

# Speech: Lord Mayor's Business and Investment Dinner 2018

My Lord Mayor,

Ladies and gentlemen,

It is wonderful to be here tonight beneath the gold-tipped columns of the Egyptian hall.

In pride of place in my office I have a painting of Mansion House as a reminder of what this building represents as a symbol, over the centuries of how commercial success and civic order have been inseparable.

There is no thriving country that does not have thriving businesses.

And for that condition to be achieved the closest relationship between commercial and civil leadership is foundational.

This is embodied in the person of the Lord Mayor whose role is defined by a civic duty to the people and the businesses of this city.

In the 15th Century, Lord Mayor Whittington financed a new ward at St Thomas's hospital improved London's water supply and – in an early example of gender equality built a public lavatory with 64 seats for men and 64 seats for women.

In the 17th century during the great plague when the king and gentry fled the Capital the Lord Mayor stayed in the city to help its merchants and its citizens.

And in the 20th century, during the First World War one Lord Mayor created a volunteer 'National Guard'. While another offered a reward of £500 to the first person to bring down a Zeppelin on British soil.

Listening to the Lord Mayor just now I was struck by how this sense of civic duty is alive and well.

Indeed – the theme the Lord Mayor has chosen this year – 'the business of trust', puts this responsibility front and centre.

Business doesn't operate separately from the rest of society – we are all part of the same world.

And the world doesn't stand still.

Throughout our history we have together brought up to date the institutions and practices and rules that are part – but only part of underpinning our reputation for being a place where the world can do business with confidence.

That needs to continue.

Now is a period of particular reform.

The [Banking Reform Act](#) is applying the lessons of the financial crisis.

Boards are disclosing not only how they pay men relative to women but how executive pay is set, in the context of the employees as a whole.

The workforce and other stakeholders, like small business suppliers, will have a guaranteed voice in boardrooms.

And we will forcefully apply the lessons of particular failures from BHS to Carillion, so that our system of corporate governance and accountability is the best that it can be.

One of our most important assets we have as a nation is a deserved reputation for being a jurisdiction of high standards, in which investors are welcomed and encouraged and can invest with confidence.

In fact we have made the business environment one of the major focusses of our [Industrial Strategy](#).

So many people in this room whether manufacturers, providers of services, banks, insurers, lawyers, accountants and other professional advisers depend on that reputation being known and justified.

In an uncertain world – our hard-won reputation for high standards is a strategic opportunity for this reason, we commissioned Matthew Taylor to look at the implications for our world-renowned employment system.

As Matthew Taylor himself put it:

Our flexible approach is what the Review calls 'the British way', works.

By being the first country in the world to look at the implications of new technologies for the way people work, we want to be in the best possible position to benefit from them.

And through our Industrial Strategy we are determined to build on our reputation as an open economy where new businesses can be created easily, and which is characterised by competition rather than protection of incumbency.

So in the 'business of trust' that the Lord Mayor has promoted I think we can hold our heads up and say that we are together acting resolutely to improve our practices, so that they continue to be among the best in the world.

But in the 'business of trust' the reverse also needs to apply.

Businesses must have confidence that their voices are heard and acted upon.

Society needs to recognise how fundamental successful business is to all of us.

Let me give just one example.

In this room tonight we have a particular representation of people from financial and professional service firms.

Last year, the financial services industry paid more in tax than ever recorded – Over £70 billion.

That's one in nine pounds of all tax collected by the government. Well over half the annual budget of the NHS.

So to anyone who has been tempted to see the City and financial services in recent years as problematic, I say this: It is a problem that Paris, Frankfurt, Singapore and New York would kill to have.

So, as Lord Mayors have done over 800 years civic leaders need to understand and act upon the advice that businesses give them.

With our nation undergoing one of the most far-reaching adjustments to our settled policy since the last war, the business voice in our Brexit negotiations must be prominent.

Let me say clearly that I, and the Prime Minister, value the contribution of business organisations, their members and other bodies that take a pro-business view of the most important issue of the day.

