

UK TRADE &  
INVESTMENT

AUTUMN  
PERFORMANCE  
REPORT

2020





# **UK Trade & Investment**

## **Autumn Performance Report**

Presented to Parliament by the Minister for International Trade and Investment  
and the Chief Secretary to the Treasury by  
Command of Her Majesty

December 2006

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# Foreword

We are now a little over half way through the 2004 Spending Review period. This Autumn Performance Report sets out what UK Trade & Investment has achieved so far, and the facts and figures behind the progress it is making in delivering its Public Service Agreement.

The months since UK Trade & Investment's 2006 Departmental Report was published, in April this year, have been a time of transition for the organisation. The 2006 Budget announced a step change in UK Trade & Investment's role in helping the UK respond to the challenges and opportunities of globalisation. A new five-year strategy, published in July, set out UK Trade & Investment's response. Its key themes are to transform the marketing of the UK as a place to do business in and with, to improve the effectiveness of government and business working together in partnership and to focus its efforts where they can make the most difference.

Good progress is already being made in implementing the new strategy. Key partners from both the public and private sector have been engaged in taking forward many of the strategy's 28 workstreams. The process for filling posts in key emerging markets, and of recruiting specialists to support work in emerging markets and on a new R&D programme, is underway. In October the Chancellor agreed a strategy to promote the City of London as the world's leading international financial services centre. And UK Trade & Investment has completed a programme of internal restructuring and is becoming a more entrepreneurial, marketing-led organisation.

UK Trade & Investment is building on firm foundations. Independent research, published in March 2006, estimated that UK Trade & Investment spend of £65 million on five trade development services generated more than £1.1 billion additional profit for its business customers.<sup>1</sup> Success such as this means that UK Trade & Investment is already well regarded internationally; over the next five years we want it to become the most successful organisation of its kind in the world.

The UK remains Europe's number one inward investment destination; in 2005-06, 1,220 inward investment projects created 34,077 new jobs, safeguarding a further 55,789. In an increasingly competitive global economy, UK Trade & Investment will continue to raise its game, to secure continued success for the UK.

Ian McCartney  
Minister for Trade, Investment and Foreign Affairs

<sup>1</sup> DTI Evaluation Report Series No. 9, *2004-2005 Study of the Relative Economic Benefits of UK Trade & Investment Support for Trade and Inward Investment*, Chapter 5, Appendix A.



# Section 1: Introduction

1. This report sets out the progress made by UK Trade & Investment to the end of September 2006, on delivering its Public Service Agreement (PSA). It complements:

- The UK Trade & Investment Departmental Report (Cm 6825) published April 2006, available from The Stationery Office and on UK Trade & Investment's website.<sup>2</sup> The Departmental Report provides more detailed information on the organisation and its resources. The activities and expenditure of UK Trade & Investment are also summarised in the equivalent reports of its parent departments, the Foreign and Commonwealth Office (FCO) and the Department of Trade & Industry (DTI).
- UK Trade & Investment's Resource Accounts (HC No. 1475) published in July 2006, also available from The Stationery Office and on UK Trade & Investment's website. This provides information on UK Trade & Investment's operations for the 2005-06 financial year.

2. This report also covers progress towards meeting the efficiency targets agreed for UK Trade & Investment following the 2004 Spending Review (SR2004) settlement.

3. In July 2006 UK Trade & Investment published a new five-year strategy, setting out its role in helping the UK respond to the challenges and opportunities of globalisation.<sup>3</sup> Section 5 of this report gives further details from the strategy.

## The UK Trade & Investment organisation

4. UK Trade & Investment brings together the work of its two parent departments, the FCO and the DTI, on international trade and inward investment.

5. UK Trade & Investment is not an employer in its own right. For the majority of its civil service manpower requirements it draws on staff employed by one or other of its two parent departments. In the UK most of its staff are drawn from DTI while overseas most of its staff are from the FCO. UK Trade & Investment also draws on its parent departments for some business support functions including aspects of finance, HR and IT support systems.

### Funding

6. UK Trade & Investment has three funding streams:

- *Programme* (£100.5 million in 2004-05, reducing by £11 million over the SR2004 period). These funds are voted directly by Parliament. UK Trade & Investment's Chief Executive is the Accounting Officer for this funding stream.
- *FCO Admin* (in the region of £144 million in 2004-05, reducing by £20 million over the SR2004 period) for which FCO's Accounting Officer is responsible (and over which UK Trade & Investment has direct control of an allocated headquarters budget of £8 million).
- *DTI Admin* (£36.7 million in 2004-05, reducing by £4 million over the SR2004 period) for which DTI's Accounting Officer is accountable, but which is ring-fenced and within UK Trade & Investment's control.

