



BERR | Department for Business
Enterprise & Regulatory Reform

BERR | Department for Business
Enterprise & Regulatory Reform

Annual Report
and Accounts 2008–09

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JULY 2009

Department for Business, Enterprise and Regulatory Reform Annual Report and Accounts 2008-09

Including the Annual Departmental Report and
Consolidated Resource Accounts for the year ended
31 March 2009

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by Command of Her Majesty

Resource Accounts and Departmental Report presented to
the House of Lords by Command of Her Majesty

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Foreword from the Secretary of State for Business, Innovation and Skills



To build a strong and dynamic economy in the UK, we must promote open, competitive markets, which support enterprise, innovation and investment, and simple, yet well targeted, regulation. To compete effectively in the global economy we must combine our excellence in further and higher education and skills, our world-class science, technology and research, with an active industrial strategy, to bring forward the knowledge and innovation that will drive future wealth creation.

On 5 June 2009 the Prime Minister created a new department, the Department for Business, Innovation and Skills, in order to bring together the strategy, policy levers and expertise needed to realise this vision for Britain's economic future. The purpose of the Department for Business, Innovation and Skills is to build a dynamic and competitive UK economy by:

- creating the conditions for business success;
- promoting innovation, enterprise and science; and
- giving everyone the skills and opportunities to succeed.

To achieve this we will foster world-class universities and promote an open global economy.

The new Department was created by merging the Department for Business, Enterprise and Regulatory Reform with the Department for Innovation, Universities and Skills. This Report sets out the performance of the Department for Business, Enterprise and Regulatory Reform over the twelve months to March 2009 in terms of achievements against objectives and financial results, and will be its final annual report and accounts.

During 2008-09 the Department for Business, Enterprise and Regulatory Reform worked hard to help people and businesses come through the recession sooner and stronger. The Department also developed strategies, notably New Industry, New Jobs jointly with the former DIUS, to help ensure the UK is well placed to take advantage of the new drivers for global economic growth.

I am grateful to the many people who worked so hard over the past year. As the first Secretary of State for Business, Innovation and Skills, I look forward to working with the staff and delivery partners from both the predecessor departments, to build on their previous successes as we prepare for the economic upturn and beyond.

A handwritten signature in black ink, which appears to read 'Peter Mandelson'.

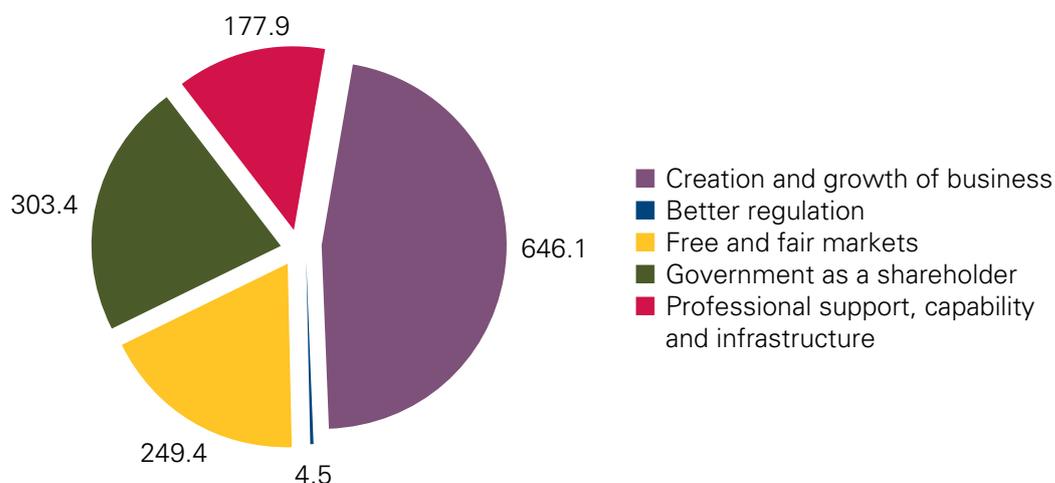
Rt Hon Lord Mandelson
Secretary of State for Business, Innovation and Skills

Executive Summary

- 1 Successful enterprising businesses create wealth, help improve productivity and drive up UK competitiveness. The Department for Business, Enterprise and Regulatory Reform (BERR) led Government efforts throughout 2008-09 to help ensure business success in an increasingly competitive world. This meant taking exceptional and active measures to limit the impact of the economic downturn on the UK economy, and taking steps to prepare business to take advantage of the upturn and the opportunities that will arise from the new drivers for global economic growth.
- 2 During 2008-09 BERR provided a range of targeted support for businesses to help them through the recession more quickly, including access to finance and business advice, as part of the cross-Government Real Help Now programme.
- 3 *New Industry, New Jobs*, published in April 2009, is the Government's strategic vision for Britain's economic recovery. It aims to ensure that UK businesses and workers can compete successfully for the jobs of the future, and explains how Government is going to take a more active approach to building British competitiveness, growth and productivity, in order to create the best possible conditions in which UK businesses can thrive.
- 4 As part of this vision the Department for Business, Innovation and Skills (BIS) was created on 5 June 2009, whose role is to build Britain's capabilities to compete in the global economy. The new department was created by merging BERR and the Department for Innovation, Universities and Skills (DIUS), to form a single department committed to leading the fight against the recession and building the conditions for future prosperity.
- 5 2008-09 was the first year of a new performance management framework for government departments. Public Service Agreements (PSAs) set out the key priority outcomes for Government. BERR led delivery of three cross-Government PSAs in 2008-09:
 - **PSA 1:** Raise the productivity of the UK economy;
 - **PSA 6:** Deliver the conditions for business success in the UK; and
 - **PSA 7:** Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions.
- 6 Departmental Strategic Objectives (DSOs) cover the full range of a department's activity. BERR had five DSOs in 2008-09:
 - **DSO 1:** Promote the creation and growth of business and a strong enterprise economy across all regions;

- **DSO 2:** Ensure that all government departments and agencies deliver better regulation for the private, public and third sectors;
 - **DSO 3:** Deliver free and fair markets, with greater competition, for businesses, consumers and employees;
 - **DSO 4¹:** Ensure that Government acts as an effective and intelligent shareholder, and provide a source of excellent corporate finance expertise within Government; and
 - **DSO 5¹:** Provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered.
- 7** All five of BERR's DSOs are assessed as showing strong progress, i.e. showing improvement in more than 50% of the indicators of which they are comprised. Two of the PSAs show some progress, and one is yet to be assessed as the data needed to measure progress is not yet available.
- 8** During 2008-09 BERR worked to increase the capability of the Department, improving the effectiveness and efficiency of our services. We were commended on progress made in our Capability Review, and achieved level two of the Investors in People Profile.
- 9** The Department continued to successfully deliver its objectives while deriving increasing value for money from its budgets. The Department delivered £69.5 million of value for money savings in 2008-09, against a target of £64 million, allowing budgets to reduce by over 3% in real terms from 2007-08.
- 10** In 2008-09, the total net expenditure of BERR against its Departmental Expenditure Limits, shown in the pie chart below, was £1,381 million. In 2008-09, the Department's Annually Managed Expenditure was £355 million.

BERR expenditure against Departmental Expenditure Limits by DSO 2008-09 (£ million)



¹ DSO 4 was numbered DSO 6, and DSO 5 numbered DSO 7, prior to the 3 October 2008 Machinery of Government changes, in which responsibility for two DSOs relating to energy security and supply and managing energy liabilities passed from BERR to the then newly created Department of Energy and Climate Change (DECC).

About this report

- 1 This report summarises the work of the Department for Business, Enterprise and Regulatory Reform (BERR) over the period 1 April 2008 to 31 March 2009. This combined Annual Report and Accounts brings together information about the activities of the Department, its performance and its expenditure.
- 2 On 5 June 2009, BERR and the Department for Innovation, Universities and Skills (DIUS) were merged to form the Department for Business, Innovation and Skills (BIS). References to the work of the Department after 5 June 2009 should be understood as referring to BIS. On 3 October 2008 responsibility for energy policy was transferred from BERR to the newly created Department of Energy and Climate Change (DECC). This report reflects the position of BERR, after the creation of DECC, but prior to the creation of BIS.

How is this report structured?

Chapter 1:	Provides an Introduction to the Department by outlining our role, objectives, Ministerial responsibilities and our strategic vision for recovery.
Chapter 2:	Presents a Performance Report , describing performance during 2008-09 against BERR's DSOs and the PSAs for which BERR led delivery.
Chapter 3:	Focuses on Managing the Department by describing how BERR operated, including developing capability and value for money savings.
Chapter 4:	Presents a Financial Overview explaining the financial information in the report and the resources available to BERR. This chapter also includes a financial review and details of budgetary spend.
Chapter 5:	Contains the audited Resource Accounts for BERR and a number of bodies consolidated with BERR for 2008-09.
Annexes:	Provide details on DSO and PSA data quality, delivery partners, environmental sustainability, health and safety, Public Accounts Committee (PAC) reports, complaints and the Department's expenditure.

Links to websites

- 3 Links at the bottom of each page provide further relevant information or key source material. References to the BERR website should automatically redirect as information is transferred to the BIS website. The Department is not responsible for the content of external websites, nor changes to published links.

How can you obtain copies of this report?

- 4 This report is available electronically from the Department's website². Hard copies can be obtained from The Stationery Office (TSO). Alternative formats can be made available on request. Contact details can be found on the back cover of this report.

² *BERR Annual Report and Accounts 2008-09* (BERR, 2009): www.berr.gov.uk/aboutus/corporate/performance/annual-spending/page25111.html

Chapter 1

Introducing the Department

Section 1.1

The Department for Business, Innovation and Skills and the Department for Business, Enterprise and Regulatory Reform

- 1.1** On 5 June 2009 the Prime Minister created the Department for Business, Innovation and Skills with a role to build Britain's capabilities to compete in the global economy. The new Department merges the Department for Business, Enterprise and Regulatory Reform (BERR) and the Department for Innovation, Universities and Skills (DIUS) to form a single department committed to leading the fight against the recession and fostering the conditions for future prosperity, building on the work of its predecessor departments.
- 
- 1.2** During 2008-09 BERR took exceptional and active measures to limit the impact of the economic downturn on the UK economy. BERR also worked with DIUS taking steps to prepare UK business to take advantage of the upturn and the opportunities that will arise from the new drivers for global economic growth including new technologies, the transition to low carbon, and the spread of international supply chains.
- 1.3** It is more important than ever that we maintain the fundamental conditions for business success: our openness to trade and investment, our world class competition regime and flexible product and labour markets. The Department for Business, Innovation and Skills will take forward this agenda, building Britain's future to help us compete in a global economy. The new Department will combine BERR's expertise in shaping the enterprise environment, better regulation, analysing the strengths and needs of the various parts of British industry, building strategies for future industrial strength with DIUS's expertise in maintaining world class universities, expanding access to higher education, investing in the UK's science base and shaping skills policy and innovation through bodies such as the Technology Strategy Board. It also puts the UK's Further Education system and universities closer to the heart of government thinking about building now for the upturn.

Section 1.2

Ministerial responsibilities of the Department for Business, Innovation and Skills³

BIS | Department for Business
 Innovation & Skills

Ministerial Team



PETER MANDELSON
 SECRETARY OF STATE FOR
 BUSINESS, INNOVATION AND SKILLS



PAT McFADDEN
 MINISTER FOR BUSINESS,
 INNOVATION AND SKILLS



KEVIN BRENNAN
 MINISTER FOR FURTHER
 EDUCATION, SKILLS,
 APPRENTICESHIPS AND
 CONSUMER AFFAIRS



MERVYN DAVIES
 MINISTER FOR TRADE,
 INVESTMENT AND BUSINESS



PAUL DRAYSON
 MINISTER FOR SCIENCE
 AND INNOVATION



DAVID LAMMY
 MINISTER FOR HIGHER
 EDUCATION AND INTELLECTUAL
 PROPERTY



ROSIE WINTERTON
 MINISTER FOR REGIONAL ECONOMIC
 DEVELOPMENT AND COORDINATION



STEPHEN CARTER
 MINISTER FOR COMMUNICATIONS,
 TECHNOLOGY AND BROADCASTING



IAN LUCAS
 MINISTER FOR BUSINESS
 AND REGULATORY REFORM



SHRITI VADERA
 MINISTER FOR ECONOMIC COMPETITIVENESS,
 SMALL BUSINESS AND ENTERPRISE



TONY YOUNG
 MINISTER FOR POSTAL AFFAIRS
 AND EMPLOYMENT RELATIONS

³ For information about the BERR governance structure see section 3.6 of this Report.

Section 1.3

Strategy and objectives of the Department for Business, Enterprise and Regulatory Reform

The Strategic Framework

- 1.4** The 2007 Comprehensive Spending Review (CSR07), set Government's performance framework for 2008-11. CSR07 defined 30 cross-Government Public Service Agreements (PSAs) which set out the key priority outcomes which Government wants to achieve, and therefore what the public can expect from Government. Each PSA has a lead department, responsible for co-ordinating and driving delivery, in addition to named contributing departments which support delivery of that PSA⁴.
- 1.5** BERR led delivery of three PSAs during 2008-09 and was considered to be a key contributing department for delivery of a further two. The work of BERR in these areas will be taken forward by the Department for Business, Innovation and Skills.

PSAs led by BERR:

PSA 1: Raise the productivity of the UK economy. Key contributing departments are HM Treasury and the former Department for Innovation, Universities and Skills (DIUS).

PSA 6: Deliver the conditions for business success in the UK. Key contributing departments are HM Revenue and Customs, HM Treasury and DECC.

PSA 7: Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions. Key contributing departments are HM Treasury, Communities and Local Government (CLG), Department for Work and Pensions (DWP), Department for Transport (DfT), the Department for Environment, Food and Rural Affairs (Defra) and the former DIUS.

PSAs, led by other departments, for which BERR was a key contributor to delivery:

PSA 2: Improve the skills of the population, on the way to ensuring a world-class skills base by 2020, for which DIUS formerly led delivery.

PSA 8: Maximise employment opportunity for all, for which DWP leads delivery.

- 1.6** CSR07 also set Departmental Strategic Objectives for each department, which cover the full range of a department's activity and provide the framework for business planning and resource management.

⁴ Lead Departments are also responsible for the public reporting of that PSA. PSAs to which BERR contributed are reported in the Departmental Report or Annual Report and Accounts of the lead departments, available from the websites: www.dius.gov.uk and www.dwp.gov.uk

Departmental Strategic Objectives for BERR:

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

DSO 2: Ensure that all government departments and agencies deliver better regulation for the private, public and third sectors.

DSO 3: Deliver free and fair markets, with greater competition, for businesses, consumers and employees.

DSO 4⁵: Ensure that Government acts as an effective and intelligent shareholder, and provide a source of excellent corporate finance expertise within Government.

DSO 5⁵: Provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered.

- 1.7** On 3 October 2008 the Prime Minister announced earlier changes to the way in which Government is organised. Responsibility for energy and climate change policy passed respectively from BERR and the Department for Environment, Food and Rural Affairs (Defra) to the newly created Department of Energy and Climate Change (DECC). Responsibility for two Departmental Strategic Objectives, relating to energy security and supply, and managing energy liabilities, passed from BERR to DECC. Performance against these objectives will be covered in the DECC Annual Report and Accounts⁶. Likewise, BERR's Resource Accounts have been restated to reflect these Machinery of Government changes such that they represent the position of BERR after the creation of DECC, but prior to the creation of the Department for Business, Innovation and Skills.

BERR's delivery partners

- 1.8** Through 2008-09 BERR delivered a wide range of products and services to diverse groups by working with a network of delivery partners. These included BERR's Executive Agencies: Companies House and the Insolvency Service; and Executive Non-Departmental Public Bodies, including the Regional Development Agencies. We include some information about BERR's delivery partners during 2008-09 in chapter 2, the Performance Report, but more comprehensive accounts of their work are available in their own annual reports, available from delivery partners' websites. For a complete list of BERR's delivery partners, during 2008-09 and their websites, see annex 3.

⁵ DSO 4 was numbered DSO 6, and DSO 5 numbered DSO 7, prior to the 3 October 2008 Machinery of Government changes.

⁶ DECC's Annual Report and Accounts are available from the DECC website: www.decc.gov.uk

The National Economic Council

- 1.9** The National Economic Council (NEC), launched in October 2008, is a Cabinet level Committee which provides a new approach to coordinating economic policies across Government. By taking advice from external experts across different sectors of the economy, and by framing and coordinating the appropriate departmental and cross-governmental policy responses, the Council has advised on measures to steer the economy through the current global crisis.
- 1.10** Given the impact of the downturn on business, BERR played a key role in developing an effective policy response. Departmental examples of successful policy delivery resulting from the NEC discussions include the Real Help for Businesses package and Building Britain's Future: New Industry New Jobs.

The Business Council for Britain

- 1.11** During 2008-09 BERR provided the dedicated secretariat for the Business Council for Britain. The Council advises the Prime Minister and Government, and the Secretariat ensure the Council has a relevant agenda that stimulates joined up thinking on issues that affect business and the long-term competitiveness of the UK economy. Discussions in 2008-09 focused strongly on the strategic challenges facing the UK, both domestic and global⁷.

⁷ For further information about the Business Council for Britain see:
www.berr.gov.uk/aboutus/corporate/bcb/index.html

Supporting business through the recession: Real Help

1.12 Real Help for Businesses brings together a range of real, targeted support from Government to help business through the recession. In addition to the summary below, further details of individual policies are included in the relevant sections of this Report.

Real help for businesses now

What we said	Progress by end June 2009
To get real help for your business go to www.businesslink.gov.uk/realhelp or speak to a Business Link adviser.	<ul style="list-style-type: none"> There have been around 294,000 visits to the Real Help for Business campaign webpage.
Finance from your bank: you may be able to benefit from the Government's Enterprise Finance Guarantee if you apply for a loan from your bank.	<ul style="list-style-type: none"> Over £546 million of eligible applications from over 4,850 firms have been granted, are being processed or assessed. Over 3,500 businesses have been offered loans totalling over £346 million.
Regional Loan Transition Funds: loans available from some regional development agencies (access via local Business Link)	<ul style="list-style-type: none"> Around £26.2 million of loans have been agreed.
The Capital for Enterprise Fund provides equity investment which you can use to pay off existing debt or invest in your business.	<ul style="list-style-type: none"> Fund managers have made offers totalling approximately £13 million to nine businesses. Six businesses have accepted the terms of the offer issued with a value of £7.9 million.
Free guides on managing your finances are available at www.businesslink.gov.uk/realhelp .	<ul style="list-style-type: none"> There have been over 76,000 downloads of the guides.
Need more time to pay your tax bill? Call the Business Payment Support Service: 0845 302 1435. (With HMRC.)	<ul style="list-style-type: none"> Around 153,000 businesses have gained agreement to defer payment of tax worth over £2.6 billion.
Business Link 'Health Check': Get a free review of your business with a professional business adviser for hands-on advice and help accessing the full range of government help.	<ul style="list-style-type: none"> Over 64,000 businesses have benefited from a free Healthcheck.

1.13 In addition Budget 2009 announced further measures to help businesses through the recession:⁸

- a **Vehicle Scrappage Scheme** which provides a £2,000 discount (jointly funded by the Government and the manufacturer) on new vehicles bought by consumers

⁸ For further information see 'Fiscal Stimulus Programmes' in section 4.2 and Notes 25.2 and 39 to the Accounts.

scrapping a vehicle which is ten years old or more and which they have owned for at least 12 months;

- a **Trade Credit Insurance Scheme** to provide up to £5 billion of top-up trade credit insurance to businesses who have suffered partial reductions in their level of cover.

A strategic vision for Britain's recovery

1.14 In April 2009, the Prime Minister, Secretary of State for Business, Enterprise and Regulatory Reform and the Secretary of State for Innovation, Universities and Skills jointly launched the publication of **Building Britain's Future – New Industry, New Jobs**⁹, the Government's strategic vision for taking a more active approach to building British competitiveness, growth and productivity. This vision will now be taken forward by the Department for Business, Innovation and Skills. The strategy identifies how government action can support the UK's economic renewal and future growth. In particular, the paper sets out how the Government will:

- adapt and strengthen Britain's general competitiveness policies in critical areas like innovation, skills, finance, infrastructure and access to global markets;
- use its role and influence in the market in a new and more strategic way;
- use a new approach to targeted interventions to ensure that Britain continues to retain and develop strengths in high-value areas of global growth or rapid and fundamental technological change;
- better coordinate action at the national, regional and local levels; and
- develop a different way of making policy, taking account of its impact on the total business environment and make better use of its existing levers (such as procurement, regulation, taxation and spending) with a clearer sense of the effect on the business environment.

1.15 Budget 2009 established a £750 million **Strategic Investment Fund (SIF)**. The aim of the Fund, which will support advanced industrial projects of strategic importance to the UK's economic renewal and future growth, is to help ensure that the UK is able to emerge from the economic downturn in a globally competitive position.

1.16 Of the £750 million: £250 million is ring-fenced to support a range of projects on renewable energy and low-carbon business opportunities; £50 million is for the Technology Strategy Board to support business innovation in areas of UK capability with opportunities for future growth; and £10 million is for UK Trade & Investment (UKTI), to support a package of major trade and investment events in sectors identified in *New Industry, New Jobs*.

1.17 The Department for Business, Innovation and Skills will manage this Fund, although the £250 million low carbon element will be allocated only to those projects that have been jointly agreed with the Department of Energy and Climate Change.

⁹ *New Industry, New Jobs* (HM Government, 2009): www.berr.gov.uk/files/file51023.pdf

Chapter 2

Performance Report

Section 2.1

Introduction

- 2.1** Successful, enterprising businesses create wealth, help improve productivity, create employment and drive up UK competitiveness. During 2008-09 BERR took action to support the economy through the recession, and with our delivery partners worked to make a real difference to businesses, employees and consumers.
- 2.2** This chapter reports on BERR's performance and achievements during 2008-09. It is divided into sections, in line with BERR's Departmental Strategic Objectives (DSOs) and Public Service Agreements (PSAs), set at the 2007 Comprehensive Spending Review (CSR07). At the end of each section we provide a boxed assessment of each DSO or PSA, after a more comprehensive explanation of work underpinning that objective.
- 2.3** Information in this performance report about the Department's work after 5 June 2009 (particularly in the forward look pages) should be understood to refer to BERR's successor, the Department for Business, Innovation and Skills.

Section	Reporting theme	Page
2.2	BERR's performance framework	20
2.3	Raising the productivity of the UK economy <i>(including PSA 1)</i>	22
2.4	Creation and growth of business <i>(including DSO 1 and PSA 7)</i>	27
2.5	Better regulation <i>(including DSO 2)</i>	44
2.6	Free and fair markets <i>(including DSO 3 and PSA 6)</i>	54
2.7	Government as a shareholder <i>(including DSO 4)</i>	70
2.8	Providing professional support, capability and infrastructure <i>(including DSO 5)</i>	77

Section 2.2

BERR's performance framework

2.4 A summary table of the assessments for BERR's Departmental Strategic Objectives (DSOs) and the Public Service Agreements (PSAs) for which BERR led delivery is below.

Departmental Strategic Objectives		Assessment
DSO 1	Promote the creation and growth of business and a strong enterprise economy across all regions	Strong progress
DSO 2	Ensure that all government departments and agencies deliver better regulation for the private, public and third sectors	Strong progress
DSO 3	Deliver free and fair markets, with greater competition, for businesses, consumers and employees	Strong progress
DSO 4 ¹⁰	Ensure that Government acts as an effective and intelligent shareholder, and provide a source of excellent corporate finance expertise within Government	Strong progress
DSO 5 ¹⁰	Provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered	Strong progress

PSAs for which BERR leads delivery		Assessment
PSA 1	Raise the productivity of the UK economy	Not yet assessed
PSA 6	Deliver the conditions for business success in the UK	Some progress
PSA 7	Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions	Some progress

2.5 The Department is still responsible for two older PSAs, relating to 'Enterprise' and 'Maximising potential in the workplace'. These are outstanding from the previous spending review covering 2005-08 (SR04). Progress reports for these PSAs are included in annex 2.

2.6 Delivery agreements giving a more detailed explanation of the delivery and measurement of each PSA can be found on the HM Treasury website¹¹.

¹⁰ DSO 4 was numbered DSO 6, and DSO 5 numbered DSO 7, prior to the 3 October 2008 Machinery of Government changes.

¹¹ The CSR07 PSA Delivery Agreements are available from: www.hm-treasury.gov.uk/pbr_csr07_psaindex.htm

2.7 Each DSO and PSA has its own suite of indicators. Progress against each of these indicators is measured, and is used to inform the overall assessment of progress for each DSO and PSA. The standard terminology used in the overall assessments for CSR07 (following HM Treasury guidance to government departments) is explained below:

- **strong progress** – where more than 50% of the indicators have improved;
- **some progress** – where 50% or less of the indicators have improved;
- **no improvement shown** – where no indicators have improved; or
- **not yet assessed** – where 50% or more of the indicators have not yet had data produced.

2.8 For each CSR07 DSO and PSA we have also provided an assessment for each indicator, as described below:

- **improvement shown** – where the indicator has shown progress against the baseline;
- **position maintained** – where the indicator has maintained its position against the baseline, and success for the indicator is defined as maintaining position¹²;
- **no improvement shown** – where the indicator has not shown progress against the baseline, and success is defined as improving position; or
- **not yet assessed** – where the data used to assess the indicator has not yet been produced.

2.9 Explanations of the quality of the data systems used to measure the DSO and PSA indicators are set out in annex 1. A performance report for DSO 5 is included in this chapter, but a more comprehensive explanation of work to ‘provide the professional support, capability and infrastructure to enable BERR’s objectives and programmes to be successfully delivered’ is provided in chapter 3, ‘Managing the Department’.

2.10 BERR reports performance on its DSOs and PSAs twice each year: in the Annual Report and Accounts¹³, published in July, and the Autumn Performance Report, published in December¹⁴.

¹² Where success for an indicator is defined as maintaining or improving position, this is counted as an indicator showing improvement for the overall DSO or PSA assessment.

¹³ For further information, including copies of this and previous BERR Annual Reports and Accounts see: www.berr.gov.uk/aboutus/corporate/performance/annual-spending/page25111.html

¹⁴ For further information, including copies of BERR’s Autumn Performance Reports see: www.berr.gov.uk/aboutus/corporate/performance/service-standards/performance-reports/page24986.html

Section 2.3

Raising the productivity of the UK economy

Introduction

- 2.11** Productivity growth is the main determinant of long term economic growth which, together with employment growth, leads to higher prosperity. The Department's key role in encouraging productivity growth is to develop and deliver policies to correct market failures, set the productivity policy framework and create a business friendly environment. During the 2008-09 period, BERR led delivery of PSA 1 'Raise the productivity of the UK economy'.
- 2.12** The Government's policy framework for improving productivity is based on the five drivers of productivity: investment; innovation; skills; enterprise; and competition. For each driver there are programmes seeking to improve UK performance. We lead on the development of the Government's productivity evidence base, which is used to ensure that resources are targeted in the most effective way, to report on progress to improve productivity, and to produce economic reports.

Impact of the economic climate

- 2.13** Productivity growth fluctuates over the economic cycle and it is therefore monitored as a trend growth rate over the cycle, which strips away cyclical distortions.
- 2.14** The likely impact of the economic downturn on productivity depends on the period of time being looked at. The performance of productivity measures is likely to be adversely affected in the short term, but will pick up with economic recovery, and, over longer periods will tend towards trend productivity growth. Persistent declines in output and employment could potentially affect underlying productivity for quite a few years if the drivers of productivity, such as investment and skills, are adversely affected. In the long run, over the full business cycle, both the productivity measures and the underlying productive capacity of the economy are less likely to be affected.
- 2.15** Output per hour and per worker measures of productivity tend to be pro-cyclical (declining in downturns and rising in upturns) because they are sensitive to changes in labour utilisation rates: employment tends to decline more slowly than output in the short term. Thus short term movements in these measures do not necessarily imply a deterioration in the productive potential of the economy. This analysis explains why the most recent data show negative growth in output per worker.
- 2.16** The short-term outlook for productivity growth depends on outcomes in the labour market, in particular the extent to which employers are able to benefit from labour market flexibility. The longer term outlook depends on outcomes for investment, innovation, skills, enterprise, and competition.
- 2.17** While there is some uncertainty about the outlook for productivity, over the previous economic cycle the UK saw record trend productivity growth and significant progress in narrowing the productivity gap with comparator countries.

Drivers of productivity

2.18 *The 2008 Productivity and Competitiveness Indicators* report¹⁵ discusses progress on the headline indicators and the five main drivers of productivity. While raising productivity growth is a long-term objective, current economic conditions have implications for productivity growth in the short term, and the report discusses the policies the Government is putting in place to address these.

- **Investment:** Over 1997-2007, the UK scored well in terms of relative macroeconomic stability, but the global economy has since markedly deteriorated. The UK's specialisation in services means that business investment in physical assets is relatively less intense, while investment in intangible assets is thought to be more intense. The normal decline of investment in downturns is exacerbated by problems with availability of finance, particularly among small and medium sized enterprises (SMEs).
- **Innovation:** The UK performs relatively well in measures of wider forms of innovation such as the proportion of innovation-active firms and the rate of introduction of new products. Its relative specialisation in services explains much of its relatively lower R&D intensity. R&D investment as a proportion of GDP is unlikely to be significantly reduced as a result of the downturn, and broader types of innovation could increase as firms develop new products and processes.
- **Skills:** The UK performs relatively well in terms of the number of people holding higher level qualifications and the level of basic skills such as literacy and numeracy has improved. The proportion of workers not considered fully proficient in their jobs has fallen, and there has been some progress in leadership and management skills. The downturn is also likely to lead to an increase in enrolment in higher education and training by firms, leading to improved skills in the long run.

The Department co-sponsors the **UK Commission for Employment and Skills**, contributing to the setting of its objectives and supporting it to make recommendations for a simpler, more responsive and flexible skills system for business. BERR's work included supporting the delivery of an effective network of Sector Skills Councils and helping successfully integrate the Train to Gain skills brokerage service into Business Link in England, making it easier for businesses to access skills advice.

- **Enterprise:** The UK performs well in the effectiveness of its regulatory framework as indicated by the World Bank measure¹⁶. There is scope for improvement in developing a positive enterprise culture. Firm closures are increasing in the downturn, although rates of business formation tend not to decline sharply, for example due to increased self-employment.
- **Competition:** The UK remains an open economy that is in a position to reap the benefits of international trade and inward investment. Its regulatory environment is recognised as among the best in the world, and its competition regime is well-regarded¹⁷. The impact of the downturn on the degree of competition cannot be predicted with any precision, but indicators are fairly stable over time.

¹⁵ *The 2008 Productivity and Competitiveness Indicators* (BERR, 2009): www.berr.gov.uk/files/file49953.pdf

¹⁶ For further information about the ease of doing business in the UK see DSO indicator 2.5.

¹⁷ The UK regulatory environment and competition regime are assessed as part of DSO 3 in section 2.6.

PSA 1: Raise the productivity of the UK economy*Not yet assessed**2 out of 2 indicators not yet assessed***Indicator 1: Labour productivity (output per hour worked) over the economic cycle***Not yet assessed*

UK trend economic growth (output per hour worked) was estimated to have grown by 2.4% per annum over the most recent full business cycle (H1 1997 to H2 2006), which ended during SR04. This was a significant improvement compared with 1.9% over the two previous economic cycles.

Progress is assessed over a full business cycle to smooth out the cyclicity of output per hour measures, which tend to fall in recessions and rise in booms. Current unadjusted HM Treasury estimates of productivity growth from H2 2006 onwards are 2.3%,¹⁸ slightly lower than over the last full economic cycle from H1 1997 to H2 2006. ONS estimates show weaker recent annualised changes in productivity, falling from growth of 2.0% p.a. in Q4 2007 to a fall of 1.8% p.a. in Q4 2008. However from such short term movements it is not yet possible to conclude how much represents permanent as opposed to cyclical changes. Measures of productivity growth may continue to be weak over the slowdown, but will pick up with economic recovery.

Indicator 2: International comparisons of productivity (per worker, per hour worked)*Not yet assessed*

An assessment of progress in the reduction of international productivity gaps cannot yet take place for CSR07 (which began in 2008) because the most recent data are for 2007.

UK productivity has historically lagged behind that of other major industrialised economies, but there has been a significant narrowing of the gaps over the past 15 years. The latest estimates show the UK maintaining the strong progress made in narrowing gaps in both output per worker and per hour worked.

¹⁸ Budget 2009, Table B2: Contributions to trend output growth, p197:
www.hm-treasury.gov.uk/d/Budget2009/bud09_completereport_2520.pdf

Since 1997:

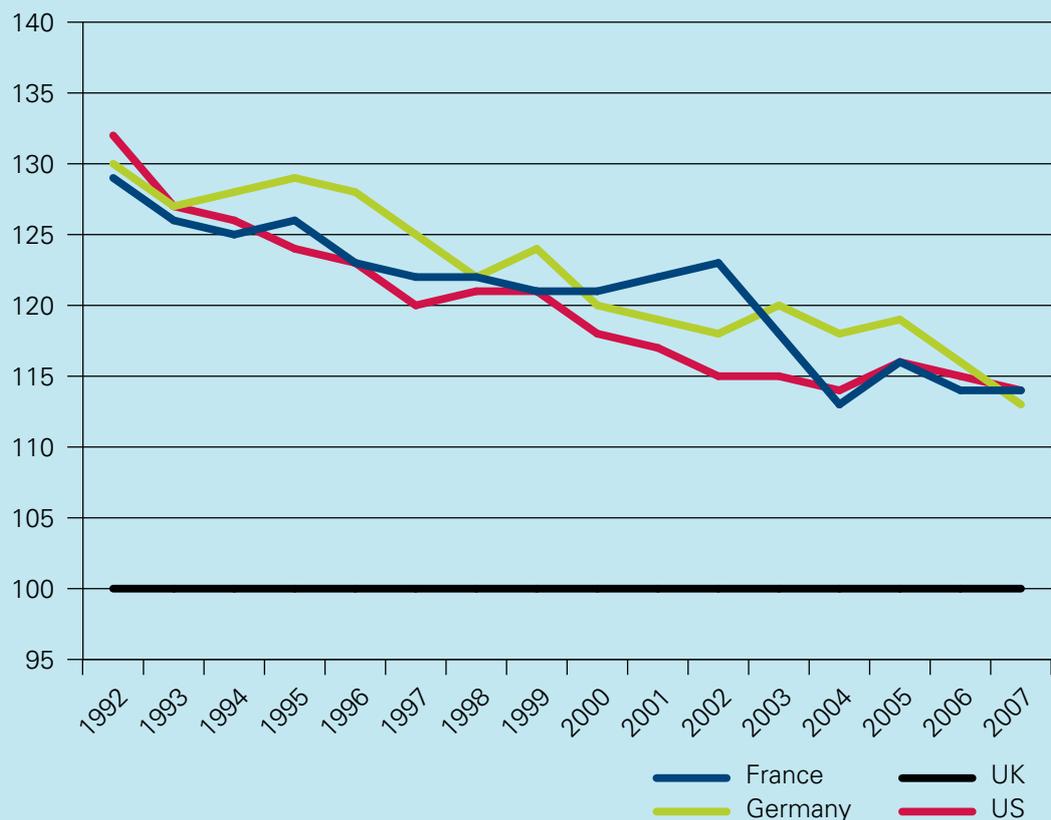
- the gap in output per worker between the UK and Germany has reversed to a 3 percentage point UK lead;
- the gap with France has halved to 7 percentage points; and
- the gap with the US in 2007 fell to 23 percentage points, compared to 28 percentage points in 1997.

Between 1997 and 2007, UK gaps in output per hour narrowed to:

- 14% with the US (from 20% in 1997);
- 14% with France (from 22% in 1997); and
- to 13% with Germany (from 25% in 1997).

Output per worker in the UK grew 23.3% between 1997 and 2007, faster than in the US, France and Germany (where it grew by 17%, 12% and 10% respectively). UK GDP per hour worked rose by 28.8% between 1997 and 2007, faster than the US, France and Germany (where it rose by 21%, 19% and 15% respectively).

Figure 1: International Comparisons of GDP per worker 1992-2007¹⁹



¹⁹ Source ONS International Comparisons of Productivity: www.statistics.gov.uk/cci/nugget.asp?id=161

Productivity: forward look

- 2.19** Following the November 2008 Pre-Budget Report²⁰, **Real Help for Businesses Now**²¹, a cross-government package of support was launched to address the cash flow, credit and capital needs of small businesses, by helping banks lend to viable SMEs during the economic downturn.
- 2.20** The **Digital Britain** Report set out proposals for Government aimed at securing the UK's place at the forefront of innovation, investment and quality in the digital and communication sectors. It was published in June 2009²² jointly by BIS and the Department for Culture, Media and Sport (DCMS).
- 2.21** NESTA (National Endowment for Science, Technology and the Arts)²³ is developing a **new Innovation Index** with the aim of improving our understanding of service sector, user-led and public sector innovation, and building on measures that innovative firms and their investors find useful.
- 2.22** The Department is working with other contributing departments to PSA 1 to assess how best to **incorporate business views in policy design and implementation**, and the extent to which productivity impacts are taken into account in policy evaluation.

²⁰ *Pre-Budget Report 2008: Facing global challenges: Supporting people through difficult times* (HM Treasury, 2008): www.hm-treasury.gov.uk/prebud_pbr08_repindex.htm

²¹ For further information about Real Help Now see: www.direct.gov.uk/en/campaigns/RealHelpNow/index.htm?

²² For further information about Digital Britain see: www.culture.gov.uk/what_we_do/broadcasting/5631.aspx

²³ For further information about NESTA see the website: www.nesta.org.uk

Section 2.4

Creation and growth of business

Introduction

2.23 The Department aims to help create the environment in which business can succeed. As the world economy enters a more turbulent time we are working to help UK businesses through the global economic downturn and help them to emerge stronger on the other side, through safeguarding business creation, welfare and growth, and supporting enterprise, skills creation and innovation. The Department:

- listens carefully to the different economic players, weighs up the evidence behind their views, and assesses where Government needs to act;
- develops and maintains effective relationships with key players in both established and newly emerging business sectors, focuses on the issues which matter most to UK business and draws on business expertise in finding solutions to the challenges we face as a society;
- is helping SMEs access the finance they need during the economic downturn;
- promotes stronger regional economies, through enhanced economic performance across England and fosters business friendly policies at national and European level; and
- works with others to encourage long term wealth creation, strengthening the UK enterprise culture and environment, and simplifying business support.

2.24 This section discusses the work we have done in support of BERR's Departmental Strategic Objective (DSO) 1 to 'Promote the creation and growth of business' and Public Service Agreement (PSA) 7 'Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions'.



Key achievements 2008-09

- Launched the **Real Help** programme which has delivered additional **help for businesses**, including the **Enterprise Finance Guarantee** and Business Link **'Health Checks'**.
- Provided help for corporates – not only SMEs, for example offering a total of £174 million in repayable **Launch Investment** to Bombardier Aerospace and GKN for the design and development of new civil aircraft programmes.
- Delivered a new **strategy for UK manufacturing**²⁴, setting a framework to facilitate success in the evolving global market place and helping manufacturers compete effectively in the short, medium and longer term.
- Delivered Solutions for Business, the simplified framework for government funded business support as a result of the **Business Support Simplification Programme** (BSSP)²⁵.
- **Simplified the Government's web estate** by converging information from various sites onto the Directgov and Business Link websites.
- Facilitated the agreement of a Memorandum of Understanding between internet service providers to address the issue of **illegal file-sharing**.
- Launched a joint industry/Government Strategy for **Sustainable Construction**²⁶ to provide clarity to business by bringing together diverse regulations and initiatives.
- Published the Government's response to the consultation on the review of **sub-national economic development and regeneration**²⁷.
- Accepted recommendations to improve SME access to public procurement opportunities, made in the **Glover Review**²⁸.
- As a result of **UK Trade & Investment (UKTI)** support, more than 10,500 companies improved their performance, generating around £3.6 billion additional profit²⁹. We maintained the UK's position as the number one inward investment destination in Europe with more than 1,700 projects coming into the UK.

²⁴ For further information, including *Manufacturing: new challenges, new opportunities* (BERR, 2008) see:

www.berr.gov.uk/whatwedo/sectors/manufacturing/strategyreview2008/page45271.html

²⁵ For further information about Solutions for Business see:

www.berr.gov.uk/whatwedo/enterprise/simplifyingbusinesssupport/page44805.html

²⁶ For further information, including *Strategy for sustainable construction* (HMG, 2008) see:

www.berr.gov.uk/whatwedo/sectors/construction/sustainability/page13691.html

²⁷ *Prosperous Places: taking forward the review of sub-national economic development and regeneration, The Government response to public consultation* (BERR/CLG, 2008);

www.communities.gov.uk/publications/citiesandregions/govresponseprosperousplaces

²⁸ For further information about the Glover Review and its recommendations see:

www.ogc.gov.uk/news_2008_8804.asp

²⁹ UKTI's Performance and Impact Monitoring Survey (PIMS), accessed via UKTI's website:

www.uktradeinvest.gov.uk

Enterprise policy

2.25 The Department is responsible for implementing Government's framework for enterprise policy and small business. As such, BERR led the launch of a number of policy initiatives to **support SMEs through the recession**, including³⁰:

- The **Enterprise Finance Guarantee** which secures up to £1.3 billion of additional bank loans to small businesses with a turnover of up to £25 million. Over £546 million of eligible applications from over 4,850 small businesses had been assessed, were being processed or had been granted by end June 2009.
- The £75 million **Capital for Enterprise Fund** which provides funds for investment in small businesses needing equity. The appointed fund managers have now made offers totalling approximately £13 million to nine businesses and are continuing due diligence on the further proposals that have been put forward³¹.
- The **Working Capital Scheme** which offers bank guarantees of up to £10 billion on portfolios of working capital loans to enable new bank lending to SMEs and mid-sized companies.
- Offering further support and help for SMEs' cashflow, all central government departments have signed up to the **Prompt Payment** initiative helping bring forward payments from 30 to ten working days. Government departments have made good progress against this target and, in March 2009, 90% of payments against a total annual value of around £66 billion were made within ten days.

2.26 In March 2008 the **Enterprise Strategy**³² was published, setting out the Government's renewed vision to make the UK the most enterprising economy in the world and the best place to start and grow a business. During 2008-09, 46 of the 52 project commitments in the strategy were implemented and the remainder are underway. The projects included:

- A successful **Global Entrepreneurship Week** involving 644,000 individual participants in the UK. 77 countries took part internationally.
- The first two **Premier League Enterprise Academies**, launched by Manchester City and Aston Villa, using football clubs as business models to encourage young people into enterprise.
- **Schemes targeting women**: the Aspire fund encourages women to seek equity finance and highlights investment opportunities in women-led businesses.
- The first three **university enterprise network** regional clusters, launched in November 2008. These encourage graduate enterprise by bringing together business, universities and RDAs.

³⁰ For further information see 'Fiscal Stimulus Programmes' in section 4.2 and Notes 25.2 and 39 to the Accounts.

³¹ As at end June 2009.

³² For further information, including *Enterprise: Unlocking the UK's talent* (HMT/BERR, 2008): www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/enterprise-framework/index.html

Business relations

- 2.27** The Department works with key business sectors, UK and EU policy makers, and regulators on business issues. Our work includes strategic initiatives to improve competitiveness and influencing others to ensure that wider government policy takes account of the legitimate needs of business. Good relationships with business are even more important now, to help us understand what is happening in the economy, and what Government can do to help. Examples of our activity in 2008-09 are below.
- 2.28** Developing and delivering the UK's **Automotive Assistance Programme** to support the delivery of new investments by automotive companies to develop technology and create jobs in the transition to a low carbon economy³³.
- 2.29** Provided repayable **investment funding**, subject to European Commission approval, to Bombardier Aerospace for the design and development of the composite wing for the CSeries aircraft programme; and to GKN for the development of the A350XWB composite wing structures.
- 2.30** The **Manufacturing Strategy**³⁴, launched in September 2008 set out a powerful new vision for how UK manufacturing can be ready to take advantage of global trends and seize new opportunities. It brings together £150 million of support for UK manufacturing, based around commitments under five key dynamics: global value chains; technology exploitation; intangibles; people and skills; and low carbon. The majority of measures will be delivered during 2009, with all commitments due to be in place by 2010.
- 2.31** A successful start to the implementation programme for the **Digital TV switchover**.
- 2.32** Participated in, and contributed to, the Hooper Review³⁵ and subsequent proposals on the future of the **UK postal services** market.
- 2.33** Facilitated Sir David Cooksey's independent review and refresh of the **Bioscience Innovation and Growth** Team Report, to which the Government responded positively³⁶. This will be a key influence on the strategy of the newly formed Government Office for Life Sciences.
- 2.34** Influenced policy making in support of business innovation and performance in services following the joint BERR/DIUS report **Supporting Innovation in Services**³⁷, including trying to maximise opportunities for the UK in Europe.
- 2.35** Prepared to amend legislation on the operation of **construction contracts** to improve cash flow and dispute resolution.

³³ For further information see 'Fiscal Stimulus Programmes' in section 4.2 and Note 39 to the Accounts.

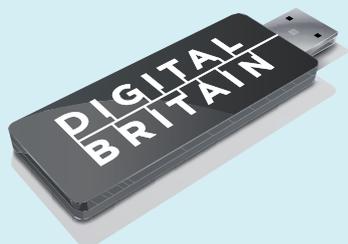
³⁴ For further information, including *Manufacturing: new challenges, new opportunities* (BERR/DIUS, 2008) see: www.berr.gov.uk/whatwedo/sectors/manufacturing/strategyreview2008/page45271.html

³⁵ *Modernise or decline: policies to maintain the universal postal service in the United Kingdom* (Hooper Review) (Hooper, Hutton, Smith, 2008): www.berr.gov.uk/files/file49389.pdf

³⁶ *The Review and Refresh of Bioscience 2015 Report* (BERR, 2009) and the Government Response: www.berr.gov.uk/whatwedo/sectors/biotech/biotechmedic/page10217.html

³⁷ *Supporting Innovation in Services* (BERR/DIUS, 2008): www.berr.gov.uk/files/file47440.pdf

Digital Britain



2.36 Digital Britain is an action plan (prepared in partnership with DCMS) to secure the UK's place at the forefront of innovation, investment and quality in the global digital and communications industries.

2.37 The interim report³⁸ contained more than 20 recommendations, including proposals on broadband, public service broadcasting, spectrum, digital radio, digital content rights and the digital delivery of public services.

2.38 Forward plans included developing plans for a Universal Service Commitment in broadband, to be effective by 2012, and exploring with interested parties the potential for a rights agency which would bring industry together to work to provide incentives for legal use of copyright and to prevent copyright infringement.

2.39 The Digital Britain Final Report was published in June 2009.

Business Support Simplification Programme



**Solutions
for Business**

Funded by
government

2.40 Through the Solutions for Business range of products³⁹, the Business Support Simplification Programme (BSSP) has made it easier for companies and entrepreneurs to understand and access government funded grants, subsidies and advice on how to start and grow their businesses.

2.41 In March 2009 the Government announced that Solutions for Business, its simplified framework for business support products, was in place. The package includes around 30 support products and services, accessible through Business Link, to replace the estimated 3,000 schemes previously on offer. Transition is phased and due to be completed by March 2010. Products will help companies with common business problems, such as accessing finance, as well as providing support for innovation, skills, exporting and resource efficiency. Business Support products will be provided by a range of respected public sector providers such as government departments and their agencies, RDAs and local authorities.

³⁸ For further information including *Digital Britain: The Interim Report* see: www.culture.gov.uk/what_we_do/broadcasting/5631.aspx

³⁹ For further information and a full list of Solutions for Business products see: www.berr.gov.uk/whatwedo/enterprise/simplifyingbusinesssupport/page44804.html

Service Transformation

- 2.42** The rapid expansion of e-technologies and communication channels has revolutionised the way in which citizens and businesses access information and services. The challenge for Government is to improve and match the changing delivery practices in the private sector, and help save businesses and citizens time and money in these challenging economic times.
- 2.43** The Service Transformation programme's aims are to align services, reduce duplication, and place the user at the heart of service delivery. The Department is working with its delivery network to design services around the customer, at a time that is convenient for them, and using effective communication channels. To achieve this we are:
- working to converge information hosted on the Department's and delivery network's web estate onto the Government's two principal websites, Directgov and Business Link, by 2011;
 - leading the Department's and delivery network's contact centres to achieve industry recognised accreditation by the end of 2009, such as the Customer Service Excellence Standard; and
 - running concurrent with this, we are working across the Department's delivery network and Whitehall, to lead public policy on using the most effective, efficient and appropriate communication channels (web, telephone, or face to face) to communicate the availability of services and guidance to businesses and citizens.
- 2.44** Through this programme the Department and its delivery network will build on understanding of their customers, in order to deliver tailored services and ensure value for money.

Business Link



2.45 Business Link helps businesses save time and money by giving them easy access to support at a local, regional and national level. It provides the information, advice and support to help start, maintain and grow a business, through the website – www.businesslink.gov.uk and through a network of local advisers across England.

2.46 Support and advice are just as critical as finance. Business Link offers free advice and support, available online and through local advisers. Business Link health checks (part of Real Help), were launched in October 2008, to help businesses identify problems early, survive in the current economic climate and go on to future success. By April 2009 nearly 40,000 businesses had benefited from a free health check.

Regional policy

2.47 The Department works in partnership with its key regional stakeholders, in particular the Regional Development Agencies (RDAs), to ensure policy and delivery is led at the appropriate level and informed by national, regional, sub-regional and local circumstances. In this way the Department can develop better national policies and processes which reflect regional diversity and promote economic development across England.



2.48 Achievements in 2008-09 included:

- Worked in partnership with local government through local area agreements, multi-area agreements and city-region pilots to maximise the economic growth of all localities.
- Agreed a new cross-government approach to deliver government policies through new Regional Strategies, developed and delivered by a powerful new partnership between RDAs and local authorities.
- Published the independent evaluation of the impact of RDA spending on their regional economies. This was one of the largest of its kind, evaluating nearly £6 billion of RDA spending between 2001-02 and 2006-07. The report shows that RDAs have added value to their regions' economies; their programmes generating at least £4.50 Gross Value Added (GVA) on average for every £1 spent over the life of their programmes. Looking forward, RDAs have committed to use the report to learn lessons and reprioritise their spending towards programmes with higher economic value focused on driving up the sustainable economic growth rate of their region.

Regional Development Agencies

2.49 The RDAs are business-orientated organisations promoting enterprise throughout the country and driving up economic growth in their regions. They provide regional economic leadership, co-ordinate strategy, deliver vital national and regional programmes to provide real help to people and business today, invest for our future, and help join up the full range of public sector economic activity in the region, contributing to delivery of PSA 7. There are nine RDAs, covering each of the English regions plus London. (See annex 3 for a list of RDAs.)

2.50 The RDAs are helping businesses through the recession for example delivering extra funding specifically for small firms through:

- £75 million contribution to the Enterprise Finance Guarantee fund; and
- £25 million Transition Funds for companies unable to access bank credit and in need of short term funding.

PSA 7: Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions

*Some progress⁴⁰
 Improvement against 4 out of 4 indicators*

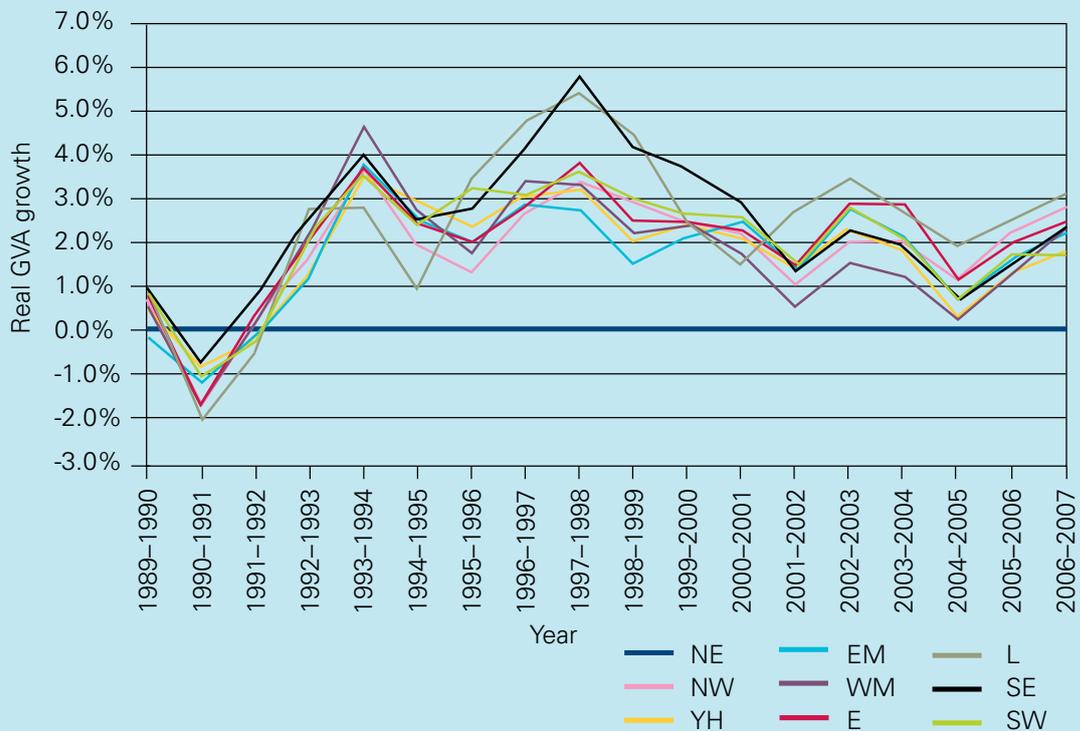
Indicator 1: Regional Gross Value Added (GVA) per head growth rates
Improvement shown

Progress was mixed over the period 2002–07⁴¹. Five regions (North East, North West, East Midlands, East of England and London) improved on baseline (1990–2002) performance and four regions (Yorkshire and Humber, West Midlands, South East and South West) saw weaker growth compared to the baseline period.

Between 2002 and 2007, the Greater South East (GSE)⁴² and North, Midlands and West (NMW) grew by an average of 2.3% and 1.9% per annum respectively. This compares to average per annum growth across the baseline period of 2.5% in the GSE and 1.8% in the North, Midlands and West.

The gap in growth rates between the lead regions (the Greater South East) and the lagging regions (the remaining six regions) fell from 0.6 percentage points over the baseline period to 0.5 percentage points over the period 2002–07.

Figure 2: Real GVA growth rates (adjusted using national deflators) (by region)⁴³



⁴⁰ Although four indicators are showing improvement, this PSA is assessed as *some improvement*, as improvement has not taken place in all regions.

⁴¹ The most recent data available to assess this indicator is for 2007.

⁴² The Greater South East (GSE) comprises London, South East and East of England. The North, Midlands and West (NMW) comprises the North East, North West, Yorkshire and Humber, East Midlands, West Midlands and South West.

⁴³ Key: NE – North East, NW – North West, YH – Yorkshire and Humber, EM – East Midlands, WM – West Midlands, E – East of England, L – London, SE – South East and SW – South West.

Figure 3: Real GVA growth rates (by area)⁴⁴

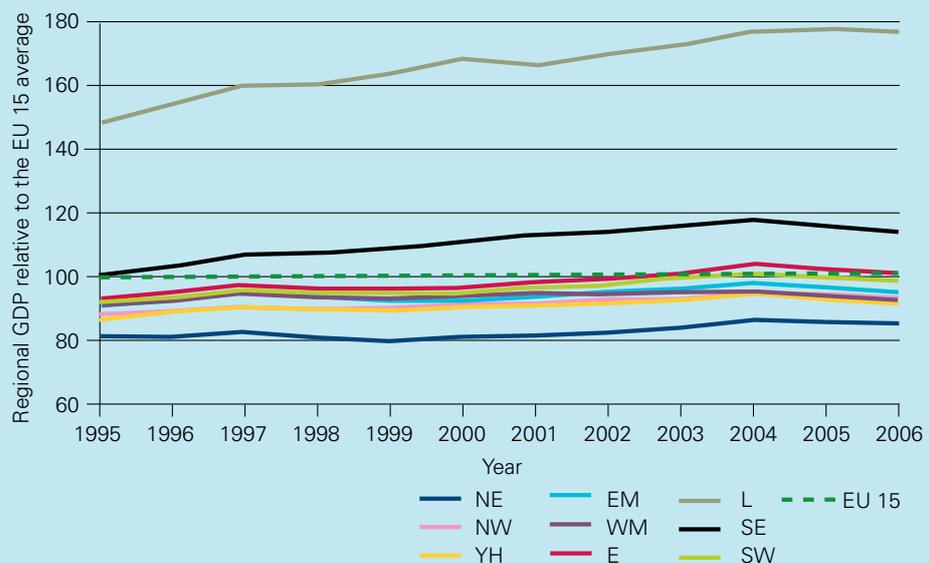


Indicator 2: Regional Gross Domestic Product (GDP) per head levels indexed to the EU-15⁴⁵ average

Improvement shown

Between 1995 and 2006, all of the English regions grew relative to the EU-15 average. Growth relative to the EU-15 was strongest over this period in London, East of England and the South West.

Figure 4: Regional GVA per head relative to the EU-15 average, compared using purchasing power parities



⁴⁴ Key: GSE – Greater South East, NMW – North, Midlands and West, Eng – England.

⁴⁵ The EU-15 is the EU member countries prior to 1 May 2004. It comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the UK.

Indicator 3: Regional productivity as measured by GVA per hour worked indices

Improvement shown

London, East of England and the North East have shown the greatest improvements in productivity over the period 2002-07 compared to the baseline period of 1990-2002.

The West Midlands, Yorkshire and Humber and the South West recorded the lowest improvements in productivity relative to their own performance in the baseline period.

