UK TRADE & INVESTMENT

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AUTUMN PERFORMANCE REPORT

2007

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

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Ministerial Foreword

I am pleased to introduce UK Trade & Investment's 2007 Autumn Performance Report. It sets out what has been achieved to the end of September 2007, in delivering UKTI's Public Service Agreement for the 2004 Spending Review period.

The creation of the post of Minister for Trade and Investment, dedicated solely to UKTI, is an indication of the importance attached to the work of the organisation and I was delighted to accept the Prime Minister's invitation to take up this post on that basis. I am strongly committed to championing the UK's trade and investment success both overseas and in the UK. I have enjoyed hugely working with Andrew Cahn and his team over the past six months, taking forward the work UKTI does to support international business and deliver real, measurable outcomes that impact positively on the UK's competitiveness.

UKTI's five year strategy, *Prosperity in a changing world*, published in July 2006, continues to provide the framework for UKTI's work; to transform the marketing of the UK as a place to do business in and with, and to improve the effectiveness of government and business working together in partnership. I have discovered as I get around the UKTI offices all over the world that *Prosperity in a changing world* has provided a template off which people can work. They know where they stand, what is expected of them and where the organisation is going. UKTI's success, which I inherited, is in no small way due to that. Earlier in the autumn the Trade and Industry Select Committee endorsed the work UKTI is doing, and the recent Comprehensive Spending Review settlement gives us the resources to take forward delivery of the strategy over the next three years.

The Prime Minister's announcement in July 2007, that responsibility for defence trade promotion would move from the Defence Export Services Organisation to UKTI, is another endorsement of the success of UKTI in supporting UK business. An implementation plan to deliver this change is now in place and we look forward to welcoming and working with our new colleagues from the Ministry of Defence in the New Year.

This report focuses on performance against UKTI's Public Service Agreement and indicators. On trade services, this is monitored through independent surveys of UKTI clients. These surveys demonstrate consistently that UKTI services enable companies to upgrade their export capabilities and overcome barriers to overseas markets, leading to improved business performance. Our latest survey results show an estimated total financial benefit to UK-based businesses of around £2.5 billion annually, across all UKTI trade services. Additionally, an independent evaluation of our key trade services, published in March 2006, found that £65 million of spend on these services generated some £1.13 billion of benefit for business customers in terms of additional profits – in other words £17 of benefit for each £1 of UKTI spend.[1] An independent evaluation of the International Trade Teams in the English regions estimated that the services they deliver produce a benefit of £25 per £1 of UKTI spend.[2]

The UK's inward investment performance has also remained strong. The most recent annual UNCTAD World Investment Report for 2007 shows that the UK remains Europe's number one inward investment destination; in 2006-07, 1,431 inward investment projects – an increase from 1,220 in 2005-06 – created 36,526 new jobs and safeguarded a further 41,831.

Trade and Investment. The two key facilitators for our country's continual wealth creation, and our success in the global economy of the 21st Century.

Digby, Lord Jones of Birmingham
Minister of State for Trade and Investment

1 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.

2 SQW (2006), *UK Trade & Investment Impact Evaluation of International Trade Teams: A final Stage 2 report to UK Trade & Investment.*

Section 1: Introduction

1.1 This report sets out the progress made by UK Trade & Investment (UKTI) to the end of September 2007, on delivering its 2004 Spending Review (SR2004) Public Service Agreement (PSA). It complements:

- The UK Trade & Investment Departmental Report (Cm 7101) published in May 2007, which is available from The Stationery Office and on UKTI's website.[1] The Departmental Report provides more detailed information on the organisation and its resources. UKTI's activities and expenditure are also summarised in the equivalent reports of its parent departments, the Foreign and Commonwealth Office (FCO) and the Department for Business, Enterprise and Regulatory Reform (BERR).
- UK Trade & Investment's Resource Accounts (HC No. 806) published in July 2007, also available from The Stationery Office and on UKTI's website. This provides information on UKTI's operations for the 2006-07 financial year.

1.2 This report also covers progress towards meeting the efficiency targets agreed for UKTI as part of its SR2004 settlement.

