



Trade and Industry

# The Government's Expenditure Plans 2001-02 to 2003-04 and Main Estimates 2001-02

Cm 5112

	2001-02	2002-03	2003-04	Main Estimates 2001-02
Department of Trade and Industry	15,171	15,171	15,171	15,171
Export Credits Guarantee Department	5,963	5,963	5,963	5,963
Office of Fair Trading	3,846	3,846	3,846	3,846
Office of Telecommunications	6,720	6,720	6,720	6,720
Office of Gas and Electricity Markets	11,985	11,985	11,985	11,985
Postal Services Commission	3,884	3,884	3,884	3,884
<b>Total</b>	<b>47,669</b>	<b>47,669</b>	<b>47,669</b>	<b>47,669</b>

Department of Trade and Industry  
Export Credits Guarantee Department  
Office of Fair Trading  
Office of Telecommunications  
Office of Gas and Electricity Markets  
Postal Services Commission

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Department of Trade and Industry

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This is part of a series of departmental reports and Main Estimates which, accompanied by the document *Public Expenditure: Statistical Analyses 2001-02*, present the Government's expenditure plans for 2001-2004. The plans were published in summary form in the Budget documentation.

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# The Government's Expenditure Plans 2001-02 to 2003-04 and Main Estimates 2001-02

## Trade and Industry 2001

Department of Trade and Industry

Export Credits Guarantee Department

Office of Fair Trading

Office of Telecommunications

Office of Gas and Electricity Markets

Postal Services Commission

Presented to Parliament by the Secretary of State  
for Trade and Industry and the Chief Secretary to  
the Treasury by Command of Her Majesty.

March 2001.

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# Foreword

## Foreword by the Secretary of State for Trade and Industry

This, my third Expenditure Plans Report for the Department of Trade and Industry, describes the Department's activities and achievements over the past year. In particular, it describes our progress against the current Public Service Agreement (PSA) targets and sets out our new PSA targets and spending priorities for 2001-04.

We are living through a period of massive change: new technology and competitive pressures can be seen in all our daily lives. The role of Government is to work with individuals, communities and businesses to help them create opportunity through change. By building on the foundations of economic success and developing further the key building blocks, we can achieve our long term economic ambitions and close the productivity gap with our main competitors.

February 2001 saw the publication of the White Paper *Opportunity for all in a world of change*, which outlines our active industrial policy based on enterprise, skills and innovation. The White Paper sets out how the Government can help businesses and individuals anticipate and respond to change: working to equip individuals with the skills, abilities and know-how they need; building capacity in all communities and regions to enable them to grasp opportunities; ensuring that investment occurs in the modern infrastructure needed to allow businesses and individuals to innovate and compete; increasing the possibilities for people to transform their ideas into successful businesses and ensuring markets operate effectively and fairly in the best interests of consumers; and strengthening European and global frameworks to maximise opportunity and wealth creation. These themes also ran through many of the Department's other achievements over the last year. I have highlighted a few of these below.

## Improving skills, abilities and know-how

- To ensure that the UK continues to attract the best students to scientific training, we are increasing the basic stipend for PhD students from £6,800 per year in 2000-01 to £9,000 in 2003-04.
- We launched a £10 million joint scheme with the Wolfson Foundation to recruit, reward and develop a number of the very best researchers from around the world and the UK in key areas of science.
- We supported 'Enterprise Insight', launched by the Prime Minister to promote entrepreneurship among young people.
- We announced the Second Round of the Science Enterprise Fund, providing £15 million to stimulate scientific entrepreneurship and incorporate enterprise teaching in science and engineering curricula.

## Building prosperous regions and communities

- We announced a £75 million incubator fund and introduced the £50 million Innovative Clusters Fund to support the development of business clusters and incubators in the English regions.
- We refocused the Regional Selective Assistance scheme towards high quality, knowledge based projects which provide skilled jobs.
- We awarded £15 million under the Development Fund element of the Phoenix Fund to support innovative projects which address social exclusion by promoting enterprise.
- We lifted the stricter gas consents policy and introduced the UK Coal Operating Aid Scheme.
- We are investing up to £250 million in the T900 and T600 engines being developed by Rolls-Royce for the A380 (formerly A3XX) and B747X aircraft, creating 20,000 jobs in Rolls-Royce and its suppliers.

### Investing for innovation

- In the White Paper *Excellence and Opportunity for the 21st century* we set out the Government's commitments to ensure that science works for the benefit of all, to invest in science infrastructure and leading edge research, and to encourage the commercial application of science.
- We launched 'UK online for business' to provide help to businesses for them to succeed with e-commerce.
- We launched the £15 million LINK Applied Genomics programme, the largest LINK programme ever, complemented by the new £25 million Harnessing Genomics programme to help industry apply this research.
- We established the Science Research Infrastructure Fund, providing an additional £1 billion science infrastructure investment and keeping Britain at the forefront of scientific research.
- We published the DTI Sustainable Development Strategy and contributed to a new £30 million Sustainable Technologies Initiative to help businesses integrate sustainability into their processes and products.

### Fostering enterprise

- We launched the Small Business Service on 1 April 2000 to act as a strong voice for small firms at the heart of Government and improve the quality and coherence of support for small businesses.
- We consulted widely on a new framework for supporting small businesses in the UK, leading to the launch by the Prime Minister of *Think Small First – Supporting smaller businesses in the United Kingdom – a challenge for Government*.
- Royal Assent was obtained for the Utilities Act 2000, updating energy regulation to put consumers at the centre and establishing the Gas and Electricity Markets Authority and the Gas and Electricity Consumer Council, 'Energywatch'.
- We launched Consumer Support Networks to draw together local advice and information from Trading Standards Organisations, Citizens Advice Bureaux and others.

- We published the Green Paper *Work and Parents: Competitiveness and Choice* proposing steps to give more help to parents and greater support to the businesses employing them.
- We increased the main rate for the National Minimum Wage from £3.60 to £3.70 per hour, with a further increase to £4.10 per hour announced for October 2001.

### Strengthening global connections

- Trade Partners UK and Invest UK were launched as operating units of British Trade International with the aims of enhancing the competitiveness of companies in the UK through overseas sales and investments, and of maintaining a high level of quality foreign direct investment.
- We pressed ahead with European economic reform, following the actions agreed at the March 2000 Lisbon Special European Summit.

The themes of the White Paper *Opportunity for all in a world of change* will set the Department's future direction. This Report describes the initiatives which I plan to implement to achieve the aims set out in the White Paper and to meet the challenging targets that we have set ourselves.



The Rt Hon Stephen Byers MP  
Secretary of State for Trade and Industry



# Rhagair

## Rhagair gan yr Ysgrifennydd Gwladol dros Fasnach a Diwydiant

Mae hwn, fy nhrydydd Adroddiad ar Gynlluniau Gwariant i'r Adran Masnach a Diwydiant, yn disgrifio gweithgarwch a chyraeddiadau'r Adran dros y flwyddyn ddiwethaf. Yn arbennig, mae'n disgrifio'r cynnydd a wnaethom tuag at dargedau Cytundeb Gwasanaeth Cyhoeddus (CGC) cyfredol ac yn gosod ein targedau CGC newydd a'n blaenoriaethau gwariant ar gyfer 2001-04.

Rydym yn byw trwy gyfnod o newidiadau enfawr: gwelwn bawb bwysau technolegol a chystadleuol newydd yn ein bywyd beunyddiol. Swyddogaeth y llywodraeth yw gweithio gydag unigolion, cymunedau a busnesau i'w helpu i greu cyfle trwy newid. Trwy adeiladu ar seiliau llwyddiant economaidd a datblygu'r conglfeini allweddol ymhellach, gallwn wireddu'n huchelgeisiau economaidd tymor-hir a chulhau'r bwlch cynhyrchedd rhyngom a'n prif gystadleuwyr.

Yn Chwefror 2001 cyhoeddwyd y Papur Gwyn *Opportunity for all in a world of change*, sy'n amlinellu'n polisi diwydiannol gweithredol ar sail menter, sgiliau a blaengarwch. Mae'r Papur Gwyn yn nodi sut y gall y Llywodraeth helpu busnesau ac unigolion i achub y blaen ar newidiadau ac ymateb iddynt: gweithio i roi i unigolion y sgiliau, y galluoedd a'r wybodaeth arbenigol sydd angen; datblygu potensial cynhenid pob cymuned a rhanbarth i'w galluogi i gydio mewn cyfleoedd; sicrhau buddsoddi yn yr isadeiledd modern sydd eisiau i ganiatáu i fusnesau ac unigolion amlygu blaengarwch a chystadlu; cynyddu'r posibiliadau i bobl droi eu syniadau yn fusnesau llwyddiannus a sicrhau bod marchnadoedd yn gweithredu'n effeithiol ac yn deg er lles defnyddwyr; a chryfhau fframweithiau Ewropeaidd a byd-eang i amlhau cyfleoedd i'r eithaf, ynghyd â'n gallu i greu cyfoeth. Mae'r themâu hyn hefyd yn gyffredin i lawer o gyraeddiadau eraill yr Adran dros y flwyddyn ddiwethaf. Rwy'n galw sylw i rai o'r rhain isod.

## Gwella sgiliau, galluoedd a gwybodaeth arbenigol

- Er mwyn sicrhau bod y DU yn parhau i ddenu'r myfyrwyr gorau i hyfforddiant gwyddonol, rydym yn cynyddu'r tâl sylfaenol i fyfyrwyr PhD o £6,800 y flwyddyn yn 2000-01 i £9,000 yn 2003-04.
- Bu inni lansio cynllun £10 miliwn ar y cyd â Sefydliad Wolfson i recriwtio, gwobrwyo a datblygu nifer o'r ymchwilwyr gorau oll o bob rhan o'r byd a'r DU mewn agweddau allweddol ar wyddoniaeth.
- Gwnaethom gefnogi 'Enterprise Insight', a lanswyd gan y Prif Weinidog i hybu entrepreneuriaeth ymhlith pobl ifanc.
- Cyhoeddwyd gennym Ail Gam y Gronfa Menter Wyddonol, gan ddarparu £15 miliwn i ysgogi entrepreneuriaeth wyddonol ac ymgorffori addysg menter ym meysydd llafur gwyddoniaeth a pheirianneg.

## Datblygu rhanbarthau a chymunedau ffyniannus

- Cyhoeddwyd gennym gronfa fagu werth £75 miliwn a chyflwynwyd y Gronfa Clystyrau Blaengar werth £50 miliwn i ategu datblygiad clystyrau a magwyr busnes yn rhanbarthau Lloegr.
- Trefnwyd canolbwynt newydd i'r cynllun Cymorth Rhanbarthol Detholus fel y ffeirir prosiectau o ansawdd uchel, seiliedig ar wybodaeth, sy'n darparu swyddi medrus.
- Gwnaethom ddyfarnu £15 miliwn o dan elfen y Gronfa Ddatblygu o fewn Cronfa Phoenix i gefnogi prosiectau blaengar sy'n mynd i'r afael ag anghynhwysiant cymdeithasol trwy hybu menter.
- Rhoesom heibio'r polisi mwy caeth ar gyfer caniatáu prosiectau nwy a chyflwynwyd gennym Gynllun Cymorth Gweithredu Glo'r DU.

- Rydym yn buddsoddi hyd at £250 miliwn yn y peiriannau T900 a T600 sy'n cael eu datblygu gan Rolls-Royce i awyrennau A380 (gynt A3XX) a B747X, gan greu 20,000 o swyddi yn Rolls-Royce a'u cyflenwyr.

### Buddsoddi er mwyn blaengarwch

- Yn y Papur Gwyn *Excellence and Opportunity for the 21st century*, rhestrwyd gennym ymrwymiadau'r Llywodraeth i sicrhau bod gwyddoniaeth yn gweithio er lles pawb, i fuddsoddi yn isadeiledd gwyddoniaeth ac ymchwil flaenllaw, ac i feithrin cymhwysiad masnachol gwyddoniaeth.
- Bu inni lansio 'UK online for business' i helpu busnesau i lwyddo ym maes e-fasnach.
- Bu inni lansio rhaglen LINK werth £15 miliwn ar Genomeg Gymwysedig, y rhaglen LINK fwyaf erioed, wedi ei chydategu gan y rhaglen newydd werth £25 miliwn gyda golwg ar Harneisio Genomeg i helpu diwydiant i gymhwyso'r ymchwil hon.
- Gwnaethom sefydlu'r Gronfa Isadeiledd Ymchwil Gwyddoniaeth, gan ddarparu buddsoddiad ychwanegol o £1 biliwn ar gyfer isadeiledd gwyddoniaeth i gadw Prydain ym mlaen y gad o ran ymchwil wyddonol.
- Cyhoeddwyd gennym Strategaeth y DTI ar Ddatblygiad Cynaliadwy, gan gyfrannu at fenter newydd werth £30 miliwn ar Dechnolegau Cynaliadwy i helpu busnesau i ymgorffori cynaliadwyedd yn eu prosesau a'u cynhyrchion.

### Meithrin menter

- Bu inni lansio'r Gwasanaeth Busnesau Bach ar 1 Ebrill 2000 i fod yn llais cryf dros gwmnïau bach yng nghraidd y Llywodraeth a gwella ansawdd a chydlynid y gefnogaeth i fusnesau bach.
- Bu inni ymgynghori'n helaeth ynghylch fframwaith newydd ar gyfer cefnogaeth i fusnesau bach yn y DU, gan arwain at lansio *Think Small First – Supporting smaller businesses in the United Kingdom – a challenge for Government* gan y Prif Weinidog.
- Sicrhawyd Cymeradwyaeth y Frenhines i Ddeddf Cyfleustodau 2000, sydd yn diweddarau'r rheoliadau ynni i roi'r prif bwyslais ar y defnyddiwr ac yn

sefydlu Awdurdod y Marchnadoedd Nwy a Thyrdan a Chyngor y Defnyddwyr Nwy a Thyrdan, 'Energywatch'.

- Bu inni lansio Rhwydweithiau Cefnogi Defnyddwyr i gydgrynhoi cyngor a gwybodaeth leol o blith Sefydliadau Safonau Masnachu, Canolfannau Cynghori ac eraill.
- Cyhoeddwyd gennym y Papur Gwyrdd *Work and Parents: Competitiveness and Choice* gan awgrymu camau i roi mwy o gymorth i rieni a mwy o gefnogaeth i fusnesau sy'n eu cyflogi.
- Gwnaethom gynyddu'r brif gyfradd ar gyfer y Lleiafswm Cyflog Cenedlaethol o £3.60 i £3.70 yr awr, tra'n cyhoeddi cynnydd pellach i £4.10 ar gyfer Hydref 2001.

### Cryfhau cysylltiadau byd-eang

- Lansiodd Trade Partners UK ac Invest UK fel unedau gweithredol o fewn British Trade International gyda'r nod o wella gallu cwmnïau'r DU i gystadlu trwy werthiannau a buddsoddiadau tramor, ac o gynnal lefel uchel o fuddsoddi tramor uniongyrchol o ansawdd da.
- Gwnaethom gynydd gyda diwygiad economaidd Ewrop, yn sgil y camau y cytunwyd arnynt yn Uwchgynhadledd Ewropeaidd Arbennig Lisbon ym Mawrth 2000.

Bydd themâu'r Papur Gwyn *Opportunity for all in a world of change* yn pennu'r cyfeiriad y bydd yr Adran yn ei ddilyn yn y dyfodol. Mae'r Adroddiad hwn yn disgrifio'r mentrau y bwriadaf eu rhoi mewn grym i gyrraedd yr amcanion a nodwyd yn y Papur Gwyn ac i gwrdd â'r targedau ymestynnol a osodwyd gennym i ni ein hunain.



Stephen Byers AS  
Ysgrifennydd Gwladol dros Fasnach a Diwydiant



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# Introduction

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- Structure of the Department
- Structure of the Report
- Expenditure plans summary

## Introduction

This Report sets out the Government's Expenditure Plans for Trade and Industry for 2001-04 and Main Estimate for 2001-02. It also assesses performance against targets and provides a summary of significant developments in 2000-01. The Report covers the Department of Trade and Industry (including British Trade International), the Export Credits Guarantee Department, the Office of Fair Trading, the Office of Telecommunications, the Office for Gas and Electricity Markets, and the Postal Services Commission. It supplements the Financial Statement and Budget Report 2001-02.

### Spending Review 2000 and transition to resource accounting and budgeting

The Report reflects two major developments. First, the Spending Review 2000 settlement set out the Government's spending plans for the period 2001-04 for each department. It included:

- a boost in investment in UK science, including a £1 billion capital investment in science research infrastructure in partnership with the Wellcome Trust;
- £190 million new funding for the Small Business Service to promote enterprise, particularly in disadvantaged areas, and provide advice and support to small businesses;

- nearly £40 million for renewable energy projects;
- over £30 million funding increase for Trade Partners UK; and
- extra funding to promote competitiveness through the Regional Development Agencies.

The Spending Review also developed the objectives and targets for the Department in its Public Sector Agreement, as set out in Chapter 1 of this Report.

Second, financial information is presented on an accruals basis for the first time. This change, first announced in the 1995 White Paper, *Better Accounting for Taxpayer's Money* (Cm 2929) was designed to ensure that published financial information reflects better the use of resources over time and to encourage greater emphasis on outputs and the achievements of aims and objectives. Further explanatory notes about the change are provided in Annex B.

## Ministerial responsibilities

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### **Secretary of State for Trade and Industry**

#### **The Rt Hon Stephen Byers MP**

Overall responsibility for the Department of Trade and Industry and the Export Credits Guarantee Department. Cabinet Minister responsible for Science and Technology.



### **Minister for Energy and Competitiveness in Europe**

#### **The Rt Hon Peter Hain MP**

Responsible for energy including sponsorship of the oil and gas industries, European Single Market, economic reform and enlargement, and business preparation for the Euro.



### **Minister for Trade**

#### **The Rt Hon Richard Caborn MP**

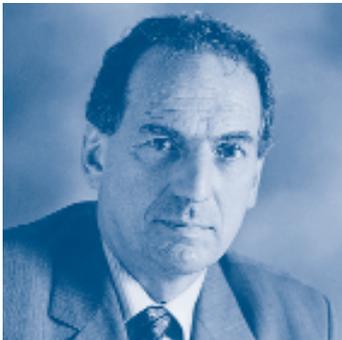
Responsible for trade policy, ECGD, British Trade International, inward investment and regional policy and export projects.



### **Minister for Small Business and E-Commerce**

#### **Patricia Hewitt MP**

Responsible for small firms, e-commerce and the information society, industry (supported by Alan Johnson), environment, and The Radiocommunications Agency.



### **Parliamentary Under-Secretary of State for Consumer and Corporate Affairs**

#### **Dr Kim Howells MP**

Responsible for competition, consumer affairs, company law, corporate governance, company investigations, Insolvency Service, Patent Office, Companies House, National Weights and Measures Laboratory, and export licensing.



### **Parliamentary Under-Secretary of State for Science and Innovation**

#### **Lord Sainsbury of Turville**

Responsible for science, the Research Councils, innovation, design and space.

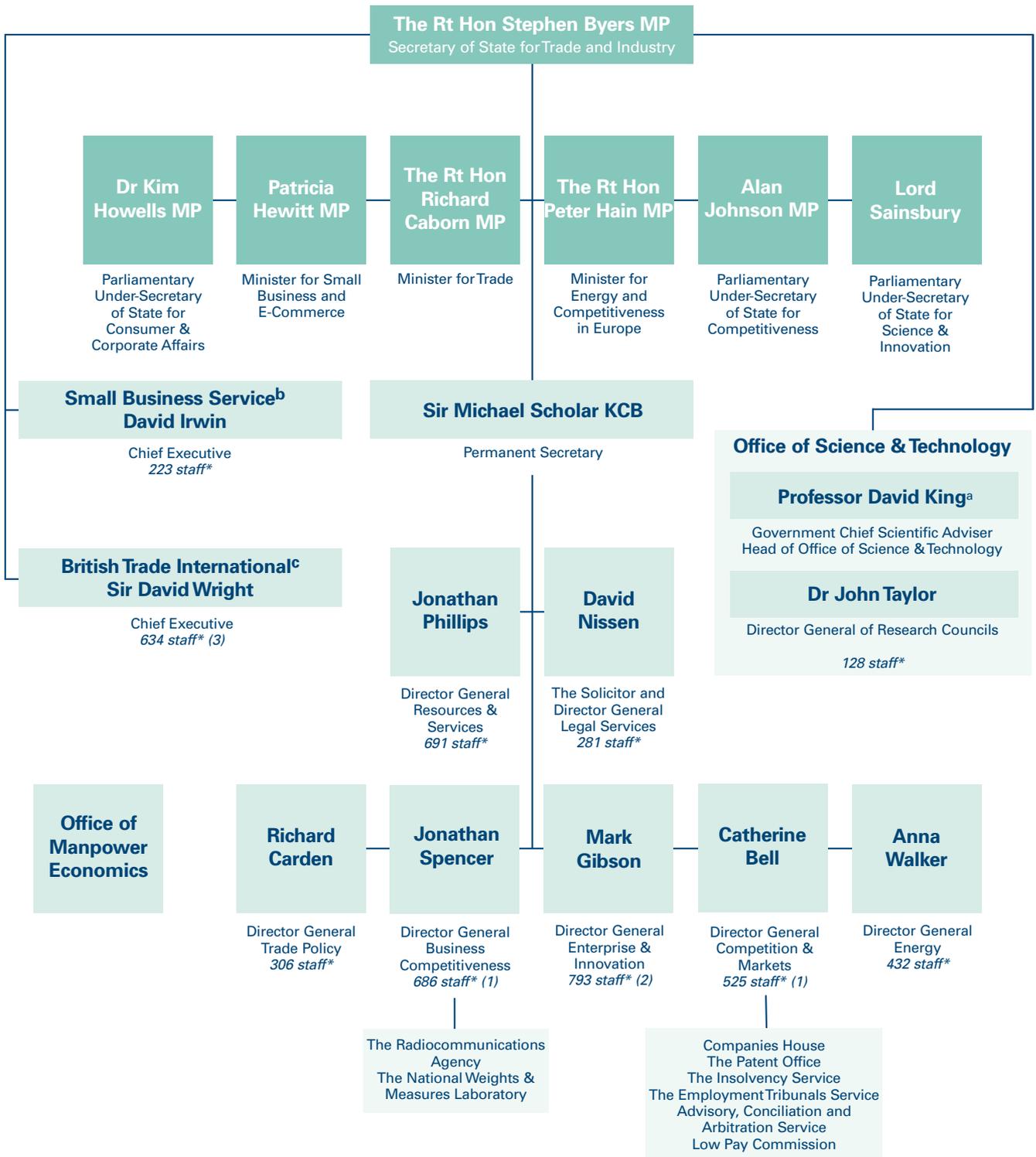


### **Parliamentary Under-Secretary of State for Competitiveness**

#### **Alan Johnson MP**

Responsible for industry (with Patricia Hewitt), Employment Relations and The Post Office

## Structure of the Department



\*Full time equivalent staff on 1 January 2001. See also Annex B10.

(1) Does not include Executive Agency staff.

(2) Includes DTI Government Office staff

(3) British Trade International staff are drawn from the DTI, FCO and Government Offices and remain members of their respective parent organisation. This figure relates to DTI staff only.

<sup>a</sup>The Chief Scientific Adviser reports directly to the Secretary of State and the Prime Minister.

<sup>b</sup>The Chief Executive, Small Business Service has direct access to the Prime Minister.

<sup>c</sup>The Chief Executive, British Trade International reports jointly to the Secretary of State for Trade & Industry and the Foreign & Commonwealth Secretary.

The Department's Groups are as follows:<sup>1</sup>

- **Business Competitiveness:** Sponsors the UK commercial sector, working in partnership with industry in a joint effort to improve performance and generate increased wealth and jobs. The Group also co-ordinates the Department's innovation and technology policies, the Government's interest in space policy matters and sets the regulatory framework for telecommunications and Information Society activities, and the provision of radio spectrum.
- **Competition and Markets:** the Group acts to promote open and competitive markets at home, in Europe and across the world; by improving and enforcing a framework for commercial activity which encourages enterprise and avoids unnecessary burdens on business, while providing a fair deal for consumers, and by developing a framework for employers and employees which promotes a skilled and flexible labour market founded on the principle of social partnership.
- **Energy:** the Group works with others to ensure the provision of safe, secure, diverse and sustainable supplies of energy at competitive prices, and to manage efficiently the liabilities and assets for which the Department is responsible.
- **Enterprise and Innovation:** The Group's responsibilities include overall strategy for competitiveness at home and in Europe and its delivery in the English regions. The Group works closely with the Small Business Service and British Trade International, and adopts a collaborative style of working with all parts of the Department.
- **Legal Services:** The Group provides legal advice to the DTI and its Executive Agencies on domestic and international (including EC) law. It also investigates and prosecutes for offences under legislation for which the DTI is responsible.
- **Office of Science and Technology:** OST aims to strengthen the UK's science and technology capabilities and maximise their contribution to sustainable growth and quality of life in the UK. The OST supports the Chief Scientific Adviser, aiming to ensure that scientific advice to Government is soundly based, and that all Departments make proper use of science and technology to deliver their objectives.

- **Resources and Services:** the Group ensures that the Department has the right human, financial, physical and information resources to do its job.
- **Trade Policy:** the Group works to uphold and strengthen the world trading system, promoting the UK's interests in it and promoting further trade liberalisation. It also provides an export licensing system for items controlled for strategic reasons or because of sanctions and ensures UK compliance with its obligations relating to, and contributes to Government policy on, non-proliferation of weapons of mass destruction

## Structure of the Report

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Chapter 1 sets out the Department's objectives, summarises progress made against PSA targets and describes how the Department is managed and is modernising itself. The rest of the report is divided into six sections.

The first four sections are structured around the Department's four objectives set out in the Spending Review 2000 and summarise its achievements in, and expenditure plans for, these areas. The following section describes how the Department manages its assets, investments and liabilities. The final section provides information on the Redundancy Payments Service, Executive Agencies and Public Corporations. It also includes reports by the Export Credits Guarantee Department and the four Regulatory Departments: the Office of Fair Trading, the Office of Telecommunications, the Office for Gas and Electricity Markets, and the Postal Services Commission.

The Main Estimate for 2001-2 is attached at Annex A and detailed expenditure information is provided in Annexes B and C as well as the relevant chapters. A summary of the Department's expenditure is shown on page 17.

**FIGURE:** Relationship between chapters and the Main Estimate

<b>Chapter</b>	<b>Request for Resources in Main Estimates for the Department of Trade and Industry, the UKAEA Superannuation Funds, Export Credits Guarantee Department, Office of Fair Trading, Office of Telecommunications, Office of Gas and Electricity Markets, and Postal Services Commission.</b>
<b>Objective A:</b>	
<b>To promote enterprise, innovation and increased productivity</b>	
2 E-Commerce	Request for Resources 1 (Increasing UK Competitiveness) Functions A (Promotion of enterprise, innovation and productivity and associated administration costs), F (Net controlled agencies and suppliers of Departmental central services), L (Promotion of enterprise, innovation and productivity and associated administration costs) and Q (Net controlled agencies and suppliers of Departmental central services)
3 The Small Business Service and Enterprise	Request for Resources 1 Functions A, K (Enterprise for All), L and U (Promotion of enterprise, innovation and productivity)
4 Innovation	Request for Resources 1 Functions A, B (Measures relating to individual industries and related programmes), L, M (Measures relating to individual industries and related programmes), W (Grants in Aid to Non-Departmental Public Bodies) and X (Loans to and repayment from Trading Funds)
5 The Regions	Request for Resources 1 Functions A, G (European Regional Development Fund and other Community programmes (including Leader Network Project)), H (European Regional Development Fund (non-discretionary)), L, R (European Regional Development Fund and other Community programmes (including Leader Network Project)), S (European Regional Development Fund (non-discretionary)), U, Y (European Regional Development Fund and other Community receipts (including Leader Network Project)), and Z (European Community Programmes Receipts)
<b>Objective B:</b>	
<b>To make the most of the UK's science, engineering and technology</b>	
6 The Science and Engineering Base	Request for Resources 2 (Increasing scientific excellence in the UK and maximising its contribution to society)
7 The Exploitation and Application of Science	Request for Resources 1 Functions A and L, Request for Resources 2.
<b>Objective C:</b>	
<b>To develop strong, competitive markets within a regulatory framework which promotes fairness and sustainability</b>	
8 Open markets	Request for Resources 1 Functions C (Legal and regulatory framework and markets and associated administration costs) and N (Legal and regulatory framework and markets and associated administration costs).
9 Energy	Request for Resources 1 Functions C, N, V (Legal and regulatory framework and markets), AA (Petroleum licensing and royalties), AB (Privatisation expenses and refunds of pensions adjustments), and UKAEA Superannuation Funds Request for Resources (Effective management of UKAEA superannuation schemes).
10 The Regulatory Framework	Request for Resources 1 Functions C, N, and X.
11 Consumer Policy	Request for Resources 1 Functions C, E (Developing post offices to provide access to official services/information and the Internet), I (Other European Community expenditure), N, and W.
12 Employment Relations	Request for Resources 1 Functions C and N
<b>Objective D:</b>	
<b>Enhanced competitiveness of Britain's companies through overseas sales and investments; and a continuing level of quality foreign direct investment</b>	
13 British Trade International	Request for Resources 1 Function J (British Trade International Administration Costs)

## Section E: Managing investments, assets and liabilities

### 14 Investment and Asset Management

15 DTI Managed Liabilities Request for Resources 1 Functions D (Net expenses related to coal provisions), O (Expenses related to nuclear provisions), P (Net expenses related to coal provisions), T (British Coal Corporation External Finance), W and AB.

## Section F: Agencies and related organisations

16 Performance of the Redundancy Payments Service and Executive Agencies Request for Resources 1 Functions F and Q.

17 The Public Corporations Request for Resources 1 Function T (British Coal Corporation External Finance).

18 Export Credits Guarantee Department Export Credits Guarantee Department Request for Resources 1 (Export finance assistance) and 2 (Trading operations).

19 The Regulatory Departments Office of Fair Trading Request for Resources 1 (Advancing and safeguarding the interests of UK consumers), Office of Telecommunications Request for Resources 1 (Providing the best possible deal for telecommunications customers through effective competition), Office of Gas and Electricity Market Request for Resources 1 (Protecting consumers by regulating monopolies and promoting competition in the electricity and gas industry), and Postal Services Commission Request for Resources 1 (Protecting consumers by regulating postal operations and promoting competition in the postal services industry).

## Expenditure Plans Summary

### Department of Trade and Industry Expenditure (net) 1995-96 to 2003-04

	1995-96 Outturn (cash)	1996-97 Outturn (cash)	1997-98 Outturn (cash)	1998-99 Outturn (cash)	1999-2000 Outturn (cash)	2000-01 Provision (cash)	2000-01 Provision (accruals)	2001-02 Plans (accruals)	2002-03 Plans (accruals)	2003-04 Plans (accruals)
<b>Departmental Expenditure Limit (DEL)</b>										
Promotion of enterprise, innovation and increased productivity	728	723	723	703	672	855	867	983	1,016	1,000
Legal and regulatory framework and markets	352	309	318	292	314	476	482	453	481	498
Modernising the Post Office Network								75	70	110
Non-Fossil Fuel Obligation Order	97	99	118	114	42	81	81	92	117	139
Nuclear and Coal Liabilities	589	439	275	257	359	429	422	874	333	-77
Science	1,320	1,338	1,354	1,378	1,429	1,624	1,630	1,766	1,909	2,154
Measures relating to individual industries	17	-8	47	-19	-69	-45	-42	44	46	162
Net controlled Executive Agencies and Trading Funds	-27	-26	-33	-24	-22	-11	4	-1	8	10
<b>ERDF</b>	<b>46</b>	<b>79</b>	<b>121</b>	<b>140</b>	<b>136</b>	<b>173</b>	<b>173</b>	<b>235</b>	<b>244</b>	<b>170</b>
<b>TOTAL</b>	<b>3,124</b>	<b>2,954</b>	<b>2,923</b>	<b>2,841</b>	<b>2,861</b>	<b>3,583</b>	<b>3,616</b>	<b>4,521</b>	<b>4,222</b>	<b>4,167</b>
<b>Annually Managed Expenditure (excluding BNFL and the Post Office)</b>										
Redundancy Payments Scheme	142	117	101	130	156	167	167	165	167	171
UKAEA Superannuation Funds	91	227	101	120	118	147	147	134	137	137
Other					3	21	21			
<b>TOTAL</b>	<b>3,357</b>	<b>3,298</b>	<b>3,125</b>	<b>3,092</b>	<b>3,138</b>	<b>3,918</b>	<b>3,952</b>	<b>4,819</b>	<b>4,526</b>	<b>4,474</b>

#### Notes

The above table shows DTI's expenditure for 1995-96 to 1999-2000 on a cash basis and for 2001-02 to 2003-04 on an accruals basis. The expenditure for 2000-01 is shown on both a cash and accruals basis for comparison purposes. The figures exclude the non-cash items (such as depreciation, cost of capital charges and the taking out of provisions).

Under an accruals regime, a significant amount of the expenditure recorded against the Departmental Expenditure Limit, in particular that of the Non-Departmental Public Bodies and the expenditure on nuclear and coal liabilities is not recorded in the Resource Estimate. For this reason, the Department's expenditure has been grouped into that falling within the Departmental Expenditure Limit and that falling within Annually Managed Expenditure.

Figures may not add exactly to totals due to rounding.

## 1

# Delivering Better Public Service: Progress

- Introduction
- Departmental aim, objectives and PSA targets 2001-04
- Progress on PSA targets for 1999-2002
- Modernising DTI Action Plan
- Other aspects of managing the Department

## Introduction

- 1.1. Government spending plans for 1999 to 2002 were set in the 1998 Comprehensive Spending Review (CSR), including the commitment to extra investment to raise standards and improve the quality of public services. The White Paper *Public Services for the Future: Modernisation, Reform, Accountability* (Cm 4181), published in December 1998, and its supplement (Cm 4315, March 1999) reinforced this commitment by setting out measurable Public Service Agreement (PSA) targets for the full range of the Government's objectives. The Spring 2000 Expenditure Plans Report gave a full report of progress against all of these targets. Further information is included in this Report (see Figure 1.1).
- 1.2. New plans for public spending for 2001 to 2004 were set out in the 2000 Spending Review. The Review also further developed PSAs in order to prioritise the most important goals and reforms the Government wants to deliver. These targets are set out in the White Paper *Spending Review 2000: Public Service Agreements 2001-04* (Cm 4808) and the DTI targets are shown below. Policies and plans to achieve those targets are described in this report and progress towards achieving them will be fully reported on in the Spring 2002 Expenditure Plans Report.
- 1.3. In January 2001, the Trade and Industry Committee published a report on *The Department of Trade and Industry: Role, Objectives and Targets* which included a number of recommendations about the quality and timeliness of information available on the Department's PSA targets. The Department is responding to the Committee and has taken account of its recommendations in setting out information in this Report.

## Departmental aim, objectives and PSA targets 2001-04

- 1.4. The Department's PSA targets for 2001-04 build on the 1999-02 PSA targets described in Figure 1.1. Of the 12 targets set in the Comprehensive Spending Review for 1999-02: four (1,5,8,10) have been rolled over into the new PSA targets; seven (2,3,4,6,7,9,11) have been subsumed within the new targets and are covered in the Service Delivery Agreement; and one target (12) had a target date of the end of 2000 and is not being continued.
- 1.5. The ways in which the high level objectives and targets set out in the PSA for 2001-04 will be achieved and performance improved are described in the Service Delivery Agreement (see Annex D)<sup>1</sup>. In addition, the Department's Technical Note (Annex E)<sup>2</sup> provides details on the underpinning measures to assess progress against the PSA targets.

- 1.6. The Department will also ensure the efficient management of liabilities for which it has responsibility (See Chapter 15).
- 1.7. In pursuit of its objectives the Department has committed to:
- Manage, train, develop and support its staff to improve their performance and increase their job satisfaction, and build on its recognition as an Investor in People;
  - Work in partnership across Government and with organisations and individuals outside Government, particularly in the regions, to design and deliver effective policies;
  - Be enterprising and innovative, learning from other countries, particularly our partners in Europe, and exploit the potential of technology;
  - Promote sustainable development encompassing growth and environmental and social objectives; and
  - Operate efficiently and effectively within available resources.

## DTI Public Service Agreement 2001-04

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### Aim

To increase competitiveness and scientific excellence in order to generate higher levels of sustainable growth and productivity in a modern economy.

### Objectives and Performance Targets

1. Improve UK competitiveness by narrowing the productivity gap with the US, France, Germany and Japan over the economic cycle. (Joint target with HM Treasury) (See Chapter 4)

#### ***Objective I: to promote enterprise, innovation and increased productivity.***

2. Help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities. (See Chapter 3)

3. Make and keep the UK the best place in the world to trade electronically, as measured by the cost of Internet access and the extent of business to business and business to consumer transactions carried out over e-commerce networks. (See Chapter 2)

4. Improve the economic performance of all regions measured by the trend in growth of each region's GDP per capita. (Joint target with DETR) (See Chapter 5)

#### ***Objective II: to make the most of the UK's science, engineering and technology.***

5. Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance. (See Chapter 6)

6. Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources. (See Chapter 7)

**Objective III: to develop strong, competitive markets within a regulatory framework which promotes fairness and sustainability.**

7. Have the most effective competition regime in the OECD, as measured by peer review, and achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information. (See Chapters 8 and 11)

8. Ensure competitive gas and electricity prices in the lower half of the EU/G7 basket, while achieving security of supply and social and environmental objectives. (See Chapter 9)

9. Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in CO<sub>2</sub> emissions by 2010. (Joint target with DETR) (See Chapter 9)

**Objective IV: enhanced competitiveness of Britain's companies through overseas sales and investments; and a continuing high level of quality foreign direct investment<sup>4</sup>.**

10. Deliver a measurable improvement in the business performance of Trade Partners UK customers. (Joint target with FCO) (See Chapter 13)

11. Maintain the UK as the prime location in the EU for foreign direct investment. (Joint target with FCO) (See Chapter 13)

**Value for money.**

12. Achieve value for money improvements of 2.5% a year across the Department as measured by a set of indicators (See later sections of this chapter and Chapters 14 to 16)

<sup>4</sup>Targets 10 and 11 cover the work of British Trade International including Trade Partners UK.

## Progress on PSA targets for 1999-2002

1.8. The 1998 Comprehensive Spending Review (CSR) set 12 PSA targets for DTI for the period 1999-2002. The Department has made good progress towards meeting these targets (Figure 1.1). Three have already been met (7 on UK SME's wired up was met ahead of schedule, and 9 and 10 are met but ongoing), four (1, 2, 8 and 11) are assessed to be on course; and for four (3, 4, 5 and 6) assessment is in progress. Target 12 (to enable transposition of 98% of EU Single Market

measures into UK law by end 2000) was not met on time, but the overall position was close to target having risen from 95.4% transposed in 1997 to 97% at the end of 2000.

1.9. Further details about the Department's activities and initiatives in support of individual targets are provided in the relevant chapters. Regular reporting of progress on PSA targets will be provided on the DTI website<sup>3</sup>. From April 2001 the Department will monitor progress towards the new PSA targets for 2001-04 shown above.

FIGURE 1.1: Progress against 1999-02 PSA targets

Objective One: Promote enterprise, innovation and increased productivity		
PSA Target	Measure	Progress
<p>i) To put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle. [Objectives 1-4. Joint with HM Treasury target xiii].</p> <p style="text-align: right;">See Chapter 4</p>	<p>Productivity performance since the 1997 Election measured on both an output per worker and an output per hour basis against the G5 countries.</p> <p><b>Baseline</b><sup>5</sup>: output per worker, 1997 (UK 100, USA 140, France 117, Germany 111, Japan 102); and output per hour, 1997 (UK 100, USA 123, France 120, Germany 115 Japan 95).</p>	<p>On course. Improving underlying productivity performance takes time and involves tackling many long-standing structural weaknesses. The Government has, however, put in place policies to create the conditions for sustainable productivity gains over time.</p> <p>A wide range of policies to narrow the productivity gap and increase UK competitiveness were put in place by the 1998 Competitiveness White Paper, the 2000 Science and Innovation White Paper, the 2001 White Paper on enterprise, skills and innovation, and in successive Budgets.</p> <p>ONS data show that UK productivity growth has picked up since 1999 although between 1997 and 1999, the UK productivity gap with most of the other G5 countries changed little. Very strong US performance has meant that the gap with the US has widened, although US productivity growth is now slowing.</p> <p><b>Latest (provisional) figures:</b> output per worker, 1999 (UK 100, USA 145, France 118, Germany 111, Japan 99); and output per hour, 1999 (UK 100, USA 126, France 121, Germany 119, Japan 93).</p>
<p>ii) To secure improvements in performance against a set of competitiveness indicators to be developed and published annually from 1999. [Objectives 1-4.]</p> <p style="text-align: right;">See Chapter 4</p>	<p>A Competitiveness Council will be appointed during the first six months of 1999 and will develop the indicators.</p>	<p>On course; the first Competitiveness Indicators were published in December 1999 and the second set in February 2001. These showed that the UK is succeeding in creating a platform for faster growth and increased productivity in many respects. The assessment also draws attention to areas in which the UK lags behind our main competitors, which are addressed in the recent White Paper on business and skills. Moreover there is encouraging evidence that the effects of structural reform and improved macroeconomic stability are beginning to feed through, for example in the performance of UK business investment in research and development in 1999.</p>

<sup>5</sup> Data for 1997 have been revised since the publication of the last Expenditure Plans Report. The figures shown for the baseline are from OECD sources and are on the same basis as the 1999 figures which are the latest available.

**Objective One: Promote enterprise, innovation and increased productivity**

PSA Target	Measure	Progress
<p>iii) To increase the productivity and profitability of SMEs assisted by Business Link partnerships, and to show year by year improvements in the quality of services delivered under the Business Link brand.</p> <p>See Chapter 3</p>	<p><b>Measure:</b> Increase in productivity, profitability and export sales of Business Link assisted firms to be better than that of non-assisted firms.</p> <p><b>Target:</b> improvements on baseline (1998): labour productivity increased in assisted firms by 13%, compared to 1% in non-assisted firms; and profit margin in assisted firms increased by 7%, but deteriorated by 7% in non-assisted firms.</p> <p><b>Measure:</b> % of businesses stating that the service obtained met their objectives for seeking assistance from the Business Link.</p> <p><b>Target:</b> 80% by April 2001 against a baseline (1996-97) of 75% satisfaction level</p>	<p>Assessment in progress. The monitoring framework has been reviewed and improved and as a consequence the first data of changes in productivity and profitability will be available in Feb 2002<sup>6</sup>.</p> <p>No change in % of businesses stating that the service met their objectives for seeking assistance from Business Link (74% for April-June 2000)</p>
<p>iv) To secure an increase in the number of successful high growth business start-ups<sup>7</sup>. [Joint target with HM Treasury, xiv].</p> <p>See Chapter 3</p>	<p>Number of successful high growth business start-ups.</p> <p><b>Target:</b> to 20,000 by 2005.</p>	<p>A difficulty in measurement as there is a 4 year time lag<sup>7</sup>. Data shows a fall in the number of start-ups from 1994 to 1997.</p> <p>1998 data: 12,300 start ups in 1994 1999 data: 11,800 start ups in 1995 2000 data: 11,100 start ups in 1996 2001 data: 11,200 start ups in 1997 (provisional)</p> <p>This ONS data is being examined for possible data discontinuities.</p>
<p>vii) To increase from 350,000 to 1 million the number of UK SMEs wired up to the digital market place by 2002<sup>8</sup> [Objectives 1 &amp; 3] <i>NB. This target has been increased to 1.5million SMEs.</i></p> <p>See Chapter 2</p>	<p>Annual International Benchmarking survey.</p>	<p>Met. DTI's International Benchmarking Study published in October 2000 showed that 1.7 million SMEs are now online and therefore target has been exceeded.</p>

<sup>6</sup>The monitoring framework used to collect the data is relatively new.

<sup>7</sup> High growth means in the fourth year of trading, an average over the year of over 10 employees, and/or a turnover of at least £1million. Start-up means entirely new independent businesses. All measured using Companies House, VAT and Dunn & Bradstreet records.

<sup>8</sup> Being wired up is defined as making frequent use of external networking technologies: having a web site, or making frequent use of external e-mail or of Electronic Data Interchange.