2 [www.uktradeinvest.gov.uk/ukti/about\\_ukti](http://www.uktradeinvest.gov.uk/ukti/about_ukti)

3 Prosperity in a Changing World, available on the UK Trade & Investment website, [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)

## UK Trade & Investment's Public Service Agreement (PSA) objective and target

7. UK Trade & Investment is committed to the following PSA objective:

“To enhance the competitiveness of companies in the UK through overseas trade and investments; and attract a continuing high level of quality foreign direct investment.”

This objective is underpinned by a PSA target, which for the SR2004 period (2005-06 to 2007-08) is:

“By 2008, deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers, with an emphasis on new-to-export firms; and maintain the UK as the prime location in the EU for foreign direct investment.”

8. Both the objective and its associated PSA target are shared with the FCO (PSA 6) and the DTI (PSA 8), with UK Trade & Investment delivering the target on behalf of its parent departments.

9. UK Trade & Investment's performance is measured against five PSA indicators. Three of these indicators cover trade development and two cover inward investment. Progress to date is outlined in the next two sections.

## Section 2: Performance against trade development indicators

Indicator (i) ('shift in resources to support new-to-export firms' indicator):

'At least a 30-percentage point increase by 2007-08 in the proportion of UK Trade & Investment trade development resources focused on new-to-export firms.'

Assessment of progress: ON COURSE

10. This indicator is an input measure, requiring UK Trade & Investment to shift internal trade development resources towards new-to-export firms.

11. This shift of resources is against an overall reduction in the proportion of resources UK Trade & Investment dedicates to trade development as, again in line with the settlement, resources are increased in support of inward investment.

### Factors affecting performance

12. At the start of the SR2004 period, 31 per cent of trade development resources were deployed on new-to-export firms. At July 2006, internal management accounts showed an increase of ten percentage points from this baseline over the first year of the SR2004 settlement. Thus, at the start of the second year of the settlement, April 2006, 41 per cent of total trade development resources were being deployed on new-to-export firms.

13. Because this indicator is an input measure, indicative budgets set in Q4 2005-06 for the remainder of the SR2004 period – 2006-07 and 2007-08 – were on track to deliver the required shift in resources by March 2008, according to internal management accounting data.

14. UK Trade & Investment's new strategy charts a new direction for the organisation, one that requires significant organisational change and re-distribution of resources to deliver new priorities. It also confirms that new-to-export firms will continue to be an important client group for UK Trade & Investment.

Indicator (ii) ('new-to-export' indicator):

'At least 40 per cent of new-to-export firms assisted by UK Trade & Investment improve their business performance within two years.'

Assessment of progress: AHEAD

2003 Annual Result	2004 Annual Result	2005 Annual Result	Q2 2006-07* (cumulative)
35%	30%	31%	53%

\* For the SR2004 period, reports have switched to financial rather than calendar years. The position at Q2 2006-07 is a provisional average for performance from Q4 2005-06 to Q2 2006-07; revised data covering this period will be available in June 2007. Future reporting will be based on a rolling annual average, based on performance reports for the most recent four quarters.

15. This indicator covers firms that are seeking to enter overseas markets, who have little or no previous experience of doing business overseas. These firms are defined as having no more than 10 per cent of turnover resulting from proactive exporting activity, or a higher proportion (no more than 25 per cent) of turnover resulting from a combination of proactive and reactive export activity within the previous 12 months.

## Factors affecting performance

16. Respondents to the monitoring surveys that provide data for this indicator cite the decline of the dollar against sterling as impacting on the competitiveness of UK-based firms attempting to do business in markets where they are competing against US-based firms. This loss of competitiveness of UK firms in international markets could impact on their business performance and hence undermine achievement of this target.

17. The proportion of new-to-export firms reporting that their business performance had improved as a result of assistance from UK Trade & Investment increased from an annual result of 31 percent for 2005 to a provisional 53 per cent for Q4 2005-06 to Q2 2006-07. This coincides with the introduction of a new performance monitoring system, the Performance and Impact Monitoring Survey ('PIMS') from Q4 2005-06. The change to PIMS does not appear to have affected the 'new-to-market' indicator (see below). One possible interpretation is that responses from less experienced exporters may be more sensitive to interview timing; this will be confirmed through follow-up interviews. (For more details see 'Quality of data systems used', below.)

