

BERR ACTION FOR BUSINESS UPDATE - PBR 2008 AND OTHER ACTIVITY

The Department for Business's **Action for Business** programme is focused on helping UK businesses through difficult economic times. We are exploring innovative solutions to the current problems and issues facing businesses, while building on existing BERR policy initiatives. In the medium to long term, we are developing a strategy to ensure businesses can take full advantage of the upturn. I attach a separate annex to this note which sets out some of the other support for business offered by the Department.

This year's **Pre Budget Report** provided a further boost to the Action for Business programme with its strong small business focus.

Small Business Finance Package

A package of targeted, temporary measures will help small businesses struggling with short term working capital and trade and investment finance. They include:

- **A Small Business Finance Scheme** offering up to £1 billion of bank lending, guaranteed by the Government - additional help on top of the existing **Small Firms Loan Guarantee Scheme**.
- A **£1 billion guarantee facility** to support bank lending to small exporters from the Export Credit Guarantee Department.
- **A £50 million fund** to convert businesses' debt into equity.
- **A £25 million regional loan transition fund** to help businesses over the next six months based on a recently launched West Midlands initiative.

This support will sit under the newly-launched Solutions for Business, which offers a range of 30 business support products to promote the creation and growth of companies. All Solutions for Business products are available through a single, high profile, easily-accessible **Business Link** portal.

Action for Business support now worth up to £7 billion

The new package comes on top of the previously negotiated **£4 billion deal with the European Investment Bank** to provide funds to UK banks for lending to small businesses – UK banks have now negotiated credit lines of around £1 billion.

This builds on our Enterprise Strategy published at Budget 2008 and more recent announcements to help small businesses, such as **the 10 day target for Government payments** and cash flow management guides published by the Institute of Credit Management.

Further help for business from the Pre Budget Report

- New **HMRC Business Payment Support Service** to enable businesses in temporary financial difficulty to pay their tax and NI bills on a timetable they can afford, with no penalties or surcharges on agreed deferred tax payments. Interest will be charged at non punitive rates.

- **Overcoming barriers to public sector** contracts – a new web portal for public sector opportunities over £20,000, a better deal for small business contractors and simpler systems, as recommended by the Glover Report.
- More generous carry back **tax relief for trading losses for businesses now making losses**. Up to £50,000 of losses can be carried back for up to three years from the current one year.
- Deferring the increase in the small companies' rate of **corporation tax** (currently 21 per cent) to April 2010.
- Deferring planned changes to **income shifting** (where income can be shifted to another person, usually a spouse, which is then taxed at a lower rate) and keeping this issue under review.
- Exemption of **foreign dividends** for medium and large businesses.
- Reinstating **empty property relief** for one year from April 2009 for properties with a rateable value of £15,000 or less.
- Capping **vehicle excise duty** increases at £5 for 2009 and £30 for 2010.
- **Air passenger duty** will be reformed from 1 November 2009 to increase from 2 to 4 bands based on the distance travelled. All current exemptions will remain in place.

Other activity happening around the Pre Budget Report

- Extra resources worth £535 million to help create a **low carbon economy** in Britain will be made available. The Renewables Obligation, which means licensed electricity suppliers must source some of the electricity they supply from renewable sources, has been increased by ten years to 2037. £50 million has been made available under the Warm Front scheme for insulation and more efficient heating systems, £20 million will be spent on flood defences and £5 million on British Waterways infrastructure.
- An action plan to review the cost to business of **complying with international trade regulation** and how costs to business can be reduced alongside the 2009 Pre Budget Report.
- The **Killian-Pretty Review of the planning applications** process made a series of recommendations to simplify the planning process as a whole. This includes removing 40 per cent of small commercial planning applications from the planning process altogether; reducing the amount of consultation needed and measuring customer satisfaction of local authority planning services.
- The **Sub-National Review** will create a new single plan for regional development, with local authorities working together to foster economic growth. Local authorities will have to carry out an economic assessment of their area, create statutory sub-regional authorities for economic development and produce a single regional strategy.

Next Steps on Action for Business

Looking to the longer term, a joint BERR/HMT report: *The UK economy: addressing long term strategic challenges* sets out how the UK will respond to the future challenges and opportunities of globalisation, and technological, environmental and demographic change.

As well as supporting businesses as they face significant pressures in present conditions, the government is committed to look at all the ways it can help business to prepare for the recovery when it comes.

As the Pre Budget Report results show, this Government has already taken decisive action to help business through the current difficult times. The Department for Business will continue to play a full part in supporting business. If in the meantime you have any reactions or suggestions then please feed these in too, either through your representative bodies, your Department for Business relationship manager or usual contact.

Action for Business

Access to Finance/Cash flow

Cash is vital to business. That is why BERR has been working with the small business bodies and the banks to help ensure that bank lending this year remains as available as last year. In addition over the next three years small businesses should be able to benefit from around £4 billion of lending via British banks from the European Investment Bank.