Objective One: Promote enterprise, innovation and increased productivity		
PSA Target	Measure	Progress
ix) To improve support for exporters, raise the quality of service, generate additional exports and enhance the business image of the UK. [Joint with FCO target ii].  See Chapter 13	<b>Measure:</b> Number of firms who adjust their approach to exporting as a result of assistance. <b>Target:</b> improvements on baseline set at 50%.	Met, but ongoing.  Jan-Jun 1999: 50.1% Jan-Dec 2000: 56.1%
	<b>Measure:</b> Value of additional business in overseas infrastructure and energy projects for every £1 of DTI/FCO expenditure. <b>Target:</b> improvements on baseline set at £100 of additional business per £1 of public expenditure.	April-Dec 1999: £490 per £1 DTI/FCO expenditure Jan-Sept 2000: £379 per £1 DTI/FCO expenditure
	<b>Measure:</b> Value of additional exports generated for each £1 of DTI/FCO expenditure <sup>9</sup> . <b>Target:</b> improvements on baseline set at £20 of additional exports per £1 public expenditure	No data will be collected on this measure as policy has moved away from generation of exports towards improving the business performance of UK firms through overseas sales and investment.
	<b>Measure:</b> % of firms using the targeted market information service who express satisfaction with it. <b>Target:</b> improvements on baseline set at 70% satisfaction	Jan-Jun 1997: 77% satisfied Jan-Dec 1998: 89% satisfied Jan-Mar 2000: 95% satisfied
	<b>Measure:</b> Survey opinion before and after HMG-funded events <sup>10</sup> .	At Expo 2000 in Hanover there was 80% changed perceptions of the UK.
x) To maintain the UK as the prime location in the EU for foreign direct investment [Objectives 1-3. Joint with FCO target iii].  See Chapter 13	UK's position in EU 'league table' of stock of FDI.	Met, but ongoing. UK No.1. in EU 'league table' of stock of Foreign Direct Investment in 1997 and 1999 – on course to maintain this position.

Objective Two: Make the most of the UK's science, engineering and technology		
PSA Target	Measure	Progress
v) To improve the overall international ranking of the Science and Engineering Base in terms of quality, relevance and cost-effectiveness.  See Chapter 6	<b>Measure:</b> International ranking on Quality of SEB output <b>Baseline:</b> UK performance on the Science Citation Index. Over the period 1981 –1998 the UK received 9.2% share of the citations <sup>11</sup> . At the level of subjects, the UK is second in citation shares in 14 of the 20 fields studied with the lowest placing being physics at 5th.	Met, but ongoing  No change. Over the period 1981 - 1999 the UK's share of citations was 9.2% <sup>12</sup> . At the level of subjects, the UK share of citations is second in 15 of the 20 fields studied with the lowest placing being physics at 5th.
	<b>Measure:</b> Relevance of SEB output. <b>Baseline:</b> the UK's world ranking in terms of proportion of HEI funding from non-governmental sources (business enterprise, private-non-profit and abroad). For 1997 the UK was first of the G7 countries <sup>13</sup> .	The latest available comparative data from the OECD is 1997.

<sup>9</sup> This applies to certain defined services only.

<sup>10</sup> This relates to foreign perceptions of UK business and is confined to major 'image' events e.g. the Hanover Expo in 2000.

<sup>11</sup> The baseline has been revised from 9% to 9.2% due to more accurate measurement.

<sup>12</sup> Internationally comparative citation data for the period 1989-99. Since citation numbers for most papers will increase with time,

a percentage share of the world total based on a cumulation figure has been used for comparison.

<sup>13</sup> The UK was previously reported as ranked second in 1997-98 as HEI's own funding was included. However, due to the treatment of university funds in Japan, their figures are not comparable with those of the other G7 nations. The revised measure enables comparisons to be made.

**Objective Three: Create strong and competitive markets**

PSA Target	Measure	Progress
	<p><b>Measure:</b> Cost-effectiveness of SEB output.</p> <p><b>Baseline:</b> the number of papers published per £1 million investment in UK compared to the G7 countries (and others). The UK was the most cost effective in 1990, 1993 and 1996.</p>	For the latest year (1999), the UK was ranked first.
<p>vi) To increase by 50% the 1997-98 number of companies spun out from universities by 2001-02. [Objectives 1 and 2.]</p> <p>See Chapter 7</p>	<p>Annual exploitation survey (under development)</p> <p><b>Baseline:</b> 26 companies spun out in 1997. Total companies wholly or partially owned by HEIs for commercial exploitation of research 1997-98 - 223 (Source: PREST Report Industry – academic links in the UK (1998))</p>	<p>DTI, DfEE and Research Councils are developing an annual survey of university exploitation activities. Pilot survey to be conducted in first quarter of 2001-02.</p> <p>Indications are that Government schemes such as University Challenge and Science Enterprise Challenge are successfully stimulating creation of spinouts in the university sector.</p>
<p>viii) To make the UK the best place in the world to trade electronically by the end of the Parliament. [Objectives 1, 3 and 4.]</p> <p>See Chapter 2</p>	<p>To be established by the UK Special Representative on the Digital Economy ('E-Envoy') in consultation with business.</p>	<p>On course. The UK online annual report<sup>14</sup> set out three measures:</p> <p><b>Cost of Internet access:</b> The UK is the second cheapest in the world for off-peak costs, and below average for peak-time costs (OECD: Sept 2000).</p> <p><b>Business use of e-commerce:</b> UK leads in number of businesses trading online, and is amongst the leading group of countries on key measures (DTI International Benchmarking Study 2000).</p> <p><b>Size of e-commerce market:</b> UK has the largest e-commerce market in Europe, and spending online is now £2 billion.</p>
<p>xi) To maintain or improve levels of energy security, diversity, sustainability and competitive energy prices.</p> <p>See Chapter 9</p>	<p><b>Measure:</b> To reduce the number of electricity power supply interruptions per 100 customers, and average time lost (minutes per customer)</p> <p><b>Baseline:</b> 88 interruptions per 100 customers and 88 minutes lost per customer in 1997-98</p> <p><b>Measure:</b> Maintain national oil emergency stocks at or above levels required by international obligations.</p> <p><b>Measure:</b> Percentage of electricity generated from renewable energy sources.</p> <p><b>Target:</b> 5% by 2003.</p> <p><b>Measure:</b> CO2 emissions.</p> <p><b>Target:</b> Emissions in 2000 to be below 1990 levels.</p> <p><b>Measure:</b> Greenhouse gas emissions.</p> <p><b>Target:</b> Emissions in 2008-2012 to be 12.5% below 1990 levels.</p>	<p>On course.</p> <p>In 1999-2000 electricity power supply interruptions improved against baselines to 81 interruptions per 100 customers and 71 minutes lost per customer.</p> <p>National oil emergency stocks maintained above levels required by international obligations.</p> <p>The percentage of electricity generated from renewable sources in 1999 was 2.8% (against 2.1% in 1997).</p> <p>In 1999 CO2 emissions were 9.1% below 1990 levels (against 7% in 1997).<sup>15</sup></p> <p>In 1999 greenhouse gas emissions were 14.4% below 1990 levels (against 8.5% in 1997).<sup>15</sup></p>

**Objective Three: Create strong and competitive markets (continued)**

PSA Target	Measure	Progress
	<b>Measure:</b> SO2 emissions <b>Target:</b> Emissions to be 80% below 1980 levels by 2010.	In 1999 SO2 emissions were 76% below 1980 levels (against 66% in 1997) <sup>15</sup>
	<b>Measure:</b> Pre tax energy prices (industrial and domestic electricity and gas prices) as compared with EU/G7 median.	In 1999 gas prices were below the EU/G7 median but electricity prices were above the median (target is to be below median for each measure, this weakening was mainly due to unfavourable exchange rate movements).

**Objective Four: Develop a fair and effective legal and regulatory framework**

PSA Target	Measure	Progress
xii) To improve UK performance in transposition of EU Single Market measures to enable 98% of measures to have been transposed into UK law by end 2000. [Objectives 3 and 4]. See Chapter 8	DTI records of EU Single Market measures and their transposition into UK law.	Improved performance but target not met. At end of 2000 97% of Single Market Directives had been transposed (against 95.4% in November 1997). 44 from a total of 1467 directives were not transposed by the end of 2000.

**Departmental operations and PSA productivity targets, 1999-02**

1.10. The effectiveness of Departmental operations is assessed across a range of operations and productivity targets, which were published alongside the main 1998 PSA. Figure 1.2 summarises the Department's progress against these targets and shows that it is achieving its target of efficiency gains of 2.5% and the agencies are performing, with all either meeting or exceeding their targets<sup>16</sup>. The 100% target set for prompt payment of bills has not yet been met, and the DTI has put in place new measures to address the issue, such as regular monitoring by the Departmental Board. Further details of progress are provided in the remaining sections of this chapter and in Chapter 16 – Performance of the Redundancy Payments Service and the Executive Agencies.

1.11. From April 2001 the Department has a PSA target to achieve annual 'value for money' improvements of 2.5% across departmental operations. The steps being taken to deliver this target are set out in the Service Delivery Agreement (Annex D). In the case of administration costs, the Department is acting to use the Elgar IT contract to improve efficiency and carrying out a longer-term reassessment of its accommodation needs. For programme costs, initiatives include piloting efficiency measures for industry support schemes. The Office of Science and Technology will maintain Research Councils' Headquarters administration costs at under 4% of overall Research Councils' expenditure. The Department will seek to develop this type of target for other appropriate areas of programme expenditure by 2004.

<sup>16</sup> See also Chapter 16 – Performance of the Redundancy Payments Service and Executive Agencies.

**FIGURE 1.2** Performance against Departmental operations and CSR PSA productivity targets

Departmental Operations	Action	Progress
DTI's strategic efficiency target is to achieve savings of 2.5% of its running costs each year over the period covered by the Comprehensive Spending Review.	DTI will continue to develop better measures of efficiency and extend these to cover a wider range of departmental activities, including complementary efficiency targets for other areas of the Department's administration costs.	<p>Met, but ongoing.</p> <p>1999-00: DTI achieved a saving of 2.6 % (£10.6 million on projected costs of £406.6m) including:</p> <ul style="list-style-type: none"> <li>- £4.8 million savings from the introduction of the ELGAR and MANDRIN IT systems;</li> <li>- £3.6 million saving from the redesign of the way cases are treated between ACAS and the Employment Tribunals Service;</li> <li>- £1.2 million in savings relating to staff costs, usage of hard charged services, postage and stationery costs, and (in one case) the re-scheduling of international payments; and</li> <li>- £0.95 million savings in the cost of accommodating staff and providing them with central services.</li> </ul> <p>2000-01 savings will be assessed after the end of the financial year.</p>
Companies House	Maintain an annual unit cost reduction target of 3% (to be reviewed each year) in real terms on document registration.	Companies House achieved a 3% reduction in 1999-00, matching its target. At end December 2000 the Agency had achieved a 5% reduction and so is likely to exceed the target for 2000-01.
The Insolvency Service	<p>Maintain the unit cost of administering bankruptcy and compulsory liquidation cases at 0% in real terms over the period 1999-02. (Revised downwards from the 5% reduction target reported in 1999-2000).</p> <p>Achieve a 10% reduction in real terms in the unit cost of investigating bankruptcy and compulsory liquidation cases over the period 1999-02.</p>	<p>The Insolvency Service achieved an 11.8% increase in 1999-00, mainly due to increased costs associated with the introduction of the ELGAR IT system. This is, however, a milestone against the target to maintain the unit cost of administration at 0% over the period 1999-02. At end December 2000 the Service was reporting progress towards the overall target with a 7.5% increase.</p> <p>The Insolvency Service achieved a 5.9% reduction in 1999-00. This is a milestone against the target to reduce the unit cost of investigation by 10% over the period 1999-02. At end December 2000 the Service was reporting progress towards the overall target with an 11.7% reduction.</p>
National Weights and Measures Laboratory	To ensure that total overhead costs are less than 55% of total costs (new).	NWML's target in 1999-00 was to reduce the real cost of a programme hour by 4% over the period 1997-00. NWML achieved a reduction of 2.1%, missing the target set. Against the new target for 2000-01, NWML achieved total overhead costs at 57% of total costs at end December 2000, just above the 55% target.

Departmental Operations	Action	Progress
Patent Office	Increase output in relation to current expenditure by an average of at least 2% per annum over the period 1998-99 to 2002-03.	The Patent Office achieved an increase of 9% in 1999-00, well exceeding the 2% target. At end December 2000 the Agency was reporting an increase of 5.53% and is on course to fulfil the target through to 2002-03.
Employment Tribunals Service	Achieve a 5% (to be reviewed each year) real terms reduction in administrative unit costs in the employment tribunals.	The Employment Tribunals Service achieved a real terms administrative unit cost reduction of 8% in 1999-00 against a target of 5%. This target was maintained for 2000-01 against which, at end December 2000, the Service was reporting an 8% reduction.
Radiocommunications Agency	Achieve a gain in financial efficiency (comparing costs with income at constant fee levels) of 20% over the period 1998-99 to 2002-03.	The Agency made efficiency gains of 5% in 1999-00 and is on course to achieve its 5% target for 2000-01. There is a cumulative target of a 20% efficiency gain over the period 1998-99 to 2002-03 and the Agency is on course to achieve this.
Accommodation	Operational costs per capita to be reduced by 3% in real terms over two years on a 1997-98 baseline.	Met. At the end of 1999-00 (i.e. the duration of the target) the Department had achieved a reduction of 5.7% on the baseline. Staff numbers increased by 5.6%, while costs decreased by 0.4%
Fraud	Operate a zero tolerance policy towards fraud. Reviewed anti-fraud control systems in 2000.	On course. The Department has carried out a review of fraud policy and supporting procedures. The Departmental Board has endorsed a restatement of our policy of working to eliminate fraud and a streamlining of internal procedures. Updated guidance has been circulated to senior managers.
Prompt Payment	The DTI is committed to paying all correctly presented bills within 30 days of receipt of goods and services or a valid invoice, whichever is later, or other agreed payment terms.	1997-98 target 95% outcome 98.2% 1998-99 target 97.5% outcome 96.3% 1999-00 target 100% outcome 93% 2000-01 target 100% The return for April- December 2000 indicated that 93% of all invoices were paid within the required timescale. This means that the Department still has some way to go to meet the target of full compliance. Both the Secretary of State and the Permanent Secretary have expressed concern and have asked for renewed efforts. Directorates will utilise the reporting facilities offered by the ORACLE RAB database to monitor prompt payment performance on a regular basis.

Departmental Operations	Action	Progress
Better Quality Services	Regularly and systematically review services and activities over a five-year period in line with government policy as set out in the handbook <i>Better Quality Services</i> . Develop a review programme by September 1999.	The Department is on target to review 60% of its services by the end of March 2003 and 100% by the end of March 2004. (See paragraph 1.20)
Procurement	Committed to the government-wide target that, by March 2001, 90% of routine procurement of goods will be conducted electronically. The Department has an agreed action plan to increase the efficiency of purchasing, focusing on the introduction of electronic commerce and the encouragement of collaborative purchasing initiatives.	Keeping closely in touch with the Office of Government Commerce (OGC), DTI is working towards the 90% target through increased usage of the Government Procurement Card. Two studies by ICL Unitas highlighted that the market for electronic purchasing was not fully developed. A scoping study for the delivery of electronic procurement in DTI is underway.
Electronic Government	Set a target by 31 March 1999 in support of the Government commitment that, by 2002, at least 25% of government services will be accessible electronically. Productivity Target: Level of services accessible electronically: 8% at October 1997.	This target has been superseded by the March 2000 Cabinet agreement that all key services should be available on-line by 2005. Progress is being reported to the Cabinet Office. The Department is on course to achieve the 2005 target. (see paragraph 1.25)
Sickness Absence	Work towards meeting the government-wide target to reduce Civil Service sickness absence rates by 20% in 2001 and by 30% in 2003. Targets for the Department have been agreed: 7.4 days lost through sickness per staff year by end 2000-01 6.9 days lost by end 2002-03. The Department's baseline for 1998 is 8.0 days. This means a reduction of 7.5% by 2001 and of 13.8% by 2003.	Work in hand on an initiative to promote best practice in sickness absence management and reviewing DTI inefficiency procedures.  The Department started from a relatively low level of absence. The Department is on course to achieve the 2001 target: sickness absence in DTI reduced from the 8.0 day baseline in 1998 to 7.8 days in 1999.

## Modernising DTI Action Plan

- 1.12. The DTI is undertaking a large range of activities in response to the modernising government agenda set out in the White Paper *Modernising Government* and the programme of Civil Service Reform. These will underpin the delivery of the Department's Public Service Agreement.

### Policy making

- 1.13. The Department seeks to promote best practice across all areas of policy making. In July 2000 the Chief Scientific Adviser published *Guidelines 2000*, an updated and strengthened revision of *Guidelines for the Use of Scientific Advice in Policy-Making* published in 1996. A new project will examine policy processes in the Department and identify ways in which they can be improved and best practice promoted. A good example of an innovative approach to policy making is the Company Law Review<sup>17</sup>. This comprehensive review is being overseen by a Steering Group of independent experts, supported by DTI administrators and lawyers, with inputs from a wide range of outside expert interests through working groups and consultation documents. DTI has also published its framework for regulatory risk assessment in fulfilment of a commitment contained in the Modernising Government White Paper.
- 1.14. In October 2000, DTI became the first department to publish its own *Sustainable Development Strategy*<sup>18</sup>. Within the framework provided by the Government's overall sustainable development strategy, it sets out DTI's role and priorities in creating an innovative, highly internationally competitive and resource efficient economy that delivers continually improved quality of life and prosperity for everyone. It also sets out the steps being taken to integrate sustainable development more thoroughly into DTI's policies and activities to promote competitiveness, innovation and growth.
- 1.15. The Department has a well-established rolling programme of **evaluation** which has been extended to cover administrative and regulatory activities as well as programme expenditure. It is committed to publishing evaluations<sup>19</sup>, and has also set up an internal evaluation database to help

disseminate findings. The programme of future evaluation studies is designed to give policy makers better evidence of the relative contributions of different activities and to help assess progress towards the achievement of PSA targets.

- 1.16. **Regulatory Impact Assessments (RIAs)** are carried out for all proposed new regulations that might have an impact on business, the voluntary sector or individuals. From August 2000 new guidelines for the completion of RIAs have been in place and the new requirements include:

- the preparation by policy makers of an initial assessment early in the policy making process before Ministers decide to choose the regulatory option;
- clear account to be taken of the role of the Small Business Service<sup>20</sup> in offering advice and giving clearance to proposals which impact on small businesses;
- greater stress on early, informal consultation with those likely to be affected;
- more emphasis on providing clear guidance, and simpler and fairer means of compliance;
- more emphasis on identifying non-regulatory options and in making clear the benefits of proposals;
- a more thorough assessment of the costs and benefits of proposals and the cost/benefit profile over the lifetime of the policy; and
- Ministers stating that they are content that 'the benefits justify the costs' rather than that a 'correct balance has been struck'.

- 1.17. **Environmental** considerations are taken into account alongside economic and social ones when making policies or taking decisions on the operations of buildings and facilities<sup>21</sup>. The DTI's Green Minister is Patricia Hewitt. The effectiveness of the Department's procedures for environmental screening and appraisal is being reviewed and the findings will be published by Summer 2001. DTI is committed to publishing

17 Further details are given in Chapter 10 – The Regulatory Framework.

18 Available at [www.dti.gov.uk/sustainability](http://www.dti.gov.uk/sustainability)

19 Available at [www.dti.gov.uk/about/evaluation](http://www.dti.gov.uk/about/evaluation)

20 See Chapter 3 – The Small Business Service and Enterprise

21 See paragraph 1.39 for information on greening operations. Further information is available from the Department's 'green' contact: Simon Kelly (020 7215 1975).

all free-standing environmental appraisals unless there are over-riding reasons for not doing so. During 2000-01, environmental appraisals of the Utilities Bill<sup>22</sup> and the UK Coal Operating Aid Scheme<sup>23</sup> were published.

### Responsive Public Services

1.18. The DTI is strongly committed to the **Service First** principles<sup>24</sup>. The Department applies the service standards for central Government set out in the Modernising Government White Paper. Information on the DTI's performance against the standards is published annually on the Department's website<sup>25</sup>. 1999-00 performance data for correspondence handling standards and the standards for keeping appointments are shown below.

**FIGURE 1.3: Service First performance against Whitehall standards**

Standards	Performance 1999-00
To answer or give holding replies to letters within 15 working days *	96%
To answer MPs' letters within 10 working days *	50%
To answer MPs' letters to Agency Chief Executives within 10 working days	98%
To see visitors within 10 minutes of an appointment time at our offices. *	99%

\* DTI excluding executive agencies

1.19. The Department uses customer feedback to shape the way in which services are developed and an annual report on the impact of customer feedback will be published from 2002. The Executive Agencies<sup>26</sup> conduct a regular series of well developed customer satisfaction surveys. For example, Companies House runs quarterly surveys that invite customers to rate the importance of aspects of service and to benchmark the Agency against their best suppliers. The Employment Tribunals Service uses surveys to assess its performance against a target of 85% user satisfaction with its service. Several of the Department's key service providers hold the Charter Mark.

### Quality Public Services

1.20. Under the **Better Quality Services** (BQS) programme<sup>27</sup>, the Department is on target to review 60% of its services by the end of March 2003 and 100% by the end of 2004. It completed a BQS review of its European policy area in 2000 which recommended the use of the EFQM Excellence Model as a method of continuous improvement; this is now being implemented. In 2000-01, the BQS programme also included the Quinquennial Reviews of Companies House, The National Weights and Measures Laboratory and The Patent Office, and a Quinquennial Review is underway of The Insolvency Service<sup>28</sup>.

1.21. The Department is also considering the introduction of the EFQM Excellence Model and similar benchmarking activities for some areas of work where the options of market testing, internal restructuring, contracting out, privatisation or abolition are not applicable. An internal benchmarking community has been established to promote the benefits of, and encourage use of, the Model in the Department.

### Information Age Government

1.22. The Department submitted its initial **Electronic Business Strategy** to the e-Envoy's office at the end of October 2000<sup>29</sup>. The Departmental information and communication technology infrastructure, which was extensively updated in 1999-00 by the DTI's partner Unitas, will provide the basis for various developments to deliver the strategy over the next few years. One example is

22 Available at [www.dti.gov.uk/urt/page2/htm](http://www.dti.gov.uk/urt/page2/htm)

23 Available at [www.dti.gov.uk/support/coal](http://www.dti.gov.uk/support/coal).

24 Details of the Service First principles are published in the Cabinet Office booklet: "Service First: the New Charter Programme", available at [www.cabinet-office.gov.uk](http://www.cabinet-office.gov.uk).

25 [www.dti.gov.uk](http://www.dti.gov.uk)

26 See also Chapter 16 – The Performance of the Redundancy Payments Service and Executive Agencies.

27 Further information on the Better Quality Services programme can be found at the Cabinet Office website: <http://www.cabinet-office.gov.uk/servicefirst/index.htm>

28 See also Chapter 16 – Performance of the Redundancy Payments Service and Executive Agencies.

29 Available at <http://www.e-envoy.gov.uk>

an updated remote access service, providing robust and secure access to departmental systems for staff who need to work away from the office. Another vital component in the adoption of more modern working methods is the development of electronic record and document management facilities. This will be a major management of change project with significant opportunities for improved working practices.

- 1.23. Extensive and effective use of Internet sites is an integral part of the DTI's e-business strategy. Customer research was undertaken during the year to ensure that DTI sites meet users' needs and to analyse the types of visitors to the sites. The DTI's main site<sup>30</sup> was improved and expanded during the year and was shortlisted for the inaugural COI Government Website Awards.
- 1.24. The Department continues to develop the information available to staff via its Intranet, a relatively recent addition being 'briefing@dti', a source of information on current issues available to all staff. Connection to the government-wide 'Knowledge Network' will increasingly provide staff within DTI and other departments with access to briefing on a much wider range of current issues.
- 1.25. In March 2000, the Prime Minister tightened the target for **electronic delivery of services** to ensure that all key services will be electronically available by 2005. The Department remains on track to meet this target and is working with a number of other departments and bodies and contributing to central initiatives such as the UK Online programme. The Department has identified 62 key services of which 16 are now available electronically. By 2002, 43 of these key services should be available, and the remaining 19 by 2005. Examples of progress include: the launch of UK online for business in September 2000<sup>31</sup>; The Business Link Contact Centre and website which will be launched in April 2001<sup>32</sup>; and British Trade International which will be investing £20 million over 2001-04 in information and communication technology to enable it to deliver its services world wide<sup>33</sup>. The Department's Export Control Organisation (ECO) is planning to introduce acceptance of export licence applications over the Internet by

2002. Further information about the Department's progress and schedule for electronic service delivery can be found at the Internet site for the E-Envoy<sup>34</sup>.

- 1.26. As part of the support which information and communication technology can provide to the modernising agenda, the Department will also be carrying out studies into the use of digital signatures and the provision of services enabling confidential material to be sent and received electronically by the Department and its partners<sup>35</sup>.

### Valuing Public Service

- 1.27. Following its achievement of formal **Investors in People** (IiP) recognition in November 1999, DTI Headquarters will be undertaking its first review against the Investors in People (IiP) Standard starting in Summer 2001. This review will be conducted against the revised IiP Standard. Issues such as raising the performance of managers and strengthening support for individual career development continue to be addressed as part of the Department's IiP recognition. A number of Agencies successfully retained their IiP recognition in 2000-01. The Small Business Service, which was part of the original DTI Headquarters IiP recognition, is planning to seek recognition in its own right during 2001.
- 1.28. **Training and development** is provided to enable staff at all levels to develop skills and competences so that they can contribute effectively to meeting the Department's current and future objectives and give them greater job satisfaction. As well as a pilot mentoring scheme, a two-year pilot Career Development Centre has been established to help staff develop and fulfil their potential, particularly those from ethnic minorities, women and people with disabilities - all of whom are under-represented at most management levels. The Department has also expanded some of its development schemes. There is now a single accelerated development programme designed to help talented staff achieve rapid promotion and Senior Civil Service (SCS) staff are covered by a comprehensive training strategy which includes 360 degree feedback. A programme of training and

30 [www.dti.gov.uk](http://www.dti.gov.uk)

31 See paragraph 2.13 in Chapter 2 - E-Commerce for further details.

32 See paragraph 3.26 of Chapter 3 - The Small Business Service and Enterprise for further details.

33 See Chapter 13 - British Trade International.

34 <http://www.e-envoy.gov.uk/esd.htm>

35 See Chapter 2 - E-Commerce.

development is also available for staff in the grades immediately below the SCS.

- 1.29. The Department is committed to **fairness and equality of opportunity** for all in employment, and advancement on the basis of suitability. The Department's Advisory Groups, on Racial Equality, Widening Opportunities for Women and Disability continued to advise on diversity issues within the Department. An Action Programme on Disability has been launched, which aims to raise awareness of the specific obstacles and challenges faced by staff with disabilities, to help ensure that they realise their full potential and to highlight the Department's wider responsibilities to disabled people in the community. A Report, *Diversity in DTI*, was published to provide staff with information on progress towards meeting the benchmarks for representation at all levels. Action has been taken within the Department to engage staff in diversity issues, including awareness workshops and ethnic minority networks.
- 1.30. The Department has continued to promote **part time and flexible working patterns**, and has sent a new policy statement and best practice guidance to all staff outlining its strong commitment in this area.
- 1.31. During 2000 in DTI HQ:
- there was a small increase in the proportion of women in managerial grades (Bands B and C) to just over 35%;
  - the proportion of women in the Senior Civil Service increased from 21% to 26%;
  - 7.4% of staff within the Department worked part time, including an increase in the Senior Civil Service where 8% now work part time;
  - 14.8% of staff were known to be of ethnic minority origin<sup>36</sup> and there was a small increase in ethnic minority representation at managerial levels (Bands B and C) to 9.3%; and
  - 5.1% of staff were known to have a disability, and staff with disabilities were employed at all levels including the Senior Civil Service where they account for 3.3% of staff

- 1.32. Following an extensive review of its internal advertising and **recruitment** system in 1999, the Department proposed changes in June 2000 to improve fairness and objectivity. These included the training of independent panel members to assist managers throughout the selection process. The new system came into effect on 1 September 2000 and reports on its effectiveness will be issued at six monthly intervals.
- 1.33. External recruitment is in accordance with the Civil Service Commissioners' Recruitment Code, as well as drawing on best practice and techniques from across the private and public sectors. The DTI has a continuing programme for recruitment at various levels through open competitions. The main intake for HQ is for Administrative Support, First and Middle Managers, and Assistant Directors. In addition, recruitment is undertaken for specific posts and for specialists. On average, 200 recruits have joined DTI annually since 1997, and improvements have been achieved in the percentage of successful candidates from minority ethnic groups. The Department continues to maintain a major programme for inward and outward secondments<sup>37</sup>. DTI Executive Agencies have delegated authority to undertake external recruitment.

## Other aspects of managing the Department

### Resource allocation and management

- 1.34. The Department plans how it will achieve its objectives and targets within its overall resource budgets for programme, administration and capital costs via the annual Resource Allocation and Management round. Resource requirements for the year ahead are submitted to the Finance and Resource Management Directorate which puts forward recommendations on allocations to the Departmental Board and then Ministers for approval.

### Resource accounting and budgeting

- 1.35. The Department's expenditure and budgeting will be managed on a fully resource basis from April 2001; this change is reflected in the tables at Annex B. The first set of audited consolidated resource accounts for the financial year 1999-00

were published in December and are available on the DTI website<sup>38</sup>. They provide details of the Department's activities during the 1999-00 financial year and its Balance Sheet as at 31 March 2000. The Department also issued audited resource accounts for the UKAEA Superannuation Scheme for 1999-00. The National Audit Office issued unqualified audit opinions on both sets of accounts. During 2000-01, the Department has undertaken significant preparatory work in respect of resource budgeting and achieved the relevant milestones set by HM Treasury. Shadow resource estimates have been produced for 2000-01 and the Department is monitoring its financial performance on both a cash and a resource basis. This will ensure that all financial processes and systems have been fully tested so that the Department's finances can be managed on a resource basis from 2001-02.

### Accountability

- 1.36.** The Permanent Secretary, as Accounting Officer, is accountable to Parliament for the Department's expenditure and its activities. In line with the best practice of corporate governance, he is supported by the members of the Departmental Board, including the non-executive member, Mair Barnes, former Managing Director of Woolworths. He is also advised by the Audit Committee, chaired by Philip Sellers, an independent businessman.
- 1.37.** The Department has an internal audit function which provides assurance to senior management about the management of the Department's risks achieved through a programme of risk-based system audits, audit reviews and risk workshops as well as advice on risks and controls, especially in relation to the development of new systems. This work is carried out in collaboration with Ernst & Young with whom the Department has renewed its strategic partnership. Ernst & Young conduct a proportion of the audit programme, contribute to the ongoing development of the audit methodology and participate in a programme of skills transfer. The National Audit Office is the Department's external auditor.
- 1.38.** The Public Accounts Committee published no reports in the Department's area of responsibility in 2000.

### Greening operations

- 1.39.** The Department continues to make progress in reducing its environmental impacts through a range of green housekeeping measures. An Environmental Management System (EMS) which is accredited to the ISO 14001 standard is run by the Estates & Facilities Management Directorate. It incorporates monitoring, control and regular audits to ensure continued effectiveness of the System and to track progress towards its targets. In addition, all new entrants and contractors to the Directorate are given training to increase their awareness of environmental issues at work.
- 1.40.** The Department is improving year on year in all areas of energy management. The target to reduce energy usage by 5% from 1995-96 figures by March 2000 was met on time. The Department also placed contracts for electricity supply so that 26% of power now comes from renewable energy sources. During 2000, 86% of paper bought by the Department was recycled meeting its target of 75% for the year.

### Machinery of Government

- 1.41.** On 1 April 2000, the responsibilities of the Oil and Gas Royalties Office for administration of the royalty paid on production from older fields on the UK Continental Shelf (those approved before April 1982) were transferred from DTI to the Inland Revenue's Oil Taxation Office (OTO). The OTO administers petroleum revenue tax and corporation tax for the industry. The transfer will allow development of a more streamlined operation based on the substantial similarities between the two areas of work. Responsibility for royalty policy remains with the Secretary of State for Trade and Industry.
- 1.42.** The Directorate of Civil Nuclear Security, the government's nuclear security regulator, became an independent unit within DTI on 1 October 2000 and was renamed the Office for Civil Nuclear Security.

**Publicity and advertising**

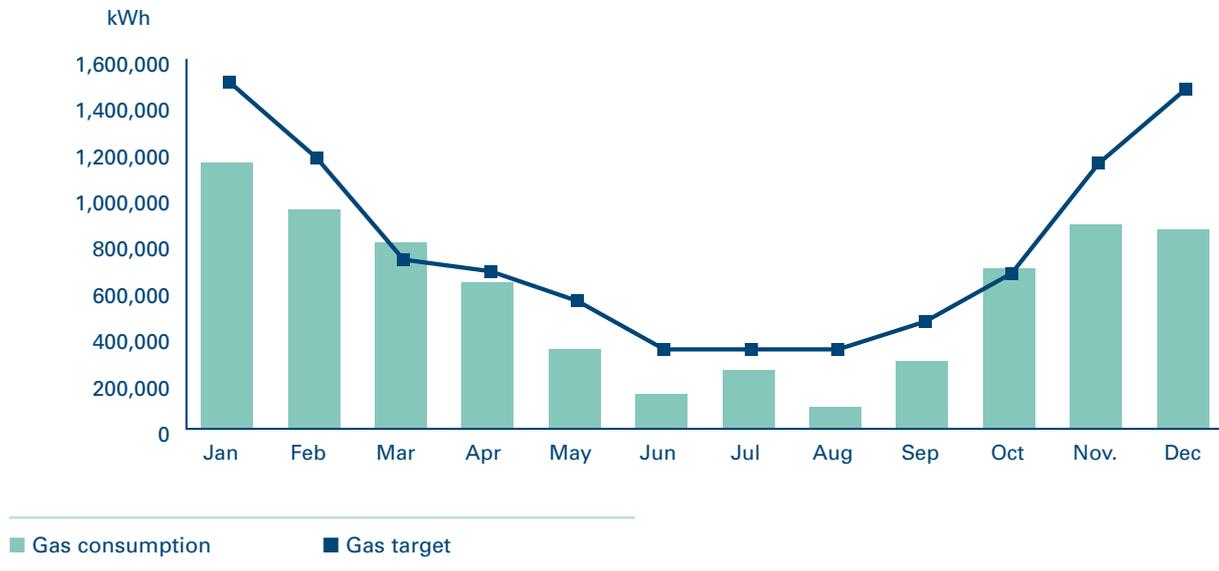
1.43. Most of the Department’s expenditure on advertising and publicity is authorised by the relevant programme budget holders alongside other items of expenditure in that policy area.<sup>39</sup> Decisions on the most effective publicity options benefit from advice from central publicity and new media specialists, or local teams of publicity and presentation advisers. There is a small centrally held budget for publicity expenditure. This amounted to £635,000 in 1999-00. The estimated out-turn for the current financial year is £836,000 with a similar annual figure being forecast to the end of 2003.

**Private sector sponsorship of Departmental activities**

1.44. The DTI has updated its internal guidelines on sponsorships received from the private sector, following recommendations by the Committee on Standards in Public Life chaired by Lord Neill. The revised guidelines provide best practice advice for managing all stages of sponsorships so that the Department takes a consistent and transparent approach to these kind of relationships with the private sector.

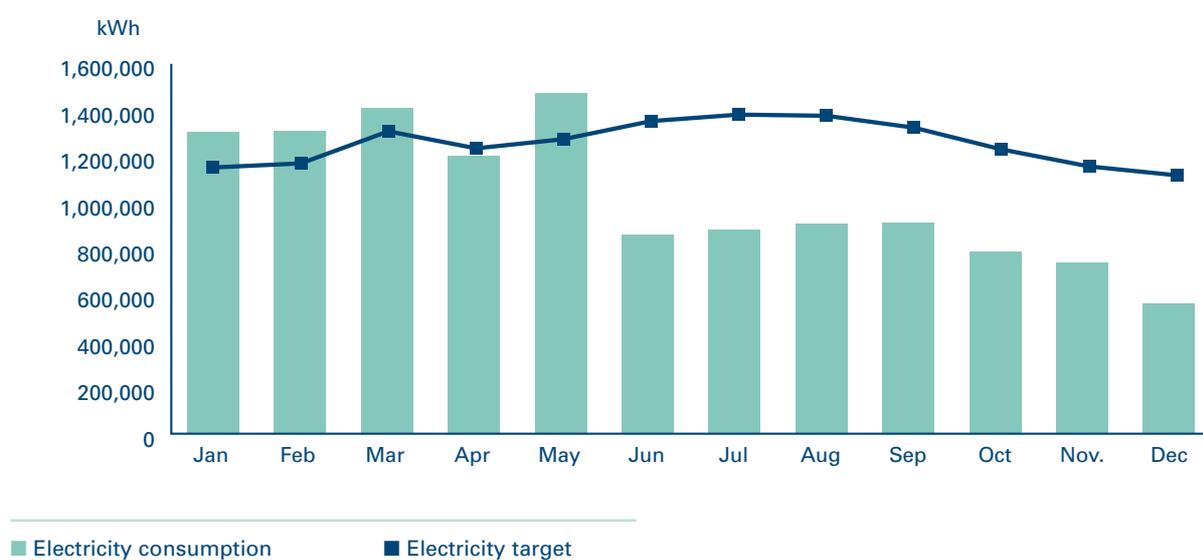
**FIGURE 1.4:** Performance against gas, electricity and water consumption targets

2000 Gas consumption for the London HQ estate



**FIGURE 1.4:** Performance against gas, electricity and water consumption targets (cont.)

## 2000 Electricity consumption for the London HQ estate



## 2000 Water consumption for the London HQ estate

**FIGURE 1.5:** Private sector sponsorship contributions to DTI activities 2000-01<sup>40</sup>

Event/Purpose <sup>41</sup>	Sponsor	Amount
Firework Safety Campaign	Asda and Sainsburys	£32,000
SPARK (magazine for 11-14 year girls)	WISE campaign (Women into Science & Engineering)	£20,000
Ukon4b: E-Commerce Awards	BT, NatWest, Sun Microsystems, ICL/Kainous, Welsh Development Agency, Compaq, Lucent, Miller Freeman, Hewlett Packard, Cisco, Sphinx CST, Computer Associates, BLNC/BLs Suffolk & Herts	£100,000

<sup>40</sup>The Department is currently developing systems for collecting sponsorship data and information in this table may not be comprehensive.

<sup>41</sup> See also paragraph 11.[32] in Chapter 11 – Consumer Policy, for information on private sector contributions to consumer safety campaigns.



# To promote enterprise, innovation and increased productivity.

## PSA targets 1999-02

- To put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle. (Joint target with HM Treasury).
- To secure improvements in performance against a set of competitiveness indicators to be developed and published annually from 1999.
- To increase the productivity and profitability of SMEs assisted by Business Link partnerships, and to show year by year improvements in the quality of services delivered under the Business Link brand.
- To secure an increase in the number successful high growth business start-ups (Joint target with HM Treasury).
- To increase from 350,000 to 1 million the number of UK SMEs wired up to the digital market place by 2002. (Also Objective 3). NB. This target has been increased to 1.5million SMEs.

## PSA targets 2001-04

- Help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities.
- Make and keep the UK the best place in the world to trade electronically, as measured by the cost of Internet access and the extent of business to business and business to consumer transactions carried out over e-commerce networks.
- Improve the economic performance of all regions measured by the trend in growth of each region 's GDP per capita. (Joint target with DETR)

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## 2 E-Commerce

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## 3 The Small Business Service and Enterprise

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## 4 Innovation

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## 5 The Regions

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# 2 E-Commerce

- Introduction
- Performance in 2000-01
- Future targets and priorities
- Providing a competitive domestic framework for communications
- Encouraging business use of Information and Communications Technology
- European dimension
- Building UK sectoral capability
- Developing IT and electronic skills
- Promoting trust

## Introduction

- 2.1. The Government is pressing forward with its programme to help UK businesses to exploit fully the advantages of electronic commerce (e-commerce), so essential if they are to be competitive in an increasingly global marketplace. The Department plays a central role in this programme, in partnership with the e-Envoy<sup>1</sup>.
- 2.2. The ongoing overall aim as set out in one of the Department's PSA targets and the Cabinet Office's 1999 Performance and Innovation Unit report, *e-commerce@its.best.uk*, is to make the UK the best place in the world to trade electronically. This is being measured by the cost of Internet access and the extent of business-to-business and business-to-consumer transactions carried out over e-commerce networks relative to other countries.
- 2.3. The DTI and DCMS are working together on proposed legislation to establish a new regulatory framework for the electronic communications sector, bringing telecommunications and broadcasting regulation together to reflect convergence between the sectors and markets. This will implement the White Paper *A New Future for Communications* (Cm 5010), published on 12 December 2000.

## Performance in 2000-01

### Highlights of 2000-01

- Surpassed PSA target of 1.5 million UK SMEs to be connected to the digital market place.
- Publication of the White Paper *A New Future for Communication* in December 2000.
- Launch of 'UK online for business programme' backed with £25 million over the period 2000-03; an additional £30 million over 2001-04 was announced in the *Opportunity for all* White Paper.
- Announcement in October 2000 of the £5.5 million Internet Mentoring Initiative for small businesses.
- Electronic Communications Act 2000 received Royal Assent on 25 May 2000.
- Successfully auctioned five spectrum licences to provide a competitive market for Third Generation mobile telephone services that will deliver advanced multi-media services and fast Internet access on the move.
- UK compliance with the EC Regulation on unbundled access to the local loop from 31 December 2000.

<sup>1</sup>The first report of the E-Envoy can be found at <http://www.e-envoy/2000/progress/anrep1/text/030.htm>

- Announcement on 6 September 2000 of key reforms to promote access to Government information for commercial re-use.
- tScheme, the industry-led self regulatory body for trust service providers, set up to meet the objectives of Part 1 of the Electronic Communications Act 2000, began pilot evaluations.
- E-Europe Action Plan endorsed at the Feira European Council meeting in June 2000.

2.4. The Department has two PSA targets for the period 1999–02 which relate directly to e-commerce:

- PSA target 7: to increase from 350,000 to 1 million the number of UK SMEs wired up to the digital market place by 2002. In May 1999 the Secretary of State increased this target to 1.5 million SMEs to be connected by 2002<sup>2</sup>; and
- PSA target 8: to make the UK the best place in the world to trade electronically by the end of this Parliament.

2.5. In order to measure progress against these targets, and improve understanding of the use of e-commerce in the UK, the DTI commissions an annual International Benchmarking Study (IBS 2000), now in its fourth year. These studies show that in all benchmarked countries ownership of Information and Communication Technologies (ICTs) has increased dramatically. However, the numbers of businesses which actually use these ICTs for e-commerce are still in the minority, although increasing rapidly. The studies also show that lack of understanding of the benefits and lack of relevant skills are key barriers to further take-up and use of e-commerce.

2.6. The IBS 2000 Study measured progress against three targets:

- The revised PSA target 7 of 1.5 million SMEs to be connected by 2002. Progress against this is measured using the ‘Connectivity Indicator’: defined as the number of businesses using external websites or making frequent use of external e-mail or Electronic Data Interchange. This target has been exceeded, and 1.7 million SMEs are now connected, up from 600,000 last year, and comparing well with international competitors (see Figure 2.1).
- One million SMEs to be trading online by 2002. Good progress has been made against this target, with 450,000 SMEs now trading online. This target captures the key activities of both paying and ordering online with either customers or suppliers.
- The performance of UK micro and small businesses to be the best in the world. Some progress has been made, with the performance of these size businesses being average or slightly above average compared to those in other benchmarked countries.

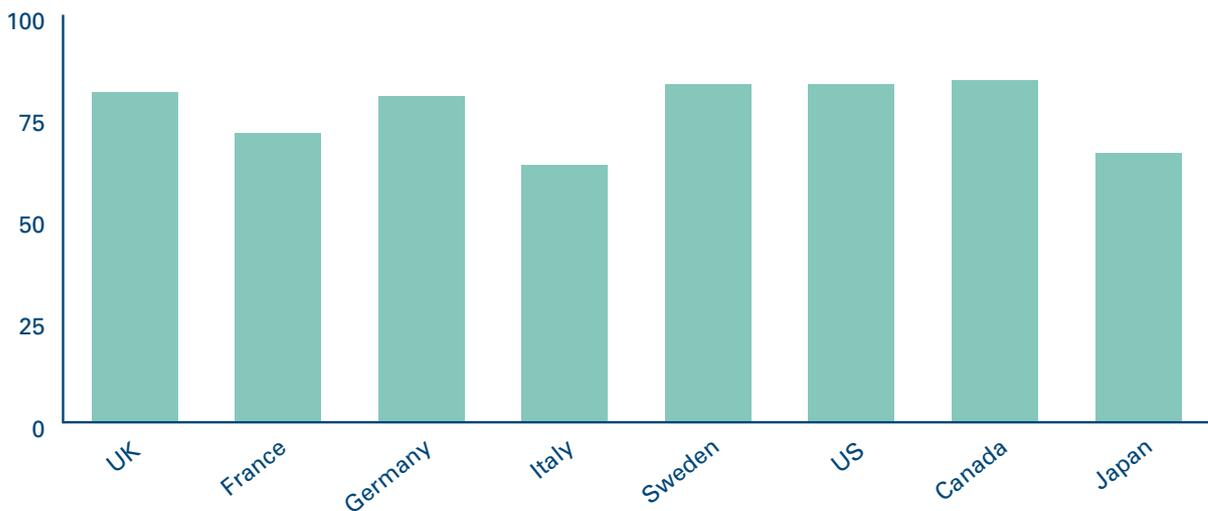
## Future targets and priorities

2.7. The Department’s targets for e-commerce have been subsumed into the new PSA Target 3 for 2001–04: to make and keep the UK the best place in the world to trade electronically, as measured by the cost of Internet access and the extent of business to business and business to consumer transactions carried out over e-commerce networks. The Department also has a Service Delivery Agreement target to ensure that the UK is in the top four OECD countries in terms of demand for mobile data services by March 2004.