### Indicator (iii) ('new-to-market' indicator):

'At least 50% of established exporters assisted by UK Trade & Investment improve their business performance within two years.'

Assessment of progress: AHEAD

2003 Annual Result	2004 Annual Result	2005 Annual Result	Q2 2006-07* (cumulative)
43%	43%	54%	52%

\* For the SR2004 period, reports have switched to financial rather than calendar years. The position at Q2 2006-07 is a provisional average for performance from Q4 2005-06 to Q2 2006-07; revised data covering this period will be available in June 2007. Future reporting will be based on a rolling annual average, based on performance reports for the most recent four quarters.

18. This indicator covers firms that already have experience of doing business overseas, who are seeking to enter new markets. For these firms, the barriers to expanding their operations into new markets, especially emerging markets such as India and China, can sometimes be as significant as those facing firms who are seeking to business overseas for the first time.

## Factors affecting performance

19. Respondents to the monitoring surveys that provide data for this indicator cite the decline of the dollar against sterling as impacting on the competitiveness of UK-based firms attempting to do business in markets where they are competing against US-based firms. This loss of competitiveness of UK firms in international markets could impact on their business performance and hence undermine achievement of this target.

## Quality of data systems used

### *'Shift in resources to support new-to-export firms' indicator*

20. The shift in trade development resources dedicated to new-to-export firms is tracked by monitoring the resource budgets that support UK Trade & Investment's trade development work.

### *'New to export' and 'New to market' indicators*

21. Data for the new-to-export and new-to-market indicators are collected through a performance measurement survey and analysis carried out by external consultants.

22. For the three years ending 31 December 2005 the consultants were the Reading Business Group, Reading University, and the survey covered around 800 firms each year. From 1 January 2006, as part of the introduction of a new extended performance measurement system, the Performance and Impact Monitoring Survey ('PIMS'), substantial increases in the survey sample size were implemented, to a minimum of 2,500 firms per year.

23. PIMS carries out interviews with companies at two, or in some cases three, stages after receipt of support, in order to allow outcomes to be tracked over time. The results presented in this report are from the first wave of interviews only, which means that they are provisional. They may be revised when results from second and third wave interviews are available; these results are expected, for the period being reported here, by June 2007.

#### **Box 1. The Performance and Impact Monitoring Survey, PIMS**

PIMS is a central monitoring survey of users of UK Trade & Investment's business services. It covers all significant customer facing trade services and provides evidence about service quality and about what difference UK Trade & Investment makes to businesses. It uses a range of measures, including information on the overall performance of UK Trade & Investment against its 'new-to-export' and 'new-to-market' PSA indicators.

The percentage figures in these indicators reflect those firms achieving sustainable (i.e. longer-term) improvements in productivity and profitability, when companies have actually achieved additional export business. A range of additional measures introduced with PIMS also improved UK Trade & Investment's measurement of impact on business capabilities.

PIMS surveys are based on telephone interviews with a sample of users of UK Trade & Investment's principal services. The interviews are carried out in two or three waves, depending on the nature of the support given.

The first wave provides an initial assessment of the difference that UK Trade & Investment's support has made, taking into account changes the business may have made to its products, practices or marketing strategies, or impact on other business decisions. These interviews are carried out three to six months after support has been provided.

Subsequent waves of interviews are designed to assess the longer-term impact of UK Trade & Investment services. These second- and third-wave interviews are carried out 12 months and 18-24 months later respectively. The third wave will only be carried out where impact from support is expected to materialise over a longer period, for example as the result of capacity building in new-to-export companies.

The surveys concentrate on gathering information on business performance and processes; how these have changed over the period since service delivery; and the factors which lie behind the reported changes, such as improved knowledge and capabilities, or help with overcoming other barriers to overseas market entry. The emphasis is on factors affecting business competitiveness, and the measurement methodology aims to capture sustainable rather than unsustainable increases.

Other issues covered by the survey questions include:

- New business, both in the target market as well as any new sales in any other market, and any (positive or negative) effects on domestic sales.
- Impact on skills and on business behaviour, including improvements in products, processes or strategies, and impact on investment in research and new product development.
- Quality, relevance, and usefulness of information, advice, or contacts provided by UK Trade & Investment.
- The extent to which similar benefits could have been achieved through other means, including the availability of any private sector sources of advice or information.
- Business profile characteristics, and strategic motives for exporting.