Figure 5: Gross value added per hour worked (by region)

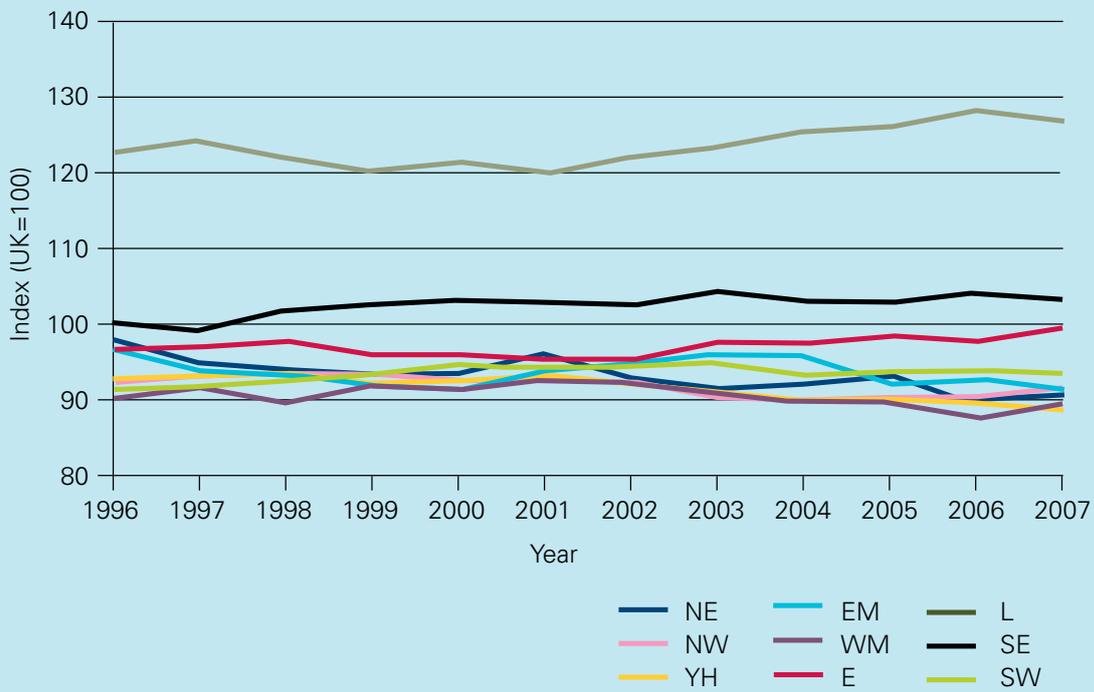
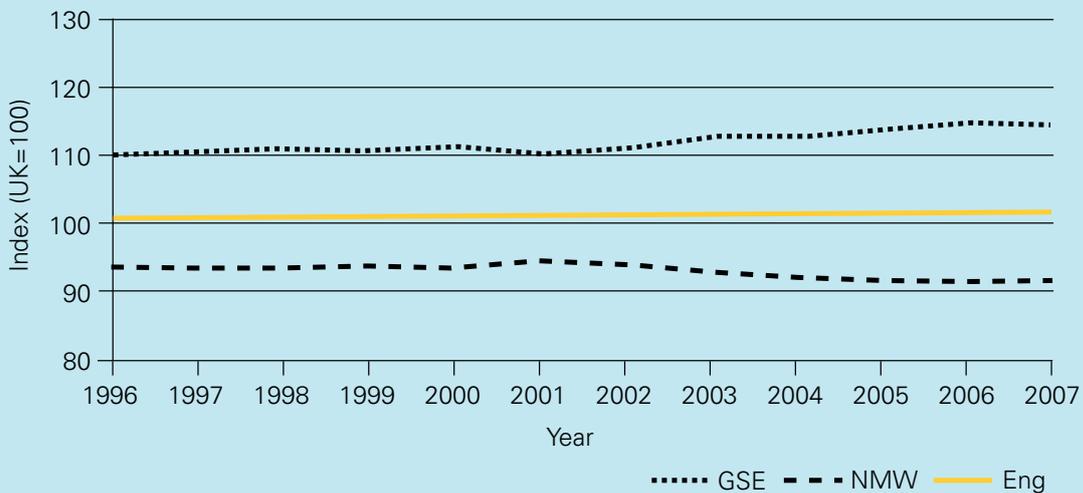


Figure 6: Gross value added per hour worked (by area)



Indicator 4: Regional employment rates

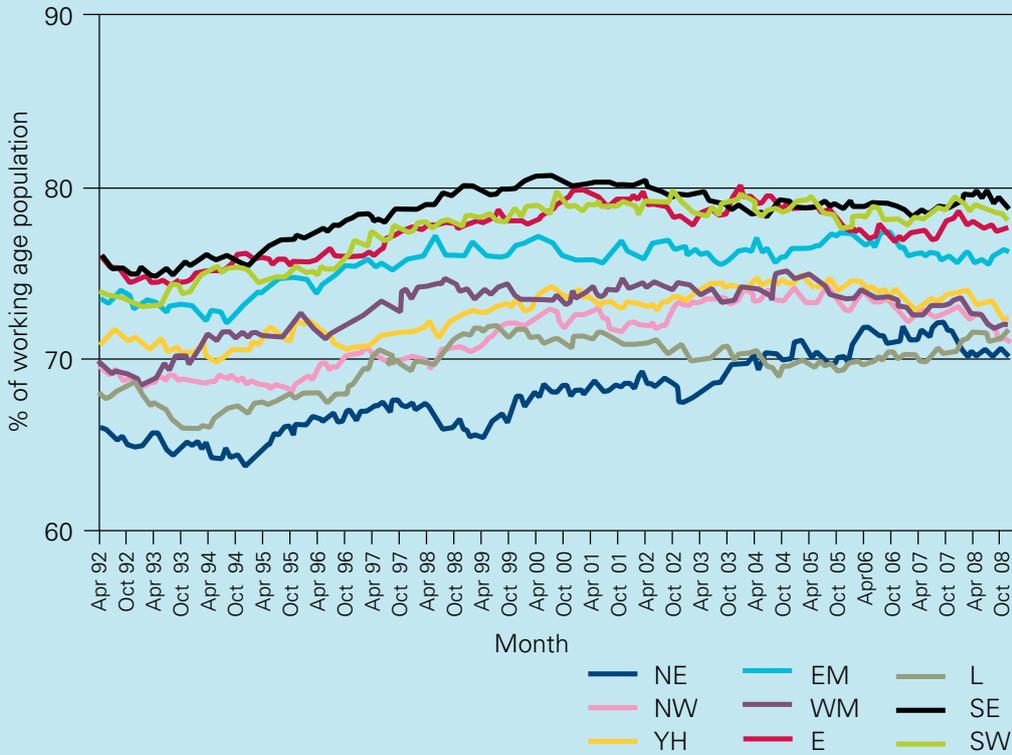
Improvement shown

All English regions have seen improvements in their employment rates over the period January 2003 to December 2008 relative to the baseline period of April 1992 to December 2002 (averaged).

The North East has had the largest rise in employment although it started from a smaller baseline.

The South East had the highest employment rate in England over the period January 2003 to December 2008.

Figure 7: Employment rate of working age people



UKTI

- 2.51** UK Trade & Investment (UKTI) has the lead role within Government for delivering trade development and inward investment services for business. It is supported jointly by BERR and its successor, the Department for Business, Innovation and Skills and the Foreign and Commonwealth Office (FCO). It consequently shares its objectives with its parent departments and draws staff and resources from them. UKTI also works in close partnership with, and draws staff on loan from the Ministry of Defence (MOD).
- 2.52** UKTI works with a variety of partners including the nine English RDAs, the trade promotion and inward investment organisations in the Devolved Administrations, other government departments and agencies, trade associations and private sector organisations active in the field of business development. UKTI also has a newly enlarged network of over 50 private sector specialists who provide knowledge, expertise and contacts to help UKTI deliver its strategy.
- 2.53** UKTI is a service delivery organisation. Its mission is to deliver maximum value for the UK and for business in the global economy. It does this by helping UK businesses to succeed internationally, and by helping overseas companies to bring high quality investment to the UK. The overall direction and focus for UKTI is guided by UKTI's strategy, *Prosperity in a Changing World*⁴⁶. The strategy has three key themes: marketing, partnership and focus.
- 2.54** Key achievements for UKTI during 2008-09 included:
- UKTI playing its part in the Government's Manufacturing Strategy by providing £1 million of funding to help UK companies of all sizes access manufacturing value chain opportunities in India and China. The target is to help 600 businesses access opportunities through this new initiative.
 - Continuing to play a key role in delivering the business and economic benefits of the Government's Olympic Legacy objectives 'to maximise the wider economic benefits of the Games across the UK, including those for tourism and business promotion' and 'to promote positive images of the UK to international audiences'. UKTI is developing a series of programmes to maximise the impact of the London 2012 Olympic Games and Paralympic Games on British business and the UK economy, and to demonstrate to potential inward investors that the UK is the place with which and in which to do business.
 - The creation of a Business Ambassadors network. Their role is to work with Government to promote the UK's excellence and support the success of UK business in overseas markets, focusing on helping SMEs.
 - The launch of two further marketing strategies covering low carbon and advanced engineering. This is in addition to UKTI marketing strategies across five specific sectors: information and communication technology; life science; energy technologies; financial services; and creative industries. The aim of these marketing strategies is to place the UK as the leading partner of choice in all of these fields.

⁴⁶ UKTI's strategy, *Prosperity in a Changing World* (UKTI, 2006): www.uktradeinvest.gov.uk/ukti/fileDownload/UKTIStrategyJuly2006.pdf?cid=391741

- The transfer of responsibility for defence export support from the Ministry of Defence to the UKTI Defence & Security Organisation on 1 April 2008. UKTI Defence & Security Organisation now has access to UKTI's global network of staff based in around 100 overseas markets.

2.55 UKTI's *Annual Report & Accounts 2008-09*⁴⁷ discusses in greater detail all aspects of the work and performance of UKTI.



⁴⁷ For further information about UKTI see the website: www.uktradeinvest.gov.uk

DSO 1: Promote the creation and growth of business and a strong enterprise economy across all regions*Strong progress**Improvement against 3 out of 5 indicators***Indicator 1.1: Stakeholder perceptions of BERR's understanding of, influence over and performance in improving the business and enterprise environment***No improvement shown*

The annual survey of BERR customers in a range of business areas (supported by other key surveys) has delivered broadly comparable results to that of 2007 but with a significant improvement in both business feeling towards, and understanding of, BERR's role. In view of the serious difficulties that businesses are facing in the present economic climate, it was not surprising that the same survey also showed a small reduction in their perception of the Department's ability to make a positive difference for business.

Indicator 1.2: Delivery of RDA outcomes taken from new sponsorship framework*Improvement shown*

A major independent evaluation of the impact of most of the past RDA programme spend has recently been completed⁴⁸. This shows that the RDAs collectively have exceeded their targets, particularly for businesses created and people assisted in skills development.

Indicator 1.3: RDA organisational capability – to be drawn from Independent Performance Assessment (IPA) or successor*Improvement shown*

The independent evaluation of RDA programme spend concluded RDA programmes generate at least £4.50 GVA for every £1 spent over the programmes' lifetimes.

Indicator 1.4: Delivery of publicly-funded business support simplification*Not yet assessed*

In October 2008, the Government announced Solutions for Business, its simplified framework for publicly-funded business support. Products will be in place by March 2010. Progress against the indicator will be monitored via the Business Support Simplification Programme governance processes in line with the Programme's Performance Management Framework and Benefits Realisation Plan.

⁴⁸ For further information, including copies of the report see: www.berr.gov.uk/whatwedo/regional/regional-dev-agencies/Regional%20Development%20Agency%20Impact%20Evaluation/page50725.html

Indicator 1.5: Delivery of UKTI's performance management framework:
Improvement shown

In 2008-09:

- UKTI delivered 600 involved successes (against a target of 525)⁴⁹ of which 260 were provisionally classified as high value projects (target 125) and 244 provisionally classed as good quality products (target 285). 74% agreed UKTI or its RDA delivery partner had had a significant favourable influence (target 70%). The overall position has improved on the previous year.
- UKTI assisted 20,700 UK businesses (target 20,000)⁵⁰ of which 17,300 were innovative (target 12,000)⁵¹ and 51% improved their business performance as a result of UKTI support (target 50%). Overall this has shown some improvement over previous years, despite the challenging economic conditions.
- 1,860 businesses reported increased R&D as a result of UKTI trade support (target 1,000). 105 were foreign direct investment (FDI) R&D projects (target 70). This is significantly above target.
- The UK's reputation as the international business partner of choice is holding up well, according to the first annual survey and the benchmarking survey,⁵² despite the economic downturn.
- Current operational performance is 76% and 75% respectively for quality (target 80%) and satisfaction (target 80%)⁵³. This is slightly below target but maintains UKTI's position against previous years, despite a substantial increase in the number of businesses assisted.
- Charging revenues for the financial year are provisionally £4.57 million (target £2.5 million). This is significantly ahead of target.

For a more comprehensive explanation of UKTI's performance see *UKTI Annual Report and Accounts 2008-09*.⁵⁴

⁴⁹ 'Involved successes' are foreign companies that have invested in the UK with UKTI assistance.

⁵⁰ According to the most recent PIMS estimates.

⁵¹ PIMS respondents are asked about characteristics of their business including R&D activity and other key indicators of innovation, and are classified as innovative if they report such characteristics. Full details are published on the UKTI web site:
www.uktradeinvest.gov.uk

⁵² The annual reputation survey measures UK reputation in the US, China and India, in the financial services, ICT, life science and energy sectors. Further information is available in the *UKTI Annual Report and Accounts 2008-09*.

⁵³ Quality of and satisfaction with UKTI's service. Full details are provided in PIMS reports available from the UKTI website:
www.uktradeinvest.gov.uk.

⁵⁴ For further information about UKTI, including *UKTI Annual Report and Accounts 2008-09* see:
www.uktradeinvest.gov.uk

Creation and growth of business: forward look

2.56 Key plans for creation and growth of business over the next six months for the Department for Business, Innovation and Skills include:

- providing early warning of sectors and businesses in distress, co-ordination of related analytical activity across Whitehall and management of key interventions to **help business through the economic downturn**;
- automotive sector: delivering funding to companies and their supply chains from the £2.3 billion **Automotive Assistance Programme** and making available grants to consumers to scrap old cars for new under the **Vehicle Scrappage Scheme** announced in Budget 2009;
- ensuring **access to finance, advice and help for viable SMEs** and supporting business start-ups during the current economic downturn;
- continuing to work with stakeholders to develop a **Low Carbon Industrial Strategy**⁵⁵ building on our vision for the transition to a low carbon economy and the programme of targeted investment announced in Budget 2009. This includes the £250 million element of the Strategic Investment Fund and an additional £100 million of support to help SMEs improve their energy efficiency;
- progressive implementation of the **Manufacturing Strategy**; all of the 24 policy commitments will be delivered by 2010, with the majority in place this year including **Manufacturing Insight**, an office to raise the profile of manufacturing, particularly at school and university level, and to ensure that UK manufacturing has the right people and skills to secure future success;
- taking forward actions from the **Digital Britain** Final Report;
- **alignment of business support delivery** with Business Link through the face to face Business Link channel and RDA websites; and
- developing the **RDAs'** role in building a strategic vision for supporting the economic recovery and providing them with a clearer national framework for their activity, as part of guidance on new regional strategies in autumn 2009.

2.57 In direct response to the recession, **UKTI** has reconfigured its delivery programme. New measures include:

- the **Fiscal Compass Programme** providing help for UK companies to access opportunities arising from new fiscal stimulus packages in overseas markets;
- a new package, **Gateway to Global Growth**, to help experienced exporters diversify into new overseas markets;
- a marketing push, '**Take it to the World**', to encourage more UK businesses to explore opportunities overseas with courage and confidence;
- simplified funding rules for the **Tradeshow Access Programme**;

⁵⁵ *Low Carbon Industrial Strategy: A vision* (BERR/DECC, 2009):
www.berr.gov.uk/files/file50373.pdf

- a targeted marketing campaign to encourage UK companies to diversify their export markets by **exploring opportunities in emerging markets** predicted to maintain faster growth than others; and
- a clearer **focus on inward investment** activity in markets with the highest investment potential by volume and value.

Expenditure on promoting the creation and growth of business

	£000					
	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL						
Regional Development Agencies	423,673	482,833	385,553	401,484	379,844	371,403
Support for the Automotive Industry	0	0	0	0	300,000	0
Regional Innovation Funds (including University Innovation Centres)	388	426	164	58	0	0
Waste Electronic and Electrical Equipment Directive and Sustainable Development	3,041	32,777	10,660	4,360	3,781	0
Capital for Enterprise Ltd	0	0	0	2,098	2,545	2,545
Enterprise Finance Guarantee	0	0	0	4,517	0	0
Launch Investments	338	-582	-65	-148	-6,465	-11,138
Enterprise Funds including Small Firms Loan Guarantee Scheme	94,909	28,804	57,880	172,342	105,820	104,531
UK Trade & Investment	49,034	46,837	46,014	43,434	44,032	42,447
British Shipbuilders	81,974	3,727	37,722	19,807	3,769	3,837
OFCOM	2,801	2,361	1,485	844	3,240	3,240
Support for Small Firms and Enterprise	12,664	15,241	12,331	11,263	7,618	5,000
Other Business Support Programmes	78,345	27,879	22,376	10,571	8,786	16,739
Total Resource Expenditure in DEL	747,167	640,303	574,120	670,630	852,970	538,604
Resource Expenditure in AME						
Regional Development Agencies	37,147	70,018	31,056	184,738	114,410	39,172
Total Resource Expenditure	784,314	710,321	605,176	855,368	967,380	577,776
Capital Expenditure in DEL						
Regional Selective Assistance/Selective Finance for Investment in England	49,007	27,684	-10,698	12,379	28,800	28,800
Strategic Investment Fund	0	0	0	0	370,000	320,000
Regional Development Agencies	133,756	133,639	123,902	70,086	74,552	82,494
Regional Innovation Funds (including University Innovation Centres)	6,558	3,603	123	0	0	0
Launch Investments	-146,490	-154,118	-153,723	-128,159	-120,000	-184,500
Enterprise Funds including Small Firms Loan Guarantee Scheme	21,708	13,711	20,633	20,578	62,500	56,000
UK Trade & Investment	-6	16	2	0	0	0
OFCOM	-17,810	-5,186	-5,186	0	0	0
Support for Small Firms and Enterprise	6,056	748	0	0	0	0
British Shipbuilders	0	0	0	0	0	0
Other Business Support Programmes	2,683	464	7,488	616	900	0
Total Capital Expenditure	55,462	20,561	-17,459	-24,500	416,752	302,794
Total Expenditure	839,776	730,882	587,717	830,868	1,384,132	880,570

Section 2.5

Better regulation

Introduction

- 2.58** The Better Regulation Executive⁵⁶ works with Government and regulators to implement an extensive programme of regulatory reform. The overall aim is to minimise the cost to business, charities and public sector organisations, whilst ensuring that the necessary protections stay in place.
- 2.59** Regulation can play a vital role in supporting the productivity and flexibility of the British economy. We are working to ensure we have an effective and responsive regulatory framework, now and when we emerge from the global economic downturn.
- 2.60** The UK has one of the most ambitious, wide-ranging and respected regulatory reform agendas in the world – the World Bank’s *Doing Business 2009* report ranks the UK sixth out of 181 economies for ‘ease of doing business’⁵⁷.
- 2.61** The Better Regulation Executive has three strategic aims:
- to work with departments and regulators to simplify and modernise existing regulations;
 - to work with departments to improve the design of new regulations and how they are communicated; and
 - to work with regulators (including local authorities) and government departments to change attitudes and approaches to regulation to become more risk-based.



⁵⁶ The Better Regulation Executive was part of BERR in 2008-09, and subsequently became part of the Department for Business, Innovation and Skills on 5 June 2009.

⁵⁷ *Doing Business 2009* (World Bank, 2008):
www.doingbusiness.org/ExploreEconomies/?economyid=196

Key Achievements 2008-09

- By December 2008, Government had delivered a **14% reduction in the administrative burdens** it imposes on business: annual savings of £1.9 billion; equivalent to £5 million a day, every day, for business. Government has set out plans to meet its target of a 25% reduction by 2010⁵⁸.
- Government has ensured that **new regulatory burdens on business are kept to a minimum** in an economic climate in which businesses would find it very difficult to absorb any additional costs.

Government has delivered projects to simplify key areas of regulation:

- a **review on improving outcomes from health and safety**⁵⁹ generated recommendations designed to save £300 million a year for businesses where overall risk of injury or ill health is relatively low; and
- a **review of planning processes**⁶⁰ generated recommendations that should save businesses up to £300 million a year.

Government has made it easier for businesses to understand what regulations affect them and how:

- Government continues to **introduce new regulations that impact on business on only two dates each year**, so businesses know when to look out for change;
- a new **Code of Practice on Guidance on Regulation**⁶¹ has helped to ensure guidance on regulations is clear, consistent and accessible; and
- a **review of guidance to business**⁶² generated recommendations to ensure that Government's guidance on regulation can be followed by businesses with certainty.

Government has continued to work with national and local regulators to ensure that their enforcement activity is risk-based, proportionate and consistent:

- the **Regulatory Enforcement and Sanctions Act 2008** established the Local Better Regulation Office and the Primary Authority Principle to promote consistency of enforcement amongst local authorities;
- the Better Regulation Executive has continued to work with the National Audit Office (NAO) on a programme of **independent reviews of national regulators** to ensure they are minimising regulatory burdens on business and encouraging economic progress; and
- the **Regulators' Compliance Code**⁶³ came into force on 1 April 2008. It requires national and local regulators to take a risk-based approach to enforcement.

⁵⁸ For further information, including 2008 Simplification Plans see: www.berr.gov.uk/whatwedo/bre/policy/simplifying-existing-regulation/simplification-plans/page44063.html

⁵⁹ *Improving outcomes from health and safety: a report to Government by the Better Regulation Executive* (BERR, 2008): www.berr.gov.uk/files/file47324.pdf

⁶⁰ *The Killian Pretty Final Report – Planning applications: A faster and more responsive system* (CLG, 2008): www.berr.gov.uk/files/file49103.pdf

⁶¹ *Code of Practice on Guidance on Regulation* (BERR, 2008): www.berr.gov.uk/files/file46950.pdf

⁶² *The Anderson Review – The Good Guidance Guide* (BERR, 2009): www.berr.gov.uk/files/file49881.pdf

⁶³ *Regulators' Compliance Code, Statutory Code of Practice for Regulators* (BERR, 2007): www.berr.gov.uk/files/file45019.pdf

Simplifying and modernising existing regulations

Reducing the burden of complying with regulations (private and third sectors)

2.62 The Government is committed to simplifying the administrative burden of complying with regulations, and has set a target of reducing the burden on business by 25% (excluding tax administration and financial services for which there are separate arrangements). By the end of 2008, the Government had delivered over 240 measures to simplify regulation, taking the total savings to about £1.9 billion annually. Government is on track to achieve its target to reduce the burdens faced by business, public and the third sectors by £3.4 billion annually by 2010. Along with the benefits already delivered we are seeing a culture change across Government in the way we regulate and engage with business and service providers. The Government will adopt new simplification targets for 2010-15 which will address all regulatory costs to business.

2.63 In July 2008, the Better Regulation Executive published *'Improving outcomes from Health and Safety'*⁶⁴, a review that considered how the health and safety regulatory regime affects workplaces where the overall risk of injury or ill health is relatively low. This aimed to reduce unnecessary burdens on those businesses while reducing injury and ill health, and increasing public confidence in the UK's health and safety regime as a whole. The review's recommendations are being taken forward by the Health and Safety Executive.

Improvements to health and safety risk assessments have helped numerous businesses to protect staff and customers while reducing the time and paperwork involved in complying with regulations. "The new service simplifies the whole thing so much, it's actually improved the industry standard. It's that simple," says Bill Bennett, Health and Safety Manager for Ladbrokes bookmakers.



2.64 In November 2008, an independent review (led by Joanna Killian and David Pretty)⁶⁵ made a series of recommendations to simplify the planning application process, including removing 40% of minor, mainly commercial, planning applications, such as for small scale alterations and extensions, from the planning system altogether. This will help small businesses and councils save up to £300 million a year. The Government welcomed the recommendations in March 2009 and work has already begun on implementation. For example, in summer 2009 Communities and Local Government plan to consult on draft proposals to extend permitted development rights for businesses and public services, which will make it easier for them to make some small scale alterations or extensions to buildings.

⁶⁴ *Improving outcomes from health and safety: a report to Government by the Better Regulation Executive* (BERR, 2008): www.berr.gov.uk/files/file47324.pdf

⁶⁵ *The Killian Pretty Final Report – Planning applications: A faster and more responsive system* (CLG, 2008): www.berr.gov.uk/files/file49103.pdf

Reducing the burden of complying with regulations (public sector)

2.65 Public sector internal control processes play an important role in accountability for the use of public funds and in delivering improvements to services. However, front-line public sector workers are often concerned that time spent on unnecessary bureaucracy gets in the way of service delivery. To address these concerns Government has committed to a 30% reduction in data stream requirements made by central Government to front-line public sector workers by 2010. This will help public sector workers spend less time reporting back to central Government and more time responding to public service users.

Improving the design and communication of new regulations

Considering the impact on small businesses

2.66 In March 2008 we published an Enterprise Strategy, committing to a new approach to the way that new and existing regulation applies to firms employing fewer than 20 people. Consideration will now be given to simplified or more flexible approaches to find the most effective way to meet intended outcomes and minimise burdens without affecting essential protections. From Parliamentary Session 2008-09 all secondary legislation Statutory Instruments laid before parliament will explain impact on, and consideration given, to small business.

Managing the costs of new regulations

2.67 The Better Regulation Executive continues to work with individual government departments to ensure that full Impact Assessments are carried out on proposed legislation and that the potential burdens on business are taken into account during policy formation. In late 2008, Government consulted on a proposed system of regulatory budgets that would place a cap on the amount of regulatory costs imposed by regulation. After careful consideration of the responses, and in light of the economic downturn, the Government decided not to proceed with such a system at this stage. The Government feels that focusing on helping businesses now by reducing costs of regulation, whilst strengthening the ongoing management of regulation, will provide better help to business in the current economic climate.

2.68 In April 2009, the Government announced that it will establish two new bodies to look at the impact, costs and benefits of regulatory proposals. A sub-committee of the National Economic Council will scrutinise planned regulation and proposals for new regulation that will impact on business. More broadly, and external to Government, the new Regulatory Policy Committee will advise Government on whether it is doing all it can to accurately assess the costs and benefits of regulation and, building on the work of Philip Hampton, advise whether regulators are taking an appropriate risk-based approach in their work.

Consulting on regulatory proposals

2.69 In November 2008 Government introduced a new *Code of Practice on Consultation*⁶⁶ to improve the way it consults. All government departments should comply with the Code when running formal, written consultation exercises. The code sets out when

⁶⁶ *Code of Practice on Consultation* (HM Government, 2008):
www.berr.gov.uk/files/file47158.pdf

to consult, the length of consultation exercises, how to make impact assessment an integral part of consultation exercises, how to reduce the burden of consultation, and how to make consultation exercises more responsive.

Improving communication of regulatory changes

2.70 Almost half of all businesses pay for external advice to help them follow regulations, costing them at least £1.4 billion a year. In an attempt to reduce these costs, the Government commissioned an independent review (led by Sarah Anderson CBE) into how small businesses can have greater certainty around government guidance. The Review's final report⁶⁷, published in February 2009, features a set of recommendations to improve the clarity, consistency and accessibility of guidance, giving SMEs a better understanding of how to comply with the law. The recommendations were accepted by the Government in March 2009.

2.71 A key recommendation was the provision of an insured helpline to provide businesses with advice on how to comply with health and safety regulations. The details of a pilot scheme to deliver this will be announced shortly. Actions that the Government will take to ensure that businesses can follow government guidance with confidence, by removing disclaimers of liability for example, will be included in a revised Code of Practice on Guidance which will be published in summer 2009. By the end of 2009 government departments and agencies will produce a list of their most frequently used guidance and their plans to update it in line with the revised Code of Practice.

2.72 The Government is also improving communication of regulatory changes and helping businesses manage the introduction of new regulations. Since 2005, departments have been bringing into force new regulations that impact on business on only two dates a year: 1 October and 6 April.

Improvements to the system of regulating and reporting changes to medicines have helped pharmaceutical companies save time and money, and get new products to market more quickly. Johnson & Johnson, for example, can take advantage of a faster approval system thanks to the Better Regulation of Medicines Initiative. As Gill Peckham, Head of Regulatory Affairs, puts it "we self certify, so now we have a lot more control over our timings – and when we can get out to market. For example, we had a bottle label that needed to be changed in its shape. In the past, it would have taken three to five months to get this change approved. But because we now self certify, we could change it immediately. For us, last year, speeding up that one label saved us 8,000 Euros in line efficiency."



⁶⁷ *The Anderson Review – The Good Guidance Guide* (BERR, 2009): www.berr.gov.uk/files/file49881.pdf

Changing attitudes and approaches to regulation to become more risk-based

Consistent and proportionate enforcement

2.73 The Regulatory Enforcement and Sanctions Act 2008 came into force on 1 October 2008. It addresses three distinct but related areas vital to delivering better regulation:

- establishing the Local Better Regulation Office (LBRO) and the Primary Authority Principle to promote consistency of enforcement amongst local authorities;
- setting a framework for a range of new civil sanctions, which will allow regulators to respond to non-compliance transparently, flexibly, and proportionately; and
- introducing powers that allow Ministers to impose a duty on regulators to assist them in meeting the requirements of the Government's better regulation agenda.

2.74 These changes result in an overall net benefit of £164 million, including⁶⁸:

- benefits for businesses through greater consistency and coordination of local authority regulatory enforcement and reduced regulatory burdens for compliant businesses;
- savings for local authorities due to more effective distribution of regulatory responsibilities and greater strategic knowledge of the businesses that they regulate;
- a more proportionate and effective sanctioning regime to tackle regulatory non-compliance; and
- the public will benefit from more efficient markets as a result of better targeting of local authority resources in dealing with rogue businesses.

2.75 The LBRO received its statutory powers on 1 October 2008. It will improve the coordination and consistency of regulatory functions and enforcement. The LBRO provides advice to Ministers on key issues affecting local authority enforcement and encourages good practice. It will also be responsible for refreshing the national enforcement priorities, which have enabled local authority regulatory services to focus on areas presenting the greatest risk.

Merging regulators and inspectorates

2.76 The Hampton Review of inspection and enforcement of regulation⁶⁹ identified a need to merge regulators and inspectorates to avoid overlapping regulatory frameworks and reduce the costs for businesses. To date, 23 of the 63 regulators covered by the report have merged which represents a significant simplification in the central regulatory structure.

⁶⁸ All figures are based on the estimated costs and benefits associated with the provisions in the Act. They are annual figures based on full take-up of the civil sanctions and Primary Authority Principle. All net figures are based on the overall savings less the costs associated with the new provisions.

⁶⁹ *Reducing administrative burdens: effective inspection and enforcement* (HM Treasury, 2005): www.berr.gov.uk/files/file22988.pdf

Assessing regulatory performance

2.77 The Better Regulation Executive and the NAO, working with regulators and business, have developed an assessment framework which looks at the extent to which regulators are performing in line with the principles set out in the Hampton Review. Reports on five major regulators (the Health and Safety Executive, Environment Agency, Food Standards Agency, Office of Fair Trading and Financial Services Authority) were published in March 2008, and a second phase of the reviews has been underway in 2008-09, extending the programme to a further 31 national regulatory bodies. As at 5 June 2009, just over half (sixteen) of these national regulators had been reviewed⁷⁰. Reports from this second phase are published as they are completed and the review process will be complete by the end of 2009.

Ensuring risk based enforcement by regulators

2.78 Government asks regulators to perform their duties in a business-friendly manner, by ensuring that the approach to regulation causes minimum disruption. The Regulators' Compliance Code⁷¹, which came into force on 1 April 2008, sets out the principles of good enforcement practice for regulators to improve the efficiency and effectiveness of their work. The Better Regulation Executive works closely with regulators at a national and local level to help improve their enforcement practices. For example, the Better Regulation Executive and other groups within the Department have been working with BERR delivery partners, including the Office of Fair Trading, on the recent Review of Consumer Law. The Review's call for evidence closed in summer 2008 and the Department published a white paper in summer 2009⁷².

"We gained sales last year that we wouldn't have had," says Nicholas Smalley, Regulatory Projects Manager at Perrigo, a leading supplier of own-label, over-the-counter medicines based in Barnsley. Until recently the regulation of the industry placed a heavy administrative burden on companies. Improvements to over-the-counter medicines registration has meant, in Nicholas' words, "we were able to supply a new hay fever product in the middle of the season in June. Having just one more product on the shelves for an extra ten weeks earns an extra £20,000 a week."



⁷⁰ For further information about the Hampton Implementation Reviews see: www.berr.gov.uk/whatwedo/bre/inspection-enforcement/implementing-principles/reviewing-regulators/page44054.html

⁷¹ *Regulators' Compliance Code, Statutory Code of Practice for Regulators* (BERR, 2007): www.berr.gov.uk/files/file45019.pdf

⁷² *A Better Deal for Consumers: Delivering Real Help Now and Change for the Future* (HMG, 2009) www.berr.gov.uk/files/file52072.pdf

DSO 2: Ensure that all government departments and agencies deliver better regulation for the private, public and third sectors*Strong progress**Improvement against 4 out of 7 indicators***Indicator 2.1: Administrative burdens reduction across 19 government departments, consisting of a 25% reduction for the majority of departments by 2010. Includes BERR target to deliver 25% reduction in measured admin burdens by 2010***Improvement shown*

Baseline measurement at May 2005 showed the administrative costs to business of complying with regulations ('administrative burdens') to be £13.2 billion (excluding tax administration and financial services for which there are separate arrangements). Simplification Plans published by departments in December 2008 showed that £1.9 billion net savings have already been delivered (14% reduction against the baseline), and set out initiatives that will deliver a further £1.5 billion savings by 2010. The Government is therefore on track to meet its target of a 25% net reduction.

Indicator 2.2: Proportion of businesses (and voluntary sector organisations) who believe that 'most regulation is fair and proportionate' in five policy areas – employment law, tax law, health and safety, planning law and company law*Improvement shown*

In October 2008, the NAO published the results of their latest survey⁷³ of the perceptions of regulation of 2,000 businesses. The survey results show that the number of businesses that believe that 'most regulation is fair and proportionate' has increased from 40% in 2007 to 46% in 2008.

Indicator 2.3: Flow of regulation: total benefit/cost ratio of regulations coming forward over time*Not yet assessed*

The Government is currently calculating the total benefit/cost ratio of all regulations enacted in the 2008-09 financial year (on the basis of Impact Assessments published between 1 April 2008 and 31 March 2009). The ratio will be published later this year, and will be reported annually thereafter.

⁷³ *The Administrative Burdens Reduction Programme 2008* (NAO, 2008): www.nao.org.uk/publications/0708/administrative_burdens.aspx

Indicator 2.4: Performance of local authority regulatory services as measured by the national indicator*Not yet assessed*

The indicator, 'Satisfaction of business with local authority regulatory services' National Indicator 182, has been agreed and included in the new local authority performance framework. This indicator will help provide an indication of the performance of local authority regulatory services. Data will be available from mid 2009.

Indicator 2.5: Overall performance in the World Bank *Doing Business* survey and OECD surveys of the policy environment*Position maintained*

In the World Bank survey *Doing Business 2009*⁷⁴ (published in September 2008) the UK came sixth out of 181 countries, and second in the EU behind Denmark, for ease of doing business, maintaining its ranking as reported in the *Doing Business 2008* survey⁷⁵.

The OECD has not published any new comparative data relevant to the better regulation agenda since this DSO was established. However, work is underway in the OECD on indicators to measure regulatory management in OECD member countries. Over the next two years the OECD will publish reports on the better regulation agendas of 15 EU countries, including the UK.

Indicator 2.6: Proportion of bureaucracy which the public sector front line believes to be unnecessary*Not yet assessed*

The Better Regulation Executive works closely with other government departments to reduce unnecessary bureaucracy on front-line public sector workers. For head teachers, surveys from 2008 have been used to establish a baseline for their perceptions of bureaucracy. Changes in perceptions will be measured in 2009 and again in 2010. For health and policing, the Department of Health (DH) and the Home Office have led work to test perceptions, which will inform an improvement framework against which progress will be measured.

Indicator 2.7: Reduction in data stream requirements from central government to the public sector front line by 2010. Includes 30% cross-Government target to reduce burdens on front line public sector staff*Improvement shown*

Nine government departments are reducing the number of data requests they make on the public sector front line. To date, a 28% reduction in data requests has been delivered across these departments.

Two departments have measured the data 'burdens' they impose on public sector front-line staff and are reducing them through a mixture of removing requests, reducing the frequency of requests or making data returns more efficient and streamlined. To date, the Department for Children, Schools and Families (DCSF) has achieved a 26% reduction; and DH has achieved a 30% reduction in social care and a 13% reduction in health care.

⁷⁴ *Doing Business 2009* (World Bank, 2008): www.doingbusiness.org/features/DB2009Report.aspx

⁷⁵ *Doing Business 2008* (Overview) (World Bank, 2007): www.doingbusiness.org/documents/DB-2008-overview.pdf

Better regulation: forward look

2.79 During the rest of 2009 we will deliver measures to provide greater rigour to the Government's regulatory reform processes during the recession and with a view to the economic recovery, as well as continuing to deliver key existing programmes and projects. We will:

- establish a new **better regulation sub-committee of the National Economic Council** which will scrutinise planned regulation and proposals for new regulation that will impact on business;
- work closely with the European Commission and Member States to **further embed the EU's better regulation agenda**, ensuring current pressures on business are taken into account when new regulation is being considered;
- publish a **forward regulatory programme**, starting this summer. Businesses will be able to plan better as the programme will include existing and possible future regulatory proposals;
- set up a new external **Regulatory Policy Committee** whose role will be to advise Government on whether it is doing all it can to accurately assess the costs and benefits of regulation;
- work with government departments to deliver their **2009 Simplification Plans**. These will show how departments will continue to deliver a net reduction of 25% in administrative burdens and a reduction of 30% in the total amount of data that is requested from public sector front-line workers by 2010;
- work with government departments to adopt **new simplification targets for 2010-15** which will address all regulatory costs to business;
- improve businesses' experience of regulation by continuing to **work with national and local regulators** to introduce the Primary Authority Scheme, extend the Regulators' Compliance Code, and sponsor the LBRO;
- continue **reviewing independent regulators** under the Hampton Implementation Reviews programme; and
- in the new Parliamentary session starting 2009-10, all **primary legislation** Statutory Instruments laid before parliament will explain the impact on and consideration given to small business.

Expenditure on ensuring better regulation

	£000					
	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL	5,364	6,384	2,272	4,557	4,737	4,400
Capital Expenditure in DEL	0	0	197	-70	0	0
Total Expenditure	5,364	6,384	2,469	4,487	4,737	4,400

Section 2.6

Free and fair markets

Introduction

- 2.80** The Department works to shape a framework for free and fair markets nationally and internationally which help businesses, consumers and employees meet the challenges of globalisation. Markets work best within clear rules. Government has a role to help markets work and ensure they are fair.
- 2.81** The Department is committed to maintaining and regulating free and open markets in which businesses can enter and trade fairly and competitively.
- 2.82** The current economic climate has brought with it the threat of protectionism. We are working to help ensure markets remain open and prevent abuses of state aid so that British businesses can benefit from the liberalisation of global markets. Increased globalisation may, however, impact more acutely on the most vulnerable members of society, and the Government aims to minimize such impacts. Our aim is to improve the quality of working life for individuals and create the conditions for business success in the UK.
- 2.83** The Department's employment responsibilities are to achieve fair and flexible labour markets which help businesses succeed even in the current economic conditions, whilst protecting workers, especially the most vulnerable.
- 2.84** We work to ensure that UK consumers are treated fairly, know their rights and can use them effectively, and that consumer law is fair to both consumers and businesses.
- 2.85** We are also responsible for ensuring that the UK's company law and corporate governance regime remain at the level of the world's best. A fair, modern and effective company law framework promotes enterprise, growth and the right conditions for investment and employment. This ensures businesses have the confidence to trade with each other, encouraging firms to set up and do business, shareholders to invest, and the economy to grow.
- 2.86** BERR's Departmental Strategic Objective (DSO) 3 'Deliver free and fair markets, with greater competition, for businesses, consumers and employees' and PSA 6 'Deliver the conditions for business success in the UK' are assessed in this section.



Key achievements 2008-09

- Continued to make significant progress in implementing the **Companies Act 2006**, providing a reduction in the administrative burdens faced by business by approximately £300 million per year.
- Made significant improvements to **guidance for business on employment law**, saving firms over £400 million this year through cutting out duplication and introducing online tools, which led to increased use of available help.
- Changed the **dispute resolution system** to lighten the regulatory burden on business, delivering estimated savings of over £175 million for business.
- Introduction of rules for the **fair treatment of credit and store card customers**. This agreement with industry puts in place some principles about how they make changes to the standard interest rates on customers' accounts.
- **Reduced administrative burdens on business** by delivering two thirds of the BERR target of a 25% net reduction in burdens.
- Secured **G20 commitment to resist protectionist measures** at the November 2008 Washington Summit. BERR worked closely with stakeholders across Whitehall and internationally and built on this to obtain further G20 commitments on trade at the London Summit in April 2009.
- Creation of **Consumer Focus**, the new statutory consumer advocacy body.
- Amendment of the **Consumer Credit Act**. This removed anomalies from the 1974 Consumer Credit Act, for example by making buy-to-let agreements exempt from the regulations.
- Agreement with other Member States and the European Parliament on the **Agency Workers Directive**, and successfully retained the right to opt out of the maximum 48 hour week in negotiations on the **Working Time Directive**.
- Successful roll out of the programme to combat **illegal money lending**, securing over 60 prosecutions since November 2007 and saving over £14 million for consumers.
- Strengthened the **enforcement of Employment Law** by toughening up penalties for employers (through the Employment Act), improved awareness of the National Minimum Wage and doubled the number of Employment Agency Standards Inspectors to help improve protection for vulnerable workers.

Consumer policy

2.87 Confident, empowered consumers are key to successful competition between firms. The Department's policy is to ensure consumers are aware of, and exercise, their rights and to protect those who are vulnerable, particularly in the current economic climate. Key achievements and activities on consumer policy, supporting delivery of DSO 3 are discussed below.

- 2.88 Consumer debt:** The recession has led to increased levels of consumer debt and more people encountering difficulties. The Department is helping consumers manage their debts through the following measures:
- Industry-wide rules for the **fair treatment of credit and store card customers** came into force on 1 January 2009. The rules put in place some principles (to which all credit card companies agree) about how changes are made to standard interest rates on customers' accounts.
 - BERR led negotiations with both the credit card and the debt collector sectors and secured agreement that debtors facing payment problems will be offered a **minimum 30 day breathing space** to reach an agreement of how to repay the debt, once they have engaged with a debt advice agency.
 - BERR launched a consultation on the **European Consumer Credit Directive**⁷⁶. The Directive aims to protect consumers, offering new rights and setting out common standards across the EU in relation to a range of unsecured credit products to promote responsible lending and borrowing.
 - The **Legislative Reform (Consumer Credit) Order 2008**⁷⁷ came into force in October 2008. This removed anomalies from the 1974 Consumer Credit Act, for example by exempting buy-to-let agreements from the regulations.
- 2.89 Illegal Money Lending Enforcement Project:** BERR continued to roll out the project throughout Great Britain and introduced a national confidential hotline to report loan sharks. The project has secured over 60 prosecutions since its roll out in November 2007 and has helped over 6,000 victims to date.
- 2.90 Scambusters:** Following successful pilots, the project was rolled out to the rest of Britain. To date the teams have brought 19 successful prosecutions, securing prison sentences totalling more than 19 years.
- 2.91 Consumer Rights Directive:** BERR consulted on the proposals for a new EU Consumer Rights Directive which seeks to simplify and modernise consumer rights across the Single Market. Negotiation of the Directive began in late 2008.
- 2.92 Consumer Law Review:** BERR issued a Call for Evidence on whether we could pursue new approaches on consumer protection to deliver better outcomes for consumers, while reducing unnecessary burdens for business.
- 2.93 Estate agents:** From 1 October 2008, all estate agents in the UK, engaged in residential estate agency work must belong to an approved redress scheme⁷⁸.

⁷⁶ For further information about the Consultation on the implementation of the Consumer Credit Directive (2008/48/EC) see: www.berr.gov.uk/consultations/page50814.html

⁷⁷ *The Legislative Reform (Consumer Credit) Order 2008* (BERR, 2008): www.berr.gov.uk/files/file46551.pdf

⁷⁸ For further information about the Consumers, Estate Agents and Redress Act (CEARA 07) see: www.berr.gov.uk/whatwedo/consumers/business/estate-agents/index.html

Consumer Focus

2.94 Consumer Focus⁷⁹ came into being on 1 October 2008, replacing three predecessor bodies – National Consumer Council, Postwatch and Energywatch. It champions the interests of consumers across England, Wales, Scotland, and, for post, Northern Ireland. New statutory redress schemes for gas, electricity, and postal services consumers were also set up to resolve complaints not addressed by a service provider to the consumer's satisfaction. Consumer Focus will play an important role in this new consumer protection and redress system alongside Consumer Direct⁸⁰, the energy and postal regulators, the ombudsman and business itself.



Competition policy

- 2.95** The UK is recognised as having a world class competition regime which promotes business creation and growth. Key achievements and activities on competition policy, supporting DSO 3 and PSA 6, are discussed below.
- 2.96 Competition law and financial stability:** On 31 October 2008, the Secretary of State for Business cleared the merger between Lloyds TSB and HBOS concluding it was in the public interest. The merger was cleared in light of the extraordinary conditions in the financial markets that potentially threatened the stability of the banking system. It followed consideration of a report from the Office of Fair Trading⁸¹ and other representations on related public interest issues.
- 2.97 State aid:** BERR was very active in providing advice and guidance on the use of European state aid in the current financial crisis. This has included notifying three schemes under the Commission's Temporary Framework for state aid to allow additional flexibility for companies facing difficulties. We have also handled around 200 cases under the normal rules.
- 2.98 Sky/ITV Case – Appeal Proceedings:** Following the acquisition by British Sky Broadcasting Group plc of 17.9% of the shares in ITV plc, the Secretary of State issued an intervention notice. Separate appeals were made to the Competition Appeal Tribunal by Sky and Virgin Media, Inc. against the decisions of both the Competition Commission and the Secretary of State in this case. The Competition Appeal Tribunal upheld the Secretary of State's decisions and proposed remedies.

⁷⁹ For further information about Consumer Focus see the website: www.consumerfocus.org.uk

⁸⁰ Consumer Direct provides information and advice to consumers about their rights.

⁸¹ *Anticipated acquisition by Lloyds TSB plc of HBOS plc Report to the Secretary of State for Business Enterprise and Regulatory Reform* (Office of Fair Trading, 2008): www.offt.gov.uk/shared_offt/press_release_attachments/LLloydstsb.pdf

2.99 Government responses to market investigations/market studies: BERR issued the government response to Competition Commission market investigations and Office of Fair Trading market studies, including: the supply of groceries in the UK⁸²; medicines distribution⁸³; sale and rent back⁸⁴; and homebuilding in the UK⁸⁵.

Competition Commission

2.100 The Competition Commission plays a key role in the UK's competition regime. It carries out investigations into mergers, markets and the regulation of the major regulated industries, following referrals by the OFT and sector regulators. Independent reviews rank it as one of the world's leading competition authorities. During 2008 the Competition Commission celebrated its 60th anniversary⁸⁶.

2.101 The 2009 Global Competition Review included the Competition Commission in its 'Elite' category alongside the US Federal Trade Commission and the European Commission's Directorate General for Competition⁸⁷.

Employment strategy

2.102 Our work on employment continues to be at the forefront of achieving the Department's objectives for flexible, fair labour markets that help businesses succeed, even in the current difficult economic conditions, whilst protecting workers, in particular the most vulnerable. Some key achievements from the last year, supporting DSO 3 and PSA 6, are outlined below.

2.103 The **Employment Act 2008**⁸⁸ received Royal Assent on 13 November 2008. It will improve the dispute resolution system to lighten the load on business and give more help to settle workplace disputes at an earlier stage.

2.104 The **Employment Law Guidance Programme**⁸⁹. BERR has significantly reduced the amount of time and money that employers spend meeting their employment law obligations through improving and promoting guidance on the Business Link website. A 2008 survey⁹⁰ showed an estimated reduction of over £400 million per annum in

⁸² For further information about the government response to the groceries market investigation see: www.berr.gov.uk/whatwedo/businesslaw/competition/market-studies/supplyofgroceries/index.html

⁸³ *Government Response to Office of Fair Trading (OFT) Medicines Distribution Study* (BERR, 2008): www.berr.gov.uk/files/file45998.pdf

⁸⁴ *Government response to Office of Fair Trading (OFT) Sale and Rent Back Market Study* (BERR, 2008): www.berr.gov.uk/files/file48478.pdf

⁸⁵ *Government Response to the Office of Fair Trading (OFT) Market Study on Homebuilding in the UK* (BERR, 2009): www.berr.gov.uk/files/file50464.pdf

⁸⁶ For further information about the Competition Commission see the website: www.competition-commission.org.uk

⁸⁷ For further information about the Global Competition Review see: www.globalcompetitionreview.com/shop/issues/issue/150/april-2009

⁸⁸ The Employment Act 2008: www.opsi.gov.uk/acts/acts2008/ukpga_20080024_en_1

⁸⁹ For further information about the Employment Law Guidance Programme see: www.berr.gov.uk/whatwedo/employment/employment-legislation/employ-law-guidance/index.html

⁹⁰ *Employment Law Admin Burdens Survey 2008 Final Report* (BERR, 2008): www.berr.gov.uk/files/file49199.pdf

the costs to business and found that perceptions of employment law are improving: 74% of respondents found compliance easy compared to 51% in 2005⁹¹; and only 8% found compliance difficult.

2.105 The Walsh Review recommended the **right to request flexible working** to be extended to all parents of children 16 and under. This came into force on 6 April 2009.

2.106 Employment Agency Standards Inspectors. The Department doubled the number of inspectors this year. They will help increase compliance with legal obligations by employment agencies, in particular through taking action against rogue agencies and protecting vulnerable workers.

2.107 Helping vulnerable workers. In August 2008, the Department published its strategy⁹² for improving the enforcement of workplace rights and protection of vulnerable workers. Since publication of the report, BERR has:

- delivered a £1.2 million campaign to raise awareness of employment rights among vulnerable agency workers; and
- launched a third round of the Union Modernisation Fund, focused on vulnerable workers.

2.108 A high profile publicity campaign for the **National Minimum Wage** was undertaken to raise awareness amongst employers, young people and migrant workers.

2.109 BERR secured agreement with other EU Member States to a more flexible approach to working hours. The **Agency Workers Directive** was implemented on the basis of the CBI and TUC's June 2008 agreement of a 12-week qualifying period for equal treatment for agency workers.



⁹¹ *Department of Trade and Industry Administrative Burdens Measurement Exercise* (PwC, 2006): www.berr.gov.uk/files/file35841.pdf

⁹² *Vulnerable Worker Enforcement Forum – Final Report and Government Conclusions* (BERR, 2008) www.berr.gov.uk/files/file47317.pdf

Acas

2.110 Acas is an independent statutory body funded by BERR which aims to improve working life through better employment relations. Casework has risen significantly with increased redundancy and dispute activity arising due to the impact of the recession.



2.111 During 2008-09 Acas:

- dealt with around 720,000 calls to the Acas National Helpline; and
- conciliated in 900 collective disputes, delivered 200 workplace projects to improve workplace relations and conciliated resolution in around 190,000 actual and potential tribunal claims, saving 76% of potential Tribunal Hearing days⁹³.

Trade policy

2.112 The Department works jointly with the Department for International Development (DfID) on trade policy, to ensure open and fair international markets. Our achievements in this area support DSO 3. Highlights in 2008-09 included:

- Securing G20 commitment at the Washington Summit in November 2008 to **resist protectionist trade measures**, and making good progress towards building on this in the communiqué from April's London Summit⁹⁴.
- Securing a UK contribution of at least £200 million for **trade finance**.
- Following the WTO Ministerial meeting in July further **progress on the Doha Development Round** was captured in the revised WTO negotiating texts issued in December.
- Launching the first **Aid for Trade Strategy** and formalising our commitment to the Enhanced Integrated Framework for Trade Related Assistance. This will be worth up to £38 million over five years and be up to 20% of the multi-donor trust fund. The first £8 million contribution was paid in December 2008.



⁹³ For further information about Acas see the website: www.acas.org.uk

⁹⁴ For further information, including the London Summit Communiqué see: www.g20.org

- Resolving a number of key issues in the preparation of an ambitious **Free Trade Agreement (FTA) between the EU and South Korea**. The FTA is now close to conclusion.
- Working to ensure that UK market access priorities are taken forward under the **EU Market Access Strategy**.
- Working to ensure EU decision-making on **Import Policy and Trade Defence** issues took full account of free and fair market objectives.
- Working with others, including the World Bank, to develop options to provide **trade finance** to address the substantial shortfall that emerged in 2008.

2.113 BERR has been influential in shaping a co-ordinated **European response to the economic downturn**, promoting SMEs access to finance and balancing the need for immediate action with the creation of a solid long-term competition and regulatory framework for the future.

2.114 We are making it easier to do business in Europe. Having widely screened UK legislation to remove discriminatory barriers to trade, BERR is currently on track for a timely and consistent implementation of the **EU Services Directive** through both practical measures and new legislation due to come into force in December 2009.

Export Control Organisation

2.115 Through its Export Control Organisation, the Department is responsible for legislating, assessing and issuing export licences for specific categories of 'controlled' goods. This helps prevent the proliferation of arms and other strategic goods while minimising the burdens on legitimate UK businesses.

2.116 The outcome of the Review of Export Control Legislation in April 2009 significantly strengthened controls in a number of areas including that of trading activities by UK citizens anywhere in the world. Licensing has exceeded targets in spite of substantial increases in the volume of applications. We continue to engage with businesses on their export control responsibilities and have also taken steps to raise the levels of compliance with Open Licences⁹⁵.



⁹⁵ For further information about the types of licenses offered see: www.berr.gov.uk/whatwedo/europeandtrade/strategic-export-control/licences/index.html
For further information about the Export Control Organisation see: www.berr.gov.uk/whatwedo/europeandtrade/strategic-export-control/index.html

Corporate law and governance

- 2.117** The Department works to keep the UK corporate governance environment at the level of the world's best in order to promote enterprise, growth and the conditions for investment and employment. Achievements below support DSO 3 and PSA 6.
- 2.118** BERR continued phased implementation of the **Companies Act 2006**. Major provisions came into force in April and October 2008 which will reduce administrative burdens to business by approximately £110 million. These provisions include new, simplified requirements for accounts and reports, removal of the requirement for private companies to have a company secretary and a simplified route for the reduction of company share capital.
- 2.119** BERR continued working to implement **EU Directives**. Amendments have been made to the Audit and Accounting Directives. Amendments to the Capital Maintenance Directive will come into force by October 2009.
- 2.120 Audit:** BERR worked with the Financial Reporting Council to provide guidance to companies and their auditors on how to handle the judgement that the company is a 'Going Concern' during the current reporting season.

Insolvency Service

- 2.121** At a time of economic uncertainty a key priority for The Insolvency Service has been maintaining confidence in the insolvency regime. Responding to concerns about the use of so called 'pre-packs' in administration, new rules were introduced requiring administrators to reveal to creditors the name of the buyer and the price paid. The new rules increase transparency and give creditors better access to information about the new owners of a troubled business. The new rules also ensure that any abuse is spotted and dealt with effectively⁹⁶.
- 2.122** Despite significant increases in mandatory redundancy payments, all complete submissions for payment have been paid within the target timescales.



Companies House

- 2.123** Companies House has successfully delivered a number of measures under the Companies Act 2006, reducing burdens on business. All major development work for the final implementation of the Companies Act 2006 has been completed and a new late filing penalty regime introduced, aimed at improving the timely availability of data. Take-up of e-filing continues to rise: Companies House now receive over 90% of incorporations, and over 87% of annual returns electronically, with companies benefiting from lower fees, higher security, and faster more user-friendly services⁹⁷.



⁹⁶ For further information about The Insolvency Service see the website: www.insolvency.gov.uk

⁹⁷ For further information about Companies House see the website: www.companieshouse.gov.uk

DSO 3: Deliver free and fair markets, with greater competition, for businesses, consumers and employees*Strong progress**Improvement against 4 out of 7 indicators***Indicator 3.1 Progress on market opening in the EU and internationally in line with UK objectives of improving EU competitiveness and promoting development and poverty reduction in poorer countries***Improvement shown*

Europe

Together with EU partners, in 2008 we revised the regime for free movement of goods within the EU through the Mutual Recognition Regulation, making it easier for firms to trade non-harmonised goods across other Member States. This legislation came into effect across all Member States in May 2009.

International

The impact of the economic crisis is likely to be significant. Nevertheless, the UK worked very hard to make headway to ensure the operation and development of open and fair global markets. The UK secured G20 commitment to resist protectionist trade measures and to conclude the Doha Round of the WTO talks, building on the good progress made in July 2008 towards securing a deal. We initialled the EU-Kuwait Investment Promotion and Protection Agreement and made good progress through the EU in other areas, including on the EU-Korea Free Trade Agreement, which is now near to completion. We ensured EU decision-making on Import Policy and Trade Defence issues took account of the objectives of free and fair markets and that UK market access priorities are taken forward under the EU Market Access Strategy.

We have contributed towards further integrating developing countries into the global economy, through key achievements including the Cariform Economic Partnership Agreement⁹⁸ signed on 15 October 2008. The Government's Aid for Trade Strategy⁹⁹ (joint BERR/DfID) was launched in December 2008 and we made our first payment to the Enhanced Integrated Framework in Geneva that will help build developing countries' capacity to trade. With widespread concern about the substantial shortfall in trade finance and with trade volumes falling, the UK is working alongside partners such as the World Bank and International Monetary Fund (IMF) to develop options to provide additional support on trade finance.

