

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

First Delegated Legislation Committee

HELP TO GROW: DIGITAL

*Monday 20 September 2021*

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**Friday 24 September 2021**

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**The Committee consisted of the following Members:**

*Chair:* SIR GEORGE HOWARTH

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|--|--|
| † Afolami, Bim ( <i>Hitchin and Harpenden</i> ) (Con)  | † Higginbotham, Antony ( <i>Burnley</i> ) (Con)                      |
| Butler, Dawn ( <i>Brent Central</i> ) (Lab)  | McKinnell, Catherine ( <i>Newcastle upon Tyne North</i> ) (Lab)      |
| † Carter, Andy ( <i>Warrington South</i> ) (Con)   | † Mann, Scott ( <i>Lord Commissioner of Her Majesty's Treasury</i> ) |
| † Docherty-Hughes, Martin ( <i>West Dunbartonshire</i> ) (SNP)   | † Menzies, Mark ( <i>Fylde</i> ) (Con)                               |
| † Fletcher, Colleen ( <i>Coventry North East</i> ) (Lab)   | † Onwurah, Chi ( <i>Newcastle upon Tyne Central</i> ) (Lab)          |
| † Fletcher, Katherine ( <i>South Ribble</i> ) (Con)  | † Wallis, Dr Jamie ( <i>Bridgend</i> ) (Con)                         |
| † Freeman, George ( <i>Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy</i> ) | † Young, Jacob ( <i>Redcar</i> ) (Con)                               |
| † Harman, Ms Harriet ( <i>Camberwell and Peckham</i> ) (Lab)   | Liam Laurence Smyth, <i>Committee Clerk</i>                          |
| † Hart, Sally-Ann ( <i>Hastings and Rye</i> ) (Con)  |  |
| † Hendrick, Sir Mark ( <i>Preston</i> ) (Lab/Co-op)  | † <b>attended the Committee</b>                                      |

# First Delegated Legislation Committee

Monday 20 September 2021

[SIR GEORGE HOWARTH *in the Chair*]

## Help to Grow: Digital

4.30 pm

**The Chair:** Before we begin, I encourage Members to wear masks when they are not speaking. This is in line with current Government guidance and that of the House of Commons Commission. Please also give each other and members of staff space when seated and when entering and leaving the room. Members should send speaking notes to [hansardnotes@parliament.uk](mailto:hansardnotes@parliament.uk). Similarly, any officials in the Gallery should communicate electronically with the Minister.

**The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (George Freeman):** I beg to move,

That the Committee has considered the motion, That this House authorises the Secretary of State to undertake to pay, and to pay by way of financial assistance under section 8 of the Industrial Development Act 1982, compensation to digital technology product vendors in respect of a proportion of the costs of providing digital technology product to SMEs as part of the Help to Grow: Digital programme up to a limit of £296 million over three years.

It is a pleasure to serve under your chairmanship today, Sir George, and to be back as Minister for Science, Research and Innovation.

The UK has a long-standing productivity challenge. We are home to some of the world's most innovative firms, but we also have a long tail of less-productive firms compared with other G7 countries. In 2019, the Department for Business, Energy and Industrial Strategy/Her Majesty's Treasury business productivity review found that a key reason for the UK's level productivity gap is the low adoption of basic digital technologies and weak digital leadership and management practices. While we excel at innovation, being eighth in the world, we are only 31st for ICT adoption. Our small business sectors are lagging in adopting digital technologies, and our tech adoption rates are far behind leading competitor countries.

That trend has been identified widely, including by the CBI, Be The Business and the Bank of England, and in developed economies 55% of productivity gains, according to McKinsey, could come from closing the gap between low and high productivity firms through the adoption of existing best practice. We know from research commissioned for the European Research Council that adoption of tried-and-tested technologies can have a big impact on business productivity of between 7% and 18% as a minimum. Such technologies are not groundbreaking and include customer relationship management tools, online accounting and e-commerce products.

To turn the trend around as part of our plan for growth, the Chancellor announced at Budget 2021 two new Help to Grow schemes. The first, "Help to Grow:

Management", is supporting 30,000 UK small business leaders to undertake practical management training at our world-class business schools. The second, "Help to Grow: Digital", is a new UK-wide digital adoption programme for our small and medium-sized businesses.

Our small businesses have been hit particularly hard during the pandemic, but they have also grasped new opportunities, particularly digital technologies, to survive and thrive. We want to build on that momentum. The new scheme will launch in autumn 2021, and we aim to support 100,000 small and medium-sized businesses across the UK over the next three years to adopt technology and to boost productivity and international competitiveness.