Data gathered on business profile characteristics and strategic motives for exporting are used in analysis of the survey results to help identify characteristics of businesses most likely to benefit from UK Trade & Investment support. The questions also contain crosschecks, including data about actual performance, enabling the consultant carrying out the interview to identify inconsistent responses. The follow-up interviews provide further opportunity for crosschecks with firms' initial responses.

The results indicate how UK Trade & Investment's assistance has improved firms' performance, especially productivity and profitability, and enable a judgement to be made as to whether UK Trade & Investment has met these PSA indicators. Results from the initial wave of interviews also provide UK Trade & Investment managers with early indications of how well different services are performing, so that any necessary adjustments can be made to drive up service quality.

## Section 3: Performance against inward investment indicators

### Indicator (iv):

'Improve the UK's ranking within Europe in terms of the GDP-adjusted stock of EU foreign direct investment based on the UNCTAD World Investment Report.'

Assessment of progress: ON COURSE

24. Based on the UNCTAD World Investment Report 2006 the UK's ranking has increased from a revised ranking of 15th in 2004 to a provisional ranking of 10th in 2005 (these rankings may be subject to further revision).<sup>4</sup> DTI statisticians are currently investigating the long-term trends.

25. The UNCTAD Report confirmed that the UK remained the number one inward investment destination in Europe in 2005.

### Indicator (v):

'374 (in 2005-06), 440 (in 2006-07) and 524 (in 2007-08) successful inward investment projects secured by UK Trade & Investment in each year of the Spending Review of which 75% are knowledge driven.'

Assessment of progress: ON COURSE

26. 438 successes (figure revised since publication of Inward Investment Annual Review in July) achieved in 2005-06; of these, 73% were knowledge driven (this percentage remain to be verified).

27. As at September 2006, 220 successes have been reported as achieved in 2006-07 of which 72% are knowledge driven; figures and percentages are provisional and remain to be verified.

28. In line with UK Trade & Investment's new strategy, from April 2007 inward investment overseas teams will adopt a new approach to securing inward investment that concentrates on high-value added projects and on where UKTI interventions can add more value to the economy.

### Factors affecting performance

29. Macroeconomic policy and the performance of the UK economy are critical to inward investment success and hence to the achievement of these targets.

### Quality of data systems used

30. Data on the UK's ranking within Europe is taken from the UNCTAD World Investment Report and online FDI database.

31. Data on successful inward investment projects secured is based on the electronic project tracking system. This uses definitions of success agreed by the Committee on Overseas Promotion (COP), a joint UK Trade & Investment Inward Investment/Regional Development Agency/Devolved Administration committee.

<sup>4</sup> UNCTAD data is revised year-on-year. The rankings of the EU countries exclude Belgium and Luxembourg as no figures were published for these countries in the 2004 UNCTAD report – this does not directly affect the PSA indicator.

# Section 4: Progress against Efficiency Targets

## Introduction

32. The following details are drawn from UK Trade & Investment's Efficiency Technical Note which can be accessed via [www.uktradeinvest.gov.uk/ukti/finance](http://www.uktradeinvest.gov.uk/ukti/finance), and the most recent (November 2006) Office of Government Commerce (OGC) assessment of the organisations' progress in delivering efficiency savings.

### Headline efficiency savings

33. Over the SR2004 period UK Trade & Investment is committed to achieving the following efficiency savings against 2004-05 baseline figures:

- A cumulative reduction of £35 million on programme and admin spend
- A reduction of 200 full-time equivalent DTI staff

34. The table below shows the cumulative savings required by Treasury under the SR2004 settlement for the three years of the SR2004 period, across the three funding streams.<sup>5</sup>

Table 1. Efficiency savings for the SR2004 period

Funding stream	Efficiency Savings for 2005-06 £m	Cumulative Efficiency Savings for 2006-07 £m	Cumulative Efficiency Savings for 2007-08 £m
	Resource	Resource	Resource
Programme	2.1	5.0	11.0
FCO Admin	2.1	10.0	20.0
DTI Admin	1.6	3.0	4.0
<b>Total</b>	<b>5.8</b>	<b>18.0</b>	<b>35.0</b>