⁹⁸ For further information about the Cariform Economic Partnership Agreement see: www.delguy.ec.europa.eu/en/Press%20Releases/EPAPressRelease.htm

⁹⁹ For further information about the UK's Aid for Trade policy see: www.dfid.gov.uk/documents/publications/aid_for_trade_strategy.pdf and www.berr.gov.uk/whatwedo/europeandtrade/Trade%20Policy%20Unit/Aid%20for%20Trade/page42808.html

Indicator 3.2: UK framework for competition at level of world's best*Position Maintained.*

The latest Peer Review of Competition Policy¹⁰⁰ was carried out by KPMG in 2006-07. Like the 2004 Review, it ranked the UK regime third behind the United States and Germany, although the gap was narrower than previous years.

The most recent Global Competition Review (2009)¹⁰¹ also found that the UK competition bodies are among the best in the world. The Competition Commission shared the 'Elite' category with the US Federal Trade Commission and the European Commission's Directorate General for Competition, and the Office of Fair Trading (OFT) was ranked one of the world's top ten anti-trust authorities.

The recession accentuates the pressures on the UK and other member states to row back from pro-active competition policy. Competition advocacy is, however increasing, especially by the OFT, and further engagement with other government departments is planned to ensure that competition is kept high on the agenda across Government. The UK will maintain an effective dialogue with the European Commission's Directorate General for Competition and build relationships with like minded states to argue against policies that distort competition.

Indicator 3.3: UK corporate governance environment at level of world's best*Not yet assessed*

Implementation of the Companies Act 2006 is progressing¹⁰². The World Bank Report on the Observance of Standards and Codes (ROSC) assessment is expected shortly and will provide a thorough and up to date overview of the UK regime relative to the agreed OECD Principle of Corporate Governance.

The latest World Economic Forum *Global Competitiveness Report* (October 2008)¹⁰³ shows that the UK ranking on the three corporate governance measures (Efficacy of Corporate Boards, Strength of Auditing and Reporting Standards, and Protection of Minority Shareholders' Interests) has fallen outside the top ten and that the UK's scores have fallen slightly (on average by three decimal points). The UK is still ranked in the top 20 (of 134) for all three measures.

Indicator 3.4: Regulatory environment for business fully reflecting the Government's better regulation principles*Improvement shown*

BERR has a target to reduce by 25% the administrative burdens imposed on business by its own regulations by 2010. Net savings of 17%, two thirds of the 25% target, had been delivered by April 2009.

¹⁰⁰ *Peer Review of Competition Policy 2006-07* (DTI, 2007):
www.berr.gov.uk/files/file39863.pdf

¹⁰¹ For further information about the Global Competition Review see:
www.globalcompetitionreview.com/shop/issues/issue/150/april-2009

¹⁰² For further information see section on corporate law and governance above.

¹⁰³ *The Global Competitiveness Report 2008-09* (World Economic Forum, 2008):
www.weforum.org/pdf/GCR08/GCR08.pdf

Indicator 3.5: Labour market flexibility

Not yet assessed

The Index of Labour Market Adaptability is used to measure this indicator. It includes a number of components that cover the range of areas that are affected by policies and institutions in the labour market and also broader outcomes including wage and employment changes. The broader measure is still being developed so both measures are used. There has been a recent small decline in both indices. However, this is likely to be largely due to cyclical factors and they will remain within the agreed 10% tolerance margin for the success measure. Further work is needed to identify the cyclical and structural elements in the index.

Indicator 3.6: Awareness and enforcement of employment rights

Not yet assessed

A baseline figure of 65% awareness was taken from the Employment Rights at Work survey 2005. The update to the baseline from the new Fair Treatment at Work survey 2008 will report in late 2009. This will provide more robust figures based on a larger sample.

Indicator 3.7: UK framework for consumer empowerment and support at level of world's best

Position Maintained

BERR published an independent study conducted by the University of East Anglia to benchmark the performance of the UK consumer empowerment framework in late 2008¹⁰⁴. The study found that the UK was on par with the world's best in terms of legal framework, consumer interface (i.e. the provision of information, advice and consumer advocacy) and public enforcement, but that further progress needs to be made on redress mechanisms.

In addition BERR has made its own assessment, based on the EU's Consumer Scoreboard, which also suggests that the UK's overall performance is at the level of the best.

¹⁰⁴ *Benchmarking the performance of the UK framework supporting consumer empowerment through comparison against relevant international comparator countries* (ESRC Centre for Competition Policy, 2008): www.berr.gov.uk/files/file50027.pdf

PSA 6: Deliver the conditions for business success in the UK

*Some progress
 Improvement against 3 out of 6 indicators*

Indicator 1: UK framework for competition at the level of the best
Position maintained

The UK's competition regime is also measured by BERR's DSO indicator 3.2 'UK framework for competition at level of world's best'. The data statement for both the PSA and DSO indicators can be found under DSO 3.

Indicator 2: Effective corporate governance regime
Not yet assessed

The UK's corporate governance regime is also measured by BERR's DSO indicator 3.3, 'UK corporate governance environment at level of world's best'. The data statement for both the PSA and DSO indicators can be found under DSO 3.

Indicator 3: UK labour market flexibility
Not yet assessed

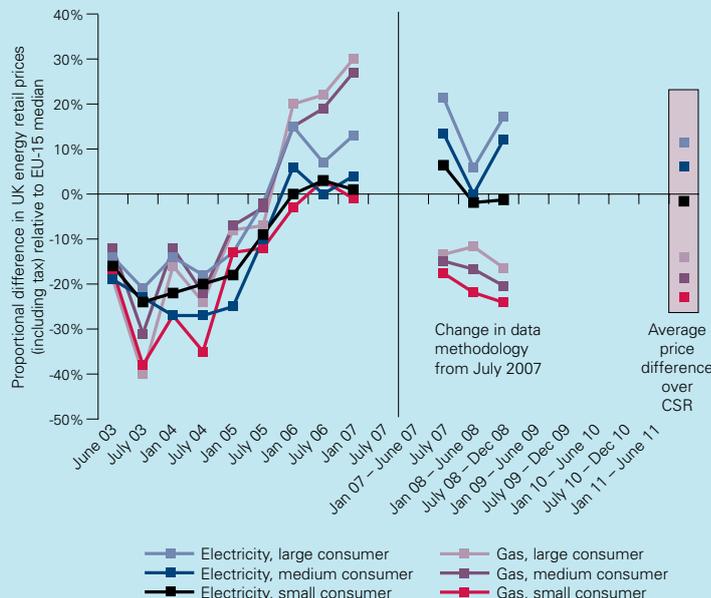
The UK's labour market flexibility is also measured by BERR's DSO indicator 3.5, 'Labour market flexibility'. The data statement for both the PSA and DSO indicators can be found under DSO 3.

Indicator 4: Maintenance of competitively-priced energy markets
Position maintained

Gas: UK industrial customers pay significantly less for their gas than the EU-15 median. Small users pay 19% below the EU-15 median level, medium users 9% below and large users 7% below.

Electricity Prices: Industrial customers pay slightly more for their electricity than the EU-15 median. Small users pay 1% above the EU-15 median level, medium users 4% above and large users 10% above.

Figure 8: Proportional difference in UK energy retail prices relative to EU-15 median



Indicator 5: Deliver better regulation that works for everyone (benefit exceeds costs)*Not yet assessed*

The benefit/cost ratio of regulations is also measured by BERR's DSO indicator 2.3, 'Flow of regulation: total benefit/cost ratio of regulations coming forward over time' The data statement for both the PSA and DSO indicators can be found in the previous section under DSO 2.

Indicator 6a: Deliver commitments to administrative burdens reductions – Better Regulation Executive*Improvement shown*

Reductions in administrative burdens are also measured by BERR's DSO indicator 2.1, 'Administrative burdens reduction across 19 government departments'. The data statement for both the PSA and DSO indicators can be found in the previous section under DSO 2.

Indicator 6b: Deliver commitments to administrative burdens reductions – HMRC*Improvement shown*

At Budget 2009¹⁰⁵, HM Revenue and Customs (HMRC) reported further significant progress in reducing administrative burdens. Since 2006, HMRC have implemented or committed to new measures that will deliver administrative savings to business of around £540 million per annum, made up of:

- £330 million from reducing the burden of forms and returns;
- £43 million from reducing the burden of audits and inspections; and
- £168 million from wider administrative changes.

Highlights include the announcement that HMRC are raising the Self Assessment 'Three Line Account' turnover limit to permanently align with the VAT registration threshold from 2009-10 tax returns. This means a significant majority of the Self Assessment business population will be able to benefit from simplified reporting. This change will deliver administrative burden savings to business of an estimated £54 million per annum (included in the forms and returns total above).

¹⁰⁵ For information and documentation relating to Budget 2009 see:
www.hm-treasury.gov.uk/bud_bud09_index.htm

Free and fair markets: forward look

2.124 During the rest of 2009, the Department for Business, Innovation and Skills will:

- continue to build a co-ordinated, **constructive European response to the global economic downturn** which combines the immediate need for action with the creation of a solid long term competition and regulatory framework, ensuring the state aid temporary framework is not abused;
- work to ensure commitment to **resisting protectionism and keeping markets open and working**;
- continue to **react to the pressures on businesses and employees in the downturn**, including by providing accessible, helpful advice and guidance and improved helplines to give practical help on disputes and **strengthen enforcement of rights for vulnerable workers**;
- continue working to ensure the EU employment agenda is consistent with UK **flexible labour market objectives**, particularly protecting the right to opt out of the Working Time Directive's maximum 48-hour week and pursuing UK interests in relation to the Pregnant Workers Directive;
- continue to deliver our commitments to the **administrative burdens reduction programme**;
- take forward commitments in the **Consumer White Paper**¹⁰⁶ on modernised consumer rights law to give people a fairer deal, building on responses to the Consumer Law Review consultation on streamlining and improving the effectiveness of the UK's consumer protection regime and initiate a debate on the long term vision for consumer credit in the UK;
- complete the implementation of the **Companies Act 2006** by October 2009; and
- implement the **Shareholder Rights Directive** by August 2009.

¹⁰⁶ *A Better Deal for Consumers: Delivering Real Help Now and Change for the Future* (HMG, 2009)
www.berr.gov.uk/files/file52072.pdf

Expenditure on delivering free and fair markets

	£000					
	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn*	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL						
Insolvency Service	11,442	34,223	35,800	42,902	54,421	58,976
ACAS	57,242	47,977	43,366	46,161	40,762	40,762
Employment Relations	11,879	10,746	11,537	17,827	40,703	39,450
Investor Protection (including Companies House)	14,098	2,958	7,010	7,766	8,573	9,402
Trade Promotion including Subscription to WTO and SITPRO	8,289	5,543	5,470	9,589	10,905	9,004
Financial Inclusion Fund (including Face to Face Debt Advice)	0	16,613	29,037	30,504	36,215	29,860
Consumer Protection and Competition (including Citizens Advice)	75,814	51,930	36,833	38,927	64,672	66,440
Other Free and Fair Markets Activities	-513	87	23,997	35,902	3,973	4,220
Total Resource Expenditure in DEL	178,251	170,077	193,050	229,578	260,224	258,114
Resource Expenditure in AME						
Statutory Redundancy Payments	252,733	204,643	173,772	391,918	422,782	382,782
Paternity Pay	50,000	6,692	42,800	44,477	43,600	75,100
Other Free and Fair Markets Activities	0	0	0	0	0	0
Total Resource Expenditure in AME	302,733	211,335	216,572	436,395	466,382	457,882
Total Resource Expenditure	480,984	381,412	409,622	665,973	726,606	715,996
Capital Expenditure in DEL						
Insolvency Service	1,501	225	5,818	8,627	2,000	2,000
ACAS	1,108	1,013	1,691	5,711	3,035	1,035
Companies House	-385	-385	0	4,500	-3,500	2,000
Consumer Protection	883	543	427	627	806	806
Other Free and Fair Markets Activities	839	174	161	377	0	0
Total Capital Expenditure	3,946	1,570	8,097	19,842	2,341	5,841
Total Expenditure	484,930	382,982	417,719	685,815	728,947	721,837

*2007-08 outturns have been restated.

Section 2.7

Government as a shareholder

Introduction

- 2.125** The principal role of the Shareholder Executive¹⁰⁷, is to work with government departments and management teams to help its portfolio businesses perform better. Its aim is to create a climate of ownership that, while challenging, is genuinely supportive and provides the framework for the businesses to be successful. To achieve this, the Shareholder Executive works with the boards and management teams of the Government-owned businesses to create long-term shareholder value.
- 2.126** The Shareholder Executive either advises Ministers directly on their shareholder interests in those businesses, or supports departmental shareholder teams. It is accountable to the respective departmental Ministers and senior officials for its advice on individual businesses. The Non-Executive Chairman of the Shareholder Executive is Philip Remnant. The Chief Executive is Stephen Lovegrove¹⁰⁸.
- 2.127** The Shareholder Executive currently has a portfolio of 27 businesses ranging from large well known organisations such as the Royal Mail to smaller trading funds like the UK Hydrographic Office, and is responsible to 12 different government departments. In 2007-08, the portfolio had a combined turnover of around £24 billion, equivalent to around 1.8% of UK GDP.
- 2.128** This portfolio of businesses is forever evolving to reflect new circumstances and challenges. For example, in the autumn of 2008, the Shareholder Executive took on an advisory role to HM Treasury on Northern Rock and Bradford & Bingley. Also, following the successful sales of Government shares in QinetiQ and British Energy in September 2008, the role of the Shareholder Executive in both businesses has reduced.
- 2.129** With the creation of the Department for Energy and Climate Change (DECC) in October 2008, policy responsibility for some of the energy businesses moved to the new department but the businesses remain in the Shareholder Executive's portfolio.
- 2.130** After this change in 2008-09 the Shareholder Executive continued to report directly to BERR Ministers on Royal Mail Holdings plc and the Export Credits Guarantee Department. A list of businesses in the Shareholder Executive's portfolio, and the government department with which policy responsibility resides, is available from the Shareholder Executive's website¹⁰⁹.
- 2.131** The Shareholder Executive also provides corporate finance advice to BERR and other government departments. For BERR, it appraises and negotiates grants awarded to

¹⁰⁷ The Shareholder Executive was part of BERR in 2008-09, and subsequently became part of the Department for Business, Innovation and Skills on 5 June 2009.

¹⁰⁸ For further information see the Shareholder Executive's website:
www.shareholderexecutive.gov.uk

¹⁰⁹ The Shareholder Executive's portfolio of businesses:
www.shareholderexecutive.gov.uk/portfolio/index.asp

non-government owned businesses including Launch Investment, Rescue Aid and Grants in Business.

- 2.132** The Shareholder Executive is also managing and implementing the Operational Efficiency Programme (OEP) asset workstream. The Programme's objective is to consider the potential for alternative business models, commercialisation, new market opportunities and, where appropriate, alternatives to public ownership.

Key achievements 2008-09

- **Sale of British Energy.** In September 2008, the Shareholder Executive played a key role in negotiations leading up to EDF's announcement of a £12.5 billion takeover offer for British Energy. We reached agreement with EDF to sell the Government's stake in British Energy for £4.4 billion to fund future decommissioning costs, and negotiated an agreement with EDF for the release of certain sites to meet the Government's nuclear policy objectives.
- **Sale of QinetiQ.** In September 2008 the Shareholder Executive was involved in the sale of the Government's remaining ordinary shares in QinetiQ Group plc, raising over £254 million for the taxpayer.
- **The Post Office Network Change Programme.** Post Office Ltd has achieved the Government's target of up to 2,500 post office closures (partially offset by at least 500 new Outreach services), to put the network on a sustainable footing. It is also on target to achieve £45 million in financial benefits from the programme as part of its overall target to deliver £298 million in financial benefits by 2010-11.
- **Royal Mail.** The Shareholder Executive played a significant role in developing the legislation proposed by the Government in February 2009, aimed at ensuring the maintenance of a universal postal service and securing the future of a healthy, publicly owned Royal Mail.
- The Corporate Finance Practice team within the Shareholder Executive advised on the structuring of the £60 million **Launch Investment** support for GKN (announced in September 2008) and a £134 million support package for Bombardier, which included £113 million of Launch Investment, announced in July 2008. Also announced in September 2008 was a £50 million Research and Technology (R&T) support package for Airbus.



Enhancing the value of the Shareholder Executive's portfolio of businesses

2.133 In line with the PAC recommendations¹¹⁰, the Shareholder Executive announced in its 2007-08 Annual Report that it intends valuing the entire portfolio over a two year cycle. These individual valuations will be used to highlight the impact of policy on shareholder value.

Corporate Finance Practice

2.134 Shareholder Executive's Corporate Finance Practice provides advice regarding government investment in private sector projects. We have led on the value for money assessment of large regional investment projects and launch investment in the aerospace sector. In the current economic climate we also have an important role to play advising on the provision of support to companies in difficulties.

Operational Efficiency Programme

2.135 The Operational Efficiency Programme (OEP) was launched by the Chief Secretary to the Treasury on 3 July 2008. It builds on the SR04 Efficiency Programme which delivered over £23 billion in savings, and on existing plans to deliver another £30 billion in savings as part of the CSR07 value for money programme¹¹¹. This savings target was increased to £35 billion at Budget 2009¹¹².

2.136 On 21 April 2009, the Government announced the Final Report of the OEP. This Report was also included in the budget documentation on 22 April 2009. The asset management strand of this programme updated on progress made in relation to the previously named nine assets, listed below. The Shareholder Executive will continue to lead each review with the support of HM Treasury and report on progress on a six monthly basis. The assets under review include: British Waterways, Land Registry, Met Office, Dartford Crossing, Royal Mint, Ordnance Survey, QEII Conference Centre, and MoD assets (Oil and Pipeline Agency and the Defence Storage and Distribution Agency).

2.137 The aim of the reviews is to identify efficiency savings which may result from improvements to existing business models and strategies.

¹¹⁰ Progress on outstanding PAC recommendations is discussed in annex 6. For the 42nd Report of 2006-07: The Shareholder Executive and Public Sector Businesses (HC409) see: www.publications.parliament.uk/pa/cm200607/cmselect/cmpublicacc/409/409.pdf

¹¹¹ For further information about BERR's CSR07 value for money programme see section 3.3.

¹¹² For information and documentation relating to Budget 2009 see: www.hm-treasury.gov.uk/bud_bud09_index.htm

Royal Mail

2.138 On 26 February 2009 the Government published legislation (the Postal Services Bill¹¹³) aimed at ensuring the maintenance of a universal postal service and securing the future of a healthy, publicly-owned Royal Mail. In tandem the Government published and laid before Parliament a Command Paper, *The Future of the Universal Postal Service*¹¹⁴, which set out government policy in detail. The policy has been informed by recommendations contained in Richard Hooper's independent review of the postal services sector¹¹⁵, which reported to Government on the 16 December 2008 and highlighted the depth of challenges facing Royal Mail, concluding that the status quo was not tenable.

2.139 On 1 July 2009 the Secretary of State made the following statement concerning the Bill in the House of Lords:

"Market conditions have made it impossible to conclude the process to identify a partner for the Royal Mail on terms that we can be confident would secure value for the taxpayer.

There is therefore no prospect in current circumstances of achieving the objectives of the Postal Services Bill. When market conditions change we will return to the issue.

We remain convinced that Hooper's combined package offers the best chance of securing the universal postal service while protecting Royal Mail pensions."

2.140 On 28 January 2009 the Department announced the appointment of a new Chairman of Royal Mail, Donald Brydon, to replace Allan Leighton, who stood down in March 2009. Donald joined the Board of Royal Mail Holdings as a non-executive Director on 28 January 2009 and took over as Chairman on 26 March 2009, for a three year term. He has a proven track record as a strong Chairman in companies that have been successfully turned around and expanded. His commercial skills and experience will help Royal Mail modernise and tackle the huge challenges it is facing.

Post Office Network

2.141 The Network Change Programme has been successfully implemented. As at 31 March 2009 Post Office Ltd had made 2,383 compensated closures (out of the 2,435 which will take place) and established 433 of at least 500 new Outreach services (such as mobile post offices) which will be introduced under the programme. Post Office Ltd is on target to achieve £45 million in financial benefits from the programme as part of its overall target to deliver £298 million in financial benefits by 2010-11. The network now stands at just under 12,000 branches.

¹¹³ For further information about the Postal Services Bill 2008-09 see: <http://services.parliament.uk/bills/2008-09/postalservices.html>

¹¹⁴ *The Future of the Universal Postal Service in the UK* (BERR, 2009): www.berr.gov.uk/files/file50274.pdf

¹¹⁵ *Modernise or decline – Policies to maintain the universal postal service in the United Kingdom* (Hooper Review) (Hooper, Hutton and Smith, 2008): www.berr.gov.uk/files/file49389.pdf

DSO4: Ensure that Government acts as an effective and intelligent shareholder, and provide a source of excellent corporate finance expertise within Government¹¹⁶

Strong progress

Improvement against 4 out of 4 indicators

Indicator 4.1: Individual company targets aimed at increasing value¹¹⁷

Improvement shown

A revised valuation methodology has been agreed, incorporating economic profit, to ensure that all portfolio businesses are covering their cost of capital. Bespoke performance targets relating to drivers of value, in order to ensure longer term value creation across the portfolio, are also being established.

Individual company targets are being developed and agreed with each business and other government departments where appropriate.

Indicator 4.2: Dividend payments from portfolio businesses or agreed Dividend policies¹¹⁸

Improvement shown

Work is continuing to ensure that each portfolio business has an agreed dividend target, except where public policy does not require or enable this.

Indicator 4.3: Stakeholder satisfaction with the discharge of the Shareholder Executive's responsibilities

Improvement shown

Recent feedback has been positive, indicating stakeholder satisfaction with the Shareholder Executive. The Shareholder Executive has attracted work from across Whitehall, for example advising HM Treasury on Northern Rock, Bradford & Bingley and the future of financial services; and has received approaches from other government departments to assist with property assets. The high quality of the Shareholder Executive's work has been consistently commented upon and there has been stakeholder (including Ministerial) recognition for the Shareholder Executive's pivotal involvement in recent deals including the sale of the remaining Government shares in QinetiQ; the sale of British Energy (including the Government's 35% shareholding), and the conclusion of deals for Launch Aid support to Airbus and GKN. Regular meetings are also held about the quality of service and advice being offered by the Shareholder Executive between the Shareholder Executive's Chairman and senior stakeholders at HM Treasury and the Cabinet Office.

¹¹⁶ This DSO was previously numbered DSO 6, prior to the October 2008 Machinery of Government changes.

¹¹⁷ This indicator has been revised since its original publication. For a full explanation see the BERR Autumn Performance Report 2008: www.berr.gov.uk/files/file49263.doc or the BERR website: www.berr.gov.uk/aboutus/corporate/performance/performance_Framework/page43603.html

¹¹⁸ This indicator has also been revised since its original publication, as explained above.

In May 2008 a new Advisory Group to the Shareholder Executive was created. The Group exercises guidance over the work of the Shareholder Executive to assist it in the fulfilment of its mission. This includes scrutiny of the Shareholder Executive's objectives, the monitoring of the Shareholder Executive's impact on its relationship with its portfolio businesses, other government departments and external constituencies, and suggesting improvements in the way the Shareholder Executive operates.

Indicator 4.4: Expand the Shareholder Executive's offer to greater proportion of HMG businesses and corporate finance situations

Improvement shown

The Shareholder Executive has been asked to work on an increasing number of corporate finance issues, such as work with the Ministry of Justice on the Courts estate and with HM Treasury on the financial services sector, and is managing the asset management stream of HM Treasury's Operational Efficiency Programme. In addition, the Shareholder Executive is becoming increasingly involved in advising on corporate failure and the potential for restructuring or rescue aid. The Shareholder Executive seeks to identify projects or businesses where it can add value and provide the necessary resources to do so.

The Shareholder Executive's Senior Management Team has presented the Shareholder Executive's offer to the Cabinet Secretary and Permanent Secretaries. One-to-ones continue to be held with senior stakeholders across Government to assess where the Shareholder Executive can offer advice and value.



The Royal Mint – one of the Shareholder Executive's 27 portfolio businesses.

Shareholder Executive: forward look

2.142 Over the next six months the Shareholder Executive will:

- successfully manage the asset management workstream of the **Operational Efficiency Programme** and consider the potential for alternative business models, commercialisation, new market opportunities and, where appropriate, alternatives to public ownership;
- provide clear and concise advice on **Launch Investment, Rescue Aid and Grants in Business**;
- accelerate the modernisation of **Royal Mail** to enable it to become a more commercially effective operation;
- ensure a stable and sustainable **Post Office Ltd** and **Post Office network**;
- help the **Nuclear Decommissioning Authority** to deliver improved value for money in decommissioning and clean-up, and minimise the cost of decommissioning to the taxpayer;
- secure state aid clearances for **Northern Rock** and **Bradford & Bingley** and transfer businesses to UK Financial Investments Limited; and
- establish value creation plans, biennial valuations, dividend targets and bespoke performance targets for each **portfolio business**.

Expenditure on ensuring Government acts as an effective and intelligent shareholder

	£000					
	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL						
Royal Mail and Postal Services	14,199	79,234	458,213	294,420	165,650	150,000
Shareholder Executive	3,950	4,093	900	10,049	9,104	8,882
United Kingdom Atomic Energy Authority	5,365	10,306	4,435	-2,077	16,387	14,112
Total Resource Expenditure in DEL	23,514	93,633	463,548	302,392	191,141	172,994
Resource Expenditure in AME						
United Kingdom Atomic Energy Authority	16,186	-6,986	1,976	-19,473	-6,687	-16,641
Interest received for the Post Office Working Capital Loan Facility	0	0	0	-7,459	0	0
BNFL/Magnox Decommissioning	0	-22,241	0	0	0	0
Total Resource Expenditure in AME	16,186	-29,227	1,976	-26,932	-6,687	-16,641
Total Resource Expenditure	39,700	64,406	465,524	275,460	184,454	156,353
Capital Expenditure in DEL						
United Kingdom Atomic Energy Authority	-7,929	0	0	987	350	300
Total Capital Expenditure in DEL	-7,929	0	0	987	350	300
Capital Expenditure in AME						
BNFL/Magnox Decommissioning	0	-550,153	-260,000	-632,000	0	0
Royal Mail Equity purchase	0	430,273	0	0	0	0
Post Office Working Capital Loan Facility	-120,000	0	-10,000	-193,000	550,000	50,000
Royal Mail Shareholder Loan	0	0	0	300,000	0	0
Total Capital Expenditure in AME	-120,000	-119,880	-270,000	-525,000	550,000	50,000
Total Capital Expenditure	-127,929	-119,880	-270,000	-524,013	550,350	50,300
Total Expenditure	-88,229	-55,474	195,524	-248,553	734,804	206,653

Section 2.8

Providing professional support, capability and infrastructure

DSO 5: Provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered¹¹⁹

Strong progress
Improvement against 1 out of 1 indicator

Indicator 1: Progress in building the capability of the department to meet future challenges

Improvement shown

The 2008 Capability Review found that BERR had improved significantly since the review of DTI¹²⁰ in 2006, despite facing greater expectations and challenges.

The Department uses an annual staff survey as a further indicator of capability, supported by survey data from stakeholders and delivery partners. The 2008 BERR staff survey showed significant progress on key indicators for skills development, understanding of the Department's role, and the ability of the Department to manage change – at a time when BERR was managing its second major Machinery of Government change in 15 months.

BERR's work to support this DSO is examined more fully in the next chapter.

¹¹⁹ This DSO was previously numbered DSO 7, prior to the 3 October 2008 Machinery of Government changes.

¹²⁰ BERR took on some of the functions of the former DTI and the Cabinet Office when DTI ceased to exist on 28 June 2007.

Expenditure on providing professional support, capability and infrastructure

	£000					
	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL						
Departmental administration and miscellaneous central programmes	230,950	262,210	364,353	152,688	221,607	215,619
Export Credit Guarantee Department Restructuring Fund	5,022	5,000	0	0	0	0
National Dock Labour Board	0	0	0	8,800	0	0
Enemy Property Scheme	1,912	-72	-73	-44	785	785
External Legal Fees and OME Consultancy	3,683	2,253	2,726	2,733	2,317	2,326
Total Resource Expenditure in DEL	241,567	269,391	367,006	164,177	224,709	218,730
Resource Expenditure in AME						
Bulk transfer of pension liabilities to the PCSPS	9,066	0	0	0	0	0
Total Resource Expenditure in AME	9,066	0	0	0	0	0
Total Resource Expenditure	250,633	269,391	367,006	164,177	224,709	218,730
Capital Expenditure in DEL						
Departmental administration and miscellaneous central programmes	11,511	13,804	14,785	13,714	11,250	9,750
Total Capital Expenditure in DEL	11,511	13,804	14,785	13,714	11,250	9,750
Total Capital Expenditure	11,511	13,804	14,785	13,714	11,250	9,750
Total Expenditure	262,144	283,195	381,791	177,891	235,959	228,480
Unallocated Provision						
	£000					
	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Plans	2010-11 Plans
Resource Expenditure	0	0	0	0	51,085	-46,507
Capital Expenditure	0	0	0	0	-92,639	-16,860
Total Expenditure	0	0	0	0	-41,554	-63,367

Chapter 3

Managing the Department

Section 3.1

Introduction

- 3.1** The Department needs effective and efficient services to support delivery of its objectives. Over 2008-09 BERR was at the heart of the Government's response to the recession and, in order to meet this challenge, it has been vital to continue to improve the effectiveness and efficiency of our services and increase value for money.
- 3.2** This chapter covers aspects of how BERR was managed and our performance over the year. It refers to BERR during 2008-09, prior to the merger with DIUS on 5 June 2009 to create the Department for Business, Innovation and Skills. The table below shows the structure of the chapter by reporting theme.



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Section 3.2

Professional support, capability and infrastructure

- 3.3** BERR's DSO 5 was to 'Provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered'¹²¹. In order to achieve this objective BERR required a skilled and committed workforce, specialist advice, and a reliable infrastructure in which to operate.
- 3.4** This section explains how BERR further developed its capability to enable staff to respond to the challenges thrown up by the current recession. For example, we have a new People Strategy incorporating feedback from Capability Reviews and staff surveys. We also have specialist units supplying legal, financial, analytical, communications, human resources, IT and estates management expertise in support of BERR's work.
- 3.5** BERR successfully achieved Investors in People (IIP) re-accreditation for the fourth time in March 2009, this time demonstrating a performance exceeding requirements – level two of the Investors in People Profile. Furthermore, against a number of the indicators, the Department was assessed as achieving level three or four, demonstrating outstanding or exemplary performance.

BERR's People Strategy and values

- 3.6** The aim of BERR's People Strategy was to have highly skilled people who understand business; are well led; and who live by our values and are proud to work for BERR. The strategy was designed to help improve our capability by providing a framework for developing and reinforcing the skills our staff need. The focus of our People Strategy over the next three years has been on four key themes:
- leading our people;
 - growing our skills and capabilities;
 - delivering a workforce of the future; and
 - improving our performance management and reward.
- 3.7** Key activities in 2008-09 in support of these themes were:
- Leadership: improved development programmes for New Leaders to the Senior Civil Service and an increased focus on leadership skills on promotion.
 - Skills and capability: improved on-line learning, mentoring and coaching networks, and an increased emphasis on professional and specialist skills. The effectiveness of these actions is shown by the achievement of level two of the Investors in People Profile.
 - Future workforce: more flexible deployment of staff through an improved recruitment and selection process. Our new diversity strategy will help us to develop a more diverse workforce in the future.

¹²¹ For the assessment of this DSO see chapter 2, section 2.8.

- Performance management and reward: training for managers in giving effective feedback, and a review of the grading structure which will help to simplify our systems and processes.
- 3.8** In order to help our staff act as a ‘voice for business’, we encouraged them to spend time working in business, whether for a ‘week in business’ or on a longer secondment. This helped them understand the way businesses operate and the challenges they face. We also offered a regular programme of talks hosting external speakers from businesses and other stakeholders. This was in addition to internal events informing staff of the work of BERR and its delivery partners.
- 3.9** BERR also had a set of values which supported effective listening, influencing and successful achievement of our objectives as the voice for business in Whitehall.

Making a difference	Working together	It starts with me
We take the lead; we influence others, having an impact on the real world.	We work with openness and respect. We listen to, learn from and value others.	I am confident and committed to getting it right. I am professional and take pride in what I do.

Capability Review

3.10 Capability Reviews were launched by the Cabinet Secretary, Sir Gus O’Donnell, in 2005 as part of a wider Civil Service reform agenda. The reviews seek to improve the capability of the Civil Service to meet current and future delivery challenges.

3.11 The Capability Review Team returned to BERR in October and November 2008, very shortly after the 3 October Machinery of Government changes. The Review Team commended BERR both for its speed and flexibility in responding to the challenges of this re-organisation and in maintaining its focus on the difficult economic situation. The strength of the leadership team and the very highly regarded analytical capability the Department had developed are seen as critical to this success¹²². The reviewers observed that BERR faced greater challenges and expectations in 2008 than the former DTI did in 2006 in the first Capability Review¹²³. In response to these challenges the Department is continuing to focus on strengthening key skills that support our work with business and others to make a difference to the economy.

¹²² *Department for Business, Enterprise and Regulatory Reform: Progress and next steps* (Cabinet Office, 2008): http://beta.civilservice.gov.uk/Assets/BERR-progress_tcm6-6185.pdf

¹²³ *Capability Review of the DTI* (Cabinet Office, 2006): http://beta.civilservice.gov.uk/Assets/Capability_Review_DTI_tcm6-1060.pdf

Staff Survey

- 3.12** The annual staff survey provided an opportunity for staff to inform BERR's senior management about what it was like to work for BERR and the way the Department was led and managed. The results of the 2008 survey presented an encouraging picture of the Department, as well as areas for development. The comprehensive survey took place in October 2008, sixteen months after the creation of BERR. The results showed that staff have a clear sense of purpose, and that their understanding of BERR's role as the voice for business across Government had increased significantly.
- 3.13** The results for BERR exceeded central Government averages for all but two of the 34 benchmarks. 43 of the 71 attitudinal questions showed a statistical improvement on the results for BERR in 2007 across a range of issues, with an increased overall satisfaction and pride in working for BERR, and improved perceptions of leadership.
- 3.14** In response to concerns from the survey, we will continue to consult with staff on ways we can build pride in the new Department, manage increasing workloads and further improve the working environment.

Diversity within BERR

- 3.15** We remain committed to improving diversity in the Department and to embedding diversity considerations throughout the Department's work. BERR launched a refreshed Diversity Strategy in the autumn of 2008¹²⁴. This included a revised Diversity Statement, targets for representation at senior levels and priorities for the coming year including action on the four key themes identified across the Civil Service: representation; leadership and accountability; culture change; and talent management.
- 3.16** BERR complied with the Disability Discrimination Act 1995 and the Disability Discrimination (Employment) Regulations 1996, which introduced important rights for disabled staff and extra protection against discrimination in the workplace. Our Disability Equality Scheme¹²⁵ and the *Secretary of State Report on Disability Equality*¹²⁶ provide further information.
- 3.17** The table below shows BERR's performance against Cabinet Office diversity targets for the Senior Civil Service (SCS).

¹²⁴ BERR Diversity Strategy and Diversity Statement: www.berr.gov.uk/aboutus/corporate/performance/how-we-work/diversity/page49826.html

¹²⁵ *Revised DTI Disability Equality Scheme for the Department for Business, Enterprise and Regulatory Reform* (BERR, 2007): www.berr.gov.uk/files/file42734.pdf

¹²⁶ *Secretary of State Report on Disability Equality* (BERR, 2008): www.berr.gov.uk/files/file49041.pdf

Figure 9: Senior Civil Service diversity representation and targets

	1 April 2008	1 April 2009 actual			1 April 2011 targets	
	Percentage	Number of minority staff	Number of staff at Band	Percentage	Civil service target	BERR target
SCS who are women	37%	53	137	39%	39%	40%
Top SCS posts occupied by women	30%	9	30	30%	34%	34%
SCS from ethnic minority backgrounds	4%	5	137	4%	5%	5%
SCS with disabilities	5%	9	137	7%	5%	6%

Flexible deployment and project management

3.18 The Project Pool develops staff skills in project and programme management, and deploys them quickly on assignments of varying duration across the Department's top priority projects. This flexible way of working achieves two primary objectives: it resources priorities in a changing environment, and it embeds and enhances programme and project management principles across the Department, both in terms of approach and practice. It is regarded as an exemplar of flexible resourcing in Whitehall.

3.19 The Project Centre bolsters and protects the success of projects and programmes across the Department and its delivery partners. It is accredited by the Office of Government Commerce (OGC) to conduct Gateway Reviews on medium-risk in-house projects. It provides a highly-regarded assurance function, supplemented by the provision of a range of mechanisms supporting project management within the Department.

Sickness absence

3.20 BERR had a well developed absence management policy. This included a comprehensive Health and Well Being Programme providing, for example, awareness events and support for staff; and a policy that managers follow-up the reasons for any sickness absence. 61% of BERR staff too no sick leave in 2008-09 and the average number of working days lost was 5.4. This compares favourably with the public sector average of nine days per annum per employee.

Legal support

3.21 BERR's Legal Services Group has ensured that: Ministers and colleagues have received the highest quality advice which is essential to the successful delivery of the Department's objectives; legislation has been developed and delivered efficiently; and investigations and prosecutions were timely and effective.

3.22 By providing timely advice, our Legal Services Group has contributed to some of the Department's key policy areas, including a strategy to help businesses through the recession, Digital Britain and Royal Mail. The Group will help business realise reduced administrative burdens of approximately £300 million through implementation of the Companies Act 2006 and help to make it easier to do business in Europe through implementation of the EU Services Directive. The Group will also continue to provide support on the competition, consumer, insolvency and employment frameworks.

- 3.23** Through its effective enforcement of the insolvency and companies regimes, BERR supported legitimate business and protected consumers from rogue business practices. The investigation of offences arising mainly from insolvency has uncovered increasingly complex criminality including high levels of fraud. The successful prosecution of such offences, at a conviction rate of 85%, has resulted in custodial sentences, heavy fines and significant confiscation of assets. BERR worked with the National Fraud Strategic Authority to shape fraud strategy, taking account of the impact of the recession on trends in fraud.
- 3.24** BERR's Legislative Board procedures for coordinating and prioritising the Department's bids for legislation have been emulated across Government and are regarded as an example of good practice.

Analytical support

- 3.25** Analysts across the Department continue to drive policy development and provide the professional support and capability to enable the successful delivery of the Department's objectives. BERR had a strong commitment to evidence-based policy making, acknowledged by the green rating the Department achieved for 'base choices on evidence' in the 2008 Cabinet Office Capability Review¹²⁷. This rating indicates that the Department has good capability in place for basing choices on evidence when delivering strategy.



- 3.26** This year it has been particularly important to use statistical and economic analysis to underpin our understanding of the current economic conditions and how we can respond to business concerns. Developing a sound evidence base is critical to supporting the Department in setting policy and strategic direction. Analysts also work to ensure that appropriate systems and processes are in place to achieve an efficient allocation of resources.
- 3.27** During 2008-09 BERR analysts worked on key projects with other government departments, including developing a strategic vision for Britain's recovery¹²⁸; the Manufacturing Strategy (with DIUS)¹²⁹; the simplification of business support

¹²⁷ *Department for Business, Enterprise and Regulatory Reform: Progress and next steps* (Cabinet Office, 2008): www.civilservice.gov.uk/Assets/BERR-progress_tcm6-6185.pdf

¹²⁸ *New Industry, New Jobs* (HM Government, 2009): www.berr.gov.uk/files/file51023.pdf

¹²⁹ *Five Dynamics of Change in Global Manufacturing Supporting Analysis for 'Manufacturing Strategy: New Challenges, New Opportunities'* www.berr.gov.uk/files/file47663.pdf
Further information:
www.berr.gov.uk/whatwedo/sectors/manufacturing/strategyreview2008/page45271.html

products (with a range of government departments including HM Treasury, DIUS, Export Credit Guarantee Department and Defra)¹³⁰; and Digital Britain (with DCMS)¹³¹.

- 3.28** Other work undertaken by BERR analysts this year included understanding high growth firms in the UK¹³², the impact of regulation on productivity¹³³, supporting the Risk and Regulation Advisory Council in delivering a programme of workshops to help foster a more considered approach to public risk and how to respond to it, leading the cross-Whitehall Group on the Economics of Regulation and jointly-leading the Government Economic Service Focus Group on Evaluation.

Communications

- 3.29** In 2008-09 we continued to communicate with multiple audiences about BERR's work, using a range of innovative tactics as well as more traditional communications channels. In the worsening economic climate we worked in particular to make the business community better aware of the range of support available.

Media relations and marketing

- 3.30** BERR achieved widespread print, broadcast and online media coverage for our policies and communicated our key messages through an enhanced programme of targeted engagement with stakeholders and staff. Notable examples included communications regarding business support packages, including the 'Real Help for Businesses Now' campaign. Communications activities helped direct 286,000 visits to the campaign webpage by April 2009.
- 3.31** BERR also ran a number of significant marketing communication campaigns on a range of issues, particularly around employment rights and advice. The awareness rate of the National Minimum Wage is now 91% amongst workers and 100% amongst businesses. The campaign used a range of traditional and innovative communications channels including a campaign bus that travelled the country to reach vulnerable audiences (such as those in less stable employment) who are amongst the National Minimum Wage's main beneficiaries.
- 3.32** BERR's Employing People campaign contributed to the reduction in administrative burdens to UK businesses by promoting advice on how to save time and money as part of the Employment Law Guidance Programme. The campaign resulted in a record 500,000 visits to the guidance website in January 2009 alone. Elsewhere, our



¹³⁰ For further information about the Business Support Simplification Programme see: www.berr.gov.uk/whatwedo/enterprise/simplifyingbusinesssupport/page44802.html

¹³¹ *Digital Britain: The Interim Report* (BERR/DCMS, 2009): www.culture.gov.uk/images/publications/digital_britain_interimreportjan09.pdf

¹³² *High growth firms in the UK: Lessons from an analysis of comparative UK performance* (BERR, 2009): www.berr.gov.uk/files/file49042.pdf. For further information about the Enterprise Strategy see: www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/enterprise-framework/index.html

¹³³ *Impact of Regulation on Productivity* (BERR, 2008): www.berr.gov.uk/files/file48147.pdf

Firework Safety campaign reached over 32 million people through TV advertisements, and our Consumer Protection Regulations campaign resulted in over 300,000 businesses receiving direct mail with information on new regulations relevant to them.

3.33 In the past year, BERR expanded its commitment to digital initiatives. September 2008 saw the launch of our new corporate website which has a useful email alert service. A BERR YouTube channel – BERRTube¹³⁴ – launched in early 2009 and had received over 10,000 visits by the end of March 2009. Both services allow users to subscribe to receive updates.

3.34 In response to stakeholder feedback we have also worked to deepen staff understanding of the wider business context and the Department's work. Surveys we have conducted in the last year to evaluate the effectiveness of staff communication have shown a 10 percentage point increase in the number of staff who say they feel well informed. We have also used focus groups to consult staff about our communication channels.

Correspondence and Enquiry Handling

3.35 In 2008 BERR responded to 59% of MPs' correspondence within 15 days against a target of 80%. This compares to 74% for 2007 and 71% for 2006. This below-target performance was primarily due to technical difficulties with a new correspondence management system in the first half of the year, and a heavy correspondence load stemming from BERR's role in the Government's response to the economic downturn in the final quarter. The Department's correspondence management process is being reviewed to cope with hugely increased volumes (over 50% higher year on year) and complexity (up some 25% from 2007-08).

3.36 BERR answered 93% of all calls from the public within 15 seconds, meeting internal targets.

Information and workplace services

Estates management

3.37 Effective management of the Department's estate and workplace services is important to help achieve cost savings and reduce our environmental impact¹³⁵.

Achievements over 2008-09 included:

- relocating the Defence and Security Organisation to Kingsgate House; and



¹³⁴ BERRTube www.youtube.com/berrtube

¹³⁵ For further information about the BERR estate and our commitment to the environment see annex 4.

- holding a property conference for the BERR and DIUS families and benchmarking the whole office estate, helping embed the Office of Government Commerce (OGC) High Performing Property programme¹³⁶.

Sustainable development

3.38 The Department is committed to sustainable development, and reducing our environmental impact. During 2008-09 we

- obtained Carbon Trust Standard¹³⁷ certification for BERR's headquarters estate;
- improved recycling facilities;
- installed an Automatic Metering and Targeting system to monitor, identify and reduce the use of all utilities;
- installed solar photovoltaics on the roof of 1 Victoria Street; and
- installed LED lighting in the reception, conference centre, lift lobby and lifts in 1 Victoria Street to reduce energy consumption.

Security and resilience

3.39 The Department has ongoing business continuity capability and this year ran a range of successful training events and workshops. These have engaged specific response teams and have strengthened planning in response to a range of risks: building and IT incidents, flooding, and pandemic flu. BERR also secured assurance on its business continuity management through its Audit and Risk Committee¹³⁸.

Data handling and security

3.40 BERR made good progress in implementing the requirements in the Government's review of data handling and security and completed the required actions:

- a Senior Information Risk Owner has been appointed, personal data identified, and the PROTECT – PERSONAL DATA security marking and encrypted removable media introduced;
- by 1 July 2008 information risk policy and information asset owners were in place, an information charter published, and protective measures rolled out through delivery chains; and
- actions being completed now and on an ongoing basis include: the accreditation of new systems containing protected personal data; the inclusion of OGC model clauses in new contracts; carrying out privacy impact assessments (a BERR template is in place); penetration testing; and regularised corporate risk assessments.

¹³⁶ For further information about the OGC's High Performing Property Programme see: www.ogc.gov.uk/better_asset_management_efficiency_in_property_asset_management.asp

¹³⁷ For further information about the Carbon Trust Standard see: www.carbontruststandard.com/Aboutus/TheStandard/tabid/150/language/en-GB/Default.aspx

¹³⁸ For further information about BERR's Audit and Risk Committee see section 3.6, Corporate governance.

- 3.41** From April 2009 we are introducing mandatory training for data users, as Cabinet Office sponsored e-learning packages are released by the National School of Government. BERR also worked to ensure communications on data handling are easily understood. This includes poster and BERR TV campaigns emphasising the importance of the correct procedures for handling information and research into attitudes towards information security to enable effective influencing.
- 3.42** The Department's security and information management teams continue to work together to ensure the requirements (and associated guidance issued by the Cabinet Office) are clearly understood by users and key stakeholders (e.g. Information Asset Owners). A network of Management Group Data Champions has been established to provide the BERR family with key data security information and maintain effective communication channels.

Reporting of personal data related incidents

- 3.43** BERR reported no incidents of the loss of 'protected personal data' to the Information Commissioner's Office in 2008-09. The Department did not centrally record any protected personal data related incidents which were not formally reported to the Information Commissioner's Office in 2008-09.
- 3.44** In August 2008 a laptop containing sensitive information about named individuals was stolen from the Manchester office of the Insolvency Service. The laptop contained information on 385 company directors, including names, addresses, dates of birth and occupation of each director of a given company. This information was already available on the register of companies at Companies House. In addition there was also information relating to any concerns around potential misconduct of directors in the run up to insolvency, and there was also information on associated creditors, complainants and employees relating to around 150 individuals. This included names, addresses and in a small number of cases, bank details, NI numbers and mobile phone numbers. The Insolvency Service wrote to all the individuals affected informing them of the data loss and apologising for any inconvenience caused. The Service also established dedicated communication channels for those who may have been concerned about the loss of personal data. Meetings with all staff were subsequently held to reiterate and re-enforce the Service's policy on the secure use and storage of portable media. All unencrypted media devices were recalled for encryption or destruction and Corporate Governance Section has increased its testing of data security compliance during office visits.

Section 3.3

Value for money programmes

Introduction

- 3.45** The Department has a strong track record in delivering value for money from its budgets. Over 2005-08 BERR (and the former DTI) delivered £358 million in efficiency savings against a target of £209 million. BERR has plans to build on these achievements over the CSR07 period, delivering £148 million (£121 million agreed at the beginning of the CSR07 period and a further £27 million announced in Budget 2009) in value for money savings to be delivered from budgets by 2011.
- 3.46** Value for money savings are calculated by comparing actual spend against a 'counterfactual spend'. This counterfactual is what spending would have been, based on a 'do nothing' approach. For example, if BERR took no action to improve value for money, spending on programmes would rise in line with inflation. Reported savings are all cash-releasing against these counterfactuals. More detail on savings targets and counterfactuals can be found in BERR's Value for Money Delivery Agreement¹³⁹.

Impact of October 2008 Machinery of Government changes

- 3.47** On 3 October 2008, BERR's Energy Group and associated delivery partners were transferred to the newly created Department of Energy and Climate Change, and BERR's 2008-09 budget reduced from £3.2 billion to £1.4 billion. BERR's value for money targets have been updated to reflect this. The three year savings targets for BERR have been reduced from £125 to £64 million in 2008-09; £221 to £93 million in 2009-10; and £307 to £121 million in 2010-11. Since these changes, the delivery target has been increased from £121 million to £148 million in 2010-11, reflecting the extra £27 million savings announced in Budget 2009.

Value for money achievements to date

- 3.48** BERR has delivered £69.5 million of value for money savings in 2008-09 against a target of £64 million. These savings are cash-releasing, allowing BERR's budgets to reduce by over 3% in real terms from 2007-08 to 2008-09. These savings are also net of costs and projected to be sustained into future years. No over-delivery from the SR04 efficiency programme has been included.
- 3.49** Savings were identified across BERR's major programmes and budget areas through a process of zero-based reviews aimed at getting greater value for money from BERR's budgets. Examples of savings delivered in 2008-09 are outlined and grouped by DSO below.

¹³⁹ For further information including BERR's Value for Money Delivery Agreement see: www.berr.gov.uk/aboutus/corporate/performance/Value%20for%20Money%20Delivery%20Agreements/page43140.html

3.50 DSO 1: Promote the creation and growth of business and a strong enterprise economy across all regions – **£30.8 million**, including:

- Business Support Best Practice – £9.6 million
Timely exit from the Support to Implement Best Practice scheme.
- Effective Relationships with Business – £5.7 million
Getting better value for money out of engagement with business across all sectors.
- Regional Selective Assistance/Selected Financial Investment England in Capital Grants – £6.8 million
The previous Regional Selective Assistance scheme provided finance mainly in the form of grant for capital investment projects in assisted areas. The new Selected Financial Investment in England scheme focuses on higher quality projects providing better value for money.
- National Business Link marketing – £3.1 million
Continued activity to promote a national brand for Business Link has been demonstrated at a lower funding level.
- Business Support Legacy Schemes – £1.8 million
Ensuring BERR exits legacy business support schemes efficiently and on schedule.

3.51 DSO 3: Deliver free and fair markets, with greater competition, for businesses, consumers and employees – **£24.1 million**, including:

- Insolvency Service – £14.5 million
Some £10 million of savings have been delivered by moving investigation work carried out by Official Receivers, previously funded by the taxpayer, to a fee based system. Remaining savings were delivered through increased efficiency.
- Acas – £6.5 million
Delivering operationally within a reduced budget for example, making savings from accommodation through their 'one-roof' strategy and better use of ICT.
- Competition Commission – £2.1 million
Savings were delivered via the Competition Commission Council's fundamental review of the Competition Commission, aiming to: reduce the burden on business; make more effective use of all staff; make more effective use of Members; and improve team working.

3.52 Administrative savings – **£14.6 million**

- Delivered through outsourcing pensions administration, centralising back-office finance functions, optimising use of buildings and e-enabling research resources.

Value for money plans

3.53 BERR planned to build on these achievements in 2009-10 targeting value for money savings against counterfactuals of £35 million value for money savings from DSO 1, £32 million from DSO 3 and £25 million from administration budgets. Plans included

making extra savings from exiting business support legacy schemes; further efficiencies by delivery partners such as The Insolvency Service, Acas and the Competition Commission; and further administration savings from the improved use of accommodation and ICT.

RDAs' value for money settlement

3.54 As part of the RDAs' CSR07 settlement, the nine RDAs were tasked with delivering 5% savings a year. The RDAs will also deliver a 5% real reduction in their administration budgets. These savings accrue to the RDAs and did not form part of BERR's value for money savings over the CSR07 period.

RDAs' value for money achievements

3.55 The RDAs have been working towards achieving output targets utilising the budgets they were allocated in the CSR07 settlement. However, economic factors now coming to bear on national and regional economies are making it challenging to achieve these output targets, while at the same time RDAs are playing an important role in delivering help and support to businesses through the economic downturn.

3.56 The RDAs have reported progress towards their value for money savings targets, and over the first three quarters of 2008-09 delivered £41 million in recyclable savings. The majority are working within their reduced budgets and are on course to meet their performance targets as outlined in their corporate plans¹⁴⁰. On administration savings targets, the RDAs have recorded good progress and are on course to meet their full year targets.

3.57 The RDAs have made value for money savings in a number of areas including within Business Link and from improving contract performance through the Business Support Simplification Programme. Administrative savings will be made through restructuring, pay review, productivity improvements, and eliminating unnecessary spend and improving procurement. The RDAs will be reporting on their value for money savings in more detail in their own individual annual reports.

Lyons relocations

3.58 Against a target of 527 posts to be relocated out of London and the South East by March 2010, BERR had relocated 425 posts as of end-March 2009. Areas to which posts have been relocated include Belfast, Leeds, Newport, Birmingham, Manchester and Swindon.

¹⁴⁰The RDAs' corporate plans and annual reports are available from their websites, a list of which is provided in annex 3.

Section 3.4

Better BERR regulation

- 3.59** The Department leads the regulatory reform agenda across Government through the work of the Better Regulation Executive (discussed in section 2.5), and is also a major regulating department in its own right. Better policy making principles are therefore at the heart of the Department's approach to policy development, particularly since minimising administrative and regulatory burdens on businesses is one way we can help them through the economic downturn.
- 3.60** This section reports how BERR worked to minimise the burdens of its policies on business. However, there are situations where regulation is needed, and, where this is the case, we want to make sure that we understand the costs and benefits, and that regulation is not unnecessarily burdensome.
- 3.61** BERR had a target to reduce the administrative burdens imposed on business by its regulations by a net 25% by May 2010. Over the last year BERR continued to make considerable progress, with net savings of 17% delivered by April 2009. This means that two thirds of the 25% target of around £1 billion has now been achieved. The key measures which will deliver the target are outlined below: more detail can be found in BERR's 2008 Simplification Plan¹⁴¹.
- 3.62** The Department is also committed to reducing regulatory burdens on the public and the third sectors, and has implemented its obligations under the Hampton Review¹⁴², which recommended ways to streamline and modernise the regulatory system in order to reduce administrative burdens.

Culture change

- 3.63** BERR attached a high priority to promoting and maintaining the right attitude towards regulation. We did this primarily through our Better Policy Making Culture Change Programme. The programme promoted good quality impact assessments (IAs), effective use of Programme and project management principles, awareness of light-touch approaches where appropriate, and better regulation 'Champions' within the Department. We also engaged with stakeholders, in particular through our highly regarded Ministerial Challenge Panel, which opened BERR policy development up to external challenge.
- 3.64** All these activities had the strong support of the BERR senior management team, whose own performance and personal remuneration continued to include links to successful delivery of this agenda in 2008-09.

¹⁴¹ *Simplification Plan 2008 Supporting business through better regulation* (BERR, 2008): www.berr.gov.uk/files/file49272.pdf

¹⁴² *Reducing administrative burdens: effective inspection and enforcement* (BERR, 2005): www.berr.gov.uk/files/file22988.pdf

Impact Assessments

- 3.65** BERR helped develop the Government Impact Assessment (IA) template, rolled out in 2007. IAs should accompany any new policy proposal that has an impact on business, and demonstrate that the design of the proposal is informed by comparing the benefits of each option with the costs. Since the introduction of the template, over 200 officials have benefited from regular training workshops, held to help improve the Department's capability in the preparation of IAs. Participants report high levels of satisfaction with the quality of the training.
- 3.66** The Department's economists continue to lead on a number of cross-department better regulation initiatives. In particular, the Impact Assessment Peer Review Group ensures the ongoing engagement of the Department's economists in the development of IAs. The Peer Review Group engages early in the policy development process, advising on, scrutinising and challenging IAs to ensure they meet the requirements of better policy making and are able to withstand wider external scrutiny. A preliminary assessment of the effectiveness of the Peer Review Group suggests broad agreement amongst Peer Review Group members that the Group represents a credible mechanism for providing input into specific policy developments from a broader better regulation perspective. This view has also received support from policy teams who have come before the Group.

Consultation

- 3.67** The Department follows the Government's Code of Practice on Consultation, as revised in 2008¹⁴³. BERR had a good reputation on consulting with stakeholders, for example we engaged with key interested parties in the consultation process concerning the application of the Companies Act 2006 to Limited Liability Partnerships (LLPs). As part of the formal consultation, on both policy and draft regulations, a working group made up of LLP representatives and intermediaries was set up. The Group has met three times since the close of the formal consultation and has helped shape the drafting of a complex and technical set of regulations.

Consultations ¹⁴⁴	
Total consultations	35
Lasted 12 weeks or more	29
Ministerial authorisation for shorter consultation	6
Compliant with the Department's consultation template	33
Two or more consultation methods used	35

¹⁴³ HM Government *Code of Practice on Consultation* (HM Government, 2008): www.berr.gov.uk/files/file47158.pdf

¹⁴⁴ These figures include consultations relating to energy policy, prior to its transfer to DECC on 3 October 2008.

Simplifying and reducing the administrative burden

3.68 BERR's 2008 Simplification Plan¹⁴⁵ charts our previous and planned measures to achieve our target of a net reduction of 25% in administrative burdens by 2010. Key measures are outlined below.

Key Simplification Plan measures delivered May 2006 – October 2008

3.69 Employment Law: £429 million of the projected £589 million savings in administrative burdens reductions have been delivered. Through the Employment Law Guidance Programme indicative savings of over £400 million have been achieved through advising on how to save time and money when complying with employment law obligations, for example by using online tools and proformas.

3.70 Company Law: £237 million of the projected £300 million administrative burdens savings have already been delivered. Example of measures include:

- facilitating the use of electronic communications by companies with shareholders, saving £76 million per year;
- abolition of the requirement for private companies to hold Annual General Meetings, saving £45 million per year;
- abolition of complex capital assistance rules, saving £68 million per year; and
- simpler law for smaller firms, saving £44 million per year.