The scheme will consist of a new online platform through which businesses can access learning and advice on software to help them save time and money, and the platform will provide guidance on selecting software and how to embed them into their business successfully. The scheme will also provide an up to 50% discount on the costs of buying new software for the first year up to a value of £5,000. SMEs that have been registered in the UK for more than 12 months and have between five and 249 employees will be eligible for funding.

In the first wave, we will focus on e-commerce, accounting and customer relationship management software. We want to ensure that SMEs are accessing high-quality software products, which is why vendors will need to apply for them and their products to be accepted on to the scheme. Applications will be assessed for meeting functionality and quality standards. Vendor applications closed on 8 September with a strong field, and we will be reviewing them to ensure that we have a strong offering to present to small businesses at launch.

SME engagement is key, and we recognise the challenge of reaching 100,000 small businesses over three years. I am pleased to have the support of many business organisations, including the CBI, the Federation of Small Businesses, Be The Business and others. My officials have engaged extensively with organisations representing the software market, as well as with individual vendors, to design eligibility criteria that will ensure SMEs have access to high-quality products from reputable companies. Engagement with the wider business community is being conducted across numerous channels, with a view to raising awareness of the scheme even, and especially, among those SMEs that are hardest to reach, namely those that have not previously taken up Government support or introduced digital technologies into their operations.

"Help to Grow: Digital" is an ambitious programme—100,000 businesses over three years—but we are confident that it will provide significant benefits to small and medium-sized businesses, helping them to seize every opportunity to grow. The initiative is an important part of the Government's wider plan for jobs, promoting opportunity, boosting employment and helping level up the economy as businesses recover from the impacts of the pandemic. I commend the motion to the Committee.

4.36 pm

**Chi Onwurah** (Newcastle upon Tyne Central) (Lab): It is a great pleasure to serve under your chairship, Sir George. I welcome the new Science Minister to his

position; I hope he stays around long enough to ensure that we have a long-term plan for science, which has been sorely missing.

I thank the Minister for his opening remarks, in which he laid out some of the challenges and problems in productivity and supporting business growth. As he said, we are debating a motion to approve £296 million of compensation over three years to digital technology product vendors for some of the costs of providing technology to SMEs as part of the “Help to Grow: Digital” programme. The programme will provide advice on how technology can boost a business as well as discounts of up to £5,000 on approved software for boosting sales and for day-to-day management.

Support for SMEs is essential to rebuilding the economy after the pandemic. Britain has almost 6 million SMEs, and many need help to grow. They drive innovation, take risks and collectively employ 16 million people—nearly two thirds of the workforce. Growing SMEs means growing the economy, more jobs and more choice for consumers, so Labour believes strongly that small businesses should be at the heart of the recovery from covid.

We are worried by the drop in new start-ups, which are down 11% since 2016. In April, Labour promised £1 billion of funding to support the creation of 100,000 start-ups across the country in the first term of a Labour Administration. Unfortunately, the Government have used the pandemic to give away taxpayers’ money for little return, often without a proper tendering process and in some cases to people with direct connections to Ministers. For that reason, we should all be hyper-vigilant about how the Government are spending money.

The motion refers to one part of a two-part programme of support. “Help to Grow: Management” was approved in May. Will the Minister up the Committee on the scheme’s progress? How will “Help to Grow: Digital” work with the previous programme, or are they completely separate? Can companies take advantage of both? I hope that all SMEs will take advantage of the new programme, and it will come as no surprise to the Minister that Labour will not oppose the motion. We support funding to help SMEs be successful. We want the programme to be successful and to deliver on its aims of supporting productivity and growth while providing value for money for the taxpayer.

It is on the latter point that the Government have been reticent of late, so I have a number of questions for the Minister. First, I want to ask about the limits of the programme, and specifically whether it extends to charities, mutuals, co-operatives and other organisations that need to grow and have significant economic outputs and make a significant contribution to our economy. As this is taxpayers’ money, it seems reasonable for the scheme to cover all manner of organisations that taxpayers are engaged with. Charities in particular have taken a hard hit from the pandemic, with reduced fundraising and many taking on vital local government functions following years of funding cuts.