### Key efficiency delivery issues for UK Trade & Investment

35. A substantial proportion of UK Trade & Investment's efficiency savings targets require the removal of cost from the organisation, by reductions in the numbers of staff from its parent departments, FCO and DTI, engaged on its work. As noted at the beginning of this Report, UK Trade & Investment is not an employer in its own right; in implementing the SR2004 settlement it therefore has to work with FCO and DTI to determine the shape of its restructuring operations. Its planning includes taking into account the capacity of parent departments – within the context of their own SR2004 obligations to the Treasury – to reabsorb released staff and redeploy them. This process has required ongoing negotiations with both parents, and the planning work within UK Trade & Investment has had to take these considerations into account.

5 Note that re. savings on FCO Admin, the benefit of the savings will accrue in the first instance to the FCO, and may be used by them to offset savings made elsewhere by the FCO, or surrendered as cashable. They will become cashable, in Treasury's terms, to the extent that the FCO chooses to use them directly to offset its own savings obligations.

## Efficiency savings achieved to date

36. The following table summarises efficiency gains achieved to date.

Table 2. Efficiency savings achieved in the first six months of the SR2004 period

Activity	Reported actual @		Forecast 09-2006	Target 03-2008
	03-2006	09-2006		
Efficiency gains	£21.9m	£25.6m	£7.9m	£35m
Headcount Reduction	179	185	165	200

37. Progress is currently ahead of schedule because savings on FCO Admin have largely been delivered (£19.3 million returned to FCO to end-Q2 2006-07).

## Initiatives to deliver efficiency savings

38. The following table summarises the main initiatives through which UK Trade & Investment is delivering its efficiency savings.

Table 3. Main initiatives for achieving efficiency savings for the SR2004 period

Funding stream	Initiative
Programme	<ul style="list-style-type: none"> <li>Investment in web-based e-delivery of services to customers.</li> <li>Procurement savings.</li> <li>Prioritisation of trade services.</li> <li>Cost recovery for services from business.</li> </ul>
FCO Admin	<ul style="list-style-type: none"> <li>Reduction of UK Trade &amp; Investment's overseas presence, yielding £20m to be handed back to FCO for redeployment on FCO priorities.</li> </ul>
DTI Admin	<ul style="list-style-type: none"> <li>Delivery of £4m savings in DTI admin through reduction in DTI workforce, together with corresponding reductions in non-salary staff costs.</li> </ul>

## Quality measures

39. UK Trade & Investment is committed to achieving efficiencies by reducing input costs whilst delivering the same or improved customer services, and by re-focusing priorities to deliver the same or better quality outputs.

40. UK Trade & Investment has a programme of external evaluation of the quality of its services. PIMS (the Performance Impact Monitoring Survey – see Section 2) provides quantitative and qualitative measures of UK Trade & Investment's performance in delivering its PSA target, including data on customer satisfaction with service outputs and quality. Improving the quality of service delivery is backed up by a continuing programme of improvement geared to achieving further productivity gains, through uprating staff capabilities and refining headquarters' business processes.

## Plans and prospects for delivering efficiencies over the next 6 months

41. Delivering UK Trade & Investment's strategy is bringing new opportunities for delivering fresh efficiencies:

- The strategy requires a net cut of around 100 posts; by March 2007, posts in headquarters offices in London and Glasgow will have reduced by some 40 per cent since March 2004.
- UK Trade & Investment's trade development and inward investment sector teams are joining forces to deliver advice and support to companies in key sectors on doing business in a global marketplace.

42. Over the next six months UK Trade & Investment anticipates the following activities will further enhance its capacity to deliver its efficiency commitments.

- Further increases in revenue from its Overseas Market Introduction Service (OMIS). Forecast income for this financial year is expected to be up by 50 per cent compared with 2005-06.
- Continue to pilot the Customer Relationship Management (CRM) system, for full roll out in Autumn 2007. This will deliver better handling of customers, more efficiently.

## Section 5: A new strategy for UK Trade & Investment

43. The March 2006 Budget Announcement set out an enhanced role for UK Trade & Investment across both trade and investment, giving it responsibility for:

- Marketing the strengths of the UK economy internationally as a place to do business in and with;
- Boosting trade with and inward investment from emerging markets such as India, China, Brazil, Indonesia, Mexico, Russia, South Africa, Turkey, UAE and Saudi Arabia;
- Focusing on knowledge-intensive businesses and innovative sectors;
- Implementing an International R&D strategy in partnership with academic and business communities;
- Promoting the City of London working with the UK's regional clusters, as the world's leading financial centre.