1.3 In July 2006 UKTI launched a new five year strategy, *Prosperity in a changing world*.[2] The strategy is designed to maximise opportunities for British business in the global economy. This includes a step-change in the drive to market the strengths of the UK economy internationally; a commitment to work in partnership across Government and with business to deliver maximum value; and increased focus on the customers and markets with the greatest potential, and where its services add the most value, including high growth economies and innovative and R&D intensive sectors. More details on activities taking forward the strategy were set out in UKTI's 2007 Departmental Report.

1.4 Since its launch, UKTI has restructured in line with the areas of focus set out in the strategy and has developed new working targets to reflect these. These complement its existing PSA target and indicators, which it is still on track to meet.

1.5 In July 2007 the Prime Minister announced that responsibility for the promotion of defence exports would transfer from the Ministry of Defence to UKTI. An implementation plan to deliver this is in place and the transfer will take place on 1 April 2008. UKTI's 2008 Departmental Report will provide more details of the support it will provide for defence exports.

1.6 In October 2007 the Chancellor of the Exchequer announced the outcome of the 2007 Comprehensive Spending Review. A summary of the settlement for UKTI covering the financial years from 2008-09 to 2010-11 is at Annex A.

The UK Trade & Investment organisation

1.7 UKTI has the lead role within Government for delivering trade development and inward investment services for business.[3] It brings together the work of the FCO and BERR on international trade and investment. It works closely with the Regional Development Agencies (RDAs) in the English regions and with the trade promotion and inward investment organisations of the Devolved Administrations, and with the other Government departments and agencies and the numerous private sector bodies active in this field.

1.8 UKTI 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 BERR while overseas most of its staff are from the FCO. UKTI also draws on its parent departments for some business support functions including aspects of finance, HR and IT support systems.

1 www.uktradeinvest.gov.uk/ukti/about_ukti

2 *Prosperity in a Changing World*, available on the UK Trade & Investment website, www.uktradeinvest.gov.uk

3 UKTI was established in May 1999 as British Trade International, in response to the findings of: 'The Review of Export Promotion: A Report by the Secretary of the Cabinet, February 1999' (the 'Wilson Report'), DTI/FCO, March 1999. It was renamed UK Trade & Investment in October 2003.

Funding

1.9 UKTI 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. UKTI'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 UKTI has direct control of an allocated headquarters budget of some £8 million).
- *BERR Admin* (£36.7 million in 2004-05, reducing by £4 million over the SR2004 period) for which BERR's Accounting Officer is accountable, but which is ring-fenced and within UKTI's control.

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

1.10 UKTI 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."

1.11 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."

1.12 Both the objective and its associated PSA target are shared with the FCO (PSA 6) and the BERR (PSA 8), with UKTI delivering the target on behalf of its parent departments.

1.13 UKTI'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

2.1 This indicator is an input measure, requiring UKTI to shift internal trade development resources towards new-to-export firms.

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

Factors affecting performance

2.3 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.

2.4 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.

2.5 UKTI's five year 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 UKTI.

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	2006-07* (cumulative)	Q2 2007-08* (cumulative)
35%	30%	31%	52%**	55%

* For the bulk of the SR2004 period, from January 2006, reports switched to financial rather than calendar years. Quarterly reporting shows performance against this indicator based on a rolling annual average, drawn from performance reported for the most recent four quarters. The position at Q2 2007-08 is a provisional average for performance for the four quarters from Q3 2006-07 to Q2 2007-08 inclusive.

** See paragraph 2.13, below.

2.6 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

2.7 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.

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

> **'At least 50 per cent 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	2006-07* (cumulative)	Q2 2007-08* (cumulative)
43%	43%	54%	51%	52%

* For the bulk of the SR2004 period, from January 2006, reports switched to financial rather than calendar years. Quarterly reporting shows performance against this indicator based on a rolling annual average, drawn from performance reported for the most recent four quarters. The position at Q2 2007-08 is a provisional average for performance for the four quarters from Q3 2006-07 to Q2 2007-08 inclusive.

2.8 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 do business overseas for the first time.

Factors affecting performance

2.9 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

2.10 The shift in trade development resources dedicated to new-to-export firms is tracked by monitoring the resource budgets that support UKTI's trade development work.