Secondly, what has been the take-up of the scheme? It has been open for registration since March. How many SMEs have registered, and how many do the Government expect to register in future? What measures are being applied to ensure that businesses that are under-represented by sector, female-led and ethnic minority-led businesses, or businesses led by disabled people, are accessing the programme? Furthermore,

given the Government’s commitment to levelling up—we have a new Department with that in its title—what provisions are there to ensure that this funding makes its way across the country rather than focusing on growth in London and the south-east? What is the Minister doing to encourage regional take-up?

I was so impressed by the speed at which Grainger Market in my constituency responded to the lockdown, with many traders moving online within three weeks of lockdown to ensure that their businesses survived. It is not to be expected that, in those three weeks, they managed to obtain all the digital skills they needed. Yet, according to the online guidelines, many market traders can be excluded if they have fewer than five employees. The Government may want to go back to the past of imperial weights and measures, but the market traders in my constituency are looking to the future, and digital, and they will not be happy to find that the Government are not interested in helping them.

Thirdly, will the Minister inform us of the procurement process for the technology that the £296 million is for? He has spoken a little bit about the success of the vendor process so far, but how were the digital technology vendors selected and how were the particular technologies selected? Are the technologies purchased at the high street price or have discounts been achieved? I asked a written question last week about what the marketing budget for the programme was, but was told only the total budget in response. Can the Minister tell us what proportion of this budget is for the technology and what proportion is for other costs such as marketing? He mentioned the need to get to hard-to-reach businesses, and I have talked about the need to reach businesses across the country, so is there a marketing budget, and if so, what is it?

Fourthly, I would like to ask about sector-specific digital technologies. Does the programme make provision for digital technologies that specific businesses may need to grow? These include, for example, those in our wonderful creative industries, which were so successful at last night’s Emmys. I worry that there is something of a one-size-fits-all approach. While there are many things that are common to SMEs, such as basic accounting, others may need more tailored support. What is the Minister doing on digital inclusion for businesses? The Government seem very happy to leave it to Google and Facebook, and their programmes, which I support, but they do require businesses to use Google and Facebook products. What are the Government doing more generally on digital inclusion?

On the value-for-money point, can the Minister set out how the impact of this spending will be measured? Does the Minister have an estimate of the multiplier effect of the spending at this stage? How are the Government intending to measure the productivity impact of a programme? Over what timeframe would we expect to see a return on the spending? Will the Minister report to the House on the impacts of the programme?

Finally, there is a wider question on the conditions for success external to this programme. SMEs have had a difficult time during the pandemic, with many, such as those in hospitality, having to effectively go into hibernation during lockdowns. With cases of covid-19 still very high, there is always a chance of further impacts in the future too. Many SMEs are in debt having taken out Government loans and so on, or are facing rent arrears

[*Chi Onwurah*]

and even problems hiring staff because of the double impact of the pandemic and leaving the European Union. If businesses do not have support on these fundamental features of any business, my concern is that spending money on digital may prove fruitless or more likely that the programme will be taken up by businesses that are already doing well while others suffer.

What are the Government doing to ensure that there is a suitable business support environment enabling the Help to Grow scheme to have an appropriate impact? Will the Minister say a little bit about the scope of that impact? As I have said, there are 6 million SMEs in this country. The maximum number of SMEs that may be impacted by this programme will still be a relative drop in the ocean among the SMEs we have. How does he expect that to truly make a difference to our economic success and productivity?

I look forward to the Minister's response. As I said, we will not oppose the motion.

4.46 pm

**Martin Docherty-Hughes** (West Dunbartonshire) (SNP): It is good to see you in the Chair, Sir George. I congratulate the Minister on his appointment; it is always an honour to take up such a position in any Government.

I join the hon. Member for Newcastle upon Tyne Central in saying that we, too, will not oppose the motion, but will support it. I would like to echo much of what has been said about some of the challenges that small and medium-sized businesses have faced in the last 18 months.

I wish to address my comments specifically to cyber-security and the issues faced by small and medium-businesses in respect of online and other platforms. The hon. Lady mentioned businesses that suddenly went online after three weeks, but do not have expertise to deal with the cyber-security issues that they will face. As a member of the Defence Committee, I am keenly aware that cyber-security is a state issue of national security. That is not just a military expression; it is about a whole-state approach. That must include small and medium-sized businesses, to ensure that they have both the strength and resilience to sell online in an effective manner.

Will the Minister advise Members whether his Department has had or will have a discussion with the National Cyber Security Centre about how it can inform how the grants are utilised? If there is not a specific grant, are there any new grants to ensure strength and resilience for small and medium-sized businesses working online?