44. UK Trade & Investment published its new strategy, "Prosperity in a Changing World", on July 20, 2006. The strategy outlines how UK Trade & Investment will respond to the Budget announcement and sets the course for UK Trade & Investment for the next five years. The workstreams that will deliver the strategy are set out at Annex A.

### Marketing

45. Marketing the UK's business strengths as a world-class source of products and services, partnership and business location is central to UK Trade & Investment's new strategy.

46. UK Trade & Investment will work in partnership with business, across government and with other agencies charged with promoting the UK, to create marketing synergies through more joint working. From now through to December 2007 detailed marketing strategies will be developed, supported by high quality promotional material, to target specific overseas business sectors and individual companies with core messages about relevant UK strengths, and assist UK companies in selling themselves overseas.

### Emerging Markets

47. Building strong trade and investment links with high growth emerging markets is strategically important to the UK's future economic wellbeing. For example, China and India are already in the top ten largest economies in the world, and are forecast to increase their shares of global output over the next ten years. These and other emerging markets present significant opportunities for UK business; there is also good economic evidence that firms secure most value if they enter emerging markets at an early stage.

48. UK Trade & Investment has identified a priority list of emerging markets, based on an assessment of the relative importance of different markets for UK business and the value of commitment of further resources in those markets.

49. A key feature of UK Trade & Investment's new strategy is differentiation: the services for companies in China or India will be different from those in France or the United States. In emerging markets UK Trade & Investment offers more support in dealing with governments and overcoming barriers to trade, both formal and informal. In more developed markets it focuses relatively more effort in helping UK-based companies access key local contacts and sources of information, and identifying inward investment projects.

### Innovative Sectors

50. The evidence set out in the Economics Paper<sup>6</sup> published alongside UK Trade & Investment's new strategy suggests that returns to the taxpayer from its support are likely to be higher for innovative than non-innovative companies, for two reasons:

- Successful internationalisation by innovative companies contributes to UK productivity and prosperity. The evidence shows that there are strong links between companies' innovation performance and overseas activity.

<sup>6</sup> DTI Economics Paper Number 18, *International Trade and Investment – the Economic Rationale for Government Support*, available on the DTI website at [www.dti.gov.uk](http://www.dti.gov.uk)

- Success in selling overseas increases investment in innovation, and can enable innovative businesses to meet growth objectives that would not be possible in the UK market alone. There is evidence that innovative UK companies tend to derive greater benefit from UK Trade & Investment support across a range of measures, and that benefits to the UK from inward investment projects are greater when the project involves more R&D or other innovation activity.

## International R&D Strategy

51. As part of its five-year strategy, UK Trade & Investment is developing initiatives to attract more business R&D to the UK, building on the UK's undoubted strengths in this area. The evidence is that overseas companies view the UK positively as an R&D centre, but do not have precision on the available opportunities, or on how to enter the market.

52. UK Trade & Investment will target a rolling list of 40 R&D intense companies, to do R&D or do more R&D in the UK, through inward investment, partnership (with UK based companies or research institutions), supply chain relationships or contract research with UK universities or companies. UK Trade & Investment will also work with UK based R&D intense companies, providing tailored assistance to achieve enhanced trade capacity.

## City of London

53. Financial and related business services across the UK represent over 12% of GDP. As financial markets become increasingly international – partly driven by technology – there is increased competition from other financial centres. To deliver the full benefits of the opportunities for the UK, Government and business need to work together to develop a coordinated strategy for promoting Britain's financial sector around the world, to ensure it maintains its lead position.

54. Government's role is not intervention but to create a coordinated framework for success. In support of the Government's initiative, leading London markets and financial sector bodies, including from the devolved administrations and English regions, have participated in the setting up of a Financial Services Working Group to advise the Government and the Chancellor's High Level Group of practitioners announced in the March 2006 budget, on how best to take forward a strategy for promoting the UK international financial services sector. This was launched in October 2006.

## Partnership

55. To maximise the impact in marketing the UK business environment, UK Trade & Investment will work in partnership with the nine English Regional Development Agencies (RDAs), the devolved administrations in Northern Ireland, Scotland and Wales, other government departments, as well as the national bodies including Visit Britain, the British Council, trade associations and other business organisations. This co-ordinated approach will enable UK Trade & Investment to leverage the total public funding associated with trade and investment, to increase the impact of its activity and deliver better value to the taxpayer.