## Providing a competitive domestic framework for communications

### The Communications White Paper

2.8. The White Paper *A New Future for Communications* (Cm 5010), published on 12 December 2000, sets out proposals for a new regulatory framework for the electronic communications sector. The legislation to implement this framework will be introduced into Parliament as soon as time is available. The central proposal is to create a new unified

Figure 2.1 International connectivity indicator<sup>3</sup> (%)

## Priorities for 2001-04

- Prepare legislation to implement the December 2000 White Paper *A New Future for Communications* and legislation arising from the European Commission's 1999 communications review.
- Fully implement the E-Commerce Directive.
- One million UK SMEs to be trading on line by 2002<sup>4</sup>.
- Expand 'UK online for business' to help businesses of all sizes move beyond having a website and trading online to transform the way they work.
- Make the UK the number one country for the supply of advanced ICT skills.
- In collaboration with the research councils launch and manage an integrated e-science programme.
- Launch Next Wave Technologies and Markets Programme.
- Implement a £30 million fund to support innovative schemes to meet local broadband technology requirements.
- Develop a comprehensive digital TV action plan to make the UK the most dynamic and competitive market for digital TV in the group of seven leading industrial nations.

- Shape EU programmes and work with UK businesses to ensure that over €120 million is secured annually from European programmes for the development of the Information Society.
- Formulate the UK position for the Information Society in EU Framework 6.

regulator, the Office of Communications (OFCOM) responsible for the communications sector which will replace several existing regulators, including in due course the Radiocommunications Agency. OFCOM will be independent, but will work closely with the DTI, DCMS and other relevant departments, particularly in relation to European and other international regulation. The objectives of the new regulatory framework are:

- to make Britain home to the most dynamic and competitive communications and media market in the world;
- to ensure universal access to a choice of diverse services of the highest quality; and
- to ensure that citizens and consumers are safeguarded.

<sup>3</sup> Percentage of all businesses having marketing websites or frequently using external e-mail or EDI (Electronic Data Interchange).

<sup>4</sup> Trading online includes both paying and ordering online with either customers or suppliers.

## Ensuring competition

2.9. The DTI is working closely with OFTEL to ensure that the existing regulatory system for telecommunications operates to promote competition to the benefit of the consumer. Major boosts will result from action taken this year to unbundle BT's local loop and to auction spectrum licences for third-generation mobile services. Consumers have an ever-increasing choice of operators not only for local, national and international calls but also for narrowband and broadband services.

■ **Local loop unbundling:** OFTEL has ordered local loop unbundling and has added a new condition to BT's licence to this effect. This will allow other operators to install their own equipment in BT's exchanges to provide high speed data and Internet services. The unbundling process is now underway, and the first unbundled loops became available in early 2001.

■ **Internet tariffs:** An OECD report in September 2000 showed that the UK is one of the cheapest countries for off-peak Internet access, and below average for peak access. To ensure that competition takes a firmer hold in

this market, OFTEL has required BT to offer an unmetered wholesale product, called FRIACO (Flat Rate Internet Access Call Origination), which other operators are already using to offer their own unmetered retail services.

■ **Leased lines:** OFTEL has reviewed the state of competition in the market for leased lines, and concluded that further measures are required to ensure effective competition in the provision of these services. Proposals include placing further obligations on BT to provide wholesale services to other operators, and new price controls on these services.

## Managing the radio spectrum

2.10. The **Radiocommunications Agency** is responsible for managing most non-military radio spectrum in the UK and for representing the UK internationally on radio issues. Demand for radio spectrum for new services is increasing as telecommunications, broadcasting and computing converge and as the technology and markets change rapidly. The radio spectrum is a finite resource and its effective management is key to realising gains in competitiveness and consumer benefits.

## Proposed objectives for OFCOM

The Communications White Paper proposes the following specific objectives for the new regulator:

- protecting the interests of consumers in terms of choice, price, quality of service and value for money, in particular through promoting open and competitive markets;
- maintaining high quality of content, a wide range of programming and plurality of public expression;
- maintaining accepted community standards in content, balancing freedom of speech with the need to protect against potentially offensive or harmful material, and ensuring appropriate protection of fairness and privacy; and
- giving proper weight to:
  - the protection of children and vulnerable persons;
  - the prevention of crime and public disorder;
  - the special needs of people with disabilities and of the elderly, of those on low income and of persons living in rural areas; and
  - the promotion of efficiency, including efficient use of spectrum and telephone numbers, and innovation.

2.11. In 2000–01, the Agency has:

- auctioned five spectrum licences to provide a competitive market for Third Generation mobile telephone services that will deliver advanced multi-media services and fast Internet access on the move;
- auctioned spectrum licences for competing broadband fixed wireless access services that will deliver fast, always-on Internet access to homes, offices and businesses by radio rather than down telephone lines;
- achieved a highly successful outcome for UK interests at the World Radio Conference in Istanbul in May 2000;
- through its public-private partnership, Radio Spectrum International, continued to upgrade information systems and won contracts in Egypt and Nigeria to advise on spectrum management; and
- published a set of scenarios for the future of convergence over the next decade, to provide a sound basis for strategic planning to meet future spectrum needs<sup>5</sup>.

2.12. The Agency's priorities for the future include:

- increasing spectrum availability for new and existing mobile services, broadband access and local area networks;
- a progressive roll-out of spectrum pricing and developing proposals for spectrum trading, subject to changes to EU law that are currently being negotiated; and
- introducing electronic licensing and spectrum assignment.

## Encouraging business use of ICTs

### UK online for business

2.13. 'UK online for business' was launched in September 2000 backed with £10 million in 2000–01 and with a further £15 million committed over the next two years. It is specifically aimed at providing impartial and independent advice and help to small businesses on how to succeed in online business. Advice is

provided through a variety of channels including the Small Business Service's Business Link Network and its equivalents in Scotland, Wales and Northern Ireland and a virtual team of experts online. The new spending will support additional advisory capacity, along with an up-graded helpline and marketing activity.

2.14. The DTI launched two further initiatives to support 'UK online for business' during 2000. 'Technology Means Business' is an accreditation and support system for all those who give advice to SMEs on the effective use of new technology. The 'UK online for business Partnership Programme' aims to strengthen partnerships with organisations which support existing work or are developing new elements within 'UK online for business' as well as organisations which provide a communications channel to small businesses (e.g. trade associations and other representational groups).

2.15. In February 2001, the *Opportunity for all White Paper* announced a further £30 million to expand UK online for business to help businesses move beyond having a website or trading online to transform themselves through the effective use of Information and Communication Technologies (ICT).

### Increasing broadband access

2.16. Key components of the Government's strategy to provide universal Internet access are to encourage broadband access for both individuals and businesses, and to ensure that a digital divide in high speed Internet access does not open up between urban and rural communities. The *Opportunity for all White Paper* announced a new £30 million fund over the next three years to support innovative schemes to meet local requirements. Also in February 2001 the Office of the e-Envoy published *UK online: the broadband future*; and a detailed action plan to help drive forward broadband networks across the UK.

### Internet Mentoring Initiative

2.17. In October 2000 the DTI announced the Internet Mentoring Initiative, supported by £5.5 million over 3 years, to help Internet start-ups and established SMEs who want to make the internet the primary means of

<sup>5</sup> NerveWire Inc, Indepen Consulting, Intercai Mondiale *Mapping the Future of Convergence and Spectrum Management* May 2000.

conducting business. Under the Initiative, businesses can access tailored business advice via an interactive web portal on issues such as developing business and marketing strategies, getting access to funding and tackling regulatory issues. The Initiative includes an Internet Incubator Fund to stimulate the creation of regional Incubators to support new e-businesses. The Department will shortly advertise funds to be made available for co-financing incubators in six English regions, and will be working closely with the relevant RDAs and Business Link advisors to administer these funds and set up 25-30 incubators by 2002-03.

### Information Age Partnership

2.18. The Information Age Partnership (IAP) is a unique partnership between the Information Technology, Electronics and Communications (ITEC) industry and government to exploit proactively the opportunities of the digital revolution. The IAP will shortly be launching a website with links to the CBI's E-Business Users' Group. IAP working groups are currently considering:

- e-commerce awareness and adoption, including e-business user skills;
- building the supply base;
- increasing ITEC skills, and UK technology strengths;
- building user trust and confidence;
- creating an e-friendly (international) policy environment;
- measuring UK success; and
- mobility in the Information Age.

### Millennium bug

2.19. The Department was fully engaged in the Cabinet Office's Millennium Operating Regime and liaised closely with infrastructure providers and the Regulators (OFTEL and OFGEM) during the date change. There were no Millennium Bug failures in those infrastructure sectors for which the Department is responsible,

due in large part to the role played by Action 2000, which was wound up at the end of September 2000. The lessons learned from millennium preparations are now being fed into wider critical infrastructure emergency planning.

### E-health

2.20. DTI is working with the Computer Services and Software Association (CSSA), the European Health Telematics Association and the UK Institute for Health Informatics to help encourage the development of a strong e-health market in the UK. In October 2000, a major conference was held to look at procurement in the UK and the Ireland with the introduction of e-business systems to underpin the modernisation of healthcare. The Department is due to publish in April 2001 a state of the nation report and market analysis of the sector to help the industry and the healthcare sector make their investment decisions.

### European dimension<sup>6</sup>

2.21. The DTI leads within Government on proposed legislation to establish a new European regulatory framework for the electronic communications sector. This will have a significant impact on the economic regulation of electronic communications in the UK, and work is being taken forward in step with implementation of the proposals set out in the White Paper *A New Future for Communications*.

### E-Europe: the EU's action plan for an inclusive information society

2.22. The E-Europe Action Plan, endorsed by the European Council in Feira in June 2000, highlights a political commitment to accelerate the development of e-commerce in Europe by creating the conditions for the necessary trust, understanding and awareness. The Plan included a roadmap to the end of 2000, which involved some 60 activities undertaken by the Commission, Member States and the private sector.

2.23. Good progress was made during 2000-01 on agreeing legislative measures to promote e-commerce in Europe. In particular, the E-Commerce Directive was agreed in June 2000 and will lift barriers to cross-border transactions. Other areas of progress included: copyright;

electronic cash; and trade in encryption technology. Progress on non-legislative measures included agreeing new approaches to the settlement of consumer disputes, solving international regulatory challenges for e-commerce, and the introduction of a new '.eu' domain name.

### EU Information society programmes

2.24. DTI assists UK organisations in securing funding from EU information society programmes to help them develop their global competitiveness, with the objective of securing over €460 million over the period 1999-02. The Department is currently on target to meet this objective and the focus over the next year will be to try to increase the involvement of the retail and finance sectors and to improve the inter-relation between the EU programmes and national activities.

### E-Commerce internationally

2.25. The Government continues to work in various international fora to develop a more global coherent framework for e-commerce. The OECD's e-commerce work programme is covering issues such as tax, IPR and consumer protection on the Internet and is expected to be completed during 2001. In July 2000, the World Trade Organisation relaunched its work programme to examine how e-commerce relates to the WTO agreements. Also in July, the EU reached an understanding with the USA regarding the transfer of personal data (called the 'Safe Harbour' Agreement) which will help protect users' privacy on the Internet. The UK is also seeking a Memorandum of Understanding with Australia and Canada on e-commerce to promote closer co-operation on issues such as consumer protection and privacy.

### Building UK sectoral capability

2.26. In late 2000 the OECD published comparative international data on the ICT sector for the first time. This data related to 1997 only and no year on year comparative data are available at present. However, Office of National Statistics data show that gross value added by the UK ITEC sector doubled between 1993 to 1998 (the latest period for which reliable data exists), particularly in ITEC services, and the sector's contribution to

the economy increased from just over 6% to 8.5% of GDP. There were also rapid increases in the number of enterprises in the sector and in the sector's turnover, capital expenditure and employment.

### Digital content

2.27. DTI continues to work closely with the digital content sector to promote its role as a key contributor to the UK's success in electronic commerce. In March 2000, the E-Minister helped to launch the Digital Content Forum (DCF), a new industry body which brings together more than 20 trade associations and other organisations with an interest in digital content. The DTI is working closely with the DCF to help implement the recommendations of the February 2000 DTI report, *UK Digital Content – An Action Plan for Growth* on issues such as the skills gap and better promotion and marketing of the UK digital content industries at home and abroad.

2.28. In September 2000, important reforms to improve access to Government information for commercial re-use were announced following consultation with the information industry<sup>7</sup>. They aim to encourage publishers and internet businesses to develop innovative products and services based on Government material and DTI is working closely with HMSO and HM Treasury to implement them.

2.29. Other initiatives with the digital content sector in 2000-01 include:

- a business to business Media Mapping survey to identify key issues for the emerging business to business information sector which is becoming increasingly internet based; and
- development of an export strategy for the content sector, including print publishing and digital content such as computer games.

### Digital TV action plan

2.30. The *Opportunity for all* White Paper announced actions to make the UK the most dynamic and competitive market for digital TV in the group of seven leading industrial nations, measured by take-up, choice and cost. The first part of this strategy will involve working with key public and private stakeholders to develop a comprehensive digital TV action plan.

<sup>7</sup>The full text of the report and reforms can be found on the Treasury web site (<http://www.hm-treasury.gov.uk/sr2000/associated/knowledge/index.html>).

## 'Next Wave' technologies

2.31. The Department, in dialogue with industry, is currently developing a Next Wave Technologies and Markets programme. 'Next Wave' technologies involve a host of intelligent appliances capable of communicating with each other and the outside world and will create new markets for products and services tailored to the individual. The proposed centrepiece of the programme would be an Interdisciplinary Research Centre (IRC) for manufacturers and researchers to explore the possibilities and characteristics of intelligent appliances.

## E-science<sup>8</sup>

2.32. The Science and Innovation White Paper *Excellence and Opportunity for the 21st Century* (Cm 4814) published in July 2000, announced a substantial package of support for e-science to underpin the development of high power computing and communications infrastructure in the UK. The White Paper committed £98 million over three years (2001-04) to developing a global information utility: a resource for scientists to lay the foundation for tomorrow's Internet. In February 2001, the *Opportunity for all* White Paper announced that this would be complemented with a new £20 million programme to ensure the findings of this research are quickly taken up and turned into commercial applications in the UK. A further £20 million will go towards the establishment of a new Interdisciplinary Research Centre.

## Developing IT and electronic skills

2.33. Access to a plentiful supply of skilled labour remains a key business challenge for many ITEC companies, particularly in cutting edge technologies such as Universal Mobile Telecommunications System (UMTS), the Third Generation mobile and opto-electronics standard. The DTI is working closely with the Department for Education and Employment to support the implementation of a new skills strategy intended to improve the supply of specialist ITEC skills, taking account of the recommendations of the *Skills for the Information Age* Report, published in October 2000. The work focuses on four key themes: improving understanding of the labour market for ITEC skills; promoting a more

positive image of careers in ITEC, particularly targeting young people and women; facilitating a better dialogue between business and education providers over ITEC skills; and providing more high quality work experience opportunities in ITEC jobs. DTI has so far committed £7 million over three years (2000-03) to support the skills agenda. The National Training Organisations for ITEC occupations have come together under the chairmanship of the e-Envoy to oversee the implementation of the skills strategy. The Information Age Partnership (see paragraph 2.18) also continues to take a close interest in the skills agenda.

## Promoting trust

### Information security

2.34. Confidence by electronic traders in information security systems is a necessary prerequisite to the development of e-commerce. The UK has made good progress through the Information Security Management Standard, BS 7799, which has now been adopted by a number of countries around the world as well as by individual companies in other countries. Cross-border trust in electronic trade is becoming ever more essential and the DTI is working with the British Standards Institution (BSI) and industry to make BS7799 an international standard. This was achieved for Part 1 of the Standard in December 2000.

### Electronic Communications Act 2000

2.35. The Electronic Communications Act 2000 received Royal Assent on 25 May 2000. The Act modernises the law to allow electronic communications and storage as a substitute for pen and paper by ensuring that electronic signatures are admissible in courts. The Act also allows for the creation of a statutory approvals scheme. At present, the Government is working closely with the Alliance for Electronic Business on a self-regulatory scheme (tScheme), which brings together providers and users, including consumers. The Scheme is expected to be fully operational in the first half of 2001. The Government will consider using powers in the Act to set up a statutory scheme only if self-regulation proves ineffective.

## Internet regulation

2.36. In February 2000, the Government Advisory Committee of the Internet Corporation for Assigned Names and Numbers (ICANN), which includes the UK, agreed a policy document setting out the relevant responsibilities of ICANN, Governments and administrators in running the Internet country code domain names. The UK Government is working with Nominet Ltd, the administrator for the '.uk' domain, to implement this. In October 2000, the Committee issued a number of guiding principles which ICANN should take into account when selecting new Internet generic top level domains, including transparency, openness, linguistic diversity, stability of the Internet and competition with the existing top-level domains.

2.37. The Department works on a number of Internet safety issues. The Government, together with the Internet Watch Foundation (IWF) and children's charities, has produced an agreed set of child safety messages for parents and children using the Internet which are available through the Government's portal, UK Online. The Internet Crime Forum, a group consisting of Government, industry representatives and the police, will shortly publish a report on safety in Internet chat rooms.

2.38. The Department has worked with industry and consumer groups to establish Trust UK, a hallmark scheme designed to enhance consumer confidence in e-business. More details on this initiative can be found in Chapter 11 - Consumer Policy.

**FIGURE 2.2: Expenditure on e-commerce (£ million)**

A large number of initiatives across DTI include some recognition of the economic importance of e-commerce and the following table therefore indicates only a proportion of the total resource being committed by DTI to e-commerce.

Main Estimate 2001-02: Request for Resources 1 (Increasing UK Competitiveness) Functions A (Promotion of enterprise, innovation and productivity and associated costs), F (Net controlled agencies and suppliers of Departmental central services), L (Promotion of enterprise, innovation and productivity and associated costs) and Q (Net controlled agencies and suppliers of Departmental central services).

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
UK online for business (incorporating the Information Society Initiative)	10.7	20.0	30.0	19.0	12.0
'Next Wave' technologies	0.0	0.0	3.0	4.0	6.0
E-science <sup>a</sup>	0.0	0.0	0.5	4.0	6.0
Digital TV	0	0	0.8	0.7	0.5
Broadband rollout	0	0	10.0	10.0	10.0
Year 2000	16.0	0.8	0.0	0.0	0.0
Telecommunications and Posts <sup>b</sup>	1.6	0.5	0.4	0.4	0.4
Spectrum Efficiency Scheme <sup>c</sup>	0	0.7	0.001	0.001	0.001
<b>Total</b>	<b>28.0</b>	<b>22.0</b>	<b>44.7</b>	<b>38.1</b>	<b>34.9</b>

<sup>a</sup> This line only relates to the £20m for commercial applications referred to in para. 2.32, and does not address the £98m assigned to OST and reported upon in more detail within Chapter 6.

<sup>b</sup> Includes ITU subscription being met from Radiocommunications Agency Spectrum Pricing Receipts.

<sup>c</sup> Radiocommunications Agency receipts are netted off against Spectrum Efficiency Scheme programme spend and a notional £1,000 is noted in the Supply Estimates for 2001-02. Planned resource expenditure for each of the three years is £1.5 million, £4.0 million and £5.0 million.

## 3

## The Small Business Service and Enterprise

- Introduction
- Performance in 2000-01
- Future targets and priorities
- Promoting an enterprise culture in the UK
- Strengthening the European enterprise culture
- Improving the regulatory environment
- Delivering business support services
- Supporting skills development
- Social inclusion
- Increasing the availability of finance
- Transfer of technology and knowledge

## Introduction

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- 3.1.** Successful small businesses and a thriving enterprise culture are crucial to the well-being of the economy. Small businesses currently make up 99 per cent of all businesses in the UK and employ more than half the current workforce. They drive growth and employment in all modern economies and are major and growing employers in their own right. Small businesses have a vital role in the supply chain and as sources of knowledge and specialised goods and services for larger businesses.
- 3.2.** The Small Business Service (SBS) was launched in April 2000 as a Departmental Agency to act as a strong voice for small firms at the heart of government and improve the quality and coherence of support programmes for small businesses. The SBS also aims to reduce the overall burden of regulation on small business including consideration of the way in which regulations are enforced. The SBS will launch the Business Link contact centre, website and the new local network in April 2001.
- 3.3.** The Small Business Council (SBC) was established in May 2000. It is an advisory Non-Departmental Public Body with 20 members under the Chairmanship of William Sargent, Chief Executive of the Framstore Group. The Council provides an independent source of advice for the Chief Executive of the SBS on the needs of small and medium-sized businesses (SMEs). It also reports to the Secretary of State for Trade and Industry on the effects of government policy on small businesses. Most of the Council's members are active entrepreneurs with practical experience of running an SME.
- 3.4.** The SBS consulted small firms representative organisations and other key partners both within Government and the private sector on a new framework for supporting SMEs in the UK. The framework, *Think Small First*, is aimed primarily at government departments. It encourages them to maximise the support they provide to small businesses and minimise the burdens they impose. The principles of *Think Small First* were launched by the Prime Minister in November 2000 and the full document was published in January 2001. *Think Small First*<sup>1</sup> will be a major building step towards establishing an enterprise culture in the UK and ensuring that enterprise is an option open to all members of society.

## Performance in 2000-01

### Highlights of 2000-01

- Launching the Small Business Service and establishing the Small Business Council.
- Selecting 45 new Business Link operators to provide high quality local services from April 2001.
- Establishing an internet web-site and national contact centre to complement local Business Link operations.
- Launch of Enterprise Insight by the Prime Minister to promote entrepreneurship among young people.
- Launch of *Think Small First – Supporting smaller businesses in the United Kingdom – a challenge for Government* by the Prime Minister.
- Establishing the Ethnic Minority Business Forum.
- Launch of the Farm Business Advice Service.
- Creating the Small Business Investment Taskforce to advise SBS across the board on SME finance issues.
- 253 bids amounting to £64.3 million received for the Development Fund element of the Phoenix Fund.
- 57 bids amounting to £20.6 million received for Round 1 of the Community Finance Initiative elements of the Phoenix Fund.

- 3.5. The SBS is committed to improving the performance of SMEs assisted by Business Link services, and to show year by year improvement in the quality of services delivered under the Business Link brand (PSA Target 3). Modification of reporting requirements now means that the first data on change in performance will be available in February 2002 to allow more complete data coverage. Results from a survey of all users suggests over 60% attribute some change in business performance or practice to Business Link help. A customer survey (April to June 2000) found that 74% of all users were satisfied that the service obtained met their objectives for seeking assistance from the Business Link.
- 3.6. In collaboration with HM Treasury, the Department set a target of increasing the number of successful high growth business start-ups (PSA Target 4). The Government aims to increase the number of high-growth business start-ups – defined as those which have at least 10 employees or a turnover of at least £1 million after 4 years – from 12,300 (start-ups in 1994 as reported in 1998) to 20,000 (start-ups in 2001 as reported in 2005). Enhanced funding for start-ups with high growth potential began to be made available by the end of 1999 (see paragraphs 3.38 to 3.45). Due to the inherent lag in reporting this indicator, the impact of the new support will not yet be apparent. The number of successful high growth business start-ups in 1994 was 12,300 (revised from 12,600), in 1995 it was 11,800 (revised from 12,800) and in 1996 it was 11,100<sup>2</sup>.
- 3.7. The SBS work in promoting enterprise and small businesses supports the Department's target to increase from 350,000 to 1.5 million the number of UK SMEs wired up to the digital market place by 2002<sup>3</sup>.

## Future targets and priorities

### Priorities for 2001-04

- Continuing to develop the Business Link National Information and Advice Service.
- Further increase the quality and focus of business support services provided by the new network of 45 Business Link operators.
- Further establishing the SBS as a strong voice representing the interests of small business.
- Continuing to minimise the overall level of regulatory burdens on small businesses.

3.8. The work in promoting enterprise and small businesses will support the Department's PSA targets for 2001-04 to:

- improve UK competitiveness;
- help build an enterprise society, improve the overall productivity of small businesses and encourage enterprise in disadvantaged communities; and
- make and keep the UK as the best place in the world to trade electronically.

3.9. SBS Performance Indicators are to be covered in the 2001-02 Business Plan and the targets for the year will be placed in the House<sup>4</sup>.

## Promoting an enterprise culture in the UK

### Enterprise Insight

3.10. A national campaign for enterprise – 'Enterprise Insight' – was launched by the Prime Minister in May 2000, and to which the Department is contributing £150,000. The campaign has recruited over 300 'Business Ambassadors' to help promote entrepreneurship among young people. The Department supports this initiative which is business-led in partnership with organisations engaged in programmes and activities that

promote enterprise and entrepreneurship.

A web-site promoting the work of the campaign has also been set up<sup>5</sup>.

### Graduate Enterprise

3.11. As a follow up to the successful Youth Enterprise Scheme, Graduate Enterprise aims to help develop transferable skills and heighten commercial awareness and understanding of business development. It is two-thirds funded by the Department and one-third by sponsors. Graduate Enterprise has completed the second year of its pilot, with the number of participating Higher Education Institutions (HEIs) increasing from 17 in the first year to 30. An independent report concluded that it has been successful in meeting its aims. The third year pilot will trial new methods of running the programme and test alternative design and management options.

### The Ethnic Minority Business Forum

3.12. The Ethnic Minority Business Forum was established by the Department in April 2000. It was created to strengthen the Government's dialogue with the ethnic minority business community, to identify issues of particular importance to the ethnic minority business community and to advise the Department and SBS on how to tailor policies and support to help improve the competitiveness of ethnic minority businesses. In the course of its work, the Forum has met representatives of local ethnic minority communities to find out more about their business concerns. Four sub-groups were established to look at procurement, access to finance, business support and e-commerce. A fifth sub-group, on regeneration, has been agreed. The Forum aims to make recommendations to Ministers in Summer 2001 on what the SBS and the Department should be doing to help ethnic minority firms in these areas.

### The Global Entrepreneurship Monitor

3.13. The Department has helped fund the Global Entrepreneurship Monitor survey. The 1999 survey compared entrepreneurial activity of people in 10 countries (including G7 countries) and the 2000 survey will compare the results from 21 countries. Additional questions have been added to the UK survey to ascertain the public's attitudes to entrepreneurship and consideration of starting a business as a career option.

## Strengthening the European enterprise culture

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- 3.14. There has been significant progress in economic reform within the European Union as a result of decisions taken at the Lisbon Council meeting in March 2000. At Lisbon, the EU set itself the strategic goal to become the most competitive and dynamic knowledge-based economy in the world within the next ten years. A key development was the adoption in June 2000 of the European Charter for Small Firms, which commits the EU to respond specifically to the needs of small businesses.
- 3.15. The UK is playing a leading role in the current development of the 2001–2005 Multi Annual Programme for Enterprise & Entrepreneurship (MAP). MAP aims to promote entrepreneurship, to encourage an enterprise-friendly regulatory and business environment, to improve the financial environment for SMEs, to enhance the competitiveness of SMEs, and to improve business support networks and services. As such, MAP will provide the framework for the development of enterprise-friendly policies in Europe.
- 3.16. The Report on the implementation of the Action Plan to promote entrepreneurship and competitiveness (the BEST Report) was issued by the European Commission in December 2000. It provides a useful insight into areas where Member States and the European Commission are promoting entrepreneurship and competitiveness, as well as highlighting areas where future challenges may lie.

## Improving the regulatory environment

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- 3.17. The SBS works closely with other Government Departments to ensure that it is consulted at the earliest stages of the policy making process for legislation likely to impact on small firms. It works alongside the Cabinet Office to enshrine the ‘Think Small First’ principle through the new Cabinet Office guide *“Good Policy Making: A Guide to Regulatory Impact Assessment”*<sup>6</sup>. The SBS Chief Executive is a member of the Ministerial Panel for Regulatory Accountability, which discusses proposals for new regulations.

- 3.18. The SBS also actively seeks business views on emerging regulatory proposals, and there is two-way communication on regulatory issues to ensure that concerns are addressed. The SBS is evaluating the effectiveness of Local Business Partnerships in developing frameworks to enable the business community, local authorities and other regulators to work together to streamline the regulatory process. A study to be carried out early in 2001 is expected to suggest how an index might be compiled on the administrative burdens of regulation on business.
- 3.19. To help small businesses understand and comply with regulations, the SBS has published two summary guides on the main regulations affecting small firms: *Employing staff* and *Setting Up In Business*<sup>7</sup>. As a result of work between central and local government, the SBS, together with the Cabinet Office, promotes the adoption of the ‘Enforcement Concordat’, which sets out good practice, principles and procedures for the consistent enforcement of regulations in a way that is fair, practical and emphasises prevention. Most of the local authorities in England and Wales, and all Scottish local authorities, have signed up to the Concordat. Further information on the Department’s activities on Employment Relations is provided in Chapter 13.

## Delivering business support services

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### Branding

- 3.20. Both the SBS as a corporate name and Business Link as a customer-facing brand are being retained. The SBS is seen as a corporate name for its activities across Government and for its dealings with other stakeholders and the media. Business Link is seen as the brand for delivering services directly to SMEs and providing information and advice through the web and call centre.

### Local delivery of Business Link services

- 3.21. The SBS has established a new network of 45 Business Link operators from April 2001. This results from a rigorous assessment process and has introduced fresh private sector organisations into the network. The new network will build upon the strength of the best existing Business Link partnerships and sharply improve the quality and focus of business support services which Business

<sup>6</sup> Available on the Cabinet Office website: [www.cabinet-office.gov.uk/regulation/2000/riaguide/default.htm](http://www.cabinet-office.gov.uk/regulation/2000/riaguide/default.htm)

<sup>7</sup> Both guides are available on the SBS web-site: [www.businessadviceonline.org](http://www.businessadviceonline.org)

Link operators will be contracted to supply. The emphasis of the new network will be on quality and coherence of delivery to the widest range of local businesses including pre-start, start-up, micro businesses, and to those areas which fall within the social inclusion agenda.

3.22. The SBS has recruited nine regional managers from the private sector who will have major roles in coaching Business Link operators and spreading good practice as well as monitoring performance. A suite of nationally accredited standards of professional competence for all those delivering Business Link branded services (business and specialist advisers, information officers, etc.) is nearly complete. The SBS is also developing a 'Business School for Business Support' intended to ensure that all advisers and staff in SBS engage in effective continuing professional development.

3.23. The SBS has been working with the Ministry of Agriculture, Fisheries and Food to provide tailored business advice to farmers through Business Link operators. The **Farm Business Advice Service** was launched in October 2000 with a budget of £21 million, wholly contributed by MAFF, and will run until 2004.

3.24. The *Opportunity for all* White Paper on enterprise, skills and innovation announced that the SBS, working through its Business Link network, would ensure that particular attention would be paid to assisting businesses with growth potential. SBS will work with the Inland Revenue, Customs & Excise and the Employment Service to target businesses that are growing quickly. SBS will seek to ensure that those businesses are encouraged to make use of the Business Link network to access high quality business support from both the public and private sectors.

3.25. The SBS is working closely with colleagues in the Department and elsewhere to meet the objective for getting SMEs on-line<sup>8</sup>. Business Link operators have responsibility for the national on-line network for business advisers who provide SMEs with impartial advice on the use of Information and Communication Technologies (ICT) and e-commerce.

## The Business Link contact centre and website

3.26. The Business Link contact centre and website will be made available to the small business community in April 2001. There are four key components:

- The *contact centre* will provide a single point of contact for small businesses to access business advice and related information<sup>9</sup>.
- The *website* will provide relevant information in response to client enquiries of a business and encourage them to seek face to face consultations with their local Business Link operator. A pilot website was introduced in April 2000<sup>10</sup>.
- The *knowledge base* will be a shared repository for the information and knowledge needed to help the small business community.
- The *national client database* will record details of client interactions with the call centre. This will be fundamental to achieving the objective of providing a 'listening and learning' service and help ensure that targets for customer service are achieved.

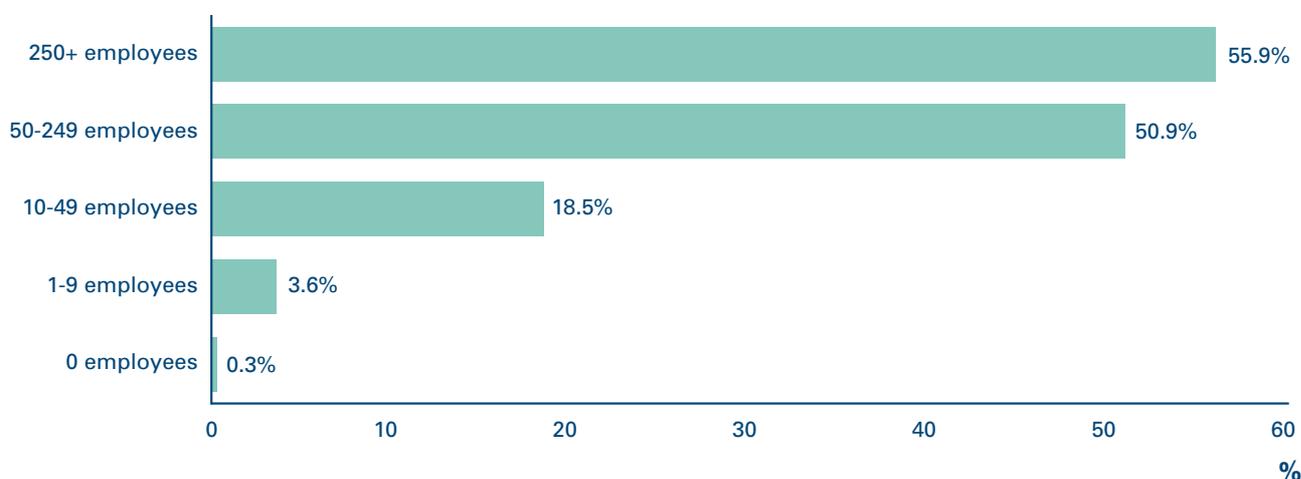
## Best practice services

3.27. The 'best practice services' are an integral part of the CBI/DTI 'Fit for the Future' campaign. They include:

- CONNECT – a series of best practice awareness CD ROMs that is designed to encourage and stimulate SMEs to improve their competitiveness;
- The Benchmark Index – the largest service of its type in the world – is the national benchmarking service of the SBS and is aimed primarily at SMEs; and
- Inside UK Enterprise (IUKE) – offering companies a programme of visits to exemplar host companies so that they may experience at first hand their implementation of particular aspects of best practice.

**FIGURE 3.1: Business Link Market Penetration (October – December 2000)<sup>11</sup>**

	Market penetration %	Number of firms assisted by Business Link	Total number of firms(a)
0 employees (b)	0.3%	6,386	2,324,340
1-9 employees	3.6%	41,641	1,165,450
10-49 employees	18.5%	28,866	156,235
50-249 employees	50.9%	12,322	24,185
250+ employees	55.9%	3,763	6,735
No Size Information	N/A	9,570	
<b>Total</b>	<b>N/A</b>	<b>102,548</b>	<b>3,676,945</b>



(a) total number of businesses in each size band is taken from the Inter-Departmental Business Register (IDBR) 1999.

b) Zero employee businesses are sole traders or partnerships with no other employees.

### Other business support services

**3.28.** The National Business Debtline was launched in July 2000 as a three year pilot project jointly supported by SBS and seven High Street banks. The service helps businesses with preparing a budget, prioritising debts, and negotiating with creditors as well as providing advice on court procedures, bankruptcy<sup>12</sup> and taxation. A self-help pack is also available.

**3.29.** As part of the UK online for business programme<sup>13</sup>, the SBS is delivering a range of support to help small business take advantage of the opportunities offered by new Information and Communication Technologies and the internet. UK online for business advisers,

previously part of the Information Society Initiative, have been fully integrated as part of the new Business Link network. The Local Partnership Fund was set up by the Department following the 1999 Competitiveness White Paper and is helping to support locally based collaborative and innovative projects. The aim is to promote partnerships between local public sector business support organisations and private sector providers to encourage and assist SMEs in adopting digital technologies for improved business competitiveness. SBS is also increasing the number of UK online for business advisers and the level of service available as a result of additional funding made available by the Chancellor in Budget 2000.

<sup>11</sup> Market penetration figures for October-December 2000 are representative and are similar to the average for the last complete financial year (1999-2000).

<sup>12</sup> See Chapter 10 – The Regulatory Framework

<sup>13</sup> See Chapter 2 – E Commerce, paragraph 2.13.

## Supporting skills development

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3.30. The Department works closely with the Department for Education and Employment (DfEE) and the SBS in developing programmes to support skills development in the workforce, especially in promoting management and e-business skills. The joint publication by DTI and DfEE of the White Paper *Opportunity for all in a world change* cemented this approach to addressing skills, enterprise and innovation. Activities in 2000–01 included the following.

- The National Skills Task Force has published *Skills for All: Proposals for a National Skills Agenda* to help ensure that Britain has the skills to sustain high levels of employment, compete in the global marketplace and provide opportunity for all.
- The SBS is also working to raise the importance of Basic Skills issues in the SME workplace through the Business Link National Information and Advice Service and through the Workforce Development advice offered by Business Link operators.
- An *Enterprise Guide*<sup>14</sup> has been published to help teachers to teach enterprise and entrepreneurial skills within existing subjects and across the wider school curriculum.
- The Department and DfEE have worked with National Training Organisations and similar organisations to produce 'People Skills Scoreboards' for 20 sectors, including clothing, textiles & footwear, multimedia, chemicals, steel, arts & entertainment and sports & recreation. The Scoreboard concept is being further developed.
- The Council for Excellence in Management and Leadership, a private sector initiative jointly sponsored by the Department and DfEE, has established a working group to examine the management development needs of small firms and make recommendations for improving provision. It will examine the roles of education institutions, private sector training providers and in-firm training, and how these can be improved through new delivery

mechanisms. The working group will also consider how to promote best practice in management development to SMEs. The Council is expected to issue its first report on these areas in April 2001 and its recommendations will influence the way in which the Learning and Skills Council and the SBS address these important issues.

- The Department is working with The University for Industry to develop a small business simulation tool, which will enable start-ups and SMEs to practice strategic planning and management in a 'safe environment'.
- The Department is working to stimulate debate about the future of corporate learning. A major contribution was made to the emerging debate through the publication of *The Future of Corporate Learning* in May 2000.

## Social inclusion

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### The Phoenix Fund

3.31. The Phoenix Fund is a £100 million fund to tackle social exclusion by encouraging entrepreneurship in disadvantaged areas and groups under-represented in business ownership. It includes:

- a Development Fund to promote innovative ways of supporting enterprise in disadvantaged communities and under-represented groups;
- a Challenge Fund and Loan Guarantees to help resource local Community Finance Initiatives; and
- a national network of volunteer mentors to pre- and early stage business start-ups.

3.32. The Development Fund supports innovative approaches to addressing social exclusion by promoting enterprise. The Fund's initial budget was £12.6 million over three years from 2000 to 2003 with further funding due to be allocated from the overall Phoenix Fund budget. The first bidding round closed in October 2000. Fifty projects were approved at a total cost of £15 million.

- 3.33. The Community Finance Initiative (CFI) elements of the Fund initially amount to £10 million over 3 years, with further funding due to be allocated from the Phoenix Fund budget. It comprises a Challenge Fund to help resource CFIs and Loan Guarantees to encourage commercial and charitable lending to CFIs. In the first Round of CFI funding announced in January 2001, 15 bids were successful amounting to £5.4 million.
- 3.34. £1.5 million has been made available from the Phoenix Fund to pilot a national network of volunteer mentors - the Business Volunteer Mentoring Association initiative - which runs until March 2002. The initiative is being run by the National Federation of Enterprise Agencies (NFEA) for delivery through local enterprise agencies and other local partnerships. It is based on a core of volunteers - up to 1,000 - drawn from all sections of the business community, who provide mentoring advice aimed at pre and early start-up businesses and micro businesses, including those in disadvantaged areas and ethnic and minority groups.
- 3.35. A pilot programme, the Business Buddies scheme, was announced in the *Opportunity for all* White Paper. The pilot between SBS and BAE Systems will identify senior executives and high fliers within BAE to act as mentors/coaches to growth orientated SMEs. Matches will be arranged through Business Link operators. The programme will start with about 12 participants and, if successful, will be extended to other larger companies and more growth orientated SMEs.

### Social investment

- 3.36. The Social Investment Taskforce<sup>15</sup> report, *Enterprising Communities: Wealth beyond Welfare* (October 2000) included a recommendation for a tax credit scheme for individuals and companies investing in Community Development Financial Institutions to encourage private investment in under-invested communities. The SBS is actively involved in consultation with HM Treasury and Inland Revenue to address this issue. The report also included a recommendation for a proposed Community Development Venture Fund - a matched funding partnership between Government, venture capital industry, entrepreneurs, institutional investors and banks.

The SBS is working with HM Treasury and other bodies to develop proposals following the £10 million which was announced for this activity in Summer 2000.

- 3.37. The *Opportunity for all* White Paper announced the creation of the Business Incubation Fund, in partnership with other providers of finance, to ensure that new incubators are created, workspace premises are refurbished and infrastructure and relevant support services are installed. The £75 million Loan Fund will be set up in 2001-02 and will run through to 2004-05. The bidding process will be managed by the Regional Development Agencies (RDAs) on behalf of the SBS. Bids for loans will only be considered, in the majority of cases, where the SBS would not be the majority partner but would make up the shortfall towards a viable project. SBS would particularly encourage refurbishment and infrastructure projects and facilities being developed in areas of urban regeneration and communities where start-up rates have traditionally been low.

### Increasing the availability of finance

- 3.38. The Government is taking action to help improve availability of equity capital for small businesses, particularly in the range £100,000 - £500,000 (the equity gap) where the amounts are too small to be of interest to most venture capital organisations. Action to deal with the equity gap will help to increase the number of successful high growth business start-ups (see paragraph 3.6 above).

### The Enterprise Fund

- 3.39. The Enterprise Fund is a partnership with the private sector to: deliver and develop the Small Firms Loan Guarantee Scheme; establish regional venture capital funds throughout England providing small-scale equity for growth SMEs; and establish a national 'Fund of Funds' investing in existing venture capital funds for early stage, high technology firms in the UK. The Chancellor announced additional funding in Budget 2000, consequently the Enterprise Fund is on track to be worth over £300 million over the period 1999-04, increased from £180 million for the period 1999-02 reported in 2000.

- 3.40. The Small Firms Loan Guarantee Scheme provides guarantees allowing banks and other financial institutions to lend to businesses with viable business proposals where a lack of assets prevents them obtaining conventional finance. The Scheme is currently the largest single part of the Enterprise Fund and will continue to be developed in line with the Fund's overall aim of providing flexible financial support for SMEs with growth potential.
- 3.41. Regional Venture Capital Funds are expected to attract up to £250 million from the private sector whose participation will also bring their local and regional knowledge to enable more cost effective investments. These Funds will also increase the proportion of venture capital going into small businesses with growth potential. Funds will begin investing once a final decision on state aid has been received from the European Commission.
- 3.42. A 'Fund of Funds' manager was appointed in November 1999 to lead the fund raising activity and manage the UK High Technology Fund, which will invest in existing UK high technology venture capital funds. The Fund closed in February 2001. A total fund target of £125 million, including Government investment of £20 million, has been achieved and the Fund is making investments in high technology venture capital funds.
- 3.43. The SBS is working with Regional Development Agencies (RDAs) and others to identify ways of increasing SMEs' understanding of venture capital and providing them with specialist advice in structuring business plans to secure this type of investment.
- 3.44. The SBS is providing pump-priming funding of £700,000 over three years for the National Business Angel Network (NBAN) and the Business Angels Network Association (BANA). This support is in partnership with a number of

## Cross-cutting theme: corporate social responsibility (CSR) and social inclusion

Many businesses have found there are competitive advantages from being more socially responsible, for example improved staff motivation and reputation with customers. In March 2000 Dr Howells was appointed as Minister for Corporate Social Responsibility to help make the business case for CSR and to improve co-ordination of activity across Whitehall to promote CSR. The Department encourages spread of best practice through support for the Business Impact Task Force's guide *Winning with Integrity*<sup>16</sup> as well as by supporting Business in the Community's Examples of Excellence Awards for businesses engaged in community partnerships. An Interdepartmental Group has been established to improve co-ordination of activity to promote CSR across Whitehall, and CSR is a key part of the Department's Sustainable Development Strategy.