'New-to-export' and 'New-to-market' indicators

2.11 Over the SR2004 period, data for the new-to-export and new-to-market indicators has been collected through a performance measurement survey and analysis carried out by independent, external consultants.

2.12 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, a new and extended performance measurement system, the Performance and Impact Monitoring Survey ('PIMS') was introduced. The survey is carried out by OMB, a market research organisation, and it substantially increases the survey sample size, to a minimum of 2,500 firms per year.

2.13 The proportion of new-to-export firms reporting that their business performance had improved as a result of assistance from UKTI increased from an annual result of 31 percent for 2005 to a provisional 53 per cent for the nine months from Q3 2005-06 to Q2 2006-07. This coincided with the introduction of PIMS. The change to PIMS did not appear to affect the ‘new-to-market’ indicator. One possible explanation for this change was that responses from less experienced exporters were more sensitive to interview timing; this appeared to be confirmed through follow-up interviews which subsequently confirmed that the PIMS survey results were robust.

The Performance and Impact Monitoring Survey, PIMS

PIMS is a central monitoring survey of users of UKTI’s business services. It measures the performance and impact of UKTI support.

PIMS covers all significant customer-facing trade services and provides evidence about service quality and about what difference UKTI makes to businesses. It uses a range of measures, including information on the overall performance of UKTI against its ‘new-to-export’ and ‘new-to-market’ PSA indicators.

The percentage figures in these indicators reflect those firms reporting that they have achieved sustainable (i.e. longer-term) improvements in productivity and profitability, after they have secured additional export business as a result of support from UKTI. Measures of a range of other business activities that are covered by PIMS have improved UKTI’s measurement of other aspects of its impact on business capabilities.

PIMS quarterly surveys are based on telephone interviews with a sample of users of UKTI’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 UKTI’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 UKTI 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 UKTI.
- 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 UKTI 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 a further opportunity for crosschecks with firms’ initial responses.

The results indicate how UKTI's assistance has improved firms' performance, especially productivity and profitability, and enable a judgement to be made as to whether UKTI has met the 'new-to-export' and 'new-to-market' indicators. Results from the initial wave of interviews also provide UKTI 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

3.1 Based on the UNCTAD World Investment Report 2007 the UK's provisional ranking was 11th in 2006. This may be subject to further revision. This was the same as the revised provisional ranking for 2005 (UNCTAD's 2006 Report had placed the UK at 10th in 2005; this was revised down in the 2007 Report). The UK's revised final ranking for 2004 remains 15th.[4]

3.2 The UNCTAD Report confirmed that the UK remained the number one inward investment destination in Europe in 2006.

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

3.3 496 successes were achieved in 2006-07; of these, 75% were knowledge driven (this percentage remains to be verified).

3.4 At end Q2 2007-08 226 successes had been reported, of which an estimated 81% were knowledge driven. These figures and percentages are provisional and remain to be verified (see para. 3.8.)

Factors affecting performance

3.5 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

3.6 Data on the UK's ranking within Europe is taken from the UNCTAD World Investment Report and online FDI database. Year to year movements in FDI inward stock as a percentage of GDP as calculated by UNCTAD can be influenced by a number of factors. The percentage is calculated in US dollars and involves two exchange rate conversions – an end year conversion for FDI inward stock and an average for the year for GDP – and differences between them can affect the year on year movements. The relative size of GDP in the different countries within the EU may also influence the rate at which the percentage changes from year to year.

3.7 Data on successful inward investment projects secured is based on the electronic project tracking system, using definitions of success agreed by the UK-wide International Business Development Forum. (The IBDF was set up in 2007 and supersedes the Committee on Overseas Promotion, COP, a joint UKTI / Regional Development Agency / Devolved Administration committee.) BERR's Internal Audit Team and the National Audit Office validate results.

3.8 As was noted in UKTI's 2007 Departmental Report (para. 2.22) , from April 2007 UKTI's inward investment teams have segmented inward investment clients into three categories – 'high value', 'good quality' and 'RDA priority' – to seek to match the amount of inward investment network effort to the anticipated contribution to the UK economy of specific investments. The categories of 'high value' and 'good quality' investments (as well as appropriate investments facilitated under the Global Entrepreneurs Programme) equate broadly to what was previously counted as 'knowledge driven', hence the figure presented here is an estimate (hence the 'On course' rating against this indicator at this stage).