The Small Firms' Loan Guarantee is increasing the amount of lending available by £60million to a total of £360million for this financial year (2008/9). The scheme is now also available to businesses planning to expand which are more than five years old (which it was not before).

An additional £30million is also being made available to produce more Mezzanine Finance. Normally businesses either borrow money (debt finance) or give a part of the business to an investor in return for investment (equity finance). Mezzanine finance is a combination of the two. (NB: PBR 2008 amends and brings forward this fund announced at Budget 2008, advancing £10m of funding for future Enterprise Capital Funds and £10m capital from Regional Development Agencies from their business support budgets. This £50m fund becomes the £50m equity or quasi equity fund announced in PBR).

Business Link – the Government's business advice and support service – is now offering free personalised, confidential, business "Health checks" on how to maximise cash flow, as well as improving marketing and business planning. This is in addition to its full range of services - which last year helped around 856 thousand customers.

Other help

Already this year **UKTI** has broadened the support it provides to help small businesses attend overseas trade exhibitions, and it will introduce further measures to benefit business at shows from next year.

More generally business has said that it has found it difficult to find the help on offer. The new "**Solutions for Business – funded by Government**" package launched by Peter Mandelson on 23 October will reduce over 3000 different schemes into 30, all accessible via Business Link. This process – to be completed by March 2009 - will make it much easier for businesses to find the help they want.

All EU Member States are currently working to a deadline of end 2009 to implement the **Services Directive** which will make it easier for UK services businesses to enter new markets in Europe. This opportunity - worth £4-6 billion a year to the UK - will create new job opportunities and particularly benefit small business. BERR is also working to develop a strategy to help businesses take full advantage of the opportunities created by the move to a low carbon economy.

The **reform of company law** has already generated significant cost savings of over £250m. That includes some further changes which came into force on 1 October which simplify some technical processes and saves private businesses £70m of costs a year.

The **Regional Development Agencies** (RDAs) are on the front line in helping business adapt to the downturn. Over the summer they radically re-prioritised their budgets and programmes and each has published a document - with the Department for business and HM Treasury - setting out what help they will provide to business in the current climate. This ranges from small loans to help businesses struggling with cash flow, through to continued investment in major projects to give certainty to business and prepare the ground for the recovery.

In addition, the RDAs are taking the lead role in preparing the regional response to any economic shocks. They have performed this task strongly in the past (for example with flooding and MG Rover) and can do this because of their funding flexibility and business leadership. They are well placed to coordinate the relevant agencies in the event of a major company closure.

New Department for Business measures to simplify **workplace dispute resolution** and save business more than £175m a year have completed their final stages in Parliament. The changes will lighten the load on business by encouraging earlier, more informal resolution of workplace disputes. The new system, set to come into force in April 2009, will give employers greater flexibility to develop systems which better suit their workplace. ACAS is developing a statutory code of practice to set out guidelines for employers and will be able to step in and mediate disputes at an earlier stage.

The Department for Business is providing up to £37m, over three years, helping **ACAS** provide more conciliation and boosting the effectiveness of its helpline and advice services. The Department has also taken measures to strengthen **enforcement of national minimum wage** payment and **employment agency standards**.

Help for individuals

The Department's help for companies helps those in jobs, and their families.

It has helped around 1 million of the lowest paid by **increasing the national minimum wage**. From October 2008 the adult hourly rate is £5.73 an hour. From October 2008, the minimum wage (adult rate) will provide, with Working Tax Credits and other benefits, a guaranteed income of at least £292 per week for families with one child and one full time worker, which is equivalent to well over £7.38 per hour.

The Department has just begun a three year campaign to **help vulnerable workers** become more aware of basic employment rights and encourage the reporting of workplace abuses. In addition there is now a single enforcement helpline to make it easier for vulnerable workers to report abuses and get information and advice about their rights.

Consumers are helped with their individual practical consumer problems by the Office of Fair Trading's (OFT) dedicated **Consumer Direct** service. In addition, last month saw the creation of **Consumer Focus** to campaign on the issues that matter most to consumers with more resources than ever before.

People worried about debt often want face to face advice about what to do. Since 2006 the Department has paid for around 500 advisers supplying **free face-to-face debt advice**. This year we will spend approximately £28m. So far we have helped over 143,000 people. This is mainly aimed at those who have very low incomes, including both individuals and families. Other people prefer the anonymity of a telephone call or the web – and the Department therefore also helps fund the **National Debtline**, which now has the capacity to help 150,000 people per year.

The Department runs the **Illegal Money Lending (anti-loan sharks)** projects that have been expanded nationwide. As well as arresting and prosecuting loan sharks the teams are working with partners in the community to ensure victims get access to advice and support, for example access to affordable credit through Growth Fund supported credit unions. The Department has committed £11 million since 2004 to tackling this problem and will continue to fund an anti-loan shark team in every region until March 2011.

Finally, the costs of becoming bankrupt mean that at the moment the very poorest do not always get the opportunity to make a fresh start, even when their debts are low. New **Debt Relief Orders** available from 1 April will help solve this.