Because the business view puts evidence before ideology.

The actual experience of trading with Europe, and the rest of the world, not a theoretical view of what the world might be like.

The actual experience, of how supply chains work not a speculation on how they operate.

The actual experience, of employing millions of men and women.

The experience of helping them earn a good living, of bringing prosperity to communities, not a abstract exercise in which you take decisions over the lives of people in imagined worlds.

So I will always listen to the voices of business and I will do everything in my power to ensure that they are not just heard, but acted upon.

I hear – loud and clear 3 things in particular that businesses need from our EU negotiations.

First, the implementation period needs to be agreed and recognised by regulators this month.

The implementation period was put forward directly by business.

It was taken up in the Prime Minister's Florence speech and agreed in the joint report in December.

Now we need to finalise the detail with the EU so that from this month, every business can be confident that for around 3 years ahead there will be no change in how they trade or the ability of EU citizens to come and work here.

Secondly, tariff-free and friction-free trade.

Our trading relationship with the EU has allowed the creation of deep, integrated highly efficient supply chains, and a large dependable market to allow production at scale.

These supply chains depend and millions of jobs depend on that trade continuing completely uninterrupted.

Yesterday I had the great privilege of being with Toyota at Burnaston in Derbyshire to announce that the new Auris model will be built in Britain.

85% of the cars produced at the plant are exported to the rest of the EU.

Components come in through the Channel Tunnel all through the day and night.

Only 4 hours of stock is held at the plant.

Toyota are crystal clear of the importance of unchanged access to the EU market both for cars and components.

Talking to men and women on the production line proud of their company, proud of their work, proud of what they have done to make Britain a success. It was clear how vital our responsibility is to secure their future and how wrong it would be to put it at risk by favouring ideology over evidence.

The third message I take from business is the importance of continuing to help shape high regulatory standards.

Our expertise and rigour is renowned around the world and we must continue to keep British experts influential in international and European standards organisations.

For large parts of the economy common regulations and standards have simplified trade and reduced costs to consumers.

And those sectors tell me they have no desire to create a distinct regime in the UK and they would anyway choose to follow agreed international, including European, standards.

In other parts of the economy I do understand that a more outcome-based approach may work better.

I welcome the innovative work being done by many of you here through the [International Regulatory Strategy Group](#) in setting out model arrangements for this.

But one thing is clear – I see no demand from business, Parliamentarians or society to move away from high standards.

Whether the frameworks under which our market operates such as competition policy or workers' rights, or broader issues such as the environment and climate change.

We are not about to embark on a regulatory race to the bottom.

That is not the economy we have built. And it is not the economy of the future.

And finally, I know very well that business wants certainty.

Not just about the next 3 years but on what our permanent relationship with the rest of the EU will be like.

Of course, certainty is available immediately.

But it is the certainty that would come with leaving without a deal – on WTO terms.

That is not the kind of certainty that I or anyone in business wants.

Instead I think we have to take our responsibility seriously to negotiate – constructively, creatively and with a determination to achieve a positive outcome.

But that will take time.

And you and others should have the right to see what we are looking to secure in the negotiations.

Tomorrow the Prime Minister will set out our intended approach.

You will see that the business view has not only been listened to but understood, and acted upon.

During the weeks and months ahead we will continue to need the experience, the expertise and the responsibility held by everyone in this room.

The 'business of trust' as the Lord Mayor has described it – the bond that unites commercial leadership and civil leadership, business and society, has been the foundation of our prosperity as a nation.

It is the truest guide to the decisions that we must make during the weeks and months ahead.

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# Press release: National product safety office carries out first enforcement action

British timber operator Hardwood Dimensions (Holdings) Ltd today (2 March) was fined £4,000 for breaching regulations prohibiting the importing and sale of illegally harvested timber.

The fine marked the first enforcement action carried out by the Government's new [Office for Product Safety and Standards](#) since its establishment earlier this year.