Helping SMEs

SMEs can face an administrative burden disproportionate to their size. Examples of measures specifically designed to reduce burdens on SMEs include:

- a separate and simpler model Articles of Association for private companies, reflecting the way small companies operate (from October 2009); and
- a separate code of accounting and reporting requirements for small companies (from April 2008).

3.71 Consumer Law: The EU Unfair Commercial Practices Directive (UCPD) implemented in May 2008, introduced a general duty on traders not to treat consumers unfairly. Its estimated potential reductions of up to £260 million are currently subject to validation.

Key Simplification Plan measure to be delivered April 2009 – May 2010

3.72 The Employment Act 2008 abolished costly statutory dispute resolution procedures, delivering £115 million of savings from April 2009 onwards, with a projected further £23 million of savings to come from the implementation of new dispute resolution services by Acas.

¹⁴⁵ *Simplification Plan 2008 Supporting business through better regulation* (BERR, 2008): www.berr.gov.uk/files/file49272.pdf

Validation

3.73 The most prominent simplification measures in the Plan implemented between May 2005 and May 2008 have been approved by a cross-Government External Validation Panel to ensure that they have delivered and communicated real and meaningful benefits to private and third sector organisations. The Panel includes key business organisations, including the CBI and the British Chambers of Commerce. We are therefore confident that the measures are of tangible benefit to stakeholders, and tackle their key 'irritants' in areas such as employment law and company law. The latest Plan also contains many case studies which help demonstrate the programme's benefits.

Legislative Reform Orders

- 3.74** Legislative Reform Orders (LROs) make it quicker and easier to tackle unnecessary or over-complicated legislation, and help bring about a risk-based approach to regulation.
- 3.75** The Legislative Reform (Consumer Credit) Order 2008 amended the Consumer Credit Act 1974 to ensure that changes made through the Consumer Credit Act 2006 effectively deliver the intentions of Parliament¹⁴⁶.
- 3.76** The BERR/Insolvency Service Legislative Reform (Insolvency) (Advertising Requirements) Order 2009 came into force on 6 April 2009. It will deliver a better targeted regime for the advertising of insolvency events which, in combination with parallel changes to the Insolvency Rules, is expected to deliver savings for creditors of insolvent estates of at least £17 million a year from April 2009. An additional BERR/Insolvency Service Legislative Reform (Insolvency) (Miscellaneous Provisions) Order 2009 was laid before Parliament on the 13 May 2009 as part of a package of measures to modernise insolvency processes. Those measures, again in combination with parallel changes to the Insolvency Rules, will deliver further savings for creditors of at least £25 million a year and are planned to be implemented in April 2010.

¹⁴⁶ Specifically, the Order amends the Consumer Credit Act 1974 to exempt buy-to-let lending from regulation, clarify the position on the giving of statement for fixed-sum credit agreements and provide definitions of "payments" for the purpose of issuing notices of sums and arrears.

Section 3.5

Promoting equality of opportunity

- 3.77** The Department is committed to promoting equality of opportunity in all its functions, and as a public sector organisation, is required by law to promote equality of opportunity for race, gender and disability¹⁴⁷. This section provides an update on actions set out in the Department's Race, Disability and Gender Equality Schemes¹⁴⁸.
- 3.78** In May 2008, we published a report on BERR's compliance against its Race Equality Scheme¹⁴⁹. This assessed our performance to date and set out how we plan to improve on promoting race equality and good race relations, as well as ensuring there is no unlawful racial discrimination within the Department. In December 2008 we published a report on the Department's Disability Equality scheme¹⁵⁰. This illustrated some of the progress we have made within our policy areas towards disability equality and improving the lives of disabled people. Key actions in these areas are also outlined in the tables in this section.
- 3.79** All departmental policy proposals are screened for equality issues and the findings reflected in an accompanying Impact Assessment or relevant documentation. Where a proposal gives rise to substantive equality considerations, a separate Equality Impact Assessment (EQIA) is produced. To help raise awareness of the need for officials to consider equality issues when developing their policy proposals, a series of training workshops were held over the year, and in September 2008 we hosted a week of 'equalities events' which included speakers from the public and private sectors. Looking forward, we have begun steps to harmonise our existing schemes on race, gender and disability prior to the extension of the equality duty to include sexual orientation, religion and belief, age, gender reassignment and pregnancy and maternity. Section 3.2 discusses BERR's work on diversity, including race, gender and disability, with regard to BERR employees.

Commitments in race, disability and gender equality schemes

- 3.80** The tables on the following pages show the policy areas in which Equality Impact Assessments have taken place, and their outcome.

¹⁴⁷ The Race Relations Act 1976 (as amended by the Race Relations (Amendment) Act 2000); the Disability Discrimination Act (as amended by the Disability Discrimination Act 2005) and the Sex Discrimination Act 1975 (as amended by the Equality Act 2006). The Equality Bill (laid in Parliament in April 2009) brings together existing equality legislation and extends the scope of the duty to cover the additional areas of gender reassignment, pregnancy and maternity, sexual orientation, religion and belief, and age.

¹⁴⁸ For further information about BERR's Race, Disability and Gender Equality Schemes see: www.berr.gov.uk/aboutus/corporate/performance/how-we-work/equality-schemes/page35704.html

¹⁴⁹ *BERR Race Equality Scheme – Three Year Report* (BERR, 2008): www.berr.gov.uk/files/file46231.pdf

¹⁵⁰ *Secretary of State Report on Disability Equality* (BERR, 2008): www.berr.gov.uk/files/file49041.pdf

Equality Impact Assessments (EQIA)	Outcome
Extension of the right to request flexible working to carers of older children	An EQIA was conducted as part of the final Impact Assessment published as part of the Government response to the consultation on implementing the recommendations of Imelda Walsh's independent review ¹⁵¹ in March 2009. The EQIA suggested that there would not be any disproportionate effects by gender, race or disability.
Digital TV Switchover	An EQIA was published jointly by BERR and DCMS assessing the equity and fairness on groups particularly affected by the switchover from analogue to digital television in the UK ¹⁵² .
Pregnant Workers Directive	An EQIA was carried out on this proposal and published as part of the Government consultation in March 2009 ¹⁵³ . Overall the evidence shows that there would not be a disproportionate impact, as all employees would still be covered by the Sex Discrimination Act. The EQIA suggested that neither would there be a disproportionate effect by race or disability.
Debt Relief Orders	The equality screening of Debt Relief Orders (DRO) ¹⁵⁴ shows no differential impact based on race or age. However, there is potential for a positive impact on women and individuals with disabilities, as such debtors are more likely to meet the entry criteria. The Insolvency Service has ensured that equality data is collected wherever possible, as part of the DRO application process, to enable it to effectively monitor and review this policy's impact.
Debtor's Bankruptcy Petition Process	The initial equality screening of the debtor's petition process (which considers removing the process from court), showed no differential impact based on race or age ¹⁵⁵ . However, there is potential for a positive impact on women and individuals with disabilities. Research shows that women are more likely to feel that there is a stigma associated with bankruptcy, and are therefore more reluctant to access it. Removal of the requirement to attend court to file a bankruptcy petition could reduce this stigma, in addition to benefiting people unable to travel to court due to disability.

¹⁵¹ Extending the right to request flexible working to parents of older children: Government response to consultation on implementing the recommendations of Imelda Walsh's independent review (BERR, 2009): www.berr.gov.uk/files/file50447.pdf

¹⁵² Equality Impact Assessment for Digital Switchover (DCMS, 2008): www.culture.gov.uk/images/publications/EIA_digital_switchover.pdf

¹⁵³ *European Commission proposals to amend the Pregnant Workers Directive: a consultation* (BERR, 2009): www.berr.gov.uk/files/file50575.pdf

¹⁵⁴ *Explanatory Amendment to the Insolvency (Amendment) Rules 2009* No. 642: www.opsi.gov.uk/si/si2009/em/uksiem_20090642_en.pdf

¹⁵⁵ The Impact Assessment of a Reform to the Debtor's Bankruptcy Petition Process: www.insolvency.gov.uk/insolvencyprofessionandlegislation/con_doc_register/impactassessment.doc

Other actions to increase equality

Information Services	
Access to Information services	BERR's website ¹⁵⁶ , re-launched in September 2008, meets level double-A of the Web Content Accessibility Guidelines (WCAG). All web publishers are trained in the principles and practice of website accessibility, and any breaches of the guidelines are quickly fixed. The Department works closely with external accessibility specialists to ensure its online content is made available to the widest possible audience.
Enterprise and Business Group	
Digital Television Switchover	A quarterly 'Switchover Tracker' reports on understanding, awareness and take-up of digital TV, including by gender, age and disability, and is used to inform communication strategies ¹⁵⁷ .
Enterprise Strategy	The Enterprise Strategy published in 2008 ¹⁵⁸ contained a range of measures for women's enterprise, which recognised the importance of changing attitudes amongst women towards enterprise; taking steps to increase female entrepreneurship rates; and providing advice and support to women in starting and growing their businesses. The RDAs made a commitment in the Enterprise Strategy to pilot Women's Business Centres, and BERR has facilitated the development of the National Mentoring Network for women in business. This is a strategic partnership between everywoman, the British Chambers of Commerce, Prowess and RBS/NatWest. The work of BERR's partners Enterprise Insight and the National Council for Graduate Entrepreneurship contains actions targeted at girls and women. These include a range of enterprise awareness activities and the further development of the women's enterprise ambassadors network (now with over 1,000 members) to inspire more girls and women across all sections of society to consider entrepreneurship.
Ethnic Minority Business Task Force	The Ethnic Minority Business Task Force ¹⁵⁹ was launched in June 2007. The Task Force helps foster growth among ethnic minority firms and boost economic participation by ethnic minority entrepreneurs. James Caan (Dragons' Den) was appointed as co-chair to the Task Force in January 2009. The Task Force is expected to present their latest findings to Ministers later in 2009.

¹⁵⁶ BERR website: www.berr.gov.uk

¹⁵⁷ Digital UK Quarterly Reports are available from: www.digitaluk.co.uk/press_office/reports/quarterly_reports

¹⁵⁸ For further information about the Enterprise Strategy see: www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/enterprise-framework/index.html

¹⁵⁹ For further information about the Ethnic Minority Business Task Force see the website: www.embtf.org.uk/index.php

Enterprise and Business Group	
London 2012 Olympic Games and Paralympic Games	London won the bid to run the 2012 Games on the promise that the event would be truly multi-cultural. Regional events have been held in the South West, West Midlands and the North West, Yorkshire and Humberside, London and the East of England to help businesses owned by ethnic minorities and women to compete for contracts related to the London 2012 Games.
Make Your Mark	The Government is funding the Make Your Mark campaign ¹⁶⁰ run by Enterprise Insight. Enterprise Insight is building a network of accessible champions and ambassadors who will act as role models for young people in ethnic minority communities. The opportunities enterprise offers for young people will be communicated through existing Enterprise Insight events and specific activities such as the 'Black Boys into Business' event held in Tottenham in November 2008.
Prince's Trust	The Prince's Trust is a UK charity with a proven track record of helping young people realise their potential and has strong and established links with disadvantaged communities. Over 70% of the ethnic minority community are based in disadvantaged areas. A £1 million grant to enable the Trust to identify role models and raise awareness of the benefits of enterprise amongst some of our most disadvantaged young people was announced on 15 May 2008. 100 Enterprise Ambassadors have been appointed, including some from ethnic minority backgrounds. The Prince's Trust held workshops between some of these young entrepreneurs and leading business people including James Caan and Deborah Meaden. These workshops were filmed and placed on The Prince's Trust YouTube channel ¹⁶¹ to raise awareness of the benefits of enterprise among young people. This site has now received more than 200,000 hits.
Fair Markets Group	
Fair Treatment at Work Survey	This monitors the extent of employee discrimination, unfair treatment, bullying and sexual harassment. The first survey was conducted in 2005 (by the former DTI) ¹⁶² and the results helped to inform the second survey, which was conducted in 2008. The results of the second survey are expected to be published in autumn 2009.
National Minimum Wage	BERR continues to raise awareness of the National Minimum Wage amongst vulnerable and migrant workers. Two thirds of its beneficiaries continue to be women.

¹⁶⁰ For further information about Make your Mark see the website: www.makeyourmark.org.uk

¹⁶¹ The Prince's Trust YouTube channel: www.youtube.com/profile?user=princestrust&view=videos&sort=v

¹⁶² The First Fair Treatment at Work Survey (DTI, 2007): www.berr.gov.uk/files/file38386.pdf

Fair Markets Group	
Face-to-face debt advice projects	There is a dedicated Disability Project that employs 17 advisers in a variety of Citizens Advice Bureaux and other agencies. The project targets those with hearing, sight, mental health and other disabilities. Other projects ensure services are targeted at a range of social groups, including people from black and minority ethnic (BME) backgrounds, and extra resource has been made available to assist provision of advice to these groups, for example through interpreters.
Doorstep selling	Vulnerable groups may be particularly at risk from rogue traders and bogus selling practices – not only where a trader has made a cold call but also in situations where the consumer has requested a visit by the trader. No consumer should be put at a disadvantage when purchasing goods or services in their own home. In 2007 the Government introduced new regulations to extend the seven day cooling off period and cancellation rights to include contracts made as a result of a solicited visit by a trader to a consumer's home.
Package Travel	Over the last two years BERR has been working to raise the awareness of British Muslims of their rights under the UK Package Travel Regulations (which protect consumers in a number of ways when they pay for certain travel arrangements) when they book Hajj pilgrimages to Saudi Arabia. We continue to be engaged in this area with the aim of reducing the number of complaints and problems in the sector.

UK Trade & Investment	
Outreach	UKTI undertakes a range of outreach initiatives involving minority groups, including female entrepreneurs and ethnic minority businesses. For example UKTI's regional team in the South West sponsored (with others) the 'Enterprising Women Make A Difference Conference 2008', in addition to speaking and displaying a stand at the event.
Ensuring compliance with equality requirements	UKTI seeks to ensure that its policies, practices and procedures – in terms of both staff and customers – are compliant with current legislation as it develops and follow best practice. We are currently commissioning external validation of our approach.

UK Trade & Investment

Performance and Impact Monitoring Survey (PIMS)	<p>UKTI monitors the use of its services through its Performance and Impact Monitoring Survey (PIMS), which is carried out by an independent specialist market research company. The PIMS survey also obtains annual information about the use of UKTI services by minority groups. This allows data to be collected on the percentage of businesses using the services who are majority owned by, or have one or more owner, partner, or director who are women, from ethnic minority groups, or have any long-standing illness or disability. For example, PIMS results for the survey carried out from April to June 2007 and from April to June 2008 show that 4% of the 1,641 firms surveyed had owners, partners or directors who had a disability or long-standing illness, 32% were female, and 12% were from an ethnic minority community. PIMS results in future years will allow UKTI to monitor the extent to which there is an increase in the number of currently under-represented groups accessing its services.</p>
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BERR Delivery Partners

Insolvency Service	<p>The Insolvency Service has continued to undertake research to help assess the relevance and impact of proposed policies on equality and diversity (see EQIA section on Debt Relief Orders and Debtor's Bankruptcy Petition Process). The Service is currently reviewing research undertaken for the equality screening of its project to modernise and consolidate the secondary legislation regarding insolvency.</p>
Acas	<p>Acas is aware of the needs of ethnic minorities who may be disadvantaged due to language. To help overcome this Acas have introduced a translation facility as part of their employment relations helpline. The facility can provide simultaneous translations in a wide range of languages and since its inception at the end of 2006 has been used in over 1,800 calls.</p>
Companies House – Training	<p>Companies House continues to deliver diversity awareness training covering the six strands of diversity to all staff. Bullying and harassment workshops have been delivered to all managers in the organisation that have direct line management responsibilities. An e-learning tool is also being implemented to increase staff awareness of diversity.</p>
Companies House – EQIA Action Plan	<p>Companies House are currently working through their IA action plan to:</p> <ul style="list-style-type: none"> • engage the organisation in the review and assessment process through briefing and communication notices; • catalogue and prioritise the policies and projects according to which need to be reviewed and assessed most urgently; • determine which (if any) require a full IA; and • report outcomes and recommend actions accordingly.

BERR Delivery Partners	
Companies House – Electronic and business transformation	A HR Senior Manager with at least seven years diversity experience has a seat on major programme boards which relate to electronic and business transformation and Companies Act programme implementation. This gives Companies House the capacity not only to provide direct advice and input as the programme and supporting projects develop, but also to highlight areas of concern in relation to diversity related issues, ensure diversity issues are considered at each stage, and assess and review each programme and project in the light of Impact Assessments.
Companies House – Service Delivery	Information is available in alternative formats on request including audio, large print and Braille. Information is also available in an electronic format through the internet and the site is compliant with W3C standards.
Companies House – Monitoring	Companies House produces a comprehensive Diversity Statistical Monitoring Report which covers all diversity related categories and provides information on other areas such as recruitment, training and work-life balance.

Social and community responsibility

3.81 The Department aims to integrate social and community responsibility in all it does, whether in framing government policies or in its day to day operations. Further information about our work to encourage sustainable development and limit our environmental impact is in annex 4. Examples of policies aimed at particular groups, such as protecting vulnerable workers and encouraging women into enterprise are included above and in chapter 2.

Section 3.6

Corporate governance arrangements

3.82 This section describes the corporate governance arrangements for BERR during 2008-09, prior to the merger with DIUS on 5 June 2009 to create the Department for Business, Innovation and Skills. Corporate governance arrangements for the new Department are currently being finalised. New arrangements are being put in place for a register of interests for the new Board of the Department for Business, Innovation and Skills. Anyone wishing further information on Board interests can contact the Department as follows:

- By e-mail to: mpst.fraser@bis.gsi.gov.uk
- By writing to: Private Office of the Permanent Secretary, Department for Business Innovation and Skills, Room V8.27, 1 Victoria Street, London SW1H 0ET

3.83 BERR's corporate governance structure comprised the Management Board and three Committees: the Executive Committee, the Operating Committee and the Audit and Risk Committee.

Appointments

3.84 Members of the Management Board and Committees are Senior Civil Servants appointed in accordance with the Civil Service Management Code¹⁶³. The exceptions are the Non-Executive Board Members who are recruited via fair and open competition. The remuneration report in section 3.7 provides details of remuneration and fees.

3.85 Non-Executive Board Members provide a valuable external perspective to help improve internal processes, service delivery and change management. As independent members of the Management Board and Committees, they take on important advisory and challenge functions. Biographies of the Non-Executive Board Members can be found on the BERR website¹⁶⁴.

3.86 Appointments to the boards of the Department's Non-Departmental Public Bodies and agencies are made by Ministers in accordance with the *Commissioner for Public Appointments Code of Practice for Ministerial Appointments to Public Bodies*¹⁶⁵.

3.87 Simon Fraser was appointed as BERR's Permanent Secretary from 5 May 2009. In addition to Chair of the Management Board, he was Chair of the Executive Committee and Accounting Officer for BERR. On 5 June 2009 Simon Fraser was appointed as the Permanent Secretary for the Department for Business, Innovation and Skills.

BERR's Management Board

3.88 BERR's Management Board provided corporate strategic leadership to the Department. This involved:

- working with Ministers to set the Department's Strategy and allocate resources;
- agreeing business plans and monitoring departmental performance;

¹⁶³ For further details about the Civil Service Management Code see: www.civilservice.gov.uk/about/work/codes/csmc/index.aspx

¹⁶⁴ Biographies of Non-Executive Board Members: www.berr.gov.uk/aboutus/corporate/corpgov/non-exec/index.html

¹⁶⁵ Code of Practice for Ministerial Appointments to Public Bodies: www.publicappointmentscommissioner.org/Publications/publication,86855496500.html

- assessing risks/issues which could undermine BERR's strategy or corporate plan;
- assessing departmental capability and plans for the future; and
- setting standards, values and controls.

3.89 The full terms of reference of the Management Board can be found on the website¹⁶⁶.

3.90 The Members of the Management Board as at 31 March 2009 were:

Sir Andrew Cahn, Acting Chair (from 28 March 2009)	Acting Permanent Secretary
John Alty	Director General, Fair Markets Group
John Edwards (from 1 July 2008)	Director General, Finance
Hilary Douglas	Chief Operating Officer
Philip Rutnam (from 23 March 2009)	Director General, Enterprise and Business Group
Jitinder Kohli	Chief Executive, Better Regulation Executive
Vicky Pryce	Chief Economic Adviser and Director General, Economics
Rachel Sandby-Thomas	Solicitor and Director General, Legal Services
Dominic Jermey (from 28 March 2009)	Acting Chief Executive, UK Trade & Investment
Professor Arnoud De Meyer	Non-Executive Board Member
Roger Urwin CBE	Non-Executive Board Member
Dr. Brian Woods-Scawen CBE	Non-Executive Board Member
In addition, the following were Board members in 2008-09:	
Sir Brian Bender, Chair (until 27 March 2009)	Permanent Secretary
Mark Gibson (until 20 March 2009)	Director General, Enterprise and Business Group
William Rickett (until 2 October 2008)	Director General, Energy Group
Mark Clarke (until 19 June 2008)	Director General, Finance and Strategy Group
Also attending in 2008-09 were:	
Russell Grossman	Director of Communications
Ceri Smith	Director, Business Environment Unit
Professor Brian Collins (from 12 May 2008)	Chief Scientific Adviser

¹⁶⁶ Terms of reference for BERR Management Board are available from:
www.berr.gov.uk/aboutus/corporate/corpgov/management-board/page14179.html

BERR's Executive Committee

3.91 BERR's Executive Committee made decisions on strategic, department-wide internal management issues. These included:

- broad decisions on resource allocation;
- departmental honours list;
- monitoring organisational capability;
- internal management issues requiring endorsement by Directors-General; and
- Senior Civil Service performance, development and pay.

3.92 The members of the Executive Committee as at 31 March 2009 were:

Sir Andrew Cahn, Acting Chair (from 28 March 2009)	Acting Permanent Secretary
John Alty	Director General, Fair Markets Group
John Edwards (from 1 July 2008)	Director General, Finance
Hilary Douglas	Chief Operating Officer
Philip Rutnam (from 23 March 2009)	Director General, Enterprise and Business Group
Jitinder Kohli	Chief Executive, Better Regulation Executive
Vicky Pryce	Chief Economic Adviser and Director General, Economics
Rachel Sandby-Thomas	Solicitor and Director General, Legal Services
Dominic Jermey (from 28 March 2009)	Acting Chief Executive, UK Trade & Investment
Also attending when the Executive Committee convened as the Performance and Development Committee in 2008-09 were:	
Stephen Lovegrove	Chief Executive, Shareholder Executive
Jean Irvine OBE	Non-Executive Board Member
In addition, the following were Committee members in 2008-09:	
Sir Brian Bender, Chair (until 27 March 2009)	Permanent Secretary
Mark Gibson (until 20 March 2009)	Director General, Enterprise and Business Group
William Rickett (until 2 October 2008)	Director General, Energy Group
Mark Clarke (until 19 June 2008)	Director General, Finance and Strategy Group

BERR's Operating Committee

3.93 BERR's Operating Committee made decisions on BERR processes and resources relating to people, planning, financial management, communication, project management, IT and property. Its functions included looking at key enabler projects and coordinating the implementation of change and efficiency initiatives. The members of the Operating Committee as at 31 March 2009 were:

Jitinder Kohli	Chief Executive, Better Regulation Executive
John Edwards (from 1 July 2008)	Director General, Finance
John Dodds	Director, Regulatory Reform Directorate and Head, Priority Projects Directorate
Hilary Douglas	Chief Operating Officer
Claire Durkin (from 10 July 2008)	Director, Europe, International Trade and Development
Russell Grossman	Director of Communications
Susan Haird	Deputy Chief Executive, UK Trade & Investment
David Hendon	Director, Business Relations
Susanna McGibbon (from 8 April 2008)	Director, Legal Services
Karen Pile (from 10 July 2008)	Director, Information and Workplace Services
Ceri Smith (from 7 May 2008)	Director, Business Environment Unit
Tom Smith (from 10 July 2008)	Director of Customer Services, Companies House
Stephen Speed	Inspector General and Chief Executive, Insolvency Service
Ken Warwick	Deputy Chief Economic Adviser
Susan Young	Director, Human Resources
Claire Ighodaro CBE	Non-Executive Board Member
Jean Irvine OBE	Non-Executive Board Member
Tim Walton	Non-Executive Board Member
In addition, the following were Committee members in 2008-09:	
Mark Clarke (until 19 June 2008)	Director General, Finance and Strategy Group
Geoff Dart (until 2 June 2008)	Director, Corporate Law and Governance
Peter Lowe (until 2 June 2008)	Director, Information and Workplace Services
Simon Virley (until 2 October 2008)	Director, Renewal Energy and Innovation Unit

BERR's Audit and Risk Committee

3.94 BERR's Audit and Risk Committee's overall objective was to support the Board and the Accounting Officer by ensuring the overall governance arrangements were appropriate and operating effectively, overseeing the work of the internal and external auditors and reviewing the annual financial accounts. It was comprised entirely of Non-Executive Members. The full terms of reference of the Audit and Risk Committee can be found on the BERR website¹⁶⁷. The scope of the objectives covered all of BERR's activities including those of its Executive Agencies and Non-Departmental Public Bodies.

3.95 The members of the Audit and Risk Committee as at 31 March 2009 were:

Dr. Brian Woods-Scawen CBE, Chair	Non-Executive Board Member
Bryan Jackson OBE	Non-Executive Member
Hunada Nouss	Non-Executive Member
Barry Rourke	Non-Executive Member
Darrel Sheinman	Non-Executive Member

3.96 The Permanent Secretary (as the Accounting Officer), Director General, Finance, Head of Internal Audit and a Director of the NAO also attended meetings of the Committee.

BERR's Secretariat

3.97 BERR's Secretariat ensured the smooth running of the Board and the Committees. The Secretariat was comprised of two civil servants and was part of the Permanent Secretary's Private Office. The main activities of the Secretariat were:

- working with the Board and Committee Chairs on agenda setting and forward planning;
- ensuring that the Board and Committees were properly constituted and provided with clear terms of reference;
- reviewing changes in governance requirements that might affect the organisation or the way the Board and Committees operate;
- ensuring that the standards and disclosures required of the organisation were observed;
- supporting the Non-Executive Board Members; and
- partnering with the Cabinet Office on best practice for departmental boards across Whitehall.

¹⁶⁷ The terms of reference for BERR's Audit and Risk Committee are available from: www.berr.gov.uk/files/file42437.pdf

Section 3.7

Remuneration report

Remuneration policy

- 3.98** The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.
- 3.99** The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.
- 3.100** In reaching its recommendations, the Review Body is to have regard to the following considerations:
- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
 - regional/local variations in labour markets and their effects on the recruitment and retention of staff;
 - Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
 - the funds available to departments as set out in the Government's departmental expenditure limits; and
 - the Government's inflation target.
- 3.101** The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations¹⁶⁸.

Performance and reward

- 3.102** The Senior Civil Service (SCS) pay system consists of relative performance assessments. Individuals are assessed as being in Group 1, 2, 3 or 4 of their pay band. All individuals in Groups 1 and 2 and a small proportion of the individuals in Group 3 receive a non-consolidated performance related award for in-year performance against objectives. These awards vary in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government¹⁶⁹.

¹⁶⁸ Further information about the work of the Review Body can be found on the website: www.ome.uk.com

¹⁶⁹ Further information about the performance and reward arrangement for Senior Civil Servants can be found at: http://beta.civilservice.gov.uk/people/pay_and_reward/scs_pay.aspx

3.103 The table below shows the number of Senior Civil Service (SCS) staff in BERR by pay range as at 31.03.09. Bonuses are not included and salary ranges represent full time equivalent rates. These pay ranges cover those staff employed on open-ended and fixed term contracts.

Figure 10: Senior Civil Service Salaries

Pay Range	No. of BERR SCS staff within the range as at 31.03.2009
Below £55,000	0
£55,000-£59,999	8
£60,000-£64,999	33
£65,000-£69,999	23
£70,000-£74,999	12
£75,000-£79,999	25
£80,000-£84,999	15
£85,000-£89,999	14
£90,000-£94,999	12
£95,000-£99,999	4
£100,000-£104,999	4
£105,000-£109,999	1
£110,000-£114,999	3
£115,000-£119,999	11
£120,000-£124,999	2
£125,000-£129,999	0
£130,000-£134,999	2
£135,000-£139,999	0
£140,000-£144,999	3
£145,000-£149,999	0
£150,000-£154,999	1
£155,000-£159,999	0
£160,000-£164,999	0
£165,000-£169,999	0
£170,000-£174,999	0
£175,000-£179,999	3
£180,000-£184,999	1
£185,000-£189,999	0
£190,000-£194,999	0
£195,000-£199,999	0
£200,000-£204,999	1

Service contracts

3.104 Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Principles, which require appointments to be on merit on the basis of fair and open competition but also include the circumstances when appointments may otherwise be made¹⁷⁰.

3.105 Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age. Early termination, other than misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

- Andrew Cahn was appointed on a four year contract commencing 27 March 2006. His contract was extended until 26 March 2011 during 2008-09. The notice period for the employee is three months. For the employer the notice period is six months or a period, if less, equal to the unexpired part of the fixed term contract.
- Mark Clarke was appointed on a three year contract commencing 5 June 2006. The notice period for the employee was three months. For the employer the notice period was six months or a period, if less, equal to the unexpired part of the fixed term contract. Mark Clarke resigned and left the Department on 19 June 2008.
- Vicky Pryce was re-appointed on a three year contract commencing 10 March 2005. Her contract was extended until 26 August 2009 during 2007-08. Her contract was extended until 26 August 2010 during 2008-09. The notice period for the employee and employer is three months.
- John Edwards was appointed on a three year contract commencing 1 July 2008. The notice period for the employee is three months. For the employer the notice period is six months or a period, if less, equal to the unexpired part of the fixed term contract.
- Philip Rutnam was appointed on a three year contract commencing 23 March 2009. The notice period for the employee is three months. For the employer the notice period is six months or a period, if less, equal to the unexpired part of the fixed term contract.

¹⁷⁰ Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.org.

Salary and pension entitlements for Ministers of the Department:

- 3.106** The remainder of this Remuneration Report contains audited information. The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department for Business, Enterprise and Regulatory Reform for the year ending 31 March 2009 are shown on the following page.
- 3.107** This report is based on payments made by the Department and thus recorded in these accounts. In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as a MP (£63,291 FROM 1 April 2008), and various allowances to which they are entitled are borne centrally. However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the department and is therefore shown in full in the figures below.

2008-09	Accrued pension at 65 at 31/03/09	Real Increase in pension at age 65	CETV at 31/03/09	CETV at 31/03/08 ¹	Real increase in CETV ¹	Ministerial salary received 2008-09	Ministerial salary received 2007-08 (restated)
	£000	£000	£000	£000	£000	£000	£000
Secretary of State							
Rt Hon Lord Mandelson, (from 3 October 2008) ²	5-10	0-2.5	86	57	22	52,320	-
Rt Hon John Hutton, MP (from 2 July 2007 to 2 October 2008) ³	10-15	0-2.5	157	135	11	45,835	58,658
Rt Hon Alistair Darling, MP (to 29 June 2007) ⁴	-	-	-	-	-	-	25,635
Ministers of State							
Lord Jones (from 4 July 2007 to 2 October 2008) ⁵	-	-	-	-	-	-	-
Lord Drayson (from 2 July 2007 to 7 November 2007) ⁶	-	-	-	-	-	-	-
Pat McFadden, MP (from 2 July 2007) ⁷	0-5	0-2.5	28	17	6	40,759	28,571
Gareth Thomas, MP (from 2 July 2007) ⁸	-	-	-	-	-	-	-
Lord Davies of Abersoch CBE (from 14 January 2009) ⁹	-	-	-	-	-	-	-
Rt Hon Stephen Timms, MP (from 2 July 2007 to 25 January 2008) ¹⁰	-	-	-	-	-	-	19,947
Rt Hon Ian McCartney, MP (to 29 June 2007) ¹¹	-	-	-	-	-	-	-
Rt Hon Margaret Hodge MBE, MP (to 29 June 2007) ¹²	-	-	-	-	-	-	13,298
Malcolm Wicks, MP (to 2 October 2008) ¹³	5-10	0-2.5	155	138	14	31,089	40,400
Parliamentary Under-Secretaries of State							
Baroness Vadera (from 24 January 2008) ¹⁴	0-5	2.5-5	26	14	7	72,575	12,589
Lord Carter of Barnes (from 3 October 2008) ¹⁵	-	-	-	-	-	-	-
Ian Pearson MP ¹⁶	-	-	-	-	-	-	-
Jim Fitzpatrick, MP (to 29 June 2007) ¹⁷	-	-	-	-	-	-	7,570
Lord Truscott, MP (from 13 November 2006 to 29 June 2007) ¹⁸	-	-	-	-	-	-	-

- The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.
- Salary figure quoted is for the period 3 October 2008 to 31 March 2009, the full year equivalent is £106,356.
- Salary figure quoted is for the period 1 April 2008 to 2 October 2008, the full year equivalent is £78,575. CETV stated as 'at 31/03/09' is in fact at 2 October 2008. Salary for 2007-08 restated to include basic pay adjustment, paid in 2008-09. 2007-08 full year equivalent is £77,044.
- The 2007-08 salary figure quoted is for the period 1 April 2007 to 29 June 2007, full year equivalent is £77,367.
- Salary and pension details can be found in the Departmental resource accounts for 2008-09 of the Foreign and Commonwealth Office.
- Salary and pension details can be found in the Departmental resource accounts for 2007-08 of the Ministry of Defence.
- The 2007-08 salary figure quoted is for the period 2 July 2007 to 31 March 2008, full year equivalent is £41,446.
- Salary and pension details can be found in the Departmental resource accounts for 2008-09 of the Department for International Development.
- Elected not to draw a Ministerial salary and is not a member of the Parliamentary Contribution Pension Fund.
- The 2007-08 salary figure quoted is for the period 2 July 2007 to 25 January 2008, full year equivalent is £39,821.
- Salary and pension details can be found in the Departmental resource accounts for 2007-08 of the Foreign and Commonwealth Office.
- The 2007-08 salary figure quoted is for the period 1 April 2007 to 29 June 2007, full year equivalent is £40,112.
- Salary figure quoted is for the period 1 April 2008 to 2 October 2008, the full year equivalent is £50,921. CETV stated as 'at 31/03/09' is in fact at 2 October 2008. Salary for 2007-08 has been restated to include pay adjustment, paid in 2008-09.
- Salary for 2007-08 has been restated to include basic pay adjustment, paid in 2008-09, of which £757.66 is a payment relating to previous appointment at the Department for International Development (DFID). The 2007-08 salary figure quoted is for the period 24 January 2008 to 31 March 2008, full year equivalent is £71,895.
- Salary and pension details can be found in the Departmental resource accounts for 2008-09 of the Department for Culture, Media and Sport.
- Salary and pension details can be found in the Departmental resource accounts for 2008-09 of HM Treasury.
- The 2007-08 salary figure quoted is for the period 1 April 2007 to 29 June 2007, full year equivalent is £30,446.
- Elected not to draw a Ministerial salary and is not a member of the Parliamentary Contribution Pension Fund.

Salary and pension entitlements for the senior managers of the Department

3.108 The salary and pension entitlements of the most senior members of the Department for Business, Enterprise and Regulatory Reform were as follows:

2008-09	Accrued pension at age 60 at 31/03/09 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/09	CETV at 31/03/08 ¹	Real increase in CETV	Salary including performance pay
	£000	£000	£000	£000	£000	£000
Sir Brian Bender (to 6 April 2009)	75-80 plus 230-235 lump sum	0-2.5 plus 0-2.5 lump sum	1,830	1,734	5	190-195
John Alty	45-50 plus 140-145 lump sum	0-2.5 plus 2.5-5 lump sum	890	811	15	130-135
Sir Andrew Cahn ²	40-45	0-2.5	824	740	15	245-250
Dominic Jermey (from 28 March 2009) ³	-	-	-	-	-	-
Mark Clarke (to 19 June 2008) ⁴	0-5	0-2.5	67	59	9	65-70 (205-210 full year equivalent)
Hilary Douglas	50-55 plus 160-165 lump sum	0-2.5 plus 0-2.5 lump sum	1,215	1,129	7	150-155
Mark Gibson (to 20 March 2009) ⁵	50-55 plus 160-165 lump sum	0-2.5 plus 0-2.5 lump sum	1,158	1,075	2	135-140 (140-145 full year equivalent)
Stephen Lovegrove	0-2.5	0-2.5	17	-	14	215-220
Vicky Pryce	5-10 plus 20-30 lump sum	0-2.5 plus 2.5-5 lump sum	206	164	28	200-205
William Rickett (to 2 October 2008) ⁶	55-60 plus 175-180 lump sum	0-2.5 plus 0-2.5 lump sum	1,242	1,191	3	85-90 (155-160 full year equivalent)
Rachel Sandby-Thomas	20-25 plus 65-70 lump sum	2.5-5 plus 7.5-10	332	266	46	120-125
Philip Rutnam (from 23 March 2009)	-	-	-	-	-	0-5 (180-185 full year equivalent)
John Edwards (from 1 July 2008)	0-5	0-2.5	23	-	19	105-110 (140-145 full year equivalent)
Jitinder Kohli	15-20 plus 50-55 lump sum	0-2.5 plus 2.5-5 lump sum	204	176	11	120-125

- 1 The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.
- 2 2008-09 salary figure quoted includes salary earned in the period as Acting Permanent Secretary from 28 March to 31 March 2009.
- 3 Salary and pension details can be found in the resource accounts for 2008-09 of UK Trade & Investment (UKTI).
- 4 CETV stated as 'at 31/03/09' is in fact at 19 June 2008.
- 5 CETV stated as 'at 31/03/09' is in fact at 20 March 2009.
- 6 CETV stated as 'at 31/03/09' is in fact at 2 October 2008.

2007-08	Accrued pension at age 60 at 31/03/08 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/08	CETV at 31/03/07 ¹	Real increase in CETV	Salary including performance pay
	£000	£000	£000	£000	£000	£000
Sir Brian Bender	70-75 plus 220-225 lump sum	0-2.5 plus 5-7.5 lump sum	1,847	1,586	60	185-190
John Alty	40-45 plus 130-135 lump sum	0-2.5 plus 2.5-5 lump sum	852	720	23	130-135
Martin Bryant (to 1 July 2007) ²	5-10	0-2.5	87	80	11	155-160 (180-185 full year equivalent)
Sir Andrew Cahn	40-45	0-2.5	860	720	28	225-230
Mark Clarke	0-5	0-2.5	62	25	28	195-200
Hilary Douglas	50-55 plus 155-160 lump sum	0-2.5 plus 2.5-5 lump sum	1,196	1,030	34	150-155
Mark Gibson	50-55 plus 155-160 lump sum	0-2.5 plus 5-7.5 lump sum	1,149	961	51	140-145
Anthony Inglese (to 3 March 2008) ³	50-55 plus 160-165 lump sum	0-2.5 plus 5-7.5 lump sum	1,226	1,046	37	130-135 (140-145 full year equivalent)
Stephen Lovegrove (from 2 July 2007) ⁴	-	-	-	-	-	145-150 (170-175 full year equivalent)
Scott Milligan (to 29 March 2008) ⁵	40-45 plus 120-125 lump sum	0-2.5 plus 0-2.5 lump sum	961	949	9	5-10 (115-120 full year equivalent)
Vicky Pryce	5-10 plus 20-25 lump sum	0-2.5 plus 2.5-5 lump sum	177	128	30	185-190
William Rickett	55-60 plus 170-175 lump sum	0-2.5 plus 5-7.5 lump sum	1,260	1,063	47	150-155
Rachel Sandby-Thomas (from 31 March 2008) ⁶	-	-	-	-	-	-
Jitinder Kohli (from 1 April 2007)	15-20 plus 45-50 lump sum	0-2.5 plus 2.5-5 lump sum	199	156	10	115-120

1 Due to certain factors being incorrect in last years CETV calculator there may be a slight difference between the final period CETV for 2006-07 and the start of period CETV for 2007-08.

2 CETV stated as 'at 31/03/08' is in fact at 1 July 2007. The salary amount excludes compensation but includes payments made in accordance with his contractual rights.

3 CETV stated as 'at 31/03/08' is in fact at 3 March 2008.

4 Opted out of the Pension Scheme.

5 CETV stated as 'at 31/03/07' is in fact at 4 March 2008 and CETV stated as 'at 31/03/08' is in fact at 29 March 2008.

6 Joined the Department on 31 March 2008 and was paid by HMRC, her former employer to 31 March 2008. This officer will not appear on the Department's payroll until 1 April 2008.

Notes

- The information relates only to the most senior managers of the core department. Similar information relating to the Chief Executives and most senior managers of the executive agencies and other bodies of the BERR family is given in the separate accounts of those bodies.
- "Salary" includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.
- None of the most senior managers of the Department received any benefits in kind during the year.

Ministerial pensions

- 3.109** Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).
- 3.110** Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other employees of the PCPF, can opt for a 1/50th accrual rate and the lower rate of employee contribution.
- 3.111** Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index (RPI). Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% of salary if they opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.
- 3.112** The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

Civil Service pensions

- 3.113** Pension benefits are provided through the Civil Service Pension (CSP) arrangements¹⁷¹. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). The statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the RPI. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account).
- 3.114** Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium.

¹⁷¹ Further details about the CSP arrangements can be found at the website: www.civilservice-pensions.gov.uk

In nuvos a member builds up a pension based on the pensionable earnings during the period of scheme membership. At the end of the Scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with the RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

- 3.115** The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). There were no employer contributions by the most Senior Managers to partnership pension accounts during the year.
- 3.116** The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

The Cash Equivalent Transfer Value

- 3.117** A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

3.118 This reflects the increase in CETV effectively funded by the employer. In the case of ministerial pensions, this is effectively the element of the increase in accrued pension funded by the Exchequer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Fees paid to Non-Executive Board Members

3.119 Below are the fees paid to the Non-Executive Board Members of BERR's Management Board. The total payments for the year to each person were in the following ranges:

Non-Executive Member	Fees for 2008-09	Fees for 2007-08
	£000	£000
Dr. Brian Woods-Scawen CBE ¹	5 – 10	5 – 10
Fields Wicker-Miurin OBE ²	5 – 10	5 – 10
Arnoud De Meyer (from July 2007) ²	5 – 10	0 – 5
Roger Urwin CBE (from July 2007) ²	5 – 10	0 – 5
Crawford Gillies (to June 2007) ³		0 – 5

1 Fees paid for independent membership of the Management Board and chair of the Audit and Risk Committee

2 Fees paid for independent membership of the Management Board

3 Fees paid for independent membership of the Management Board and ex-officio Chair of the Audit and Risk Committee until the appointment ended in June 2007



Simon Fraser
Principal Accounting Officer and Permanent Secretary
10 July 2009

Chapter 4: Financial Overview

Section 4.1

About the financial information in this Report

- 4.1** The financial information in this Report¹⁷² is shown from two different perspectives:
- the budgeting boundary, which is the budgetary spend of the 'Departmental family' (i.e. the Department and its delivery partners as described in annex 3); and
 - the Accounting boundary, which comprises the core Department and those of its delivery partners that are consolidated in the Resource Accounts.
- 4.2** HM Treasury is aiming to align these boundaries and is making good progress with its 'Clear Line of Sight' Project. The stated objective of this Project is *"to create a single, coherent financial regime, that is effective, efficient and transparent, enhances accountability to Parliament and the public, and underpins the Government's fiscal framework, incentivises good value for money and supports delivery of excellent public services by allowing managers to manage"*. BERR is represented on the Expert Working Group supporting the Project. Implementation of the new framework is planned to take place in 2010-11 (Budgets) and 2011-12 (Accounts).

Budgets

- 4.3** The Departmental family delivers on its objectives through its budgets. The Department is ultimately responsible for these resources and the bodies who spend them. The financial tables at the end of sections in chapter 2, and in annex 8 of this Report set out the total spend of all bodies within the Departmental family. The budgetary spend shown here is published by HM Treasury in the 2009 Public Expenditure Outturn White Paper (PEOWP).

¹⁷²The financial information in this Report covers the accounting period 2008-09, prior to the creation of the Department for Business, Innovation and Skills. All reference to 'the Department' or 'Departmental' should therefore be understood to refer to BERR.

Accounts

- 4.4** The Department's audited Consolidated Resource Accounts in chapter 5 include only the following: the Department; the Department's elements of the administration expenditure of UKTI, a joint BERR/FCO operation which also includes the administration expenditure of the former Defence Export Services Organisation which transferred to UKTI with effect from 1 April 2008 under a Machinery of Government change from the Ministry of Defence (since renamed the Defence & Security Organisation); the Insolvency Service¹⁷³ – an Executive Agency of the Department; and Acas which is a Crown Executive Non Departmental Public Body (NDPB).
- 4.5** The other delivery partners within the Departmental family are not included in the Consolidated Resource Accounts, although the cash funding of these bodies is represented as Grant-in-Aid.
- 4.6** In common with other central Government bodies, the Department's Consolidated Resource Accounts are audited by the NAO on behalf of the Comptroller and Auditor General. Most of the Department's delivery partners that sit outside the Accounting boundary produce their own Annual Report and Resource Accounts which are available from their websites listed in annex 3.

Other financial information

- Section 4.2 provides the background to the way in which Accounting and Budgeting in Government is managed and controlled, and explains how this applies to BERR.
- Section 4.3 looks specifically at the relationship between the Department's Estimates, Budgets and Resource Accounts.
- Section 4.4 provides a Financial Review of the year, including further analysis of some of the key information in the Consolidated Resource Accounts.

- 4.7** In October 2008, the work and staff associated with energy programmes were transferred to the Department of Energy and Climate Change (DECC) through a Machinery of Government change. The transfer also included the sponsorship responsibility for the following NDPBs and Agencies: the Nuclear Decommissioning Authority, the Coal Authority and the Civil Nuclear Police Authority. The transfer was back dated to 1 April 2008.

¹⁷³ The Insolvency Service also receives monies, under the Insolvency Service Act 1986, which are excluded from these accounts because they are subject to a different financial control framework. Under Section 403 of the Act, sums are received from the realisation of assets from bankruptcies and company liquidations. The monies are held by the Secretary of State and interest earned on balances is surrendered to HM Treasury in accordance with Section 405 of the Act. Further details are available in the published accounts of the Insolvency Service, which can be obtained from www.insolvency.gov.uk

Section 4.2

The resources available to the Department

4.8 The resources available to the Department, and how it reports on and is held accountable for these resources, must be seen within the context of the wider Government financial environment. This section sets out the broad principles of Budgeting and Accounting in Government, explains some of the key terms which are used and describes how the Department manages its resources in this context.

The Comprehensive Spending Review process

4.9 Comprehensive Spending Reviews (CSR) or Spending Reviews (SR) are the processes by which the Government sets spending plans, usually for the coming three years. They determine the overall Control Total (i.e. the Total Managed Expenditure (TME)). TME is made up of two components, the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). The DEL is set annually within the context of the Department's three-year CSR Settlement and AME is set in consultation with HM Treasury through twice yearly reviews. DEL budgets for the three-year period 2008-09, 2009-10 and 2010-11 were set in CSR07.

4.10 BERR's CSR07 Settlement gave the Department an approximately flat cash allocation across the three CSR years, and, as with all Departments, directed that BERR must 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.

Additionally, following an announcement in the Pre Budget Report (in November 2008), BERR has to find value for money savings amounting to £27 million during 2010-11.

4.11 As part of the CSR process each Department has to publish an Asset Management Strategy¹⁷⁴.

Fiscal Stimulus Programmes¹⁷⁵

4.12 During 2008-09, BERR has announced, in outline through the Pre Budget Report (in November 2008) a number of new programmes which are to be funded within the CSR07 Settlement and through the use of End Year Flexibility¹⁷⁶ (EYF). These were as follows:

- the Enterprise Finance Guarantee;
- the Capital for Enterprise Fund; and
- the Working Capital Scheme.

¹⁷⁴The Asset Management Strategy document includes reference to energy-related assets as this was published prior to the October 2008 Machinery of Government change. It is available at: www.berr.gov.uk/files/file27454.pdf.

¹⁷⁵For further information see Notes 25.2 and 39 to the Accounts.

¹⁷⁶See paragraph 4.29 for an explanation of End Year Flexibility.

- 4.13** On 14 January 2009, the Secretary of State for Business announced a support package designed to leverage £22 billion of lending – made up of *the Enterprise Finance Guarantee* (£1.3 billion), *the Capital for Enterprise Fund* (£75 million), and *the Working Capital Scheme* (£20 billion) – to help companies struggling to access finance for working capital and investment in the current economic climate. The Schemes are intended to support viable businesses that have been impacted through a combination of the credit crunch and economic downturn, during which lending conditions have tightened and payment periods extended.
- 4.14** On 27 January 2009, the Secretary of State announced a further £2.3 billion package of loan guarantees to Britain’s automotive manufacturers and large suppliers; primarily to support investment in low carbon plant and research and development. The guarantees to be made through this *Automotive Assistance Programme* will unlock loans of up to £1.3 billion from the European Investment Bank and BERR will offer guarantees to support up to a further £1 billion of lending, or loans where appropriate, to cover worthwhile investments not eligible for European Investment Bank support or which will bring special value to Britain.
- 4.15** As agreed with HM Treasury when designing the Schemes, during 2008-09, BERR made Non Cash Calls on the Reserve of £21 million to fund a provision for the new *Enterprise Finance Guarantee* and £25 million to fund potential defaults under the new *Automotive Assistance Programme*.
- 4.16** A *Trade Credit Insurance Scheme*, one of the package of measures announced in Budget 2009 was introduced on 1 May 2009 to help companies affected by reductions in their credit insurance. The Scheme provides up to £5 billion of top-up trade credit insurance to businesses who have suffered reductions in their level of cover. This will be delivered as part of the *Working Capital Scheme* and will help mitigate the cash flow constraints caused by the withdrawal of trade credit insurance cover and constraints on the provision of working capital that this withdrawal has created. From 1 May 2009 until 31 December 2009, UK businesses will be able to purchase six months’ ‘top-up’ insurance from the Government if credit limits on their UK customers are reduced.
- 4.17** Budget 2009 included further programmes designed to assist industry for which additional funding was provided.
- 4.18** A *Vehicle Scrappage Scheme* for which additional funding amounting to £300 million has been provided for 2009-10. This Scheme provides a £2,000 discount on new vehicles bought by consumers scrapping a ten year old (or more) vehicle and which they have owned for more than 12 months. The £2,000 discount is co-funded; £1,000 will be from Government with the remainder coming from the manufacturer. The Scheme, which was launched on 18 May 2009, will cease when the funding has been fully utilised or at the beginning of March 2010, whichever is earlier.
- 4.19** Budget 2009 also established a £750 million Strategic Investment Fund (SIF), of which:
- £250 million is ring-fenced to support a range of projects on renewable energy and low-carbon business opportunities;

- £50 million is for the Technology Strategy Board to support business innovation in areas of UK capability with opportunities for future growth: and
- £10 million is for UK Trade & Investment (UKTI), to support a package of major trade and investment events.

From Budgets to Estimates to Resource Accounts

4.20 The following paragraphs explain the process that BERR, in common with other government departments, goes through to obtain the resources that are ultimately reported on in its Resource Accounts, as well as explaining the differences between budgets, Estimates and the Resource Accounts.

The Department's Budget

4.21 The Departmental family measures and manages its expenditure through budgets. The Department has two types of budgets, which are described below:

- DEL, which the Department can largely control, though some elements may be demand-led. It is set annually within the context of the Department's three-year financial Settlement determined in the CSR.
- AME, which is demand-led and volatile and, therefore, difficult to predict. AME budgets are set in consultation with HM Treasury through twice-yearly reviews. The majority of the Department's AME expenditure relates to the Post Office Working Capital loan and the Redundancy Payments Service.

4.22 Within DEL and AME there are resource budgets (which are further broken down into administration and programme budgets) and capital budgets.

4.23 Following the creation of DECC in October 2008 through a Machinery of Government change, the Department's DEL budget for 2008-09 was reduced to £1,462 million (2007-08¹⁷⁷: £1,606 million) and the AME budget to £824 million (2007-08: £20 million).

4.24 Some of the Department's DEL budgets are ring-fenced by HM Treasury. This means that the budgets are allocated for specific purposes and any underspends generated cannot be used in aid of other activities. 33% of the 2008-09 DEL was ring-fenced, leaving £977 million available for discretionary allocation by the Department.

4.25 There are further classifications of expenditure within resource budgets termed 'near cash' and 'non cash':

- *Near cash* items are transactions that result in real cash flows in the near future, e.g. pay costs, the procurement of goods and services, and grants. Importantly 'near cash' also includes cash expenditure against provisions.
- *Non cash* items are components of Departments' budgets that are included to reflect the full economic cost of activities and the usage of long-term assets. Non cash items include depreciation, impairments, cost of capital charges, the profit or loss on disposal of assets and changes in provisions.

¹⁷⁷The 2007-08 figures have been restated to account for Machinery of Government changes.

- 4.26** Capital within resource budgets includes expenditure of a capital nature which does not result in capital assets owned by the Department or its delivery partners. In Estimate and Resource Accounting terms the funding for this type of expenditure is termed 'Grants' and treated as resource expenditure.
- 4.27** BERR is responsible for all of the resources allocated to the Departmental family. The Department has put in place a strong budgetary control process to effectively discharge this responsibility.
- 4.28** The Department allocates annual budgets in March each year and monitors them on a monthly basis. Forecasts of expenditure are reviewed monthly and updated where appropriate. More in-depth reviews of forecasts are carried out quarterly with particular emphasis on December reviews (as these are used by HM Treasury as a basis for total spend across Government for the year) and February reviews (to identify changes to be made through the Spring Supplementary Estimate). The Director General, Finance delivers a corporate financial report to the monthly Management Board, highlighting emerging issues and advising where action may be required, and provides regular financial updates to the Secretary of State. During 2008-09, financial reports have also focused on how best to fund the new Fiscal Stimulus Programmes and how to make savings to enable BERR to live within its reduced budgets in 2009-10 and 2010-11.
- 4.29** Budgets are usually amended via the Winter and Spring Supplementary Estimates (see the following paragraph for an explanation of the Estimates process). Under normal circumstances, the Supplementary Estimates provide access to savings in DEL budgets achieved in previous years (a process known as End Year Flexibility) in addition to other changes. However, due to the tight fiscal position, very limited access to such savings has been possible.

The Estimates process

- 4.30** The Department's budgets are agreed in the CSR/SR process, but additionally Parliamentary approval must be sought annually for the issue of public funds. Main Estimates are the means by which Departments seek Parliamentary authority for their spending each year. Since the Main Estimates are not voted by Parliament until July each year, funding for the period from April to the end of July is voted alongside the Winter Supplementary Estimate (known as the 'Vote on Account').
- 4.31** The detailed Estimates include DEL and AME expenditure of the consolidated Department (as described in paragraph 4.21 above), and the Grant-in-Aid paid to the other delivery partners that are not consolidated into the Accounts. This Grant-in-Aid is essentially the provision of cash financing and is designated 'non-budget' expenditure.
- 4.32** Notes to the Estimates demonstrate the relationship between the Estimates total, and the total budget for the Department, including its delivery partners. All changes to the Department's budget are approved as part of the Estimates process.
- 4.33** The Department seeks approval from Parliament for its Main Estimates for the year in April. Supplementary Estimates can then be submitted in the summer, winter and spring. The Estimates follow a standard format, comprising a Request for Resources

(RfR), which sets a limit on the resources required for the main Departmental activity, a request for capital funding and a Net Cash Requirement (NCR), which represents the actual cash made available by the Exchequer to fund the Department's activities.

- 4.34** Each Estimate is accompanied by a formal description (or ambit) of the services to be financed under it. Funds voted by Parliament can only be used to finance services that fall within the ambit of the Estimate.

The Resource Accounts

- 4.35** The Department's Estimate has a single RfR, entitled 'To help ensure success in an increasingly competitive world'. The Department also has a separate Estimate and RfR for the effective management of the UKAEA pension schemes. These are separate from the Consolidated Resource Accounts contained in this publication¹⁷⁸. At the end of the year, the Department is required to report actual expenditure against Estimates in its Consolidated Resource Accounts.

¹⁷⁸ Copies of the UKAEA Pension Accounts are available at from: www.ukaea.org.uk

Section 4.3

Reconciling Estimates, Budgets and Resource Accounts

4.36 As explained above, there are different boundaries for the Department's Estimates, Budgets and Resource Accounts. This section explains their relationship and includes the following reconciliations:

- Estimates to Resource Accounts: this shows how the Net Resource Outturn (voted by Parliament), shown in the Statement of Parliamentary Supply on page 150 is reconciled to the Net Operating Cost which is shown in the Operating Cost Statement in the Resource Accounts on page 151; and
- Resource Accounts to Budgets: this shows how the Net Operating Cost is reconciled to the resource Budget Outturn shown on page 248.

Estimates to Resource Accounts

4.37 The Department's Estimate is reconciled to the Net Operating Cost through three adjustments:

- The first adjustment adds expenditure that is included in the Operating Cost Statement, but does not require formal approval by Parliament in the Supply Estimates. For the Department, this comprises expenditure on Statutory Redundancy Payments funded by the National Insurance Fund, the cost of capital credit on the net liabilities of Royal Mail Holdings plc and the cost of capital charge on the net assets of BNFL plc. Further details are provided in Note 4 to the Resource Accounts.
- The second adjustment adds any Consolidated Fund Extra Receipts (CFERs) which are classified as operating income and therefore included in Net Operating Cost. These CFERs arise from the operating activities of the Department, but are not classified as income for Estimates purposes. The receipts are paid directly to HM Treasury.
- The third adjustment shows the difference between the amount of operating income received and that authorised to be Appropriated-in-Aid of expenditure.

Resource Accounts to Budgets

4.38 There are four main types of adjustment required to reconcile resource expenditure in the Operating Cost Statement in the Resource Accounts to the resource expenditure of the Departmental family in the Department's Budgets:

- The first adjustment removes capital grants, which are classed as resource items in the Resource Accounts, but as capital items in the budgeting framework.
- The second adjustment removes the cash Grant-in-Aid to the Department's delivery partners, which, as explained at 4.31, is not counted as budgetary expenditure.
- The third adjustment adds the income and expenditure of these delivery partners on an accruals basis.
- The fourth adjustment removes those CFERs that are classed as being outside of the budgeting boundary. There are usually other adjustments depending on particular circumstances.