4.47 pm

**George Freeman:** I thank hon. Members for some very intelligent questions. I thank the hon. Member for Newcastle upon Tyne Central for making it clear that the Opposition will support the motion, which speaks volumes about the sense of this initiative. Notwithstanding her pessimism about the UK economy, we are the fastest growing economy in the G7, and it is quite clear to most people up and down the country that the Government's response during the pandemic to support businesses, and to make sure that the damage of the pandemic is minimised, has been widely recognised.

**Chi Onwurah:** I thank the Minister for giving way. I did not express any pessimism about our fantastic businesses and economic opportunities. I was talking about some of the figures for business start-ups in the last few years, which I hope he recognises.

**George Freeman:** Having a run a few myself, as colleagues here have, I am all for them. I simply make the point that we are the fastest growing economy in the G7, so we must be doing something right. The hon. Lady is right to highlight, as this measure does, the importance of SMEs.

This is a targeted measure. We are not trying to boil the ocean; we are trying to target specific funding at businesses for which all the evidence shows that the uptake of digital technologies such as those I have described will have maximum impact in terms of productivity and competitiveness. A number of us have started companies. Very often in the first three, six, nine or 12 months we find that digital technology is not necessarily the biggest barrier to getting going. It is important, but we are doing here is focusing where all the evidence from the business community suggests that support for digital uptake will have the biggest.

I will take the questions in turn. First, this is designed specifically for businesses, so charities are not eligible, but I am delighted to say that all social enterprises—businesses that recycle their profits back into good causes—are eligible, which sends an important message.

**Martin Docherty-Hughes:** Will a social enterprise that is also a registered charity be eligible, because most social enterprises, at least in my constituency, are registered charities?

**George Freeman:** Many social enterprises are not charities, but the hon. Gentleman makes a good point, because many charities also have an operating arm as a company. I will come back to him on that point.

Secondly, on take-up, I am happy to say that there have been a series of meetings, roundtables and engagement projects over the spring and summer. I do not have the exact figures, but hundreds of companies have already registered to take up when this opens shortly.

Thirdly, the hon. Lady mentioned the importance of this being across the whole UK, and I could not agree more. This project is not just for the golden triangle, golden and important though it is; it is absolutely about reaching companies across the Union, in Scotland, Northern Ireland, Wales and all the regions of this country. On her point about monitoring, one of the key assessments will be to ensure that we are reaching all across the country, so take-up will be monitored in that way.

Fourthly, the hon. Lady asked about procurement. I can assure her that Her Majesty's Treasury, which is not quick to hand out taxpayers' money, has been through this with a fine-toothed comb and is satisfied that the procurement process has been done properly. She asked about marketing, and I am delighted to confirm that the marketing budget for this is currently £7.5 million, which is a substantial sum, with £1.5 million in the first year to ensure that we are reaching out and raising awareness among those companies. With Her Majesty's Opposition onboard, perhaps I can take this opportunity

to encourage her and others to highlight the link on the gov.uk website, and to encourage businesses and social enterprises to apply.

Fifthly, on value for money, the Treasury and the business sector calculate that this £260-odd million, if we can get it out to these companies over the next three years, can produce a £7 billion boost to productivity. I think that speaks to the importance of digital productivity and competitiveness in our small business sector. Yes, I am incredibly proud that we are ranked eighth in the world for innovation, but we are 31st on digitalisation in the small business sector, and the level of digitalisation in that particular segment of companies is where Denmark was 10 years ago. That gives a sense of how important this is. I am sure that many of us know businesses in our constituencies that are very successful and doing well, with five to 50 or 100 employees, but that still use paper invoices and some very basic management systems. This is a very targeted scheme that is designed to help those businesses adopt digital technology.

Finally, turning to the very sensible point made by the hon. Member for West Dunbartonshire, from north of the border, I completely agree that this is, as he called it, “a state issue”, which is why we are absolutely determined to ensure that it goes across the whole UK, in Scotland, Northern Ireland, Wales and England. His point about cyber-security was well made. It was one of the issues considered in the assessment of how the scheme would work, and the system for making sure that only authorised procurers are part of the scheme. However, I will raise his point with the National Security Council, because one of the ways that cyber-security can be threatened is by getting into the software in small businesses at the bottom of the supply chain. It is a very good point, but I am delighted to know that the project also has support north of the border.

*Question put and agreed to.*

4.54 pm

*Committee rose.*

