in Higher Education to all destinations. For Higher Education participants, Erasmus+ only provided travel support to Higher Education participants who travelled to Partner Countries, which was only around 3% of UK participants. As an additional way to ensure disadvantaged students are able to participate, we are providing funding for visas, passports and other travel-related costs for disadvantaged participants in all sectors.

The Government should undertake a review of the Turing scheme after its first academic year of operation to assess the effectiveness of the scheme, whether the programme achieves its objectives, and whether it provides good value for money. (Paragraph 277)

The impact of the first year of the scheme will be evaluated so that we can continue to develop the scheme in subsequent years, to ensure it delivers on its objectives, supports students to make the most of their international experiences, and is aligned with government priorities. The Turing Scheme is part of the Governments' long-term ambitions for a global Britain.

There will also be a rigorous evaluation of the Turing scheme in order to explore how well the scheme is working, what its impacts have been and any other lessons that can be learned for future policy programmes.