DPS FRAMEWORK SCHEDULE 4: LETTER OF APPOINTMENT AND CONTRACT TERMS

Part 1: Letter of Appointment

To whom it may concern,

Letter of Appointment

This letter of Appointment dated Tuesday, 2nd November 2021, is issued in accordance with the provisions of the DPS Agreement (RM6018) between CCS and the Supplier.

Capitalised terms and expressions used in this letter have the same meanings as in the Contract Terms unless the context otherwise requires.

Order Number:	PS21161 - Investigating Barriers and Incentives to Investment in the UK – Literature Review - RAF044/2122
From:	The Department for Business, Energy & Industrial Strategy (BEIS) 1 Victoria Street, London, SW1H 0ET **("Customer")**
To:	PricewaterhouseCoopers LLP, 1 Embankment Pl, London, United Kingdom, WC2N 6RH **("Supplier")**

Effective Date:	Thursday, 11th November 2021
Expiry Date:	Friday, 4th February 2022 Notice Period of Cancellation is 30 days

Services required:	Set out in Section 2, Part B (Specification) of the DPS Agreement and refined by: the Customer's Project Specification attached at Annex A and the Supplier's Proposal attached at Annex B.

Key Individuals:	[redacted]

Contract Charges (including any applicable discount(s), but excluding VAT):	[redacted]
Insurance Requirements	Additional public liability insurance to cover all risks in the performance of the Contract, with a minimum limit of £5 million for each individual claim. Additional employers' liability insurance with a minimum limit of £5 million indemnity Additional professional indemnity insurance adequate to cover all risks in the performance of the Contract with a minimum limit of indemnity of £1 million for each individual claim.
Liability Requirements	**Suppliers' limitation of Liability** (Clause 18.2 of the Contract Terms);
Customer billing address for invoicing:	All invoices should be sent to should be sent to finance@services.uksbs.co.uk or Billingham (UKSBS, Queensway House, West Precinct, Billingham, TS23 2NF)

FORMATION OF CONTRACT

BY SIGNING AND RETURNING THIS LETTER OF APPOINTMENT (which may be done by electronic means) the Supplier agrees to enter a Contract with the Customer to provide the Services in accordance with the terms of this letter and the Contract Terms.

The Parties hereby acknowledge and agree that they have read this letter and the Contract Terms.

The Parties hereby acknowledge and agree that this Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of this letter from the Supplier within two (2) Working Days from such receipt

For and on behalf of the Supplier:

Name and Title:

[redacted]

Signature:

[redacted]

Date:

[redacted]

For and on behalf of the Customer:

Name and Title: [redacted]

Signature: [redacted]

Date: [redacted]

ANNEX A

Customer Project Specification

Background

- **The UK has historically invested less than other advanced economies.** The underlying causes have long perplexed policymakers; the current evidence highlights a range of barriers that can impede the investment process. Yet it is inconclusive as to which of these most explain the investment gap between the UK and other economies. Given the link to productivity performance and it is crucial for the UK to create the right conditions for investment and to accelerate the reallocation of resources to enhance competitiveness.
- **Survey evidence by BEIS looking at the investment decisions of firms emphasises the broad range of issues.** At the top of business reasons for not investing are economic uncertainty and an aversion to risk; yet issues around lack of workforce skills, shareholder pressures, financial obstacles all rank closely behind. The barriers to investment are grouped under five themes:
    - Internal Practices
    - Economic Conditions
    - Financial Factors
    - Business Environment
    - Extraneous Factors
- **Many of the issues in the investment process that are outlined are not new.** Government is active in building an evidence base and tackling many of these barriers already – this is particularly true in relation to financial factors, the general business environment and corporate governance.
- **The rationale for undertaking this work:**
    - The UK underperforms compared to other advanced economies in terms of investment as a share of total output and this is thought to be a significant proportion of the productivity gap. Business investment plays an essential role in driving productivity growth and raising living standards.
- **This investigation follows work by Economy and Strategic Analysis (ESA) to understand the determinants of individual firm investment** and why this leads to UK firms chronically investing less than other advanced economies. This identified an evidence gap in understanding the distribution of investment performance across the UK business population.
- **Similar approaches have been carried out to explore productivity,** for example by the ONS and the Bank of England, yet the links to investment performance are less explicit. The work will also provide complementary evidence to support recent BEIS survey analysis on investment decision making undertaken by the Business Finance team.[i1]
- **ESA's role is to build the evidence base for the industrial policy workstream and a better understanding of what drives firms investment choices is part of that** especially given the cross-cutting nature of the issues involved.