4 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

4.1 The following details are drawn from UKTI's Efficiency Technical Note which can be accessed via www.uktradeinvest.gov.uk/ukti/finance.

Headline efficiency savings

4.2 UKTI's SR2004 settlement committed the organisation 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

4.3 The table below shows the cumulative savings required by Treasury under the SR2004 settlement for the three years of the SR2004 period, across UKTI's three funding streams.[5]

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
Total	**5.8**	**18.0**	**35.0**

Key efficiency delivery issues for UK Trade & Investment

4.4 A substantial proportion of UKTI'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 BERR, engaged on its work. As noted at the beginning of this Report, UKTI is not an employer in its own right; in implementing the SR2004 settlement it therefore has to work with FCO and BERR 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 UKTI 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

4.5 The following table summarises efficiency gains achieved to date.

Table 2. Efficiency savings achieved to the end of September 2007

Activity	Reported actual @ 03-2007	Reported actual @ 09-2007	Forecast 09-2007	Target 03-2008
Efficiency gains	£28.7m	£30.4m	£31.5m	£35m
Headcount Reduction	200	200	200	200

4.6 Progress is currently ahead of schedule because savings on FCO Admin and the reduction in DTI headcount were delivered by end-Q3 2006-07.

Initiatives to deliver efficiency savings

4.7 The following table summarises the main initiatives through which UKTI is delivering its efficiency savings.

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

Funding stream	Initiative
Programme	• Investment in web-based e-delivery of services to customers. • Procurement savings. • Prioritisation of trade services. • Cost recovery for services from business.
FCO Admin	• Reduction of UKTI's overseas presence, yielding £20m to be handed back to FCO for re-deployment on FCO priorities.
DTI Admin	• Delivery of £4m savings in DTI admin through reduction in DTI workforce, together with corresponding reductions in non-salary staff costs.

Quality measures

4.8 UKTI 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.

4.9 PIMS (the Performance Impact Monitoring Survey – more details are provided in Section 2) provides qualitative as well as quantitative measures of UKTI's performance, and this includes 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 six months

4.10 The bulk of efficiency savings required under UKTI's SR2004 settlement have now been delivered.

4.11 The restructuring that has taken place since the start of the SR2004 period, in particular following the introduction of the five year strategy in July 2006, has led to cuts in a number of activities. As a result there are some aspects of UKTI's Programme budget where we anticipate it will be difficult to identify whether reductions in the budget will have been achieved through efficiencies or cuts; this may impact on some £2 million of the £11 million savings overall. Therefore a key activity over the coming months will be agreement with the Treasury Efficiency Team on measurement of the remaining Programme efficiency savings. (The overall SR2004 objective, of reducing UKTI's Programme budget by £11 million, will be delivered by the end of the SR2004 period.)

4.12 As has been noted in last year's Autumn Performance Report and the Spring 2007 Departmental Report, UKTI's five year strategy required an additional net cut of around 100 posts; by March 2007, posts in headquarters offices in London and Glasgow had reduced by some 40 per cent since March 2004. However, as this further loss of posts was due to re-focusing of UKTI and consequent cuts in pre-strategy activities – albeit cuts that have funded new activities – they have not been counted as efficiency savings.

4.13 UKTI's trade development and inward investment sector teams are now combining forces to deliver advice and support to companies in key sectors on doing business in a global marketplace. The Overseas Market Introduction Service (OMIS) is on target to deliver an increase in revenue from charged-for services. And the planned delivery of a new Customer Relationship Management (CRM) system to the English regions and UKTI's key markets overseas, planned for completion by Autumn 2007, has now been rolled out to all but two markets (these will be linked up to the CRM system by March 2008). A second wave of CRM roll-out has been agreed for remaining markets with a UKTI presence. This will deliver further benefits to customers.

4.14 The Prime Minister's announcement in July 2007, that UKTI will take on responsibility for defence export support, will deliver efficiency savings through exploitation of synergies between the defence export and other activities, and through rationalising support functions.

4.15 Finally, a key activity over the coming months will be to define the delivery of efficiencies required under UKTI's 2007 Comprehensive Spending Review settlement.