Hardwood's failed to check the legality of a batch of timber from Cameroon when placing it on the market, breaching regulations requiring businesses trading in timber and timber products in the UK to ensure that their products originate from legal sources.

At Manchester Magistrates Court, the company was convicted and fined £4,000 plus costs after pleading guilty at the first hearing.

Business Minister Andrew Griffiths said:

The new Office for Product Safety and Standards strengthens the UK's already tough product safety and enforcement rules and today's decision by the court sends a powerful message to companies that they need to ensure any products they sell originate from legitimate sources.

Mike Kearney, Head of Enforcement at the Office for Product Safety and Standards, said:

This conviction shows just how serious we are about compliance issues and how we will take rapid action when rules have been broken to protect consumers, businesses and the environment.

Taking into account their mitigation and credit for an early guilty plea, Hardwood's was fined £4,000 plus a victim surcharge of £170 and prosecution costs of £3,273. The total of £7,443 was ordered to be paid within 28 days.

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[How the Office for Product Safety and Standards contributes to the national regulatory landscape.](#)

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## Speech: Sir Gerry Berragan keynote speech: Ofqual Conference 2018

So I've titled my talk 'The Institute 10 Months On'. I have been in this job now three months almost to the day, but prior to taking up this post I was on the board for six months or so prior to that and it's really great to be able to join the Ofqual conference today and talk to so many awarding organisations all in one place. I want to cover three things in the next 20 minutes or so. Firstly, a bit of background, because I am constantly surprised when I talk to audiences who are engaged in further education and skills training as to how few really recognise, if you like, the government's position on this and understand what's going on in terms of transformation and I want to talk about the Institute's place in that. Secondly, I want to talk about a view on how it's going from the Institute's perspective and then to look ahead at what's coming next.

So the policy background first of all, the Government reforms that have been pursued since about 2011 in the skills domain aim to reboot training provision in England. The core diagnosis was that we suffered from low productivity, partly due to low or inappropriate skill levels, despite around £3 billion of government money being spent in this area each year. The main reason was that the system had developed as provider-led, leading to the dominance of provision in about 10-20 occupations, most of which were convenient and profitable to deliver rather than because they met the varied needs of employers, learners and the economy. Other problems included the fact that although participation is quite strong with around half a million apprentices starting their apprenticeships each year, only just over half of them went on to complete them. Few of those apprentices progressed beyond the level that they initially took, with only around 15% genuinely progressing higher up to the higher skills levels. More than 15% of all apprentices received no training at all and around 20% didn't know they were on apprenticeship, so despite all of that large-scale effort and cost to the taxpayer, employers continued to complain of skills shortages – indeed as Mark has just done so – skills shortages particularly at levels 3, 4, and 5.

So two main reforms have been implemented. The first one was to move purchasing power more directly to the end user, in this case the employer, and secondly employers being given direct control over the curriculum by removing intermediaries such as sector skills councils, and tying awarding more closely to industry defined output standards.

At a programme level, you can see these strategies playing out in the decisions to test employer ownership, the Wolf and Richard reviews, the abolition of the qualifications and credit framework, the defunding of sector skills councils, and the abolition of the UCES.



On a more positive note, the creation of further education loans, implementation of trailblazing, and the creation of the Institute, and the establishment of the employer's levy and with it the employer account structure. So the role of the Institute within these reforms is to secure quality through two mechanisms. Firstly through direct employer contribution to apprenticeships design; instead of having standards bodies operating in a separate bubble, work is owned by one organisation on a consistent basis with the employer design and challenge locked in. The subsequent standards are then open and available for all to use, and cannot be monetised. Secondly, restricting the free market in awarding and there are two approaches here, two separate approaches. On technical education, moving to a single awarding organisation for pathways, so the awarding organisations themselves compete for the market rather than within it, and on the apprenticeships, by securing a robust, independent endpoint assessment, this generally takes away the need for separate qualifications, except where legislation, regulation, or professional status is required. So the Institute's mission, and this is a mission I've developed myself taking on the job, is to improve access to high quality apprenticeships and technical education in order to transform the skills landscape. That remit is both enabling and regulatory. Enabling because it's helping employer groups to develop quality apprenticeship standards and assessment plans, and regulatory because it ensures that those standards and assessment plans meet the agreed quality criteria to be funded. If you look at the words in the mission, improving access is about not just improving access for potential apprentices and for employers, but also for all of those minority groups or those from socially disadvantaged groups being able to access the opportunities that apprenticeships offer.