## Targets

56. UK Trade & Investment's task now is to deliver the strategy. In addition to continuing to deliver on its existing Public Service Agreement Targets, UKTI will also develop, in conjunction with HMT, new top-level targets. They will be independently monitored and published twice a year. They will also feed into development of new Public Service Agreements during the Comprehensive Spending Review in 2007. These targets will cover four broad areas set out below:

- High value Foreign Direct Investment.
- R&D and innovative activity of UKTI's customer base.
- UK businesses' performance.
- The UK's reputation as a place to do business in and with.

# ANNEX A UK Trade & Investment (UKTI) Strategy Workstreams

## Marketing Business UK

### Co-ordinating marketing

- By October 2006 a cross-government group on marketing the UK economy internationally, chaired by the Chief Executive of UKTI and including the RDAs and devolved administrations, will be established to meet quarterly to agree priorities and implement a joined-up programme of activities. By December 2007 we will review the effectiveness of the group.

### Strategic marketing exercise

- By December 2006 UKTI will have completed work on developing the overarching messages on the distinctive strengths that best present UK business to our target customers.

### City of London

- By December 2006, working with the industry, UKTI will publish a strategy to promote the City as the world's leading international financial services centre and the complementary strengths of financial and business services across the UK.

### Market research

- By December 2006 UKTI will establish a rolling programme of market research for critical client groups to provide specific information on overseas markets and business sectors and how best the UK can tap the potential value.

### Marketing strategies

- From January 2007 through to June 2007 UKTI will develop the first five detailed strategies, supported by high quality marketing materials, to target specific overseas business sectors and individual companies on the basis of core messages about relevant UK strengths, and to assist UK companies in selling themselves overseas. These strategies will include specific targets on investment and trade, to be set by April 2007.

## Working with business

### R&D programme

- By December 2006 UKTI will have begun a new £9million R&D programme to target innovative, R&D-intensive companies both for inward investment and as potential high-value exporters.

### Asian emerging market scheme

- By October 2006 UKTI will have introduced a new experimental programme to help established exporters expand in the emerging Asian markets.

### Growth opportunities strategy

- By April 2007 UKTI will, with the RDAs and devolved administrations, adopt a new approach to securing inward investment that concentrates on high-value added projects and on where our interventions can add more value to the economy.

## Business briefings

- By January 2007 UKTI will have in place a programme of targeted business briefings around the UK with the Minister for Trade and Investment and UKTI Chief Executive to capture feedback from business and promote understanding of globalisation.

## Access to FCO diplomatic and economic reporting

- By July 2007 UKTI will pilot a subscription website carrying a range of diplomatic and economic reporting aimed at making the analytical expertise of the FCO and the UK's overseas network much more widely available to the UK-based business community.

## Co-ordination of visits

- By December 2006 a new committee, chaired by the Minister for Trade and Investment will have agreed a co-ordination mechanism for the overseas visits of Ministers and other senior UK representatives, and senior inward visits from foreign Ministers, to target effectively key contacts to help companies internationalise.

## Trade and Investment summits

- In July 2007 the Minister for Trade and Investment will hold the first in a series of annual summits with RDAs and DAs to review progress in delivering prosperity on the basis of this strategy.

## Influencing policy

- By Summer 2007 a senior Whitehall group will have been established, chaired by UKTI's Chief Executive and involving the Better Regulation Commission, to ensure that our growing understanding of the impact of a changing global economy on UK businesses is really embedded in policy development.

## Research

- By December 2007 UKTI will have published, in partnership with business schools, further research on companies' experiences in the changing global economy to ensure that UKTI captures high quality, leading-edge thinking and build on the programme of research and publications of the Asia Task Force.

## Review of overseas presence

- By March 2008 UKTI will have worked with the devolved administrations and the RDAs to review their representation overseas and maximise effectiveness, ensuring that they deliver what is best for the UK in the most coherent manner.

## Review of regional trade operations

- By March 2008 UKTI will have worked with the RDAs to review our international trade operations in the regions, to continue delivering services to businesses effectively, linking with the wider business support frameworks in the regions.

## Science & Innovation

- By September 2006, UKTI, the DTI Office of Science and Innovation, and the FCO Science & Innovation Network, working together, will review their operations to maximise synergies.