- In *Bringing Britain Together*, the Cabinet Office Social Exclusion Unit announced 18 Policy Action Teams to report on specific issues that contribute to social inclusion. The Small Business Service is pursuing a number of recommendations from, mainly, the third report *Enterprise and Social Exclusion*.
- The Small Business Service has established the Phoenix Fund to encourage entrepreneurship as a means of tackling social exclusion (described in this chapter).
- Revision and implementation of the OECD guidelines for Multinational Enterprise, providing a framework of good conduct for companies in their overseas operations (see Chapter 8, paragraph 8.32).
- The Government has launched a Fuel Poverty Strategy with a target of lifting 1 million households out of fuel poverty by 2004 (see Chapter 9, paragraph 9.13).
- The Department sponsors a project, Innovation through Partnerships, analysing how businesses and communities can become more innovative through work on community projects.

clearing banks and other sponsoring organisations. The aim is for NBAN and BANA to bring the informal investment market to full operation in order for business angels to become a mainstream source of finance for SMEs.

- 3.45. One of the recommendations from the Cruickshank review of “*Competition in UK Banking*”, published in March 2000, was that greater effort should be made to improve access to risk capital for smaller growing businesses. The Small Business Investment Taskforce was formed in October 2000 to work, in association with the RDAs and others, towards the creation of a £1 billion target umbrella fund made up of UK Government, European and private co-investment in a range of funds to develop the market in venture capital. This Task Force will advise the SBS across the board on SME finance issues and determine how best to stimulate the operation of markets providing finance for SMEs. Responsibility for these activities are under the leadership of Adrian Piper, recruited from the Bank of England as head of the SBS Investment Directorate.

### Early growth funding

- 3.46. A new programme for Early Growth Funding, announced in the *Opportunity for all* White Paper, is being developed in consultation with commercial lenders to encourage risk funding of start-ups and growing businesses. Funding will be stimulated through new guarantee or co-funding mechanisms to facilitate the availability of small amounts of risk capital for innovative and knowledge intensive businesses, as well as for smaller manufacturers needing fresh investment to pursue new opportunities. SBS will target businesses seeking to raise up to £50,000 and aims to help 1,000 businesses, committing up to £50 million for the period 2001-04.
- 3.47. The SBS will be inviting proposals for initiatives aimed at helping small businesses to better understand external finance and to become more ‘investment ready’. If more small businesses are to take advantage of new funding opportunities, they need to decide what type of investment to seek and how to present their proposals to potential investors. A variety of organisations, including Business Link operators, will be encouraged to come up with innovative proposals.

**FIGURE 3.2: Small Firms Loan Guarantee Scheme**

	1998-99 Outturn	1999-2000 Outturn	2000-01 Working Provision
Loans Guaranteed	4482	4279	4512
Value (£ million)	188.8	206	195.9
Average size loan (£)	42124	48142	43418
Demands against guarantee	2042	1818	1770
Value (£ million)	43.14	38.95	41.09
Average default (£)	21126	21424	23215
Receipts (£ million)	9.15	9.01	9.11
Net cost (£ million)	33.99	29.94	31.98
Provision (£ million)	92.02	86.58	87.83

**Smart**

3.48. The Smart scheme provides grants to help individuals and SMEs to make better use of technology and to develop technologically innovative products and processes. In 2000 the Smart scheme became more flexible, and available to even more small businesses. In particular, the competitive requirement for research and development proposals was removed and applications for support may now be made at any time. The year also saw the commencement of an independent evaluation of Smart which is expected to be completed by April 2001. The *Opportunity for all* White Paper announced a new approach to attract experienced business talent to the UK by piloting a scheme to encourage British entrepreneurs abroad to set up companies in the UK to pursue innovative business proposals. The scheme will involve adapting the current Smart scheme so that applications for awards can be made from overseas before the entrepreneur physically moves to the UK.

**Small Business Research Initiative**

3.49. The Small Business Research Initiative will be launched in April 2001 and is designed to increase the success of smaller businesses in obtaining contracts from Government bodies to conduct research and development. The Government departments involved – DfEE, DETR, DoH, DfID, DTI, MAFF and MoD – will aim to buy at least 2.5% of their R&D requirements from smaller businesses. The Research Councils will move to meet the same targets. The target is for £50 million worth of Government research to be bought from smaller businesses, with a view to strengthening those whose business is based upon providing R&D by increasing the size of the market, encouraging

other smaller businesses to increase their R&D capabilities and capacity to exploit the new market opportunities for starting new technology-based or knowledge-based businesses.

**Transfer of technology and knowledge**

**TCS**

3.50. The SBS leads the Government’s involvement in TCS<sup>17</sup> (formerly the Teaching Company Scheme) on behalf of DTI, two other Government Departments, the three Devolved Administrations and five Research Councils. TCS involves high quality graduates, supported by academics and company personnel, implanting new knowledge into companies, typically over a two-year period. The Scheme produces significant benefits for business, knowledge base organisations and graduates (who also receive business-related training). Around 90% of TCS Programmes involve SMEs. The Quinquennial review of TCS will start in 2001-02.

3.51. The 1998 White Paper *Building the Knowledge Driven Economy* committed the Department to double its spend on TCS and this will be achieved by 2003-04. About 1,000 individual TCS Programmes are due to be in place by the end of 2001.

**The Shell Technology Enterprise Programme (STEP)**

3.52. SBS supports STEP, one of Shell International's Community Programmes in the UK. It enables pre-final year undergraduates to undertake an eight week technology or knowledge transfer project in a an SME. The Department's contribution of £200,000 per year helps to place about 18% of the annual total of 1,300 STEP students, and contributes to administrative costs.

**FIGURE 3.3: Smart Expenditure in England (£ million)<sup>a</sup>**

1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plan
26.5	35.9	28.0	28.0

<sup>a</sup> Demand for Smart was lower than anticipated in 1999-00 and 2000-01. Consequently, outturns were below original budgets and the budget for 2001-02 has been revised.

**FIGURE 3.4: TCS Performance & Expenditure**

	1997-98	1998-99	1999-00	2000-01 Estimate	2001-02 Planned
No. of Current TCS Programmes	661	654	703	850	1,000
No of TCS Programmes with some DTI funding	415	398	463	530	630
% of approved TCS Programmes with DTI funding involving SMEs	90	92	90	90	90
DTI spend on TCS (£ million)	10.8	10.5	10.5	13.8	16.3
Total Government spend on TCS (£ million)	18	18	21.3	23.2	24.2

**Note** the figures show the position as at the end of the respective financial year.

**FIGURE 3.5: Expenditure on small firms and enterprise (£ million)**

Main estimate 2001-02: Request for Resource 1 Functions A, K (Enterprise for All), L and U (Promotion of enterprise, innovation and productivity).

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Small Business Service (and corresponding earlier activity)</b>	<b>194.1</b>	<b>311.5</b>	<b>336.9</b>	<b>368.3</b>	<b>341.3</b>
of which:					
Pump-priming grants to BLs	1.1	0.4	0	0	0
Local Competitiveness budget (a)	118.4	0	0	0	0
Local network (b)	0	136.7	143.7	143.7	131.7
Farm Business Advice Service	0	8.5	5.3	5.3	2.8
Business Link contact centre and website	0	26.9	16.0	10.0	8.0
Phoenix Fund	0	12.3	14.6	35.0	36.0
TCS (DTI spend)	10.5	13.8	16.3	18.8	18.8
Enterprise Fund (including SFLGS net) and Smart	58.5	91.9	120.0	120.0	113.2
Other support (c)	5.6	21.0	21.0	35.5	30.8

(a) Includes expenditure on Core Services funding, Business Link Head Office support, Regional Supply Network, CWPII, Local Competitive Challenge, Centres of Expertise, Marketing & Publicity, and the Small Business Service and start-ups.

(b) Includes Core Services funding, Transition costs, Rover Task Force activities and Local Network Development.

(c) Includes Small Firms miscellaneous, High Growth start-ups, UK online for business, Regional Supply Chain development, Management Best Practice, Service development, Regulatory support, Marketing, Design & Publicity, Research & Evaluation and Policy development.

## 4

## Innovation

- Introduction
- Performance in 2000-01
- Future targets and priorities
- Building sectoral capabilities
- Technical, legal and design infrastructure for innovation

## Introduction

- 4.1. Innovation, defined as ‘the successful exploitation of new ideas’, is an essential ingredient in developing and maintaining a successful knowledge driven economy. The UK has many world class innovative companies, but still lacks a truly innovative culture right across the breadth of industry. The Department in conjunction with DFEE has published its *Opportunity for all* White Paper setting out policies and actions to improve knowledge and skills as a key driver of competitiveness.
- 4.2. The Department supports a wide range of activities at both a national and regional level, aimed at encouraging an environment in which industry makes better use of innovation to create competitive advantage and at maintaining the UK’s position as a key player in European and global innovation. Many of these activities are targeted at specific industry sectors or supply chains and are closely linked with the activities to promote the exploitation and application of science described in Chapter 7. The Department’s work to support the information and communications sectors is described in Chapter 2 – E-Commerce. Some of the programmes mentioned further in the chapter are directed specifically at small businesses and complement the work of the Small Business Service mentioned in Chapter 3.

## Performance in 2000-01

### Highlights of 2000-01

- Launch of the largest ever LINK programme - a £15 million LINK Applied Genomics programme supporting collaborative research between industry and the research base to assist healthcare companies to benefit from advances such as the Human Genome Project
- Nissan’s decision to make both the new Micra and the new Primera models at Sunderland, with a £440 million investment safeguarding 4000 jobs there.
- Investment of up to £250 million in the T900 and T600 engines with Rolls-Royce for the A380 (formerly A3XX) and B747X respectively, sustaining over 7000 jobs in Rolls-Royce and supply chains.
- Publication of the *Opportunity for All* White Paper setting out an active industrial policy with a focus on skills, technology and regional growth.
- Investment of £3 million to promote British creativity and innovation at home and abroad using Millennium products.

- Publication of the DTI Sustainable Development Strategy to ensure enterprise, innovation and increased productivity contribute to sustainable development.

- 4.3. The Department has a joint PSA target with HM Treasury to put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle (PSA Target 1). A wide range of policies to narrow the productivity gap and increase UK competitiveness were put in place by the 1998 Competitiveness White Paper, the 2000 Science and Innovation White Paper, the 2001 *Opportunity for all* White Paper and in successive Budgets.
- 4.4. Data from the Office of National Statistics show that UK productivity growth has picked up since 1999: whole economy productivity growth was 2.6 per cent in the year to the third quarter of 2000 (compared with 1.6 per cent over the same period a year earlier). The latest available data show that, between 1997 and 1999, the UK productivity gap with most of the other group of five leading industrial countries changed little. However, very strong US performance has meant that the gap with the US has widened.
- 4.5. DTI has set a target to secure improvements in performance against a set of competitiveness indicators (PSA Target 2). The first set of Competitiveness Indicators was published in December 1999 and the second in February 2001. Improvements in competitiveness will take time to have an effect and in the short run changes in the indicators may reflect cyclical or temporary effects rather than underlying structural changes. However, the second edition of the Indicators provides a summary of the main messages to emerge in terms of the overall assessment of competitiveness.
- 4.6. The assessment shows that in many respects the UK is succeeding in creating a platform for faster growth and increased productivity. In particular, the prospects for economic stability have improved, the UK has an economy which is open to international trade and investment, a labour market which is functioning well and UK

businesses are investing strongly in Information and Communication Technologies. However, the assessment also draws attention to those areas where the UK still lags behind its main competitors, for example in basic and intermediate vocational skills, R&D and innovation, enterprise and investment.

- 4.7. DTI work on innovation and best practice also supports the 2001-02 target to increase by 50% the number of companies that were spun out by universities during 1997-98 (PSA Target 6)<sup>1</sup>.

## Future targets and priorities

### Priorities for 2001-04

- Launch of £25 million programme on basic technologies to enable business to commercialise key new capabilities.
- Launch the £25 million Harnessing Genomics programme to help industry apply this research in a whole range of new commercial products, processes and services.
- Establish a new Manufacturing Advisory Service in partnership with the RDAs.
- Encourage adoption of domestic and business best practice e.g. through a new inward secondments programme to bring overseas technology experts to work with UK companies.
- Agreement on arrangements for a Community Patent by the end of 2001.
- UK to become a leading player in new markets and renewable energy for innovative green technologies including waste minimisation, refuse recycling and renewable energy, supported by e.g. the new Waste and Resources Action Programme and a major new UK solar photovoltaic demonstration programme.

- 4.8. The Spending Review 2000 set a target to narrow the productivity gap with the US, France, Germany and Japan over the cycle. In particular, the Department will seek to achieve a step change in UK business innovation<sup>2</sup>. Further

<sup>1</sup> Progress against this target is reported in Chapter 7 – The Exploitation and Application of Science.

<sup>2</sup> The impact will be assessed using the regular EU Community Innovation Survey.

priority areas are described in the following sections of this chapter.

## Building sectoral capabilities

- 4.9. In pursuit of its PSA target to improve UK productivity and competitiveness, the Department:
- maintains a close dialogue with the key sectors of UK industry, to ensure that the needs and concerns of industry are properly taken into account in policy-making across Government and that industry in turn is aware of the Government's policy objectives;
  - supports innovation by industry through contributing towards the cost of programmes involving collaborative R&D, the spread of innovative good practice and skills, and the adoption of environmentally sustainable products and processes; and
  - maintains a technical, legal and design infrastructure – including the National Measurement System, support for the setting of technical standards, the Patent Office, the Design Council – which underpins business confidence in innovation and ensures a strong

UK influence in international decisions affecting UK competitiveness.

- 4.10. Budgetary responsibility for the Smart programme, hitherto dealt with as part of the Innovation Budget, has been transferred to the Chief Executive of the Small Business Service and is covered in Chapter 3; the Civil Aircraft Research and Technology Demonstration (CARAD) programmes previously dealt with as a separate free-standing budget will be dealt with as part of the new Industrial Exploitation of Science budget.
- 4.11. Planned future expenditure on innovation including industry innovation, aeronautics, space and energy R&D but not launch investment (see figure 4.2) is set out in the following table 4.1, and is covered in more detail in the table at the end of the chapter. Firms are encouraged to innovate through the industrial exploitation of science and support is provided for competitiveness through the adoption of new technologies and best practice as well as e-business. Technical and design infrastructure is supported in particular by technical standards, the National Measurement System and the system for Intellectual Property Rights.

**FIGURE 4.1: Innovation Expenditure – 2001-02 to 2003-04\***

	2001-02 Plans	2002-03 Plans	2003-04 Plans
Industrial Exploitation of Science	58.3	71.2	87.8
Support for Competitiveness	87.3	81.4	74.4
Space	90.0	90.0	90.0
Technical & Design Infrastructure	76.4	76.3	69.1
Expert Advice and other expenditure.	3.8	2.7	2.7
<b>TOTAL</b>	<b>315.8</b>	<b>321.6</b>	<b>324.0</b>

\*These figures include spend from programmes included in Chapters 2, 3 and 7.

## Developing the dialogue with industry

4.12. The Department continues to deepen its understanding of what industry needs in order to improve its competitiveness. It does so in a number of ways.

- Face-to-face discussions with individual companies and trade associations. The Communications and Information Industries Directorate, for example, spent 11 staff years visiting companies in this rapidly changing sector, plus a further 14 staff years on other interaction with those companies, including through Trade Bodies.
- Inward secondments from industry. The Department has 31 secondees in its Future and Innovation Unit, working on promoting innovation and the development of future thinking and scenario planning, and a further 10 in its Business Competitiveness Group, mainly engaged in the preparation and implementation of innovation programmes. There are also a number of generally shorter term secondees from industry in British Trade International.
- Consultancy studies analysing the competitiveness of the main UK industrial sectors and sub-sectors. The Department aims to complete a fresh round of studies by March 2002.

4.13. This work is supplemented by more formal consultation with industry on particular regulatory and legislative proposals, and by day-to-day dialogue with trade associations. In addition, the Department collects and publishes more fundamental and wide-ranging analyses. For example:

- The Government's Foresight Programme, run within the Office of Science and Technology, provides longer term forward scenarios of up to 20 years or more in a number of key economic and social areas. These are intended to challenge the planning of industry as well as the policy-making of Government. The scenarios are drawn up by panels comprising private sector representatives, academics and officials from the DTI and other Departments.

- In collaboration with private sector partners ICL, Trimension and STI, the Department launched future.focus@dti in November 2000, a state-of-the-art virtual reality centre designed to help understanding of the future challenges posed by the new economy.

4.14. The Department continues to publish the R&D and Capex Scoreboards, which this year examined the links between R&D/Capex and company performance. The scoreboards are a valuable data source, allowing companies and their shareholders to benchmark their own investments with the best in the world and to help them decide whether they are investing the right amount as part of their business strategy. The publications in 2000 highlighted, among other things, the positive link between R&D (and Capex) investment and company performance.

4.15. In the *Opportunity for all* White Paper, the Department announced its intention to set up cross-functional teams with a broad membership from Government and the private sector, to ensure that the DTI works effectively across Government to create the right conditions for the growth industries of the future. These teams will identify and tackle barriers to growth and target practical and measurable improvements in performance against international competitors.

## Financial support for innovation

4.16. The Department focuses effort and resource particularly on those new technology sectors where the UK has particular strengths and pre-eminence, such as information and communications, biotechnology, aerospace and space. But the Department also works closely with other key sectors such as cars, chemicals, textiles, shipbuilding and engineering where the application of new technologies and practices can make a difference to UK competitiveness. The *Opportunity for all* White Paper announced the investment of £25 million over three years for a series of new activities and projects to ensure that business can commercialise key technologies such as quantum computing, sensors and nanotechnology, complementing Research Council activity in this area. The programme will encourage commercialisation as a basis for major new industries of the future.

4.17. In addition, support is offered more generally across industry under a number of cross-cutting themes and programmes, such as environmental sustainability and skills development. The Department is to establish a new Manufacturing Advisory Service in partnership with the Regional Development Agencies, with a centre of manufacturing excellence delivering practical support and information in each region and a national network accessible to large and small companies. The following paragraphs give fuller information on the Department's other sectoral and cross-sectoral work:

### Biotechnology

4.18. The UK has the leading biotechnology sector in Europe, with around 300 dedicated biotechnology companies, which employ an estimated 16,000 people. The potential for the growing biotechnology industry is enormous; the market in Europe is expected to be worth 100 Billion Euro by 2005. The Department promotes increased competitiveness of the sector through a range of activities. Over the period 2000-01 these included:

- Launch of the £15 million LINK Applied Genomics programme<sup>3</sup>, sponsored by DTI, BBSRC and MRC, to support collaborative research between industry and the research base with applications in the health care sector.
- Announcement of six awards, worth £1.1 million, under the Biotechnology Exploitation Platform Challenge. The Challenge has already helped to create over 30 new start-up companies, and generated some 85 new patents in the biosciences.
- Approval of four projects, worth £1 million, under the final round of the Biotechnology Mentoring and Incubator Challenge, which has helped create at least 26 new start-up companies since its launch.
- Announcement of a LINK Bioremediation Programme to promote biotechnology for environmental clean-up. DTI has committed £2 million to this programme which is being taken forward with other Government sponsors including the Research Councils.

- Support of five demonstrator projects under the BIO-WISE programme, which is designed to encourage the wider uptake of biotechnology in a range of manufacturing and service sectors.

4.19. Future priorities will be taken forward under the major Harnessing Genomics programme which was announced in the recent White Paper on Enterprise, Skills and Innovation. Key elements of this programme will include:

- stimulation of industrially relevant R&D and enabling technologies relevant to genomics;
- measures to develop biomanufacturing capability in the UK;
- promotion of mentoring and incubation support for new companies; and
- encouragement of entrepreneurial skills in the sector.

### Aerospace and defence

4.20. The aeronautics industry is largely dependent on technological competence for its competitiveness. To support such technical developments the Department provides specific support to the aerospace industry through Launch Investment (which generates a positive cash flow to the Government) and CARAD which supports pre-competitive, collaborative, long-term research and technology demonstration across a range of aircraft technologies.

4.21. Other Government support during 2000-01 included:

- Facilitating the restructuring within the European aerospace and defence sector, to strengthen UK companies' global competitiveness. Major developments included the merger between GKN Westland Helicopters and Agusta of Italy in February 2001, the acquisition of Racal by Thompson CSE, and expansion of British companies in the US through acquisitions.

■ Agreement with Rolls-Royce on launch investment, up to £250 million on a repayable basis at a real rate of return, to assist in the integrated engine development of the Trent 900 for the A380 and Trent 600 for the Boeing 747X/767X aircraft. The Airbus A380 (formerly the A3XX) very large aircraft project was formally launched on 19 December 2000 with orders for 50 aircraft and options for a further 42 from six customers. (See figure 4.2).

■ A number of projects are being supported under the More Electric Engine and Wing Systems Initiative, part of the CARAD programme, to research and demonstrate technologies that will eventually replace hydraulic and pneumatic systems. This programme will help keep the UK at the cutting edge of aircraft systems technologies and in prime position to supply European and USA aircraft manufacturers.

## Space

4.22. In recent years the Department has contributed around £75 million per annum in the form of contributions to the European Space Agency (ESA) and spent a further £15 million per annum directly on national programmes. Funding is channelled through the British National Space Centre (BNSC), a partnership of nine

Government organisations including the Department. The Trade and Industry Committee published a report on UK space policy in July 2000. The Government's response, including an undertaking to review the organisational structure and funding of the BNSC partnership was issued in October 2000.

4.23. Current policy is governed by the UK Space Strategy 1999-2002, published in August 1999, which set five principal objectives:

- to help industry maximise profitable business opportunities in the development and exploitation of space systems which improve the quality of life and enhance choice for consumers;
- to foster the development of innovative technology, its commercial exploitation and its application in research;
- to pursue the highest quality astronomy and space science;
- to improve our understanding of the Earth's environment and natural resources; and
- to communicate the results and their significance to a broad audience.

**FIGURE 4.2:** Launch investment levies received and orders outstanding

	Launch investment committed/paid (£ million)	Levies received Estimate (£ million)	Firm orders outstanding (aircraft/engines)
A320 family of aircraft	249.3	485.9	1285
A330/340 family of aircraft	447.1	284.9	241
RB211 aeroengines	439.4	277.2	110
V2500 aeroengines	60	29.6	794
EH101 helicopter	60	Not yet due	15*
Lear 45 executive jet	17.7	Not yet due	52
Trent aeroengines	200	7.7	426
A380 (formerly the A3XX)	530	Not yet due	60**
Trent 600 and 900	250	Not yet due	240**

\* Excludes UK and Italian military order

\*\* Commitments to firm order excluding options / spares

4.24. BNSC support has been a catalyst for co-funded user-led programmes: for example, since 1997-98 BNSC funding of £1.5 million has unlocked £4.3 million of private sector funding on the Earth Observation Applications Demonstration Programme.

4.25. Activities over 2000-01 include:

- In April 2000, in collaboration with The Sunday Times, BNSC distributed 1.5 million copies of a CD-ROM *Window on the UK* and received over 10,000 e-mail requests for further information. A similar event, covering the solar system and the universe, is planned for 2001.
- A second round of a £9 million national SATCOM programme, S@TCOM, was launched in February 2001. The programme is part of the increased emphasis being given to the use of satellites for communication purposes and its main drivers are seen as multimedia/e-commerce and advanced mobile system developments.
- The Minister for Science and Innovation announced the successful applications under the MOSAIC programme at Farnborough in July 2000. With funding of £15 million over the three years 2000-01 to 2003-04, the programme aims to offer partnerships a way of demonstrating the UK's world leading capability in small satellites with a view to exploiting it scientifically and commercially.

## Automotive

4.26. The car industry underwent significant restructuring during 2000-01.

- Major company reorganisations affecting UK operations, and setting new competitiveness challenges. **BMW** sold Rover to the Phoenix Consortium and Land Rover to Ford. **Ford** decided to cease Fiesta production at Dagenham in 2002, but to enhance the role of that plant as its sole global manufacturing source for diesel engines.

- GM Europe decided to close the **Vauxhall** car plant at Luton with the end of Vectra production in 2002 but to invest £130 million to make the new Vivaro van at the IBC plant (also in Luton).

- On 5th February 2001 Vauxhall announced plans to locate Epsilon (the new Vectra model) production at the Ellesmere Port plant, with a £200 million investment.

- Nissan announced in January 2001 that the next generation Micra (due for launch in 2002/2003) will be produced at their UK Sunderland plant.

- The formal decision to fund jointly with industry the pilot phase of the Retail Forum from January 2001, to encourage improvements in competitiveness in the supply chain from automobile manufacturers to the consumer.

4.27. There was also considerable work in response to regulatory activity. This included work on the publication of the Competition Commission's report into new car prices (April 2000) and the subsequent tabling in August of the Supply of New Cars Order. The Department has been working closely with industry on the planned reform of the Block Exemption system, the European legislation which underpins the selective and exclusive distribution of motor cars which is due for renewal in September 2002<sup>5</sup>. The European Commission's End of Life Vehicles Directive was published with the focus now shifting to national implementation. Also the Cleaner Vehicles Task Force published its final report and supporting documents on alternative fuels, technology and testing and vehicle manufacture and disposal.

4.28. The Department worked intensively with the industry in spreading best practice. It worked with the Society of Motor Manufacturers & Traders' Industry Forum on areas such as improving the efficiency of supply chains. The Forum maintained its complement of UK automotive engineers at 32 and completed over 350 activities involving more than 430 companies. Foresight Vehicle held a national dissemination event for delegates from around the

world, carried out two expert study missions to Japan, enlarged its network to 400 organisations and increased the value of its project portfolio to nearly £80 million.

#### 4.29. Challenges for 2001-02 onwards include:

- promoting the **Total Package Programme** and its support mechanisms to deliver UK automotive suppliers into priority global markets, and thereby encourage even SMEs to treat globalisation as an opportunity and not just a threat.
- continuing to work with suppliers within **Industry Forum** and **Foresight Vehicle** to promote innovation, particularly in the areas of new product and process development and introduction.
- establishing the **Automotive College** to deliver sustainable learning and skills improvement for world class competitiveness, particularly to tier 2 and 3 companies.
- establishing a **Retail Forum** involving both manufacturers and retailers in the automotive industry to deliver leading class standards of customer satisfaction through process improvement and training and development programmes.

### Chemicals

4.30. The chemicals industry is one of the primary manufacturing sectors in the UK, with a turnover of around £55 billion a year. The industry is undergoing radical restructuring through

divestment and acquisition, which has prompted a review of the Department's analysis and strategies towards the sector. In 2000-01 this has resulted in the development of a learning and skills strategy; the establishment of a forum to drive forward a competitiveness strategy for the plastics and rubber sectors; the development of chemical industry cluster initiatives in several parts of the country and the initiation of a strategy to support new inward investment from North America.

4.31. The Department has also contributed around £4.6 million in 2000-01 to a number of programmes designed to improve competitiveness, including the establishment of an Industry Forum for the chemicals sector to help improve process efficiency and support for Faraday Partnerships in formulation technology and plastics. Future priorities will include the development of a chemicals e-commerce programme and a new £3 million 'Manufacturing Molecules' programme to help reduce the time taken to develop and make complex molecules.

### Shipbuilding

4.32. For many years the Department has supported shipbuilding through the Shipbuilding Intervention Fund and the Home Shipbuilding Credit Guarantee Scheme. As part of the work of the Shipbuilding Forum, DTI announced funding of £2.8 million towards a LINK shipbuilding research project. This initiative is aimed at significantly enhancing the competitiveness of the shipbuilding sector as it moves from dependence on subsidies.

**FIGURE 4.3:** Expenditure on shipbuilding (£ million)

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Shipbuilding Intervention Fund	4.2	8.5*	6.3	5.3	0.6
Home Shipbuilding Credit Guarantee Scheme	-0.9	-0.2	0.3	0.3	0.4

\*The working provision for 2000-01 was set higher than the 1999-00 outturn on the basis of initial indications of increased orders resulting from the termination of the Scheme. In the event, spending on these orders is occurring later than initially assumed with the result that the outturn for 2000-01 is currently forecast to be similar to 1999-00.

4.33. Shipbuilding Intervention Aid ended across the EU on 31 December 2000, although sums under proposals before that date will continue to be paid. (See Figure 4.3).

### Textiles and clothing

4.34. An industry-led Group published the report, *A National Strategy for the UK Textile and Clothing Industry*, in June 2000. The Secretary of State for Trade and Industry and the Employment and Equal Opportunities Minister announced an immediate 12 point plan designed to help companies become more competitive, diversify into higher value and growth areas, embrace innovation, and strengthen their position in world markets. New measures include:

- a new supply chain initiative, now confirmed as the Textiles and Clothing Industry Forum; and
- support for the development and exploitation of technical textiles – over 20 separate projects have now been approved<sup>6</sup>.

### Engineering

4.35. The Department is working intensively with the sector to improve product development, competitiveness and growth, both in its use of new manufacturing technology and also in the spread of best practice. The value of DTI support in 2000–01 is expected to be around £800,000<sup>7</sup>. Activities in 2000–01 included:

- a new programme to raise the standards of the Heating, Ventilation, Air Conditioning and Commercial Refrigeration sectors to world class levels by 2005;
- the launch of Com-Met 2005 in October 2000, a new supply chain initiative to boost the competitiveness of the production machinery and tooling sector to world class levels by 2005; and
- extending the existing ‘ACTIVE’ supply chain initiative in the engineering construction sector with the aim of reducing the cost of projects for the process sectors by 30%.

4.36. The Department also aims to help improve perceptions of engineering in society at large and, especially, among those who have yet to make career choices. £6 million has been committed over the next three years to ensure that every child in the UK has the opportunity to participate in an appropriate Science, Technology, Engineering and Mathematics (STEM) activity, linking schools to business and the world of work.

### Other sectors

4.37. The Department supports a wide range of initiatives in other sectors including minerals and metals. The 1998 Competitiveness White Paper announced funding of £16 million for Industry Forum initiatives to address skills enhancements, adoption of new technologies and supply chain efficiencies. So far £10.3 million has been committed as contributions to projects with a total cost of £26 million.

4.38. The Department continues to work with the CBI on two initiatives launched in 1998 to spread best practice:

- The Trade Association Forum, which is now self-funding, encourages the development and sharing of best practice among UK trade associations. Its membership now stands at 290.
- The Fit for the Future Campaign aims to stimulate UK firms to adopt best practice tools and techniques. The DTI is spending on average £1.5 million per annum on this Campaign over the period to March 2002.

4.39. To enhance innovation in more traditional sectors, the Department is introducing a new inward secondments programme to bring overseas technology experts to work with UK companies.

### Environmental sustainability

4.40. The Department works closely with industry, other Government Departments and international organisations on environmental issues, through dialogue on cost effective implementation of regulations and through financial support for programmes, designed to

66  
6 Including one project to develop advanced fibre ropes for tethering oil rigs and tankers, and another to aid the development of a luxury wool lining with high flame retardancy.

7 This includes activities to support the Communications and Information sectors, see Chapter 2 – E-Commerce.

promote best practice, recycling, and the development of new sustainable technologies and products<sup>8</sup>. Work includes the following.

- The Advisory Committee on Business and the Environment (ACBE) represents a primary forum for discussion between Government and industry. During the year, it has continued to help develop practical, market based approaches to reduce greenhouse gas emissions and exploit new business opportunities.
- Envirowise, formerly the Environmental Technology Best Practice Programme (ETBPP), promotes better environmental performance while increasing the competitiveness of UK business. It has a goal of stimulating savings for business of around £320 million per year by 2015. By the end of 2000, annual savings in excess of £100 million were being achieved. DTI and DETR Ministers have agreed that the Programme will continue for a further five years.

- 4.41. The Sustainable Technologies Initiative was launched in November 2000 and will run for 5 years. It is supported by £10 million from DTI and £5 million from EPSRC and aims to help UK business meet the sustainability challenge. Its objective is to get industry, in conjunction with the science base, to develop and adopt new technologies which are more sustainable and which will contribute to sustainable development and competitiveness.
- 4.42. The Call for Proposals for the DTI UK-wide Recycling Programme in January 2000 attracted 250 applications and contracts for successful bidders are being finalised. The International Sustainable Development agenda in non-ferrous metals sectors was driven forward following the 1999 DTI-hosted London workshop. It is intended to continue this through to 2002.

## Technical, legal and design infrastructure for innovation

### Supporting technical standards

- 4.43. The Department supports technical standards work as a vital contribution to improving UK competitiveness and the dissemination of

innovation and best practice through the economy. An EU review of standardisation policy, culminating in the Council Resolution of 28 October 1999, paved the way for further development of standardisation at the National, European and International levels to meet the needs of business for timely and market-relevant standards.

- 4.44. The **British Standards Institution** (BSI), the UK national standards body, which is independent of Government, furthers the interests of British business, including SMEs, consumers and other contributors to standards development; and helps ensure that consumers are confident in the standards produced. The Department also provides support for the **United Kingdom Accreditation Service** (UKAS), the sole national body recognised by Government to accredit organisations which test, calibrate, inspect and certify against standards.

### The National Measurement System

- 4.45. The mission of DTI's NMS Research Programme is to meet the needs of users in industry and the community by driving up measurement standards whilst continuing to work at the leading edge of measurement research. The National Measurement System (NMS) has a critical role in the UK's national industrial competitiveness, and measurement technology is an indispensable component of a modern economy. The Department maintains the NMS principally through the National Physical Laboratory with important roles played by LGC (formerly the Laboratory of the Government Chemist), the National Engineering Laboratory and by The National Weights and Measures Laboratory<sup>9</sup>. In 2001-02 the Department expects to spend around £59 million on NMS programmes, broadly the same as in previous years<sup>10</sup>.
- 4.46. A recent independent review<sup>11</sup> concluded that the NMS research programme directly affects some 0.8% (£5 billion a year) of UK Gross Domestic Product by supporting the introduction of new measurement standards and methods. An action plan is being implemented to improve the value that investment in NMS delivers to the economy. The principal features of the plan are new programmes to meet the needs of emerging

<sup>8</sup> See also the LINK Waste Minimalisation through Recycling, Re-use and Recovery in Industry Programme, described in Chapter 9

<sup>9</sup> NMWL's performance targets and progress are set out in Chapter 16 – Performance of the Redundancy Payments Service and Executive Agencies.

<sup>10</sup> This amount includes PFI charges which were previously not aggregated with NMS programme costs.

<sup>11</sup> *Review of the Rationale for and Economic Benefit of the UK National Measurement System* (Report by PA Consulting Group for the DTI, November 1999).

## Cross-cutting theme: sustainable development

In October 2000 the Secretary of State set out a new green industrial policy to improve resource productivity and help UK industry be an international front runner in green technologies. DTI's Sustainable Development Strategy sets out priorities for taking this agenda forward and de-coupling economic growth from its unsustainable impacts on the environment and people.

- The Utilities Act 2000 received Royal Assent – requiring the energy industry to contribute to wider environmental and social issues (see Chapter 9).
- Working with DETR, business and others to develop market based approaches to reduce emissions of greenhouse gases:
  - setting up a business-led carbon trust to encourage development of low carbon technologies and to provide energy saving measures for business;
  - establishing a Climate Change Projects Office to promote and help UK business to exploit significant new export opportunities; and
  - setting up one of the first national greenhouse gas emissions trading schemes in the world. See Chapter 9 – Energy.
- Launching of the inter-disciplinary Tyndall Centre for Climate Change. See Chapter 6
- Publishing Foresight panel reports addressing the future challenges and opportunities of sustainable development. See Chapter 7.
- Launch of the DETR/DTI Waste and Resources Action Programme in November 2000 to develop markets and end uses for secondary raw materials building on the DTI Recycling Programme. See Chapter 10.
- Launch of the DTI/EPSRC Sustainable Technologies Initiative and extending Envirowise for a further five years. See this chapter, 4.40-4.42.

technologies like Biotechnology and Internet Calibration; increasing the involvement of industry and business (especially from new technology areas) when NMS programmes are being designed, increasing competition and pursuing more partnerships with industry.

### Materials metrology

4.47. The Department supports Materials Metrology work consisting of a number of programmes of research, development and dissemination, aimed at improving the industrial use of materials. The programmes contribute to the development of measurement methods that are incorporated into international and national standards. They are expected to cost between £9 and £10 million per annum for the next three years.

### Design infrastructure

4.48. The Department supports the Design Council, which works with partners in business, education and government to promote design and design

management, with an annual grant-in-aid of £6.4 million and special project funding of £3.0 million in 2000-01.

4.49. During the past year the Design Council:

- developed the **Millennium Products** project involving case studies of successful innovation in order to spread good practice;
- produced learning materials for use in support of Design & Technology in the National Curriculum;
- worked with Tradepartners UK and the British Council to promote British excellence in design, innovation and creativity to overseas markets; and
- successfully mounted 2 national focus weeks (Design in Business Week and Design in Education Week) to increase awareness of

**FIGURE 4.4:** Support for standards work (£ million)

	1999-00 Actual Outturn	2000-01 Working Provision	2001-02 Plans
<b>Direct support for BSI:</b>			
Support for standards	0.8	0.8	1.0
Targeted funding	2.4	2.4	2.4
<b>Other support for standards:</b>			
Assisted International Travel Scheme	2.0	2.1	1.9
Consultancy Drafting Scheme	0.4	0.7	0.7
Consumer Travel Expenses Fund*	0.1	0.1	0.1
<b>Total</b>	<b>5.7</b>	<b>6.1</b>	<b>6.1</b>

\* Contributions towards the out-of-pocket expenses of consumer representatives attending standards-related meetings.

design issues, in association with around 100 partner organisations.

### Intellectual Property Rights

**4.50.** Intellectual Property Rights (IPRs) are central to the knowledge economy. The Patent Office<sup>12</sup> continues to develop a clear and effective framework of IPR, domestically and at European and international levels, helping to stimulate innovation, to make British industry and commerce more competitive and encouraging national and international trade.

**4.51.** The Lisbon European Summit set a target for a Community Patent by the end of 2001. The Patent Office is pursuing this target and good progress is also being made towards a Community Design Regulation. These measures will allow community-wide protection to be obtained and enforced through single application and court procedures. The provisions of the Biotechnology Directive relating to the patenting of gene-based inventions were implemented into UK law in July 2000. The Patent Office is consulting on whether change is needed on the patentability of computer software and business methods to ensure the strength of the UK's e-commerce sector.

**4.52.** The Patent Office is taking forward work to simplify and reduce the costs of patent procedures and in the UK; Patent Rules have been amended to de-regulate patenting procedures. The UK continues to seek reform of

the European Patent Organisation and has signed an agreement to reduce the translation requirements for European patents, saving British industry £5 to 6.5 million per annum. In June 2000 the UK signed the international Patent Law Treaty which seeks to simplify and harmonise procedures for obtaining and maintaining patents making it easier and cheaper to obtain patent rights.

**4.53.** In the copyright area, common positions have been reached on a Copyright Directive and a Directive on Artists' Re-sale Right, both of which provide significant improvements for UK interests over the original proposals. The UK has implemented the Conditional Access Directive strengthening the measures to deal with those who trade in illegal smart cards for access to satellite broadcasts. The Patent Office has also consulted on improvements to several measures, including penalties, to deal with intellectual property crime. Consultations are also taking place on a form of exception to copyright for the benefit of visually-impaired people.

**4.54.** Priorities for the Patent Office for the future include:

- reviewing existing consultation processes and exploring new ways to reach the widest possible range of interests;
- pressing ahead with work on the introduction of an affordable Community patent;

- pressing for an international treaty to harmonise and deregulate the formal requirements for the acquisition and enforcement of patent rights; and
- working for early introduction of a world wide system for electronic trading in IPR and investing in IT to automate the UK IPR system.

**FIGURE 4.5:** Expenditure on innovation (£ million)

Main Estimate 2001-02: Request for Resource 1 Functions A, B (Measures relating to individual industries and related programmes), L, M (Measures relating to individual industries and related programmes), W (Grants in Aid to Non-Departmental Public Bodies) and X (Loans to repayment from Trading Funds). (Figures on Launch Investment are included in this table and are covered more specifically in Figure 4.2).

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>INNOVATION BUDGET (up to 31-03-2001)*</b>					
Of which:**	159.6	180.0	n/a	n/a	n/a
<b>Knowledge Transfer and Collaboration**</b>	32.7	47.2	n/a	n/a	n/a
Including: International Research & Development (1)					
LINK (1)					
Technology Transfer (2)					
<b>Innovation Promotion and Support**</b>	56.1	66.8	n/a	n/a	n/a
Including: Biotechnology Means Business (2)					
Design (4)					
Environmental Technology (2)					
Information Society Initiative (2)					
E-Commerce (2)					
Skills Support (2)					
Innovation Climate***					
SMART (now included in Chapter 3)					
Sponsorship Support (2)					
<b>Standards and National Measurement System**</b>	60.4	61.7	n/a	n/a	n/a
Including: Infrastructure (4)					
Standards (4)					
<b>Sector Challenge (5)**</b>	10.4	4.3	n/a	n/a	n/a
<b>CARAD (1) (up to 31-03-2001)**</b>	20.0	20.0	n/a	n/a	n/a
<b>SPACE (3) (up to 31-03-2001)**</b>	88.2	90.0	n/a	n/a	n/a
<b>TOTAL (of above)</b>	<b>267.8</b>	<b>290.0</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

\* The Innovation Budget is abolished as from 31 March 2001.

\*\* Numbers in brackets indicate the new Innovation expenditure category in which the programme is placed.

\*\*\* From 1 April 2001 Innovation Unit funded direct.

FIGURE 4.5: Expenditure on innovation (£ million) cont.

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
INNOVATION EXPENDITURE (from 01-04-2001)*	n/a	n/a	315.8	321.6	324.0
Of which:**					
<b>(1) Industrial Exploitation of Science</b>	n/a	n/a	58.3	71.2	87.8
Includes: CARAD, International Research and Development and LINK					
<b>(2) Support for Competitiveness</b>	n/a	n/a	87.3	81.4	74.4
Includes: Technology Transfer, Biotechnology Means Business, Environmental Technology, Information Society Initiative, E-Commerce, Skills Support and Sponsorship Support					
<b>(3) Space</b>	n/a	n/a	90.0	90.0	90.0
<b>(4) Technical &amp; Design Infrastructure</b>	n/a	n/a	76.4	76.3	69.1
Includes: Materials Metrology, National Measurement System, Design and Standards					
<b>(5) Expert Advice and other expenditure</b>	n/a	n/a	3.8	2.7	2.7
Includes: support for consumer safety and other government department's Sector Challenge projects					
<b>AEROSPACE</b>					
Total Payments <sup>a</sup>	72.6	57.7	137.4	141.4	266.4
Of which:					
Airframes	-	-	133.2	137.2	262.2
Aeroengines	66.4	53.2	<sup>b</sup>	<sup>b</sup>	-
Other civil aircraft expenditure	6.2	4.5	4.2	4.2	4.2
Receipts****	-144.4	-120.2	-104.7	-104.7	-104.7
Of which:					
Airframes	-112.0	-100.0	-85.7	-86.7	-87.7
Aeroengines	-32.4	-20.2	-19.0	-18.0	-17.0

a Current forecasts indicate that the actual level of expenditure in 2001-02 and subsequent years is likely to be higher.

b Funding for the Trent 600/900 aeroengine in 2001-02 and 2002-03 will be provided from underspends arising in previous years and from central resources. Funding in 2003-04 will be reviewed along with all other aspects of the Department's finances in the next spending review.

\*\*\*\*Receipts exclude levies allocated to the Consolidated Fund. If levies allocated to the Consolidated Fund are included, total receipts for airframes and aeroengines are as follows:

	1999-00	2000-01	2001-02	2002-03	2003-04
<b>Total receipts (£ million)</b>	<b>-201.0</b>	<b>-136.1</b>	<b>-119.0</b>	<b>-119.5</b>	<b>-119.7</b>

## 5

## The Regions

- Introduction
- Performance in 2000-01
- Future targets and priorities
- Providing local service
- Supporting regional competitiveness

## Introduction

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- 5.1. The Government is committed to making the UK a competitive, enterprising and genuinely inclusive economy. The Department aims to promote enterprise, innovation and increased productivity in all regions (the devolved administrations are responsible for certain of these policies in Scotland, Wales and Northern Ireland).

## Performance in 2000-01

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- 5.2. To provide a better picture of how different regions in the UK compare with each other, the Department has published 13 *Regional Competitiveness Indicators* biannually since July 1997<sup>1</sup>. These cover output, employment, skills, infrastructure, transport and commercial property for the nine English administrative regions covered by the GOs, plus Scotland, Wales and Northern Ireland.
- 5.3. The Department's work in the regions also contributes to achieving the Department's PSA target for the UK to become and stay the best place in the world to trade electronically<sup>2</sup>.