[1] BEIS Finance and Investment Decision Making survey - unpublished

- **A greater understanding of investment behaviour underpins BEIS' key long-term priorities and thinking about the design of policy levers to incentivise it.** This includes promoting and incentivising investment in a low-alignment Brexit future as well as innovation diffusion and the adoption of new technologies.
- **For example, analysis of the Annual Business Survey suggests that the average level of investment by UK firms is less than £100,000** (and around half of firms do no investment at all in a given year). This is well below the £1m threshold of the Annual Investment Allowance - conversely there are some extremely investment intensive sectors where the AIA may be too small to make a difference on marginal decisions. **The research work can be used to ascertain for which type of companies the AIA is relevant and explore whether different type(s) of incentives might work better.**
- Finally, this research will be essential to support BEIS on identifying potential policy solutions or reforms to existing policies to boost business investment.

Aims and Objectives of the Project

Given the UK has historically invested less than other advanced economies, the project aim to answer the following questions:

- To **create a stocktake of all investment policies** (with focus on tax, incentives, and reliefs) and how they impact the types of investment and investment decisions of firms.
- To **understand how other policies indirectly influence firms' investment decisions** (competition, corporate governance, regulation etc.)
- **How do these different policies interact with each other?** Do they work in the same direction, offset each other etc., are there unforeseen consequences?
- **What are the regional and sectoral implications of this?** For example, the current structure of business rates acts as a disincentive to capital investment - investment in plant and machinery is included in the calculation of business rates and disproportionally effects the North and Midlands
- **How do these affect businesses of different sizes or ages?** e.g. do policies mainly benefit large firms, are the effective in helping firms invest to scale up?
- Given the major gaps in investment behaviour, what can be drawn from **international comparisons of different policy approaches**?

This research is aimed to build the evidence base for industrial policy and a better understanding of what drives firms' investment choices is part of that especially given the cross-cutting nature of the issues involved. The focus is on the micro-economic implications of these factors for businesses' investment decisions, not the broader macro-economic literature around tax rates.

It also has a direct read across to recovery policy – given the importance of a resurgence in investment to drive a more sustainable recovery. As well as help inform any BEIS position on discussions about the future of policies like the Investment Super-deduction.

This evidence base underpins key BEIS industrial policy workstreams, including the Business Productivity Review and the UK Shared Prosperity Fund. It also compliments research projects being commissioned elsewhere within BEIS – such as the Business Frameworks project exploring the role of public/private firms and investment behaviour using HMRC tax data.

Furthermore, in the longer term, there is a need to understand the role of firm investment in achieving ambitions such as a net zero economy and levelling up.

Lastly, to avoid duplications, the researcher should be aware that we are looking for this literature review to add value by complementing the material that has already been previously researched at BEIS and across government.

Suggested Methodology

The methodology to deliver this work will be an extensive research to build a comprehensive **literature review**.

This literature review will build the work around the questions proposed and will be carried out on foundations of existing knowledge from the available publications.

It is not expected that the expert will carry their own surveys nor develop quantitative models, however, the researcher should use their own expertise and knowledge to collate existing material that supports the study.

This method will allow the researcher to build the work around a line of study of the already published work.

Using existing knowledge in the academic domain will provide relevant outputs to BEIS.

Deliverables

BEIS are expected to receive the outputs in the format of an extensive literature review around the subject, in the format of a research paper.

We would expect the paper to provide a clear taxonomy of the different types of policies which affect investment, how they could do so and what the currently available evidence says about their effect on firms' investment decisions.

Where possible we would also expect the researcher to provide a synthesis of the main lessons learned from the literature and any identify key evidence gaps.

Annex B

Supplier Proposal

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