Reconciliation of Estimates to Resource Accounts to Budgets

	Notes	2008-09 £'000	(restated) 2007-08 £'000
Net Resource Outturn (Estimates)	1	1,503,843	1,915,239
<i>Adjustment in respect of</i>			
Non Supply expenditure in the Operating Costs Statement (OCS)	2	246,318	155,852
Consolidated Fund Extra Receipts (CFERs) in the OCS		-643,156	-274,407
Excess Appropriations in Aid	3	-260	-213,663
Net Operating Cost (Accounts)		1,106,745	1,583,021
<i>Adjustment in respect of</i>			
Capital Grants treated as Resource in Accounts, but Capital in Budgets	4	-163,136	-210,619
Expenditure in OCS not included in Budgets (GiA)	5	-1,917,113	-1,864,671
Resource consumption of delivery partners		2,145,594	2,042,391
Other CFERs not in Budgets		7,459	18,570
Budgeting classification differences	6	638,900	267,400
Other	7	147,086	13,508
Resource Budget Outturn (Budget)		1,965,535	1,849,600
<i>of which:</i>			
DEL		1,371,334	1,599,996
AME		594,201	249,604

Notes:

1. Disclosed in the Statement of Parliamentary Supply on page 150 of the Accounts
2. See note 3.1 to the Resource Accounts
3. The amount of operating income received in excess of that authorised to be Appropriated-in-Aid
4. Capital grant receipts in excess of expenditure
5. Mainly grant in aid payments to delivery partners
6. This covers two items: the Special dividend from BNFL is treated as Resource in Accounts, but Capital in Budgets, and payments to British Shipbuilders are treated as Capital in Accounts, but Resource in Budgets
7. Mainly relates to adjustments to Accounts after PEOWP deadline for budgeting outturns

Section 4.4

Financial Review

4.39 This section reviews the Department's results for 2008-09. It analyses the performance of the consolidated Department in the context of the Resource Accounts, and compares the Department's Outturn to its final Estimate.

The Primary Statements in the Consolidated Resource Accounts

4.40 The primary statements in the Consolidated Resource Accounts comprise:

- the Statement of Parliamentary Supply;
- the Operating Cost Statement;
- the Statement of Recognised Gains and Losses;
- the Balance Sheet;
- the Consolidated Cash Flow Statement; and
- the Consolidated Statement of Operating Costs by Departmental Strategic Objectives.

Statement of Parliamentary Supply

4.41 This is the accountability statement for parliamentary reporting purposes. It records the Net Resource Outturn compared to Estimate and only includes expenditure and income (Appropriations-in-Aid) allowable against the Estimate. Explanation of why the Outturn in 2008-09 was different from the Estimate is given in paragraph 4.44. This statement also includes a comparison of non-operating cost Appropriations-in-Aid with the amount voted by Parliament in the Estimate and discloses amounts payable to the Consolidated Fund as Extra Receipts (CFERs).

4.42 Non-operating Cost Appropriations-in-Aid reduced by £657 million, from £6,483 million in 2007-08¹⁷⁹ to £5,826 million in 2008-09 mainly due to a reduction in payment levels under the Post Office Working Capital loan offset by a £232 million redemption in the NLF loans, lent on to Royal Mail Holdings Plc.

4.43 CFERs increased by 8% from £842 million in 2007-08 to £906 million in 2008-09.

4.44 The Net Resource Outturn for 2008-09 (as shown in the Statement of Parliamentary Supply) was £1,504 million. This is a decrease of £411 million compared to the Outturn for 2007-08 of £1,915 million. This compares to a final Estimate of £1,519 million, giving an underspend of £15 million. The most significant reasons (where the variance is greater than £0.5 million and 10% of the Estimate) for the underspend are given below. (The disclosure here is based on Note 2 to the Resource Accounts, on page 163.) Analysis of net Outturns from the budgeting perspective is included in section 5.5 and in annex 8.

¹⁷⁹ All 2007-08 figures have been restated to account for Machinery of Government changes.

- Providing the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered (Estimate Function AG) – Net Outturn was £61 million (26.6%) less than the Estimate mainly as a result of a reduction in an onerous lease provision.
- Delivering free and fair markets, with greater competition for businesses, consumers and employees (Estimate Function AI) – Net Outturn was £4 million (11.2%) more than the Estimate. This was due to Paternity Pay and Adoption Pay take-up being more than the forecast modelling had predicted.
- Ensuring that the Government acts as an effective and intelligent shareholder, and providing a source of excellent corporate finance expertise within Government (Estimate Function AK) – Net Outturn was £13 million (223%) less than the Estimate due to an overall reduction in the level of the provisions for UKAEA's decommissioning and restructuring.
- Delivering free and fair markets, with greater competition for businesses, consumers and employees (Estimate Function Y) – Net Outturn was £15 million (30.2%) less than the Estimate due to Consumer Focus setup costs not being realised until later than expected. The organisation did not come into existence until 1 October 2008.
- Ensuring that the Government acts as an effective and intelligent shareholder, and providing a source of excellent corporate finance expertise within Government (Estimate Function AM) – Net Outturn was £2 million less than the Estimate due to UKAEA's Grant-in-Aid requirement being less than originally estimated.

Operating Cost Statement

- 4.45** The Operating Cost Statement is similar to an Income and Expenditure Account in not-for-profit bodies and includes all operating income and expenditure relating to the consolidated bodies on an accruals accounting basis, including that which sits outside the Estimate. The Net Operating Cost for 2008-09 was £1,107 million, a decrease of £476 million compared to the restated figures (reflecting the MoG change), for 2007-08 of £1,583 million.
- 4.46** The differences between Net Operating Cost and Net Resource Outturn are disclosed in Note 3 to the Resource Accounts. The main differences relate to expenditure on Redundancy Payments funded from the National Insurance Fund, the cost of capital charge on the net assets and liabilities of BNFL plc and Royal Mail Holdings plc, which are not included in Estimates; and any income payable to the Consolidated Fund (including excess Appropriations in Aid) which is included in the Operating Cost Statement.
- 4.47** Operating income includes dividends declared by Companies House and BNFL plc. The Companies House dividend, at £2.2 million, represents the return on investment of Public Dividend Capital (PDC). It is calculated as a return of 3.5% on the Companies House average capital employed. The special dividend from BNFL plc, amounting to £632 million, represents a further interim amount agreed by the BNFL Board to be paid to the Department as the company continues with its sale of various areas of its business.

- 4.48** Grant-in-Aid and other grants represented 81% of gross expenditure for programmes in 2008-09 – this ratio was 89% in 2007-08.
- 4.49** Total expenditure on consultancy (including BERR's consolidated bodies), according to definitions issued by the Office of Government Commerce (OGC), amounted to £21.7 million in 2008-09. The majority of Departmental expenditure on consultancy (89%) is recorded under administration costs.
- 4.50** The consolidated spend on staff substitution/interim management amounted to £5 million.
- 4.51** Research and Development costs are shown in Notes 10 and 11 to the Resource Accounts.

Statement of Recognised Gains and Losses

- 4.52** This Statement reflects the unrealised element of revaluations to fixed assets and investments. These gains have not been reflected in the Operating Cost Statement.

Balance Sheet

- 4.53** The Balance Sheet discloses the assets and liabilities of the Department at the Balance Sheet date. The main changes in the Department's assets and liabilities during the year are described below. The Consolidated Department had total Net Assets of £2,018 million in 2008-09 compared to £2,046 million in 2007-08. The main reasons for this change relate to movements in the value of the Launch Investment portfolio and the increase in the Small Firms Loan Guarantee Scheme liabilities.
- 4.54** Tangible fixed assets increased by £14.5 million resulting from an increase in assets under construction including work on improvements to leasehold buildings on the BERR estate and expenditure on major IT projects.

Royal Mail Holdings Plc

- 4.55** Royal Mail Holdings plc is wholly owned by Government. Its core operating subsidiary is Royal Mail Group Limited (mails business). Post Office Limited (POL) is the subsidiary of the Group that provides the post office network arm of the business. The Government has provided financial support to the Royal Mail Group of companies via debt financing and subsidy payment.

Debt Financing

- 4.56** On 26 March 2007, the Department announced finalisation of a new financing framework for Royal Mail. Part of this framework included borrowing facilities of £1.2 billion (£900 million of National Loan Fund – NLF facilities and a £300 million Shareholder Loan). These were put in place to assist Royal Mail with implementation of its existing business transformation plan. The new facilities replaced the £1.044 billion of borrowing facilities made available to Royal Mail from 2003 to 2007. Royal Mail utilised the Shareholder Loan in full on the 17 March 2009.
- 4.57** On 6 February 2001, Royal Mail utilised in full a £500 million NLF loan facility that was made available to it, to assist with the company's international acquisitions, primarily German Parcel, which now forms Royal Mail's European parcels business –

GLS. This facility comprises twenty separate tranches of £25 million each, the first tranches of which do not begin to mature until 20 March 2021. Royal Mail makes bi-annual interest payments on the loan amounting to £29 million per annum.

- 4.58** The Department has also made available to POL, through an agreement reached on 17 October 2003, a revolving loan facility based on commercial terms of up to £1.15 billion. This is to help the company fund its working capital cash requirements in branch. POL began utilising this facility on 1 December 2003. The facility matures on 31 March 2011 and the outstanding balance as at 31 March 2009 was £197 million.

Post Office Network Support

- 4.59** The Government has demonstrated its continuing commitment to a sustainable future for the Post Office by the scale of its investment of up to £1.7 billion in the network. This funding includes an annual subsidy of £150 million to support some 7,500 non-commercial branches which might not survive without Government subsidy. These non-commercial branches are in urban as well as rural communities. Payments of £77 million and £75 million were also made to POL under section 8 of the Industrial Development Act 1982. These payments assisted POL in covering its losses as it implemented its transformation plan. All these payments are made under the terms of the current funding package, which runs until March 2011.

Launch Investments

- 4.60** The Department provides support to the aerospace industry in the form of investments in the development of aerospace products covered by the Department's portfolio of Launch Investment contracts. The investments are repayable to the Department at a real rate of return, usually via levies on subsequent sales of the products developed. The expected cash flow from levies is discounted, and forecasts of sales and the resulting levies determine the value of the portfolio.
- 4.61** During 2008-09, the value of the investment fell by £35 million from £1,508 million at the end of 2007-08 to £1,473 million at the end of 2008-09, as a result of levy income i.e. the repayment of the investment offset by amortisation and an increase in the revaluation.

Capital for Enterprise Limited

- 4.62** Capital for Enterprise Limited (CfEL) was established in 2007-08 to manage the Department's equity investment fund and loan guarantee programmes. CfEL commenced full business activity on 1 April 2008. The Department owns 49,901 shares and provides cash funding as Grant-in-Aid. The Small Firms Loan Guarantee Scheme, one of the loan guarantee programmes, was closed to new applications during 2008-09 and has been replaced by the Enterprise Finance Guarantee which is also managed by CfEL. In February 2009 CfEL created two wholly owned subsidiaries: Capital for Enterprise GP Ltd (CfE GP) and the Capital for Enterprise Fund Managers Ltd (CfE FM Ltd) to facilitate co-investment with the private sector in the new Capital for Enterprise Fund.

Nuclear Provisions

4.63 The Department has retained the liability to cover the costs of the decommissioning of the United Kingdom Atomic Energy Authority (UKAEA) Culham site. In 2008-09 this amounted to £154 million.

British Shipbuilders

4.64 The Department has taken on responsibility for providing funds to the British Shipbuilders Corporation for liabilities arising from personal injury to former employees as a result of exposure to asbestos, to the extent that these liabilities cannot be met from residual funds of the Corporation.

4.65 The total liability increased by £2 million from £116 million at the end of 2007-08 to £118 million at the end of 2008-09. There was a £9 million increase in the provision as a result of a transfer of liabilities from DWP offset by a discharge of liabilities in year amounting to £7 million. The £9 million increase reflects the transfer of responsibility for funding initial payments made to mesothelioma sufferers by DWP. In future, BERR will fund reimbursements to DWP from the provision for British Shipbuilders' Liabilities, where a claimant has entitlement to compensation for mesothelioma and DWP has already made some payment of benefit to the claimants.

New provisions

4.66 During 2008-09 it was announced that the Department would be running a new Icelandic Water Trawlermen Compensation Scheme following a report of the ombudsman in 2007, and an announcement in the Commons in December 2008. As a result the Department created a new provision amounting to £7 million to cover the forecast of future compensation payments. In addition, the Department created a new provision for asbestos related claims from former dockers, regulated by the National Dock Labour Board (NDLB). The undiscounted liability is estimated to be £9 million. Further information about both of these provisions is provided in Note 24.

Other provisions

4.67 Other provisions have decreased by £61 million from £268 million to £207 million. This was mainly due to a combination of changes in the provision for the Early Retirement liabilities based on the actuarial assumptions and the cost of index linking and a reduction in the onerous lease provision on properties that are determined surplus to existing and future requirements under the Department's accommodation strategy.

Revaluation reserve

4.68 The Revaluation Reserve, which records gains/losses on the revaluation of assets in the period, stands at £57 million at 31 March 2009, compared to £108 million at 31 March 2008. The reduction is largely due to net changes to the value of the Launch Investment portfolio.

Cash Flow Statement

4.69 The Cash Flow Statement includes the net cash outflow from operating activities, capital expenditure and financial investment, receipts and payments to the

Consolidated Fund and financing, resulting in the net increase or decrease in the Department's cash in-year. The notes supporting the working of the Cash Flow Statement may be found on page 153. The Department also has to estimate how much cash it is going to need in the year, which is called the Net Cash Requirement (NCR). The amount of cash required to fund the Department's activities during 2008-09 was £1,475 million compared to an Estimate of £2,463 million, an underspend of £988 million.

4.70 The underspend was mainly due to:

- the decrease (rather than the forecast increase) in Debtors; and
- the estimated cash requirement for the Post Office working capital loan (£610 million) which is set to cover the maximum possible cash call allowable in year under the loan arrangements; outturns for 2008-09 meant that only £197 million of this was required at year end.

Statement of Operating Cost by Departmental Strategic Objectives

4.71 The Statement of Operating Costs by Departmental Strategic Objectives (DSOs) shows how resources, as set out in the Operating Cost Statement, have been deployed to each DSO. These are outlined in chapter 1 and assessed in chapter 2.

Financial Reporting Standards 25, 26 and 29

4.72 The Consolidated Resource Accounts include, for the first time, the affects of adopting Financial Reporting Standards (FRS) 25, 26 and 29 – the standards relating to financial instruments. These Standards are intended to enhance financial statement users' understanding of the significance of financial instruments to a Department's financial position, performance and cash flows and the nature and extent of risks arising from financial instruments, to which there is exposure during the period and at the reporting date, and how the Department manages those risks.

4.73 The Consolidated financial statements contain prior period adjustments to reflect: (a) a change in the fair value of the Insolvency Service's debtors, as they are discounted for the first time, leading to an interest charge of £2.6 million being taken to reserves; (b) the first-time recognition of a financial guarantee of the core Department – previously a contingent liability – in relation to the High Technology Fund, which resulted in an adjustment of £672,000; and (c) the classification of the SFLGS and EFG as financial guarantees, with each guarantee valued initially at fair value and subsequently measured at the higher of fair value and the amount determined in accordance with FRS 12 (Provisions, Contingent Liabilities and Contingent Assets), resulting in an increase in liabilities of £30 million and a corresponding increase in debtors to reflect premium income unearned at 1 April 2008.

Other information

Risks and uncertainties that might affect the Department's long-term position

4.74 The Management Board reviews each month (except August) the Department's principal risks that might impact on the organisation's position either in the immediate or long term future. These risks are based upon the following strategic themes:

- changing environment;
- influencing; and
- organisational capacity.

Pension liabilities

4.75 The Department's staff can become members of one of the Principal Civil Service Pension Schemes (PCSPS). The Department's employer's contributions into the Schemes are reflected in the Resource Accounts within Staff Costs.

4.76 The PCSPS are unfunded multi-employer defined benefit schemes and the Department is consequently unable to identify its share of the underlying assets and liabilities. There is therefore no reflection of the Schemes on the Department's Balance Sheet. Further details can be found in Note 9 to the Resource Accounts.

Payment of suppliers

4.77 The Department's policy is to comply with the Institute of Credit Management's Prompt Payment Code, and in February 2009 the Department became an approved signatory to the Code. Whilst the Department's standard terms and conditions for the supply of goods or services specify payment within 30 days of receipt of a valid invoice the Department has, since October 2008, aimed to pay all valid invoices within ten days of receipt. This is in line with the commitment made by the Prime Minister on 8 October 2008.

4.78 In 2008-09, the core Department paid 99.6% of undisputed invoices within the 30 day target (100% in 2007-08), and the consolidated Department paid 99.2% of undisputed invoices (99.1% in 2007-08). Since November 2008, the first full month of recording achievement against the ten day target, the core Department paid 96.1% of undisputed invoices within ten working days.

Charging Policy

4.79 BERR provides only a limited number of services within the core Department for which it charges fees. Any such fees are set to comply with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance. The Insolvency Service sets its fees to recover costs. It has a range of fees covering three areas: case administration where fees reflect the average costs of administering bankruptcy cases and compulsory company liquidation cases; insolvency practitioner regulation where fees include the cost of authorising and monitoring insolvency practitioners and registering individual

voluntary arrangements; and estate accounting where fees reflect the cost of financial transactions on insolvency cases using the Insolvency Services Account.

Post balance sheet events

4.80 For a list of Post Balance Sheet Events see Note 39 to the Resource Accounts.

Auditors

4.81 These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 147 to 149. The notional cost to the Department of the external audit of the core Account by the National Audit Office for the C&AG was £220,000 (2007-08 – £240,000). The total cost of work on the Consolidated Account was £299,500 (2007-08 – £309,000).

4.82 In addition the notional cost of the review of the restatement of balances under International Financial Reporting Standards (IFRS), was £13,500 for the core Department. The total cost of the review of the restatement of balances for the Consolidated Account was £32,500.

4.83 Drawing upon an NAO report, the Committee of Public Accounts published two reports focused on the Department's work in 2008-09:

- Government Preparations for Digital Switchover (28th Report of 2007-08, HC 416, 26th June 2008).
- Reducing the cost of complying with regulations: the delivery of the Administrative Burdens Reduction programme 2007 (32nd Report of 2007-08, HC 363, 2nd June 2008).

4.84 The NAO also published reports on:

The Administrative Burdens Reduction Programme, 2008. The Report examined the progress reported at the end of 2007 by departments in reducing the administrative burdens on businesses of complying with regulations. It found that initiatives to reduce such burdens have helped improve business perceptions of the Government's approach to regulation but businesses have not reported a reduction in the time taken to comply with regulations. The Programme had provided an impetus across departments to reducing burdens. In 2007 departments had implemented over 150 specific measures to reduce administrative burdens and the majority predicted that they will meet their reduction target by 2010. There had also been a small positive shift in businesses' perceptions about regulation. However, the report concluded that the total reported in-year savings of £800 million should be treated with caution, as they were indicative estimates and have been subject to only limited independent validation. And only 1% of businesses believed that complying with regulation had become less time consuming in 2007 and 40% said it has become more time consuming. (HC 944, Session 2007-08, published 7 October 2008).

Delivering High Quality Impact Assessments. This report examined the work of the the Better Regulation Executive to improve the quality of departments' assessments of the likely impact of new regulations. The Report concluded that the introduction of

new processes had strengthened scrutiny and improved the quality of impact assessments in several respects. There was a sharper presentation of results, better planning for post-implementation review and a greater incidence of quantification of costs and benefits. But there remained a wide variation between the best and worst impact assessments and fewer presented an analysis of the costs and benefits for a range of options or summarised an implementation plan. It recommended that further improvements were needed for impact assessments to fully play their part in helping to ensure that new regulations deliver the intended benefits in a cost-effective manner. (HC128, Session 2008-09, published 30 January 2009.)

UK Trade & Investment: Trade Support. The report examined whether UK Trade & Investment is delivering successfully its trade support strategy. The report concluded that it was close to achieving its targets of assisting 20,000 businesses in a 12-month period, delivering high quality and satisfaction ratings and improving business performance. UK Trade & Investment, however, lacked sufficiently robust measures of the costs of delivering specific services. It was therefore not in a position to gauge reliably the efficiency of its different activities, the contribution of different parts of the organisation to these services, nor the relative costs and benefits of the different services it provides. The Report recommended that UK Trade & Investment should improve its limited costing model to estimate the unit cost of each of its services and use this information to review the range of services; and target resources on those which are most cost effective. (HC297, Session 2008-09, published 3 April 2009.)

- 4.85** After the end of the financial year, on 5 June 2009, the NAO published an additional report relating to the Department:

BERR's oversight of the Post Office Network Change Programme. Due to threats to the viability of the Post Office network, BERR agreed to a programme to reduce the total number of post office outlets to approximately 12,000, compared with some 14,000 when the Programme began in 2007. The closures were part of a larger plan aimed at returning Post Office Ltd to profitability by 2010-11 (net of regular subsidy payments). The plan also included action to improve efficiency and Post Office Ltd's financial performance, and to sustain and increase revenues. The plan was supported by funding from the Department of up to £1.7 billion over five years, including a subsidy from the taxpayer of £150 million a year, reflecting the role Post Offices play in the local community. The report found that the Department evaluated the social and economic value of supporting the reduced network, and had asked Postcomm to commission further research, but did not plan ongoing monitoring of the social or economic benefits. The programme had largely met its targets and complied with the undertakings given by the Departmental at its start. The programme was forecast to be under-budget – at March 2009, the projected final costs for the programme were £161 million, down from the original estimate of £176 million. After completion of the programme, Post Office Ltd planned to deliver savings of £45 million a year. The ongoing benefits of the programme would exceed the one-off costs of the programme, notably the cost of compensating sub postmasters, from 2011-12 onwards. However, Post Office Limited's handling of some closures suffered from poor communication, causing resentment among some local customers. The programme of putting in place at least 500 new Outreach services, such as mobile

post offices, was planned to be complete by late 2008 but at March 2009, 433 of the minimum 500 planned services were open. Planned refurbishments to nearly 700 existing post offices expected to take more business as a result of closures have been completed in only 447 post offices. (HC 558, Session 2008-09, published 5 June 2009.)

4.86 In addition, the NAO is currently engaged on work in the following main areas:

- Support for small business: access to equity finance; and
- The sale of British Energy.

Disclosure of audit information

4.87 As Accounting Officer, as far as I am aware there is no relevant audit information of which the Department's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.



Simon Fraser
Principal Accounting Officer and Permanent Secretary
10 July 2009

Chapter 5

Resource Accounts

Section 5.1

Statement of Accounting Officer's responsibilities

- 5.1** Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Business, Enterprise and Regulatory Reform (BERR) to prepare, for each financial year, Resource Accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.
- 5.2** In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:
- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the Accounts; and
 - prepare the Accounts on a going concern basis.
- 5.3** HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department for Business, Enterprise and Regulatory Reform's assets, are set out in *Managing Public Money* as published by HM Treasury.

Section 5.2

Statement on internal control

Introduction

5.4 This is the last Statement on Internal Control for the Department for Business, Enterprise and Regulatory Reform (the Department). It ceased to operate on 5 June 2009 following the creation of the new Department for Business, Innovation and Skills (BIS), which merged the work of BERR with the work of the former Department for Innovation, Universities and Skills (DIUS). References made in the document about planned actions to improve the system of internal control within the Department will be relevant for BIS.

Scope of responsibility

5.5 As Accounting Officer, my predecessor had responsibility for maintaining a sound system of internal control that supported the achievement of the Department for Business, Enterprise and Regulatory Reform's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which he was personally responsible, in accordance with the responsibilities assigned to him in Managing Public Money.

5.6 Although I was not in post during the accounting period for the 2008–09 Statement on Internal Control, my predecessor, Chairman of the Audit Committee and Head of Internal Audit advised me about the control environment that operated in the Department up to the approval of the Annual Report and Accounts.

5.7 The Department's role was to help to ensure business success in an increasingly competitive world by:

- promoting the creation and growth of business and a strong enterprise economy across all regions;
- ensuring that all Government Departments and agencies deliver better regulation for the private, public and third sectors;
- delivering free and fair markets, with greater competition, for businesses, consumers and employees;
- ensuring that Government acts as an effective and intelligent shareholder and provides a source of excellent corporate finance expertise within Government; and
- providing the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered.

5.8 In supporting Ministers in pursuit of this, my predecessor was supported by:

- The Department's Management Board which he chaired. It comprised the core operational Directors General; Chief Executive UKTI; and three Non-Executives. The Director of Communications and the Director of Business Environment Unit both attended the Management Board. The Board met monthly, except August,

and worked with Ministers to set the Department's strategy and allocate resources, agree business plans and monitor Departmental performance, assess risks/issues which could undermine the Department's strategy/business plan, assess Departmental capability and plans for the future and set standards, values and controls.

- The following three Committees supported the role of the Management Board:
 - Audit and Risk Committee
 - Executive Committee
 - Operating Committee
- The Secretariat, who proactively managed the governance of Board and Committee agendas and provided strategic input, took minutes, and recorded follow up on decisions and action points.

5.9 My predecessor worked with Ministers and the Department's top management through the Management Board, other meetings and correspondence. He involved Ministers in the management of risk at a strategic level, considering major factors that could prevent Departmental objectives being achieved.

The purpose of the system of internal control

5.10 The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was in place in the Department for Business, Enterprise and Regulatory Reform for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to handle risk

5.11 The Management Board took the lead in embedding risk management in the organisation and reviewed each month the key risks facing the Department. During the year, the Board decided to revise its list of key risks to reflect the changing risk environment facing the Department as a result of the economic downturn. An exercise was undertaken with the Board to determine the key strategic themes for the Department and the main risks associated with these in the current climate. The new set of risks was approved by the Board in January 2009.

5.12 The Board also reviewed twice during the year the long term risks that may pose a significant threat to the Department in the future. As part of performance reporting, the Board also received each quarter, a register of emerging risks that had been identified at Group level for potential escalation to the Board.

- 5.13** During 2009-10, a new risk management framework will be developed to take account of the merger between BERR and DIUS. The risk management policy will be updated to reflect the new arrangements and endorsement sought from the Audit and Risk Committee.
- 5.14** Guidance was available to all staff on risk management through the Risk Management Intranet site, which was revised and updated each month. In addition to a risk management policy, specific guidance was available on undertaking risk self assessment which included guidance on applying risk management as an integral part of the Department's business planning process. Risk management workshops were available to all staff and practical guidance on its application was incorporated into a wide range of training courses. These courses covered all ranges of staff in the Department and were tailored to be appropriate to their authority and duties. The National School of Government prepared an e-learning package on risk management which was made available to BERR staff in May 2009.

The risk and control framework

- 5.15** The risk management framework for the Department operated through the initial identification of risks, as part of the business planning process, which threatened the achievement of the Department's objectives. These risks were then evaluated in terms of impact and probability. Consideration was then given to the actions required to effectively manage each risk. This process established the level of residual risk against which the Department was exposed and which was monitored over time as part of performance management. Ownership for each risk was assigned to a named individual. Assurance that risk mitigation activities are appropriate was obtained through regular management reviews and Internal Audits of the key activities undertaken in the Department.
- 5.16** Throughout 2008-09 the Department's Risk Support Team continued to work with colleagues to embed risk identification and assessment into the early stages of key decision making processes such as business planning and performance management, policy-making and project management. The Risk Support Team worked in partnership with a number of policy and project teams to help embed risk management within their activities.

Review of effectiveness

- 5.17** As the current Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control was informed by the work of the internal auditors and the executive managers within the Department who had responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I had been advised on the implications of the results of my review of the effectiveness of internal control by the Management Board and, the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system was in place.

- 5.18** The effectiveness of the system of internal control was reviewed by my Directors General who each provided a Statement on Risk Management, Internal Control and Corporate Governance for their Group, informed by returns or opinions they themselves received from their Heads of Management Units. The Chairman of the Audit and Risk Committee and the Director of Internal Audit reviewed each Statement and Representation with the relevant Director General and discussed the key findings with me.
- 5.19** The Department's Agencies and consolidated delivery partners also conducted a review of the effectiveness of internal control in preparing a Statement on Internal Control for their Annual Accounts. A similar process was applied to that in the Department and the signed statements from each Chief Executive formed part of the Department's overall assurance on internal control.
- 5.20** The Department also had arrangements, tailored to each particular situation, for monitoring those sponsored bodies which were not consolidated into the Departmental Resource Accounts but where these bodies participated in the delivery of Departmental objectives. Monitoring arrangements were in place as needed for other bodies where the Department had policy lead within Government.
- 5.21** The Audit and Risk Committee provided independent advice to give assurance to the Management Board on internal control issues, the Internal Audit work programme and the progress being made in embedding risk management within the organisation. My predecessor and then I attended the Committee and maintained a dialogue with the Chairman. The Chairman also sat as a Non-Executive Board Member on the Management Board. The Audit and Risk Committee undertook a review of performance against its terms of reference during 2008-09.
- 5.22** Internal Audit operated to requirements defined in the Government Internal Audit Standards. Their audit programme was focused around the Department's key risks and regular reports were submitted on the adequacy and effectiveness of internal control together with recommendations for improvement. Where weaknesses in the control environment were identified, action to strengthen control was taken or was planned. The Director of Internal Audit provided me with an Annual Report which recorded his opinion that during 2008-09 the system of internal control that operated within BERR was satisfactory.

Other matters relevant to my statement

- 5.23** Following the Cabinet Office's review of data handling and security, BERR made good progress in implementing the requirements expected of it. BERR's security and information management teams worked together to ensure the requirements and associated guidance issued by Cabinet Office were clearly understood by users and key stakeholders. A network of Management Group Data Champions was established to get key data security information out to BERR's delivery partners and maintain effective communication channels.
- 5.24** BERR put effort into ensuring communications to staff on data handling was digestible and understood. Poster and BERR TV campaigns were run in an effort to secure high and sustained levels of personal compliance across the organisation. In

May 2009, BERR introduced mandatory training for data users, and key stakeholders as Cabinet Office sponsored e-learning packages were released by the National School of Government.

- 5.25** There were no significant internal control problems in the Department's Agencies and delivery partners that impacted on the Department's Resource Accounts.



Simon Fraser
Principal Accounting Officer and Permanent Secretary
10 July 2009

Section 5.3

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

5.26 I certify that I have audited the financial statements of the Department for Business, Enterprise and Regulatory Reform for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Consolidated Cash Flow Statement and the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

5.27 The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

5.28 My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

5.29 I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the sections 3.6, 4.1, 4.4, annex 2, annex 3 and annex 4, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

5.30 In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

5.31 I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

5.32 I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises

the remaining sections of the Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

- 5.33** I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.
- 5.34** I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

- 5.35** In my opinion:
- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, consolidated net operating costs applied to departmental strategic objectives, recognised gains and losses and consolidated cash flows for the year then ended;
 - the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
 - information which comprises sections 3.6, 4.1, 4.4, annex 2, annex 3 and annex 4 included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

- 5.36** In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151, Buckingham Palace Road
Victoria
London SW1W 9SS
15 July 2009

Section 5.4

Primary Statements

Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

		Estimate			Outturn			2008-09 £'000	(restated) 2007-08 £'000
		Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total Outturn compared with Estimate: saving/ (excess)
Request for Resources									
RfR 1 Ensuring business success	2	3,557,276	(2,038,475)	1,518,801	3,542,318	(2,038,475)	1,503,843	14,958	1,915,239
Total resources	3	3,557,276	(2,038,475)	1,518,801	3,542,318	(2,038,475)	1,503,843	14,958	1,915,239
Non-operating cost A in A	7			6,450,000			5,825,751	624,249	6,483,180

Net Cash Requirement 2008-09

	Note	Estimate	Outturn	2008-09 £'000	(restated) 2007-08 £'000
				Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	4	2,462,936	1,475,225	987,711	1,987,633

The prior year figures have been restated to reflect the Machinery of Government changes described in Note 41

Summary of income payable to the Consolidated Fund

(In addition to Appropriations in Aid (A in A), the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Note	Forecast 2008-09 £'000		Outturn 2008-09 £'000	
		Income	Receipts	Income	Receipts
Total	5	854,611	<i>854,611</i>	905,796	<i>914,510</i>

Further detail and explanation of the variation between Estimate and Outturn are given in Note 2 and in the Financial Review on page 130.

Operating Cost Statement

for the year ended 31 March 2009

	Note	2008-09 £'000			(restated) 2007-08 £'000	
		Staff Costs	Core Department Other Costs	Income	Core Department	Consolidated
Administration Costs						
Staff costs	9	134,441			128,622	133,084
Other administration costs	10		117,240		339,258	346,846
Operating income	13			(34,065)	(32,260)	(41,009)
Programme Costs						
Staff costs	9	754			815	103,681
Other Programme costs	11		3,402,777		3,350,500	3,371,650
Income	13			(1,875,207)	(1,933,254)	(2,071,231)
Special dividend (BNFL plc)	13			(632,000)	(260,000)	(260,000)
Totals		135,195	3,520,017	(2,541,272)	1,593,681	1,583,021
Net Operating Cost	3, 14			1,113,940	1,593,681	1,583,021

All income and expenditure is derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Net gains and losses on revaluation of tangible fixed assets	27	536	694	(196)	40
Net gain on revaluation of investments	27	45,486	45,486	64,248	64,248
Recognised gains and losses for the financial year	27	46,022	46,180	64,052	64,288

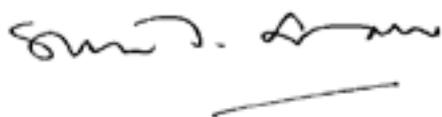
The prior year figures have been restated to reflect the Machinery of Government changes described in Note 41.

Balance Sheet

as at 31 March 2009

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Fixed Assets:					
Tangible assets	15	71,229	95,043	69,179	80,503
Intangible assets	16	–	907	–	1,612
Investment and Loans in Public Bodies	17	1,251,108	1,251,108	948,312	948,312
Other financial assets	18	1,538,954	1,538,954	1,564,385	1,564,385
		2,861,291	2,886,012	2,581,876	2,594,812
Debtors (amounts falling due after more than one year)	20	63,422	18,511	9,734	396
Current Assets:					
Stocks	19	–	8	–	25
Debtors	20	328,594	451,351	428,252	515,630
Investments and loans in Public Bodies	21	199,000	199,000	390,000	390,000
Cash at bank and in hand	22	1,092,682	1,105,546	837,308	862,887
		1,620,276	1,755,905	1,655,560	1,768,542
Creditors (amounts falling due within one year)	23	(1,303,047)	(1,350,182)	(1,059,669)	(1,110,627)
Net Current Assets		317,229	405,723	595,891	657,915
Total Assets less Current Liabilities		3,241,942	3,310,246	3,187,501	3,253,123
Creditors (amounts falling due after more than one year)	23	(537,503)	(538,717)	(538,406)	(540,827)
Provisions for liabilities and charges	24	(488,123)	(496,571)	(541,635)	(552,236)
Financial guarantees	25	(256,812)	(256,812)	(114,367)	(114,367)
		1,959,504	2,018,146	1,993,093	2,045,693
Taxpayers' Equity:					
General fund	26	1,903,218	1,961,222	1,886,027	1,937,945
Revaluation reserves	27	56,286	56,924	107,066	107,748
		1,959,504	2,018,146	1,993,093	2,045,693

The prior year balances have been restated to reflect the Machinery of Government changes as described in Note 41.



Simon Fraser
Principal Accounting Officer and Permanent Secretary

10 July 2009

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Note	2008-09 £'000	(restated) 2007-08 £'000
Net cash outflow from operating activities	28.1	(697,550)	(1,498,103)
Capital expenditure and financial investment	28.2	(135,543)	(1,506)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	5	272,675	363,586
Payments of amounts due to the Consolidated Fund		(1,142,736)	(1,117,006)
Financing	28.4	1,945,377	2,601,353
Increase in cash in the period	22, 28.5	242,223	348,324

The increase in cash comprises the movement in the Cash Note and the movement in the overdraft disclosed in Note 23.

The prior year movements have been restated to reflect the Machinery of Government changes described in Note 41.

Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2009

The Department's aim is to ensure business success in an increasingly competitive world.

In pursuance of its aim, the Department has the following strategic objectives:

Objective:	2008-09 £'000			(restated) 2007-08 £'000		
	Gross	Income	Net	Gross	Income	Net
Promoting the creation and growth of business	2,597,213	(1,793,623)	803,590	2,511,714	(1,875,326)	636,388
Ensuring better regulation	11,385	–	11,385	9,140	(1)	9,139
Delivering free and fair markets	891,401	(205,546)	685,855	586,818	(158,286)	428,532
Ensuring that Government acts as an effective shareholder	188,805	(684,278)	(495,473)	488,168	(311,643)	176,525
Professional support, capability and Infrastructure	129,320	(27,932)	101,388	359,421	(26,984)	332,437
Net operating costs	3,818,124	(2,711,379)	1,106,745	3,955,261	(2,372,240)	1,583,021

The Department changed its objectives in 2008-09 following the Machinery of Government change in October 2008. See Note 29.

The prior year costs have been restated to reflect the Machinery of Government changes as described in Note 41.

Section 5.5

Notes

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2008-09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show Outturn against Estimate in terms of the Net Resource Requirement and the Net Cash Requirement. The consolidated Statement of Net Operating Costs by Departmental Strategic Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, stocks and financial instruments, as described in paragraphs 1.3, 1.4, 1.6 and 1.7.

1.2 Basis of consolidation

These accounts comprise a consolidation of the core Department and those entities which fall within the Departmental boundary as defined in the FReM (Chapter 2.4) issued by HM Treasury and include non-voted expenditure in relation to the Redundancy Payments Scheme. Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the Departmental boundary is contained in annex 3 of the Report to these accounts.

1.3 Tangible fixed assets

Title to freehold land and buildings shown in the accounts is held by the Department for Communities and Local Government, in the name of the Secretary of State.

Freehold land and buildings are re-stated at current cost using professional valuations every five years and prior to 1 April 2008, where appropriate, using indices in the intervening years.

In accordance with the FReM, the core Department has opted to value all other tangible fixed assets on a depreciated historical cost basis, as a proxy for current cost. Therefore, with effect from 1 April 2008, the Department ceased to use indices to restate tangible

fixed assets to current cost and the brought forward balances as at 1 April 2008 are used as a proxy for historic cost.

The consolidated bodies, however, continue to restate tangible fixed assets to current cost using appropriate indices. The differences arising because of this are not material to the Accounts.

The core Department's capitalisation threshold for tangible fixed assets is £1,000, except for furniture assets, where all expenditure in one financial year is pooled and capitalised, and IT hardware where a 'pack' of equipment purchased under the Department's Flexible Computing Programme (FCP), with a cost in excess of £1,000 is capitalised as one asset.

The capitalisation thresholds for the consolidated bodies range from £1,000 to £3,000, except for leasehold improvements where one of the bodies has a capitalisation threshold of £300,000.

1.4 Intangible fixed assets

Where computer software licences are purchased and have a useful life in excess of one year, they are capitalised as intangible fixed assets. These are revalued each year using relevant published indices. Software licences are amortised over the shorter of the term of the licence and the useful economic life. The useful economic life is usually between five to twelve years. All intangible fixed assets are held by the consolidated bodies. Those held by The Insolvency Service are classified as tangible fixed assets in their accounts.

1.5 Depreciation

Freehold land is not depreciated.

Assets under Construction are not depreciated until the asset is brought into use.

Tangible fixed assets are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over their estimated useful lives. Assets are normally depreciated over the following periods:

Freehold buildings	50 years or estimated useful economic life if shorter
Leasehold improvements	Shorter of estimated remaining useful economic life or outstanding term of lease
Office machinery and equipment	5 years
Computer equipment	3 – 5 years
Telecommunication equipment	5 – 10 years
Furniture, fixtures and fittings	7 years
Plant and machinery	7 – 10 years

For furniture, fixtures and fittings, an asset pool is maintained. Replacements on a one-to-one basis for assets in the pool are charged directly to the Operating Cost Statement in the year of replacement. Major enhancements or additions to the pool are capitalised as assets.

1.6 Financial Instruments

The Department classifies its financial instruments into the following four categories: fair value through the Operating Cost Statement; held to maturity; loans and receivables; and available for sale.

The Department determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year-end.

When financial instruments are recognised initially, they are measured at fair value based on quoted market prices for instruments traded in active markets and valuation techniques for other instruments. The subsequent measurement, by the Department, of financial instruments, falls into the classifications as follows:

- Financial assets at fair value through the Operating Cost Statement (held for trading): Financial assets are classified as held at fair value if they are acquired for sale in the short term. Assets are carried in the Balance Sheet at fair value with gains and losses recognised in the Operating Cost Statement. The Department does not currently hold any financial assets in this category.
- Held to maturity: Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. The Department does not currently hold any financial assets in this category.
- Loans and receivables: Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through the Operating Cost Statement' or available for sale.

The Department's assets in this category include: cash at bank and in hand, debtors and loans.

The Department carries loans and receivables relating to other public bodies at historical cost in accordance with the FReM. All other loans and receivables are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Operating Cost Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

- Available for sale financial assets: 'Available for sale assets' are non-derivative financial assets that are designated as such or are not classified in any of the three preceding categories. The Department's assets in this category include: Launch Investments, Venture Capital Funds and ordinary shares.

The Department carries ordinary shares in other public bodies at historical cost in accordance with the FReM. All other 'available for sale assets' are measured at their fair value. Gains and losses are recognised directly in equity until the investment is derecognised, or until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Operating Cost Statement.

- Financial liabilities at fair value through the Operating Cost Statement: Derivative liabilities are classified as held for trading unless they are designated as hedging instruments. They are carried in the Balance Sheet at fair value with gains and losses recognised in the Operating Cost Statement. The Department does not currently hold any financial liabilities in this category.
- Financial liabilities measured at amortised cost: all non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. The Department's liabilities in this category are: creditors.

Non-derivative financial liabilities are initially recognised at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Operating Cost Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

The Department carries creditors within other public bodies at historical cost in accordance with the FReM.

Financial Guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. At each Balance Sheet date they are subsequently measured at the higher of the amount determined in accordance with FRS 12 'Provisions Contingent Liabilities and Contingent Assets', and the amount initially recognised, less when appropriate cumulative amortisation.

The Department currently has a number of financial guarantees provided under the Small Firms Loan Guarantee Scheme; the Enterprise Finance Guarantee; and guarantees given in relation to the UK High Technology Fund.

1.7 Stocks and work in progress

Stocks and work in progress are valued as follows:

- Stocks of finished goods and goods for resale are valued at cost or, where materially different, current replacement cost. A net realisable valuation is used only when they either cannot or will not be used; and
- Work in progress is valued at the lower of cost and net realisable value.

1.8 Provisions

In accordance with FRS12, the Department makes provision for liabilities and charges where, at the Balance Sheet date, a legal or constructive obligation exists (i.e. a present obligation arising from past events), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, the Department discounts the provision to its present value using a discount rate of 2.2%, the Government's standard rate. Each year the financing charges in the Operating Cost Statement include the adjustments to amortise one year's discount so that liabilities are shown at current price levels.

1.9 Research and development

Expenditure on research and development is charged to the Operating Cost Statement in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated research project, or according to the asset category if the asset is to be used for subsequent production work.

1.10 Operating income

Operating income is income that relates directly to the operating activities of the Department and its consolidated bodies. It comprises, principally, fees and charges for services provided, on a full cost basis, to external customers and public sector repayment work, dividends and special dividends. It also includes other income such as that from investments. It includes both income Appropriated-in-Aid and income collected by the Department on behalf of HM Treasury on an agency basis and payable to the Consolidated Fund. This income is known as Consolidated Fund Extra Receipts (CFERs).

The Department is required to identify those CFERs that are negative public expenditure (amounts used to reduce the amount of expenditure the Department would otherwise have to spend) and those revenue CFERs that relate to the recovery of costs recorded in the Operating Cost Statement, or to returns on investments. These types of CFERs are credited to the Operating Cost Statement as income to the Department. The remaining CFERs are not included in the Department's Operating Cost Statement and are accounted for through the Balance Sheet accounts of cash and creditors.

1.11 Administration and programme expenditure and income

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the Department, as defined under the administration cost-control regime, together with the associated operating income. Income is analysed in the Notes between that which, under the regime, is allowed to be offset against gross administration costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants-in-aid, grants and other disbursements by the Department, in support of policy initiatives.

1.12 Grants payable

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Operating Cost Statement on the basis of estimates of claims not received and are included in accruals in the Balance Sheet.

1.13 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for:

- a) tangible and intangible fixed assets, where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - additions at cost;
 - disposals as valued in the opening Balance Sheets (plus any subsequent capital expenditure prior to disposal);
 - impairments at the amount of the reduction of the opening Balance Sheet value (plus any subsequent capital expenditure); and
 - depreciation of tangible and amortisation of intangible fixed assets;
- b) donated assets, and cash balances with the Office of the Paymaster General (OPG), where the charge is nil;
- c) the Department's investments in its trading fund (Companies House) and the public corporation, British Shipbuilders, where the charge is equal to 3.5% of the trading fund's underlying net assets, and the public corporations (BNFL and Royal Mail) where the charge is equal to 8% of the public corporation's underlying net assets.

1.14 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly in which case an average rate for a period is used. Monetary assets and liabilities denominated in foreign currency at the Balance Sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.15 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) as described at Note 9. The defined benefit Schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the Schemes, the Department recognises the contributions payable for the year.

1.16 Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when an early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its

liability in advance by making a payment to the Civil Service Superannuation Vote. The amount provided in these accounts is shown gross of any such payments.

1.17 Taxation

The Department is exempt from income and corporation tax by way of its Crown exemption.

Value Added Tax (VAT) is accounted for in the accounts, in that amounts are shown net of VAT except:

- irrecoverable VAT is charged to the Operating Cost Statement, and included under the heading relevant to the type of expenditure; and
- irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within debtors and creditors within the Balance Sheet.

1.18 Statement of Parliamentary Supply and the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

The information contained in the Statement of Parliamentary Supply and associated Notes are based on the Request for Resources information that forms part of the Parliamentary approval processes.

The Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives reports expenditure and income for each of the Department's objectives. The differences between the Net Resource Outturn, as disclosed in the Statement of Parliamentary Supply and the Net Operating Costs, as disclosed in the Operating Cost Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives, are disclosed in Note 3 to the accounts.

1.19 Leases

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage. Future payments, disclosed at Note 31.1, are not discounted.

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright at the present value of the total rentals payable during the primary period of the lease. The corresponding leasing commitments are shown as obligations to the lessor. The core Department currently has no Finance leases, however, The Insolvency Service, the Department's Agency, does have finance leases. Charges are made to the Operating Cost Statement in respect of:

- depreciation, which is charged on a straight line basis over the useful economic life of the asset; and
- the total finance charge, which is allocated over the primary period of the lease using the sum of digits method.

Where the Department is the lessor of an operating lease, amounts due under the operating lease are treated as amounts receivable and reported as debtors.

1.20 *Inter-Departmental transfers of functions: Restatement of prior year comparators*

Machinery of Government changes, which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. This requires the restatement of the opening Balance Sheet and prior year's Operating Cost Statement, Cash Flow Statement, Statement of Net Operating Costs by Departmental Strategic Objectives and associated Notes to the Accounts.

The restatement of the opening Balance Sheet and the prior year comparatives for the 2008-09 Machinery of Government changes are disclosed in Note 41 to the accounts.

1.21 *Private Finance Initiative (PFI) transactions*

PFI transactions have been accounted for in accordance with FRS 5 Technical Note No. 1 (Revised), entitled 'How to Account for PFI Transactions' as required by the FReM. Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost.

1.22 *Contingent Assets and Liabilities*

The contingent liabilities of the core Department and the consolidated bodies are included in these accounts.

In addition to contingent liabilities or assets disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefits is remote. These comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement; and
- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of the accounts), which are required by the FReM to be noted in the Accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

In accordance with the FReM, the Department does not disclose any contingent liabilities of its delivery partners that arise in the normal course of business.

1.23 Third-party assets

The Department holds, as custodian or trustee, certain cash balances at commercial banks belonging to third parties. These balances are not recognised in the accounts since neither the Department nor Government more generally has a direct beneficial interest in them.

2. Analysis of net resource outturn by section

							2008-09 £'000 Outturn	2008-09 £'000 Estimate	(restated) 2007-08 £'000 Outturn
RfR 1 Ensuring business success	Administration	Other Current	Grants	Gross Resource Expenditure	A in A	Net Resource Total	Net Total	Net Total Outturn compared with Estimate	Prior year Outturn
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
AB Business Creation and Growth	43,825	100,957	220,663	365,445	(1,793,541)	(1,428,096)	(1,473,334)	(45,238)	(1,087,933)
AC Free and Fair Markets	10,484	290,706	91,577	392,767	(202,555)	190,212	204,862	14,650	143,716
AF Government as shareholder	16,596	–	301,720	318,316	(13,851)	304,465	314,034	9,569	459,113
AG Professional Support and Infrastructure	192,341	(3,339)	7,667	196,669	(28,528)	168,141	229,082	60,941	387,427
Support for Local Authorities									
AH Business Creation and Growth	–	–	346,297	346,297	–	346,297	346,318	21	101,070
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
AI Free and Fair Markets	–	–	44,477	44,477	–	44,477	40,000	(4,477)	42,800
AK Government as shareholder	–	(6,585)	(12,151)	(18,736)	–	(18,736)	(5,791)	12,945	2,112
Support for Local Authorities									
AL Business Creation and Growth	–	–	1,970	1,970	–	1,970	1,970	–	2,263
Non-Budget									
W Business Creation and Growth	–	–	1,851,094	1,851,094	–	1,851,094	1,800,388	(50,706)	1,816,242
X Better Regulation	–	–	4,400	4,400	–	4,400	4,400	–	1,794
Y Free and Fair Markets	–	–	34,344	34,344	–	34,344	49,205	14,861	41,181
AM Government as shareholder	–	–	5,275	5,275	–	5,275	7,667	2,392	5,454
Resource Outturn	263,246	381,739	2,897,333	3,542,318	(2,038,475)	1,503,843	1,518,801	14,958	1,915,239

Key to RfR 1

To help ensure business success in an increasingly competitive world.

Explanations of the variation between Estimate and Outturn are given in the Financial Overview in Chapter 4 of the Report to these Accounts.

3. Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

	Note	Outturn	Supply Estimate	2008-09 £'000 Outturn compared with Estimate	(restated) 2007-08 £'000 Outturn
Net Resource Outturn	2	1,503,843	1,518,801	(14,958)	1,915,239
Non-supply income (CFERs)	5	(643,416)	(7,036)	(636,380)	(488,070)
Non-supply Expenditure – National Insurance Fund expenditure (RPS)	11, 28.4	391,918	359,280	32,638	173,772
Royal Mail and BNFL Cost of Capital credit		(145,600)	–	(145,600)	(17,920)
*Net Operating Cost		1,106,745	1,871,045	(764,300)	1,583,021

	2008-09 £000	(restated) 2007-08 £'000
* Net Funding		
NLF loans to Royal Mail income	(29,488)	(29,172)
NLF loans to Royal Mail expenditure	29,488	29,172
Total	–	–

The Redundancy Payments Service (RPS)

The Department is responsible for the approval and processing of claims under the Redundancy Payment Scheme, which is financed from the National Insurance Fund. Claims processed under the Scheme fall into two categories: RP1 (which covers redundancy pay, holiday pay and arrears of pay) and RP2 (pay in lieu of notice). The average payment for RP1 during 2008-09 was £2,660 (2007-08: £1,370). An average amount of £1,877 was paid during 2008-09 for RP2 (2007-08: £676).

There is associated income related to this Scheme arising from two sources:

- solvent Recovery – where monies are recovered over a period of up to three years from companies, setting up a standing order, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time; and
- insolvent Recovery – the Department becomes a creditor receiving a dividend if there are sufficient funds on the winding up of the company.

Expenditure in 2008-09 totalled £428 million (2007-08: £213 million) against income of £36 million (2007-08: £39 million), the net of which is disclosed in Note 11.

3.2 Outturn against final Administration Budget

	Note	Budget	2008-09 £'000 Outturn	(restated) 2007-08 £'000 Outturn
Gross Administration Budget	2	314,807	263,246	479,929
Income allowable against the administration budget	13	(37,990)	(42,319)	(41,009)
Net outturn against final Administration Budget		276,817	220,927	438,920

4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £'000	Outturn £'000	2008-09 Net Total Outturn compared with Estimate: saving/(excess) £'000
Resource Outturn	2	1,518,801	1,503,843	14,958
Capital:				
Acquisition of fixed assets	15,16	–	28,639	(28,639)
Investments	17,18,21,283	7,119,715	5,933,632	1,186,083
Non-operating A in A:				
Proceeds of fixed asset disposals	–	–	–	–
Investments	17,18,21,283	(6,450,000)	(5,825,751)	(624,249)
Accruals adjustments:				
Royal Mail and BNFL cost of capital credit	–	–	(145,600)	145,600
Non-cash items	12	(186,530)	(46,295)	(140,235)
Adjustment for non-cash income		–	3,711	(3,711)
Changes in working capital other than cash	–	402,652	(89,063)	491,715
Changes in creditors falling due after more than one year	23	–	3,591	(3,591)
Royal Mail Interest capitalised	17	–	296	(296)
Use of provision	24	58,298	24,152	34,146
Use of Financial guarantee	25	–	84,070	(84,070)
Net cash requirement		2,462,936	1,475,225	987,711

5. Analysis of income payable to the Consolidated Fund

In addition to Appropriations-in-Aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	Income	Forecast 2008-09 £'000 <i>Receipts</i>	Income	Outturn 2008-09 £'000 <i>Receipts</i>
Operating income and receipts – excess A in A		–	–	260	260
Other operating income and receipts not classified as A in A	13	7,036	7,036	643,156	641,575
	26	7,036	7,036	643,416	641,835
Non-operating income and receipts – excess A in A		–	–	–	–
Other Non-operating income and receipts not classified as A in A		757,575	757,575	–	–
Other amounts collectable on behalf of the Consolidated Fund		90,000	90,000	262,380	272,675
Total income payable to the Consolidated Fund		854,611	854,611	905,796	914,510

The forecast is an estimate of the CFERs the Department expected to collect in 2008-09. However, CFERs do not form part of the Departmental Supply Estimate and are not disclosed in the Statement of Parliamentary Supply.

A breakdown of other amounts payable to the Consolidated Fund is as follows:

	2008-09 £'000	(restated) 2007-08 £'000
Launch Investment levies received	96,457	128,114
Universal banking contributions	1,525	34,625
Companies House late filing penalties ¹	50,167	42,800
OFCOM Wireless Telegraphy Act ¹	107,493	106,165
Royal Mail ¹	6,640	6,320
UKAEA ¹	–	34,900
Other	98	1,479
Total	262,380	354,403

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2008-09 £'000	(restated) 2007-08 £'000
Operating income	13	(2,711,379)	(2,372,240)
Income outside of the supply process	13	29,488	29,172
Gross income		(2,681,891)	(2,343,068)
Less: Income authorised to be Appropriated-in-Aid ²		2,038,475	1,854,998
Operating income payable to the Consolidated Fund	5	(643,416)	(488,070)

7. Non-operating income

	2008-09 £'000	2007-08 £'000
Post Office Limited working capital loan	(5,562,000)	(6,450,000)
Other investment income	(232,153)	(5,784)
Launch Investment income	(31,702)	(25,609)
Movement in Launch Investment debtors	104	(1,787)
Non-operating income	(5,825,751)	(6,483,180)

8. Non-operating income not classified as Appropriations in Aid (A in A)

There is no non-operating income not classified as A in A for 2008-09, nor was there any for 2007-08.

¹ The results of these bodies are not consolidated into the BERR Accounts

² This figure comes from the Departmental Estimate and is disclosed in the Statement of Parliamentary Supply.

9. Staff numbers and related costs

Staff costs comprise:

	2008-09 £'000					(restated) 2007-08 £'000
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total
Wages and salaries	187,767	8,865	267	163	197,062	187,088
Social security costs	15,323	45	28	15	15,411	14,725
Other pension costs	38,255	65	1	–	38,321	35,967
Total	241,345	8,975	296	178	250,794	237,780
Less recoveries in respect of outward secondments	–	(640)	–	–	(640)	(1,015)
Total net costs	241,345	8,335	296	178	250,154	236,765
Of which: Core Department	131,829	2,892	296	178	135,195	129,437

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit Scheme but the Department for Business, Enterprise and Regulatory Reform is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employers' contributions of £38,225,722 were payable to the PCSPS (2007-08: £37,660,984) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2007-08 were also between 17.1% and 25.5%). The Scheme's Actuary reviews employer contributions usually every four years following a full Scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £87,023 (2007-08: £137,845) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (the rates in 2007-08 were also between 3% and 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% (2007-08: also 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were £8,003 of contributions due to the partnership pension providers at the Balance Sheet date, but there were no contributions prepaid at that date.

In 2008-09, 4 persons (2007-08: 3 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £8,908 (2007-08 £18,727).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the Department as well as in Agencies and other bodies included within the Consolidated Departmental Resource Accounts.

Objective	Permanent staff	Others	Ministers	Special Advisers	2008-09	(restated)
					Number	2007-08
					Total	Total
Promoting the creation and growth of business	1,038.7	79.4	–	–	1,118.1	1,033.7
Ensuring better regulation	85.0	11.0	–	–	96.0	88.0
Delivering free and fair markets	3,642.2	621.2	–	–	4,263.4	4,147.8
Ensuring that Government acts as an effective shareholder	47.8	7.0	–	–	54.8	43.5
Professional support, capability and infrastructure	1,018.1	75.9	5.1	3.0	1,102.1	1,126.6
Total	5,831.8	794.5	5.1	3.0	6,634.4	6,439.6
Of which: Core Department	2,563.8	204.5	5.1	3.0	2,776.4	2,665.6

Staff Debtors

At 31 March 2009: 1,070 (31 March 2008: 1,405) employees of the Department and its consolidated bodies were in receipt of advances of travel and housing loans, repayable to the employer. The staff debtor amount is disclosed in Note 20.