## Highlights of 2000-01

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- Introduction of the new Innovative Clusters Fund in April 2000, Agreement of the new Structural Funds Objective 2 map on 30 March 2000 and implementation of the new programmes.
- The new Assisted Areas map was implemented in July 2000 together with the refocused Regional Selective Assistance (RSA) scheme.
- A new regional policy was announced in the Government's White Paper, *Opportunity for all in a world of change*.

## Future targets and priorities

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- 5.4. Together with DETR, the Department has a PSA target for 2001-04 to improve the economic performance of all regions measured by the trend in growth of each region's GDP per capita. A wide range of the Department's activities and programmes contribute to the achievement of this target but specifically the Department will aim to:

## Priorities for 2001-04

- The development by the RDAs of strategies for success to encourage growth and higher productivity in the regions.
- Establishment of a new Regional Innovation Fund for the RDAs; linked with the Innovative Clusters Fund this will provide £50 million a year to the RDAs for 3 years.
- Implementation of the agreed plans for expenditure under the Single Programming Documents (SPDs). Establishing agreed business plans with the RDAs and putting in place arrangements for giving them greater budgetary flexibility from 2002-03.
- Greater proportion of grant assistance to be offered to projects providing higher quality jobs/higher added value.
- Improved speed of delivery for grant cases.

- use Regional Selective Assistance (RSA) and Enterprise Grants (EG) to lever in over £3.75 billion of capital investment and create/safeguard over 75,000 jobs by 2008;

- with other Departments, agree a business plan with each Regional Development Agency (RDA), covering each year from 2001-02, establishing the outputs which RDAs should aim to achieve with their budgets, including over £150 million for the period 2001-04 from the Regional Innovation Fund; and

- stimulate the establishment of at least one risk capital fund in each of the English regions by 2003-04<sup>3</sup>.

- support manufacturing industry through a new Manufacturing Advisory Service to be established in partnership with the Regional Development Agencies and the Small Business Service<sup>4</sup>.

5.5. The Government's White Paper Opportunity for all in a world of change on enterprise, skills and innovation unveiled its active industrial policy to

help people and businesses in all regions prosper in our fast changing world. It set out the Government's next steps for improving economic performance in the regions, closing the skills gap, supporting industry through restructuring and nurturing new industries as they develop. The measures include:

- a major new drive to create hubs for growth in the regions based on imaginative new partnerships between universities, colleges and businesses. World class **University Innovation Centres** will be established in England;
- a new £75 million incubator fund to support start-ups and growth businesses;
- special support to manufacturing industry through a new Manufacturing Advisory Service;
- strategies for success to be developed by the RDAs;
- a boost for R&D in the regions; and
- support for clusters.

## Providing local services

5.6. The Department works through a variety of regional organisations including the network of nine integrated Government Offices (GOs) for the English regions and the new Regional Development Agencies (RDAs). The Small Business Service also works with RDAs to ensure local business support reflects national, regional and local priorities, and further information about this is provided in Chapter 3.

5.7. Implementation of the PIU report will continue to broaden the role of the GOs, impact on their relationship with the Whitehall parent Departments, and improve co-ordination in Whitehall between different Government Departments which have a regional or local impact (e.g. MAFF and Health).

<sup>3</sup> See 'Availability of Finance' section in Chapter 3 – the Small Business Service and Enterprise.

<sup>4</sup> See Chapter 4 – Innovation.

<sup>5</sup> The CO PIU Report *Reaching Out*, was published on 16 February 2000.

**FIGURE 5.1: DTI Funding for Regional Development Agencies**

DTI Funding For Development Agencies (RDAs and LDA)	2000-01 Estimated Outturn	2001-02 Plans
Inward Investment	12.51	n/a <sup>6</sup>
Regional Supply Network (RSOs hosted by RDAs)	2.64	3.15
Competitiveness Development Fund*	10.00	4.00
Innovative Clusters Fund*	15.00	35.00
Regional Innovation Fund*	0.00	15.00
Transfer of staff from GOs (PES transfer to DETR)	1.20	1.20
Total	41.35	58.35

\* The Competitiveness Development Fund and Innovative Cluster Fund will be subsumed into the Regional Innovation Fund, see paragraph 5.18.

<sup>6</sup> From 2001-02 INUK is part of the BTI Vote. INUK allocations to RDAs will be included in the BTI Annual Report. See Chapter 13.

### Regional Development Agencies (RDAs)

5.8. Eight RDAs became fully operational on 1 April 1999. The RDA for London (the London Development Agency) was established in July 2000, as part of the new Greater London Authority.

5.9. Each RDA has a statutory duty to produce an economic strategy for its region following widespread consultation exercises. The fundamental purpose of each RDA's regional strategy is to improve economic performance and enhance the region's competitiveness, addressing market failures which prevent sustainable economic development, regeneration and business growth. The strategies set out ways of supporting and enhancing the themes set out in the 1998 Competitiveness White Paper. They include proposals for regional activity to support business clusters and networks, to promote enterprise and growth SMEs, develop business-university links, and promote e-commerce. DTI is working closely with RDAs to help them implement these strategies.

### Government Offices

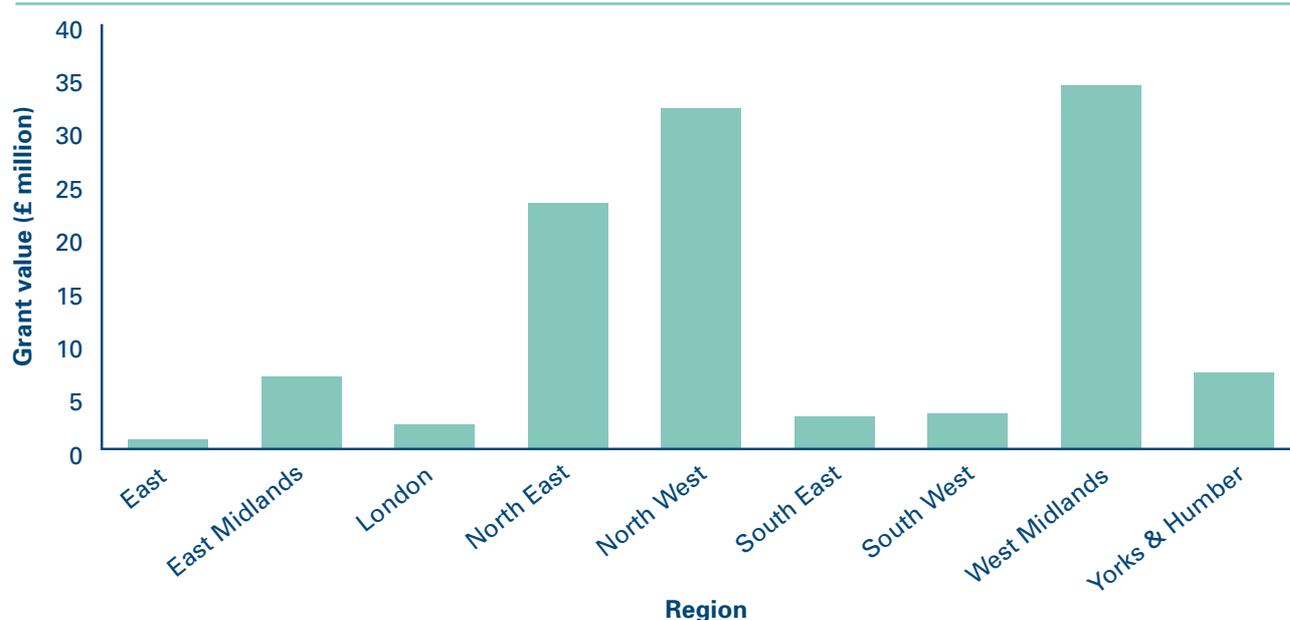
5.10. The GOs provide a regional network for many Central Government Departments: principally DETR, DfEE, DTI, Home Office and DCMS. Others are looking to work within and through the GOs as a result of the PIU report *Reaching Out*<sup>5</sup>. The GOs, together with regional partners, are responsible for helping to implement the

regional economic strategies, for the administration of the RSA and EG Schemes in England, for support of the delivery of many export services and for implementing most of the EU Structural Fund Programmes in England.

### Supporting regional competitiveness

5.11. The Department helps all regions to compete successfully and to maximise their contribution to the UK economy and employment. This is done by responding flexibly to the needs of different regions and areas of special difficulty. In particular, financial assistance, in the form of Regional Selective Assistance (RSA) (for projects with capital expenditure above £500,000), Enterprise Grant (EG) (for projects up to £500,000), Regional Innovation Funding (incorporating the Competitiveness Development and Innovative Clusters Funds) and the European Structural Funds, are used to improve regional competitiveness, to encourage economic growth and help attract inward investment.

5.12. The new **Assisted Areas Map** for the UK was agreed by the European Commission in July 2000, based on the Government's proposals that were published for consultation on 10 April 2000. The new map is designed to run to December 2006 and sets out those areas of Great Britain where regional aid may be granted under Articles 87(3)(a) and (c) of the EC treaty.

**FIGURE 5.2:** Expected RSA expenditure by region for 2000-01

### Regional Selective Assistance

**5.13.** Regional Selective Assistance (RSA) is the main instrument of the Department's regional industrial policy. The Scheme is discretionary and is available to domestic and international firms to help with the investment costs of projects with capital expenditure above £500,000 in the Assisted Areas. Traditionally, the scheme has pursued three complementary goals: to create and safeguard jobs; to attract and retain internationally mobile investment; and to contribute to improving the competitiveness of disadvantaged areas.

**5.14.** In line with the new measures announced in the 1998 Competitiveness White Paper to improve the competitiveness of the regions, RSA has been refocused more on high quality, knowledge based projects which provide skilled jobs. There is no absolute way of measuring quality and RSA appraisal teams will continue to consider a wide range of factors. Some key features, however, in addition to the existing criteria, will be:

- the level of wages and salaries, as compared to the average for the sector and the region;
- whether the project is creating high skilled, sustainable employment;
- the content of R&D (does the business invest in R&D for continuous product development and/or innovative processes?); and

- training and development (is there high quality training for staff, including the provision of skills beyond job requirements?).

**5.15.** Projects receiving RSA offers in the English Regions during the year, which illustrate the new approach include:

- Pfizer Ltd: £5 million RSA towards a £134 million investment in a new Pharmaceutical Sciences Centre for developmental research that will create 400 high quality jobs in Sandwich, East Kent.
- JDS Uniphase: £5.7 million RSA towards a £30 million investment to manufacture advanced products for the new telecommunications sector which will create 1052 jobs in Plymouth, Devon.
- Marconi: £25 million RSA towards a £168 million investment to build a state-of-the-art R&D and sales & marketing facility creating 2200 jobs in Ansty, West Midlands.
- Atmel: £27.8 million RSA towards a £524 million investment to establish a large scale semiconductor wafer fabrication facility in North Tyneside creating 1650 jobs.

## Enterprise Grant

5.16. The Enterprise Grant (EG) Scheme provides grants to growth SMEs investing in the EG areas of the English regions. Companies investing up to £500,000 capital expenditure may apply for a one-off grant worth up to 15% of the fixed capital costs of a project up to maximum of £75,000. EG is administered by Government Offices, with advice from RDAs as to priorities. The Enterprise Grant areas map will be reviewed in 2001.

## Regional Innovation Funding

5.17. DTI has established a **Competitiveness Development Fund** (CDF), providing £10 million over three years (1999-2002) for RDAs to address the priorities they identify for improving competitiveness in their region. Support from this fund was also made available to the London Development Partnership to promote competitiveness in London, pending the establishment of the London Development Agency (in July 2000). Examples of the projects supported by the fund in 2000-01 include the following.

- South West of England Regional Development Agency (SWERDA): The RDA has identified key actions to develop the region's priority sectors and improve business competitiveness. The CDF programme is being used by the RDA to focus on sector development and innovation. It will support activities in key sectors identified in SWERDA's regional economic strategy, building on a development programme begun in the previous financial year, and to support the South West Innovation Relay Centre.
- East Midlands Development Agency (EMDA): The RDA is supporting work to develop a regional strategy and plan to bed Information and Communications Technology (ICT) in the East Midlands Region. The project seeks to attain a step change in the awareness and behaviour towards, and uses of, ICT in the region. A specific project – Rutland On Line – is already being progressed by the RDA.

5.18. A new **Innovative Clusters Fund** (ICF) worth £50 million over two years to provide support for business clusters and incubators in the English regions was announced in the 2000 Budget. RDAs are in the process of taking forward projects included in their business plans for using the fund. This fund, along with the CDF, will be subsumed in a new **Regional Innovation Fund** (RIF) which will provide funding worth £50 million a year starting from 2001-02. The RDAs will deliver this activity against agreed business plans which form an integral part of the funding flexibility they were given in July 2000.

5.19. Examples of the projects supported by the ICF in 2000-01 include:

- One North East: Advance Centre of Excellence for Nanotechnology. Support for a major flagship project for the region which seeks to establish an internationally recognised centre of R&D excellence and technology spin out in micro and nano technologies.
- North West Development Agency: Business incubation programme. Development and implementation of a regional plan to increase adoption of the business incubation model successfully implemented by local universities and an incubation partnership.

## Structural funds

5.20. The Department is responsible for co-ordinating UK policy on the **European Structural Funds** which support regional competitiveness, training, economic development and innovation particularly in areas of high unemployment. In addition to its co-ordinating role, the Department is responsible for overseeing the implementation of measures for business development, transfer of technology, and research and development in Structural Fund operations in England.

5.21. The allocation to the UK from the Structural Funds during the period 1994-99 was approximately £9 billion, at current prices. The Structural Funds comprise the European Regional Development Fund (ERDF) which accounts for about half the allocation, the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund

(EAGGF) Guidance Section, and the Financial Instrument for Fisheries Guidance. DTI ERDF provision for the next three years is set out in Figure 5.3. Structural Funds are mostly managed through Single Programming Documents (SPDs) approved by the Commission. These comprise a plan prepared by the regional partners to address the problems in their regions and set out the specific measures which need to be taken. They include an annual breakdown of the Funds and other financial resources necessary to undertake the programme.

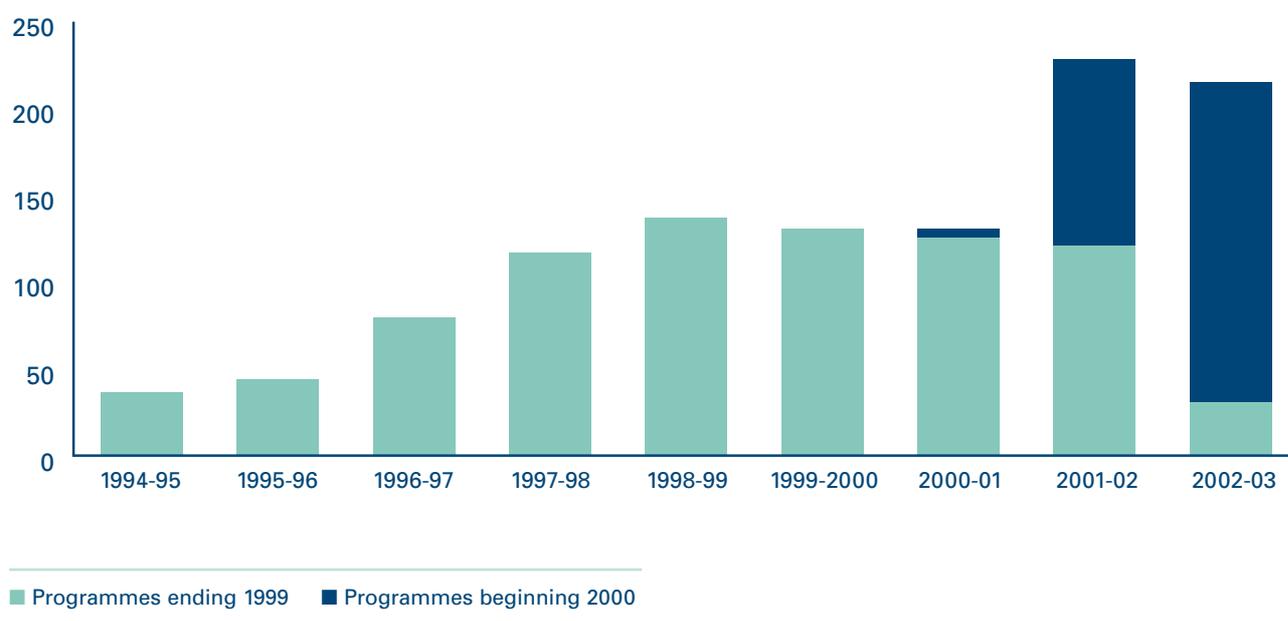
5.22. The Department aims to continue to achieve better value for money in the UK by encouraging the further development of local partnerships, including the active involvement of the private sector, so that Structural Funds projects are integrated into local strategies. Since 1995 over £1 billion of private sector money has directly contributed to the eligible costs of projects awarded ERDF grant within the UK (some 14% of the total value of these projects).

5.23. For the period from 2000 to 2006 the United Kingdom has structural funds allocations of €16.6 billion (approximately £10.7 billion). This comprises funding for:

- Objective 1 areas of Northern Ireland and the Highlands & Islands area of Scotland, on a transitional basis from 2000–2005;
- continuing Objective 1 status for Merseyside in England; and
- three new Objective 1 areas, West Wales & the Valleys, South Yorkshire and Cornwall from 2000–2006.

5.24. In addition, other areas will receive new Objective 2 funding from 2000–2006 and there is transitional support from 2000–2005 for areas which no longer qualify for Objective 2 or 5b status. Community Initiatives, which are Commission objective-based programmes implemented on a national basis, have also been reformed and there will be only four initiatives in the new programming period – LEADER PLUS, INTERREG III, URBAN II and EQUAL.

FIGURE 5.3: ERDF PES Provision. DTI Funding (£ million)



**FIGURE 5.4:** Expenditure and performance of Regional Supply Offices (£ million)

RSOs expenditure and performance	1998-99 Outturn	1999-00 Estimate Outturn
Grant	2.11	2.25
Value of business won	76.54	80.59

### Assistance in coal closure areas

5.25. In Autumn 2000, DTI Ministers participated in a series of coalfields conferences together with colleagues from DETR, DfEE and DCMS. These highlighted the range of activities Government is undertaking in these areas, including the role of RDAs and the Small Business Service in coalfield regeneration. The DTI is committed to the Coal Authority's programme of treating and preventing significant water pollution from abandoned coal mines (working with the Environment Agency). The Department also has a large programme of payments to former British Coal employees in respect of liabilities arising from pre-privatisation mining activities (see Chapter 13).

5.26. The DTI continues to promote business involvement in local partnerships in all coalfield areas. The proposals for Assisted Areas and Enterprise Grant areas took particular account of the needs of coalfield communities, and ensured that all ex-coalfield areas identified by the Coalfields Task Force were covered by at least one of the proposals.

### Regional Supply Offices

5.27. The Regional Supply Offices (RSOs), many of which are based at RDAs, support inward investment and regional competitiveness through the development of supply chains on behalf of major purchasing firms. During their six years of operation to March 2000 the RSOs sourced some £300 million of business. RSOs concentrate their efforts on strategic sourcing in sectors with particular potential for increased competitiveness of companies in their regions. The RSOs operate on a networked basis to develop supply chains across the English regions. They support the RDAs in helping to deliver their regional

strategies, including cluster development, and from April 2001 will integrate their work fully into the operation of the RDAs.

### Invest UK (INUK)

5.28. InvestUK (INUK – formerly Invest in Britain Bureau) is now under the umbrella of British Trade International, alongside Trade Partners UK. INUK works with Regional Development Agencies in England, as well as national agencies in Scotland, Wales and Northern Ireland, to secure projects. Further information about INUK is provided in Chapter 13 – British Trade International.

### Trade Partners UK (TPUK): New Regional Structure

5.29. At regional level in England, Trade Partners UK (see chapter 13 – British Trade International) has appointed an International Trade Director (ITD) to head the Trade Partners UK regional team in each of the nine English regions. The 9 ITDs were recruited through open competition, the majority coming from the private sector. Each ITD now has a full-time Deputy and between three and five other staff. The Deputy and staff come from the Government Offices in the Regions, but the whole team is funded by British Trade International and accountable to the Chief Executive of British Trade International through the Director Regional Group. The team will in most cases be co-located with the Regional Development Agency to reinforce the close links between Trade Partners UK and the Regional Development Agencies, with the International Trade Directors playing a major role in the development of the regional international trade strategies.

**FIGURE 5.5:** Expenditure on regional development (£ million)

Request for Resources 1 Functions A, G (European Regional Development Fund and other Community programmes (including Leader Network Project)), H (European Regional Development Fund (non-discretionary)), L, R (European Regional Development Fund and other Community programmes (including Leader Network Project)), S (European Regional Development Fund (non-discretionary)), U, Y (European Regional Development Fund and other Community receipts (including Leader Network Project)), and Z (European Community Programmes Receipts).

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Enterprise Grant	0.0	9.0	17.0	17.3	17.5
Regional Selective Assistance	56.8	99.0	113.0	114.7	116.5
Competitiveness Development Fund*	2.1	10.0 <sup>7</sup>	4.0	4.0	4.0
Innovative Clusters Fund*	0.0	15.0	35.0	0.0	0.0
Regional Innovation Fund*	0.0	0.0	15.0	50.0	50.0
ERDF expenditure <sup>8</sup>	135.6	137.0	226.5	220.0	165.0
Regional Supply Network	2.1	2.6	3.1	3.1	3.1

\*The Competitiveness Development Fund and Innovation Cluster Fund will be subsumed into the Regional Innovation Fund, see para 5.18.

<sup>7</sup> Includes funding to the North Staffordshire and Rover Task Forces. It does not include £8m EYF drawn down in the Spring Supplementaries for transfer to DETR in connection with the Rover Task Force

<sup>8</sup> ERDF Agency payments are recorded on the DETR Vote.



# To make the most of the UK's science, engineering and technology.

## PSA targets 1999-02

- To improve the overall international ranking of the Science and Engineering Base in terms of quality, relevance and cost-effectiveness.
- To increase by 50% the 1997-98 number of companies spun out from universities by 2001-02.

## PSA targets 2001-04

- Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.
- Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources.

**6** The Science and Engineering Base

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**7** The Exploitation and Application of Science

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## 6

## The Science and Engineering Base

- Introduction
- Performance in 2000-01
- Future targets and priorities
- Funding infrastructure
- Reviewing transparency in the dual support funding arrangements
- Supporting priority areas
- Working through the Research Councils
- Supporting scientists
- International science and technology

## Introduction

- 6.1. The Office of Science and Technology (OST) within the Department works to ensure that the Science and Engineering Base (SEB) achieves standards of international excellence. The SEB is a prime source of new ideas and techniques needed by industry, commerce and the public services to ensure the future industrial and commercial strength of the country. The SEB underpins the emerging industries of the new century including the biotechnology, informatics and basic technology sectors. It contributes significantly to the economic standing of the UK by underpinning UK high technology exports of goods and services and by attracting inward investment, and is a key factor in maintaining the authority that the UK can bring to international negotiations where there is a significant science or technological basis, such as on global environmental issues.
- 6.2. As part of the Spending Review 2000, the Government announced extra funding for science amounting to £1 billion for the period 2001-04, representing an average real terms increase of 7% per year. This includes an increase of £725 million to the Government's Science Budget and more than £225 million from the Wellcome Trust. The increase to the Science Budget included £225 million for infrastructure, £250 million for new programmes, and over £110 million for exploitation activities<sup>1</sup>.

## Performance in 2000-01

### Highlights of 2000-01

- Publication of a White Paper on science and innovation policy, *Excellence and Opportunity for the 21st Century*.
- Launching an e-science initiative.
- Establishing the Science Research Investment Fund as a successor programme to the Joint Infrastructure Fund.
- Announcement of the building of the new DIAMOND synchrotron project.
- Nine pilot universities trialled the new management accounting arrangements developed by the Transparency Review.
- Completing the Quinquennial Review of the Council for the Central Laboratory of the Research Councils (CCLRC).
- Initiating a combined Quinquennial Review of the six grant awarding Research Councils – expected to report in Autumn 2001.

<sup>1</sup> Further details were published in *The Science Budget: 2001-02 to 2003-04*, November 2000.

6.3. The Department has a PSA target for 1999–2002 to maintain or improve the international ranking of the SEB in terms of quality, relevance and cost-effectiveness (PSA Target 5).

- The quality of the science and engineering base is measured by the UK's world ranking in terms of citations of published papers. The last major exercise to measure quality of research covered the period 1981–1994 and showed that the UK was second only to the US. Over the period 1981–1999 the UK received a 9.2% share of citations in the international Science Citation Index; the UK was second in 'citation shares' for 15 out of 20 scientific fields with the lowest placing being fifth.
- One measure of relevance is the UK's world ranking in terms of the proportion of HEI funding from non-Governmental sources. For the latest year (1997), the UK's ranking was first of the G7 countries.

### Future targets and priorities

6.4. The Department's targets for the quality, relevance and cost effectiveness of the Science and Engineering Base will continue for the period 2001–04 and priorities are shown in the box opposite.

### Funding infrastructure

#### Joint Infrastructure Fund

6.5. In the 1998 Comprehensive Spending Review, the Government tackled as one of its first priorities the years of under investment in university research infrastructure. In July 1998 the Joint Infrastructure Fund (JIF) was established, a ground breaking £750 million public private partnership with the Wellcome Trust. JIF is a three-year competition with the final round of decisions in March 2001. Over £600 million of awards have been made in support of 110 projects at 39 universities across the United Kingdom.

#### Science Research Investment Fund

6.6. The new Science Research Investment Fund (SRIF) steps up the Government's commitment to modernising the science base and keeping Britain at the forefront of scientific research. The

## Priorities for 2001-04

The White Paper on Science and Innovation Policy sets out the Government's commitment: to ensure that science works for the benefit of all, to invest in science infrastructure and leading edge research, and to introduce new incentives for the commercial application of research. Specific priorities for 2001-04 have been structured around:

- **Priority Research** – a major expansion of certain key cross-Council scientific priority areas: genomics, e-science and basic technology. These areas run right across the Research Council boundaries and will be coordinated with action planned by other parts of DTI, industry and other Government Departments.
- **Core research** – the Research Councils will re-appraise their research programmes in light of the cross-cutting scientific priorities, and concentrate future funding on leading edge activities in their respective areas of core expertise.
- **Research infrastructure renewal** – a continuing programme of investment to remedy the remaining backlog of inadequate university infrastructure, together with arrangements to ensure that in future it will be adequately maintained and developed. This work is being carried out jointly with DfEE and HEFCE and the devolved Administrations and their HE Funding Councils.
- **Exploitation** – developing better processes and culture for knowledge transfer from the SEB. This work is being coordinated with work being carried out elsewhere in DTI with industry.
- **People** – the Government recognises the need to increase the basic PhD stipend, which will rise to £9,000 per year by 2003-04. Greater emphasis will also be given to the importance of adequate training for post-graduate students to enable them to promote their skills in the employment market

Spending Review 2000 announced £1 billion of additional investment in science infrastructure for the two years 2002-03 and 2003-04. This represents £775 million from Government including £225 million in new funding from the Science Budget and £300 million from HEFCE), and £225 million from the Wellcome Trust. The SRIF will provide much-needed funds for the continued improvement of research facilities, refurbishment and new equipment in UK universities. Unlike JIF, SRIF is not a competition and funds will be allocated to universities for them to decide priorities.

6.7. The new Fund has three separate but complementary streams:

- £675 million from HEFCE and OST for new building, refurbishment and equipment – £300 million to be spent by HEFCE in England and £375 million to be spent by OST UK wide. Allocations are made on a basis linked to research excellence and research income. Universities are asked to provide from own or third party resources funds for 25% of the investment they undertake. This is intended to encourage them to deepen their relationships with third parties, including business.
- £225 million from the Wellcome Trust, of which £150 million is for investment in (replacement or refurbished) buildings for sciences within the Trust remit drawn from top-rated but unmet bids from the JIF; and £75 million for biomedical science project related equipment/refurbishment spend. Funds will be allocated to universities on the basis of a formula and it will be for universities to take their own decisions on priorities.
- OST has retained £100 million to modernise Research Council institutes and to contribute to large national projects.

6.8. The SRIF addresses the key findings of the cross-cutting review of science and research, which the Government conducted as part of the Spending Review 2000. The cross-cutting review looked in detail at funding for university research and consulted widely among UK universities. Capital funding emerged as their over-riding concern in

relation to research. JIF was a good start but only a start. The new fund will go a long way to addressing remaining problems.

6.9. OST and HEFCE have discussed with the Funding Councils, the Executives in Scotland, Wales and Northern Ireland, and the Research Councils, the formulae for allocation and key principles for the £675 million element and the arrangements for how it should operate. Research Councils published an outline strategy statement in December 2000 to act as a starting point for dialogue with universities on expected infrastructure requirements for programmes that the Councils will fund.

### Joint Research Equipment Initiative

6.10. The Joint Research Equipment Initiative was launched in 1996 by the OST and the higher education funding bodies with the aim of contributing to the physical research infrastructure and enabling high-quality research to be undertaken with the investment. Since then, 892 awards have been made in support of projects worth a total of £274 million: £128 million from public funds and £146 million levered in from external sponsors such as industry and charities. The future of the JREI scheme is currently under review.

### The DIAMOND synchrotron project

6.11. The formal announcement was made in March 2000 that the new DIAMOND synchrotron project would be located at the Rutherford Appleton Laboratories in Oxfordshire. Since that time planning for the project has been moving ahead rapidly. Management structures for the initial phase of the project are in place supported by scientific and technical advisory committees, drawn from both UK and international experts to advise on the detailed specification and design for DIAMOND.

## Reviewing transparency in the dual support funding arrangements

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- 6.12. In the 1998 Comprehensive Spending Review, additional funding for higher education was made conditional on improved transparency concerning the way public funds are spent in universities. OST is reviewing the transparency of the Dual Support arrangements in collaboration with the Education Departments, the Funding Councils and Universities UK (formerly the Committee of Vice Chancellors and Principals, CVCP). In 1999, a Transparent Approach to Costing (TRAC) was developed by the Funding Councils' Joint Costing & Pricing Steering Group. The TRAC methodology will enable universities to allocate overheads more accurately to specific activities (e.g. teaching and research), and so calculate their full economic cost. In relation to building infrastructure costs, TRAC takes into consideration depreciation, cost of capital employed, and cost of maintaining buildings on a 'going concern' basis. This methodology will indicate the level of funds which need to be set aside to maintain their infrastructure, and so help avoid a recurrence of the so-called 'funding gap' identified in the course of the Dearing Review.<sup>2</sup>
- 6.13. The proposed system was piloted at nine universities, which reported interim figures in July 2000. Following the successful outcome of the pilots, the most research-intensive universities have a target to implement fully the new costing methodology by July 2001 and all remaining universities to do so by July 2002.

## Supporting priority areas

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- 6.14. Specific priority research for the Spending Review 2000 period are genomics, e-science and basic technology. These areas cut across the Research Council boundaries and complement other action planned by DTI and other Government Departments. The *Opportunity for all* White Paper announced a further £90 million to promote the commercial exploitation of genomics, basic technologies and e-science<sup>3</sup>.

## Genomics

- 6.15. Completed genome sequences are increasing in number and availability, and gene identification continues apace. Attention is shifting to the role of genes and the proteins for which they code, and how component parts interact. This new approach will impact on basic biology, medicine, agriculture, manufacturing and environmental protection, leading to the development, for example, of new diagnostics, drugs, processes, and materials. The UK has a strong industrial base from which to exploit the research.
- 6.16. The Research Councils are already investing strongly in genomics research. However, further progress now requires enhanced support, for example for instrumentation, data management, training, and appreciation of the impact of the science on society. An extra £110 million has been made available across the three years of the Spending Review 2000 to enable the Councils to take forward a broadly co-ordinated programme of additional activity.

## E-science

- 6.17. There is an urgent need for radically new hardware and software solutions to process, communicate, store, analyse and visualise the huge expansion of data now being produced by global teams of scientists. This new generation of 'e-science' infrastructure will underpin the next generation of e-business technology used across the board later this decade. The e-science programme will be a matrix with the individual Councils working in their own areas and a cross-Council core programme. The core will also focus on links with UK industry and with e-science internationally. It will ensure that UK researchers have the communications bandwidth they need in UK, European and overseas networks. An extra £98 million has been made available for informatics research for the period 2001-04<sup>4</sup>.

## Basic technology

- 6.18. Basic technology is a crucial element in the skills set required for research and innovation, and scientific research will suffer unless it is funded properly. Basic technology requires research in its own right, to move to new scales or to generate new scientific capabilities. Research of this type is multi-disciplinary; examples include sensor

systems, applied optics, nano-technology, modelling and simulation, and in the area of medical care: microsurgical interventions (e.g. in neuroscience and cardiology), drug delivery and minimally invasive diagnostics. Development of basic technology is indispensable in areas of science such as astronomy, particle physics, molecular biology and underwater robotics, as well as social and economic research topics such as simulation of policy options in pensions, productivity and profitability and social exclusion. An extra £44 million has been made available for basic technology research over the financial years 2001–04.

## Working through the Research Councils

6.19. OST funds the Research Councils which work to nurture the SEB, providing funding for high quality scientific research and training or, in the case of the Council for the Central Laboratory of the Research Councils, providing world-class facilities for research. The Department provides funding for the Research Councils through Grant in Aid<sup>5</sup>. Figures 6.1 and 6.2 provide details of all Research Councils' capital assets and expenditure on international subscriptions. Comprehensive statistics on the Research Councils, including awards made and their success rates, are provided in the annual Departmental publication, *Science, Engineering and Technology Statistics*<sup>6</sup>. Detailed information on the Councils' activities is provided on their websites and through publications such as their annual reports<sup>7</sup>. A brief description of their work is given below. The six grant awarding Research Councils (BBSRC, EPSRC, ESRC, MRC, NERC and PPARC) are to be subject to a combined Quinquennial Review, commencing early in 2001, which will consider them both individually, and as a group. The Review will focus on operational and performance issues, using as background the objectives set out in the Government's Science and Innovation White Paper.

### Medical Research Council

6.20. The MRC is the UK's principal public funding agency for medical research. It has developed a spread of investment across the major health issues and disease areas, and maintains support for centres of excellence which sustain the UK's

international standing in long-term medical research and enable new areas to be tackled promptly. The Council recognises a special responsibility for attracting the best possible people to scientific and clinical research, remedying gaps and creating opportunities for talented individuals.

6.21. £53 million of additional funding has been allocated to the MRC for genomics for 2001 to 2004. This will support new multidisciplinary research relevant to human health, in particular: large-scale population studies to investigate the interactions between genetic and environmental/lifestyle factors in the development of many common diseases including cancer and heart disease; new approaches to research in mental health – the next largest national health cost after heart disease; and establishment of a new facility to promote the development and study of new models of human disease. £12 million has been allocated for 2001 to 2004 for initiatives to: develop new model systems for studying genes involved in, for example, immunobiology, neuro-degeneration, and neurobiology; and analyse the conformation of new proteins revealed by genome sequencing, using both synchrotron radiation and other complementary techniques and modelling technologies.

### Biotechnology and Biological Sciences Research Council

6.22. BBSRC is responsible for science underpinning three main areas of the UK economy: healthcare, food, and agriculture. It has developed its support for genomics research, building on the facilities and initiatives already sponsored and stimulating new multidisciplinary and other approaches.

6.23. There will be further development of centres for functional genomics researching the detailed function of genes and their complex role and interactions using model organisms. Other research priorities include investigation of the structural characteristics of proteins and particularly the molecular architecture, design and functioning of large molecular assemblies and the new proteins identified from genomics. These are vital to underpinning both the UK pharmaceutical and emerging biotechnology industries. Work will also continue in the areas of bioinformatics, food safety,

<sup>5</sup> See Annex C3.

<sup>6</sup> The statistics can also be accessed through the OST website: [www.dti.gov.uk/ost](http://www.dti.gov.uk/ost).

<sup>7</sup> [www.bbsrc.ac.uk](http://www.bbsrc.ac.uk); [www.esrc.ac.uk](http://www.esrc.ac.uk); [www.epsrc.ac.uk](http://www.epsrc.ac.uk); [www.mrc.ac.uk](http://www.mrc.ac.uk); [www.nerc.ac.uk](http://www.nerc.ac.uk); [www.pparc.ac.uk](http://www.pparc.ac.uk); details of the Research Councils' Annual Reports can be found in the Bibliography.

bovine TB, plant science, and stem cells. £10 million of additional capital funds have been allocated for new and upgraded laboratories and facilities in the BBSRC Institutes.

### **Natural Environment Research Council**

**6.24.** The natural environment presents one of the most important challenges over the next 50 years. The priority for environmental science is to understand and predict the complex behaviour of the 'earth system' and its sustainable development. The conflicting pressures for economic development and environmental sustainability have created a need for a more coherent understanding of the effect of our actions and policies on the environment. This will be essential if we are to meet our international commitments and Government priorities on sustainability. Furthermore the world market for environmental products and services is set to double over the next decade. The UK starts from a position of strength: the quality of most areas of UK environmental science ranks with the best in the world; and society's interest in environmental science is second only to medical science.

**6.25.** NERC's delivery of earth-system science requires support for interdisciplinary science, often through joint initiatives with the other Research Councils. For example:

- £6 million has been allocated for 2001-04 to support research into the role of gene function in selected organisms and how this is related to environmental conditions.
- £7 million has been invested in applications in the environmental sciences, in particular in the fields of climate change and oceanographic modelling and monitoring.
- £10 million has been invested in buildings and equipment for its Research Centres to undertake strategic research in core areas and provide facilities for the wider community.

### **Engineering & Physical Sciences Research Council**

**6.26.** EPSRC funds the highest quality research in engineering and physical sciences. Many of the priorities come directly from the needs of industry, and EPSRC has a major role in

encouraging exploitation of the science it funds. It has leading roles in the e-science and basic technology programmes, and a significant contribution to the post-genome programme. The interface with the life sciences is a key area for the EPSRC with close collaboration with the BBSRC and the MRC.

**6.27.** EPSRC will manage the Basic Technology cross-Council Programme on behalf of all the Councils, drawing fully on expertise from across the disciplines and from the other Research Councils.

**6.28.** Capital funding has been allocated for the development of high performance computing facilities so as to allow the EPSRC community access to terascale computing power, which is needed both for the EPSRC core programme and within the wider e-science cross-council Programme.

### **Particle Physics & Astronomy Research Council**

**6.29.** PPARC continues to support world-class particle physics, astronomy, space science and astrophysics. This includes investment in large, multi-year scientific projects, maintaining UK astronomical facilities and the Astronomy Technology Centre, and paying the UK subscription to CERN, together with a large part of the subscription to the European Space Agency. PPARC will negotiate UK entry to the European Southern Observatory, which will give UK astronomers a greater influence in the global astronomy projects of the future, such as the Atacama Large Millimetre Array, the Square Kilometre Array and the next generation of extremely large optical telescopes. UK membership will require radical reorganisation of the support given to current UK ground-based astronomy facilities.

**6.30.** PPARC has been given additional funding for two major application projects which will drive the e-science agenda. The first is the computing for the Large Hadron Collider, the new CERN accelerator which will be completed in 2005. The extremely large data flow rates are orders of magnitude larger than the current state of the art. The solution being developed is likely to result in major pieces of technology and 'middleware'

which can be used in other applications, particularly in the areas of data flow and large scale computation. The second is the ‘virtual observatory’, which will combine existing astronomical data and images such that new research can be carried out using data sources.

### **Economic & Social Science Research Council**

6.31. The social sciences have an important role within the Science and Engineering Base, by addressing the economic, social and human issues that are central to scientific and technological change. Moreover, the social sciences address wider issues relating to the development and implementation of public policy. Against this background, ESRC’s strategic objectives are to:

- protect the world-class quality of large Social Science datasets in the UK;
- develop the capacity of the UK’s management research to a world-class level;
- maintain underlying support for basic and strategic social science research; and
- support and develop the UK’s research capacity by training skilled social scientists.

6.32. Its cross-cutting programmes include £5 million over the period 2001–04 to develop research capacity for social science in genomics, and £3 million to extend the British Household Panel Study (BHPS). Extra funding of £19 million has been allocated to core programmes, including the development of excellence in UK management science research, and enhancing the Millennium Cohort Survey to follow-up the birth cohort.

### **Council for the Central Laboratory of the Research Councils<sup>8</sup>**

6.33. CCLRC has a key role in the UK’s investment in large-scale research facilities. It aims to be a world-leading scientific research organisation bringing together scientists both from the UK and world-wide to participate in research in a multi-disciplinary environment, by providing access to advanced facilities and expertise in physics, chemistry, biology and instrumentation.

6.34. CCLRC operates a number of national facilities for the benefit of the UK science community, including a synchrotron radiation source (SRS), a spallation neutron source (ISIS), and a high power Central Laser Facility (CLF). It also co-ordinates UK research programmes in space and particle physics. £5 million has been allocated for 2001–04 to ensure that the Laboratory’s facilities can be integrated with other ‘e-science’ infrastructure developments. The first stage of a Quinquennial Review of the Council was conducted last year under the Chairmanship of Sir Peter Williams, and reported in September 2000. Its principal recommendation was that the relationship of the Research Councils and CCLRC should be changed to a Strategic Ownership model, in which CCLRC is brought under the joint ownership of the Councils. This model would have a clear commitment by the Research Councils to meet the planned funding needs of CCLRC based on their scrutiny of its strategic and operating plans. Within this new framework, CCLRC would fulfil a more strategic role in the provision of access to leading edge, large-scale facilities for UK researchers. Investment in new facilities will be based on long term requirements agreed by all the different research communities. A second stage of the review will examine the issues associated with the implementation of the Strategic Ownership model, addressing in particular the implications for the status of CCLRC and its accountability to Ministers and Parliament.

**FIGURE 6.1** Research Councils' capital assets (£ million)

Net Book Value at 31 March 2000	Land and Buildings	Plant and Machinery	Ships, Aircraft and Vehicles	Equipment, Fixtures and Fittings	Assets under Construction	Total
BBSRC	158.9	–	–	0.7	0.4	160.0
CCLRC	120.0	123.8	–	–	19.1	262.9
ESRC	2.2	–	–	0.9	–	3.1
EPSRC	3.8	–	–	3.4	–	7.2
MRC	90.0	–	–	40.0	16.9	146.9
NERC	123.8	17.9	90.1	–	–	231.8
PPARC	40.0	14.3	–	–	11.1	65.4
<b>Total</b>	<b>538.7</b>	<b>156.0</b>	<b>90.1</b>	<b>45.0</b>	<b>47.5</b>	<b>877.3</b>

**FIGURE 6.2** Breakdown of international subscriptions by the Research Councils (£ million)

Research Council	Organisation/Activity	1999-00	2000-01	2001-02
EPSRC	Institut Laue-Langevin	8.2	6.8	7.2
	European Synchrotron Radiation Facility	6.1	5.3	4.8
	<b>Total</b>	<b>14.3</b>	<b>12.1</b>	<b>12.0</b>
MRC	European Molecular Biology Conference	0.8	0.8	0.9
	European Molecular Biology Laboratory	4.0	3.9	3.9
	International Agency for Research on Cancer	0.8	0.8	0.8
	Human Frontier Science Programme	0.5	0.5	0.5
<b>Total</b>	<b>6.1</b>	<b>6.0</b>	<b>6.1</b>	
NERC	Ocean Drilling Programme	1.8	2.0	2.0
<b>Total</b>		<b>1.8</b>	<b>2.0</b>	<b>2.0</b>
PPARC	European Space Agency	30.0	30.9	31.7
	Anglo-Australian Telescope	1.4	1.3	1.4
	European Incoherent Scatter Facility	0.6	0.5	0.5
	European Organisation for Nuclear Research (CERN)	52.4	66.1	66.0
<b>Total</b>		<b>84.4</b>	<b>98.8</b>	<b>99.6</b>
European Science Foundation		0.4	0.5	0.5
<b>Total</b>		<b>107.0</b>	<b>119.4</b>	<b>120.2</b>

**FIGURE 6.3** Research Councils' income from Grant in Aid as a percentage of Councils' total expenditure and the total Science Budget, 2001-2002.

Research Council	% of Total Expenditure from Science Budget	% of Total Science Budget
BBSRC	95.8	12.4
CCLRC	3.8	0.2
ESRC	94.3	4.3
EPSRC	97.9	25.3
MRC	87.1	20.0
NERC	81.5	10.8
PPARC	97.8	11.9

### The Royal Society

**6.35.** The Royal Society<sup>9</sup> is the national academy of science for the UK and promotes natural and applied sciences, nationally and internationally. It is an independent body, but receives Science Budget funding for certain programmes and initiatives. These include research fellowships and grants, international exchanges and collaborations. It will receive an extra £6.7 million grant in aid over 2001-04 as core grant and to cover OST's initial commitment to the joint Wolfson and Royal Society scheme to attract and nurture the very best researchers (see paragraph 6.40 overleaf). The Royal Society provides an independent source of advice, informs debate on matters of public importance, rewards excellence through research scholarships and fellowships, and promotes awareness and understanding in schools, among the public, in Government and Parliament.