## Transforming ourselves

### Increased resources in emerging markets

- By March 2008 UKTI will have increased its resources in the emerging markets by £5.6 million to support companies doing business there.

### **Client account managers**

- By January 2007 UKTI will have client account managers in place for key client groups: high-value potential investors, major exporters, exporters to emerging markets and R&D-intensive companies to ensure it is best placed to help its clients internationalise.

### **Customer relationship management**

- By autumn 2007 UKTI will have implemented a web-based Customer Relationship Management system to enable its staff to offer a better service to its clients.

### **Increased front line**

- By March 2007 UKTI will have reduced posts in headquarters by some 40 per cent since 2004. Some 90 per cent of its people will be in the front line overseas, in the English regions, or in customer facing service delivery in headquarters.

### **Joint inward investment and trade sector teams**

- By April 2007 UKTI will deploy joint sector teams for those sectors that are priorities for inward investment and trade to maximise synergies across UKTI.

### **Target driven approach**

- By April 2007 UKTI will have new top-level targets which cascade down to teams and individuals across the whole UKTI network for 2007/08 onwards. These will cover both trade and investment activity and will be developed with the RDAs and other relevant partners.

### **Increased professionalism**

- By March 2007 UKTI will have completed an audit of its skills against the new strategy and have in place a programme of recruitment and training to ensure that it is best placed to meet the needs of its clients.

### **New private sector talent**

- By September 2006 UKTI will have started a recruitment campaign to bring in new private sector skills to meet requirements of its clients.

### **Website**

- By March 2007 we will increase the number of companies registered on our revamped portal website to 20,000. We will add a further 5,000 per year thereafter.

### **Charging**

- By December 2007 UKTI will have doubled the revenue it receives from charging for its services.

### **Evaluation programme**

- By December 2006 UKTI will have in place a programme of evaluation that will increase its insight and ensure that it continually builds on its experience and has a service portfolio that operates increasingly effectively in support of its clients.

# ANNEX B UK Trade & Investment Services

Whilst co-ordinating and driving forward UK Trade & Investment's new strategy across Government, it will continue to deliver current services and programmes to existing customers.

## Trade promotion services

On trade, UKTI provides a range of services to business including:

- Individually tailored packages of practical assistance to help companies develop the skills and capacity needed to trade internationally.
- Tailored information about opportunities for specific products or services in particular overseas markets.
- Support for companies in the UK to participate in overseas trade fairs, seminars and UK trade missions.
- Provision of a range of publicity services.
- Political lobbying on behalf of UK companies.

The Trade Access Show Programme (formerly SESA) remains a substantial programme, with 600 trade shows and exhibitions in more than 50 markets. More than 100 Accredited Trade Organisations, most of them trade associations, continue to work with UKTI in delivering exhibition support in 2006/07.

UKTI will continue to have a strong presence in developed markets such as the US and Europe. These are still the UK's most important trading partners and a major source of inward investment. UKTI will still provide help for a wide range of businesses across a variety of sectors in many international markets. But there will need to be a clear focus on activity that delivers maximum added value for business and the UK economy.

Passport to Export Success remains a UKTI flagship assessment and skills-based programme that provides new and inexperienced exporters with the training, planning and on-going support they need to succeed overseas.

## Inward investment services

Inward investment activities involve providing a free, bespoke and confidential service to potential inward investors on a range of issues, including:

- A developing focus on key high-value investors to facilitate their continued growth/retention in the UK.
- Providing specific information on key commercial considerations, such as company registration, immigration, financial incentives, labour, real estate, transport, utilities and regulatory issues.
- Providing comprehensive regional and local analysis to help overseas companies choose the right place to set up.
- Introductions to sector networks, such as industry leaders, chambers of commerce, universities and other centres of R&D excellence.
- Helping to build collaborative technology partnerships between UK and foreign businesses through UK Trade & Investment's *Global Partnerships* programme.
- Assisting overseas entrepreneurs to develop UK business opportunities through UK Trade & Investment's *Global Entrepreneurs* programme.
- Providing continued investor 'aftercare' support through UK Trade & Investment's *Investor Development* network, which offers assistance to companies once they have established a presence in the UK to encourage their successful development and expansion.
- Developing co-operation and operational guidelines between the principal bodies engaged in inward investment promotion, through chairmanship of the national Committee on Overseas Promotion.





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