ANNEX A: 2007 Comprehensive spending review settlement – UK trade & investment

Introduction

A.1 The 2007 Comprehensive Spending Review settlement for UKTI, covering the financial years 2008-09 to 2010-11, was announced in October 2007. It sets the following strategic objective for UKTI:

> By 2011, deliver measurable improvement in the business performance of UKTI's international trade customers, with an emphasis on innovative and R&D active firms; increase the contribution of foreign direct investment to knowledge intensive economic activity in the UK, including R&D; and deliver a measurable improvement in the reputation of the UK in leading overseas markets as the international business partner of choice.

A.2 In order to deliver this objective the settlement provides:

- Funding of £89 million to UKTI's programme expenditure in Resource Departmental Expenditure Limits (DEL) for each of the three years of the CSR07 period, equivalent to flat cash on UKTI's 2007-08 baseline.
- Funding of £138/137/135 million from within the FCO's Resource DEL.
- Funding of £33/32/31 million from within BERR's admin budget.

A.3 In total, this represents a UKTI budget of £260/258/256 million over the CSR07 period. This provides for the full delivery of UKTI's agreed high level targets (see below); UKTI's marketing commitments related to the 2012 London Olympics; and a contribution to the RDA single pot of £17/16/16 million in relation to inward investment activities. It also requires UKTI to meet or surpass the following cross-government benchmarks:

- At least three per cent net cashable value for money gains per annum; and
- Five per cent annual real reductions in administration budgets.

UKTI's high level targets for the CSR07 period

A.4 The Comprehensive Spending Review settlement sets out agreed high level targets for UKTI. These will contribute to the relevant BERR and FCO Departmental Strategic Objectives (DSOs); for BERR this is:

- BERR DSO 1: Promote the creation and growth of business and a strong enterprise economy across all regions.

A.5 As of end-November, FCO was undertaking a strategy refresh exercise and DSO(s) relevant to UKTI will be known by the New Year.

A.6 UKTI's high level targets are:

- **Target 1** – *High-value foreign direct investment:* Annually, over the 2008-2011 spending review period, to achieve at least 525 involved inward investment project successes, of which: (a) at least 125 should be high value; (b) at least 285 should be good quality; and (c) at least 70 per cent should agree that UKTI or its RDA delivery partner had significant favourable influence on the decision to locate or expand in the UK, or on the scale or scope of the project. At least 30 of the good quality or high value projects should involve additional R&D activity in the UK. The profile of the remaining involved successes will be determined by RDA regional priorities.
- **Target 2** – *Improve the performance of UK businesses by helping them internationalise:* Annually, over the 2008-2011 spending review period, to help at least 20,000 businesses to exploit overseas business opportunities, of which (a) at least 12,000 should be innovative; and (b) at least 50 per cent of all business groups, including the sub-group of businesses helped to enter high growth markets, should improve their business performance as a result of UKTI support.

- **Target 3** – *Increase the quantity of R&D activity in the UK through business internationalisation:* Annually, over the 2008-2011 spending review period, at least 1,000 businesses increase their R&D activity in the UK as a result of UKTI support, including at least 70 foreign direct investment (FDI) R&D projects.
- **Target 4** – *Improve the UK's reputation as the international business partner of choice:* To achieve a measurable improvement over 3 years in the reputation of the UK's business strengths, in particular in a defined set of sectors and in a set of named markets.
- **Target 5** – *Improve UKTI's operational performance.*
  - 5a: *Increase Professionalism* – To achieve 80 per cent Quality Ratings and 80 percent Satisfaction Ratings across both trade and inward investment services.
  - 5b: *Increase charging* – To increase UKTI's revenue from charging to £2 million in FY 2007/08 and to £4 million per annum by the last year of the CSR07 period (FY 2010/11).

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 development services

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

- Individually tailored packages of practical assistance to help companies develop the capacity needed to trade internationally.
- Support and advice on market research and cultural communications.
- Tailored help in accessing new markets and information about opportunities for specific products or services in particular overseas markets.
- Support for new exporters and firms in the UK new to high growth markets, to participate in overseas trade fairs.
- Seminars and sector-based 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 2007/08.

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 capacity building 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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