The Institute also provides oversight on the provision of quality assurance for the delivery of apprenticeship endpoint assessments and it provides that quality assurance itself where employer groups have been unable to identify any other arrangements and it manages the potential conflict of interest between those two roles by contracting out the latter role, the quality assurance role itself. This remit will expand later this year to include responsibilities for technical and professional education in England and the first element of that transition, which was responsibility for the occupational maps, that grouped those skilled occupations together with similar knowledge skills and behaviours, and that transition took place in November last year and we've just run a public consultation on that on those maps, which concluded in early February.

So that's the policy background. How is it going? Well, in January last year, the IfA didn't exist and according to the Cabinet Office External Assurance Review it was six months behind schedule with three months to go – no Board was in place, the organisation had a handful of staff, and questions were being asked during the passage of the technical education bill as to whether the IfA would be ready on time. By the end of February, a month later, the Institute had secured office space, ICT services, and was on-boarding staff. The size of the organisation was around 40 at launch, rising to a full complement of 86 by October, and by October the Institute was fully operational, had a digital management system, its own website, and a set of values. The Civil Service People Survey for last year yielded a staff

engagement score of 70%, putting it in the top 10% of Civil Service organisations alongside Treasury and the FC0. The IfA also had a new Board, which went through its induction process in March last year, 13 days ahead of launch, and that Board, as you probably all know, is largely consisting of employers of a mixed background, private/public sector, finance, manufacturing and engineering, and some from the FE sector too. 10 months on since our creation, there are now 228 standards approved for delivery and 300 more at some stage in their development. This is already considerably more than 133 of the old framework apprenticeships that are still funded by ESFA and will continue to be funded until 2020.

In terms of apprenticeship starts, I know there was a wobble, people got worried in the autumn that the numbers starting apprenticeships this last year were down from previous years, particularly given the government's manifesto commitment to have 3 million apprenticeship starts by 2020.

When you drill into the data, it becomes clear that there was a rush of starts on level 2 and level 3 framework apprenticeships, the old apprenticeships, in the first four months of 2017 before the Institute came into being, particularly by non-levy paying employers, i.e. the SMEs. And this was clearly an attempt to get ahead of the 10% co-investment contribution requirement and the 20% off-the-job requirement that would come into force from April. I think there was also a concern that some of those frameworks might stop being funded and they wanted to go onto them before that happened.

But then since April, there has been a stark reduction of around 50% in the numbers starting those low level framework apprenticeships, but an exponential growth in the numbers starting on standards-based apprenticeships, the new apprenticeships, particularly in the scope of them and the range of them, and instead of starts being on around 10 or 20 frameworks, they are now on a much wider basis, and increasingly at levels 3, 4, 5 and 6 and indeed 7. Around 40% of all starts are now on standards, that figure a year ago was around 10%, so you can see the exponential growth in starts on standards, the breadth of apprenticeships being taken up and, indeed, the growth in the higher level apprenticeships, which is indeed where employers have been telling us for a number of years, the real skills gap sits. This all suggests that levy payers are keen to use their levy on what they regard as higher quality apprenticeships, that yield better outcomes in terms of upskilling for apprentices and for the wider workforce. And as the official statistics are updated month on month, it seems that the overall fall in starts last year was not nearly as great as was initially reported.