**6.36.** In 2000, 55 fellowships were awarded to outstanding scientists through the University Research Fellowship (URF) scheme, with a total of 310 expected by October 2001 which represents a 5% increase over the previous year.

### The Royal Academy of Engineering

**6.37.** The Royal Academy of Engineering (RAEng)<sup>10</sup> is the national academy of engineering in the UK. It will receive an extra £1.5 million grant-in-aid over the three year Spending Review 2000 period. Its role is to pursue, encourage and maintain excellence in the whole field of engineering in order to promote the advancement of the science, art and practice of

engineering for the benefit of the public and the national good. Its grant-aided work corresponds to four key objectives.

- To maintain a crusading leadership role – supported via a wide range of engineering policy studies and reports, coupled with initiatives such as the UK Focus for Biomedical engineering.
- To support engineering education and training – via education studies and support, Engineering Professional Development Awards and International Travel Awards. The Engineering Professional development programmes are proving increasingly attractive to SMEs.
- To work towards greater cross fertilisation between industry and academia, supported via Visiting Professorships, Industrial secondments, Engineering Foresight Awards, Personal Research Chairs and Senior Research Fellowships and Post-Doctoral Research Fellowships. In 1999-00, Academy funding of £523,000 for Chairs and Senior Research Fellowships attracted additional industrial funding of £7 million. The Industrial Secondment Scheme has forged links between academia and industry which contribute to the teaching of engineering but also involve significant technology transfer benefits.
- To promote engineering nationally and internationally – via involvement in European and International bodies of Engineering academics, publications and events.

## Supporting scientists

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### Training and development of highly skilled people

- 6.38. To remain competitive, the UK needs to attract the best people it can to research, and to nurture their talents. PhD students are the life-blood of academic research, but they are also needed to supply the high-tech, leading-edge areas of the economy into which they move, such as pharmaceuticals, telecommunications, the health service, and the City.
- 6.39. For over 30 years the basic Research Council PhD stipend has decreased in value or, at best, caught up with its former modest level. To remedy this long-term neglect, the Government increased the basic stipend by £1,000 after the 1998 Comprehensive Spending Review, and it is now giving an additional £34 million to the Councils to increase the basic PhD stipend from £6,800 in 2000-01 to £7,500 in 2001-02, £8,000 in 2002-03 and £9,000 in 2003-04. This substantial real-terms increase of some 23% over the Spending Review period will send a clear signal to young people that research is a worthwhile and rewarding career. However, the Government will continue to monitor the overall position along with the Research Councils. Individual Councils are free to supplement the basic rates as they judge necessary.
- 6.40. The Royal Society will receive an allocation of £4.2 million over 2001-04 as the first instalment of the OST's initial commitment of £10 million over five years to the joint scheme with the Wolfson Foundation, announced in the Science and Innovation White Paper. The scheme will enable universities to recruit, reward and develop a number of the very best researchers from around the world and the UK in key areas of science, by offering flexible packages of salary and other support for five years in any subject area funded through the Science Budget.

### Women in science and engineering

- 6.41. OST's Promoting Science, Engineering and Technology (SET) for Women unit works to encourage participation by women in SET education, employment and policy making and to

raise public awareness of the contribution that women can make to SET. In July 2000 the unit launched a new channel to its website<sup>11</sup> that for the first time presents data on women's education and employment in SET.

- 6.42. The Unit works closely with other parts of DTI, DfEE and the Women's Unit in the Cabinet Office to develop new policy and promote good practice regarding the recruitment, retention and progression of women in SET and related careers. Activities over 2000-01 include:
- The Unit continues to co-sponsor, with the Higher Education Funding Councils and Universities UK, the ATHENA project which aims to evaluate recruitment and promotion practice, training and development programmes and the cultural barriers that may prevent women progressing to higher levels of the HEI system. A dissemination conference took place in November 2000 and the project will continue under the umbrella of the new HEI Equality Challenge Unit which was launched by the UK funding councils in Winter 2000.
  - A research study was launched on 1 November 2000 to determine the barriers women face when considering returning to SET careers; and in dialogue with employers, to evaluate what could be done to ensure that their skills and talents are not lost to the UK.
  - The EU women experts database has been updated and re-launched.

## International science and technology

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- 6.43. OST develops and maintains government to government bilateral and multilateral science and technology relations to promote the scientific, diplomatic or commercial interests of the UK.
- 6.44. During 2000-01 OST supported a Ministerial level science and technology bilateral with Korea following the additional bilateral funding announced in September 1999. The final call of the current term of the highly successful UK-South Africa bilateral fund was completed. Other bilateral funding schemes provided support for UK co-operation with India and China.

- 6.45. The UK took an active part in launching the new OECD Global Science Forum's (GSF) work plan for the next two years. The GSF enables senior Government officials to discuss and make recommendations on international science projects. The UK led a working group to develop a High Energy Physics Workshop and is continuing to participate in the Neuroinformatics, Structural Genomics and Policy Initiative Working Groups.
- 6.46. The Carnegie group, which comprises G8 and EU Commission Science Ministers and advisers,

meets biannually with the venue rotating between member countries. In June 2000 the UK was represented by the then Chief Scientific Adviser, Sir Robert May and in December 2000 by the Minister for Science and Innovation, Lord Sainsbury. The next meeting is scheduled for June 2001 in Canada. These meetings are informal, without officials, and allow the UK the opportunity to develop closer working relationships, and to exchange views on science issues, with other G8 and EU members.

#### FIGURE 6.4 Expenditure on science (£ million)

Main Estimates 2001-02: Request for Resources 2 (Increasing scientific excellence in the UK and maximising its contribution to society).

	1999-00 Outturn <sup>1</sup>	2000-01 Working Provision <sup>2</sup>	2001-02 Plans <sup>3</sup>	2001-03 Plans <sup>3</sup>	2003-04 Plans <sup>3</sup>
<b>Total OST expenditure on science of which:</b>	<b>1,406.3</b>	<b>1,603.1</b>	<b>1,743.3</b>	<b>1,887.3</b>	<b>2,132.3</b>
Biotechnology and Biological Sciences Research Council <sup>4</sup>	194.2	213.5	216.2	234.8	252.4
Economic and Social Research Council <sup>4</sup>	70.9	71.8	73.6	83.0	91.7
Engineering and Physical Sciences Research Council <sup>4</sup>	404.8	413.6	441.0	466.4	494.7
Medical Research Council <sup>4</sup>	304.5	319.7	347.8	370.1	385.4
Natural Environment Research Council <sup>4</sup>	176.7	185.4	187.9	200.4	211.8
Particle Physics and Astronomy Research Council <sup>4</sup>	186.7	205.8	206.9	221.0	232.9
Council for the Central Laboratory of the Research Councils	2.0	4.1	4.3	5.0	6.9
Research Councils' Pensions Scheme	21.3	25.6	27.0	28.5	29.7
Royal Society	23.9	24.6	25.9	28.7	29.2
Royal Academy of Engineering	3.7	4.0	4.3	4.8	5.3
DIAMOND Synchrotron	–	4.1	20.0	20.0	20.0
Joint Infrastructure Fund	1.6	88.1	125.0	–	–
Science Research Infrastructure Fund	–	–	–	125.0	250.0
Capital yet to be allocated	–	–	–	34.0	34.0
Science Enterprise Challenge Scheme	13.2	15.8	–	5.0	10.0
Cambridge/MIT Institute	–	10.1	14.0	14.0	14.0
University Challenge Fund <sup>5</sup>	–	0.6	–	5.0	–
Higher Education Innovation Fund	–	–	15.0	20.0	40.0
Exploitation of Discoveries at PSREs	–	–	6.0	–	–
Foresight Challenge	–	–	–	3.0	5.0
OST Initiatives	3.0	8.2	5.5	3.1	3.4
Exchange Rate and Contingency Reserve	–	8.4 <sup>6</sup>	22.8	15.5	16.0

**Notes:** <sup>1</sup>1999-2000 data are cash based, and are taken from the Appropriation Accounts and reflect net grant in aid. <sup>2</sup>2000-2001 figures, also cash based, are the net provision in the Spring Supplementary Estimates and include Joint Research Equipment Initiative (JREI) and Foresight Link allocations in the Councils' figures. <sup>3</sup>2001-2002 onwards figures are resource budgets (excludes EU attributed expenditure) <sup>4</sup>2001-2002 onwards figures include JREI. <sup>5</sup>A resource provision of £1,000 will be included in the 2001-2002 Main Estimate for University Challenge; however, £10 million End Year Flexibility carried forward from 1999-2000 is to be taken up at the Summer Supplementary Estimate. <sup>6</sup>Non-voted expenditure reserved for programmes in 2001-02 through End Year Flexibility carry over.

## 7

## The Exploitation and Application of Science

- Introduction
- Performance in 2000-01
- Future targets and priorities
- Increasing opportunities for innovation
- Universities in the knowledge driven economy
- Stimulating demand from business
- Reforming Intellectual Property Rights
- Global links
- Confident consumers
- Planning across Government

## Introduction

7.1. The Government set out its strategy for science and innovation in its White Paper *Excellence and Opportunity – a science and innovation policy for the 21st century* (Cm 4814) published in July 2000. The White Paper outlines the actions being taken by Government to ensure that British Science remains world class, to open up opportunities for innovation throughout the economy and to increase public confidence in science. It recognises that innovation depends on the knowledge, risk-taking and creative energy of individuals and that it is not best done or planned by Government. The White Paper reflected close cooperation between DTI, in particular OST, and DfEE and Treasury drawing on the cross cutting review of science led by the Minister for Science and Innovation as part of the 2000 Spending Review. The outcome of the review, announced in the 2000 Spending Review White Paper (Cm 4807), reflected the importance of investment, in blue skies research through the science base, and in science to support the delivery of the objectives and targets of government departments. The *Opportunity for all* White Paper has built on this, setting out measures for the investment in the science base and providing further opportunities for innovation.

7.2. The Science and Innovation White Paper identifies three primary roles for Government: an

intelligent investor in basic scientific and technological research; a facilitator of the exploitation of knowledge and new technologies; and a regulator of science and innovation. The recent White Paper on *Enterprise, Skills and Innovation* emphasised the importance of science and innovation to regional (and national) economic growth, with the need to raise skills as a key issue. The previous chapter covered the Government's role as an investor, and this chapter details most of the Department's actions relating to its role as a facilitator and regulator. Some of those activities are set out also in Chapter 4.

## Performance in 2000-01

### Highlights of 2000-01

- Publication of a White Paper: *Excellence and Opportunity – a science and innovation policy for the 21st century*.
- Publication of strengthened Guidelines for the Use of Scientific Advice in Policy-Making, and launch of public consultation on a proposed Code of Practice for scientific advisory committees, alongside the White Paper.

- Publication of the report of the *Government response to the Baker Report, Creating Knowledge: Creating Wealth – Realising the Economic Potential of Public Sector Research Establishments.*
- Launch of the Human Genetics Commission and the Agriculture and Environment Biotechnology Commission.
- Foresight panels presented their conclusions and recommendations for actions.
- Completion of the Joint Infrastructure Fund.
- Launch of the Cambridge-MIT Institute.

7.3. The Department has a target to increase by 50% the number of spinout companies from universities by 2001-02 (PSA target 6). This compares with a baseline figure of a total of 223 companies wholly or partially owned by HEIs for the commercial exploitation of their research results in 1998, and 26 new spinouts created during 1997. A pilot survey of HEI exploitation activity is being conducted and results are expected in 2001. The survey followed discussions by OST with other parts of the Department, DfEE and the Funding and Research Councils and incorporates key elements of the survey by the Association of University Technology Managers in the United States. Further surveys, to be conducted annually, will provide year on year comparative data on numbers of spinout companies and other exploitation activities. The rest of this chapter, and particularly the section on 'Universities in the Knowledge Driven Economy', describes the Department's policies to support this target.

## Future targets and priorities

### Priorities for 2001-04

- Delivery of implementation plan for the Science and Innovation White Paper.
- Publication of Forward Look of Government-funded Science Engineering and Technology 2001.
- Publication of Departmental Science and Innovation Strategies.
- Completion and publication of a Code of Practice for scientific advisory committees.
- Implementing the Foresight Panel recommendations 2000.
- Successful outcome to negotiations concerning a Sixth EU Framework Programme and meeting the science and technology objectives set out at the Lisbon European Council of March 2000.
- Successful delivery of the Higher Education Innovation Fund and Science Research Investment Fund.
- Successful delivery of the second round of the Science Enterprise Challenge Fund and the second round of the University Challenge Fund
- Successful delivery of the Public Sector Research Exploitation Fund
- Establish University Innovation Centres to create new links for leading edge, long term research partnerships between major business interests and the university sector.

7.4. For the period 2001-04 the Department has a PSA target to increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources. To help reach this target the Department is assisting efforts to achieve a year-on-year increase in the income the university sector earns from working with business and from spin-outs and licences. It will also work to increase the amount of collaboration between universities, companies and

intermediaries, and increase the number of papers jointly authored by the science base and industry.

## Increasing opportunities for innovation

### Foresight – helping the UK to prepare for the future

- 7.5. The ability to look ahead and prepare for the future is at the heart of a thriving knowledge economy. The UK Foresight programme brings together the voices of business, government, the science base and others to look at what might happen in the future and what needs to be done now to secure long-term competitive advantage and enhanced quality of life for all.
- 7.6. Foresight Panels operate on a five-year cycle. The current round of Foresight began in April 1999 and much of the work has been carried forward through three thematic and ten sectoral panels. All panels consider the implications of their conclusions for education, skills and training and sustainable development.
- 7.7. In December 2000, the Foresight panels presented their conclusions and recommendations for action. These recommendations represent the culmination of over a year's intensive research, debate and discussion. They provide the basis from which panels and others will work through 2001-03 to help turn the recommendations into action<sup>1</sup>. An overarching report will be published in May 2001.
- 7.8. There are now over 30 Foresight Associate Programmes, led and run by organisations outside OST. These activities feed into the work of
- Foresight panels from areas as diverse as manufacturing machinery, advanced power generation, sustainable crop protection, construction, quality and productivity, the voluntary sector and the future of the healthcare built environment. The network of Foresight Regional Co-ordinators continues to expand throughout England and the devolved administrations.
- 7.9. A Foresight fund with £15 million of DTI support was announced in the Science and Innovation White Paper. The Fund aims to get the best ideas from Foresight 2000 put into action quickly.
- 7.10. In December 2000 Foresight launched *Your Future in Business*, a toolkit to help smaller firms access and use the Foresight panel reports and recommendations. The toolkit will be rolled out across the UK in 2001 through the network of Regional Co-ordinators and the Small Business Service.
- 7.11. Foresight has continued to develop its range of activities for young people. These include:
- **Visions Online**, run by the British Association for the Advancement of Science as part of its 'Visions of the Future' programme for 16 to 18 year olds.
  - **Young Foresight**, a design and technology project for Year 9 pupils that enables them to work with mentors from industry to think about and design a product of the future. The project is accompanied by three BBC television programmes and comprehensive training and resource support for teachers.

## Foresight panels

- **Thematic panels:** Ageing Population, Crime Prevention, Manufacturing 2020.
  - **Sectoral panels:** Built Environment & Transport, Chemicals, Defence, Aerospace & Systems, Energy & Natural Environment, Financial Services, Food Chain & Crops for Industry, Healthcare, Information, Communications & Media, Materials, Retail & Consumer Services.
- A further industry-led panel is looking at the future for the Marine sector and there is a cross-panel task force looking at the implications of E-commerce on business processes.

## Universities in the knowledge driven economy

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- 7.12. The UK already has a good record of exploiting the excellence of its science and engineering base. In recent years a transformation has taken place in universities across the country. New businesses, jobs and technologies are springing up around our established seats of learning.
- 7.13. The Science and Innovation White Paper seeks to build on this success and puts universities at the heart of the effort to build the knowledge economy. It provides more resources and mechanisms to make sure the opportunity for innovation is available across universities and to strengthen their links with business. The *Opportunity for all* White Paper announced the establishment of University Innovation Centres. These will stimulate long-term partnerships between major businesses and universities, and provide support for businesses through business incubators.

### Higher Education Innovation Fund

- 7.14. The White Paper announced the establishment of a new fund, the Higher Education Innovation Fund (HEIF), to build on universities' potential as drivers of growth in the knowledge economy. Over £140 million will be available over 2001-04 to continue to develop the third stream of funding initiated by the Higher Education Reach Out to Business and the Community (HEROBC) fund.

### The University Challenge Fund

- 7.15. A second round of the University Challenge Fund competition was announced in the Science and Innovation White Paper. £15 million will be available to provide seed funding to develop researchers' ideas to the stage where they can be taken up by industry, or attract venture capital to form a spin-off company. This follows the success of the earlier round of the competitions where £45 million was awarded to establish 15 seed funds. Taking account of matching donations, the total value of the seed funds created was in excess of £65 million, allowing 37 institutions (28 universities and 9 institutes) access to investment capital.

### Science Enterprise Challenge

- 7.16. The UK record of British companies using science and technology to create competitive advantage is still weak. For companies to make the most of science and technology, more people who combine technical skills with entrepreneurial and managerial ability are needed. Accordingly, a second round of the Science Enterprise Challenge Fund competition was also announced in the Science and Innovation White Paper. £15 million will be available to stimulate scientific entrepreneurship and incorporate the teaching of enterprise into the science and engineering curricula. This follows the success of the earlier round of the competition where £28.9 million was awarded to establish 12 centres of enterprise at universities across the UK with a further 22 universities actively involved in the centres. The projected matching funding from these successful bidders should take the total investment in the 12 centres to in excess of £57 million.

### Cambridge-MIT Institute (CMI)

- 7.17. The CMI was launched in July 2000 by Cambridge University and the Massachusetts Institute of Technology (MIT). Joint programmes in four key areas: Integrated research; Undergraduate exchange; Professional Practice; and National Competitiveness Network will adapt MIT's expertise to the UK environment with the aim of increasing competitiveness, productivity and entrepreneurship in the UK.

### Faraday Partnerships

- 7.18. Faraday Partnerships involve universities, independent research organisations, firms and suppliers of capital with support from DTI, EPSRC, PPARC and MAFF. They aim to use existing measures such as LINK, TCS and Framework to provide more coherent Government support for new ideas. Four new Faraday Partnerships, designed to encourage new product and process development in key sectors of the economy, were announced in June 2000 in addition to the existing four. A national network of about 24 Faraday Partnerships is expected to be established by 2002-03 as a result of the commitment in the Science and Innovation White Paper to fund eight Partnerships each year. DTI is spending £3.5 million rising to £10 million in 2 years time on the Partnerships.

## Postgraduate Training Partnerships

**FIGURE 7.1** PTP and Faraday Partnership activity and expenditure

	No of current Partnerships	No of current Associates	DTI funds currently committed (£ million)	Estimated DTI Expenditure 2001-02 (£ million)
PTP	8	118	10.0	1.6
Faraday Partnership	10	n/a	11.4	7.3

7.19. Postgraduate Training Partnerships (PTPs) bring together universities and independent research and technology organisations (RTOs) to offer PhD students (PTP Associates) the opportunity to carry out their research projects in an industrially-oriented environment. As a result of Faraday Partnerships, the PTPs are being wound down and all have now recruited their final intake of DTI-supported Associates.

### Developing good practice

7.20. The Government is working with others to support universities as they develop a more active approach to the exploitation of their knowledge:

- Good practice guidance is available at the technical level, with a joint handbook published by the Patent Office and the Association for University Research and Industry Links (AURIL)<sup>2</sup>.
- The Government is working with Universities UK and AURIL to define the framework for managing intellectual property in universities and to promote guidance for the sector and new ways of sharing best practice.
- The Government will introduce a new survey to benchmark the UK's performance in university-business interaction.

### Stimulating demand from business<sup>3</sup>

#### LINK

7.21. The Science and Innovation White Paper recognises that to realise the opportunities offered by science, the links between Higher Education and business need to be strong. LINK is the Government's principal mechanism for supporting research partnerships between UK

industry and universities and other members of the research base. LINK is mainly managed through programmes covering discrete technology or generic product areas and research is pre-competitive and strategic. There are currently 68 LINK programmes of which 29 are open to new proposals.

7.22. Since 1997, 362 LINK projects have been approved involving the participation of over 800 different companies. For flexibility, the LINK family also includes three LINK 'franchises' (including EPSRC's Innovative Manufacturing Initiative), and a number of 'stand alone' projects including the Foresight LINK Awards.

Government expenditure on LINK projects was £37 million in 1999-2000 (from DTI, other departments and the Research Councils). This sum was more than equalled by support from industrial participants.

7.23. In response to priorities identified by Foresight, five new LINK programmes, a stand-alone project and the Foresight fund have been announced since September 1999, worth at least £134 million, of which the Government contribution is £67 million. These include the largest ever LINK programme, Applied Genomics (see Figure 7.2). Additionally, two existing LINK programmes have been extended, with Government providing a further £9.5 million.

7.24. The second Foresight LINK Awards competition was run in 2000 for research projects in priority areas outside the coverage of current LINK programmes. 14 winning projects worth some £16 million were announced in March 2000, of which £7 million is from DTI's Innovation and Science budgets.

## Reforming Intellectual Property Rights

7.25. Both the Science and Innovation White Paper and the *Government response to the Baker Report, Creating Knowledge: Creating Wealth – Realising the Economic Potential of Public Sector Research Establishments* highlighted the need to make more of the research outputs from Public Sector Research Establishments (PSREs). The Government accepted the Baker Report's analysis and the thrust of its recommendations. It also announced:

- New guidelines for public sector purchasers of research and research providers on Intellectual Property in Government Research Contracts.
- Changes to civil service conduct rules to provide Government scientists with new incentives and rewards, subject to safeguards, for participating fully in exploitation. These were accompanied by guidance to PSREs on

how to manage staff incentives and potential conflicts of interest.

- A £10 million PSRE Fund will be set up to support commercialisation of the intellectual property from research carried out in the public sector, including public sector research establishments, Research Council institutes and the NHS. It will help bridge the 'development gap' between research funding running out and the stage at which the private sector might be interested in investing. There will also be a role for Partnerships UK<sup>4</sup> in providing advice on commercialisation deals.

7.26. All Government departments and Research Councils which sponsor PSREs are producing timetabled action plans for ensuring that PSREs can effectively pursue knowledge transfer activities without compromising their primary research and advisory roles.

**FIGURE 7.2** New LINK announcements in 2000-01

Announcement, date, sponsors, new Government support	Description
<b>Applied Genomics</b> April 2000 DTI BBSRC £15 million	To research platform technologies to help UK healthcare companies exploit developments in genomics and the data coming out of the Human Genome project
<b>Optical Systems</b> June 2000 DTI EPSRC £11 million	To support collaboration on systems-led projects involving optical techniques and devices, and to promote the novel use of such technologies in a wide variety of sectors
<b>Sustainable Livestock Production</b> (extension) June 2000 MAFF £4 million	To identify and develop new procedures to promote commercially and environmentally sustainable, welfare-friendly livestock farming in the UK
<b>Horticulture</b> (extension) June 2000 MAFF, NERC (DETR, SE, DANI, BBSRC) £6 million	To meet Foresight priorities such as modelling supply chain and climate, harvesting systems, sustainable pest and disease control, novel diagnostics, efficient use of resources and reduction and management of waste in the horticulture industry
<b>Foresight fund</b> July 2000 DTI £15 million	To get the best ideas from Foresight 2000 put into action fast (" <i>Excellence and Opportunity</i> " White Paper)
<b>People at the Centre of Communications and Information Technologies</b>	To understand the psychological, social and organisational characteristics of individuals and groups as they relate to and interact with information and communication technologies August 2000 DTI, EPSRC, ESRC £2.3 million
<b>Sustainable Technologies</b> November 2000 DTI £10 million	To reduce the impact of business on the environment whilst increasing its competitiveness and ability to address social needs
<b>Mobile Phones and Health</b> December 2000 DH, HSE, SE, MRC £3.5 million	To establish a UK research programme to investigate the health implications of exposure to mobile phone radio frequencies
<b>Marine construction in the 21st century</b> (stand-alone project) September 2000 DTI £2.8 million	To research long-term and sustainable improvements in productivity and competitiveness in marine construction

<sup>4</sup> Partnerships UK will be a new public-private partnership (PPP) established to support the public sector in PPP transactions.

## Cross-cutting theme: Science and Innovation

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The successful economies of the future will be those which excel at generating and disseminating knowledge and exploiting it commercially. Now, more than ever, scientific knowledge will be the key to creating wealth and improving the quality of life. Generating knowledge is only the start; it must be turned into innovative products and services which must meet consumer demand and be accepted by the market.

The Government's strategy for science and innovation, presented in the White Paper *Excellence and Opportunity – a science and innovation policy for the 21st century* published in July 2000, sets out the action being taken by Government to:

- maintain and enhance Britain's record for excellent scientific research;
- increase opportunities and incentives for innovative use of that research; and
- address consumer concerns over the safety of innovative products and services.

This chapter and Chapter 6 set out how the Department is working with higher education and with other Government departments to deliver the 10 agendas for action set out in the White Paper:

1. Better Science in Schools
2. Enhancing Scientific Excellence
3. Acting on Foresight 2000
4. People and Skills
5. Universities in the Knowledge Driven Economy
6. Innovation in Every Region
7. Government Departments Encouraging Innovation
8. Making the Most of Our Intellectual Property
9. Linking in to Global Networks
10. Creating Confidence

Other chapters show other ways the Government is supporting business in the Knowledge economy: biotechnology, communications and information and the changes in manufacturing, as the traditional distinctions between manufacturing, technology and services disappear (see in particular Chapters 2 and 4).

## Global links

### International Technology Service

7.27. Raising the level of exposure of UK firms to the potential for acquiring technology from overseas is crucial to maintaining competitiveness. The International Technology Service enables UK firms to benefit from the technological expertise of leading countries around the globe through expert missions, staff secondments into leading firms, high quality technical information and on the ground contacts built up by our network of International Technology Promoters. In 2000, over 3,700 firms were directly assisted through the service, which cost about £4.5 million. In addition an estimated four times this number benefited from receiving feedback through attendance at dissemination events and information from reports and the website. The BRITECH programme with Israel was fully implemented to encourage joint R&D and production of new high-tech products.

7.28. The Science and Innovation White paper signalled the intention to double the number of International Technology Promoters from 8 to 16, and to add countries like Russia and China to those that Promoters already work in.

### European Research Area

7.29. The Commission Communication *Towards a European Research Area*, January 2000, analysed the current state of EU R&D and argued that a coherent European Research Area was needed in order to get the best from Europe's R&D resources. The June 2000 European Research Council followed this by identifying a number of themes for action including: benchmarking national R&D policies; networking national and joint research programmes; mapping excellence; improving the environment for private research investment; creating a high speed trans-European electronic network; removing obstacles to the mobility of researchers and introducing a Community patent. High-Level Groups of national experts have been convened to take work forward in some of these areas.

7.30. The EU Framework Programmes play an important role in implementing the new European Research Area. The EU Fifth Framework Programme (FP5) for collaborative research and development was launched at the start of 1999 and runs until the end of 2002 with a budget of 14.96 billion euro. The Department encourages UK participation in the Programme and the UK research community continues to perform strongly.

7.31. The Commission communication *Making a Reality of European Research Area: Guidelines for EU Research Activities (2002-2006)*, October 2000, will lead to the launch of formal proposals for the Sixth Framework Programme in Spring 2001. In approaching the forthcoming negotiations, the UK has set out a number of key objectives:

- concentration of funding on a limited number of key technologies where Europe needs to cooperate in order to compete on the world stage; to highlight biosciences, e-science, aeronautics, nanotechnology and quantum computing, agile and intelligent manufacturing technologies and environmental goods and technologies, including renewable energy;
- greater exploitation of research results to boost competitiveness and to improve science-based policy formulation;
- a substantial increase in the proportion of funds targeted at promoting the mobility, training and networking of scientists;
- a major improvement in Commission performance in managing the programmes; and
- an outward-looking approach, with European researchers engaging with the best researchers worldwide, including those of our competitors in the US and Japan.

## Eureka!

7.32. Eureka! is a pan-European initiative to stimulate collaborative industrially-driven R&D projects to develop advanced products, processes or services. The annual DTI spend on Eureka! of about £3 million supports UK firms' participation in the programme. 50 organisations participated in new Eureka! projects in 2000.

## Confident consumers

7.33. The Science and Innovation White Paper highlighted the importance of consumer confidence in science and its regulation and underlined the Government's commitment to improving the transparency and effectiveness of the scientific advisory framework.

## Regulation of science

7.34. The Department works to ensure that the UK benefits from advances in technology, within the framework of a robust regulatory and advisory system that provides health and environmental safety above all. The Chief Scientific Adviser and OST play an important role providing advice on scientific issues and seeking to develop consumer confidence in this process. In July 2000 the Chief Scientific Adviser published *Guidelines 2000*, an updated and strengthened revision of *Guidelines for the Use of Scientific Advice in Policy-Making* published in 1996.

7.35. In July 2000, in parallel with the Science and Innovation White Paper, OST published a consultation document on a proposed Code of Practice for scientific advisory committees. Following the end of the initial consultation, the draft Code has been revised for a second period of consultation before the finalised Code of Practice is published later in 2001. The revised version of the Code takes account of the report of the Lord Phillips Inquiry into BSE<sup>5</sup> which highlighted a number of lessons about the way in which scientific advisory bodies carry out their work.

7.36. Also in July 2000, OST published a report of the review carried out by a group led by the Chief Scientific Adviser into the way in which risk is handled by the Government's scientific committees dealing with food. Those committees examined had very different roles and many examples of good practice were found. However the review found a need for greater consistency of approach on risk assessment, more openness and transparency together with good communication.

7.37. OST has contributed to interdepartmental work on a wide range of issues such as climate change, the use of animals in science, antibiotic resistance, marine science and technology, health issues relating to mobile phones and organophosphates.

## Promoting the public understanding of science, engineering and technology

7.38. The Science and Innovation White Paper also stressed that, if people are to have a confident relationship with science, it is important that there is ready public access to information about scientific and technological developments and an informed debate about their value and place in society. OST has specific responsibilities for promoting the public understanding of science, engineering and technology. It funds a number of activities, including innovative projects to reach new audiences through drama, art, and the Internet:

- National Science Week is co-ordinated by the British Association for the Advancement of Science (BA) and funded by OST. The seventh annual event in 2000 was the largest to date, with over 8,000 events attracting more than 1.5 million visitors.
- Along with the Parliamentary and Scientific Committee, OST organised an event held at the Palace of Westminster entitled, 'Putting Science to Work'.

■ OST provides grants administered through the Committee on the Public Understanding of Science (COPUS) to fund small scale public understanding projects around the country. In 2000 COPUS provided funding for over 130 projects totalling more than £350,000, of which £270,000 was provided by OST.

7.39. The results of the 1999–2000 DTI/Wellcome Trust review of public understanding of science are being used by the Department and other organisations involved in science communication.

### **Council for Science and Technology (CST)**

7.40. The Council for Science and Technology<sup>6</sup> is the Prime Minister's top level advisory body on medium to long term issues concerning the Government's strategy for ensuring that science and technology meet the country's needs. During 2000, the Council undertook its second programme of work including two new advisory reports on: the links between the arts and humanities, science and technology in relation to the new economy; and the six grant awarding Research Councils. The Council also followed up the Government's responses to its 1999 and 2000 reports concerning a review of S&T activity across Government, Science Teachers and the exploitation of Science and Technology by UK Business.

### **Advisory committees on biotechnology**

7.41. The Science and Innovation White Paper highlighted the need for inclusive debate when science and its applications raise profound ethical and social issues. A new strategic advisory structure has been established following the Government's review of the regulatory and advisory system for biotechnology. It comprises two new independent biotechnology-specific bodies to work alongside the Food Standards Agency (which now has responsibility for all aspects of the safety of GM foods): the Human Genetics Commission and the Agriculture and Environment Biotechnology Commission. The secretariat and most of the running costs of the AEBC are provided by the OST, with contributions from other Government departments.

7.42. The remit of the **Human Genetics Commission**<sup>7</sup>, in operation since the beginning of 2000, is to give Science and Health Ministers strategic advice on the 'big picture' of human genetics, with a particular focus on social and ethical issues. In May 2000 the Commission agreed its workplan for 2000–01; established sub-groups on genetic testing, horizon scanning and public involvement; and set up a 'Patient Panel' to bring the views of a wide range of those broadly affected by genetic disorders directly to the Commission.

7.43. The first major piece of work for the Commission has been to look at issues around the storage, protection and use of human genetic information. In support of this work the Commission arranged for MORI to conduct an opinion poll on human genetic information issues in October 2000 involving members of the People's Panel. A large public consultation meeting was held at the Newcastle Centre for Life in November 2000 and this also marked the start of a three month consultation exercise. The Commission is aiming to report to Ministers by the end of 2001.

7.44. The **Agriculture and Environment Biotechnology Commission (AEBC)**<sup>8</sup> was launched in June 2000. It has drawn up and consulted on its Work Plan, which was presented to Ministers in January 2001. The consultation process included a session at the Commission's December 2000 meeting at which members of the public and others with an interest were able to discuss their views on the proposed Work Plan with the Commission.

7.45. The AEBC is taking forward three major work themes: examination of the Government's decision-making process on biotechnology, animals and biotechnology and horizon scanning for the implications of new developments. Areas identified for possible future strategic study include public attitudes and consumer choice, bioremediation and liability for environmental damage.

<sup>6</sup> Details about the Council and copies of its reports and the Government's responses can be found at: [www.cst.gov.uk](http://www.cst.gov.uk)

<sup>7</sup> [www.hgc.gov.uk](http://www.hgc.gov.uk)  
<sup>8</sup> [www.aebc.gov.uk](http://www.aebc.gov.uk)

## Planning across Government

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- 7.46. Individual departments are accountable for their own science and technology programmes. However, the Chief Scientific Adviser takes an overview of policies and spending plans and advises on the extent to which these meet the Government's current and future national needs. He seeks to promote inter-departmental collaboration and policy co-ordination in areas where there is no clear departmental lead.
- 7.47. The Ministerial Science Group, an informal Ministerial Committee, chaired by the Minister for Science, Lord Sainsbury, has a role in promoting a coherent and co-ordinated approach to SET policy-making across Government. Its membership comprises Ministers with an interest in science and includes Ministers from the devolved administrations. The Group has overseen a wide range of OST responsibilities in 2000-01 including preparation of the Science and Innovation White Paper, updating of the guidelines on scientific advice in policy-making and development of the Foresight Programme.
- 7.48. Following devolution, the former Cabinet-based committee of departmental Chief Scientists and others has been re-constituted as an OST-supported officials' group, the Chief Scientific Adviser's Committee. Officials supporting the devolved administrations will continue to attend.
- 7.49. The Science and Innovation White Paper asked departments to publish science and innovation strategies, drawing on Foresight, and focusing on how they could maximise the potential of science and technology activities and how they could drive innovation. The Ministerial Science Group has overseen preparation of these departmental strategies from September 2000, with the aim of publication by Summer 2001.

## Science, engineering and technology statistics 2000

- 7.50. To support the delivery and development of Government SET policies, OST collects, analyses and disseminates statistics on UK SET expenditure related activities. The latest edition of the handbook of selected statistics was published in November 2000<sup>9</sup>.

**FIGURE 7.3:** Expenditure on the exploitation and application of science (£ million)

Main estimates 2000-01: Request for Resources 1 Functions A and L, Request for Resource 2.

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2001-03 Plans	2003-04 Plans
Innovation Budget: knowledge transfer and collaboration <sup>a</sup>	32.7	42.2	Not Applicable	Not Applicable	Not Applicable
OST Initiatives <sup>b</sup>	3.0	3.8	3.5	3.1	3.4
Foresight LINK/Challenge Awards <sup>bc</sup>	0	1.5	0	3.0	5.0
University Challenge Fund <sup>bc</sup>	0	0.6	0	5.0	0
Science Enterprise Challenge Scheme <sup>bc</sup>	13.2	15.8	0	5.0	10.0
Cambridge Massachussetts Institute for Technology <sup>d</sup>	0	10.1	14.0	14.0	14.0

<sup>a</sup> This expenditure is also shown in Chapter 4 – Innovation. The Innovation Budget is abolished as from 31 March 2001.

<sup>b</sup> This expenditure is included in the Science Budget and is also shown in Chapter 6 – The Science and Engineering Base.

<sup>c</sup> Competitions not run in every year.

<sup>d</sup> A resource provision of £1,000 will be included in the 2001-02 Main Estimate for University Challenge, however, £10 million End Year Flexibility carried forward from 1999-00 is to be taken up at the Summer Supplementary Estimate.

Note: The amount shown on the 2000-01 Estimate for OST Initiatives (£8.172) includes Joint Research Equipment Initiative.



# To develop strong, competitive markets within a regulatory framework which promotes fairness and sustainability

## PSA targets 1999-02

- To make the UK the best place in the world to trade electronically by the end of the Parliament.
- To maintain or improve levels of energy security, diversity, sustainability and competitive energy prices.
- To improve UK performance in transposition of EU Single Market measures to enable 98% of measures to have been transposed into UK law by end 2000.

## PSA targets 2001-04

- Have the most effective competition regime in the OECD, as measured by peer review, and achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information.
- Ensure competitive gas and electricity prices in the lower half of the EU/G7 basket, while achieving security of supply and social and environmental objectives.
- Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in CO<sub>2</sub> emissions by 2010. (Joint target with DETR)

**8** Open Markets

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**9** Energy

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**10** The Regulatory Framework

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**11** Consumer Policy

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**12** Employment Relations

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## 8

## Open Markets

- Introduction
- Performance in 2000-01
- Future targets and priorities
- Improving the efficiency of markets at home
- Opening markets in Europe
- Liberalising markets across the world
- Issuing import licences

## Introduction

- 8.1. Effective EC and UK competition regimes are crucial to the goal of furthering UK competitiveness and to ensuring that consumers receive a fair deal. They help companies to compete fairly on the basis of the originality and quality of their products and services, unhindered by anti-competitive behaviour. The Department's aim is to maximise the efficiency and effectiveness of the competition system and to streamline procedures wherever possible.
- 8.2. The establishment of the Single Market is one of the key achievements of the European Community although further reform is needed in several key areas such as services, public procurement, liberalisation of utilities, simplifying the regulatory environment, and tightening up on state aids. UK priorities are to push forward this reform and improve the level of transposition and enforcement of Single Market legislation across the EU.
- 8.3. The Department also pursues the UK's interest in international trade policy in co-operation with other government departments. This covers goods, services, and investment and involves working through the EU and drawing on the UK's bilateral relations and membership of international organisations and groupings such as the World Trade Organisation (WTO), OECD,

## Highlights of 2000-01

- Plans for reform of the merger control regime published in October 2000.
- An Order to improve the operation of the UK market for the supply of new cars.
- First review of the Commission's Internal Market Strategy completed and endorsed at the May 2000 Internal Market Council (IMC).
- Lisbon Special Summit on Employment, Economic Reform and Social Cohesion, March 2000, agreed actions including reducing state aids; a comprehensive financial services action plan leading to liberalisation by 2005; speeding up liberalisation of gas, electricity, postal services and transport; and a fully liberalised telecommunications market by the end of 2001.
- The strengthening of OECD Guidelines on Multinational Enterprises.
- The signing of the EU's Cotonou Agreements maintaining market access for African, Caribbean and Pacific (ACP) countries.

and the Commonwealth. In consultation with a wide range of business, consumer and non-governmental interests, the Department seeks to safeguard and promote open markets in the interests of economic growth, employment and international development, and to ensure coherence between commercial, financial, environmental and social policies.

## Performance in 2000-01

8.4. The Department had a target to improve UK performance in transposition of EU Single Market measures to 98% by the end of 2000. Delays in transposing EU Single Market measures have been reduced with only 44 of the 1467 (or 3%) Single Market Directives overdue at the end of 2000 (compared with 52 out of 1365 (or 3.8%) in December 1998. The Department will be making further efforts, in liaison with other government departments, to improve this performance while at the same time aiming to ensure that those affected are fully consulted about implementation.

## Future targets and priorities

8.5. The Department has set a target for 2001-04 for the UK to have the most effective competition regime in the OECD, as measured by peer review (PSA Target 7 from the Spending Review 2000). A peer review of UK competition policy was commissioned in December 2000 and the results will be published as part of the PSA process. This will help the strengths and weaknesses of the UK system to be identified.

## Improving the efficiency of markets at home

### The Competition Act

8.6. The practical effects of the Competition Act 1998, with its strong deterrents against cartels and against abuse of a dominant market position, are beginning to be felt. The Office of Fair Trading (OFT) is targeting its increased resources on detecting and deterring seriously anti-competitive behaviour and is able to make use of its new powers of entry to premises. As a

## Priorities for 2001-04

- Establishing with the Cabinet Office Regulatory Impact Unit and other Whitehall Departments, procedures for the Office of Fair Trading's (OFT) new role in assessing the effects of laws and regulations on competition.
- Working with the Commission and other Member States to develop detailed proposals for reform of the EC competition rules.
- Taking forward detailed proposals for reform of the UK merger regime and influencing the review of the EC Merger Regulation (ECMR) to reflect UK interests.
- Providing a clear framework for effective operation of competition legislation through OFT and the Competition Commission.
- Ensuring that actions agreed at the Lisbon Summit are delivered, including through a study to quantify the benefits of economic reform in Europe, and developing an EU strategy for continuing the economic reform programme at successive annual European Councils starting with the Stockholm Summit in March 2001.
- Increasing efforts on key areas of the Single Market such as public procurement, the services sector, and further improvement of the business environment for Small and Medium-sized Enterprises (SMEs); and securing a single market in utilities, particularly electricity and gas, across the EU as soon as possible.
- Adopting and implementing the new regulatory framework for communications in Europe.
- Pushing forward with the reform of the World Trade Organisation (WTO) and securing agreement to a new comprehensive round of trade negotiations.
- Working with EU partners, to ensure the on-going negotiations on services in the WTO reflect the UK's priorities.

result of the new Act and OFT's educational programme, there have been increased levels of complaints about anti-competitive behaviour from both the business community and the wider public.

### Co-operation between competition authorities

- 8.7. The Department has been in discussions with the US Department of Justice on how co-operation might be increased. In December 2000, the Minister for Consumer and Corporate Affairs, Dr Howells, wrote to the US authorities to inform them that in future the UK would be prepared to consider requests for assistance in anti-trust cases made by the US (and other countries with criminal sanctions in their anti-trust laws) under the Criminal Justice (International Cooperation) Act 1990 on a case-by-case basis. Further steps to improve co-operation with the US are under consideration. The Department is also looking at closer co-operation with other competition authorities and is keen that, as part of the Commission's modernisation proposals, the authorities in EU Member States can exchange information with greater ease.

### The Competition Commission

- 8.8. The Competition Commission (CC) replaced the Monopolies and Mergers Commission (MMC) on 1 April 1999. The CC has two arms: an Appeal Tribunals arm to hear appeals against decisions taken by the Director General of Fair Trading (DGFT) and the Utility Directors General under the prohibitions introduced under the Competition Act; and a reporting arm to carry out the previous investigatory functions of the MMC. A process for recruiting Appeal Tribunal members was set up in the Autumn of 1999 and 20 members have now been appointed. New terms and conditions for these members have been put in place to ensure that the appointments are compliant with Human Rights legislation.

### Mergers policy

- 8.9. In August 1999 the Department launched a consultation document seeking views on reforming the current regulation of mergers. The reforms aim to depoliticise mergers decisions and design criteria against which to assess the effect of

mergers on competition. The Department published its response to this consultation in October 2000. The response document set out the framework for reform of the merger control regime and sought further views on specific details of the new regime. This second consultation period ran until January 2001 and plans for merger reform are now being further developed.

- 8.10. In October 2000, the Government also published a draft statutory instrument to exempt small firms from the burden of paying merger fees. Views were sought on this proposal and the consultation period ended in January 2001.

### Competition policy decisions during 2000-01

- 8.11. During 2000-01 the Department published Competition Commission reports on the mergers of: Vivendi/BSkyB, United News and Media/Granada/Carlton, Air Canada/Canadian Airlines, Sylvan International/Locker Group, BUPA/Community Hospitals Group, Nutreco/Hydro Seafood, Interbrew/Bass; and the newspaper mergers of News Communications and Media/Newsquest (Investments)/Johnston Press/Trinity Mirror, Independent News and Media/Belfast Telegraph, Regional Independent Media Holdings/Gannett UK/Johnston Press/Guardian Media Group. It also published monopoly reports on New Cars, Supermarkets and Scottish Milk. An Order under the Fair Trading Act 1973 was made to implement remedies for adverse findings in the 1997 MMC monopoly report concerning Foreign Package Holidays. Undertakings under the Fair Trading Act 1973 were accepted to implement remedies for adverse findings in the Competition Commission monopoly reports on Impulse Ice Cream.