10. Other administration costs

Other administration costs comprise:

	2008-09 £'000			(restated) 2007-08 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases:					
Plant and Machinery		1,101	1,131	1,018	1,029
Other		29,449	30,671	35,695	36,644
Interest charges		–	–	3	3
PFI service charge	32	26,778	26,778	26,622	26,622
Research and Development		25	25	2	2
Travel and subsistence		8,174	8,706	6,752	7,127
IT support		6,212	6,219	5,737	5,738
Training and other staff costs		8,066	8,142	8,686	8,924
Professional services		34,390	33,872	23,309	23,704
Accommodation		22,293	24,018	22,735	23,868
Other		7,913	12,093	4,885	9,371
		144,401	151,655	135,444	143,032
Non-Cash Items:					
Depreciation	15,16	11,915	11,915	7,111	7,111
Revaluation / impairment	15,16	–	–	(12)	(12)
(Profit)/Loss on disposal of fixed assets		4	4	37	37
Notional cost of capital charges/(credit)		(2,844)	(2,844)	(2,408)	(2,408)
Auditors' remuneration		234	234	240	240
Specific bad debt write off		8	8	18	18
Provision for bad debts		(138)	(138)	(241)	(241)
Provisions provided for in year		(40,978)	(40,978)	199,103	199,103
Unwinding of discount on provisions	24,25	4,638	4,638	(34)	(34)
Total non-cash		(27,161)	(27,161)	203,814	203,814
Total other administration costs		117,240	124,494	339,258	346,846

The auditors' remuneration represents the notional cost of the audit of the financial statements, which was £220,000 and the cost of the review of the restatement of balances under International Financial Reporting Standards (IFRS), which was £13,500, carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work.

11. Programme costs

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Grant in Aid		2,074,382	2,027,070	2,019,662	1,974,539
Other grants		721,480	713,580	940,267	934,702
Interest on NLF loans on-lent to Royal Mail Holdings plc		29,488	29,488	29,172	29,172
Interest on Bank loans and overdraft		5	5	9	9
PFI Service Charges	32	536	4,602	597	6,128
Net loss (gain) on foreign exchange		(228)	(228)	(23)	(23)
Rentals under operating leases – plant and machinery		2	882	5	721
Charges under finance lease		–	179	–	192
Research and development		1,380	1,811	694	927
Redundancy Payments Service – National Insurance Fund		391,918	391,918	173,772	173,772
Other		135,576	200,673	112,435	154,781
Auditors' remuneration		–	40	–	32
		3,354,539	3,370,020	3,276,590	3,274,952
Non-cash items					
Depreciation – tangible fixed assets	15	–	2,641	–	2,455
Amortisation – intangible fixed assets	16	–	524	–	446
Revaluation / impairment		–	397	–	109
Loss on disposal of fixed assets		–	18	–	36
Investment impairment		23,516	23,516	31,154	31,154
Specific bad debt write off		1,846	21,638	65	15,879
Bad Debt Provision – Financial Guarantee		3,770	3,770	–	–
Notional cost of capital charges/(credit)		(117,687)	(116,469)	12,985	13,734
Auditors' remuneration		–	54	–	37
Provisions:					
Provided for in year		180,560	181,164	73,629	76,734
Unwinding of discount on provisions	24,25	9,648	9,618	10,097	10,134
Premium income debtor unwinding of discount		(636)	(636)	–	–
Launch Investment – unwinding of discount	18	(52,779)	(52,779)	(54,020)	(54,020)
Total non-cash		48,238	73,456	73,910	96,698
Total programme expenditure		3,402,777	3,443,476	3,350,500	3,371,650

The auditors remuneration of £40,000 for Acas represents the cost of the audit of their financial statements (£36,000) and the cost of the review of balances as at 1 April 2008 under International Financial Reporting Standards (£4,000), carried out by the Comptroller and Auditor General.

The auditors' remuneration for The Insolvency Service is notional and represents the cost of the audit of their financial statements (£39,500) and the cost of the review of balances as at 1 April 2008 under International Financial Reporting Standards (£15,000), carried out by the Comptroller and Auditor General.

12. Administration and Programme non-cash costs summary

The total for non cash costs in Note 10 (other administration costs) and Note 11 (programme costs) is as follows:

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Auditors' remuneration		234	288	240	277
Depreciation / amortisation		11,915	15,080	7,111	10,012
Loss / (profit) on the disposal of fixed assets		4	22	37	73
Revaluation / impairments		23,516	23,913	31,142	31,251
Bad debt provision movement		(138)	(138)	(241)	(241)
Bad debt provision – Premium debtor		3,770	3,770	–	–
Specific bad debt write off		1,854	21,646	83	15,897
Notional cost of capital charge/credit		(120,531)	(119,313)	10,577	11,326
Premium income debtor unwinding of discount		(636)	(636)	–	–
Launch Investment – unwinding of discount		(52,779)	(52,779)	(54,020)	(54,020)
Movement on provisions		153,868	154,442	282,795	285,937
Total	4, 28.1	21,077	46,295	277,724	300,512

13. Income

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Administration Income:					
Fees and charges received from external customers		11,068	19,322	15,867	24,616
Recovery/rent/rates/services		22,882	22,882	14,797	14,797
Other allowable within the Administration cost limit		115	115	1,596	1,596
Total Administration Income (A in A)		34,065	42,319	32,260	41,009
Programme Income:					
Funding from Other Government Departments for Regional Development Agencies/London Development Agency		1,711,510	1,711,510	1,746,174	1,746,174
Other income from Other Government Departments		–	–	16	16
European Union Funding		153	153	67	67
Other		119,189	281,042	143,418	281,395
Amortisation of premium income		3,711	3,711	–	–
Programme Income (A in A)		1,834,563	1,996,416	1,889,675	2,027,652
Programme Income outside of the supply process					
Interest on NLF loans on-lent to Royal Mail Holdings plc		29,488	29,488	29,172	29,172
Consolidated Fund Extra Receipts (CFERs)		11,156	11,156	14,407	14,407
Special Dividend (BNFL plc)		632,000	632,000	260,000	260,000
Total Programme Income		2,507,207	2,669,060	2,193,254	2,331,231
Total Operating Income		2,541,272	2,711,379	2,225,514	2,372,240

Total income allowable against the Estimate, as shown in the Statement of Parliamentary Supply, amounted to £2,038,475.

14. Analysis of net operating cost by spending body

	Note	Estimate	2008-09 £'000 Outturn	(restated) 2007-08 £'000 Outturn
Spending body:				
Core Department		1,418,256	1,016,608	1,501,439
Advisory, Conciliation and Arbitration Service		41,062	45,893	42,797
Insolvency Service		59,483	44,244	38,785
Net operating cost		1,518,801	1,106,745	1,583,021

15. Tangible fixed assets

	Land and Buildings £'000	Leasehold Improvements £'000	Office Machinery £'000	Computer Equipment £'000	Furniture, Fixtures and Fittings £'000	Plant and Machinery £'000	Assets under Construction £'000	Total £'000
Cost or valuation								
(restated)								
At 1 April 2008	1,651	53,786	1,857	13,395	10,550	1,970	34,049	117,258
Additions	–	2,260	546	614	151	272	24,488	28,331
Disposals	–	(13)	(125)	(425)	(242)	(28)	–	(833)
Reclassifications	–	6,331	–	13,178	293	–	(19,392)	410
Revaluation	(171)	516	44	(395)	16	1	–	11
At 31 March 2009	1,480	62,880	2,322	26,367	10,768	2,215	39,145	145,177
Depreciation								
(restated)								
At 1 April 2008	632	19,019	1,155	6,546	7,700	1,703	–	36,755
Charged in year	75	6,391	245	6,285	1,411	149	–	14,556
Disposals	–	(11)	(124)	(417)	(231)	(28)	–	(811)
Reclassifications	–	–	–	–	–	–	–	–
Revaluation	(707)	411	(22)	(56)	8	–	–	(366)
At 31 March 2009	–	25,810	1,254	12,358	8,888	1,824	–	50,134
Net book value at 31 March 2009								
	1,480	37,070	1,068	14,009	1,880	391	39,145	95,043
Net book value at 31 March 2008	1,019	34,767	702	6,849	2,850	267	34,049	80,503
Asset financing								
Owned	1,480	37,070	1,068	11,527	1,880	391	39,145	92,561
Finance leases	–	–	–	2,482	–	–	–	2,482
Net book value at 31 March 2009	1,480	37,070	1,068	14,009	1,880	391	39,145	95,043

Analysis of tangible fixed assets

The net book value of tangible fixed assets comprises:

	Land and Buildings £'000	Leasehold Improvements £'000	Office Machinery £'000	Computer Equipment £'000	Furniture, Fixtures and Fittings £'000	Plant and Machinery £'000	Assets under Construction £'000	Total £'000
Core Department March 2009	1,480	33,337	49	11,564	1,458	121	23,220	71,229
Consolidated Bodies March 2009	–	3,733	1,019	2,445	422	270	15,925	23,814
Core Department March 2008 (restated)	1,019	32,024	65	3,833	2,448	168	29,622	69,179
Consolidated Bodies March 2008	–	2,743	637	3,016	402	99	4,427	11,324

The total fixed asset additions as disclosed in Notes 15 and 16, amounting to, £28,639 can be reconciled to the cash payments made during the year as follows:

	Note	£'000
Cash payments made to purchase fixed assets during 2008-09 for:		
Tangible fixed assets	28.2	27,354
Intangible fixed assets	28.2	308
		27,662
Movement in creditors		(288)
Accrued Expenditure		1,265
Additions in fixed asset notes	15,16	28,639

15.1 The net book value of land and buildings comprises:

	31 March 2009 £'000	31 March 2008 £'000
	Land and Buildings	Land and Buildings
Freehold	1,480	1,019
Total	1,480	1,019

The Department has one freehold property:

- The Core Store at 36 Gilmerton Road, Edinburgh was revalued to £1.48 million in March 2009 by DVS, the commercial arm of the Valuation Office Agency (VOA), on an existing use basis. On 1 August 2005 the Core Store was leased to the British Geological Survey (BGS) for the sum of £1 per annum for a term of ten years. BGS is a research centre wholly owned by the Natural Environment Research Council (NERC), which is funded by the Department for Innovation, Universities and Skills (DIUS) through Grant-in-Aid.

All professional valuations have been made in accordance with the Royal Institute of Chartered Surveyors guidance.

16. Intangible Fixed Assets

	2008-09 £'000	2007-08 £'000
	Total	Total
Cost or Valuation		
At 1 April	3,282	1,623
Additions	308	1,688
Donations	–	–
Disposals	–	–
Transfers	(409)	–
Revaluation	(99)	(29)
At 31 March	3,082	3,282
Amortisation		
At 1 April	1,670	1,236
Charged in year	524	446
Disposals	–	–
Transfers	–	–
Revaluation	(19)	(12)
At 31 March	2,175	1,670
Net Book Value		
At 31 March	907	1,612

Analysis of intangible fixed assets

The net book value of intangible fixed assets, all of which relate to the consolidated bodies, comprise of software licences.

17. Fixed investments and loans in public bodies

	Ordinary Shares £'000	Public Dividend Capital £'000	Other Loans and Investments £'000	(restated) Total £'000
Balance at 1 April 2007	430,373	15,889	507,186	953,448
Additions	50	7,400	–	7,450
Disposals	–	–	(5,186)	(5,186)
Repayments	–	–	–	–
Impairment	–	(7,400)	–	(7,400)
Balance at 31 March 2008	430,423	15,889	502,000	948,312
Balance at 1 April 2008	430,423	15,889	502,000	948,312
Additions	–	6,823	534,500	541,323
Disposals	–	–	–	–
Repayments	–	–	(232,000)	(232,000)
Interest capitalised	–	–	296	296
Impairment	–	(6,823)	–	(6,823)
Balance at 31 March 2009	430,423	15,889	804,796	1,251,108

17.1 Ordinary Shares

	Value at 1 April 2008 £'000	Additions £'000	Disposals £'000	Revaluation £'000	Value at 31 March 2009 £'000
BNFL plc shares	50	–	–	–	50
Royal Mail Holdings plc shares	430,323	–	–	–	430,323
CfEL	50	–	–	–	50
Total	430,423	–	–	–	430,423

In accordance with the FReM, ordinary shares are shown at historical cost less any provision for impairment.

The Government holds 50,000 ordinary shares in BNFL plc at a nominal value of £1 each. BNFL plc was set up to hold those parts of BNFL that did not pass to the Nuclear Decommissioning Authority (NDA), including, inter alia, British Nuclear Group Sellafield Limited (formerly British Nuclear Fuels). The Secretary of State for Business, Enterprise and Regulatory Reform owns 49,999 ordinary shares and the Treasury Solicitor holds one ordinary share.

The Government owns 100% of the shares in Royal Mail Holdings plc. The Secretary of State for Business, Enterprise and Regulatory Reform owns 50,004 ordinary shares and the Treasury Solicitor holds one ordinary share. The Secretary of State for Business, Enterprise and Regulatory Reform also owns one Special Share, relating to certain areas for which Special Shareholder's consent is required (see Note 17.4).

The independent Hooper review highlighted the need for significant changes to Royal Mail in terms of regulatory reform, resolving the pension deficit and bringing in a strategic partner. Government's stated policy is to implement those changes when market conditions allow. The Department undertakes an annual review of the value of its holding in Royal Mail, and has additionally this year sought valuations from investment banks and potential buyers of a minority stake, as part of the response to the Hooper Review.

Capital for Enterprise Limited (CfEL) was established in 2007-08 to manage the Department's equity investment fund and loan guarantee programmes. CfEL commenced full business activity on 1 April 2008. The Department owns 49,901 shares and provides cash funding as Grant-in-Aid. The Small Firms Loan Guarantee Scheme was closed to new applications during 2008-09 and has been replaced by the Enterprise Finance Guarantee Scheme (EFGS) which is also managed by CfEL. In February 2009 CfEL created two wholly owned subsidiaries: Capital for Enterprise GP Ltd (CfE GP) and also the Capital for Enterprise Fund Managers Ltd (CfE FM Ltd) to facilitate co-investment with the private sector in the new Capital for Enterprise Fund.

17.2 Public Dividend Capital (PDC)

	Value at 1 April 2008 £'000	Additions £'000	Redemptions £'000	Revaluation £'000	Impairment £'000	Value at 31 March 2009 £'000
British Shipbuilders	–	6,823	–	–	(6,823)	–
Companies House	15,889	–	–	–	–	15,889
Total	15,889	6,823	–	–	(6,823)	15,889

The British Shipbuilders Corporation requires equity injections to maintain its solvency. The Department makes payments of Public Dividend Capital (PDC) to allow the Corporation to discharge its liabilities under the Aircraft and Shipbuilding Industries Act 1977.

Consequently, the PDC has been fully impaired. The Department expects to continue to make equity injections to maintain the Corporation's solvency, in accordance with the statement to Parliament of July 1988. The historic cost of PDC payments made to 31 March 2009 is £1,617,562,000 (£1,610,739,000 at 31 March 2008).

17.3 Share of net assets and results of bodies outside the consolidation boundary

The Department is required to disclose, for each investment which represents an interest in a subsidiary undertaking, an associate or joint venture which falls outside the Departmental consolidation boundary, the Department's share of the net assets and results of those bodies. This information is summarised below.

	British Shipbuilders	Companies House	British Nuclear Fuels Ltd	Royal Mail Holdings plc	CfEL Ltd
2008-09	£m	£m	£m	£m	£m
Assets	3	69	1,411	5,915	0.35
Liabilities	(124)	(15)	(466)	(10,571)	(0.28)
Net assets/(liabilities)	(121)	54	945	(4,656)	0.07
Turnover	–	67	1,801	9,410	2.00
Surplus/profit (deficit/loss) for the year	(9)	1	(127)	(229)	0.02

	British Shipbuilders	Companies House	British Nuclear Fuels Ltd	Royal Mail Holdings plc	
2007-08	£m	£m	£m	£m	
Assets	1	71	1,960	6,354	
Liabilities	(88)	(12)	(735)	(6,595)	
Net assets/(liabilities)	(87)	59	1,225	(241)	
Turnover	–	72	2,938	9,238	
Surplus/profit (deficit/loss) for the year	(9)	3	2,225	135	

Notes:

- For 2008-09, British Shipbuilders information is derived from their 2008-09 draft annual accounts for audit. For 2007-08, the information was derived from the 2006-07 audited Annual Accounts, as their 2007-08 information was not available. British Shipbuilder's Accounts were prepared in accordance with UK GAAP.
- Companies House information is derived from their 2008-09 draft Annual Accounts. For 2007-08, the information was derived from their audited annual accounts for 2006-07, as their 2007-08 information was not available. Companies House Accounts were prepared in accordance with the requirements of the *Government Financial Reporting Manual (FReM)*.
- British Nuclear Fuels Limited (BNFL) information is derived from their 2007-08 audited Annual Accounts, as their 2008-09 information was not available. For 2007-08, the information was derived from their 2006-07 audited Annual Accounts, as their 2007-08 information was not available. BNFL's Accounts were

prepared in accordance with UK GAAP. BNFL's Accounts were prepared in accordance with UK GAAP and on a break-up basis reflecting the impending cessation of substantive trading of the Group within 12 months of the Balance Sheet date.

- Royal Mail Holdings plc information is derived from their 2008-09 audited Annual Accounts. For 2007-08, the information was derived from their 2007-08 audited Annual Accounts. Royal Mail's Accounts were prepared in accordance with International Financial Reporting Standards (IFRS).
- Capital for Enterprise Limited information is derived from their 2008-09 draft Annual Accounts. Capital for Enterprise Limited commenced trading on 1 April 2008 and so there is no comparable accounting data for 2007-08. The accounts were prepared in accordance with UK GAAP.

17.4 Special Shares

In addition, the Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body.

The Department does not recognise the special or 'golden' shares on its Balance Sheet in accordance with paragraph 7.4.45 (e) of the FReM.

Body in which Share is held and type and value of Share	Terms of Shareholding
<i>Royal Mail Holdings plc</i> <i>£1 Special Rights Preference Share</i>	<ul style="list-style-type: none"> • created in January 2001; • it may be redeemed at any time by the shareholder; • the consent of the shareholder is required for a number of decisions, including: <ul style="list-style-type: none"> – appointing the Chairman of the company, and the remainder of the Board (after consulting the Chairman); – setting (and approving any material changes in) the remuneration packages of the Directors; – borrowing in excess of certain pre-set limits (as agreed with the HM Treasury); – adopting and implementing the company's strategic plan; – disposing of substantial assets of the business or any "relevant subsidiaries" or substantial parts of the business of such subsidiaries; – voluntary winding-up of any subsidiary; and – varying certain of the company's Articles of Association, including the rights of the special shareholder.

Body in which Share is held and type and value of Share	Terms of Shareholding
<i>British Aerospace plc £1 Special Rights Preference Share</i>	<ul style="list-style-type: none"> created in 1985 (but subsequently amended); no time limit; provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company; requires a simple majority of the Board and the Chief Executive to be British; and requires any Executive Chairman to be British and, if both the Chairman and Deputy Chairman are non-executives, requires at least one of them to be British.
<i>Rolls Royce Group plc £1 Special Rights Non-Voting Redeemable Preference Share</i>	<ul style="list-style-type: none"> created in 1987 (but subsequently amended); no time limit; provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company; requires a simple majority of the Board, including the Chief Executive and any Executive Chairman, to be British; allows the appointment of a non-British Non-Executive Chairman; provides for a veto over the material disposal of assets; and provides for a veto of any voluntary winding up.

Special shares in British Energy and the Nuclear Liabilities Fund Ltd transferred to the new Department of Energy and Climate Change as a result of the Machinery of Government change.

17.5 Other investments and loans

	Value at 1 April 2008 £'000	Additions £'000	Redemption £'000	Interest capitalised £'000	Impairment £'000	Value at 31 March 2009 £'000
Companies House	–	2,500	–	–	–	2,500
Royal Mail Holdings plc NLF Loans	500,000	232,000	(232,000)	–	–	500,000
Royal Mail Shareholder Loan	–	300,000	–	296	–	300,296
Other loans	2,000	–	–	–	–	2,000
Total	502,000	534,500	(232,000)	296	–	804,796

Companies House loan

During 2008-09 BERR advanced the sum of £4.5 million to Companies House as an interest bearing loan, repayable in full in six monthly instalments, by 2010-11, in accordance with the loan repayment schedule. The loan was issued under the Companies

House Trading Fund Order 1991 to assist Companies House's capital investment programme. £2 million will be repaid during 2009-10 and is shown in Note 21.

Royal Mail shareholder loan

On 17 March 2009, the Department made available to Royal Mail a £300 million shareholder loan, under the terms of the Subordinated Credit Facility Deed dated 19 March 2007. The loan has a maturity date of 19 March 2016. Until then interest accruing on the loan will be capitalised once a year.

In accordance with the FReM, loans to Royal Mail are valued at historic cost. Further details on the Royal Mail Holdings plc NLF loans facility can be found in the Financial Overview section on page 133.

18. Other financial assets

	Launch Investments £'000	Other Loans and Investments £'000	(Restated) Total £'000
Balance at 1 April 2007	1,543,433	44,759	1,588,192
Additions	–	21,669	21,669
Disposals	–	–	–
Repayments	–	(598)	(598)
Income	(153,723)	–	(153,723)
Revaluation	64,248	–	64,248
Amortisation	54,020	–	54,020
Impairment	–	(9,423)	(9,423)
Balance at 31 March 2008	1,507,978	56,407	1,564,385
Balance at 1 April 2008	1,507,978	56,407	1,564,385
Additions	–	21,309	21,309
Disposals	–	–	–
Repayments	–	(153)	(153)
Income	(128,159)	–	(128,159)
Revaluation	40,705	4,781	45,486
Amortisation	52,779	–	52,779
Impairment	–	(16,693)	(16,693)
Balance at 31 March 2009	1,473,303	65,651	1,538,954

Coal Pension Investments, disclosed in the 2007-08 Accounts, were transferred to the new Department of Energy and Climate Change as a result of a Machinery of Government Change.

Repayable Launch Investments

The Department has determined in accordance with FRS 26 that Repayable Launch Investments are to be classified as 'available for sale financial assets' and measured at fair value.

The Department, under the 1992 Civil Aviation Act, provides support to companies for a proportion of eligible design and development costs on aerospace projects. This support is by way of Repayable Launch Investments. Each project supported is covered by separate contractual terms and conditions. Under these contracts, periodic repayments become due when products are sold. The portfolio of existing investments is valued twice annually and the valuations are based on estimated annual sales of the products over their estimated marketable life. Sales forecasts are reviewed and revised when each investment valuation is undertaken.

Measurement and carrying values

The Repayable Launch Investments are initially recognised at fair value, which is the transaction price. After initial recognition, the value is the discounted forecast value of future income streams. The value of the future income streams is based on the Department's proportion of market forecasts of supported product sales. The estimates are derived from production output information from the manufacturers; worldwide aerospace industry statistics, provided by the Forum of European Aerospace Market Analysts (FEAMA); and the Department's aerospace market analyst. The forecast income streams are adjusted by inflation (2008-09: 2.75%, 2007-08: 2.5%) and are discounted for the time value of money using HM Treasury's effective interest rate for financial assets of 3.5%. The Department adopts a conservative approach to its estimation of product sales taking into account a wide range of risks that could delay production or sales, reduce the marketability of the product, or delay, or reduce the value of, income to the Department.

The Department considers that the carrying value is a reasonable approximation of the fair value of Repayable Launch Investments. The historic cost valuation of the portfolio at 31 March 2009 was £966 million (31 March 2008: £998 million).

Risks

The Department is subject to credit risk as the aerospace companies may not be able to successfully market their products resulting in the Department not being able to recover its investment. Delays in planned production or sales, could mean that the Department may not recover its investment within the expected time period. The Department minimises the risk, by carrying out a full evaluation of each business case submitted for Launch Investment support. In addition, the Department monitors delivery statistics to ensure that it receives the return on its investments when they are due.

The Department is also exposed to other market risks such as: downward movement in the economy in general, or the aerospace industry in particular, exchange rate risks, oil prices and pandemics such as SARS and Swine Flu. These risks could result in a decrease in demand or delays in sales of the product, which may adversely impact the value of the income received by the Department.

Further information on the Department's exposure to financial instrument risk is included at Note 34.

18.1 Other Investments and Loans

	Value at 1 April 2008	Additions	Redemption	Revaluation	Impairment	Value at 31 March 2009
	£'000	£'000	£'000	£'000	£'000	£'000
Regional Venture Capital Funds	21,511	675	–	–	(16,225)	5,961
Early Growth Funds	16,233	2,641	–	–	(1,082)	17,792
Community Development Venture Funds	8,103	697	(148)	4,781	(2,114)	11,319
Enterprise Capital Funds	10,560	17,296	(5)	–	2,728	30,579
Total	56,407	21,309	(153)	4,781	(16,693)	65,651

Venture Capital Funds

The Department has determined in accordance with FRS 26 that the Venture Capital Funds are to be classified as 'available for sales financial assets' and measured at fair value.

The Department's investment in the Venture Capital Funds supports private sector led venture capital to stimulate private investment into early stage businesses as follows:

Regional Venture Capital Funds (RVCF)

RVCFs are an England-wide programme to provide risk capital in amounts up to £500,000 to small and medium size enterprises (SMEs) that demonstrate growth potential. The funds are managed by experienced venture capital professionals, making commercial returns. The objective was to have at least one viable commercial fund in each of the nine English regions, which increase the amount of equity gap venture capital available to SMEs and which does not displace any existing funding activity in this sector. All nine funds are operational and making investments. The value of the funds at 31 March 2009 is £6 million (31 March 2008: £22 million).

In the event of erosion in the fund's capital base the Department's investment suffers first.

Early Growth Funds (EGF)

This programme was developed to encourage risk funding for start-ups and growth firms, to increase the availability of small amounts of risk capital of on average £50,000 for innovative and knowledge intensive businesses and businesses in other growth areas. Fund managers make all of the investment decisions and will be looking to make a commercial return on investments. The maximum initial investment is £100,000 and most will require a matched investment from a private sector investor. The value of the funds as at 31 March 2009 is £18 million (31 March 2008: £16 million)

Community Development Venture Funds (CDVF)

The CDVF, launched in 2002-03, is a £40 million venture capital fund aimed to widen and deepen the provisions of venture capital finance and entrepreneurial support to viable SMEs capable of growth that are located in, and have economic links with, the 25% most disadvantaged wards in England. Of the £40 million capital investment available to the fund, £20 million is Government investment, alongside private sector investors through pound for pound matched funding. The funds range of investment can be from £100,000 up to £2 million. The investment period is due to end in May 2009 and the fund will be wound up in May 2012 when all investments will be redeemed and the assets distributed

to investors. The value of the funds as at 31 March 2009 is £11 million (31 March 2008: £8 million).

Enterprise Capital Funds (ECF)

The ECF, first launched in 2006-07, was established to address a market weakness in the provision of equity finance to SMEs. Government funding is used alongside private sector funds to create funds that operate within the equity gap, targeting investments up to £2 million that have the potential to provide a commercial return. Eight funds have been awarded ECF status, with an additional fund becoming available later in 2009. The value of the funds at 31 March 2009 is £31 million (31 March 2008: £11 million).

Measurement and carrying amounts

The Venture Capital Funds are initially recognised at fair value, which is the transaction price. After initial recognition the carrying value is based upon the valuations prepared by the funds managers. They are taken from the most recent set of annual accounts for each of the funds and, where available, updated with interim fund manager valuations.

The Regional Venture Capital Funds (RVCF) are valued in accordance with the International Private Equity and Venture Capital Guidelines. The investments in the Early Growth Fund (EGF), the Community Development Venture Fund (CDVF) and the Enterprise Capital Fund (ECF) are valued by the fund managers. The fund managers are required to value the investee companies of the EGF and ECF programmes using the European Venture Capital Association valuation guidelines. The investments in the CDVF are valued using the British Venture Capital Association Guidelines.

The Department considers that the carrying value is a reasonable approximation of the fair value of these investments.

The Impairment of the Venture Capital Funds during 2008-09 of £17 million (2007-08: £9 million), considered a permanent diminution, is based upon a downward revaluation of the funds at 31 March 2009.

Risks

The Department is exposed to credit risk because the investee companies may not perform as expected and the Department may not recover its investment. The Department minimises the risk, by using Capital for Enterprise Limited (CfEL), an asset management business, and a delivery partner of the Department, to carryout a full evaluation of each business case submitted.

Further information on the Department's exposure to financial instrument risk is included in Note 34.

19. Stocks and work in progress

	2008-09 £'000		2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Stock	–	8	–	25
Total	–	8	–	25

20. Debtors

20.1 Analysis by type

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Trade debtors	42,748	164,752	33,203	114,779
Other debtors	142,681	142,373	110,243	108,161
DECC/DIUS resulting from MOG change	2,271	2,271	140,344	140,344
HM Revenue and Customs (VAT)	4,043	5,711	7,904	9,592
CFER debtors	20,956	20,956	29,966	29,966
Staff debtors	1,352	2,057	1,305	2,105
Prepayments and accrued income	114,543	113,231	105,287	110,683
	328,594	451,351	428,252	515,630
Amounts falling due after more than one year:				
Trade debtors	45,247	336	9,734	396
Other debtors	18,170	18,170	–	–
Deposits and advances	5	5	–	–
	63,422	18,511	9,734	396
Total Debtors at 31 March	392,016	469,862	437,986	516,026

20.2 Intra-Government Balances

	Amounts falling due within one year:		Amounts falling due after more than one year:	
	2008-09 £'000	(restated) 2007-08 £'000	2008-09 £'000	(restated) 2007-08 £'000
Balances with Other Central Government bodies	40,606	174,016	–	–
Balances with Local Authorities	9,375	10,063	–	–
Balances with NHS Trusts	140	116	–	–
Balances with Public Corporations and Trading Funds	92,579	32,776	–	–
<i>Subtotal: Intra-Government balances</i>	<i>142,700</i>	<i>216,971</i>	<i>–</i>	<i>–</i>
Balances with bodies external to Government	308,651	298,659	18,511	396
Total debtors as at 31 March	451,351	515,630	18,511	396

A prior period adjustment of £30 million has been made as an in year movement, which has resulted in a new debtor being included for the SFLGS premium income. Under FRS26, the SFLGS has been classified as a financial guarantee, which has required the unearned premium income to be included as a fee debtor, for the first time.

21. Current investments and loans in Public Bodies: current

	Balance as at 1 April 2008 £'000	Additions £'000	Disposals £'000	Revaluation £'000	Balance as at 31 March 2009 £'000
Companies House loan	–	2,000	–	–	2,000
Post Office Limited loan	390,000	5,369,000	(5,562,000)	–	197,000
Total	390,000	5,371,000	(5,562,000)	–	199,000

Coal Pension Investments, disclosed in the 2007-08 Accounts, transferred to the new Department of Energy and Climate Change as a result of the Machinery of Government change.

21.1 Companies House

During 2008-09 BERR advanced the sum of £4.5 million to Companies House. £2.5 million is due for repayment after more than one year. Further details are included in Note 17.

21.2 Post Office Limited

The Department has also made available to Post Office Limited (POL), through an agreement reached on 17 October 2003, a revolving loan facility based on commercial terms of up to £1.15 billion. This is to help the company fund its working capital requirements in branches. The package was agreed against the background of the migration of state benefits to a system of direct payment and the loss of pre-funding to POL from the Department for Work and Pensions, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from Post Office branches. POL began utilising this facility on 1 December 2003. The facility matures on 31 March 2011 by when any outstanding amounts will need to have been repaid. The outstanding balance on 31 March 2009 was £197 million.

22. Cash at bank and in hand

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Balance as at 1 April	837,304	862,883	471,528	514,559
Net change in cash balances	255,378	242,223	365,776	348,324
Balance as at 31 March	1,092,682	1,105,106	837,304	862,883
The following balances at 31 March were held at:				
Offices of HM Paymaster General	1,092,168	1,095,903	836,691	845,616
Cash in hand and commercial banks	514	9,643	617	17,271
Balance as at 31 March	1,092,682	1,105,546	837,308	862,887
Less overdraft	–	(440)	(4)	(4)
Total	1,092,682	1,105,106	837,304	862,883

23. Creditors

23.1 Analysis by type

	Note	Core Department	2008-09 £'000 Consolidated	Core Department	(restated) 2007-08 £'000 Consolidated
Amounts falling due within one year:					
Other taxation and social security		28	28	63	63
Trade creditors		6,375	6,327	9,391	9,391
Bank overdraft		–	440	4	4
Other creditors		21,305	24,578	22,837	24,814
Finance leases		–	956	–	739
Accruals and deferred income		150,756	193,270	134,525	182,767
Amounts issued from the Consolidated Fund for Supply but not spent at year end		977,168	977,168	507,014	507,014
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:					
Received		120,832	120,832	349,860	349,860
Receivable		20,956	20,956	29,966	29,966
Other Consolidated Fund extra receipts		5,627	5,627	6,009	6,009
		1,303,047	1,350,182	1,059,669	1,110,627
Amounts falling due after more than one year:					
Trade creditors		–	–	–	666
Accruals and deferred income		36,022	36,021	38,406	38,406
Finance leases		–	1,215	–	1,755
NLF loans		500,000	500,000	500,000	500,000
Consolidated Fund Extra Receipts over one year due to be paid to the Consolidated Fund		1,481	1,481	–	–
		537,503	538,717	538,406	540,827
Total creditors at 31 March		1,840,550	1,888,899	1,598,075	1,651,454

23.2 Intra-Government Balances

	Amounts falling due within one year:		Amounts falling due after more than one year:	
	2008-09 £'000	(restated) 2007-08 £'000	2008-09 £'000	(restated) 2007-08 £'000
Balances with Other Central Government bodies	1,185,144	980,494	501,481	500,000
Balances with Local Authorities	10,992	11,253	–	–
Balances with NHS Trusts	36	45	–	–
Balances with Public Corporations and Trading Funds	64,887	1,865	–	–
<i>Subtotal: Intra-Government balances</i>	<i>1,261,059</i>	<i>993,657</i>	<i>501,481</i>	<i>500,000</i>
Balances with bodies external to Government	89,123	116,970	37,236	40,827
Total creditors at 31 March	1,350,182	1,110,627	538,717	540,827

24. Provisions for Liabilities and Charges

	Core Department						
	UKAEA Restructuring £'000	UKAEA Decommissioning £'000	Early Departure Costs £'000	British Shipbuilders £'000	Onerous Leases £'000	Other £'000	Total £'000
(Restated) Balance as at 1 April 2008	29,326	166,412	30,071	115,558	193,186	7,082	541,635
Amortisation of one year's discount	645	3,661	662	2,542	4,251	10	11,771
Increase/(decrease) in provision	(787)	(15,670)	(660)	(101)	(41,863)	15,223	(43,858)
Expenditure in year	(3,063)	–	(9,261)	–	(8,175)	(926)	(21,425)
Balance as at 31 March 2009	26,121	154,403	20,812	117,999	147,399	21,389	488,123

	Consolidated						
	UKAEA Restructuring £'000	UKAEA Decommissioning £'000	Early Departure Costs £'000	British Shipbuilders £'000	Onerous Leases £'000	Other £'000	Total £'000
(Restated) Balance as at 1 April 2008	29,326	166,412	35,275	115,558	193,186	12,479	552,236
Amortisation of one year's discount	645	3,661	711	2,542	4,251	(70)	11,740
Increase/(decrease) in provision	(787)	(15,670)	(660)	(101)	(41,863)	15,828	(43,253)
Expenditure in year	(3,063)	–	(10,592)	–	(8,175)	(2,322)	(24,152)
Balance as at 31 March 2009	26,121	154,403	24,734	117,999	147,399	25,915	496,571

24.1 United Kingdom Atomic Energy Authority (UKAEA) Restructuring

Restructuring costs cover the continuing annual payments for staff that took early retirement primarily before the privatisation of AEA Technology in 1996 will continue until they reach retirement age. In addition, where former staff are entitled to enhancements, these will be paid for the duration of the pensioner's life.

24.2 UKAEA Decommissioning Provisions

BERR retains the liability to cover the costs of the decommissioning of the UKAEA Culham site and the 31 March 2009 balance reflects the estimated and discounted future costs for this.

Calculation of the liabilities is based on the technical assessments of the processes and methods likely to be used in the future to carry out the work. Estimates are derived using the latest technical knowledge and commercial information available and take account of current legislation, regulations and Government policy. Summary figures are built up by aggregating detailed estimates for individual liabilities. Allowance is also made for infrastructure costs, which are an appropriate share of running costs and other overhead costs attributable to plant and buildings. The calculation is re-assessed annually. Since much of the work will not be done until well into the future, there is considerable uncertainty as to the likely costs.

The time scale, over which it is estimated the discounted costs will need to be incurred, is as follows:

	2008-09 £m	2007-08 £m
Within one year	–	–
Between two to five years	–	5
Beyond five years	154	161
Total	154	166

24.3 Early Departure Costs

The Early Retirement provision provides for the future costs of staff departing under voluntary early retirement schemes.

The provision is required in order to meet pension enhancement and severance costs for staff departing under these Schemes, with the liabilities extending for up to ten years.

24.4 British Shipbuilders

British Shipbuilders has liabilities arising from personal injury to former employees resulting from exposure to asbestos during the course of their work. The Department has taken responsibility for the liabilities of the British Shipbuilders Corporation to the extent that they cannot be met from the residual funds of the Corporation. The undiscounted liability is £149 million (2007-08: £147 million). The current estimate is that the liabilities will extend for up to 20 years.

In the light of significant uncertainty associated with asbestos claims, there can be no guarantee that the assumptions used to estimate the provisions for the cost of resolving asbestos claims will be an accurate prediction of the actual cost that may be incurred and, as a result, the provisions are reviewed bi-annually by an actuary. Further information can be found in the British Shipbuilders' Accounts.

The time scale over which the discounted costs will need to be incurred is as follows:

	2008-09 £m	2007-08 £m
Within one year	7	7
Between two to five years	27	26
Beyond five years	84	83
Total	118	116

24.5 Onerous Leases

The Department, under its accommodation strategy, has determined that the 151 Buckingham Palace Road (BPR) and 10-18 Victoria Street (10VS) buildings are surplus to existing and future operating requirements. The lease for BPR does not expire until 2021 and the lease for 10VS does not expire until 2026. The Administration Programme Board oversaw the implementation of the strategy and also attempted to mitigate any potential losses through subletting against the existing head leases for the buildings. However, given market conditions at the time and future forecasts, neither the current nor future potential subleases recover the full costs incurred by BERR. The provision has been made for the discounted gross costs less the discounted expected income. A reduction in the overall level of the provision has been made to reflect the reduction in costs arising, under

some of the leases, due to the economic climate; to include an increase in income during 2009-10, due to the extension of existing tenancy arrangements; and to factor in that we are one year closer to lease expiry.

24.6 Other

This relates to a range of liabilities arising from the Department's normal business. It includes Agency provisions arising through consolidation and provisions for various minor other Departmental Programmes and Administration costs.

Trawlermen Compensation Scheme

Following a report in February 2007 by the Ombudsman on the Trawlermen's Compensation Scheme set up in 2000, the Department agreed to review the scheme rules and eligibility criteria. As a result of a judgement in the Court of Appeal (the Bradley case), Ministers asked officials to look at possible options for re-running the Scheme. At 31 March 2008, a contingent liability was disclosed in the Department's accounts, in respect of compensation payments that may arise.

On completion of the review, the Minister for Employment and Postal Affairs stated in the House of Commons on 11 December 2008 that the Department would be running a new Icelandic Water Trawlermen Scheme. Consequently the Department has recorded a provision as at 31 March 2009, to cover the forecast future compensation payments. The undiscounted liability as at 31 March 2009 is estimated to be £7 million.

There is no specific legislative authority for these payments and the Department has been advised that it cannot rely on the sole authority of the Appropriation Act, which it did when running the previous Schemes. The Secretary of State has, therefore, directed the Accounting Officer to proceed.

The National Dock Labour Board (NDLB)

The National Dock Labour Board (NDLB) was set up in 1948 to ensure a regular supply of workers in the docks. Over time the system began to decline as working practices changed, and after the decasualisation of dock labour in 1967 it was little used and was finally abolished in 1989. Through a series of Machinery of Government changes responsibility for the NDLB now rests with BERR. Over the past few years a number of former dockers have developed diseases, mainly asbestos related, which they believe arose as a result of their dock work. As many of the original companies no longer exist, claims have been brought against the NDLB. In December 2008, Mr Justice Silber ruled in the case known as Rice and Thompson, which was heard in the High Court of Justice, Queen's Bench Division, that the NDLB did owe a duty of care to its registered dockers, and that therefore claims against it were valid. As a result the Department has recorded a provision in the 2008-09 accounts to cover future compensation payments. The undiscounted liability as at 31 March 2009 is estimated to be £9 million.

Provisions for Coal and British Energy nuclear liabilities transferred to the new Department of Energy and Climate Change as a result of the Machinery of Government Change.

25. Financial Guarantees

	Consolidated			
	SFLG	EFG	UK High Technology Fund	Total
	£'000	£'000	£'000	£'000
(Restated) Balance at 1 April 2008	114,367	–	–	114,367
Prior period adjustment	29,685		672	30,357
New opening balance	144,052		672	144,724
Amortisation	(3,711)	–	–	(3,711)
Unwinding of one year's discount	2,516	–	–	2,516
Increase/(decrease) in the year	190,819	6,534	–	197,353
Expenditure in year	(84,070)	–	–	(84,070)
Balance at 31 March 2009	249,606	6,534	672	256,812

All Financial Guarantees are held by the Core Department.

25.1 Small Firms Loan Guarantee Scheme (SFLGS)

In accordance with FRS 26, the SFLG Scheme has been classified as a financial guarantee.

The SFLGS is now a legacy scheme, as it was replaced by the new Enterprise Finance Guarantee in January 2009. It was previously the Department's main instrument for supporting debt finance for small businesses. By providing a Government backed guarantee, the Scheme existed to enable lenders to assist small business, with viable business proposals, to gain access to finance where they lacked security or a track record.

Measurement

Each SFLG guarantee is initially recognised at fair value, which is equal to the premium income over the life of the guarantee. After initial recognition, the individual guarantees are measured at the higher of:

- a) the amount determined in accordance with FRS12, (Provisions, Contingent Liabilities and Contingent Assets); and
- b) the amount initially recognised, which for the Department is the value of the premiums over the life of the guarantee.

The discounted premium income is also disclosed as a fee debtor.

Carrying values

Those guarantees that are not expected to default are carried at fair value and those guarantees that are expected to default are carried at an amount determined in accordance with FRS 12. The fair value is based upon the net present value of premium income. The value of the amounts determined, under FRS 12, is based on the expected value of defaults discounted using HM Treasury's effective interest rate, currently 2.2%.

The total value of loans outstanding as at 31 March 2009 is £619 million, however, BERR's total liability under the Scheme is limited to 75% of the total value of the loans outstanding which is £464 million. The total value of the expected defaults is £215.5 million (2007-08:

£114.4 million), and the fair value of those guarantees not expected to default is £34.1 million. The amounts outstanding will be utilised over the next eight years.

Risks

Due to the nature of these guarantees, the Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Department to honour its guarantee. The Department minimises the credit risk, by devolving responsibility to the banks to determine whether any business applying for a loan is commercially viable. The banks are required to apply normal commercial practices. To establish that this is the case, the Department requires an independent audit of the lenders participating in the Scheme. A sample of guarantees and a sample of defaults are examined annually. The Department also shares the risk, setting its maximum exposure at 75% of the value of the loan. The lenders bear the risk on the remaining 25%.

The Department is also exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks usual lending practices mean that fixed rate loans are usually available only for small value, short term loans. To minimise the risk of default relating to a rise in interests rates, accompanied by a decline in the economic environment, the Department relies on the lenders applying best commercial practice when assessing the risk of default.

Further information on the Department's exposure to financial instrument risk is included at Note 34.

25.2 Enterprise Finance Guarantee (EFG)

In accordance with FRS 26, the EFG has been classified as a financial guarantee.

The Enterprise Finance Guarantee (EFG) was introduced in January 2009. The EFG is a £1 billion loan guarantee delivered through the banks that will enable up to an additional £1.3 billion of lending to businesses. Applications will be approved up to the end of March 2010. The EFG loan (either unsecured or partially secured) may be used as a new term loan specifically for the purpose of transferring long term debt out of an overdraft or as refinancing of an existing secured loan which would otherwise be withdrawn due to deterioration in the quality of the security. The lending terms for the EFG are that a business meets an approved EFG lender's commercial lending criteria, has an annual turnover of up to £25 million and is seeking a loan of between £1,000 to £1 million. The loans are repayable over a period of up to ten years.

The EFG is available for most business purposes and sectors. However, the EFG is subject to certain sector restrictions arising from the EU De Minimis Aid rules, the Industrial Development Act 1982, (which provides the statutory basis for EFG) and also national policy reasons, which are detailed on the Department's website.

Measurement

Each EFG guarantee is initially recognised at fair value, which is equal to the premium income over the life of the guarantee. After initial recognition, the individual guarantees are measured at the higher of:

- a) the amount determined in accordance with FRS12, (Provision Contingent Liabilities and Contingent Assets); and

- b) the amount initially recognised, which for the Department is the value of the premiums over the life of the guarantee.

The discounted premium income is also disclosed as a fee debtor.

Carrying values

Those guarantees that are not expected to default are carried at fair value and those guarantees that are expected to default are carried at an amount determined in accordance with FRS 12. The fair value is based upon the net present value of premium income. The value of the amounts determined, under FRS 12, is based on the expected value of defaults discounted using HM Treasury's effective interest rate, currently 2.2%.

BERR's total liability for the EFG is limited to 75% of the total value of the loans outstanding and the total liability over the life of the guarantee is capped at 13% of this limited value. The total value of the expected defaults is £4.5 million and the fair value of those guarantees not expected to default is £2 million. The amounts outstanding will be utilised over the next ten years.

Risks

Due to the nature of these guarantees the Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Department to honour its guarantee. The Department minimises the credit risk, by devolving responsibility to the banks to determine whether any business applying for a loan is commercially viable. The banks are required to apply normal commercial practices. To establish that this is the case, the Department requires an independent audit of the lenders participating in the Scheme. A sample of guarantees and a sample of defaults are examined annually. For the EFG, the cycle of audits has already started. The Department also shares the risk because its exposure is capped at 13% of value of the guarantees, with the banks managing any risks in excess of the cap.

In addition, the Department is exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks usual lending practices mean that fixed rate loans are usually available only for small value, short term loans. To minimise the risk of default relating to a rise in interests rates, accompanied by a decline in the economic environment, the Department relies on the lenders applying best commercial practice when assessing the risk of default. At 31 March 2009, the proportion of variable rate loans under the EFG was 9% by number and 5% by value.

Further information on the Department's exposure to financial instrument risk is included at Note 34.

25.3 UK High Technology Fund Guarantee

The Department has issued a guarantee to investors in the UK High Technology Fund which has been classified as a financial guarantee. In the event of the fund, not generating sufficient income to meet the other investors' guaranteed rates of return, the Fund Manager would make a call on the Department's share of investment income, resulting in the income being returned to the Fund Manager.

Carrying value and measurement

The financial guarantee is measured at fair value through the Operating Cost Statement and is carried at fair value. Fair value is calculated as being the product of the maximum amount payable and the likely risk of a call on the guarantee being made. £672,000 has been recognised in the Accounts for the first time, as the guarantee was previously disclosed as a contingent liability under FRS 12. The value reflects the maximum possible repayment of £1.12 million of income received from the UK High Technology Fund combined with a 60 % likelihood of the repayment being made.

Risks

Due to the nature of this guarantee, the Department is exposed to other market risk, which could trigger a call on the guarantee given if the fund underperforms due to market conditions. The Department minimises the risk for the UK High Technology Fund through its delivery partner, Capital for Enterprise Limited (CfEL), an asset management company. CfEL monitor the overall performance of the UK High Technology Fund and, as appropriate, will act to secure value for the Department as an investor in the Fund.

Further information on the Department's exposure to financial instrument risk is included at Note 34.

26. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

		2008-09 £'000		(restated) 2007-08 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April		1,886,027	1,937,945	2,128,993	2,169,230
Prior period adjustment		(672)	(3,255)	–	–
New opening balance		1,885,355	1,934,690	2,128,993	2,169,230
Net parliamentary funding:					
Drawn down		1,945,377	1,945,377	2,156,652	2,156,652
Deemed		507,014	507,014	–	–
Non supply expenditure funded by the National Insurance Fund	3.1	391,918	391,918	173,772	173,772
Supply (creditor)/debtor – current year		(977,168)	(977,168)	(507,014)	(507,014)
Net transfer from operating activities					
Net operating cost	3.1	(1,113,940)	(1,106,745)	(1,593,681)	(1,583,021)
CFERs repayable to Consolidated Fund	5	(643,416)	(643,416)	(488,070)	(488,070)
Increase in RPS debtors		28,030	28,030	4,837	4,837
Non cash charges:					
Cost of capital	12	(120,531)	(119,313)	10,577	11,326
Auditors' remuneration	12	234	288	240	277
Transfer from revaluation reserve	27.1	345	547	(123)	112
Transfer of assets/liabilities		–	–	(156)	(156)
Balance at 31 March		1,903,218	1,961,222	1,886,027	1,937,945

The prior period adjustments relate to the first time adoption of the Financial Instrument Standards (FRS 25, 26 and 29). Further details for the core Departments are provided in Note 25. The prior period adjustment for the consolidated body relates to The Insolvency Service and further details can be found in its Annual Accounts.

27. Reserves

27.1 Revaluation Reserves

	2008-09								(restated) 2007-08	
	Core Department				Consolidated				Core Department	Consolidated
	Fixed Assets £'000	Launch Investment £'000	CDVF £'000	Total £'000	Fixed Assets £'000	Launch Investment £'000	CDVF £'000	Total £'000	Total £'000	Total £'000
Balance at 1 April	702	102,211	4,153	107,066	1,384	102,211	4,153	107,748	171,005	171,686
Arising on revaluation during the year (net)	536	40,705	4,781	46,022	694	40,705	4,781	46,180	64,052	64,288
CFERs realised	–	(96,457)	–	(96,457)	–	(96,457)	–	(96,457)	(128,114)	(128,114)
Transfer to the General Fund of realised element of Revaluation Reserve (see Note 26)	(345)	–	–	(345)	(547)	–	–	(547)	123	(112)
Balance at 31 March	893	46,459	8,934	56,286	1,531	46,459	8,934	56,924	107,066	107,748

The Fixed Asset Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustments of Fixed Assets (see Notes 15 and 16). In accordance with the FReM, other than for land and buildings, the core Department has opted to value tangible fixed assets on a depreciated historical cost basis, as a proxy for current cost. During 2008-09, £151,000 was transferred to the General Fund to reflect this change.

The Launch Investment Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to Launch Investment (see Note 18).

CDVF refers to the Community Development Venture Funds Further details are provided in Note 18.

28. Notes to the Consolidated Cash Flow Statement

28.1 Reconciliation of operating cost to operating cash flows

	Note	2008-09 £'000	(restated) 2007-08 £'000
Net Operating Costs	3.1	(1,106,745)	(1,583,021)
Adjustment for non-cash transactions	12	46,295	300,512
Adjustment for non-cash income	13	(3,711)	–
Decrease in stock	19	17	1
Decrease in debtors	20	46,164	253,958
Less movements in Debtors relating to items not passing through the Operating Cost Statement		34,212	(466,491)
Increase in Creditors	23	237,445	159,447
Less movements in Creditors relating to items not passing through the Operating Cost Statement		(234,627)	(239,655)
Adjustment for capitalised interest on Royal Mail Shareholders Loan	17	(296)	–

	Note	2008-09 £'000	(restated) 2007-08 £'000
Use of financial guarantees	4	(84,070)	–
Use of provision	4	(24,152)	(96,626)
Non-cash expenditure funded by the National Insurance Fund	3.1	391,918	173,772
Interest received from Royal Mail Holdings plc on NLF loans	3.1	(29,488)	(29,172)
Interest paid to NLF on loans to Royal Mail Holdings plc	3.1	29,488	29,172
Net Cash Outflow from Operating Activities		(697,550)	(1,498,103)

28.2 Analysis of capital expenditure and financial investment

	Note	2008-09 £'000	(restated) 2007-08 £'000
Intangible fixed asset additions	16	(308)	(1,688)
Tangible fixed asset additions	15	(27,354)	(13,879)
Launch Investments receipts	7	31,598	27,396
Other assets redeemed	17,18	232,153	5,784
Loan redeemed from Post Office Limited	21	5,562,000	6,450,000
Investments made to other bodies	17,18,21	(564,632)	(29,119)
Loan made to Post Office Limited	21	(5,369,000)	(6,440,000)
Net Cash Outflow from Investing Activities		(135,543)	(1,506)

28.3 Analysis of capital expenditure and financial investment by Request for Resources (RfRs)

	Note	Capital Expenditure £'000	Loans etc £'000	A in A £'000	Net Total £'000
Request for Resources 1	4,15,16,21	(28,639)	(5,933,632)	5,825,855	(136,416)
Net movement in debtors/creditors		977	–	(104)	873
Total 2008-09		(27,662)	(5,933,632)	5,825,751	(135,543)
Total (restated) 2007-08		(15,569)	(6,469,119)	6,483,180	(1,508)

28.4 Analysis of financing

	Note	2008-09 £'000	(restated) 2007-08 £'000
From the Consolidated Fund (Supply) – current year	28.5	1,945,377	2,156,652
From the Consolidated Fund (Supply) – prior year	28.5	–	444,701
From the Consolidated Fund (non-supply)		–	–
NLF Loans – interest received from Royal Mail Holdings plc	28.1	29,488	29,172
NLF Loans – interest paid to the NLF	28.1	(29,488)	(29,172)
From the National Insurance Fund	28.1	391,918	173,772
Payment to National Insurance Fund		–	–
Advances from Contingency Fund		–	–
Repayment to Contingency Fund		–	–
Capital element of payments in respect of finance leases and on balance sheet PFI contracts		–	–
Redundancy payments	11	(391,918)	(173,772)
Net financing		1,945,377	2,601,353

28.5 Reconciliation of Net Cash Requirement to increase in cash

	Note	2008-09 £'000	(restated) 2007-08 £'000
Net Cash Requirement	4	(1,475,225)	(1,987,633)
From the Consolidated Fund (Supply) – current year	28.4	1,945,377	2,156,652
From the Consolidated Fund (Supply) – prior year	28.4	–	444,701
Amounts due to the Consolidated Fund – received in a prior year and paid over	23.1	(355,869)	(621,265)
Amounts due to the Consolidated Fund – received and not paid over	23.1	127,940	355,869
Increase in cash	22	242,223	348,324

29. Notes to the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

The Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives reports expenditure and income against each of the Department's five Objectives.

The costs comprise direct administration and programme costs derived from those front-line Departmental Groups where activities are directly related to delivering the Department's Strategic Objectives.

Following the announcement, by the Prime Minister on 3 October 2008, BERR's Energy Group was transferred to the new Department of Energy and Climate Change. As a consequence of this change, the objectives relating to energy security and supply, and managing energy liabilities, transferred to the new Department.

29.1 Programme grants and other current expenditures have been allocated as follows:

	2008-09 £'000	(restated) 2007-08 £'000
Promoting the creation and growth of business	2,520,929	2,453,425
Ensuring better regulation	4,453	2,532
Delivering free and fair markets	853,021	557,404
Ensuring that Government acts as an effective shareholder	172,147	481,133
Professional support, capability and infrastructure	4,328	(19,163)
Total	3,554,878	3,475,331

29.2 Capital employed by Departmental Strategic Objectives at 31 March 2009

	2008-09 £'000	(restated) 2007-08 £'000
Promoting the creation and growth of business	705,000	1,266,431
Ensuring better regulation	(116)	33
Delivering free and fair markets	127,891	127,507
Ensuring that Government acts as an effective shareholder	1,266,656	718,109
Professional support, capability and infrastructure	(81,285)	(66,387)
Total	2,018,146	2,045,693

Where assets and liabilities relate to specific Objectives, they are attributed directly to that Objective. The Department's administrative net liabilities are attributed to Objectives in proportion to the gross expenditure for those Objectives.

30. Capital commitments

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March for which no provision has been made	2,208	4,208	2,652	10,852

31. Commitments under leases

31.1 Operating leases

Commitments under operating leases to pay rentals during the 2009-10 financial year are given in the table below, analysed according to the period in which the lease expires.

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under operating leases comprise:				
Land and buildings:				
Expiry within one year	750	1,612	–	349
Expiry after one year but not more than 5 years	6,381	8,044	55	1,763
Expiry thereafter	34,018	41,696	39,444	47,817
	41,149	51,352	39,499	49,929
Other:				
Expiry within 1 year	28	661	29	73
Expiry after 1 year but not more than 5 years	225	8,544	189	5,845
Expiry thereafter	–	5	–	–
	253	9,210	218	5,918

31.2 Finance leases

Obligations under finance leases are as follows:

	2008-09 £'000		2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Obligations under finance leases comprise:				
Rentals due within one year	–	1,089	–	976
Rentals due after one year but within 5 years	–	1,346	–	1,964
Rentals due thereafter	–	–	–	–
	–	2,435	–	2,940
Less interest element	–	(264)	–	(360)
	–	2,171	–	2,580

All obligations under finance leases are with the Department's consolidated bodies.

32. Commitments under PFI contracts

32.1 Off-Balance Sheet contract

During the 2008-09 financial year, the Department had one off-Balance Sheet PFI contract, the 'ELGAR Service PFI Agreement'. The contract operator is Fujitsu Services.

32.2 Charge to the Operating Cost Statement and future commitments

The total amount charged to operating costs in 2008-09 was £31 million (2007-08 £33 million restated); see Note 10 other administration costs and Note 11 programme costs. The payments to which the Department is committed during 2009-10, analysed by the period during which the commitments expire, are as follows.