Given that this was always the aim to transition away from frameworks and seamlessly to standards over time, we shouldn't be surprised or disappointed by this outcome. This actually is a manifestation of the plan working. My sense is the government needs to hold its nerve and see this through. This is probably year three of a six-year transition programme, by the end of which, there will be well over 500 standards-based apprenticeships, the levy will have kicked in, the accounts for SMEs will be open and we will be in a whole new, different world by the time those last frameworks are turned off.

I also know that there was a sense of frustration out there, particularly amongst some of the employers at the pace of the shift from frameworks to standards, and with some employer groups criticising the Institute for being slow and bureaucratic in approving new standards. And let me be clear, some of this criticism was fair, given that the Institute, as I have said, was trying to perform this role while still building its own capability, I describe it as building the aircraft while it is in flight. And it was using processes inherited from when the department previously performed this function using officials to moderate standards and with ministers providing sign-off. So that is why we launched the 'Better, Faster' initiative just before Christmas, aimed at streamlining the approvals process. But you should also understand that some of this criticism is also a convenient proxy used by those who resent paying a levy and wouldn't want to be seen as being reluctant taxpayers, and also by some of those delivery organisations who will stand to lose out from these reforms and have no interest in branching into standards. There is no shortage of vested interests here, so when you hear such criticisms, be just a little bit sceptical.

So what is next? Well, for the Institute, the period between now and the summer is critical. The service improvement work that I talked about, the better and faster work is being rolled out and trailblazers, I am sure, will see a higher quality and more consistent service enabling new standards to be approved much more quickly. What we found when we looked into this work and we did the lean workshops was around 70% of the time involved in developing a new standard was with the trailblazer group, 30% with the Institute, so as much as we could do within the Institute to improve our processes, the real gains were to be made in helping trailblazers get it right first time, so a lot of the effort in the better, faster work is in helping employers do that. I attended last week one of these new intensive workshops with the advertising trailblazer group where they developed, from scratch, their assessment plan in two days helped by Institute staff with all their key players in the room, so this can be done and it can be done much more quickly than we have done in the past. So that shows a vision of where we might get to.

By summer, our fully digital service will have been launched, both improving the user experience and generating substantial process improvements internally in the Institute. We have also recently had our first recognition event with the membership, this is the 100+ people, sector experts, who sit on our route panels and who act as our expert advisors on standards and assessment plans coming through. That is a distinctive feature of the IfA. Given that there is more than 100 of them and less than 86 of us, it shows you the proportion employer input into the Institute.

We will also need in this next period to conduct reviews into the stock of existing standards-based apprenticeships where some of them have been going now for nearly three years, and we know that there were some price and quality compromises made earlier on to get some momentum into the reforms and we have also been asked by ministers to review a selection of the funding bands for some of those early standards using the new funding methodology that we have developed, to ensure they remain appropriate, deliverable and

good value for money.

This period is also critical for us because it should fire the first real shots for the Institute in the technical education arena. The department has recently agreed to us to begin to hire a new dedicated team of staff, and we have started to do that, and we will see an increase in complexity as the Institute adds both procurement and contract management functions to the existing curricula and development work. We will also nearly double in size. And although technical education is still in its design phase, it is clear that by taking the similar approach to apprenticeships i.e. deriving the content and output standards for these qualifications using the same employer input that we used for apprenticeships, this will have a major impact on both employers' recognition of those qualifications, but also on the existing level 3 qualification landscape, which Sally showed on one of the earlier slides.

I know that Sally talked about this earlier, but I want to reaffirm that we're working really hard, hand in glove with Ofqual to ensure that the accreditation of these qualifications and the approval of their content is seamless from the perspective of the awarding organisations. I describe this arrangement as an alliance built around a common aim.

We also share Ofqual's concerns, that Sally mentioned in her response to the consultation exercise, about the need to clearly articulate the need for these qualifications, how they fit into the new qualifications landscape, what they offer prospective students and their parents, and also to deliver them in a way that ensures the success of their wider rollout. The last thing we wish to do is start with the first three on the wrong footing and get them a bad reputation. We need to deliver them successfully from the outset, and I think the timeline for the delivery of the initial three pathways is worryingly tight in that regard.