### International prices research

- 8.12. The Department, in co-operation with the Swedish Ministry for Foreign Affairs, is undertaking a second international price comparison exercise. The price of a range of branded consumer and leisure goods will be compared for the UK, France, Germany, Sweden and the United States. The Economist Intelligence Unit (EIU) has been commissioned to carry out this work.

### Modernisation of the EC competition rules

8.13. In September 2000 the European Commission published detailed proposals for the reform of the procedures by which EC competition law is enforced. The proposed new procedures would focus enforcement resources away from the scrutiny of routine industrial co-operation agreements and towards seeking out serious infringements, such as cartels, which have adverse effects on the economy. The Department and the Office of Fair Trading have been closely involved in developing these proposals, working alongside the European Commission and other Member States and consulting widely among interested parties in the UK. While fully supporting the Commission's objectives, the Department seeks to ensure that the reforms do not significantly increase the burdens on business or reduce the predictability of enforcement.

### Review of EC Merger Regulation (ECMR)

8.14. The European Commission published a report in June 2000 on the operation of the thresholds in the ECMR which determine whether mergers fall to the consideration of the European Commission or national competition authorities. The Commission has stated its intention to use the report as a starting point for a broader review of the ECMR. The Government supports the view that the increase in international mergers makes it appropriate to look again at the working of the ECMR and looks forward to working closely with the Commission as the review proceeds.

### Reform of the EC block exemptions applying to vertical and horizontal restraints

8.15. Vertical restraints in supply agreements restrict the freedom of action of a customer or supplier and can cause competition problems if one of the parties has significant market power. In May 2000 the European Commission adopted detailed guidelines on its new general block exemption for vertical restraints which will reduce the burden on firms of notifying some vertical agreements and help companies decide which agreements come within the scope of the block exemption.

8.16. Horizontal restraints apply to agreements between competitors. In November 2000, the European Commission adopted new block exemptions for agreements concerning research and development and specialisation<sup>1</sup> to give greater freedom to firms to customise agreements to suit their own circumstances. The Commission has also adopted guidelines to help firms to operate horizontal agreements in areas such as joint production, joint purchasing, commercialisation, setting standards and environmental agreements.

### Cars

8.17. Following the report by the Competition Commission to the Secretary of State on the supply of new cars in the UK, the Secretary of State made an Order under the Fair Trading Act 1973 to remedy a number of adverse findings. In parallel, the European Commission has been reviewing the operation of the current motor vehicles block exemption, which expires in September 2002. It exempts motor vehicle suppliers and dealers from the EC general prohibition on agreements which restrict competition, provided that these comply with the terms of the block exemption. The European Commission reported on 15 November 2000, and proposals for replacing the present system are expected in 2001. Reform of European arrangements will play a vital part in improving competition in the UK market.

### Pro-competitive role for OFT

8.18. The White Paper *Opportunity for all in a world of change*, published in February 2001, announced that the Government will give OFT and other regulators a new role to assess when laws and regulations may create barriers to competition. This will involve OFT and the sector regulators carrying out in-depth studies of key sectors where there may be competition concerns; drawing attention to regulatory barriers emerging from their investigations under competition powers; and providing assessments about the impact of proposed laws and regulations on competition.

## Opening markets in Europe

### Economic reform as the route to a stronger single market

8.19. The Department played a major role in preparing the ground for the Lisbon Special Summit on Employment, Economic Reform and Social Cohesion in March 2000. The Summit agreed a range of actions to make Europe the world's leading knowledge-based economy by 2010, including: encouraging Internet-based commerce, promoting enterprise and small business, creating a climate for full employment, and combating social exclusion through greatly improved education and training.

8.20. A key part of the economic reform agenda is to deliver greater benefits to consumers and businesses by strengthening and deepening the Single European Market. The Lisbon Summit encouraged greater effort in this area including through the Cardiff process of economic reform and the Commission's Internal Market Strategy, focusing on:

- improving the Internal Market in services, including acceleration of reform in financial services;
- action to speed up utilities markets including gas, electricity, postal services and transport; simplifying the regulatory environment;
- improving on the implementation and enforcement of EU rules using instruments such as the Commission's Single Market Scoreboard;
- adopting a legal framework for electronic commerce and on copyright and related rights.

8.21. Member States have produced their third annual national reports on economic reform of product and capital markets, following the process agreed at the Cardiff Summit in 1998. This year's process focused particular attention on the benefits of the Single Market for consumers and citizens, and progress toward transition to a knowledge based society. Together with the Commission's report on economic reform in the Community, the national reports will contribute to the review at Stockholm of the economic reform goals set at

Lisbon. DTI is working with HM Treasury to pursue economic reform through the Internal Market and ECOFIN Councils of Ministers.

8.22. The Single Market Scoreboard was introduced in 1997 to provide information on the functioning of the Single Market and identifying priorities for implementation and enforcement of EU rules. At that time it was found that 35% of Single Market directives had not been implemented in one or more countries of the EU. Since then Member States, including the UK (see para 8.4) have taken steps to improve this and the figure is now down to under 13%.

### Preparing for EU enlargement

8.23. The Department continues to promote the principles of competitiveness and economic reform to the EU candidate countries. This work involves contacts at all levels from Ministers and senior officials to those at working level. The Department is heavily involved in working to ensure that at the time of their entry, each country is able to function successfully in the Single Market and has passed the necessary legislation and has the relevant administrative infrastructure in place. To support this goal the Department is involved in the accession negotiations in Brussels as well as passing on its experience of EU rules at first hand through an increasing number of short term visits from officials from accession countries. There are also projects under the European Commission's 'twinning' programme of longer term expert secondments to accession states. For instance, the DTI is working with the Czech Republic and Bulgaria on State Aids, with Poland on structural funds, with the Czechs on business competitiveness. Projects with Romania and Slovakia are due to start in the near future.

### Preparing business for the euro

8.24. The Department is playing an important role, in partnership with the Treasury's Euro Preparations Unit, helping British business adjust to the introduction of the euro in twelve EU member states and, in particular, to trade with partners in the eurozone. This year, activity has included establishing a website to help businesses deal with the practical aspects of handling the euro and funding the work of the Regional Euro Fora. In addition, this year the Department launched the 3es initiative.

## Cross-cutting theme: European Economic Reform

The Lisbon Special Summit at the end of March 2000 marked a sea change in Europe's approach to economic and social reform. Through an active programme of bilateral contacts, and in liaison with Treasury, Cabinet Office and the Department for Education and Employment, the DTI made a major contribution to influencing the agenda and shaping the final conclusions with the aim of supporting the development of the EU as a modern knowledge-driven economy. Agreements reached at the summit will transform the climate in which Europe does business, cutting across the Department's portfolios. They:

- Smooth the path to e.Europe – through measures to boost services, enterprise, innovation and internet access
- Drive forward the single market in goods, services and capital, and reduce distortions caused by state aids
- Build a Europe which is open for business – with a new emphasis on the needs of SMEs with a charter for small firms, better regulation and access to finance
- Ensure access for all – by spreading the internet to schools, boosting employability, promoting welfare to work and lifelong learning, and tackling exclusion

DTI has been closely involved in driving forward the follow up to Lisbon and maintaining the momentum for economic reform within Europe. This has included:

- Drawing up a European Charter for Small Firms, (paragraph 3.14)
- Creating a European regulatory framework for e-Commerce (paragraphs 2.21-2.24)
- Strengthening the European Enterprise Culture (paragraphs 3.14-3.16)
- Shaping the European Social Agenda (paragraphs 12.23-12.28)
- Maintaining the pressure for liberalisation of energy markets across Europe (paragraph 9.24)
- Ensuring that the momentum of the Lisbon conclusions is maintained at the first follow-up Council, under the Swedish Presidency of the EU, in Stockholm in March 2001 so that it adds meaningfully to the initiatives in the light of developments.
- Developing, in consultation with EU partners, a major study to quantify the benefits of economic reform in Europe, making clear what the rewards are for continuing reform and the costs of failing to push forward.

### Liberalising markets across the world

8.25. The World Trade Organisation (WTO) and its predecessor, the General Agreement on Tariffs and Trade, have been successful in establishing a strong and prosperous multilateral trading system through successive rounds of trade negotiations. The UK and its EU partners continue to push for the launch of a new comprehensive Round of trade negotiations under the auspices of the WTO. This has the potential to deliver a substantial liberalising package for the benefit of all countries, so promoting economic growth and new job creation. The Government, in partnership with UK business, has identified a

number of priority areas for inclusion in such a Round, including a further substantial reduction of tariffs, the removal of the other barriers to trade, the simplification of trade procedures and the opening of global government procurement markets. The UK would also like a Round to consider rules on international investment, and to explore multilateral rules for competition policy and the relationship between trade and environmental policy.

8.26. Following the failure to reach agreement to launch a new Round at the WTO Ministerial conference in Seattle in November 1999, it has become clear that some reform of the WTO's

**FIGURE 8.1:** Activity of the Regional Euro Fora (£ thousands)

	1999-2000 Outturn	2000-2001 Working Provision	2001-2002 Plans
DTI Funding for the Regional Euro Fora	446	500	500

## The 3es initiative

The 3es initiative covers e-business, exports and the euro. It was developed, as an integrated message in response to these related issues – as a business sets up a website its market of potential customers becomes global. This is at a time when the European market is opening up through the introduction of the single currency.

The 3es message has been distilled from the feedback received from SMEs that have already started down this path. The 3es is not aimed at the IT experts, but at those who make the business decisions. 3es shows businesses how to avoid the pitfalls and secure a worthwhile return on their investment.

More than 30 3es workshops were held around the UK, organised by the Regional Euro Fora. A free 3es CD ROM has also been released to support the workshops and to distribute to SMEs and intermediaries. More than 30,000 copies of the CD-ROM have been distributed since the launch.

The 3es CD-ROM includes:

- a multimedia presentation containing a distillation of hints and tips from the many businesses that have begun to tackle these issues;
- a resource centre which will prompt businesses to consider the impact of the 3es on all aspects of their business and help them to build their own tailor made response;
- a contacts section which includes a wide range of web sites recommended by small and medium size enterprises; and
- a series of short video clips of businesses discussing their experiences of the 3es.

Copies of the CD-ROM can be obtained from [3es@dti.gsi.gov.uk](mailto:3es@dti.gsi.gov.uk)

working procedures is needed to ensure the better participation of all WTO members in consultation and negotiation processes and to increase transparency. The UK is working with partners in the EU and other countries to take this agenda forward.

- 8.27. The Department carefully monitors actions by third countries which represent obstacles to UK exports. It seeks to resolve problems bilaterally in conjunction with EU partners and ultimately

through the initiation of WTO dispute settlement action. In particular, the UK is seeking to ensure that the current major trade disputes between the EU and the US are carefully handled and, if possible, resolved at the minimum cost to the UK and world economy. The Department is keen to ensure that bilateral agreements between the EU and third countries (for example the Transatlantic Economic Partnership and the Asia-Europe Meeting) are established and implemented in a way which

secures open markets. A similar approach is adopted in the negotiations with countries seeking to join the WTO including China, Russia, Saudi Arabia and Ukraine.

### WTO negotiations on services

**8.28.** The negotiations on services are part of the 'built-in agenda' mandated by the General Agreement on Trade in Services (GATS) agreed in 1994. The UK is the second largest global exporter of services (after the US) and the negotiations, aimed at progressively liberalising international trade in services, are of significant importance to the UK. The GATS negotiations formally started on 25 February 2000 and at the end of May a work programme for the first phase of negotiations covering the period until March 2001 was agreed. It is expected that a stock-take in March 2001 will set a timetable for detailed market access negotiations. The European Communities and their Member States tabled sectoral negotiating proposals in December to help influence the second phase. Other work already underway includes GATS rules, classification issues, and disciplines on domestic regulation.

### Developing countries

**8.29.** The Department works closely with the Department for International Development (DfID) to ensure that developing countries benefit more from, and participate more fully in, the world trade system. An Inter-Departmental Working Group on Trade & Development, chaired by DTI, meets regularly to ensure consistency of approach.

**8.30.** In May 2000 the EU and the 71 African, Caribbean and Pacific (ACP) countries signed in Cotonou a new agreement, which sets out a framework for development and trade. After a transitional period of eight years, during which the ACP countries will continue to enjoy their current preferential access to the EU, new WTO compatible arrangements will be put in place heralding a new era of stability and opportunity for the ACP.

**8.31.** Other progress in 2000-01 includes:

- inclusion in the Government White Paper (published by DfID in December 2000) *Eliminating World Poverty: Making Globalisation*

*Work for the Poor* of a commitment to make the next WTO Trade Round a 'Development Round' that brings real benefits to developing countries across a range of issues;

- proposal by the European Commission to open up duty and quota free access for all Least Developed Countries (LDC) exports, except arms, by 2003;
- working to secure agreement at the Tenth UN conference on Trade and Development (Bangkok February 2000) that the multilateral trading system could and should work in the interests of development; and
- encouraging a Commonwealth consensus in favour of the development of the multilateral trading system, in particular by working to remove barriers which prevent developing countries playing their part in the global economy.

### OECD guidelines for multinational enterprises

**8.32.** OECD governments first issued the Guidelines in 1976. They provide a voluntary framework of 'principles of good conduct' for international companies in their cross-border business activities. A substantial revision of the Guidelines was formally agreed at the OECD Ministerial on 27 June 2000. The revision has considerably strengthened the Guidelines so that they now reinforce the core elements of the sustainable development agenda. New provisions were introduced for the elimination of child and forced labour, the promotion of human rights, environmental performance, combating corruption and consumer protection; and the existing provisions for labour relations and general business practice have been updated and improved.

### Issuing import licences

**8.33.** The Department has responsibility for issuing import licences in accordance with UK and EC law. Its principal customers are UK and other EC importers who deal in goods that are controlled. The Department's Import Licensing Branch (ILB) expects to issue around 400,000 licences in 2000-01, an increase of around 25% on 1999-2000 and around 50% on 1998-1999 (Figure 8.2).

8.34. In 2000-01 (up to February 2001) 99.4% of these licences were issued within five working days against a target of 95%<sup>2</sup>. ILB is also working to reduce its error rate for import licences issued. Despite the higher number of licences issued and with no increase in resources, the increase in

the error rate in 1999-2000 has been reversed and the error rate for the first eleven months of 2000-2001 (one per 6,785 licences or 0.15 per 1,000 licences) is below the outturn for 1998-99 (one per 3,846 licences, or 0.26 per 1,000 licences).

FIGURE 8.2 Number of import licences issued

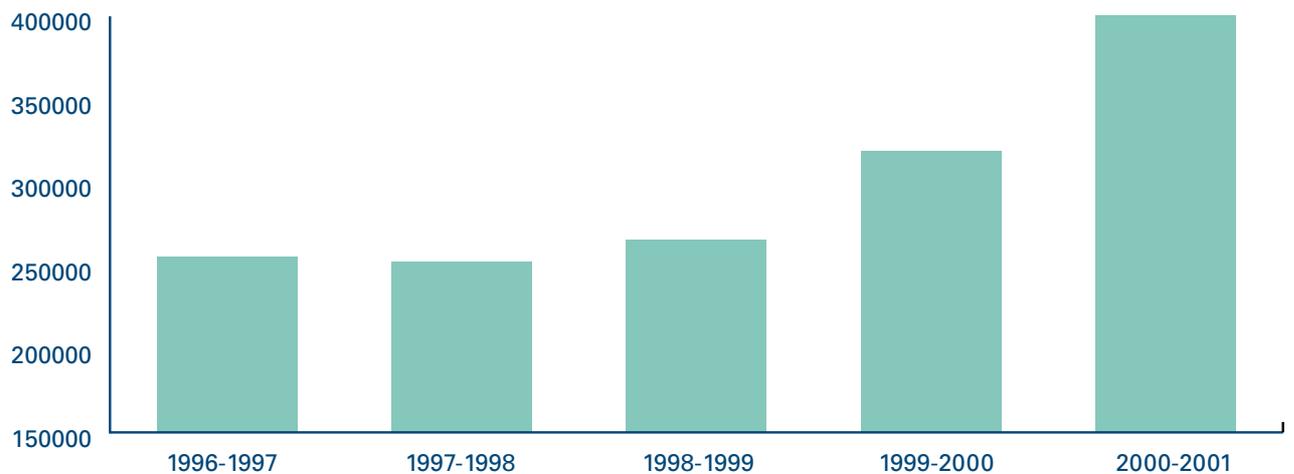
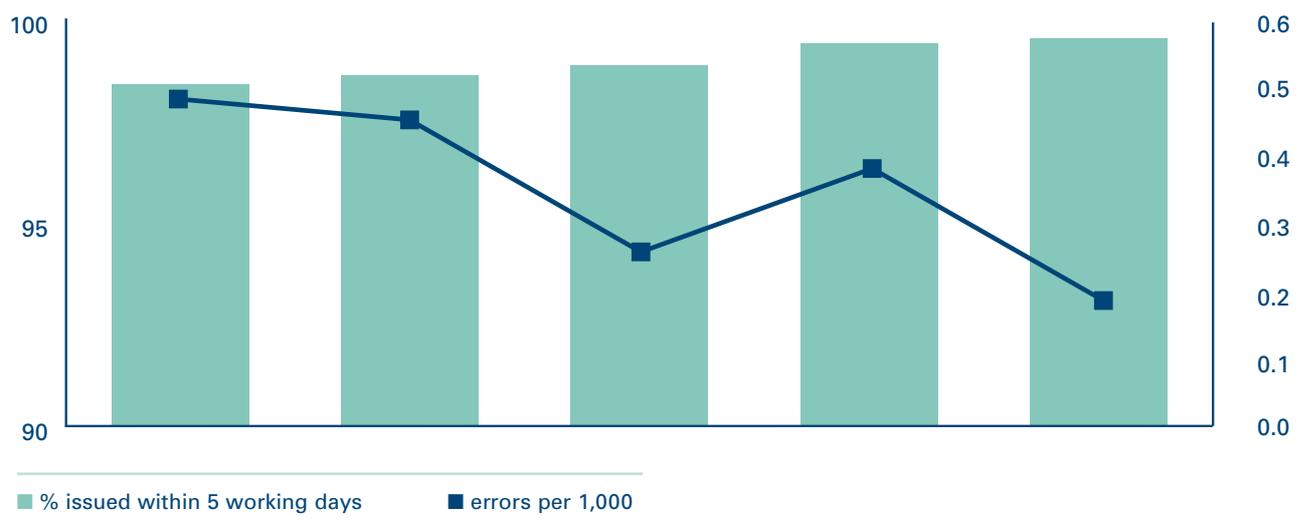


FIGURE 8.3 Number of import licences issued within five working days and error rate



<sup>2</sup>These figures now exclude applications for a licence to import certain footwear and ceramics from China because those licences may not be issued until, typically, five weeks after the closing date for applications.

**FIGURE 8.4:** Expenditure on the Competition Commission and Trade Policy (£ million)

Main Estimate RfR: Request for Resources 1 Functions C (legal and regulatory framework and markets and associated administration costs) and N (legal and regulatory framework and markets and associated administration costs).

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Competition Commission</b>	8.1	8.9	10.1	10.4	10.7
<b>Trade Policy</b>	4.4	5.3	5.3	5.4	5.4
of which:					
WTO commitments	3.0	4.0	3.7	3.8	3.8
Other	1.4	1.3	1.6	1.6	1.6

# 9 Energy

- Introduction
- Performance in 2000-01
- Future targets and priorities
- Meeting environmental objectives
- Fuel poverty
- Competitiveness in energy markets
- Security of supply
- Nuclear energy

## Introduction

9.1. The Government is committed to working with others to ensure competitive energy markets, while achieving safe, secure and sustainable energy supplies. The role of the Department is to set out a fair and effective framework in which competition can flourish for the benefit of customers, the industry and suppliers, and which will contribute to the achievement of the UK's environmental and social objectives. These include the alleviation of fuel poverty, and maintaining the security and diversity of the UK energy sources.

## Performance in 2000-01

### Highlights of 2000-01

- Royal Assent was obtained for the Utilities Act 2000 updating energy regulation to put consumers at the centre and bringing the Gas and Electricity Markets Authority and Gas and Electricity Consumer Council, 'Energywatch', into being.
- The lifting of the stricter gas consents policy and introduction of the UK Coal Operating Aid Scheme.

- Further liberalisation and competition in European Energy markets with the implementation of the Electricity and Gas Liberalisation Directives.
- Publication of a consultation document specifying proportions of electricity from renewable sources for all licensed electricity suppliers.
- Publication of a consultation document on the Government's strategy for alleviating fuel poverty.
- Launch of a new cross-departmental programme to help tackle the nuclear legacy in the former Soviet Union.
- Launch of the 19th Round of offshore petroleum licensing and a consultation on a strategic environmental assessment of the areas offered.
- Agreement with the oil industry, in September 2000, of a Memorandum of Understanding on handling of fuel delivery disruptions

9.2. The Department's PSA targets for 1999 to 2002 are to maintain or improve levels of energy security, diversity, sustainability and competitive energy prices. The four areas being monitored are:

■ **Competitive energy prices.** Gas and electricity prices are monitored, and from 2001 the Department has a PSA target to ensure that these prices are in the lower half of the EU/G7 basket. Figures are not always available for all countries and Figure 9.1 shows the UK position relative to the number of countries for which data are currently available.

In 1999 average industrial gas prices in the UK were the lowest within the EU and second lowest in G7 countries<sup>3</sup>. Average domestic gas prices were fourth lowest within the EU and second lowest within the G7 countries. Early in 2000 there were large increases in the wholesale price of gas in the UK which have begun to feed through to final industrial users (see paragraph 9.25). The Government has taken action to investigate the causes of these increases.

In 1999 UK average industrial electricity prices were third lowest within the G7 and seventh lowest within the EU. In 1996 the UK ranked sixth lowest in the EU. Much of the change in ranking can be attributed to the increasing strength of sterling since 1997. In 1999 domestic electricity prices were in the lower half of the EU/G7 basket.

■ **Security.** The Department monitors electricity supply through supply interruptions and lost time. The number of interruptions and minutes lost depends heavily on the weather and other disturbances to electricity cables. Since 1997 both the number of interruptions and average time lost have declined. Oil stocks are also monitored, with a target to maintain national emergency oil stocks at, or above, levels required by international obligations. The targets were achieved with international obligations being met for 1999 and the first three quarters of 2000.

■ **Diversity.** The Department has targets to reach 5% of electricity generated from renewable sources by 2003, and 10% by 2010, subject to the costs to consumers being acceptable.

■ **Sustainability.** UK progress against international sustainability targets is set out in Figure 9.1. The underlying trend and projections contained in Energy Paper 68 *Energy Projections for the UK*, published in November 2000, suggest that the UK is on course to meet its Kyoto commitment to reduce emissions of greenhouse gases by 12.5 % by 2008–12 from 1990 levels. The Government's Climate Change Programme, also published in November 2000, puts in place a wide range of measures to reduce further emissions and move towards the domestic goal of a 20% reduction in CO<sub>2</sub> emissions. Sulphur (SO<sub>2</sub>) emissions in 1998 show a two-thirds reduction on 1980 levels, on course to achieving the target for 2010.

9.3. The Department also has a social target, reflected in the new set of PSA targets for 2001–04, to reduce fuel expenditure for those with lower incomes.

**FIGURE 9.1:** Performance against energy targets

Ranking of Average UK Energy Prices Compared to Average EU and G7 Prices <sup>2</sup> .					
		1997	1998	1999	
<b>COMPETITIVE ENERGY PRICES</b>					
<b>Electricity</b>					
Industrial	EU	10th lowest of 14	9th lowest of 14	7th lowest of 12	
	G7	3rd lowest of 6	3rd lowest of 6	3rd lowest of 6	
Domestic	EU	4th lowest of 15	4th lowest of 15	3rd lowest of 13	
	G7	2nd lowest of 6	2nd lowest of 6	2nd lowest of 6	
<b>Gas</b>					
Industrial	EU	Lowest of 10	Lowest of 8	Lowest of 8	
	G7	2nd lowest of 7	2nd lowest of 5	2nd lowest of 5	
Domestic	EU	4th lowest of 13	4th lowest of 12	4th lowest of 12	
	G7	2nd lowest of 7	2nd lowest of 5	2nd lowest of 5	
<b>Target</b>					<b>Achievements</b>
		<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
<b>SECURITY</b>					
To decrease level of electricity supply interruptions and time lost:					
Interruptions per 100 customers		89	88	78	81
Average time lost per connected customer in minutes		87	88	81	71
<b>DIVERSITY</b>					
Electricity generated from renewable sources to reach 5% by 2003 and 10% by 2010, subject to the cost to the consumer being acceptable.		2.1%	2.6%	2.8%	n/a
<b>SUSTAINABILITY</b>					
Greenhouse gas emissions: 12.5% below 1990 levels in the period 2008-2012*		-8.5%	-8.6%	-14.4%	n/a
CO2 emissions: 20% reduction by 2010*		-7.4%	-7.1%	-9.1%	n/a
SO2 emissions: 80% below 1980 levels by 2010*		-68%	-69%	-76%	n/a
		<b>1997-98</b>	<b>1998-99</b>	<b>1999-2000</b>	<b>2000-01</b>
<b>SOCIAL</b>					
To reduce fuel expenditure as a percentage of income for the lowest three income deciles to below 5% by 2003-04		8.1%	7.2%	7.0%	n/a

\*The 1999 Statistics for SO2 and greenhouse gas emissions are produced by the National Environmental Technology Centre, and will be published on 29 March by DETR.

## Future targets and priorities

### Priorities for 2001-04

- Implementation of the unified gas and electricity licensing regime under the Utilities Act.
- To promote effective competition in the gas supply industry through co-operation with Ofgem in market reform, particularly the interface with the offshore and the interconnector.
- Implement the New Electricity Trading Arrangements (NETA) for England and Wales.
- Launch the new Electricity and Gas Directives to bring further competition across EU energy markets.
- To contribute to the review of options for longer term energy choices announced in the Climate Change Programme.
- Negotiate appropriate arrangements to replace the EU coal state aids regime.
- Implement the strategy for alleviating fuel poverty.
- Staying on course to meet PILOT<sup>3</sup> targets for the oil/gas sector.
- Further develop the offshore environmental regime, so as to enable offshore environmental aims to be met.

9.4. The Department will continue to monitor its performance on energy objectives against two PSA targets for 2001-04:

- to ensure competitive gas and electricity prices in the lower half of the EU/G7 basket, while achieving security of supply and social and environmental objectives; and
- to improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in CO<sub>2</sub> emissions by 2010 (Joint with DETR).

## Meeting environmental objectives

### Climate change

- 9.5. The Department works to ensure that European and international policy on climate change takes account of the impact on business and that business is aware of its commercial opportunities as well as its obligations. The Department worked with DETR on the UK Climate Change Programme published in late 2000. The Department is also working to establish and run, with DETR, a 'Kyoto Mechanisms Office' to facilitate UK business involvement in Kyoto Protocol projects. The Department will also be working to contribute to the review of options for longer term energy choices, announced in the Climate Change Programme. This will be considering the scale of emission reductions that might be needed to meet longer term targets, in the light of projections of energy use and the scope and cost of low carbon or other energy efficiency options that may exist to bridge the gap.
- 9.6. The Department has been working with others on the climate change levy package, which was announced in 1999 for introduction in 2001. This includes negotiated agreements on energy efficiency for energy intensive sectors and a £150 million fund recycled from the revenues of the climate change levy. The package will be launched in April 2001 and will provide a 100% first year enhanced capital allowances scheme and the promotion of energy efficiency and 'new' sources of energy, with £39 million over three years to be allocated to DTI for funding of renewables.
- 9.7. The Department encouraged the establishment of the CBI/ACBE Emissions Trading Group to look at the options for introducing a domestic emissions trading scheme. The Government issued a consultation document on the proposed UK Emissions Trading Scheme in November 2000, with a view to launching it formally in April 2001. This will allow details of the scheme to be finalised before binding emission caps for companies bidding into the scheme are introduced in January 2002.

## Energy and the environment

9.8. The DTI Energy and Environment Programme provides scientific and economic analysis to support and inform energy policy, encompassing issues of security and diversity of supply, sustainable development, and supporting the maintenance and development of the DTI Energy Model. The largest portion of the fund is spent on climate change issues. It is anticipated that the Programme will continue to focus on all aspects of sustainable energy, including the effects of liberalisation of the UK and European energy markets.

## Developing sustainable energy sources

9.9. Following the substantial completion of the Government's reforms of the electricity market, the policy of stricter gas power station consents has been lifted. At the same time the Department introduced new guidelines which will require future proposals for gas-fired power stations to explore the potential for local Combined Heat and Power (CHP) technology, which has the potential to make a significant contribution to reducing emissions.

9.10. Renewables are a vital component of any cost-effective climate change strategy. The proportion of electricity generated from renewable sources of energy is expected to reach 5% by 2003, with a Government target of 10% by 2010, subject to the cost to the consumer being acceptable. The Government has initiated major policy initiatives to help create a favourable market structure to meet this target:

- a new Renewables Energy Obligation (and associated Scottish Renewables Obligation) that will set a requirement for electricity suppliers to supply a specified proportion of their supplies from renewable sources of energy;
- capital grants schemes to foster early demonstration projects on offshore wind and electricity from energy crops;
- exemption of renewables electricity from the Climate Change Levy;

- a major demonstration programme (announced in the *Opportunity for All* White Paper) to support installation of solar electric arrays (photovoltaics) on domestic and non domestic buildings; and

- development of a regional strategic approach and targets for renewable energy.

9.11. A major portfolio of R&D, technology transfer and export promotion activities is also being undertaken to support the development and deployment of sustainable energy sources and to ensure the UK has a strong renewables energy industry<sup>4</sup>.

9.12. The Government maintains strong support for the development of Cleaner Coal Technologies for UK and overseas markets and makes a financial contribution in partnership with industry and universities. The programme includes work on advanced power generation, coal-bed methane, underground coal gasification and carbon dioxide capture and storage and includes a number of technology transfer and export promotion activities in partnership with Trade Partners UK<sup>5</sup>. During 2001 the Government will undertake a review of the case for supporting the construction of cleaner coal demonstration plant in the UK.

## Fuel poverty

9.13. The Government's Fuel Poverty Strategy was published as a draft document on 23 February 2001. The first priority is to ensure that by 2010 no older householder, no family with children, and no householder who is disabled or has long-term illness need risk ill health due to a cold home. These householders are particularly vulnerable to the health consequences of fuel poverty. Once progress has been made on the priority vulnerable groups, the focus will be widened to include those healthy adult householders in fuel poverty. There are specific interim targets so that by 2004 at least a further 1 million vulnerable households will be taken out of fuel poverty. The strategy sets out a range of measures to deliver these targets:

- programmes to improve the energy efficiency of fuel poor households including home energy

<sup>4</sup> Further details can be found at [www.dti.gov.uk/renewables](http://www.dti.gov.uk/renewables).  
<sup>5</sup> Further details can be found at [www.dti.gov.uk/ent/coal](http://www.dti.gov.uk/ent/coal).

efficiency schemes, and through efforts by local authorities and registered social landlords;

- continuing action to maintain the downward pressure on fuel bills, ensuring fair treatment for the less well off and supporting the development of industry initiatives to combat fuel poverty; and
- continuing action to tackle poverty and social exclusion.

**9.14.** The energy sector can make an important contribution to the strategy, and the Government has introduced measures to support the energy sector's role including:

- new powers and duties in the Utilities Act 2000 relevant to tackling fuel poverty;
- asking the Regulator to develop a Social Action Plan, now in place;
- creating an independent Gas and Electricity Consumer Council, 'Energywatch', to act as a powerful consumer advocate; and
- encouraging the industry to bring forward initiatives to help tackle fuel poverty as part of their long-term commercial strategy.

## Competitiveness in energy markets

### The Utilities Act 2000

**9.15.** The Utilities Act 2000 replaced the two separate regulators for gas and electricity with a single regulator, the Gas and Electricity Markets Authority (GEMA), which has a primary duty to protect the consumer interest, where appropriate, through promoting effective competition. The Authority will have powers to impose financial penalties for breaches of licence conditions. The Act requires price-regulated energy utilities to publish the links, if any, between directors' pay and service levels achieved. Reforms to align gas and electricity licensing and a bar on any company holding both electricity distribution and supply licences, are provided under the legislation, and are in the course of development.

**9.16.** The Act also creates an independent Gas and Electricity Consumer Council (Energywatch), established in November 2000, with the job of investigating complaints, providing information and assistance to consumers, and advocating consumer interests. This brings together the Gas Consumer Council and the 14 Regional Electricity Consumer Councils into a single national body, in response to the increasing convergence of gas and electricity suppliers.

**9.17.** Under the Act the Department issues statutory guidance on social and environmental objectives for the gas and electricity sectors to the regulators. Ministers also have powers to regulate and promote energy efficiency and the generation of electricity from renewable sources.

### Energy markets

**9.18.** The extension of gas and electricity competition to the domestic market was completed in May 1999. By the end of September 2000, 5.7 million domestic gas consumers (29% of the total) were no longer with British Gas, whilst 5.0 million domestic electricity consumers (21% of the total) had transferred from their 'home' supplier.

**9.19.** There has been significant restructuring of the electricity sector since the introduction of competition in electricity supply. The Department provides sectoral advice to the Director General of Fair Trading on domestic mergers and in European mergers in which the UK has an interest. There is now greater competition in generation than at any time since privatisation.

**9.20.** The Department works to strengthen the competitiveness of the downstream gas sector, particularly to support supply chain activities in the liberalised market. Current work includes addressing industry skills shortages, assessing the impact of, and opportunities for, e-commerce throughout the supply chain, and for growing the gas market.

**9.21.** The introduction of domestic competition led to complaints surrounding the transfer process and suppliers' sales practices. Transfer-related complaints for gas reached 12 complaints per

1,000 registrations during 1999, but declined to 6 per 1,000 registrations in June 2000. The Government wishes to further reduce complaints on this issue and others, such as billing and metering. The Utilities Act provides powers to levy financial penalties on companies that breach licence conditions, including suppliers' sales practices, and Energywatch will also work to resolve complaints.

### **New Electricity Trading Arrangements (NETA)**

**9.22.** In October 1999 DTI and Ofgem published the NETA Conclusions Report setting out the blueprint for new wholesale trading arrangements for electricity in England and Wales. The Electricity Pool will be replaced by a series of bilateral markets designed to encourage competition and to remove the current distortions in the market. The arrangements will consist of a forward market, a screen-based short-term power exchange, a balancing mechanism (operated by the National Grid Company), a settlement process and associated derivatives markets. The Utilities Act contains the powers necessary for the implementation of NETA which is scheduled to go live on 27 March 2001.

### **Coal subsidy**

**9.23.** The UK coal industry faces transitional difficulties, despite being the most efficient in Europe, as a result of low world coal prices and the lifting of the stricter gas consent policy. The UK Coal Operating Aid Scheme was approved by the European Commission in November 2000. It provides for temporary aid to the coal industry during the transition to a reformed electricity market. The Scheme is designed to allow those elements of the coal industry with a viable future without aid to overcome short-term market problems, and to prevent a sudden and sharp decline in the size of the industry.

### **Liberalisation in Europe**

**9.24.** The Electricity Directive has been implemented by all EU Member States since February 1999 and, with the exception of France, all have now also implemented the Gas Directive. The majority of Member States are opening up their markets more quickly than required under the Directives and significant restructuring within

national industries is taking place, such as in the German, Spanish and Italian industries. The Department is working with other Member States to develop transmission pricing and congestion management mechanisms. This will take the form of a new Electricity and Gas Directive and regulations to facilitate cross-border trading in electricity.

### **Gas and electricity price developments**

**9.25.** Since Spring 2000 wholesale gas prices have doubled. (see para 9.2) This has had a serious effect on industrial and commercial customers and is now beginning to impact on domestic customers. An important reason behind this increase has been the arbitrage across the GB-Belgium interconnector with high oil-related gas prices in Europe. This has resulted from lack of liberalisation and competition and the consequent lack of competition between suppliers of gas. The Department has a three point strategy to address the situation. First, it is working with the EU Commission to encourage greater competition and liberalisation in Europe; secondly, working to improve the operation of the UK market, and thirdly, action is being taken against uncompetitive behaviour.

**9.26.** The Government continues to exert downward pressure on electricity prices. Greater competition in generation, the impending introduction of NETA and tough reviews on distribution charges and competition in electricity supply are all contributing to lower prices this year. Wholesale prices have fallen by approximately 20% between mid-1999 and the present.

### **Security of supply**

#### **Emergency arrangements**

**9.27.** Emergency arrangements for the energy sector are being updated in the light of lessons learnt from the recent fuel crisis, in close consultation with the industry.

**Oil stocks**

- 9.28.** The UK could be adversely affected by a serious disruption in international oil supplies through the impact on the economy of a shortage of oil products. A European Directive places an obligation on Member States to hold stocks of oil to reduce the impact of such a disruption in supplies. As a result, the UK is required to hold contingency oil stocks that are equivalent to 67.5 days of average daily national consumption during the preceding calendar year. These stocks, which are held and owned by industry and not government, are for emergency purposes and are not a price management tool.
- 9.29.** The Department has continued to seek a more cost-effective approach to the management of contingency oil stocks through the establishment of bilateral oil stocking agreements with other EU member states. And, in EU and IEA meetings, the Department has argued that the level of contingency stocks should periodically be reassessed to ensure that the costs of holding emergency oil stocks are in proportion to the risks associated with a supply disruption.

**Electricity Supply Regulations**

- 9.30.** The Department is responsible for the policy formulation, implementation and enforcement of the Electricity Supply Regulations 1988 which govern the quality, continuity and safety of electricity supply in Great Britain. It carries out investigations under these regulations in accordance with a published Code of Practice for Enforcement. Thirty formal investigations and inspections were carried out during 2000-01 and 3 enforcement notices were served on electricity companies. In order to bring the existing regulations into line with the new provisions of the Utilities Act 2000 a consultation exercise was carried out on new electricity supply regulations which it is proposed will come into force on October 20, 2001.
- 9.31.** The Department is also responsible for conducting public inquiries and hearings into contested proposals (overhead lines, underground cables, power stations, substations, telecommunication masts and gas pipelines) of the gas and electricity supply industries. A total of 18 requests for Inspectors to carry out public

inquiries and hearings were made in 2000-01 and nine were held.

**Oil and gas upstream**

- 9.32.** The Department promotes the exploration of the UK Continental Shelf (UKCS) for new oil and gas fields and seeks to ensure the maximum recovery of hydrocarbon resources, while protecting the environment and the interests of land and sea users. The 19th Round of offshore licensing was announced on 10 November 2000 inviting applications for petroleum licences over blocks between the Faroes and Shetland Islands. It is expected that licences will be awarded in the second quarter of 2001. Licence awards in the 9th round of landward licensing which made available for application all available acreage in Great Britain above the high water mark, concluded in January 2001.
- 9.33.** Following lengthy public consultations, Regulations to apply the Habitats Directive to offshore oil and gas activities should come into force in April 2001. The Regulations will provide a robust legal basis for the award of the licenses in the 19th and subsequent licensing rounds. Public consultation began in December 2000 and will end on 31 March 2001 on proposals under the Pollution Prevention and Control Act 1999 for statutory controls on chemicals used and discharged offshore. Regulations controlling emissions from offshore combustion installations were presented to Parliament in February 2001. New regulations which arise as a result of the Donaldson Report on accidental oil spills are being prepared. The Maritime and Coastguard Agency and the DTI will be conducting a joint national exercise in February 2002 to assess their readiness for dealing with a major offshore pollution incident.
- 9.34.** The Department funds two research programmes to support its regulation and licensing activities: the Sustainable Hydrocarbon Additional Recovery Programme (SHARP) and the Offshore Geology Programme. As part of the Department's continuing programmes, work was carried out in 2000-01 to enable the UK to make a submission to the Boundary Commission under the UN Convention on the Law of the Sea (UNCLOS), and surveys were

undertaken to aid in the further assessment of the environment to the west of Shetland and other areas of the North Sea.

- 9.35. The Department is working with the oil and gas sector to deliver a number of key targets for 2010, through the PILOT initiative. These include investment sustained at £3 billion per annum; production at 3 million barrels of oil equivalent per day and prolonged self sufficiency in oil and gas. The initiative also aims to increase by 50% exports in oil and gas supply products (by 2005); create £1 billion additional value of new business and support up to 100,000 additional jobs.

## Nuclear energy

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### Nuclear security

- 9.36. The Office for Civil Nuclear Security (previously UKAEA Directorate of Civil Nuclear Security) was transferred to the DTI on 1 October 2000. The Office has been re-established on a new footing appropriate for a regulator independent of the civil nuclear industry. It will have operational and regulatory autonomy within DTI to fulfil its primary responsibility for the regulation of security in the civil nuclear industry, including setting security standards and carrying out inspections. It also manages the UK's programme of technical assistance to countries in Eastern Europe and the Former Soviet Union to improve security at their civil nuclear sites.

### Nuclear safety and security in Eastern Europe and the Former Soviet Union

- 9.37. Following a cross cutting review carried out between December 1999 and July 2000 the Government announced a new interdepartmental programme with a budget of £83.8 million from 2001-04 to tackle nuclear problems in the former Soviet Union. In future all UK expenditure in this area will come from this budget. Overall priorities for this programme will be set on the advice of an interdepartmental committee. The new programme will be managed by the DTI.

- 9.38. The programme will incorporate existing UK efforts to improve nuclear safety in the FSU (e.g. the UK's contribution to the Chernobyl Shelter Fund, and the UK's bilateral nuclear safety programme), as well as providing funding for new areas, such as disposal of surplus weapons plutonium and measures to improve security at nuclear sites in Russia. Programme objectives will be met by a mixture of contributing to multilateral initiatives in this area and through bilateral measures.

### Nuclear fusion

- 9.39. The Department funds a fusion research programme, managed and undertaken by UKAEA. The programme includes contributions to the EU's fusion research programme and the Joint European Torus (JET) a leading experimental fusion research facility at Culham in Oxfordshire. An evaluation of the fusion programme is currently underway. Management of the JET project was transferred to UKAEA on 1 January 2000.

**FIGURE 9.2:** Expenditure on energy (£ million)

Main estimates 2001-02: Request for Resources 1 Functions C, N, V (Legal and regulatory framework and markets), AA (Petroleum licensing and royalties), AB (Privatisation expenses and refunds of pensions adjustments), and UKAEA Superannuation Funds Request for Resources (Effective management of UKAEA superannuation schemes).

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Total nuclear and non nuclear expenditure	44.8	50.7	88.9	98.4	106.1
<b>Nuclear<sup>a</sup></b>	<b>23.8</b>	<b>24.0</b>	<b>43.8</b>	<b>47.3</b>	<b>52.3</b>
of which:					
Fusion	14.4	14.3	14.3	14.3	14.3
Nuclear support to the Former Soviet Union	3.7	3.5	23.7	27.1	32.2
Emergency planning work	2.1	2.2	2.2	2.2	2.2
Nuclear Energy Agency subscriptions	0.3	0.4	0.4	0.4	0.4
other nuclear	3.3	3.5	3.3	3.3	3.3
<b>Non-nuclear<sup>b</sup></b>	<b>21.0</b>	<b>26.7</b>	<b>45.1</b>	<b>51.1</b>	<b>53.8</b>
of which :					
Renewable and novel sources of energy	10.6	13.6	18.0	20.5	23.0
Renewable capital grants scheme	0.0	0.0	13.0	13.0	13.0
cleaner coal technology	2.5	4.1	4.9	8.3	8.4
OG competitiveness	1.3	1.5	1.5	1.5	1.5
offshore geology	0.6	0.7	0.7	0.7	0.7
SHARP	2.1	2.5	2.5	2.5	2.5
energy & environment	0.5	0.5	0.5	0.5	0.5
UNCLOS	1.0	0.2	0	0.1	0.1
Other non nuclear	2.4	3.6	4.0	4.0	4.1

<sup>a</sup>See also Chapter 15 – DTI-managed Liabilities for expenditure on Grant-in-Aid to UKAEA and Nuclear Decommissioning

<sup>b</sup>See Chapter 15 – DTI-managed Liabilities for expenditure on the Coal Operating Aid Scheme.

# 10 The Regulatory Framework

- Introduction
- Performance in 2000-01 and future targets and priorities
- Maintaining the framework of company law
- Company investigations
- Controlling strategic exports
- Protecting the environment

## Introduction

10.1. One of the Department's principal objectives is to ensure that markets operate within a regulatory framework which promotes fairness and sustainability. DTI is fully committed to the principles of better regulation: transparency, accountability, targeting, consistency and proportionality. This chapter details how this objective is being taken forward in company law, strategic export controls and environmental protection<sup>1</sup>.