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Expiry within one year	2,644	2,644	–	4,066
Expiry within two to five years	26,432	26,432	2,158	2,158
Expiry within six to ten years	–	–	25,580	25,580
	29,076	29,076	27,738	31,804

32.3 ELGAR contract details

Description of the contract

The ELGAR contract covers the provision of a wide range of information systems and services to the Department, including infrastructure management, IT development, business process re-engineering, consultancy advice and technology refresh.

Over the five remaining years of the contract, the payments are expected to amount to around £106 million for the core Department.

Estimated capital value

The estimated cumulative capital value of the contract is £27.6 million.

Contract start and end dates

The contract was awarded in November 1998 for a period of ten years, extendable for up to a further five years. The contract is now set to expire on 31 March 2014.

Other obligations

BERR has a responsibility to pay termination charges should the Department exercise its break option before the agreed service end date. These amount to £25.5 million, comprising £9.3 million for the core service, £14.7 million for the Department's electronic records management system and an additional £1.5 million for other (extended) services.

The Insolvency Service, which is an Executive Agency whose results are consolidated into these accounts, also had a contract with Fujitsu for the provision of IT services which expired during 2008-09. Further details can be found in the separate resource accounts of this body.

33. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts), for subscriptions to international bodies. The payments to which the Department is committed during 2009-10, analysed by the period during which the commitments expire are as follows:

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Expiry within one year	–	–	–	–
Expiry within two to five years	–	–	–	–
Expiry thereafter	6,405	6,405	4,828	4,828
	6,405	6,405	4,828	4,828

33.1 The amounts disclosed above are for subscriptions paid to the following bodies:

Organisation	Note	Expiry within	Expiry within 2	Expiry over 5	Total
		1 Year £'000	to 5 Years £'000	years £'000	
World Trade Organisation	a	–	–	6,237	6,237
UNIDROIT	b	–	–	119	119
Organisation for Economic Co-operation and Development Steel Committee	c	–	–	49	49
Total		–	–	6,405	6,405

Notes:

- BERR is responsible for the payment of the UK's annual contribution to the *World Trade Organisation (WTO)*, which deals with the global rules of trade between nations. Its main function is to ensure that international trade flows as smoothly, predictably and freely as possible. As a member of the WTO the UK, like other members, has a legal commitment to pay a contribution to the cost of running the WTO Secretariat, which is based in Geneva. The UK's share is calculated on the basis of our international trade in relation to the total international trade of all WTO members.
- BERR pays an annual contribution towards the running of *the International Institute for the Unification of Private Law (UNIDROIT)*. UNIDROIT is an independent intergovernmental organisation with its seat in Rome. Its purpose is to study needs and methods for modernising, harmonising and co-ordinating private and in particular commercial law as between States and groups of States.
- The *Organisation for Economic Co-operation and Development (OECD) Steel Committee* is the international forum established to discuss steel industry issues such as production trends, trade flows and issues, market developments and environmental issues. BERR provides funding as a contribution to the work of the Committee, which is attended by both OECD and non-OECD members.

Due to the transfer of the Energy Group of BERR to the new Department of Energy and Climate Change, the Department no longer subscribes to the following bodies:

- International Atomic Energy Agency;
- Organisation for the Prohibition of Chemical Weapons;
- International Energy Agency;
- Nuclear Energy Agency;
- European Energy Charter; and
- International Energy Forum Secretariat (IEFS).

34. Financial Instruments

The carrying amounts of financial instruments in each of the FRS 26 categories are as follows:

	Note	31 March 2009 £'000		(restated) 31 March 2008 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Financial assets					
<i>Loans and receivables:</i>					
Cash and cash equivalents	22	1,092,682	1,105,546	837,308	862,887
Debtors	20	392,016	469,862	437,986	516,026
Loans	17,21	1,003,796	1,003,796	892,000	892,000
Public dividend capital	17	15,889	15,889	15,889	15,889
Total loans and receivables		2,504,383	2,595,093	2,183,183	2,286,802
<i>Available for Sale:</i>					
Launch Investments	18	1,473,303	1,473,303	1,507,978	1,507,978
Venture Capital Funds	18	65,651	65,651	56,407	56,407
Ordinary Shares	17	430,423	430,423	430,423	430,423
Total available for sale		1,969,377	1,969,377	1,994,808	1,994,808
Financial liabilities					
<i>Financial Guarantees</i>					
Small Firms Loan Guarantee Scheme	25	249,606	249,606	114,367	114,367
Enterprise Finance Guarantee	25	6,534	6,534	–	–
UK High Technology Fund	25	672	672	–	–
Total financial guarantees		256,812	256,812	114,367	114,367
<i>At Amortised Cost</i>					
Creditors	23	1,840,550	1,888,899	1,598,075	1,651,454
Total at amortised cost		1,840,550	1,888,899	1,598,075	1,651,454

FRS 29 Financial Instruments: Disclosure requires the Department to disclose information which will allow users of these financial statements to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to risks arising from financial instruments.

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Department is however exposed to some forms of credit, liquidity and market risk via specific programmes / activities undertaken in pursuance of the Department's aim to help ensure business success in an increasingly competitive world.

Credit risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Department is subject to credit risk in the areas of Launch Investments; Venture Capital Funds and Financial Guarantees as follows:

- Launch Investments – Aerospace companies may not be able to successfully market their products resulting in the Department not being able to recover its investment, or there could be delays in planned production or sales, and the Department may not recover its investment within the expected time period. The Department minimises the risk, by carrying out a full evaluation of each business case submitted for Launch Investment support. In addition, the Department monitors delivery statistics to ensure that it receives the return on its investment when it is due.
- Venture Capital Funds – Investee companies may not perform as expected and the Department may not recover its initial investment. The Department minimises the risk, by using Capital for Enterprise Limited (CfEL), an asset management business, and a delivery partner of the Department. CfEL monitors the overall performance of the Funds and will act to secure value for the Department as an investor.
- Financial Guarantees – Through the Financial Guarantee schemes, the Department is exposed to the risk that a recipient of the loan may default and the lending bank will call upon the Department to honour its guarantee. The Department minimises the credit risk, for the EFG and legacy SFLG Scheme by using the participating banks to determine whether any business applying for a loan is commercially viable.

Market risk

Market Risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of:

Foreign Currency risk

The Department's exposure to foreign currency risk during the year was insignificant. Foreign currency income was negligible and foreign currency expenditure was a very small percentage of total expenditure (less than 1%). All material assets and liabilities are denominated in sterling.

Interest Rate risk

The Department does not invest or access funds from commercial sources, but it is exposed to interest rate risk with respect the SFLGS and the EFG. To minimise the risk of default due to interest rate rises, coupled with a downturn in the economy, the Department relies on the lenders assessment using best commercial practice to manage the risk of default.

Other Market risk

The Department is exposed to wider risks relating to the performance of the economy as a whole. Any downward movement in the economy could result in failures of investee companies under the Venture Capital Fund schemes and loan defaults under the SFLG and EFG Schemes. In addition, a downturn in the economy could result in a decrease in demand throughout the aerospace industry, potentially impacting the valuation of the Department's Launch Investments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In common with other government departments the future financing of its liabilities is to be met by future grants of Supply, voted annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, therefore on this basis the Department is not exposed to liquidity risks.

Information about the Department's objectives, policies and processes for managing and measuring risk can be found in the Statement on Internal Control.

35. Contingent liabilities disclosed under FRS 12

Basis of Recognition	Description
<i>Nuclear</i>	The Department has a range of civil nuclear liabilities arising through its association with the United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited as well as ensuring that the Government complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable.
<i>Postal Services Act 2000</i>	The Department has made available to Post Office Limited, through an agreement reached on 17 October 2003, a revolving loan facility based on commercial terms of up to £1.15 billion. This is to help the company fund its working capital cash requirements in branch. The package was agreed against the background of the migration of State benefits payments to a system of direct payment, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from Post Office branches. Post Office Limited began utilising this facility on 1 December 2003. The Facility matures on the 31 March 2011 by when any outstanding loans will need to have been repaid. The outstanding balance on the revolving loan facility is £197 million.
<i>British Shipbuilders</i>	<p>There are contingent liabilities that arise from the Department's assurances and guarantees to British Shipbuilders.</p> <p>Following a legal ruling in respect of pleural plaques claims (valued at £22.5 million) on 17 October 2007, the House of Lords announced that compensation cannot be made on pleural plaques. This is the current position in England and Wales as the House of Lords judgement still stands. However, the Scottish Executive passed a Bill that is now an Act and appears on the statute book. The Scottish Ministers have made a commencement order providing for the Act to come into force on 17 June 2009, but claims are being sisted (put on hold) until the outcome of a judicial review of the Act.</p>
Competition Commission	In the past year there has been litigation before the Competition Appeal Tribunal, between Sky and Virgin and BERR and the Competition Commission following Sky's acquisition of a shareholding in ITV plc. BERR may be required to meet certain third party legal costs. These have not been finalised but if BERR is required to pay these, they are estimated to be in the region of £175,000. The litigation continues as the Court of Appeal has granted leave to appeal.

36. Contingent liabilities not required to be disclosed under FRS 12, but included for Parliamentary reporting and accountability purposes

36.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote. All of these liabilities relate to the Core Department.

	1 April 2008	Increase in year	Liabilities crystallised in year	Obligations ¹ expired in year	31 March 2009
	£'000	£'000	£'000	£'000	£'000
Statutory Guarantees					
– Home Shipbuilding Credit Guarantee Scheme	23,000	–	–	(4,000)	19,000
Statutory Indemnities					
– Local Network Indemnities	27,451	–	–	(18,076)	9,375
Other					
– Callable capital subscription for the Common Fund for Commodities	1,960	–	–	–	1,960
– Paid in capital subscription for the Common Fund for Commodities	2,240	–	–	–	2,240
Total	54,651	–	–	(22,076)	32,575

1 – Obligations expired in year relates to cases closed and/or completed contracts.

36.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12 since the possibility of a transfer of economic benefit in settlement is too remote.

Statutory Guarantees

- A guarantee has been given to the Financial Reporting Council that if the amount held in the Legal Costs Fund falls below £1 million in any year, an additional grant will be made to cover legal costs subsequently incurred in that year;
- Any liabilities imposed by section 68, Telecommunications Act 1984; and
- Any liabilities imposed by section 9, British Aerospace Act 1980.

Statutory Indemnities

- Indemnities given to UKAEA by the Secretary of State to cover certain indemnities given by UKAEA to carriers and British Nuclear Fuels Plc against certain claims for damage caused by nuclear matter in the course of carriage;
- Indemnities equivalent to those given to civil servants under the Civil Service Management Code have been given to persons appointed to the Board of the Office of Fair Trading, including the Chairman;

- Indemnities given to Bankers of the Insolvency Service against certain liabilities arising in respect of non-transferable "account payee" cheques due to insolvent estates and paid into the Insolvency Service's account; (i) and
- The Police Information Technology Organisation (Home Office) provides BERR with access to data from the Police National Computer (PNC). BERR has indemnified the police against any liabilities which they might incur as a result of providing that access.

Note: (i) – Only this contingent liability relates to an Agency. All other liabilities relate to the Core Department.

Other

- Further Incidents/Accidents Insurance claims for exposure to ionising radiation pursued outside the existing UKAEA insurance scheme;
- Outstanding claims under the Enemy Property Claim Scheme are still being considered; and
- There is a possibility that other liabilities exist in relation to nationalised, and former nationalised, industries that, if they crystallised, may fall to the Department.

These liabilities are unquantifiable due to the nature of the liability and the uncertainties surrounding them.

37. Losses and special payments

The disclosures in this Note are in accordance with *Managing Public Money*. The purpose of this Note is to report on losses and special payments of particular interest to Parliament.

37.1 Losses Statement

	2008-09 £'000	(restated) 2007-08 £'000
Total	46	1,488
	(157 cases)	(104 cases)

37.2 Special Payments

Special payments include extra-contractual, ex gratia and compensation payments.

	2008-09 £'000	(restated) 2007-08 £'000
Total	107	230
	(10 cases)	(20 cases)

38. Related-party transactions

The Department is the parent of the Advisory, Conciliation and Arbitration Service (Acas) and the Insolvency Service, and sponsor of the Non-Departmental Public Bodies as shown in annex 3 page 227 to this Report, including Companies House (Trading Fund) and Royal Mail Holdings plc, British Shipbuilders, BNFL plc and OFCOM.

The Department also has had various material transactions with other Government departments and Government bodies. The most significant of these transactions have been with the Department for Communities and Local Government; the Department for Innovation Universities and Skills, the Department of Energy and Climate Change, and the HM Treasury Consolidated Fund.

None of the Department's Ministers, Management Board members, key managerial staff or other related parties has undertaken any material transaction with the Department during the year.

The National Audit Office (NAO) have contracted with the Department to lease, at a market value rent, 151 Buckingham Palace Road until 2009-10. Elements of the Home Office have arranged with the Department to lease, at a market value rent, 10 Victoria Street until 2010-11.

39. Post Balance Sheet events

New Permanent Secretary and Accounting Officer

Following the retirement of Sir Brian Bender, Simon Fraser was appointed Permanent Secretary and Accounting Officer of the Department on 5 May 2009.

Machinery of Government changes

Following an announcement by the Prime Minister on 5 June 2009, about the way that Government is organised, the Department merged with the Department of Innovation, Universities and Skills (DIUS) and ceased to operate as BERR. The Department of Business, Innovation and Skills (BIS) was created and will take forward the work of the two former Departments. Simon Fraser was appointed Permanent Secretary of the merged Department and Accounting Officer of the former DIUS with effect from 5 June 2009. The merger will be effective from 1 April 2009.

Introduction of International Financial Reporting Standards

International Financial Reporting Standards (IFRS) were adopted by the Department on 1 April 2009. In common with other Government Departments we will be adhering to the HM Treasury 'trigger point' process which was introduced to manage the transition from FRS based to IFRS compliant Resource Accounts. Trigger Points 1 and 2, related to the preparation and audit of the Department's restated opening Balance Sheet as at 1 April 2008 and the results were reported to HM Treasury by end of January 2009. The treatment of the Department's off Balance Sheet PFI contract is the only outstanding issue of significance. This will be resolved for Trigger Points 3 and 4, which relate to the preparation and audit of 'shadow' IFRS Resource Accounts for 2008-09. The Department is working with DIUS with the aim of producing Accounts covering the different components of the

new Department for Business, Innovation and Skills for audit by the 10 September 2009 deadline.

New Support for Business

The Department introduced the following support packages after the Balance Sheet date:

Working Capital Scheme

The Department introduced the new Working Capital Scheme on 30 April 2009. The Scheme guarantees bank loans to enable a sufficient amount of regulatory capital to be freed up to enable banks to make a corresponding amount of lending to business. The Scheme has received State Aid clearance from the European Commission and comes within the scope of the Banking Act 2009. The support will secure up to £20 billion of working capital for companies with turnover up to £500 million. The first tranche of the guarantee for a portfolio of £1 billion was agreed by April 2009. The scheme is planned to run to, and with exposures not exceeding, 31 March 2011. The maximum expected exposure of £10 billion, over the life of the Scheme, has been disclosed in the Department's Main Estimate for 2009-10 as a contingent liability. The exposure is capped at any point in time to the value of the guarantees in issue. Thus, for 2009-10, the maximum exposure will be £1 billion arising from the first tranche.

Trade Credit Insurance Scheme

The Department introduced the Trade Credit Insurance Scheme on 1 May 2009. The Scheme runs until December 2009 and initially allowed suppliers that have had their credit insurance reduced, since 1 April 2009, to purchase government backed insurance to top it up in accordance with the eligibility rules of the Scheme. On 9 June 2009 the Scheme was changed to allow those suppliers that have had their credit insurance reduced since October 2008 to be eligible to participate. The exposure is capped at £5 billion and top up cover is limited to £1 million per eligible supplier. Exposures will not exceed 30 June 2009.

The Vehicle Scrappage Scheme

The Vehicle Scrappage Scheme, announced in the Budget 2009 on 22 April 2009, was formally introduced on 18 May 2009. The Scheme, which runs until the beginning of March 2010 or until Government funding is used up, provides £300 million of Government funding, to be matched by vehicle manufacturers, so that qualifying consumers scrapping vehicles of ten years old or more, can be offered a discount of £2,000 off the cost of a new vehicle, of which £1,000 will be from Government with the remainder coming from the manufacturer.

Provision of an Overdraft Guarantee

On 14 May 2009 Ministers agreed that BERR should provide a facility of up to £5 million as an overdraft guarantee to allow a UK business time to negotiate a possible take over by an overseas company. In the event that a call should be made on the guarantee, the amount paid by BERR is to be repaid (under a Standby Letter of Credit) by the overseas company's bank. In June 2009 the Department paid £1.5 million under the guarantee and repayment has been requested from the guarantor.

The Automotive Assistance Programme

On 27 January 2009, the Secretary of State announced support for the automotive sector, including loan guarantees which could enable up to £2.3 billion in lending to Britain's automotive manufacturers and suppliers. The guarantees could unlock loans of up to £1.3 billion from the European Investment Bank (EIB) and BERR will offer guarantees to support up to a further £1bn of lending to cover investments which may not be eligible for EIB support or which will bring special value to Britain. As agreed with HM Treasury when designing the scheme, a Non Cash Call on the Reserve has been made amounting to £25 million to fund any potential defaults under the Automotive Assistance Programme in 2008-09. If the liability is called, provision for any payment will be sought through the normal Supply procedure. Under state aid rules guarantees must be granted before 31 December 2010 and cannot exceed 90% of the loan. No guarantees had been provided at the date of this publication.

The Capital for Enterprise Fund

The Capital for Enterprise Fund, which was announced on 14 January 2009, will provide £75 million of equity, made up of £50 million of Government funds and an additional £25 million from Barclays, HSBC, Lloyds TSB and RBS. The purpose of the fund is to provide equity and quasi equity of between £250,000 and £2 million for companies with a turnover of up to €50 million who have viable business models and growth potential in need of long term capital.

39.1 Date Accounts Authorised for Issue

The Accounting Officer of the Department has authorised these accounts to be issued on 15 July 2009.

40. Third-party assets

The following are balances on accounts held in BERR's name at commercial banks but which are not BERR monies. They are held or controlled for the benefit of third parties and are not included in BERR's Resource Accounts.

	31 March 2009	31 March 2008
	£'000	£'000
Bank balances	16,175	8,510

41. Restatement of Balance Sheet and Operating Cost Statement as a result of Machinery of Government (MoG) changes

The Department had two Machinery of Government changes affecting its Estimates and Resource Accounts where functions or responsibilities were transferred within Government.

On 3 October 2008, the Prime Minister announced the creation of the new Department of Energy and Climate Change, which brought together much of the Department for Environment Food and Rural Affairs (Defra), Climate Change Group with the Energy Group from BERR. The transfer of Energy Group also included the sponsorship responsibility for the Nuclear Decommissioning Authority (NDA), the Civil Nuclear Police Authority (CNPA),

and the Coal Authority. The Department's interests in British Energy and the Nuclear Liabilities Fund also transferred to the new department.

On 1 April 2008 the Defence Export Service Organisation transferred to UK Trade and investment from the Ministry of Defence and was renamed the Defence and Security Organisation.

In accordance with the FReM, Machinery of Government Changes which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. This requires the restatement of the Primary Statements and associated Notes to the Accounts. The Balance Sheet and the Operating Cost Statement were restated as follows:

Balance Sheet

	Published 2007-08 £'000	Transfers £'000	Restated 2007-08 £'000
Non-current assets:			
Tangible assets	80,520	(17)	80,503
Intangible assets	1,612	–	1,612
Investments	5,381,796	(2,869,099)	2,512,697
Debtors	396	–	396
Current assets:			
Stocks	25	–	25
Debtors	637,016	(121,386)	515,630
Investments	1,390,293	(1,000,293)	390,000
Cash	1,125,178	(262,291)	862,887
Liabilities:			
Creditors (amounts falling due within one year)	(1,416,437)	305,810	(1,110,627)
Creditors (amounts falling due after more than one year)	(540,827)	–	(540,827)
Provisions	(3,815,041)	3,148,438	(666,603)
	2,844,531	(798,838)	2,045,693
Taxpayers' equity:			
General fund	(1,071,925)	3,009,871	1,937,946
Revaluation reserve	3,916,456	(3,808,709)	107,747
	2,844,531	(798,838)	2,045,693

Operating Cost Statement

	Published 2007-08 £'000	Movements arising on transfers £'000	Restated 2007-08 £'000
Administration costs:			
Staff costs	152,831	(19,747)	133,084
Other administration costs	357,802	(10,956)	346,846
Income	(41,982)	973	(41,009)
Programme costs:			
Request for Resources 1			
Staff costs	103,945	(264)	103,681
Programme costs	6,750,428	(3,378,778)	3,371,650
Income	(3,628,120)	1,556,889	(2,071,231)
Special dividend (BNFL plc)	(260,000)	–	(260,000)
Net Operating Cost	3,434,904	(1,851,883)	1,583,021

42. Additional Entities

Information about the principal activities undertaken by the Insolvency Service and Acas, together with a list of those bodies within the Departmental Boundary can be found in chapter 2 of the Report to these Accounts.

Other bodies covered by these accounts by way of including in the reported results, funds paid to them as grant or expenses are also listed in annex 3 of the Report to these Accounts.

Annex 1

Quality of data systems used

Section A1.1

Quality of data systems used for BERR's DSOs

- A.1** Chapter 2, the 'Performance report' sets out the indicator assessments for BERR's DSOs and the CSR07 PSAs for which BERR led delivery. This annex contains information on the quality of the data systems used to measure the indicators, for example the methodology used to collect the data and the reliability of the results obtained. In the interests of brevity, where this information is available elsewhere, we have provided links to the source documents. Where performance is measured using ONS data we do not provide further information on data quality, since the term 'national statistic' is only applied to data that the ONS believe to be sufficiently reliable.
- A.2** Statements of data quality for the SR04 PSAs can be found with the relevant PSA in annex 2.

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

Indicator 1.1: Stakeholder perceptions of BERR's understanding of, influence over and performance in improving the business and enterprise environment

The survey of BERR customers in a range of business areas has been undertaken annually, since 2003, by nationally recognised surveying organisations and provides a robust record of business opinion. The survey is currently based on 152 interviews of key companies and trade associations.

Indicator 1.2: Delivery of RDA outcomes taken from new sponsorship framework

The PricewaterhouseCoopers report¹⁸⁰ (March 2009) on the Regional Development Agencies (RDAs) used 277 evaluations which were robust and consistent with the Government's impact evaluation framework¹⁸¹.

Indicator 1.3: RDA organisational capability – to be drawn from Independent Performance Assessment (IPA) or successor

The PricewaterhouseCoopers report (March 2009) on the RDAs used 277 evaluations which were robust and consistent with the Government's impact evaluation framework.

¹⁸⁰ For further information about the PwC report see: www.berr.gov.uk/whatwedo/regional/regional-dev-agencies/Regional%20Development%20Agency%20Impact%20Evaluation/page50725.html

¹⁸¹ *Evaluating the Impact of England's Regional Development Agencies* (DTI, 2006): www.berr.gov.uk/files/file21900.pdf

Indicator 1.4: Delivery of publicly-funded business support simplification

Progress will be monitored via the BSSP Governance processes e.g. Regional Transitional Management Boards and the Transition Management Board. Assessment of the indicator will commence in 2009 in line with the Benefits Realisation Plan.

Indicator 1.5: Delivery of UKTI's CSR07 performance management framework

Raw data is obtained from UK Trade & Investment's Customer Relationship Management System, and forwarded to an independent market research company. From the data, a large sample (approximately 4,000 companies) is randomly selected for interview through UKTI's Performance and Impact Monitoring Survey (PIMS)¹⁸², a central monitoring survey of the users of UKTI's business services. Revenue figures are obtained from the MENTOR system (UKTI's financial system) which is audited yearly by the NAO. The UK Reputation Measurement Survey will measure the change in UK reputation against the benchmark survey of 2008¹⁸³. This work will be carried out by an independent market research company. Further information is available in *UKTI Annual Report and Accounts 2008-09*¹⁸⁴.

DSO 2: Ensure that all government departments and agencies deliver better regulation for the private, public and third sectors**Indicator 2.1: Administrative burdens reduction across 19 government departments, consisting of a 25% reduction for the majority of departments by 2010. Includes BERR target to deliver 25% reduction in measured admin burdens by 2010**

Government departments commissioned independent consultants to establish the administrative burdens baseline in an extensive measurement exercise conducted between September 2005 and May 2006. Data was gathered in over 8,500 interviews with businesses and over 200 expert panels of business representatives. The final baseline figure was calculated using the internationally recognised Standard Cost Model¹⁸⁵.

Changes against the administrative burden baseline are calculated by departmental economists using the Standard Cost Model and published in Impact Assessments and Simplification Plans. Because of the nature of the Standard Cost Model, these changes are indicative rather than statistically robust estimates. An external panel comprising members of the CBI, British Chambers of Commerce, Institute of Directors, Federation of Small Businesses and Trades Union Congress (TUC) validated the gross savings set out in departments' Simplification Plans of December 2008, totalling around £1.5 billion.

¹⁸² UKTI's Performance and Impact Monitoring Survey (PIMS), accessed via UKTI's website: www.uktradeinvest.gov.uk

¹⁸³ Details of the benchmarking survey can be found at: www.uktradeinvest.gov.uk/ukti/ShowDoc/BEA+Repository/345/419278

¹⁸⁴ For further information about UKTI, including *UKTI Annual Report and Accounts 2008-09*, see: www.uktradeinvest.gov.uk

¹⁸⁵ *Measuring Administrative Costs: UK Standard Cost Model* (Cabinet Office, 2005): www.berr.gov.uk/files/file44503.pdf

Indicator 2.2: Proportion of businesses (and voluntary sector organisations) who believe that “most regulation is fair and proportionate” in five policy areas – employment law, tax law, health and safety, planning law and company law

The full methodology for the survey of business perceptions of regulation can be found in the NAO's report *The Administrative Burden Reduction Programme, 2008*¹⁸⁶. The 2008 sample size of 2,000 matched the 2007 sample size. Results are statistically significant to within ± 3 percentage points at the 95% confidence level.

Indicator 2.3: Flow of regulation: total benefit/cost ratio of regulations coming forward over time

Departments work to ensure that the economic analysis in their Impact Assessments is as rigorous as possible. All Impact Assessments are approved by departmental economists and responsible Ministers before publication.

Indicator 2.4: Performance of local authority regulatory services as measured by the national indicator

The full methodology used by local authorities can be found in *National Indicators for Local Authorities and Local Authority Partnerships: Handbook of definitions*¹⁸⁷. It recommends local authorities conduct a monthly survey of businesses, with annual reporting. The standard reporting year is the period 1 April to 31 March. Based on a confidence level of $\pm 5\%$, each local authority aims for an annual target number of responses that reflects the size of the sample's base (the number of contacts with business each year).

Indicator 2.5: Overall performance in the World Bank “Doing business” survey and OECD surveys of the policy environment

The World Bank *Doing Business 2009* report is a comprehensive survey across 181 economies, compiled using a range of techniques¹⁸⁸.

Indicator 2.6: Proportion of bureaucracy which the public sector front line believes to be unnecessary

The basket of indicators will be informed by 'The Teachers' Workloads Diary Survey' a respected annual survey carried out for DCSF. For policing, the recommendations from the 'Reducing Bureaucracy in Policing' 2008 report¹⁸⁹ will form the basis to establish an improvement framework. Finally, for health, the imminent Providers Advisory Group report for DH will provide recommendations to help establish a framework for improvement.

¹⁸⁶ *The Administrative Burden Reduction Programme, 2008* (NAO, 2008):

www.nao.org.uk/!idoc.ashx?docId=5ae9fb95-9a16-442d-9518-d21c78c77fb5&version=-1

¹⁸⁷ *National Indicators for Local Authorities and Local Authority Partnerships: Handbook of definitions* (CLG/HMG, 2008): www.communities.gov.uk/documents/localgovernment/pdf/708685.pdf

¹⁸⁸ For further information about the methodology of the *Doing Business* surveys see: www.doingbusiness.org/MethodologySurveys

¹⁸⁹ *Reducing Bureaucracy in Policing* (Berry, 2009):

<http://police.homeoffice.gov.uk/publications/police-reform/reducing-bureaucracy-report>

Indicator 2.7: Reduction in data stream requirements from central government to the public sector front line by 2010. Includes 30% cross-Government target to reduce burdens on front line public sector staff

Each department has established a measurement system to track data-stream reductions. Most departments published a list of the data-streams they collect from front-line organisations and have subsequently measured the number of data-streams they have removed.

DH and DCSF have each undertaken specific projects to measure the burden of data-streams, in terms of monetary cost or labour resource, and will report reductions in burdens on that basis.

DSO 3: Deliver free and fair markets, with greater competition, for businesses, consumers and employees**Indicator 3.1: Progress on market opening in the EU and internationally in line with UK objectives of improving EU competitiveness and promoting development and poverty reduction in poorer countries**

Regular qualitative assessments are made in consultation with other government departments.

Indicator 3.2: UK framework for competition at level of world's best

The Peer Review of Competition Policy 2006-07¹⁹⁰ asked 301 experts from different countries to rank the effectiveness of the UK competition regime against its peers. The highest number of responses came from the US and the UK, but there was also a reasonably good response from other countries. There were 25 follow up face-to-face interviews to capture qualitative information about the performance of the competition regime. The review is conducted every two to three years.

The Global Competition Review is an independent survey, published annually in a leading competition law and policy journal, where the activities of enforcement agencies are rated through a mixture of editorial opinion and a survey of 500 users who have had cause to liaise with a competition authority. Whilst this remains a useful secondary source of information, the Peer Review remains our primary source.

Indicator 3.3: UK corporate governance environment at level of world's best

World Bank assessments are used in addition to the annual World Economic Forum Global Competitiveness Report¹⁹¹ in order to provide a more comprehensive assessment, as the coverage of the latter is limited and is based on subjective measurement (interviews).

We are still awaiting the World Bank assessment (part of their UK Report on the Observance of Standards and Codes) so uncertainty exists as to the precise format and prevents an assessment of the indicator. BERR will update the World Bank assessment annually using corporate governance experts.

¹⁹⁰ Peer Review of Competition Policy 2006-07 (DTI, 2007):
www.berr.gov.uk/files/file39863.pdf

¹⁹¹ For further information about the World Economic Forum Global Competitiveness Reports see:
www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm

Indicator 3.4: Regulatory environment for business fully reflecting the government's better regulation principles

The quantification of administrative burden simplification measures is based on rigorous application of the internationally recognised Standard Cost Model¹⁹².

Data on compliance with best practice is based on statistics collected by BERR officials on the extent to which consultations comply with the 12 week consultation period (or, if not, whether there is a Ministerial derogation), whether there is a named consultation coordinator and whether they have included a named policy official with contact details for public enquiries.

Indicator 3.5: Labour market flexibility

Maintaining and improving the overall level of labour market flexibility is measured by the Index of Labour Market Adaptability. A refined and more robust index has been developed and spans a period from 1994 to 2008; it is expected in late 2009.

The 2008 Index of Labour Market Adaptability is a combination of a number of different statistics weighted in order to achieve an index. Many of the statistics are taken from the ONS UK Labour Force Survey which is a survey of around 60,000 households¹⁹³. The Labour Force Survey is the most comprehensive and robust survey of the labour market available and it covers all aspects of employment, unemployment and economic inactivity. The other statistics used have been chosen because they are also generally well established, of good quality and widely used.

Indicator 3.6: Awareness and enforcement of employment rights

The baseline for this indicator has been updated using the results from the *Employment Rights at Work – Survey of Employees 2005*¹⁹⁴, and set at 65%. Data from the Fair Treatment at Work Survey 2008 will be available in autumn 2009 to measure progress against this indicator.

Indicator 3.7: UK framework for consumer empowerment and support at level of world's best

The benchmarking study¹⁹⁵ was independent, carried out by a team of leading lawyers and economists working in the field of consumer law.

The EU Consumer Scorecard¹⁹⁶ brings together information mainly drawn from the EU's Eurobarometer studies. Many of the measures are based on consumer surveys with a sample size of 1,000 in each of the Member States.

¹⁹² Measuring Administrative Costs: UK Standard Cost Model (Cabinet Office, 2005): www.berr.gov.uk/files/file44503.pdf

¹⁹³ For further information about the ONS Labour Force Survey see: www.statistics.gov.uk/STATBASE/Source.asp?More=Y&vlnk=358

¹⁹⁴ *Employment Rights at Work – Survey of Employees 2005* (DTI, 2006): www.berr.gov.uk/files/file27222.pdf

¹⁹⁵ *Benchmarking the performance of the UK framework supporting consumer empowerment through comparison against relevant international comparator countries* (ESRC Centre for Competition Policy, 2008): www.berr.gov.uk/files/file50027.pdf

¹⁹⁶ *The Consumer Markets Scoreboard: Monitoring Outcomes in the Single Market* (European Commission, 2008): http://ec.europa.eu/consumers/strategy/sec_2008_87_en.pdf

DSO 4: Ensure that Government acts as an effective and intelligent shareholder, and provide a source of excellent corporate finance expertise within Government

Indicators 4.1: Individual company targets, including targets aimed at increasing value and 4.2: Dividend payments from portfolio businesses or agreed Dividend policies

Progress is being made on establishing business targets monitored through regular Investment Reviews and through creating Value Creation Plans for each business. Businesses' financial performance is monitored on a monthly basis and the strategic outlook is formally examined quarterly. Adherence to any agreed business targets and dividend policies will also be monitored via these processes.

Indicator 4.3: Stakeholder satisfaction with the discharge of the Shareholder Executive's responsibilities

Feedback and discussion with stakeholders at both senior and middle management levels provide evidence to support the contention that key stakeholders are satisfied with the Shareholder Executive's discharge of its responsibilities.

Indicator 4.4: Expand the Shareholder Executive's offer to greater proportion of HMG businesses and corporate finance situations

Progress is evidenced by an increasing number of approaches made by other government departments seeking the Shareholder Executive's involvement. Careful consideration is given to identifying businesses and projects where the Executive can add real value and can provide the necessary resource.

DSO 5: Provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered

Indicator 5.1: Progress in building the capability of the department to meet future challenges

Capability reviews are carried out by a team of external reviewers assembled specifically for the department under review, and supported by the Capability Review Team from the Cabinet Office. Reviewers are drawn from senior leaders across the public, private and third sectors¹⁹⁷.

BERR's staff survey is operated by ORC international, a contractor bound by the Market Research Code of Conduct. The survey is carried out each autumn and all responses are anonymous. The response rate in October 2008 was 77% (1,641 respondents from a population of 2,126).

¹⁹⁷ For further information about Capability Reviews see: www.civilservice.gov.uk/cross-government/capability/introduction.aspx

Section A1.2

Quality of data systems used for CSR07 PSAs for which BERR led delivery**PSA 1: Raise the productivity of the UK economy**

The NAO judged the data systems for PSA 1 fit for purpose in their report published in December 2007¹⁹⁸. The indicators for PSA 1 and the data used to assess them are widely regarded to be the most appropriate measures of productivity.

The UK productivity growth data to measure the PSA is taken from data published by HM Treasury in the Budget and Pre-Budget Report. While updates give important information, progress can only be finally assessed over a full business cycle. A 0.1 percentage point increase (for example from 2.4 to 2.5) is the minimum improvement over the economic cycle that would be considered significant.

Annual International Comparisons of Productivity are estimated twice a year by the ONS¹⁹⁹. Progress is assessed between two comparator years, usually chosen on the basis that countries are at similar stages in their business cycles. ONS do not consider changes in productivity gaps of a few percentage points to be significant.

PSA 6: Deliver the conditions for business success in the UK

Many of the PSA 6 indicators are also assessed by BERR's DSO indicators. Where this is the case we reference the relevant DSO indicator below, instead of replicating the full statement of data quality.

Indicator 6.1: UK framework for competition at the level of the best

See BERR's DSO indicator 3.2, 'UK framework for competition at level of world's best'.

Indicator 6.2: Effective corporate governance regime

See BERR's DSO indicator 3.3, 'UK corporate governance environment at level of world's best'.

Indicator 6.3: UK labour market flexibility

See BERR's DSO indicator 3.5, 'Labour market flexibility'.

¹⁹⁸ *Fourth Validation Compendium Report* (NAO, 2007):

www.nao.org.uk/publications/0708/fourth_validation_compendium_r.aspx

¹⁹⁹ For further information about ONS International Comparisons of Productivity see:

www.statistics.gov.uk/cci/nugget.asp?id=161

Indicator 6.4: Maintenance of competitively-priced energy markets

The UK's data is collected by DECC and published quarterly in *Quarterly Energy Prices*²⁰⁰. The data collection, processing and publication processes are consistent with the National Statistics Code of Practice²⁰¹ and subject to regular audit. The data series used to monitor this indicator are classified as National Statistics.

The quarterly data used are estimates produced by Energy Advice Ltd under contract from DECC. This allows estimates to be produced before the end of the relevant time period. For example, price estimates for the half year period July to December 2008 were estimated by Energy Advice, and published by DECC on 23 December 2008. This data is revised once DECC has collected the data, and in line with the code of practice is published as soon as the data is available.

The European data is collected in accordance with the Eurostat Directive 90/377/EEC. The methodology for the collection of price data changed in 2007²⁰². As a result care needs to be taken when performing analysis of the back time series for what look like similar size bands. Data for other countries are published on the Eurostat web site. Data are collected and produced by the various countries in line with the European Statistics Code of Practice²⁰³.

As data collection has only just started with the new methodology (with most countries only now collecting their third set of data), the series is likely to be prone to revision, as countries improve their data collection and estimation methodologies.

Indicator 6.5: Deliver better regulation that works for everyone (benefit exceeds costs)

See BERR's DSO indicator 2.3, 'Flow of regulation: total benefit/cost ratio of regulation coming forward over time'.

Indicator 6.6a: Deliver commitments to administrative burdens reductions – Better Regulation Executive

See BERR's DSO indicator 2.1, 'Administrative burdens reduction across 19 Government departments'.

Indicator 6.6b: Deliver commitments to administrative burdens reductions – HMRC

Administrative burdens savings are calculated on a consistent basis using the Standard Cost Model²⁰⁴. HMRC has a detailed database and can specify a cost for each data requirement within the information obligations, broken down by different administrative requirements.

²⁰⁰ For further information about *Quarterly Energy Prices* see:
www.berr.gov.uk/whatwedo/energy/statistics/publications/prices/index.html

²⁰¹ *Code of Practice for Official Statistics* (UK Statistics Authority, 2009):
www.statisticsauthority.gov.uk/assessment/code-of-practice/code-of-practice-for-official-statistics.pdf

²⁰² The changes to the methodology are outlined in *Energy Trends* (June 2008) (BERR, 2008):
www.berr.gov.uk/files/file46688.pdf

²⁰³ For further information about the code of practice for European statistics see:
www.statistics.gov.uk/about/ons/Cop_EUStats.asp

²⁰⁴ *Measuring Administrative Costs: UK Standard Cost Model* (Cabinet Office, 2005):
www.berr.gov.uk/files/file44503.pdf

PSA 7: Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions

The NAO *Fourth Validation Compendium Report* in 2007²⁰⁵ assessed the data systems for the PSA as broadly appropriate but noted that the methodology to produce real growth rates by region was still being developed by the ONS. The report reflected on the findings of the Allsopp Review²⁰⁶ in 2004 which outlined limitations in the current production of Gross Value Added (GVA) data, but GVA remains the best overall measure of economic output in each region. The ONS have undertaken to implement Allsopp's recommendations.

The key to measuring this PSA target accurately is to capture as wide a range of economic activities occurring within the regions as possible. GVA, by definition, encapsulates a diverse range of outputs. To improve and develop regional estimates, the ONS is involved in an ongoing quality assurance exercise of the input data used to calculate estimates of regional GVA.

The ONS now has a regional presence in all the RDAs, which acts to quality assure regional GVA statistics. Work is proceeding to strengthen regional GVA data, including production of a real regional GVA series. In addition to the four headline indicators, over 20 supporting indicators on the five drivers of productivity are used to assess progress and inform action needed in support of this PSA.

²⁰⁵ *Fourth Validation Compendium Report* (NAO, 2007):

www.nao.org.uk/publications/0708/fourth_validation_compendium_r.aspx

²⁰⁶ For further information about the Review of Statistics for Economic Policymaking by Christopher Allsopp see: www.hm-treasury.gov.uk/consult_allsopp_index.htm

Annex 2

PSAs remaining from previous spending reviews

Performance report for SR04 PSAs

A.3 The Department is still responsible for reporting progress against two older PSAs remaining from the previous spending review (SR04), which covered the period 2005-08. A final assessment has not yet been made for these PSAs due to time lags in the availability of data. A summary table showing the final assessments of all other SR04 PSAs can be found in the BERR Autumn Performance Report 2008²⁰⁷.

SR04 PSA 6: Enterprise: Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with:

- (i) **an increase in the number of people considering going into business** *Not Met*
- (ii) **an improvement in the overall productivity of small firms** *On Course*
- (iii) **more enterprise in disadvantaged communities** *Met*

Overall assessment: *On course*

Although this Spending Review period (SR04) has now ended, a number of new initiatives were announced in the Enterprise Strategy (March 2008), the Manufacturing Strategy (September 2008), and Real Help for Businesses Now (January 2009), which are expected to impact on all these sub-targets in the future. For more information on factors which will affect performance in the future, please see 'Enterprise policy' in section 2.4.

Indicator (i) an increase in the number of people considering going into business

There has been no change in the proportion of adults considering going into business. 11.0% of adults were considering going into business in 2007, compared to 11.3% in 2003. Although the most recently measured percentage is lower, this is not a statistically significant change, as the data is based on a sample survey. However, although the proportion of adults considering going into business was unchanged over the period, there was an increase in the proportion of people actually starting a business. The number of people starting a VAT registered business per 10,000 adults increased from 40 in 2003 to 42 in 2007. This indicates that a greater proportion of those considering going into business are subsequently doing so.

²⁰⁷ BERR Autumn Performance Report 2008 (BERR, 2008):
www.berr.gov.uk/files/file49263.doc

This was a challenging target, requiring a change in the intentions of over 300,000 people. The Government has focused its policy action on a range of interventions to increase interest in entrepreneurship amongst young people and these interventions will take time to have an effect. For more information see 'Enterprise policy' in section 2.4.

Indicator (ii) an improvement in the overall productivity of small firms

The latest available data from the ONS Annual Business Inquiry show SME productivity growth exceeded that of all firms by 5.1 percentage points over the period 1999-2005. Methodological improvements in the 2006 Annual Business Inquiry employment estimates have led to a discontinuity when comparing against the 2005 Annual Business Inquiry estimates, therefore it is not possible to include progress against this PSA sub-target between 2005 and 2006. As a result progress is monitored in two periods: 1999-2005 and 2006-08. The target has been met over the first period by 5.1 percentage points. Progress over the second period will start to be monitored next year when 2007 data are available. As a baseline for the new period, the 2006 data show that SMEs generate an average of £41,300 GVA per employee compared with £43,400 GVA per employee for all firms.

Indicator (iii) more enterprise in disadvantaged communities

There was an increase in self-employment rates in the most deprived 15% of wards in England over the SR04 period, taking into account the economic cycle. The latest data shows that self-employment rates in the most deprived 15% of wards in England stood at 6.3% (year ending September 2008). This is higher than the comparable point in the previous economic cycle – year ending September 2001, when the rate was 6.0%. This is a statistically significant increase (at the 95% level) and therefore this target has been met.

Quality of data systems used

Indicator (i)

The data for this PSA measure comes from the BERR Household Survey of Entrepreneurship²⁰⁸, managed by the BERR Enterprise Directorate Analytical Unit. Each survey comprises telephone interviews in England by an external research organisation, with 6,000 adults in 2001 and at least 10,000 in later years. It is not a National Statistics product but results are weighted to reflect the adult population in England, using Census of Population 2001 data.

²⁰⁸ For further information about the BERR Household Survey of Entrepreneurship and related surveys see: www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/research-and-statistics/research-evaluation/business-surveys/page38370.html

Indicator (ii)

Productivity is measured using data from the ONS Annual Business Inquiry²⁰⁹, a survey of around 70,000 registered businesses in the UK conducted in two parts: financial and employment. Businesses with more than 250 employees are surveyed annually, with smaller businesses surveyed less frequently to reduce the administrative burden on them. As with any sample survey, there will be sampling errors around any estimates from the Annual Business Inquiry, however, sampling errors are small for the aggregates of the main variables such as GVA and total employees. The ONS published revised 2006 data in June 2008 and provisional 2007 data in November 2008. However, for financial variables, final 2007 data will not be available until mid-2009. The final assessment will be made in 2010, when 2008 data are available.

Indicator (iii)

The ONS Labour Force Survey²¹⁰ is a quarterly sample survey involving over 120,000 people. The sample sizes are large enough to provide data for all the most deprived wards in England collectively, which are identified using the 2000 indices of deprivation²¹¹, held by CLG. CLG have since published the 2004 indices of deprivation which give a deprivation²¹² measure for each Super Output Area (SOA) rather than for each ward. As the Labour Force Survey has only recently added data for SOAs, and the target has now been finally assessed, we will not be redefining disadvantaged areas using the 2004 indices.

In early 2008 ONS made new weightings available for Labour Force Survey micro data analysis. The series has now been revised to take account of these new weightings. Furthermore because seasonal data is not available under the new Labour Force Survey weightings, the new data series is now produced entirely on calendar quarters. Both these changes improve the reliability and comparability of the data over the period. The changes have resulted in very little observable difference to the data position (in most cases the change is less than 0.1 percentage points) over the period.

²⁰⁹ For further information about ONS Annual Business Inquiry see:
www.statistics.gov.uk/abi

²¹⁰ For further information about the quarterly ONS Labour Force Survey see:
www.statistics.gov.uk/StatBase/Source.asp?vlnk=358&More=Y

²¹¹ For further information about Indices of Deprivation 2000 see:
www.communities.gov.uk/archived/general-content/communities/indicesofdeprivation/

²¹² For further information about Indices of Deprivation 2004 see:
www.communities.gov.uk/archived/general-content/communities/indicesofdeprivation/216309/

SR04 PSA 10: Maximising potential in the workplace

By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible labour market.

Overall assessment: *On course*

Indicator (i): Raising the self-employment rate of under-represented ethnic minorities, relative to that of other groups

Met

The difference in the self-employment rate between under-represented and other groups reduced from 4.0 percentage points in the baseline period to 2.4 percentage points in the four quarters ending Q1 2008. The self-employment rate of under-represented groups increased from 5.6% in the baseline period to 7.3% in the four quarters ending Q1 2008. The increase in the self-employment rate of the under represented groups since the baseline period is statistically significant at the 99% level.

Indicator (ii): Reduction in the number of incidents of racial discrimination at work

Slippage

The baseline for this indicator was originally set at 4.0% by data gathered in the Fair Treatment at Work Survey 2005²¹³. Following a NAO audit of the data system in place, work has been undertaken to establish a more robust baseline and progress is now measured using the Citizenship Survey²¹⁴, which is conducted every two years. There was a decline from 9% to 8% of ethnic minority employees that felt they had been refused a job for reasons of colour or race between 2005 and 2007, and a decline from 12% to 11% of ethnic minority employees that felt they had been treated unfairly with regards to promotion or progression because of race in the same period. However, these results are not statistically significant.

Indicator (iii): Maintain a flexible labour market

Not yet assessed

The baseline for the indicator to measure overall level of UK labour market flexibility is set by a new Index of Labour Market Adaptability. This indicator has been carried forward in CSR07 DSO indicator 3.5.

²¹³ *The First Fair Treatment at Work Survey: Executive Summary – Updated* (DTI, 2007): www.berr.gov.uk/files/file38386.pdf

²¹⁴ For further information about the Citizenship Survey see: www.communities.gov.uk/communities/racecohesionfaith/research/citizenshipsurvey/

Indicator (iv): Increase in number of employees who have access to information and consultation procedures*On course*

The baseline has been updated using Workplace Employment Relations Survey (WERS) 2004 data²¹⁵. It was originally set at 43% and was revised in 2008 to 48%. An interim assessment using data from the Work Life Balance Employee Survey 2007²¹⁶ suggests this target has been exceeded with 61% of employees having access to information and consultation procedures. Because the 2004 and 2007 assessments were carried out using different surveys the final assessment of this target will be replicated using the next WERS, to ensure direct compatibility with the survey used for the 2004 assessment. WERS is expected to be carried out in 2011.

Indicator (v): Number of economically active people who are aware of their rights at work*On course*

The baseline for this indicator has been updated using the results from the Employment Rights at Work Survey 2005²¹⁷, and set at 65%. Data from the Fair Treatment at Work Survey 2008 will be available in late 2009 to measure progress against this indicator.

BERR provides advice on rights at work to individuals through communications channels such as the Acas website and helpline, the Employment Agency Standards helpline, the Insolvency Service's Redundancy helpline and the employment franchise on the Directgov website²¹⁸. BERR is developing a sustained awareness campaign through to April 2011 to improve awareness of rights amongst vulnerable workers.

Quality of data systems used**Indicator (i)**

The sub-target is measured through a rolling four quarters average of data from the ONS Labour Force Survey²¹⁹.

In early 2008 the ONS made new weightings available for Labour Force Survey micro data analysis. The series has now been revised to take account of these new weightings. Furthermore because seasonal data is not available under the new Labour Force Survey weightings, the final data series includes a change to the baseline period from the four quarters ending spring 2005 to the four quarters ending Q2 2005. Both these changes improve the reliability and comparability of the data over the period. The changes have resulted in no observable difference to the data position (as measured to the nearest 0.1 percentage point) at the baseline period.

²¹⁵ *The Workplace Employment Relations Survey: An Introduction* (DTI, 2004): www.wers2004.info/pdf/An%20Introduction%20to%20WERS%202004%20April07.pdf

²¹⁶ *The Third Work Life Balance Employee Survey: Main Findings* (DTI, 2007): www.berr.gov.uk/files/file38388.pdf

²¹⁷ *Employment Rights at Work – Survey of Employees 2005* (DTI, 2005): www.berr.gov.uk/files/file27222.pdf

²¹⁸ For further information see: www.acas.gov.uk and www.direct.gov.uk/en/Employment/Employees/index.htm

²¹⁹ For further information about the Labour Force Survey see: www.statistics.gov.uk/StatBase/Source.asp?vlnk=358&More=Y

Data for the PSA measure is only available on a consistent basis back to 2001. This is not sufficient to allow assessment over the economic cycle, which would require a much longer time series. The target has therefore been formally assessed against the baseline period only.

Indicator (ii)

Data from the Citizenship Survey²²⁰ is available for the baseline and final assessment within the appropriate time frame. The data is statistically robust (10,000 core sample and 4,000 ethnic boost). The question in this survey about seeking a job is fielded in an identical format over the measurement period. The question provides a suitable proxy for discrimination on the grounds of recruitment. The race boost is based on random stratified sampling (as for the core sample) allowing confidence intervals to be calculated.

Indicator (iii)

The Index of Labour Market Adaptability (developed by BERR) provides an assessment of how well the labour market as a whole works and what contribution it makes to business success. It includes a number of components that cover the range of areas that are affected by policies and institutions in the labour market and also broader outcomes including wage and employment changes. The broader measure is still being developed so both measures are used to measure labour market flexibility. Results are due to be published in late 2009, when published information will be available for both the SR04 and the CSR07 periods. Many of the indicators use data drawn from the ONS Labour Force Survey. Further work is needed to identify the cyclical and structural elements in the index and BERR aims to develop a policy sub-index to identify the impact of policy changes on labour market adaptability.

Indicator (iv)

The Workplace Employment Relations Survey 2004²²¹ involved face-to-face interviews with 3,200 managers and 1,000 worker representatives, and self-completion questionnaires from over 20,000 employees, covering both large and small workplaces. The data is statistically robust and the survey is based on random stratified sampling.

The Work Life Balance Employee Survey 2007 was conducted with a random sample of 1,462 workplaces in Great Britain with five or more employees and achieved a response rate of 39%. Workplaces were randomly selected from the Inter-Departmental Business Register. The survey over-sampled larger workplaces and certain industry sectors, but data reported have been weighted to produce nationally representative estimates.

²²⁰ For further information about the Citizenship Survey see:

www.communities.gov.uk/communities/racecohesionfaith/research/citizenshipsurvey/

²²¹ *Inside the workplace: First Findings from the 2004 Workplace Employment Relations Survey* (DTI, 2005): www.berr.gov.uk/files/file11423.pdf

Indicator (v)

The Employment Rights at Work Survey 2005 used computer-assisted personal interviewing. 1,038 interviews of employees were carried out, giving a response rate of 58%. The indicator will be measured using the Fair Treatment at Work Survey 2008. The baseline is from the Employment Rights at Work Survey 2005, parts of which were included in the new survey. More robust figures based on a larger sample should emerge from this new survey in autumn 2009. This will result in about 2,700 completed interviews compared with just over 1,000 interviews achieved in the earlier 2005 survey. A new confidence interval will then be drawn around the new indicator to check whether there has been a statistically significant improvement from the baseline.

Terminology used

- A.4** For SR04 PSAs where a final assessment has been made (including of individual indicators), we use the following standard terminology, in line with HM Treasury guidance to government departments.

Term	Usage
Met	Target achieved by the target date
Partly met	Target has two or more distinct elements, and some – but not all – have been achieved by the target date
Not met	Target was not met or met late
Not known	Where it was not possible to assess progress against the target during its lifetime or subsequently

- A.5** For SR04 PSAs where a final assessment has not yet been made, we make an interim assessment, using the following standard terminology in line with HM Treasury guidance to government departments.

Term	Usage
Met early	Target has been met early, and there is no possibility of subsequent slippage during the lifetime of the target
On course	Progress in line with plans and expectations
Slippage	Progress is slower than expected
Not yet assessed	Data is not yet available to make an assessment of the target

Annex 3

Delivery partners

- A.6** Responsibility for the delivery partners listed below, along with delivery partners which were previously sponsored by the Department for Innovation, Universities and Skills (DIUS), has now transferred to the Department for Business, Innovation and Skills (BIS). This annex includes only delivery partners sponsored by BERR in 2008-09.
- A.7** The Department delivers a wide range of products and services to diverse groups by working with a network of delivery partners. This section provides an overview of all bodies sponsored by BERR during the reporting year 2008-09, which formed the 'Departmental family' of delivery partners. BERR's Departmental family consisted of a number of Executive Agencies and Non-Departmental Public Bodies (NDPBs) which employed around 8,800 people and collectively spent about 60% (£840 million) of BERR's total budget in 2008-09. Around 70 people (full-time equivalent), within BERR have been involved in managing relationships with delivery partners.

Executive Agencies

- A.8** Executive Agencies are delivery bodies closely connected with the sponsoring department. Although there is no typical agency model, common features of agencies usually include a certain level of financial and human resource flexibility and operating performance targets that are agreed with the parent department and Minister. During 2008-09, BERR had the following agencies:

Executive Agency	Website
Companies House (a Trading Fund)	www.companieshouse.gov.uk
Insolvency Service	www.insolvency.gov.uk

Non-Departmental Public Bodies

- A.9** Non-Departmental Public Bodies (NDPBs) are delivery bodies that operate at arm's length from Ministers and departments. In the reporting year 2008-09 following the Machinery of Government changes on 3 October 2008, BERR sponsored 33 Non-Departmental Public Bodies, including the Regional Development Agencies (RDAs), the Advisory, Conciliation and Arbitration Service (Acas) and the Low Pay Commission.

Executive NDPBs

A.10 Executive NDPBs are established by statute and carry out administrative, regulatory and commercial functions. They employ their own staff and are allocated their own budgets. All Executive NDPBs are audited by the NAO. During 2008-09²²², BERR had the following Executive NDPBs:

Executive NDPBs	Website
Advisory, Conciliation and Arbitration Service (Acas)	www.acas.org.uk
Capital for Enterprise Ltd	www.capitalforenterprise.gov.uk
Competition Commission	www.competition-commission.org.uk
Competition Service	www.catribunal.org.uk
Consumer Focus (established 1 October 2008)	www.consumerfocus.org.uk
Hearing Aid Council	www.thehearingaidcouncil.org.uk
Local Better Regulation Office (LBRO)	www.lbro.org.uk
Simpler Trade Procedures Board (SITPRO)	www.sitpro.org.uk
United Kingdom Atomic Energy Authority	www.ukaea.org.uk

Regional Development Agencies	Website
Advantage West Midlands	www.advantagewm.co.uk
East Midlands Regional Development Agency	www.emda.org.uk
East of England Development Agency	www.eeda.org.uk
North West Development Agency	www.nwda.co.uk
One North East	www.onenortheast.co.uk
South East England Development Agency	www.seeda.co.uk
South West of England Development Agency	www.southwestrda.org.uk
Yorkshire Forward	www.yorkshire-forward.com

²²² Following the 3 October 2008 Machinery of Government changes.

Advisory NDPBs

A.11 Advisory NDPBs differ from other NDPBs in that they are usually set up as ad-hoc organisations. They are set up administratively by ministers without the need for legislation. They do not usually have their own staff but are provided with administrative support by their sponsoring department. Also, they do not usually have a budget of their own as their costs are met from the sponsoring department's expenditure. During 2008-09, BERR had the following Advisory NDPBs:

Advisory NDPBs	Website
Industrial Development Advisory Board	www.berr.gov.uk/whatwedo/regional/regional-development/indus-dev-advis-board/page19309.html
Low Pay Commission	www.lowpay.gov.uk
Regional Industrial Development Boards	Not available
Union Modernisation Fund Supervisory Board	www.berr.gov.uk/whatwedo/employment/trade-union-rights/modernisation/supervisory-board/page20780.html
Waste Electrical & Electronic Equipment Advisory Board	www.berr.gov.uk/whatwedo/sectors/sustainability/weee/wab/page43670.html

Tribunal NDPBs

A.12 Tribunal NDPBs have jurisdiction in a specialised field of law. They are usually supported by staff from their sponsoring department and do not have their own budgets. The Competition Appeal Tribunal however, was not supported by BERR staff.