I hope that gives you a flavour of what the Institute has been up to in its first 10 months and what it plans to achieve moving forward over the next year. There is certainly no shortage of change or challenge in this area, just as in the wider qualifications landscape, as Sally described earlier. This puts a premium on all elements of the training and education establishment remaining focused on the goal to transform the skills landscape, fill the skills shortages, provide transformational opportunities for people seeking to upskill themselves and, ultimately, improve the productivity of this country, and that is probably enough from me now.

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**[News story: Grayling: progress on](#)**

# Transpennine route upgrade and Crossrail 2 to advance in lockstep

Transport Secretary Chris Grayling has announced today (2 March 2018) that he expects a £3 billion programme of upgrades to the Transpennine route to begin from spring 2019, as an Independent Affordability Review is established to ensure the affordability of Crossrail 2.

Speaking in Leeds, Mr Grayling said that whilst work is underway on the key route between Manchester, Leeds and York, he expects Network Rail to begin investing the £3 billion into an ambitious rolling programme of works as soon as possible.

## [Transpennine upgrade film](#)

Mr Grayling also reaffirmed the government's commitment to ensuring transport improvements across the country advances in lockstep, announcing that an Independent Affordability Review, commissioned jointly by the Department for Transport and Transport for London, has been established to ensure that Crossrail 2 demonstrates affordability and value for money to the taxpayer.

The Transport Secretary also said he will work with local authorities along the Transpennine route to discuss how to maximise the benefits of the £3 billion investment, such as creating new stations to increase access to the railway and finding opportunities for housing development.

Transport Secretary Chris Grayling with Andrew Percy, MP for Brigg and Goole, and Siemens staff at the site of the planned train factory in Goole.

At the Transport for the Northern Powerhouse conference, Mr Grayling said:

I want to realise passenger benefits from the £3 billion we have ring-fenced for the Pennine route as fast as possible.

Network Rail has already begun detailed designs, and provided us with options for the Transpennine Route Upgrade to meet the objectives we've set out – for journey times, capacity and reliability.

That – in turn – has given us an opportunity to undertake the work in phases starting as soon as spring next year.

This is not just about meeting rising demand for train travel. It's about transforming journeys too.

The Transport Secretary also said he will work with local authorities along the Transpennine route to discuss how to maximise the benefits of the £3 billion investment, such as creating new stations to increase access to the

railway and finding opportunities for housing development.

The Independent Affordability Review into Crossrail 2, commissioned jointly by the Department for Transport and Transport for London, is an important step in developing the project.

It will focus on the affordability of the project, ensuring the project learns from the best practice exhibited by projects like Crossrail, and that those who stand to benefit from new infrastructure contribute to funding it. Mike Gerrard, former managing director of Thames Tideway Tunnel, has agreed to lead the review, ensuring the public gets an affordable scheme that is fair to the UK taxpayer.

Chair of the Independent Affordability Review, Mike Gerrard said:

Crossrail 2 has the potential to relieve congestion and unlock housing, jobs and development to support future growth in London, but it is imperative that it can be delivered in an affordable way that is fair to both the London public and the wider UK taxpayer.

Major projects work best when independent reviews, drawing on a wealth of experience, help move them from plans to spades in the ground. I am delighted to chair this crucial review and I look forward to working with the Department for Transport and Transport for London to ensure that Crossrail 2 is the best project it can be.

Mike Brown, London's Transport Commissioner, said:

We welcome the government's backing for infrastructure projects of national importance such as Crossrail 2 and are pleased to be working with the Department for Transport on the Independent Affordability Review led by Mike Gerrard. This is an important step forward for a project that is vital for London, as reflected in the Mayor's Transport Strategy, and for the whole of the south-east region.

The Review is expected to conclude in summer 2018.