Tribunal NDPBs	Website
Central Arbitration Committee	www.cac.gov.uk
Competition Appeal Tribunal	www.catribunal.org.uk
Insolvency Practitioners' Tribunal	www.insolvency.gov.uk

Other Bodies

A.13 During 2008-09, BERR was also associated with a number of other bodies:

Regional Development Agency	Website
London Development Agency	www.lda.gov.uk

Public Corporations	Website
British Nuclear Fuel plc (BNFL)	www.bnfl.com
British Shipbuilders	Not available
Electronics Leadership Council ²²³	www.electronicleadershipcouncil.org
Ofcom	www.ofcom.org.uk
Royal Mail Holdings plc ²²³	www.royalmailgroup.com

Non-Ministerial Government Departments

A.14 The budgets of Non-Ministerial Government Departments (NMGDs) are usually set by HM Treasury, not by the sponsoring department, and they are often funded by licence fees paid by the industries which they regulate. They are set up under legislation and draw their powers from that legislation. The head of the NMGD is often appointed by a departmental Minister and the work of the NMGD is subject to parliamentary scrutiny.

Non-Ministerial Departments	Website
Postcomm	www.psc.gov.uk
Office of Fair Trading	www.of.gov.uk

Independent Statutory Office Holders	Website
Community Interest Companies Regulator	www.cicregulator.gov.uk

Task forces, ad-hoc advisory groups and reviews

A.15 In contrast to NDPBs, which have a long-term activity to carry out, task forces, ad-hoc advisory groups and reviews have a short-term focus, and when their work comes to an end, they are disbanded. These groups are usually created to give expert advice to the Government on a specific issue and are usually expected to remain in operation for less than two years. Their recommendations are often taken forward by other parts of Government.

²²³ Royal Mail Holdings plc and the Electronics Leadership Council are not the Department's delivery partners, but are included in this annex as they fall within the departmental boundary as defined in the FReM (chapter 2.4) issued by HM Treasury.

Ad-hoc Advisory Groups	Website
Advisory Panel on Management and Leadership	www.berr.gov.uk/whatwedo/regional/skills/management-and-leadership/page10947.html
Aerospace Innovation and Growth Leadership Council	www.berr.gov.uk/whatwedo/sectors/aerospacemarinedefence/aerospaceagt/page9104.html
Business Council for Britain	www.berr.gov.uk/aboutus/corporate/bcb/index.html
Capital for Enterprise Advisory Board	www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/info-business-owners/access-to-finance/enterprise-capital-funds/page37667.html
Environmental Innovations Advisory Group	Not available
Ethnic Minority Business Task Force	www.embtf.org.uk
Ministerial Advisory Body on Manufacturing	www.berr.gov.uk/whatwedo/sectors/manufacturing/MAGonmanufacturing/page47668.html
Motorsport Development UK Advisory Board	www.berr.gov.uk/whatwedo/sectors/automotive/index.html
Risk and Regulatory Advisory Council	www.berr.gov.uk/deliverypartners/list/rrac/index.html
Vulnerable Workers Pilot Practitioners' Panel	Not available
Women's Enterprise Task Force	www.womensenterprisetaskforce.co.uk

Other Bodies	Website
Citizens Advice	www.citizensadvice.org.uk
Citizens Advice Scotland	www.cas.org.uk
Financial Reporting Council (FRC)	www.frc.org.uk

A.16 The following units are part of the core Department rather than the wider Departmental family: UK Trade & Investment; the Export Control Organisation; and the Shareholder Executive.

Changes during 2008-09

A.17 With effect from 3 October 2008, as part of Machinery of Government changes, the sponsoring role for the following bodies moved from BERR to DECC:

Executive NDPBs	Website
Civil Nuclear Police Authority	www.cnpa.police.uk
Coal Authority	www.coal.gov.uk
Nuclear Decommissioning Authority	www.nda.gov.uk
Advisory NDPBs	Website
Advisory Committee on Carbon Abatement Technologies	www.berr.gov.uk/energy/sources/sustainable/carbon-abatement-tech/advisory-committee/page40400.html
Fuel Poverty Advisory Group	www.berr.gov.uk/energy/fuel-poverty/index.html
Renewables Advisory Board	www.berr.gov.uk/energy/sources/renewables/policy/renewables-advisory-board/page16101
UK Chemicals Weapons Convention National Authority Advisory Committee (Office of Nuclear Development)	Not available
Non-Ministerial Departments	Website
Ofgem	www.ofgem.gov.uk
Public Corporations	Website
British Energy	www.british-energy.com
Central Government Organisation	Website
Nuclear Trust/Nuclear Liabilities Fund (NLF)	www.berr.gov.uk/energy/sources/nuclear/key-issues/british-energy/page35040.html
Ad-hoc Advisory Groups	Website
Pilot Task Force for Oil and Gas	www.pilottaskforce.co.uk
UK Energy Research Practitioners' Panel (UKERP)	Not available

Other Changes

- A.18** On 30 September 2008, the following three Executive NDPBs were wound up: the Consumer Council for Postal Services (Postwatch); the Gas and Electricity Consumer Council (Energywatch); and the National Consumer Council. They were replaced by the newly formed Consumer Focus (an executive NDPB) on 1 October 2008.
- A.19** UKAEA, the UK Atomic Energy Authority has completed a restructuring which has resulted in the creation of two site license companies, DSRL (Dounreay Site Licence Ltd) for the Dounreay site and RSRL (Research Sites Restoration Ltd) for the Harwell and Winfrith sites and UKAEA Ltd, a limited company consisting of the commercial business. The creation of the site license companies has allowed UKAEA Ltd to be take its place as a fully fledged Parent Body Organisation for these entities. In addition, the formation of the joint venture between UKAEA, the Science and Technology Facilities Council and a leading commercial developer Goodman International, was undertaken to accelerate the development of the Harwell Science and Innovation Campus (HSIC). This joint venture agreement was completed in August 2008. The Government has also announced in March 2009, a sale process with respect to the Government's share capital in UKAEA Ltd.
- A.20** For information about changes to Capital for Enterprise Limited see paragraph 4.62.

Performance reporting on agencies and NDPBs

- A.21** The Performance Report in chapter 2 includes the contributions of delivery partners. All agencies and most NDPBs, other than advisory and tribunal NDPBs, also publish their own annual report and accounts, which provide details of the targets and performance of the organisation, as well as financial information. These can be obtained from their websites or The Stationery Office.

Entities consolidated and not consolidated

- A.22** BERR's audited Resource Accounts 2008-09 in chapter 5 are consolidated to include the Insolvency Service, Acas, and BERR elements of administration expenditure for UKTI, which is also sponsored by the FCO. With the exception of Acas, the financial results of NDPBs are not consolidated in the Resource Accounts.
- A.23** The Resource Accounts also show the money BERR has provided to NDPBs as Grants in Aid, detailed in Note 11, section 5.4.

Relationship between the Department and delivery partners

- A.24** Each NDPB is overseen by a sponsor team within BERR, which agrees the NDPB's remit and monitors performance. The sponsor teams work with the NDPBs, providing support for their high level aims and challenges, to ensure adherence to rules of regularity and propriety and for the purpose of budgetary control.

Annex 4

Environmental sustainability

A.25 The Department is committed to integrating sustainability across its policy agenda to support the UK Government's Sustainable Development Strategy²²⁴.

Sustainable Development

A.26 Sustainable development enables people to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations. BERR's achievements on sustainable development are published in the BERR *Sustainable Development Action Plan Progress Report 2008-09*²²⁵. Key successes during 2008-09 are outlined below:

- **Working with business:** Development of initiatives with key sectors to deliver improved environmental performance.
- **Leadership:** Embedding sustainable development principles throughout the Department using the business planning process.
- **Corporate Responsibility Report:** An updated Corporate Responsibility Report will be launched in 2009. This will seek to encourage business to address both its own competitive interests and the interests of wider society.
- **Creation of the Low Carbon Business Opportunities Unit:** The Unit has combined the work of the Corporate Responsibility, Sustainable Development and Waste teams.
- BERR ran a **corporate responsibility month** in November 2008, with events well supported by business.

A.27 BERR's Sustainable Development Action Plan 2009-10 will include the following priorities for the year ahead. Key commitments include:

- the **Low Carbon Industrial Strategy**, which aims to support companies to decarbonise their operations and make the most of the growing markets for new low carbon goods and services;
- the **Packaging and Packaging Waste Strategy**, which we will work on with Defra; and
- **raising awareness in small firms** of the potential resource savings from improved waste management.

²²⁴ *Securing the future: The UK Government Sustainable Development Strategy* (HMG, 2005): www.defra.gov.uk/sustainable/government/publications/uk-strategy/index.htm

²²⁵ *BERR Sustainable Development Action Plan for 2008-09* (BERR, 2008): www.berr.gov.uk/files/file47243.pdf

Environmental Report

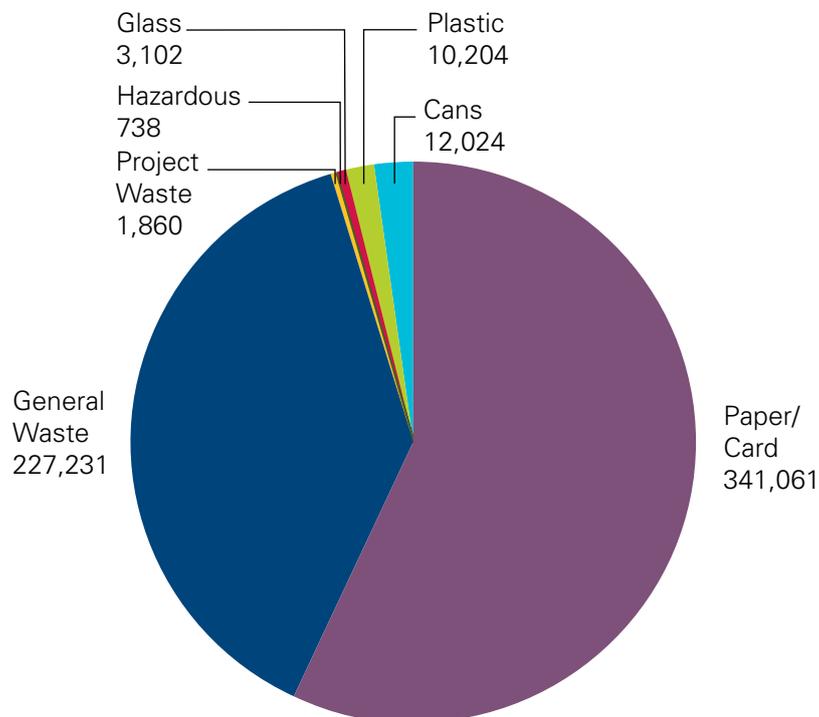
A.28 Resource consumption: BERR continued to rationalise its estate and accommodate Machinery of Government changes. BERR improved utilisation of the building spaces, however, this resulted in increased electricity, gas and water consumption at the two main London sites, 1 Victoria Street and Kingsgate House.

A.29 An Automatic Metering and Targeting system has now been installed across the headquarters estate²²⁶ which will assist in monitoring and reducing consumption. Electricity contracts have been renewed and 100% of the supply to the headquarters estate is provided with a 'green' tariff, which is produced from a mix of landfill gas (44%), small scale hydro (22%), off-shore wind (10%), sewage gas (8%), on-shore wind (6%), biomass (6%) and 'energy from waste' (4%).

A.30 Energy efficiency: Our carbon footprint has been reduced by 31% over the past five years and office space has fallen by 58%.

A.31 Waste and recycling: Waste arisings have increased slightly due to an increased number of staff in Kingsgate House. However, the amount of waste recycled has also increased. BERR rolled-out 'Recycle plus' (a 'binless' office scheme) across the headquarters estate in December 2008, giving further improvements in waste management and recycling.

Figure 11: BERR waste and recycling (kg) 2008-09



²²⁶ BERR's headquarters estate comprised 1 Victoria Street, Kingsgate House, Westfield House, St Mary's House and Atholl House.

Annex 5

Health and safety report

A.32 The Department is committed to being an exemplar of best practice, and considers health and safety objectives to be of equal importance to other business objectives. Under the Health and Safety Commission's *Revitalising Health & Safety Strategy* Action Point 13²²⁷, all public bodies are required to summarise their health and safety performance and plans in their annual reports.

A.33 We recognise that effective management of health and safety is essential in order to deliver an efficient government service which minimises unnecessary losses and liabilities.

A.34 Our staff are mainly office based, so the main risks arise from the workplaces that we provide and staff working practices. We have procedures in place to ensure a safe working environment is maintained, and operate an online assessment service to identify and manage the risks from use of computer workstations. This year we have again undertaken some significant refurbishment projects, and the effective selection and management of contractors continues to play an important role in ensuring our risk exposures are well managed.

A.35 Over the past year we have:

- continued our on-going review of our policy and procedures;
- presented our safety management process to the BERR Audit and Risk Committee, receiving strong endorsement;
- benchmarked our health and safety performance against the Health and Safety Executive's (HSE) benchmarking tool CHaSPI, where we obtained an above average score when benchmarked against our sector;
- offered training to senior managers throughout the Department; and
- conducted regular dialogue with the trade unions, in order to liaise and co-ordinate safety issues, raise awareness and secure greater involvement from staff on health and safety matters.

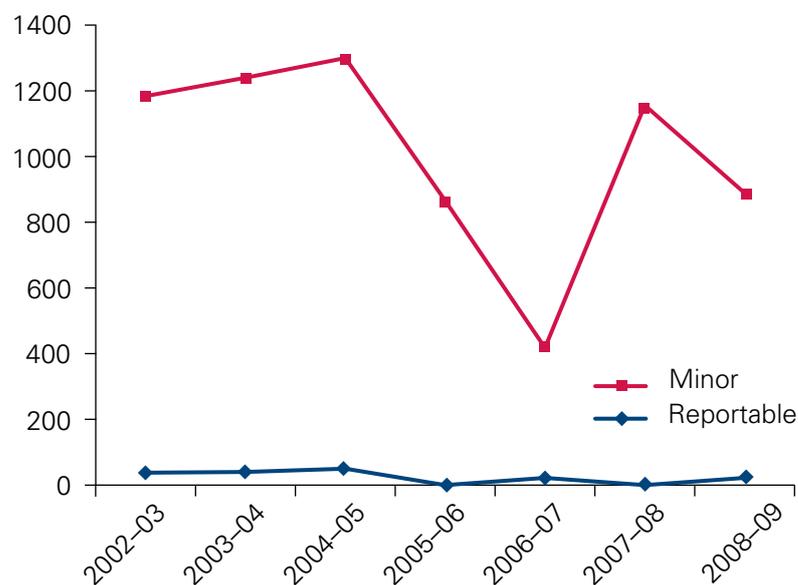
A.36 In 2009-10 we will:

- carry out a further benchmarking exercise on the performance of the Safety Management System against HSE best practice to confirm continuing improvement;
- carry out a review of the Asbestos Management System, including the development and implementation of a central asbestos database for the departmental estate;

²²⁷ *Revitalising Health and Safety Strategy Statement* (Department of the Environment, Transport and the Regions, 2000): www.hse.gov.uk/revitalising/strategy.pdf

- audit the systems for the management of Legionella on the estate to ensure full compliance with the COSHH Regulations and in line with the Approved Code of Practice for the control of Legionella L8;
- continue to offer training to senior managers throughout the Department so they are better equipped to discharge their responsibilities with regard to health and safety; and
- carry out fire audits on the estate to check legal compliance against the Regulatory Reform (Fire Safety) Order 2005²²⁸ in order to establish personnel and property safety and ensure business continuity.

Figure 12: Accident rates per 100,000 employees



A.37 Our safety performance was again good, but the reportable accident rate²²⁹ slightly increased to one, above last year's excellent zero record. Overall minor accident rates²³⁰ have however fallen, and no enforcement action was taken against the Department.

²²⁸ For further information about the Regulatory Reform (Fire Safety) Order 2005 see: www.fire.gov.uk/Workplace+safety/WhatTheLawRequires/

²²⁹ The number of major and over three day injuries to employees that must be reported to HSE under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 divided by the average number of employees in the previous year, with the result multiplied by 100,000.

²³⁰ Minor accidents do not have to be reported to HSE and include those which do not result in serious injury or staff absence.

Annex 6

Public Accounts Committee reports

A.38 The Public Accounts Committee (PAC) is appointed by the House of Commons to examine accounts showing the appropriation of the sums granted by Parliament to meet public expenditure and of such other accounts laid before Parliament as the Committee may think fit²³¹. The PAC focuses on value for money by examining value for money reports undertaken by the NAO.

A.39 In 2008-09 the PAC examined two NAO reports concerning BERR:

- *Government preparations for digital switchover* (HC416) (28th Report of 2007-08, 26th June 2008)²³²; and
- *Reducing the cost of complying with regulations: the delivery of the Administrative Burdens Reduction programme 2007* (HC363) (32nd Report of 2007-08, 2nd June 2008)²³³.

A.40 In addition two PAC committee reports from the 2006-07 and 2007-08 parliamentary sessions have outstanding recommendations:

- *The Shareholder Executive and Public Sector Businesses* (HC409) (42nd Report of 2006-07, 20th September 2007)²³⁴; and
- *The Compensation Scheme for former Icelandic Water Trawlersmen* (HC71) (11th Report of 2007-08, 26th February 2008)²³⁵.

²³¹ For further information about the Committee of Public Accounts see:

www.parliament.uk/parliamentary_committees/committee_of_public_accounts.cfm

²³² *Government preparations for digital switchover* (HC416) (2007-08):

www.publications.parliament.uk/pa/cm200708/cmselect/cmpublicacc/416/416.pdf

Government response to *Government Preparations for Digital Switchover*:

www.official-documents.gov.uk/document/cm74/7453/7453.pdf

²³³ *Reducing the cost of complying with regulations: the delivery of the Administrative Burdens Reduction programme 2007* (HC363) (2007-08):

www.publications.parliament.uk/pa/cm200708/cmselect/cmpublicacc/363/363.pdf

Government Response to *Reducing the cost of complying with regulations*:

www.official-documents.gov.uk/document/cm74/7453/7453.asp

²³⁴ *The Shareholder Executive and Public Sector Businesses* (HC409)(2007):

www.publications.parliament.uk/pa/cm200607/cmselect/cmpublicacc/409/409.pdf

Government Response to *The Shareholder Executive and Public Sector Businesses*:

www.official-documents.gov.uk/document/cm72/7275/7275.pdf

²³⁵ *The Compensation Scheme for former Icelandic Water Trawlersmen* (HC71) (2008):

www.publications.parliament.uk/pa/cm200708/cmselect/cmpublicacc/71/71.pdf

Government Response to *The Compensation Scheme for former Icelandic Water Trawlersmen*:

www.official-documents.gov.uk/document/cm73/7364/7364.pdf

Public Accounts Committee recommendations

A.41 Actions taken in response to current and outstanding PAC recommendations are reported below.

28th Report of 2007-08: Government preparations for digital switchover (HC416): 26th June 2008

PAC conclusion (4):

A.42 Take up of the help scheme in Copeland, the first area to switch to digital, suggests that demand for the scheme will be much lower than the Departments' forecasts, which look increasingly out of date. The Departments should review whether the scheme is reaching enough people and achieving its objectives, based on what happens in the Border region, which will be the first full region to switch. In the light of this review, they should amend the design of the scheme and the funds available as necessary before proceeding with switchover in the Granada region from October 2009.

Action

A.43 The Departments (BERR and DCMS), along with the BBC, will keep Help Scheme funding under continuous review. The Government considers it to be too early to take decisions on the appropriate level of funding based on the relatively small switch in Copeland and Scottish Borders (0.3% of the whole population). Granada will be the first large urban area to switch, in November 2009, and at that stage it would be sensible to take stock on the appropriate level of resources ring-fenced for the Help Scheme. In the meantime, the Chancellor announced in Budget 2009 that the Government would be discussing with the BBC Trust potential ways that the anticipated surplus could be used in relation to aspects of the Digital Britain agenda. The Help Scheme has recently been extended to all residents of care-homes meaning more potentially vulnerable people can be helped in making the switch to digital television. This extension of the Help Scheme will be funded within the existing budget.

PAC conclusion (7)

A.44 The Departments' reliance on voluntary labelling and the work of Digital UK to protect consumers from potential mis-selling of analogue televisions in the run-up to switchover has, so far, not worked. The 'digital tick' was introduced nearly four years ago, but only half the staff in the two thirds of stores which use the 'digital tick' logo understand what it means. Given reliance on the logo to protect consumers, the Departments should set out how, by the end of 2008, they will try to secure take-up of the logo by at least 90% of retailers (by sales), and at least 90% understanding of the 'digital tick' among staff selling television equipment in retail stores. This should substantially reduce the risk that consumers will unwittingly purchase televisions with built-in obsolescence.

Action

- A.45** By October 2008, nine out of ten TVs sold were digital and nearly three-quarters (73%) of recorders were digital. Research in March 2008 showed that for consumers who did buy analogue TVs, nine out of ten understood that they were buying a set that would need converting for switchover. Major stores, such as John Lewis, Dixons Stores Group and Comet, have committed publicly to stop selling analogue sets. Digital UK has put in place a range of measures to support the retail trade since the beginning of 2008, including appointing a field marketing agency, Gekko, to supply retail support teams to visit stores, encourage sign-up to the 'digital tick' logo scheme, and provide advice, training and materials.
- A.46** Digital UK secured the take up of the 'digital tick' logo by 85% of retailers (by volume of set top box and TV sales) by July 2008.

42nd Report of 2006-07: The Shareholder Executive and Public Sector Businesses (HC409) 20th September 2007

PAC Conclusion (5)

- A.47** The target for increasing the value of six of its 27 businesses by £1 billion is not an adequate test of the Executive's effectiveness. One or two of the larger businesses, potentially affected by market conditions, can influence whether the Executive meets its target, regardless of the Executive's underlying performance. Its performance management regime needs to include wider measures that are based on the results of individual businesses, alongside an aggregated portfolio-level target.

Action

- A.48** The Shareholder Executive is working with each of its businesses to develop bespoke performance targets which relate to drivers of value, thereby ensuring longer term value creation across the portfolio. We will be reporting later this year on the progress of each business' performance in line with these criteria.

PAC conclusion (6)

- A.49** The Executive operates within departmental pay and grading limits which may inhibit recruitment of appropriately skilled staff. The quality of the Executive's staff is key to its effectiveness. The Executive needs sufficient pay flexibility to continue to recruit high calibre staff in a market for commercially related skills.

Action

- A.50** Discussions are continuing with HM Treasury and other parties on the scope for pay flexibility.

PAC conclusion (8)

- A.51** Between 2004 and 2006, the dividends paid have increased from £24.3 million to £45.3 million, while operating profits have risen from £1.1 billion to £3.7 billion. The Executive should set business level dividend targets, which take into account the risks faced by businesses, the capital invested in them and a credible estimate of

future investment needs, so that over time a greater flow of dividends could be returned to the taxpayer.

Action

A.52 Work is underway to ensure each business will have an agreed dividend target, except where public policy does not require or enable this.

PAC conclusion (9):

A.53 The Executive does not undertake valuations of all the businesses in its portfolio. Although it is not cost-effective to conduct valuations of all its businesses on an annual basis, the Executive should systematically undertake valuations of the businesses in its portfolio every few years and use them to highlight the impact of policy on shareholder value.

Action

A.54 The Shareholder Executive is valuing the entire portfolio of businesses over a two year cycle. The individual valuations will be used, as recommended, to highlight the impact of policy on shareholder value.

11th Report of 2007-08: The Compensation Scheme for former Icelandic Water Trawlersmen (HC71) 26th February 2008

A.55 The Government announced in December 2008 that it had decided to run a new trawlersmen compensation scheme. We issued a consultation document seeking views on our detailed proposals in February 2009, and expect to launch the new scheme in the summer of 2009.

Other PAC reports

A.56 In May 2008 HM Treasury directed departments to inspect the commitments they had made in response to historic PAC reports to ensure that these commitments had been honoured. BERR examined reports from the 2000-01 parliamentary session onwards and found that the commitments it had made in response to the relevant PAC reports had all been implemented.

Annex 7

Complaints to the Department

Dealing with complaints

- A.57** The Department is committed to providing a high quality, accessible and responsive service to businesses and the community and takes all complaints very seriously. Although in fact we receive few complaints, we give all our staff guidance on how to deal with complaints in line with Cabinet Office guidance²³⁶ and the Freedom of Information Act.
- A.58** The Department's policy on complaint handling is currently under review and will be updated on the website shortly²³⁷.
- A.59** For further details please contact The BIS Enquiry Unit on 0207 215 5000 or email us at enquiries@bis.gsi.gov.uk

Complaints to the Parliamentary Ombudsman

	In hand at 1 April 2007	Reported on	Reported on: fully upheld	Reported on: partly upheld	Reported on: not upheld	In hand at 1 April 2008
BERR – Coal Authority	1	0	0%	0%	0%	1
BERR – Yorkshire Forward	1	1	0%	0%	100%	0
BERR – (formerly DTI)	1	1	0%	0%	100%	0

- A.60** During 2007-08 period there were no complaints upheld by the Parliamentary Ombudsman. Figures for 2008-09 are not yet available.
- A.61** Further information can be found in the Parliamentary Ombudsman's Annual Report 2007-2008²³⁸.

²³⁶ For further information about Service First – *The Six Standards for Central Government* see: <http://archive.cabinetoffice.gov.uk/servicefirst/2000/introduc/six.htm>

²³⁷ The current guidance can be found at: www.berr.gov.uk/administration/contact/complaints/index.html

²³⁸ *Parliamentary and Health Service Ombudsman Annual Report 2007-08* and previous reports are available from: www.ombudsman.org.uk/improving_services/annual_reports/index.html

Annex 8

Expenditure tables

Introduction

- A.61** These Tables present actual expenditure by the Department for the years 2003-04 to 2008-09, and planned expenditure for the years 2009-10 to 2010-11. With the exception of Tables 7, 8 and 9 (which include budget data which transferred to DECC as part of the 3 October 2008 Machinery of Government changes), the data relates to the Department's expenditure within the budgeting boundary (see chapter 4 section 4.1 for an explanation).
- A.62** The format of the Tables is determined by HM Treasury. The disclosure in Tables 2 and 3 is analysed by Departmental Strategic Objective (DSO). The data in the Tables has been restated, compared to equivalent data in BERR's Annual Report and Accounts 2007-08, for the Machinery of Government changes in which energy-related programmes transferred to the Department of Energy and Climate Change (DECC). The exception is Table 4, Total Capital Employed, where only the 2007-08 outturn has been restated, to be consistent with the Department's Resource Accounts.

Table 1: Total Departmental Spending

- A.63** Table 1 summarises expenditure on functions now administered by the Department, covering the period from 2003-04 to 2010-11. Consumption of Resources includes programme and administration costs, analysed between DEL and AME expenditure. Total departmental expenditure is analysed by Departmental Supply Estimates, and any unallocated provision. Where there are significant changes from year to year, explanations are included in the more detailed analyses in Tables 2 and 3.

Table 2: Resource Budget

- A.64** Table 2 provides a more detailed analysis of the Resource Budget information summarised in Table 1 and shows expenditure by DSO. The Table separates the DEL and AME elements of the departmental resource expenditure, and illustrates the trends across the years under review.
- A.65** Explanatory notes provide further information as appropriate, including where expenditure varies substantially from year to year. 2008-09 outturns are those used for the 2009 Public Expenditure Outturn White Paper.

Table 3: Capital Budget

- A.66** Table 3 provides a more detailed analysis of the Capital Budget information summarised in Table 1. It shows expenditure by DSO. The Table separates the DEL and AME elements of the Departmental Capital expenditure, and illustrates the trends across the years under review.

A.67 Explanatory notes provide further information as appropriate, including where expenditure varies substantially from year to year. 2008-09 outturns are those used for the 2009 Public Expenditure Outturn White Paper.

Table 4: Capital Employed

A.68 Table 4 shows capital employed by the Department in balance sheet format (as disclosed in the Department's Resource Accounts). It also shows as a separate line the net capital employed by NDPBs, which are not included in the Department's Resource Accounts, to give a total figure for capital employed by the Departmental family.

Table 5: Administration Costs

A.69 Table 5 provides a more detailed analysis of the administration costs of the Department. It retains the high level functional analysis used in Table 1. 2008-09 outturns are those used for the 2009 Public Expenditure Outturn White Paper, and may differ to those in the Resource Accounts.

Table 6: Staff Numbers

A.70 Table 6 shows staff numbers employed by the main Department and its Agencies, including the Trading Funds.

Tables 7, 8 and 9: Country and Regional Analysis Tables

A.71 Tables 7, 8 and 9 are consistent with the Pre-Budget Report. The tables include spending that now forms a part of DECC. The Tables show analyses of the Department's spending by country and region, and by function. The data presented in these Tables is consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of the PESA 2009. The figures were taken from the HM Treasury public spending database in December 2008 and the regional distributions were completed in January and February 2009. Therefore the Tables may not show the latest position and are not consistent with other Tables in this document.

A.72 The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The Tables show the central Government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.

A.73 TES is a near cash measure of public spending. The Tables do not include depreciation, cost of capital charges, or movements in provisions that are in the Department's budget. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2009.

- A.74** The data is based on a subset of spending – identifiable expenditure on services- which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is for the benefit of the UK as a whole is excluded.
- A.75** Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.
- A.76** The Department's expenditure encompasses a wide range of programmes, and the method of allocation by region will vary according to the nature of each programme. Transfer payments to individuals are generally allocated to the region of the residence of the recipient. Transfer payments to institutions are normally allocated on the basis of the location of the recipient institution, as a proxy for the location which benefits from the spending. Where directly measured data is unavailable, suitable formulae determined in consultation with departmental statisticians have been used.

Table 7: Expenditure by Country and Region

- A.77** Table 7 shows identifiable expenditure on services, i.e. expenditure which can be shown as being for the benefit of specific countries and regions. It also includes, for completeness, a line for non identifiable expenditure i.e. that which is deemed to be on behalf of the United Kingdom as a whole. Notes to the Table provide further information about specific regional spending.

Table 8: Expenditure per Head by Country and Region

- A.78** Table 8 analyses the data identifiable expenditure underlying Table 6, per head of population. The explanatory notes at the foot of Table 7 are also relevant to the regional analysis shown in Table 8.

Table 9: Expenditure by Function/Programme by Country and Region for 2007-08

- A.79** Table 9 shows the outturns for 2007-08 in Table 6 analysed into functional categories. These categories are the standard United Nations Functions of Government (COFOG) categories, the international standard. The presentation of spending by function is consistent with that used in chapter 9 of Public Expenditure Statistical Analysis (PESA) 2009. These are not the same as Estimate Functions used in other Tables in this report.

Table 1: Total Departmental Spending

	£000							
	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Resource budget								
<i>Resource DEL</i>								
To help ensure business success in an increasingly competitive world	1,051,360	1,082,471	1,195,863	1,179,788	1,599,996	1,371,334	1,533,781	1,192,842
Unallocated Provision	-	-	-	-	-	-	51,085	-46,507
Total resource budget DEL	1,051,360	1,082,471	1,195,863	1,179,788	1,599,996	1,371,334	1,584,866	1,146,335
<i>Of which: Near-cash</i>	1,051,570	919,808	1,021,758	1,091,383	1,345,654	1,223,637	1,443,826	1,006,178
<i>Resource AME</i>								
To help ensure business success in an increasingly competitive world	303,723	263,215	365,132	252,126	249,604	594,201	574,105	480,413
UKAEA pension schemes	237,090	246,036	267,013	238,533	268,478	286,033	263,131	266,853
Total resource budget AME	540,813	509,251	632,145	490,659	518,082	880,234	837,236	747,266
<i>Of which: Near-cash</i>	389,431	340,736	446,589	256,559	299,360	547,899	623,595	631,990
Total resource budget	1,592,173	1,591,722	1,828,008	1,670,447	2,118,078	2,251,568	2,422,102	1,893,601
<i>Of which: depreciation</i>	96,289	73,964	51,283	39,863	44,254	205,381	187,939	109,838
Capital budget								
<i>Capital DEL</i>								
To help ensure business success in an increasingly competitive world	462,512	181,622	62,990	35,935	5,620	9,973	430,693	318,685
Unallocated Provision	-	-	-	-	-	-	-92,639	-16,860
Total capital budget DEL	462,512	181,622	62,990	35,935	5,620	9,973	338,054	301,825
<i>Capital AME</i>								
To help ensure business success in an increasingly competitive world	50,000	520,000	-120,000	-119,880	-270,000	-525,000	550,000	50,000
Total capital budget AME	50,000	520,000	-120,000	-119,880	-270,000	-525,000	550,000	50,000
Total capital budget	512,512	701,622	-57,010	-83,945	-264,380	-515,027	888,054	351,825
Total departmental spending†								
To help ensure business success in an increasingly competitive world	1,771,306	1,973,344	1,452,702	1,308,106	1,540,966	1,245,127	2,902,923	1,945,317
Unallocated Provision	-	-	-	-	-	-	-43,837	-76,582
UKAEA pension schemes	237,090	246,036	267,013	238,533	268,478	286,033	263,131	266,853
Total departmental spending†	2,008,396	2,219,380	1,719,715	1,546,639	1,809,444	1,531,160	3,122,217	2,135,588
<i>Of which:</i>								
Total DEL	1,452,583	1,225,129	1,242,570	1,175,860	1,566,495	1,358,694	1,847,421	1,375,524
Total AME	555,813	994,251	477,145	370,779	242,949	172,466	1,274,796	760,064

† Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 1: Total Departmental Spending (continued)

	£000							
	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Spending by local authorities on functions relevant to the department								
Current spending	270,438	272,958	316,075	322,229	337,857	363,400		
<i>Of which:</i>								
financed by grants from budgets above	346,492	384,026	387,395	383,052	348,079	281,158		
Capital spending	1,276	-496	3,553	412	-347	116		
<i>Of which:</i>								
financed by grants from budgets above ^{††}	506,979	550,643	547,256	578,043	567,319	426,018		

†† This includes loans written off by mutual consent that score within non-cash Resource Budgets and aren't included in the capital support to local authorities line in Table 3.

Table 2: Resource Budget DEL and AME

	£000							
	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Resource DEL								
To help ensure business success in an increasingly competitive world	1,051,360	1,082,471	1,195,863	1,179,788	1,599,996	1,371,334	1,533,781	1,192,842
<i>Of which:</i>								
Business Creation and Growth	590,341	557,648	747,167	640,303	574,120	670,630	852,970	538,604
Better Regulation	-	-	5,364	6,384	2,272	4,557	4,737	4,400
Free and Fair Markets	141,322	179,350	178,251	170,077	193,050	229,578	260,224	258,114
Government as Shareholder	118,740	102,322	23,514	93,633	463,548	302,392	191,141	172,994
Professional support and infrastructure	200,957	243,151	241,567	269,391	367,006	164,177	224,709	218,730
Unallocated Provision	-	-	-	-	-	-	51,085	-46,507
<i>Of which:</i>								
To help ensure business success in an increasingly competitive world	-	-	-	-	-	-	51,085	-46,507
Total resource budget DEL	1,051,360	1,082,471	1,195,863	1,179,788	1,599,996	1,371,334	1,584,866	1,146,335
<i>Of which:</i>								
Near-cash	1,051,570	919,808	1,021,758	1,091,383	1,345,654	1,223,637	1,443,826	1,006,178
<i>Of which:†</i>								
Pay	229,216	294,254	342,137	376,343	350,955	454,383		
Procurement	609,024	436,232	380,973	416,400	322,722	254,268	309,010	317,070
Current grants and subsidies to the private sector and abroad	686,789	680,745	727,661	747,395	736,861	758,097	1,040,122	710,920
Current grants to local authorities	346,269	380,047	385,248	379,598	345,816	279,188	396,301	389,301
Depreciation	61,289	38,964	16,283	39,863	39,121	22,613	75,499	72,636
Resource AME								
To help ensure business success in an increasingly competitive world	303,723	263,215	365,132	252,126	249,604	594,201	574,105	480,413
<i>Of which:</i>								
Business Creation and Growth	35,223	38,979	37,147	70,018	31,056	184,738	114,410	39,172
Free and Fair Markets	268,500	224,236	302,733	211,335	216,572	436,395	466,382	457,882
Government as Shareholder	-	-	16,186	-29,227	1,976	-26,932	-6,687	-16,641
Professional support and infrastructure	-	-	9,066	-	-	-	-	-
UKAEA pension schemes	237,090	246,036	267,013	238,533	268,478	286,033	263,131	266,853
<i>Of which:</i>								
UKAEA pension schemes	237,090	246,036	267,013	238,533	268,478	286,033	263,131	266,853
Total resource budget AME	540,813	509,251	632,145	490,659	518,082	880,234	837,236	747,266
<i>Of which:</i>								
Near-cash	389,431	340,736	446,589	256,559	299,360	547,899	623,595	631,990
<i>Of which:†</i>								
Pay	8,528	-	-	-	-	-	-	-
Procurement	-	-	-	-	-	-	-	-
Current grants and subsidies to the private sector and abroad	260,072	224,236	302,733	211,335	216,572	436,395	466,382	457,882
Current grants to local authorities	223	3,979	2,147	3,454	2,263	1,970	1,970	1,970
Depreciation	35,000	35,000	35,000	-	5,133	182,768	112,440	37,202
Total resource budget	1,592,173	1,591,722	1,828,008	1,670,447	2,118,078	2,251,568	2,422,102	1,893,601

† The breakdown of near-cash in Resource DEL by economic category may exceed the total near-cash Resource DEL reported above because of other income and receipts that score in near-cash Resource DEL but aren't included as pay, procurement, or current grants and subsidies to the private sector, abroad and local authorities.

Table 3: Capital Budget DEL and AME

	£000							
	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Capital DEL								
To help ensure business success in an increasingly competitive world	462,512	181,622	62,990	35,935	5,620	9,973	430,693	318,685
<i>Of which:</i>								
Business Creation and Growth	413,176	126,996	55,462	20,561	-17,459	-24,500	416,752	302,794
Better Regulation	-	-	-	-	197	-70	-	-
Free and Fair Markets	22,001	8,063	3,946	1,570	8,097	19,842	2,341	5,841
Government as Shareholder	13,607	28,100	-7,929	-	-	987	350	300
Professional Support and Infrastructure	13,728	18,463	11,511	13,804	14,785	13,714	11,250	9,750
Unallocated Provision	-	-	-	-	-	-	-92,639	-16,860
<i>Of which:</i>								
To help ensure business success in an increasingly competitive world	-	-	-	-	-	-	-92,639	-16,860
Total capital budget DEL	462,512	181,622	62,990	35,935	5,620	9,973	338,054	301,825
<i>Of which:</i>								
Capital expenditure on fixed assets net of sales†	245,531	206,043	98,367	-83,190	98,109	212,804	18,341	13,891
Capital grants to the private sector and abroad	319,850	382,285	529,951	700,986	513,681	473,406	1,049,228	568,616
Net lending to private sector	322,787	19,593	-124,782	-145,198	-155,464	-112,397	-67,500	-128,500
Capital support to public corporations	41,105	-17,746	-18,195	-780	15,447	4,352	-3,500	2,000
Capital support to local authorities††	506,979	550,643	547,256	578,043	567,319	426,018	517,662	472,631
Capital AME								
To help ensure business success in an increasingly competitive world	50,000	520,000	-120,000	-119,880	-270,000	-525,000	550,000	50,000
<i>Of which:</i>								
Government as Shareholder	50,000	520,000	-120,000	-119,880	-270,000	-525,000	550,000	50,000
Total capital budget AME	50,000	520,000	-120,000	-119,880	-270,000	-525,000	550,000	50,000
Total capital budget	512,512	701,622	-57,010	-83,945	-264,380	-515,027	888,054	351,825
<i>Of which:</i>								
Capital expenditure on fixed assets net of sales†	245,531	206,043	98,367	-83,190	98,109	212,804	18,341	13,891
Less depreciation†††	96,289	73,964	51,283	39,863	44,254	205,381	187,939	109,838
Net capital expenditure on tangible fixed assets	149,242	132,079	47,084	-123,053	53,855	7,423	-169,598	-95,947

† Expenditure by the department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

†† This does not include loans written off by mutual consent that score within non-cash Resource Budgets.

††† Included in Resource Budget.

Table 4: Capital Employed

Assets on Balance Sheet at end of year note ¹	£000				
	2005-06	2006-07	2007-08	2008-09	2009-10
	Outturn	Outturn	Restated	Outturn	Projected
Fixed Assets					
Intangible	1,293	387	1,612	907	926
Tangible	195,824	69,111	80,503	95,043	96,101
<i>of which</i>					
Land and Buildings	153,801	26,290	35,786	38,550	39,242
Transport Equipment	7	0	0	0	0
Plant and Machinery	808	865	969	1,459	1,489
Information Technology note 2	9,905	7,362	6,849	14,009	14,288
Furniture and Fititngs	7,065	4,242	2,850	1,880	1,919
Assets under Construction	24,238	30,352	34,049	39,145	39,163
Investments note ³	4,536,733	5,630,627	2,512,697	2,790,062	2,849,370
Debtors falling due after one year			396	18,511	784
Current Assets	6,485,881	3,031,594	1,768,542	1,755,905	1,755,711
Creditors < 1 year	-5,052,970	-1,338,431	-1,110,627	-1,350,182	-1,353,066
Creditors > 1 year	-1,095,402	-541,072	-540,827	-538,717	-550,177
Provisions	-5,264,636	-4,484,470	-666,603	-753,383	-704,597
Capital Employed within the Consolidated Department's Resource Accounts	-193,277	2,367,746	2,045,693	2,018,146	2,095,052
NDPB Net assets/liabilities	-28,666,294	-36,224,441	1,065,259	875,529	893,040
Total Capital Employed in Departmental Family	-28,859,571	-33,856,695	3,110,952	2,893,675	2,988,092

Notes

- (1) Outturns in 2005-06 include capital relating to activities under Science and Innovation objectives, transferred to the Department of Innovation, Universities and Skills in 2007-08. Outturns from 2005-06 to 2006-07 include capital relating to activities under Energy objectives, transferred to the Department of Energy and Climate Change (DECC) in 2008-09.
- (2) The Department's IT infrastructure is supplied and managed by Fujitsu Services Ltd under an off balance sheet PFI contract
- (3) Coal Pension Investments, disclosed in the 2007-08 Resource Accounts, transferred to DECC as a result of the Machinery of Government change.

Table 5: Administration Costs

	£000							
	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Estimated Outturn	2009-10 Plans	2010-11 Plans
Administration Expenditure								
Paybill	133,368	126,133	135,453	137,840	142,511	137,023	152,300	148,834
Other	286,003	195,993	178,112	193,209	338,022	127,175	145,649	141,832
Total administration expenditure	419,371	322,126	313,565	331,049	480,533	264,198	297,949	290,666
Administration income	-120,879	-13,845	-2,928	-29,429	-44,548	-45,096	-25,000	-28,000
Total administration budget	298,492	308,281	310,637	301,620	435,985	219,102	272,949	262,666
Analysis by activity								
To help ensure business success in an increasingly competitive world	298,492	308,281	310,637	301,620	435,985	219,102	272,949	262,666
Total administration budget	298,492	308,281	310,637	301,620	435,985	219,102	272,949	262,666

Note

2008-09 outturns are those used for the 2009 Public Expenditure Outturn White Paper, and may differ to those in the Resource Accounts.

Table 6: Staff in Post

	2007-08* Actual	2008-09 Actual
Department for Business, Enterprise and Regulatory Reform (BERR) (Gross Control Area)		
CS FTEs	2,532.8	2,563.8
Others	132.8	212.6
Total	2,665.6	2,776.4
UK Trade & Investment (Gross Control Area)		
CS FTEs	607	572
Others	43	95
Total	650	667
The Insolvency Service (Gross Control Area)		
CS FTEs	2,384	2,534
Others	579	544
Total	2,963	3,078
Companies House (Gross Control Area)		
CS FTEs	1,074	1,092
Others		
Total	1,074	1,092
Advisory, Conciliation and Arbitration Service (Acas) (Gross Control Area)		
CS FTEs	761	734
Others	50	46
Total	811	780

* 2007-08 figures have been restated for BERR and UKTI

Table 7: Expenditure by Country and Region

	£000							
	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	273.6	190.5	221.1	187.7	144.2	85.9	29.6	31.9
North West	447.6	496.2	497.2	1,461.4	1,189.8	1,620.8	1,562.9	1,595.8
Yorkshire and The Humber	370.6	376.3	374.7	307.1	296.7	219.5	137.3	114.2
East Midlands	134.4	211.9	269.6	241.7	214.6	161.7	104.2	86.5
West Midlands	92.1	216.5	250.7	120.2	204.0	215.8	188.5	188.1
East	102.0	117.5	79.1	134.9	147.3	183.3	149.1	141.0
London	191.9	237.0	189.2	207.1	337.1	294.8	244.0	223.0
South East	232.7	320.4	526.8	319.0	415.4	384.0	367.7	361.6
South West	149.2	171.7	175.4	83.9	281.8	309.1	322.0	320.2
Total England	1,994.0	2,337.9	2,583.8	3,062.8	3,231.0	3,474.7	3,105.0	3,062.1
Scotland	333.3	385.0	751.7	443.5	418.6	424.8	414.5	415.7
Wales	247.3	214.4	243.0	325.8	171.8	121.4	133.6	120.4
Northern Ireland	18.3	20.5	18.6	20.5	32.8	29.2	22.9	19.7
Total UK identifiable expenditure	2,592.9	2,957.8	3,597.0	3,852.5	3,854.2	4,050.1	3,676.0	3,617.9
Outside UK	71.7	71.0	82.1	108.3	158.0	102.4	89.7	83.8
Total identifiable expenditure	2,664.5	3,028.8	3,679.2	3,960.8	4,012.2	4,152.5	3,765.7	3,701.7
Non-identifiable expenditure	52.7	31.9	39.3	28.0	20.9	-26.5	-35.0	-31.7
Total expenditure on services	2,717.3	3,060.7	3,718.5	3,988.8	4,033.1	4,126.0	3,730.7	3,670.1

Notes:

Tables 7, 8 & 9 are consistent with the Pre-Budget Report. The tables all include spending that now forms a part of the Department of Energy and Climate Change (DECC). This includes nuclear decommissioning activity which was the largest single component of BERR's budget (and which is now the largest single component of DECC's budget). The location of this activity produces comparatively high proportional expenditure in North West England, particularly, and also South East England and Scotland.

Tables 7, 8 and 9 show analyses of the Department's spending by country and region, and by function. The data presented in these tables is consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2009. The figures were taken from the HM Treasury public spending database in December 2008 and the regional distributions were completed in January and February 2009. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report. Totals may not sum due to rounding.

Table 8: Expenditure per Head by Country and Region

	£000							
	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	108	75	87	73	56	33	11	12
North West	66	73	73	213	173	235	225	229
Yorkshire and The Humber	74	74	73	60	57	42	26	21
East Midlands	32	49	62	55	49	36	23	19
West Midlands	17	41	47	22	38	40	35	34
East	19	21	14	24	26	32	26	24
London	26	32	25	28	45	39	32	29
South East	29	39	64	39	50	46	44	43
South West	30	34	34	16	54	59	61	60
Total England	40	47	51	60	63	67	60	59
Scotland	66	76	148	87	81	82	80	80
Wales	84	73	82	110	58	41	44	40
Northern Ireland	11	12	11	12	19	16	13	11
Total UK identifiable expenditure	44	49	60	64	63	66	59	58

Table 9: Expenditure by Function/Programme by Country and Region for 2007-08

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	£'s Millions Totals
General public services																		
Executive and legislative organs, financial and fiscal, external affairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	58.5	58.5	0.0	58.5
Foreign economic aid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.3
General services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1
Total general public services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	58.8	58.9	0.0	58.9
Public order and safety																		
Police services	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.4	0.5	0.0	0.0	1.0	0.0	1.0	0.0	1.0
Total public order and safety	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.4	0.5	0.0	0.0	1.0	0.0	1.0	0.0	1.0
Economic affairs																		
General economic, commercial and labour affairs	-37.9	-12.1	-10.6	-5.5	-25.2	-1.4	60.1	11.1	3.9	-17.6	25.3	10.7	4.4	22.8	4.9	27.7	7.0	34.7
Fuel and energy	130.2	340.3	190.8	133.9	52.6	16.8	32.0	31.2	16.2	943.8	74.7	98.9	2.7	1,120.1	-9.2	1,110.9	13.9	1,124.8
Mining, manufacturing and construction	0.4	1.6	0.2	0.1	0.1	0.3	0.3	1.3	2.5	6.7	2.0	0.2	0.0	8.8	0.0	8.8	0.0	8.8
Transport	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.5	0.0	0.0	0.0	0.5	0.0	0.5	0.0	0.5
Communication	35.1	92.0	60.0	50.6	62.6	70.8	193.5	129.1	83.6	777.2	68.4	34.5	21.8	901.9	91.4	993.3	0.0	993.3
R&D economic affairs	1.3	3.9	2.8	2.5	3.0	3.4	8.1	5.7	3.0	33.6	3.2	1.4	0.9	39.1	0.0	39.1	0.0	39.1
Economic affairs n.e.c	9.5	85.2	19.3	13.9	13.1	9.2	20.7	26.5	17.9	215.1	27.4	11.6	2.1	256.3	10.6	266.9	0.0	266.9
Total enterprise and economic development	138.5	510.9	262.5	195.5	106.2	99.1	314.7	204.8	127.1	1,959.3	201.1	157.3	31.8	2,349.5	97.7	2,447.2	20.9	2,468.2
Environment protection																		
Waste management	0.0	629.1	0.0	0.0	0.0	34.2	0.0	160.1	130.4	953.9	196.0	0.0	0.0	1,149.9	0.0	1,149.9	0.0	1,149.9
Protection of biodiversity and landscape	1.5	3.1	11.5	11.1	8.0	2.7	6.4	4.5	2.4	51.2	2.5	3.6	0.7	58.0	0.0	58.0	0.0	58.0
Total environment protection	1.5	632.2	11.5	11.1	8.0	37.0	6.4	164.6	132.8	1,005.1	198.6	3.6	0.7	1,208.0	0.0	1,208.0	0.0	1,208.0
Social protection																		
Old age	0.3	36.2	0.7	0.5	0.9	1.9	0.8	21.9	8.4	71.6	6.3	1.1	0.1	79.0	1.5	80.5	0.0	80.5
Family and children	1.5	4.3	3.2	2.8	3.3	3.8	9.0	6.4	3.4	37.7	3.6	1.6	0.0	42.8	0.0	42.8	0.0	42.8
Unemployment	2.5	6.1	18.9	4.7	85.6	5.4	6.1	17.6	10.0	156.8	8.6	8.2	0.2	173.8	0.0	173.8	0.0	173.8
Total social protection	4.2	46.7	22.7	8.0	89.8	11.2	15.9	45.8	21.8	266.1	18.4	10.9	0.2	295.6	1.5	297.1	0.0	297.1
TOTAL BUSINESS, ENTERPRISE AND REGULATORY REFORM	144.2	1,189.8	296.7	214.6	204.0	147.3	337.1	415.4	281.8	3,231.0	418.6	171.8	32.8	3,854.1	158.0	4,012.2	20.9	4,033.1

Note:

The functional analyses of spending in Table 9 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter 9 of PESA 2009. These are not the same as the strategic priorities shown elsewhere in the report. Totals may not sum due to rounding.

Acronyms

Acas: Advisory, Conciliation and Arbitration Service
AME: Annually Managed Expenditure
BERR: Department for Business, Enterprise and Regulatory Reform
BIS: Department for Business, Innovation and Skills
BME: Black and Minority Ethnic
BNFL: British Nuclear Fuels Limited
BRE: Better Regulation Executive
BSSP: Business Support Simplification Programme
CBI: Confederation of British Industry
CETV: Cash Equivalent Transfer Value
CfEL: Capital for Enterprise Limited
CLG: Department for Communities and Local Government
COSHH: Control of substances hazardous to health
CSR: Comprehensive Spending Review
DCMS: Department for Culture, Media and Sport
DCSF: Department for Children, Schools and Families
DECC: Department of Energy and Climate Change
Defra: Department for Environment, Food and Rural Affairs
DEL: Departmental Expenditure Limit
DfID: Department for International Development
DfT: Department for Transport
DH: Department of Health
DIUS: Department for Innovation, Universities and Skills
DRO: Debt Relief Order
DSO: Departmental Strategic Objective
DTI: Department of Trade and Industry
DWP: Department for Work and Pensions
ECGD: Export Credit Guarantee Department
EQIA: Equality Impact Assessment
ESRC: Economic and Social Research Council
FCO: Foreign and Commonwealth Office
FDI: Foreign Direct Investment
FEC: Full Economic Cost
FTA: Free Trade Agreement
FRC: Financial Reporting Council
FReM: Government Financial Reporting Manual
FTE: Full Time Equivalent
GDP: Gross Domestic Product
GSE: Greater South East
GVA: Gross Value Added
HMG: HM Government
HMRC: HM Revenue and Customs
HMT: HM Treasury

HSE: Health and Safety Executive
IA: Impact Assessment
iP: Investors in People
IMF: International Monetary Fund
IPA: Independent Performance Assessments
kWh: Kilowatt-hour
LBRO: Local Better Regulation Office
LDA: London Development Agency
LFS: Labour Force Survey
LRO: Legislative Reform Order
MoD: Ministry of Defence
MoG: Machinery of Government (change)
MoJ: Ministry of Justice
NAO: National Audit Office
NDA: Nuclear Decommissioning Authority
NDPB: Non-Departmental Public Body
NEBM: BERR Non-Executive Board Member
NEC: National Economic Council
NESTA: National Endowment for Science, Technology and the Arts
NMGD: Non-Ministerial Government Department
NMW: North, Midlands and West
OCPA: Office of the Commissioner for Public Appointments
OECD: Organisation for Economic Cooperation and Development
OEP: Operational Efficiency Programme
OFT: Office of Fair Trading
OGC: Office of Government Commerce
ONS: Office for National Statistics
PAC: Public Accounts Committee
PCPF: Parliamentary Contributory Pension Fund
PFI: Private Finance Initiative
PIMS: UKTI's Performance and Impact Monitoring Survey
PSA: Public Service Agreement
RDA: Regional Development Agency
RfR: Request for Resources
SCS: Senior Civil Service
SFLGs: Small Firms Loan Guarantee scheme
SITPRO: Simpler Trade Procedures Board
SMEs: Small and Medium Enterprises
SOA: Super Output Area
SR: Spending Review
TES: Total Expenditure on Services
TUC: Trades Union Congress
UCPD: Unfair Commercial Practices Directive
UKAEA: United Kingdom Atomic Energy Authority
UKERP: UK Energy Research Partnership
UKTI: UK Trade & Investment
WCAG: Web Content Accessibility Guidelines
WERS: Workplace Employment Relations Survey
WTO: World Trade Organisation

Glossary

Annually Managed Expenditure (AME): Includes expenditure which is generally less predictable and/or controllable than expenditure within Departmental Expenditure Limits (DEL). BERR's AME expenditure is mainly concerned with the Redundancy Payments Service, impairments to the property portfolio belonging to Regional Development Agencies, the Post Office working capital loan and dividend income received from British Nuclear Fuels Ltd.

Appropriations in Aid: Income received by a department which it is authorised to retain (rather than surrender to the Consolidated Fund) to finance related expenditure. Such income is voted by Parliament and accounted for in departmental resource accounts.

Capital: Expenditure on tangible fixed assets (net of disposals and profit/loss on disposal), new investments and capital grants.

(Comprehensive) Spending Review: a process carried out by HM Treasury to set firm and fixed three-year Departmental Expenditure Limits (DEL) and Public Service Agreements (PSAs). Spending Reviews typically focus upon one or several aspects of public spending while Comprehensive Spending Reviews focus upon each government department's spending requirements from a zero base, without reference to past plans or current expenditure.

Consolidated Department: This term includes the Core Department, Acas and the Insolvency Service.

Core Department: This term excludes the Insolvency Service and Acas.

Departmental Expenditure Limits (DEL): The Department's three year budget, divided into resource and capital budgets, set as part of the Spending Review process.

Departmental family: This term includes the Core Department (see above) and its delivery partners outlined in annex 3.

Gross Domestic Product (GDP): Economic indicator measuring the value of all goods and services produced by an economy within a specific period, usually a year.

Grant-in-aid: Cash payments made to bodies (normally NDPBs) to fund their activities. Grant-in-aid is paid where the Government has decided, subject to parliamentary controls, that the recipient body should operate at arm's length from the sponsoring Department.

Near cash: Transactions measured on an accruals basis which result in real cash flows in the near future e.g. expenditure on pay, purchases and current grants, subsidies and payments against provisions.

Non-Budget Expenditure: Expenditure approved in the Supply Estimates and included in the Department's Resource Accounts which does not score against the Department's DEL or AME budgets. Most commonly refers to the cash funding of NDPBs by grant-in-aid. The actual expenditure by the NDPBs scores in budgets.

Non-cash: Transactions which are included to reflect the full economic cost of activities and the usage of long-term assets e.g. depreciation, profit or loss on disposal of balance sheet assets, cost of capital and movements in provisions.

Non-Departmental Public Bodies: A list of NDPBs for which the Department acts as sponsor is included in annex 3.

Real Terms: Amounts adjusted for the effect of general price inflation relative to a base year, as measured by the Gross Domestic Product (GDP) market price deflator.

Resource Accounting: The accounting methodology used to record expenditure in BERR's accounts. It applies HM Treasury's Financial Reporting Manual (FRm), itself based on UK Generally Accepted Accounting Practice (UK GAAP) used in private industry and other Government departments. Spending is measured on an accruals basis.

Resource Budgeting: The budgeting regime adopted for spending plans set out in Spending Reviews and Comprehensive Spending Reviews. A Resource Budget is the sum of a department's resource Departmental Expenditure Limit (DEL) and resource Annually Managed Expenditure (AME). It is the budget for current expenditure on an accruals basis.

Supply Estimates: The means by which Parliament grants formal approval for the Department's annual expenditure plans. An Estimate can comprise one or more Request for Resources (RfR). Requests for additional funds in-year are made in Supplementary Estimates (normally in winter and spring).

Unallocated provision: The element of the total DEL settlement not initially allocation to specific functions or objectives.

Voted and Non-voted Expenditure: Voted expenditure comprises expenditure by the main Department and its executive agencies, as approved in the Supply Estimates. Non-voted expenditure comprises expenditure by the NDPBs sponsored by the Department. Supply Estimates authorise the issue of cash to NDPBs in the form of grant in aid.

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