## Performance in 2000-01 and future targets and priorities

10.2. The Department introduced 94 regulations from 1 April 2000 to 31 December 2000. Of these, 20 imposed costs on business with less than half imposing significant costs, 9 led to savings and 65 had a negligible or no impact. This compares with 172 regulations introduced in 1999-2000 financial year, of which 19 imposed costs on business, 18 led to savings and 135 had negligible or no impact. During the period from 1 April 2000 to 31 December 2000 the Department published Regulatory Impact Assessments and also reformed the way these Assessments are made<sup>2</sup>.

10.3. The Department has a target to complete company investigations (under Section 447 of the

## Highlights of 2000-01

- The Insolvency Act received royal assent in December 2000.
- The Limited Liability Partnerships Act 2000 established a new form of corporate business vehicle.
- The first Order under section 8 of the Electronic Communications Act 2000 entered into force on 22 December 2000. It increases companies' ability to communicate electronically with shareholders and Companies House.
- Continued progress in the fundamental review of company law, with a further major consultation document published on 30 November 2000.
- Nuclear Safeguards Act 2000 received Royal Assent on 25 May 2000.

Companies Act 1985) within an average of 188 days per internal investigation from receipt of a complaint. In the eleven months from April 2000 – February 2001, the Department completed 149 company investigations averaging completion within 175 days and meeting the target. The Department also met this target for 1999-2000, although the subsidiary target of delivering findings within 90 days of formal appointment of investigators under the Act was

<sup>1</sup> Chapters 8-12 detail the Departments' regulatory activities in support of open markets, energy, consumer policy and employment relations respectively. Chapter 17 – The Public Corporations, provides information on regulation of postal services.

## Priorities for 2001-04

- Publishing a White Paper outlining the Government's response to the Company Law Review and its plans for new companies legislation.
- Reform insolvency law to favour honest businesses and individuals while cracking down on the fraudulent or irresponsible.
- Publishing and introducing a Bill to implement proposals in the White Paper on Strategic Export Controls
- Transferring the main enforcement role for insider dealings from the Department to the Financial Services Authority following the implementation of the Financial Services and Markets Act 2000.

slightly exceeded. The Department also met its target of 98 days to decide upon acceptance or rejection of a complaint and to allocate an accepted complaint to an available investigator.

- 10.4. The Government's commitments for export licensing are set out in the Export Control Organisation's (ECO) Service and Performance Code. The target is to provide a substantive response to applications for standard individual export licences (SIELs) within 20 working days of the provision of full documentation by exporters for 70% of applications<sup>3</sup>. In the calendar year 2000 some 57% of cases were processed within this target period. Complaint levels for 2000-2001 were lower than for 1999-2000. ECO is planning to improve the effectiveness of licensing and the service to customers by allowing exporters to send in applications and accompanying documents over the Internet by 2002.
- 10.5. The ECO also provides advice to companies on whether or not their goods are controlled (termed 'ratings' advice). The target is to provide such advice within 10 working days for inquiries that do not need to be circulated to other Government Departments and 20 working days

if they do. For both these measures the target is 90%. These targets were met in some 58% and 51% of cases respectively during the calendar year 2000.

- 10.6. In relation to the licensing of chemicals covered by the Chemical Weapons Convention, the Department has a target to issue 100% of import licences and individual production and possession/use licences within ten working days of receipt of a complete application. This target was met for 2000.

## Maintaining the framework of Company Law

### Company Law Review

- 10.7. The fundamental and long-term Review of Company Law was set in hand by the Government in March 1998, in order to ensure that Britain has a modern, efficient and cost-effective framework for carrying out business activity. Over the year the independent Steering Group established to oversee the Review published a further major consultation document *Completing the Structure* reporting on work over the previous nine months as well as more technical consultation documents on specific areas of company law. The Steering Group remains on track to present its final report and recommendations to Government in May 2001.

### E-commerce

- 10.8. The Companies Act 1985 (Electronic Communications) Order 2000 was laid in Parliament in October 2000, and entered into force on 22 December 2000 after debates in both Houses. The Order was the first to be laid under section 8 of the Electronic Communications Act 2000. The Order amends the Companies Act to enable companies to use electronic communications to incorporate and re-register at Companies House<sup>4</sup> and to provide information to shareholders. The Order also allows shareholders to lodge proxies electronically.

## Cross-cutting themes: Lightning the Load on Business

Regulation is a subject which impacts upon both business and individuals. The Department aims to eliminate unnecessary regulation and minimise the burdens imposed by necessary regulation. The following measures have been introduced:

- Revision of Regulatory Impact Assessments. See Chapter 1.
- The introduction of improved consultation arrangements ensuring business is alerted to new regulation at least twelve weeks before it comes into force will also help business adapt to regulatory changes.
- Representing the views of small businesses in the policy making process. See Chapter 3
- The Electronic Communications Act has created powers to remove regulatory obstacles to the use of electronic communication instead of paper. See Chapter 2.
- A reduction in the translation requirements for European patents will save British applicants £5 – 6.5 million per year. See Chapter 4.

### Political donations by companies

- 10.9. The Political Parties, Elections and Referendums Act 2000 establishes a new regime for the control of political donations and expenditure by companies. The relevant provisions of the Act which amend the Companies Act 1985 came into force on 16 February 2001.

### Partnership Law

- 10.10. During 2000 the Department granted a number of exemptions to section 716 of the Companies Act 1985 which prohibits the formation of partnerships with a total number of partners greater than 20. In September 2000 the English and Scottish Law Commissions published their consultation document on reform of the law of partnership law. In Spring 2001 the Department, with the agreement of the English and Scottish Law Commissions, is expected to publish a consultation document on removing the 20-partner limit entirely by means of a regulatory reform order.

### Limited Liability Partnerships

- 10.11. The Limited Liability Partnerships (LLP) Act received Royal Assent in July 2000. The LLP Act creates an additional choice of corporate vehicle for British business. The main feature of this new limited liability entity is that it combines the organisational flexibility and tax status of a partnership with limited liability for its

members. The Regulations that will govern LLPs apply the provisions of the Companies Act 1985 and the Insolvency Act 1986, with appropriate modifications. In particular, there will be a requirement for financial disclosure equivalent to that of a company, members of an LLP can be sued for wrongful and fraudulent trading, as can company directors, and there will be specific provisions to protect creditors from the siphoning off of funds by members.

- 10.12. At this stage it is difficult to estimate the likely uptake of LLPs by new and existing firms, however, an independent survey by Companies House suggested there would be in the region of 8000 registrations in the first 3 years. Registration is with Companies House and will be available from 6 April 2001.

### Independent regulation of the accountancy profession

- 10.13. Most of the elements of a new non-statutory framework for the independent regulation of the accountancy profession are in place and the system is expected to be fully operational by April 2001. This meets a commitment in the Government's Business Manifesto and follows an agreement between the Government and the principal accountancy bodies in 1999. The Accountancy Foundation heads the new structure, under which there is a Review Board

and bodies responsible for ethics, setting auditing standards and for overseeing the investigation of public interest disciplinary cases. The Accountancy Foundation is finalising the appointment of lay and professional members to the operational bodies in the first part of 2001 and appointed a Review Board Director in October 2000.

### **Small companies and financial reporting**

**10.14.** In April 2000 the Secretary of State announced his intention to increase the threshold below which small companies do not need to audit their accounts. The threshold has now increased to £1 million turnover for financial periods ending on or after 26 July 2000. Further decisions will be made in the light of the final recommendations by the independent Company Law Review, together with a decision on whether any other form of assurance is required for companies in the £1 million to £4.8 million turnover range.

### **European instruments**

**10.15.** The Council of Ministers adopted its common position on the proposed Takeovers Directive on 19 June 2000. Once agreed, the Directive will establish minimum levels of protection for shareholders in companies which are subject to a takeover bid. In December 2000 the European Parliament adopted a number of amendments to the text, the great majority of which are unacceptable to the UK, other Member States and the Commission. A process of conciliation between the Council and the Parliament will take place during the first half of 2001, with a view to producing a jointly-agreed text for formal adoption during 2001.

**10.16.** In December 2000 the Council of Ministers reached political agreement on the European Company Statute (ECS). The ECS would create a new legal entity the Societas Europaea (SE), which could be adopted by companies wishing to reorganise their business on a European level. The Commission's original proposal was made as far back as 1970, and negotiations since then have been difficult, so the agreement in December is a significant achievement. The proposal is due to be sent to the European Parliament for its opinion in early 2001. Final

adoption of the measure is expected during 2001, though the SE vehicle will not be available for a further three years.

**10.17.** The Department strongly supported the deregulatory measures proposed in the *SLIM* (Simpler Legislation for the Internal Market) report on modernisation of the 1st and 2nd Company Law Directives when the report was discussed in October 1999 and June 2000. The Commission is expected to bring forward proposals during 2001 for amending the Directives in the light of the report and subsequent discussions.

### **International Accounting Standards (IAS)/EU Financial Reporting Strategy**

**10.18.** In June 2000 the European Commission published a Communication proposing that all EU listed companies be required to comply with international accounting standards (IAS) by 2005. This would help establish a set of strong and effective global accounting standards and would produce major advantages for both companies and users of financial statements. The Communication proposes the establishment of an EU Endorsement Mechanism to integrate IAS into EU law, detailed proposals for which were published in February 2001. The Department is seeking to ensure that the Endorsement Mechanism allows IAS to be introduced quickly and effectively and that directives be amended so that they are kept in line with international accounting practice.

**10.19.** The Department has also been negotiating an amendment to the 4th and 7th EU Accounting Directives to allow companies to value their financial instruments at 'fair value'. This would allow the implementation of IAS 39 in the EU and is an important step in preparation for the adoption of IAS by 2005.

### **Other company law reform projects**

**10.20.** A consultative document is to be issued seeking comments on draft regulations which will allow companies which have purchased their own shares to hold them in treasury for resale at a later date, instead of being required to cancel them.

## Company investigations

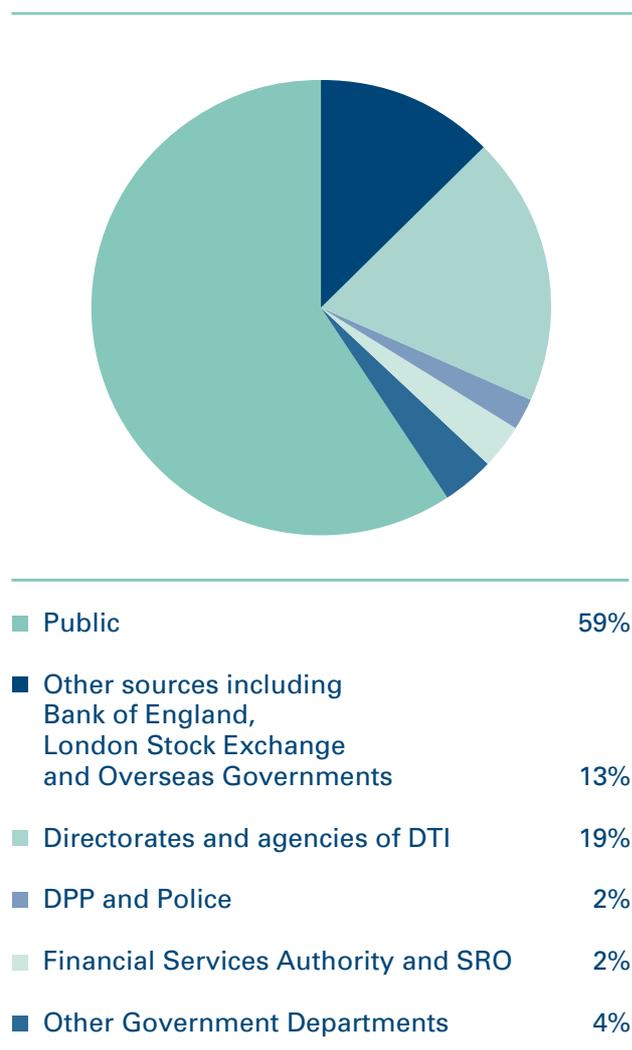
10.21. The Department is responsible for enforcement measures necessary to maintain an effective framework for commercial activity and deal with unacceptable business behaviour. The Secretary of State has powers to enquire, to investigate and to appoint inspectors where fraud or misconduct is suspected, where shareholders have been denied reasonable information, or where he considers it to be in the public interest. In 1999–2000 some 59% of requests for company investigations came from the general public (Figure 10.1).

10.22. In the eleven months from April 2000 to February 2001, the Department completed 149 Company Investigations (under Section 447 of

the Companies Act 1985), averaging completion within 175 days per internal investigation from receipt of a complaint and meeting the target of an average 188 days to complete. In 1999–2000, there were 37 disqualifications and 13 convictions as a result of earlier investigations, and 41 companies were wound up by order of the Court on petitions presented by the Secretary of State.

10.23. In cases of strong public interest the Department is also able to appoint inspectors to investigate the affairs of a company and report publicly on their findings. In January 2000 inspectors were appointed to investigate and report on the affairs of TransTec PLC, but no further inspectors have been appointed since then.

**Figure 10.1** Sources of complaints leading to company investigations in 1999–2000



## Prosecutions and disqualifications

10.24. The Department is a prosecuting authority under the Acts for which the Department has enforcement responsibility (in particular the Companies Acts 1985 and 1989, the Financial Services Act 1986 and the Insolvency Act 1986). The Department also prosecutes under the Theft Acts. Investigations and prosecutions range from the more serious offences such as insider dealing and fraudulent trading, through offences arising out of insolvency proceedings (for example, the concealment of assets), to failure to keep proper accounting records.

10.25. In the period from April 2000 to January 2001 the Department's prosecution team completed 342 prosecutions (compared with 313 from April 1999 to January 2000), mainly following referrals by the Insolvency Service. Convictions were obtained in around 86% of these cases. A further 614 cases (compared with 904 from April 1999 to January 2000) were considered with a view to prosecution or other action. In some of these cases no further action was judged appropriate, whilst in others there were various outcomes including the sending of warning letters.

10.26. The Department has responsibility for bringing applications to court which seek to disqualify directors of limited companies where there is evidence of unfit conduct (e.g. where it can be

shown that they have abused the privilege of limited liability). The Insolvency Service<sup>5</sup> is responsible for the majority of applications, and secured 1,540 disqualification orders in 1999–2000, an increase of 20% over 1998–1999.

- 10.27. The Insolvency Act introduces disqualification by consent which will be brought into force during 2001 by statutory instrument. Disqualification by consent should reduce the burden on the courts and provide earlier protection for the trading community.

### The Insolvency Act

- 10.28. The Insolvency Act 2000 received royal assent in December 2000. The new Act provides for a moratorium in the company voluntary arrangement procedure which will help give more time to businesses which are experiencing short-term problems to agree a rescue proposal with their creditors. This moratorium will stop creditors taking legal action against the assets of the business before it has had the chance to agree a solution to the problem with its creditors.

### Reforming insolvency law and company rescue mechanisms

- 10.29. The Report of the joint DTI/Treasury Review of Company Rescue and Business Reconstruction Mechanisms was published for consultation on 2 November 2000. The Review considered what more might be done to promote a rescue culture, particularly for small and medium size companies, focusing principally on the rights of secured creditors in insolvencies, the preferential position of the Crown and the role of the insolvency profession. Responses to the consultation (which closed on 2 February 2001) are being studied. Several recommendations in the Review Report urged the Inland Revenue and HM Customs & Excise to adopt a more commercial and integrated approach when considering proposals for company voluntary arrangements. The revenue departments have now announced the setting up of a joint unit, operational from 1 April 2001, to deal with all such proposals.

- 10.30. In February 2001, the White Paper *Opportunity for all in a world of change*, announced a reform of insolvency law to help enhance entrepreneurial culture. The reforms will aim to strike the right balance between dealing proportionately with financial failure and assuring creditors that such cases are handled efficiently and effectively. New legislation will be introduced as soon as Parliamentary time allows to bring business insolvency law and practice up to date.

### Personal bankruptcy

- 10.31. A review of the law relating to personal bankruptcy, and in particular the stigma attached to financial failure, has been undertaken by the Insolvency Service. The review considered the barriers that the law puts in the way of someone who has failed in business but who wishes to try again. The policy proposals outlined in the June 2000 consultation document *Bankruptcy: A Fresh Start* continue to be developed. A principal feature of what is proposed will be a reduction in the term of bankruptcy for the vast majority of honest bankrupts whilst imposing potentially lengthy restrictions on those whose failure is shown to be the result of fraudulent, irresponsible or negligent conduct.

### Financial Services and Markets Act

- 10.32. In July 2000 the Financial Services and Markets Act received Royal Assent. The Act is designed to overhaul the regulatory system for financial services. It gives the Financial Services Authority (FSA) a comprehensive and coherent set of powers to operate a single regime for authorisation and regulation of financial services. The Act includes powers (yet to be brought into force) for the Secretary of State and the FSA to investigate a variety of matters including cases of suspected insider dealing and market abuse, and is intended to replace and enhance the investigation powers exercised under the Financial Services Act 1986.
- 10.33. The Department's role as enforcer of the insider dealing provisions of the Financial Services Act will change with the full implementation of the Financial Services and Markets Act in the second half of 2001 when the FSA will become the main enforcer in this area.

## Controlling strategic exports

- 10.34.** The Government is strongly committed to preventing the proliferation of Weapons of Mass Destruction (WMD): nuclear, chemical and biological weapons, and missiles capable of delivering such weapons. The Department works closely with other departments, principally the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MoD), and participates fully in the work of the relevant international organisations. The Department seeks to ensure that the UK meets its international obligations without imposing unnecessary burdens on business.
- 10.35.** Licences to export arms and other goods controlled for strategic reasons are issued by the Secretary of State for Trade and Industry, acting through the Department's Export Control Organisation (ECO). All licence applications are circulated to other Departments with an interest, including FCO, MoD and the Department for International Development. The ECO is also the licensing authority with respect to specific trade sanctions imposed in accordance with resolutions of the UN Security Council.

### Export Control Bill

- 10.36.** Work has continued on reviewing the proposals for new export control legislation, as set out in the 1998 White Paper on Strategic Export Controls (Cm 3989). In September 2000, the Secretary of State announced that trafficking and brokering in weapons would be subject to a system of licensing. As announced in the Queen's Speech in December 2000, the Government plans to publish a draft Export Control Bill during the current session of Parliament for public consultation.

### EC regulation on dual-use items

- 10.37.** A new Council Regulation was agreed in June 2000 to extend export controls to electronic transfers of dual-use technology and software. The new Regulation came into force on 28 September 2000, and the Department introduced secondary legislation to implement it. Parallel provisions in respect of military items will be introduced under new powers to control the transfer of technology by intangible means.

These powers will also be used to implement a European Union Joint Action to control technical assistance outside the European Union in respect of weapons of mass destruction.

### Non-proliferation

- 10.38.** The Nuclear Safeguards Act 2000 received Royal Assent on 25 May 2000. The Act provides the legislative basis for entry into force of the Additional Protocol to the 1976 Safeguards Agreement signed by the UK, the International Atomic Energy Agency (IAEA) and the European Atomic Energy Community (Euratom) in 1998. Entry into force also requires the approval of Euratom, and in the interim the Department is providing the IAEA with voluntary declarations of information on nuclear-related activities on the timescales specified in the Additional Protocol<sup>6</sup>. The purpose of the Additional Protocol is to strengthen the ability of the IAEA to detect undeclared nuclear activities of the kind that came to light in Iraq after the Gulf War.
- 10.39.** In April and May 2000 the Department participated with other government departments in the Review Conference of the Nuclear Non-Proliferation Treaty (NPT). The Conference adopted a Final Document which reviews the operation of the NPT over the past five years and sets out a programme of work. This was the first time since 1985 that the Conference had adopted a Final Document by consensus.
- 10.40.** The Department's Safeguards Office works to ensure UK compliance with its international obligations towards the IAEA and Euratom and, in particular, that formal safeguards documentation is forwarded to Euratom and UK nuclear operators within the specified timescale. In response to a commitment given to Parliament, a comprehensive report on past withdrawals of nuclear material from safeguards was made public.
- 10.41.** The Department funds the Safeguards Support Programme, which enables the UK to provide R&D and other technical assistance in support of the IAEA's nuclear safeguards system, and assists the UK in meeting its own safeguards obligations in an effective and efficient manner.

<sup>6</sup> An annual update for 1999 was provided on 10 May 2000, and quarterly declarations of exports of specified equipment have also been provided.

One particular focus of the programme during the year was to support the IAEA's continuing efforts to develop an 'integrated safeguards system' combining traditional safeguards measures with those becoming available under the new additional protocols.

**10.42.** Work continues in order to implement the Chemical Weapons Convention (CWC) in the UK. The Department, as the CWC National Authority, submitted declarations on past and future activities relating to chemicals covered by the CWC, as well as other declarations required by the Convention, to the Organisation for the Prohibition of Chemical Weapons (OPCW). During the year, the OPCW carried out a number of further inspections, including routine re-inspections, of defence and industrial facilities. The Department was able to ensure that the UK continued to demonstrate compliance with its international obligations under the CWC, and all OPCW inspections were completed satisfactorily.

**10.43.** International negotiations on a Verification Protocol to the 1972 Biological and Toxin Weapons Convention (BTWC) were intensified in an attempt to bring them to a conclusion before the BTWC Review Conference scheduled for November 2001. The Department continues to play a full role in the negotiations and to consult those in industry and academia most likely to be affected.

## Protecting the environment

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**10.44.** DTI works closely with DETR to ensure that the development and implementation of policy on the protection of the environment does not place unnecessary burdens on business. At the European level the Department has been involved in negotiations on the revision of the Large Combustion Plants Directive (88/609/EC), and the National Emissions Ceilings Directive, (both of which reached Common Position in June 2000), the Water Framework Directive and the new regulation on ozone depleting substances, which came into force from October 2000. The new Pollution Prevention and Control (PPC) Regulations came into force on 1 August 2000 and are designed to

substantially revise the legal framework for integrating the regulation of industrial pollution. The Department will be working with the Environment Agency, DETR and industry to ensure that the PPC Regulations are implemented in a way that minimises bureaucracy and promotes clarity for business.

**10.45.** DTI is responsible for the development and implementation of policy on commercial recycling, including EC recycling legislation. In 2001, the Department will be negotiating the draft EC Waste Electrical and Electronic Equipment Directives and the expected revision of the Batteries Directive, as well as preparing for their implementation. The Department contributes to DETR's monitoring of the UK's Packaging Waste Regulations to ensure EC targets for recovery and recycling of packaging waste are met. With DETR, the Department is taking forward the Government's producer responsibility initiative, under which businesses are encouraged to take a share of the responsibility for managing their products over the complete product life-cycle.

**10.46.** DTI is responsible for implementing the EC End of Life Vehicles (ELV) Directive, which came into force in October 2000 and each member state has 18 months for transposition. The Department is working with other Government departments and industry to ensure that implementation in the UK achieves the important environmental benefits without imposing disproportionate costs on business. The ELV Directive is designed to reduce the amount of waste arising from the scrapping of vehicles. In particular it aims to increase reuse and recovery rates to 85% by weight by 2006 and 95% by 2015. It will also require vehicle manufacturers to design their products with recycling and reuse in mind, require systems to be set up to ensure all ELVs are collected into an approved dismantling chain and set improved treatment standards which vehicle dismantlers and scrap metal dealers must meet.

**FIGURE 10.2:** Expenditure on corporate law, investor protection and non-proliferation (£ million)

Main estimates 2001-02: Request for Resource 1 Functions C, N and X.

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Corporate law and investor protection</b>	<b>19.4</b>	<b>21.9</b>	<b>23.0</b>	<b>23.2</b>	<b>23.2</b>
of which:					
Investor protection	3.2	4.6	6.4	6.1	6.2
Financial reporting and company law	0.9	1.2	1.3	1.4	1.2
Disqualification of Directors	13.0	14.3	13.0	13.3	13.4
Companies House late filing penalties	2.3	1.8	2.3	2.4	2.4
<b>Non-Proliferation*</b>	<b>12.0</b>	<b>12.3</b>	<b>15.2</b>	<b>16.2</b>	<b>16.6</b>
of which:					
IAEA	8.5	8.9	10.2	10.4	10.6
OPCW	2.0	2.0	3.1	3.3	3.5
OPBW	0	0	0.4	1.0	1.0
Nuclear Safeguards	1.5	1.4	1.5	1.5	1.5

\*The 2000-01 figures reflect latest forecasts.

## 11

## Consumer Policy

- Introduction
- Performance in 2000-01 and future targets and priorities
- Helping consumers get better information and advice
- A better deal for consumers
- A better deal for e-shoppers
- Modernising consumer institutions
- Reducing accidents in the home
- Working in Europe and internationally

## Introduction

11.1. In its 1999 White Paper, *Modern Markets: Confident Consumers*, (Cm 4410) the Department set out a comprehensive strategy to put consumers centre stage. Informed and demanding consumers spur innovation and help business competitiveness. Consumer policy aims to protect all in society, particularly the disadvantaged, from unsafe products, unfair practices and rogue traders. It is at the heart of the twin aims of competitiveness and social justice. The White Paper set out a number of principles which guide the Department's work:

- open, competitive markets offer the best guarantee of a good deal;
- looking first for market-based solutions, empowering consumers through better education, information and advice;
- encouraging self regulation through effective codes of practice, helping people identify good traders;
- regulating where the risks to public health and wellbeing are unacceptable or where other options have been tried but failed;
- consistent and proportionate enforcement of consumer laws, targeted at the rogues and not

penalising the company that makes the occasional honest mistake; and

- focusing on the areas of greatest concern to consumers, based on in-depth research of their needs.

## Performance in 2000-01 and future targets and priorities

### Highlights of 2000-01

- Launch of Consumer Support Networks.
- New Consumer Councils set up for gas and electricity and postal services, and new remit given to National Consumer Council.
- New protection given to home shoppers through implementing the Distance Selling Directive.
- Introduction of Stop Now orders to clamp down on rogue traders.
- New rules proposed to improve transparency of prices and ensure a full pint.
- New Home Safety Network set up.
- New systems and rules to protect e-consumers buying on the web.
- Major Indebtedness Conference agreed new drive to reduce consumer debt.

## Priorities for 2001-04

- Improving consumer advice and information through national roll-out of Consumer Support Networks (CSNs), and piloting helplines on advice and debt.
- New structure and responsibilities for the Office of Fair Trading.
- New Performance Indicators for Trading Standards Departments.
- Codes of Practice for consumer information and protection.
- The Modernisation Fund, introduced to support improved trading standards performance and effectiveness.
- Enhancing consumer protection through changes to Sale of Goods Legislation.
- Improving consumer safety through information and regulation and reducing home accidents through targeted campaigning.

11.2. The Department has set a PSA target for 2001-04 to achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information (part of PSA Target 7 announced in the Spending Review 2000).

11.3. This PSA target is underpinned by four Service Delivery Agreement targets:

- 20% reduction in accidental home deaths over the next five years;
- 100% of Trading Standards Departments signed up to the enforcement concordat by April 2002 and to have national performance targets for Trading Standards Departments by April 2002;
- the establishment of an effective system of national target setting, monitoring and reporting for Trading Standards Departments by April 2002; and

- 100% of Great Britain to be covered by a Consumer Support Network (CSN) providing accessible and joined-up consumer information and advice by 2004.

## Helping consumers get better information and advice

11.4. The Department plays a major role in supporting the provision of information and advice through its work with Trading Standards Organisations, the National Association of Citizens Advice Bureaux and consumer councils. The Department has taken a number of initiatives to improve further the access to joined-up, quality-assured help.

- The Department maintains the award winning Consumer Gateway<sup>1</sup> which provides easy and intelligent access to the wealth of consumer advice and information available on the Internet.

- Three pilot consumer helplines were launched in 2000-01, each adopting a different approach to the provision of consumer advice. These will be evaluated in 2001 to assess the case for a national consumer helpline.

- The Department launched the Consumer Support Networks in October 2000. These will improve help and advice for consumers by drawing together at local level Trading Standards Organisations, Citizens Advice Bureaux and other providers of consumer advice and information. The Department has set a target of 25% coverage of the country by June 2001.

11.5. The Department is carrying out a project to improve consumer education in partnership with the European Commission, the Consumers' Association, the Basic Skills Agency, the Financial Services Authority and the Department for Education and Employment. The project, entitled 'Developing new approaches for the delivery of consumer skills and knowledge to adults and young people', started in December 1999 and will run for 18 months.

1 <http://www.consumers.gov.uk/>

## A better deal for consumers

- 11.6. Significant steps are being taken in tackling rogue traders with the introduction of new enforcement powers for the Office of Fair Trading, Trading Standards Departments and other public and private bodies. Under the 'Stop Now' Regulations, a number of public and private bodies have been given powers to bring court orders to prevent traders from engaging in practices which are harmful to consumers. These powers cover a wide area of consumer protection, including: sale of goods, consumer credit, misleading advertising, unfair contract terms, package travel, timeshare, doorstep and distance selling.
- 11.7. Through close working with the Trade Association Forum, the Department and business organisations are developing policies and practices on effective codes of practice for the protection of consumer interests. The Department also works closely with the Office of Fair Trading to promote the use of effective codes. This year the Office of Fair Trading announced plans to work towards a new system of approval for codes of practice.
- 11.8. Consultations on proposals to strengthen consumer protection against short measures of draught beer and cider have been undertaken. The next priority will be to consult on proposals to modernise and simplify weights and measures controls on packaged goods, taking into account developments at EC and international level. The changes will be by secondary legislation, including by regulatory reform order. Consultation is also in progress on implementation of the Sale of Consumer Goods and Associated Guarantees Directive (1999/44/EC).
- 11.9. Public consultation on the regulations on price transparency in bars, restaurants, and other outlets serving food and drinks was also undertaken during 2000. This followed a survey of pricing in these outlets which found a widespread lack of price transparency. Following the consultation, a review of the legislation<sup>2</sup> is currently underway.

## Fundamental Review of Consumer Legislation

- 11.10. The Department is undertaking a fundamental review of existing consumer legislation to identify improvements to consumer protection that are effective without imposing unnecessary burdens on business. Research has been commissioned and the views of enforcement bodies, consumer organisations and business sought with the aim of issuing interim findings by early Summer 2001.

## The Modernisation Fund

- 11.11. The Department plans to spend £30 million over the next three years (2001-04) to raise the standards of consumer protection at local level. Funds will be targeted through a new Modernisation Fund in four main areas:
- Trading Standards Capability
  - Effective Enforcement
  - Information and Advice to Consumers and Business
  - Consumer Safety
- 11.12. In 2000-01, £0.5 million was made available to support innovative trading standards projects aimed at improving cross-boundary enforcement of consumer rights. The projects, which are set up in all areas of the country, will tackle specific problems such as rogue doorstep selling, dishonest itinerant traders and the misuse of e-commerce, as well as problems faced by the most vulnerable consumer such as debt and exploitation. A large number of authorities are participating in two projects to develop shared databases: one on rogue traders, the other to develop a national samples database.
- 11.13. A DTI Scholarship was launched in June 2000 to help those wishing to train as trading standards officers and enforcement officers who wish to enhance their current expertise.

## Tackling consumer problems

- 11.14. A task force has been set up as a sub-group of the Consumer Advisory Committee to examine the problems identified in an OFT Report on Car Servicing and Repairs. The task force comprises representatives of all the major stakeholders in this sector, including consumers and enforcers. It is charged with proposing practicable partnership-based measures for improving standards in the industry and will report back to the Minister for Consumer and Corporate Affairs and the Advisory Committee by April 2001.
- 11.15. The Minister for Consumer and Corporate Affairs hosted a conference on 30 October 2000 for representatives of the credit industry, consumer bodies and advice agencies. Its remit was to identify practical ways of encouraging more responsible lending and borrowing, so reducing the scope for consumers to become overindebted<sup>3</sup>. As a result a Task Force led by the Department will produce a report by early April 2001 on ways to improve the transparency of information provided to consumers, including the small print in agreements, and the adoption of core principles of responsible lending. A Discussion Group has also been set up to provide feedback on emerging proposals.
- 11.16. The Department has secured £1 million from the Invest to Save Budget, with matching private sector funding, to pilot a national telephone-based helpline for debt advice. The pilot call centres will evaluate the means of providing consumers with quick access to free and impartial debt advice as well as an easy method of debt repayment to creditors.
- 11.17. In April 2000 the Department commissioned an independent consumer research study on behalf of the Competitiveness Council to evaluate whether consumers are able to switch supplier with ease. This is the first major study on switching to look across a number of markets, including energy, telecoms (both mobile and fixed-line), car and home insurance, mortgages and banking and compare how the consumer fares in each. The study, published in November 2000, identifies some key issues to be addressed by industry and regulators.

## A better deal for e-shoppers

- 11.18. The Government has taken steps to help ensure that consumers can shop on line with confidence. As well as introducing the Distance Selling Regulations (see below) it has promoted codes of practice for internet retailers and in this context has encouraged development of alternative dispute resolution (ADR) schemes to address shoppers' concerns when things go wrong. Recognising that people are increasingly buying from traders in other countries, the Government has been active in Europe and in the wider international arena on protection for consumers engaging in on line purchases, and on co-operation between national enforcement authorities in the consumer field.

### Codes of practice for e-commerce

- 11.19. In July 2000, TrustUK, a private sector organisation, was launched with Government backing to approve e-commerce codes of practice. It has approved the codes of Which?Web Trader, the Direct Marketing Association and the Association of British Travel Agents. Increasingly, consumers will know that traders displaying the TrustUK hallmark subscribe to a good quality code. TrustUK is participating in European Commission meetings on European guidelines for e-commerce codes. The Commission envisages bodies like TrustUK in each Member State, approving national or sectoral codes to a set of common EU criteria.

### Alternative dispute resolution

- 11.20. TrustUK will only approve codes which make provision for Alternative Dispute Resolution (ADR) (e.g. arbitration, ombudsmen). ADR offers low cost, user-friendly ways of settling disputes. In the EU, the Government has strongly supported the initiative of the Portuguese Presidency and the Commission to develop the European Extra-Judicial Network (EEJ-Net), which will give consumers access to ADR schemes in other Member States through national 'clearing houses'.

<sup>3</sup> Also see Chapter 10 – The Regulatory Framework for details of the review of law relating to personal bankruptcy.

## Improving consumer access to information about on line shopping

11.21. Information for consumers is available from many sources, including the Government's Consumer Gateway which signposts other sites run by the Office of Fair Trading, consumer organisations, magazines and other media. The Government intends to review the availability of information about on line shopping to ensure that information covering the full range of consumer concerns (payments, data protection, illegal content, redress etc) is more easily available from authoritative sources. This process started in the run up to Christmas 2000 with a campaign setting out simple do's and don'ts for safe Internet present buying.

## Modernising consumer institutions

11.22. The Government recognises that institutions which support and represent consumers must keep pace with changes in the market so that their services and research, and the policy advice they give to Government, is soundly based on the real needs of consumers.

11.23. In September 2000 the Department issued a consultation document on proposals to strengthen the Office of Fair Trading<sup>4</sup> by giving it a statutory Board. The Board would be led by the Director General of Fair Trading, and would have members with expertise in competition, consumer and management issues. The new Board would have a duty to make public its main deliberations. The aim of introducing this new structure would be to broaden the base of knowledge and experience at the top of the Office of Fair Trading, to strengthen its independence and increase the transparency of its actions and decisions. It is also proposed to give the Office of Fair Trading new powers in relation to local trading standards departments.

11.24. A new performance indicator regime for Trading Standards Departments is being established, working with all those with a direct interest including the Office of Fair Trading, Local Authority representatives, the Food Standards Agency, the National Audit Office, business representatives and the Local Authorities Co-ordinating Body on Food and Trading Standards

(LACOTS). The first stage introduced, for the first time, a national Best Value Performance Indicator (BVPI) for environmental health and trading standards in England. Further indicators will be tested, covering the whole of the UK, during 2001.

11.25. The Department strongly supports the changes underway in the National Association of Citizens Advice Bureaux (NACAB), including the utilisation of new technology to provide advice electronically and to make more effective use of information derived from the six million cases the Citizens Advice Bureaux handle each year.

11.26. The Department has also supported the modernisation of the National Consumer Council (NCC) to be a forward-looking think-tank, focusing on disadvantaged consumers. The NCC will continue to develop better links with other consumer organisations and directly with consumers. The governance review led to a new governance structure appropriate to the NCC's new role in Spring 2001.

11.27. Under the Utilities Act 2000 and the Postal Services Act 2000, the Department has taken the lead in establishing two new consumer Councils: The Gas and Electricity Consumer Council (GECC)<sup>5</sup> and The Consumer Council for Postal Services (CCPS)<sup>6</sup>. Both Councils have a particular focus on the needs of vulnerable consumers: the elderly, those with disabilities etc. They will deal with complaints, represent consumer views, offer advice to Government and work directly with companies to ensure that consumers receive better services. They will also work to ensure that competition is promoted through better education and awareness programmes aimed at consumers.

11.28. The Consumer White Paper announced the creation of a high level Forum to bring together representatives of the various enforcement agencies with links to consumer protection. Its mandate is to consider matters of common interest, to develop consistent approaches to enforcement, to look at ways of co-operating at the working level and to exchange best practice. The Forum meets every six months to explore current issues and to develop proposals for

action. A wide spectrum of private and public sector organisations and individuals attend, including enforcement agencies, trade and consumer associations, business organisations and individual business representatives. Issues being tackled include: cross boundary enforcement, enforcement agencies working in partnership and the sharing of good practice for effective enforcement.

## Reducing accidents in the home

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- 11.29. Promoting home safety and reducing accidents is a core element of the Department's work to protect consumers. It takes this work forward through targeted consumer safety campaigns and through legislation where there is already a substantial body of regulation to ensure that unsafe products do not reach the consumer. During 2000-01 the Department conducted accident prevention work on falls, electric blankets, carbon monoxide, candles, space heater fires and fireworks. This was carried out with other Government Departments including the Department of Health, the Home Office, the Department of Environment, Transport and the Regions and the Health and Safety Executive. Research work on product labelling is currently underway with the Health and Safety Executive.
- 11.30. In November 2000 the EU Council of Ministers agreed a common position on measures to revise the General Product Safety Directive to provide greater protection to the public by, for instance, a new mandatory recall process.
- 11.31. The Department ran Consumer Safety Campaigns on key areas such as falls and carbon monoxide poisoning, focused on building partnerships with others in local and central government, business and the voluntary sector and including comprehensive resource packs for those at local level. The first ever web-based

National Home Safety Network has been launched which should improve co-ordination of home safety awareness initiatives.

- 11.32. In 2000-01 the Department spent £1.2 million on consumer safety campaigns. Leverage on this spend is anticipated to be around £20 million: around £12-14 million from TV and news coverage, at least £5 million worth of effort from local authorities and around £2million from business (e.g. free distribution of DIY and garden safety material). Campaign targets are based on evidence from the Home Accident Surveillance System (HASS) which shows areas of greatest risk and identifies where intervention can make a real difference.

## Working in Europe and internationally

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- 11.33. Consumer rights is an important component of the Single Market. The Department takes the lead in negotiating consumer measures within Europe. The Department's overarching aim is to take forward in Europe the principles set out in the Consumer White Paper. Ongoing negotiations include , the Distance Marketing of Financial Services Directive, the forthcoming review of the Directive on Consumer Credit and the current review of EC weights and measures controls on packaged goods.
- 11.34. The Department has successfully implemented the Distance Selling Directive and the Injunctions Directive and is working to implement the Sale of Goods and Associated Guarantees Directive on completion of the necessary consultation. The Department took an active part in the preparation of the European Commission's Consumer Policy Action Plan 1999-2001 and will engage pro-actively in the preparation of the following 3-year plan.

**FIGURE 11.1:** Expenditure on consumer protection (£ million)

Main estimates 2001-02: Request for Resources 1 Functions C, E (Developing post offices to provide access to official services/information and the Internet), I (Other European Community expenditure), N, and W (Grants to executive non-Departmental Public Bodies).

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Total expenditure</b>	<b>27.8</b>	<b>34.0</b>	<b>35.6</b>	<b>39.3</b>	<b>44.5</b>
of which:					
National Industry Consumer Councils*	6.3	2.5	0.2	0.2	0.2
National Association of Citizens' Advice Bureaux	14.4	16.1	16.9	16.9	16.9
Citizens' Advice Scotland	1.7	2.2	2.8	2.8	2.8
Consumer Groups and Councils	2.6	2.9	3.2	3.2	3.3
Royal Society for the Prevention of Accidents	0.2	0.2	0.5	0.5	0.5
Miscellaneous**	2.6	10.1	12.0	15.7	20.8

\* For 2000-01 onwards expenditure on the Gas and Electricity Consumers Council and Consumer Council for Postal Services net to zero as costs are recovered via licence fee receipts. See paragraphs 9.16 and 17.5 for further details of the Gas and Electricity Consumer Council and Consumer Council for Postal Services respectively.

\*\*Includes £30 million for the Modernisation Fund as described in para 11.11.

# 12 Employment Relations

- Introduction
- Performance in 2000-01 and future targets and priorities
- Providing minimum standards for workers
- Promoting competitiveness and choice
- Working in Europe
- The Employment Tribunals Service
- The Advisory, Conciliation and Arbitration Service (ACAS)
- The Office of Manpower Economics

## Introduction

- 12.1. A fair and flexible labour market promotes competitiveness for business and choice for individuals. The creation of a competitive and fair business environment encourages enterprise, sustainable growth and a skilled workforce. The Department aims to develop employment policies which contribute to competitiveness and productivity by providing incentives for people to work and make the most of their skills, by reducing staff turnover and increasing morale and by stimulating partnership in the workplace.

## Performance in 2000-01 and future targets and priorities

- 12.2. The Department has introduced a number of measures including the introduction of rights for part time workers so that they are treated no less favourably than comparable full time workers, undertaken a major review looking at how parents can be given more choices to help them better balance their work and family life and implemented an increase in the adult and youth rates of the National Minimum Wage.

## Highlights of 2000-01

- Green Paper *Work & Parents: Competitiveness and Choice*, published in December 2000.
- National Minimum Wage increased from £3.60 to £3.70 per hour for the main rate from 1 October 2000 and from £3.00 to £3.20 per hour from 1 June 2000 for young workers, with a further increase in the main rate to £4.10 per hour to be introduced in October 2001.
- Part-time Work Regulations came into force on 1 July 2000.
- Employment Tribunal rules reformed.
- Implementation of the provisions of the Employment Relations Act 1999 relating to trade unions and industrial relations.
- New Employment Agency regulations.

## Priorities for 2001-04

- Implementation of outcomes of the consultation on *Work & Parents: Competitiveness and Choice*.
- Implementation of the Fixed Term Work Directive.
- Disseminating good practice from Partnership at Work projects.
- Expanding the TIGER website to enable employers and workers easy access to information on a range of employment rights.
- Take forward the review of collective redundancies and European Works Councils.

## Providing minimum standards for workers

### National Minimum Wage

12.3. The National Minimum Wage forms the cornerstone of the Government's commitment to bring greater fairness and minimum standards in the workplace. It promotes competitiveness and encourages employers to invest in training and development of staff rather than relying on low pay and high staff turnover.

12.4. The main rate for workers aged 22 and over was increased from £3.60 to £3.70 per hour from 1 October 2000 and the rate for young workers aged 18-21 inclusive, increased from £3.00 to £3.20 per hour from 1 June 2000. In March 2001 the Secretary of State announced a further increase in the main rate to £4.10 per hour to take effect from 1 October 2001.

12.5. The minimum wage is largely self enforced, by being widely known and complied with voluntarily. To this end, the Department has spent around £6 million on nationwide publicity campaigns including television advertisements. The most recent of these took place in September and October 2000 to publicise the increase in the main adult rate to £3.70 per hour. When enforcement is necessary, this is undertaken by The Inland Revenue on behalf of the DTI. Inspectors respond to complaints as well as undertaking proactive targeted inspections. To date, over £3 million in back pay has been recovered for low paid workers.

### Collective redundancies

12.6. Recent cases have highlighted the need to review UK arrangements affecting collective redundancies. The Department is working with the CBI, TUC and other interested parties to take forward this review, which will focus on existing provisions on collective redundancies and European Works Councils, and consider whether more can be done to promote effective consultation with employees.

FIGURE 12.1: National minimum wage enforcement activity

April 1999-December 2000	
No. of telephone enquiries*	175,000
No. of complaints (received)	6,000
No. of visits undertaken	8,000
No. of enforcement notices issued	312
No. of penalty notices issued	47

\*The NMW helpline took 50,000 enquiries in January – March 1999. The total number of calls received by the helplines is over 225,000.

- 12.7. The second report of the Low Pay Commission<sup>1</sup> published in February 2000, found that the NMW had been implemented successfully with no adverse impact on the economy and considerable benefits to low paid workers. The Government has asked the Low Pay Commission to produce a third report by July 2001 advising on whether there is a case for a further increase in the rates.
- 12.8. In September 2000 the Government launched an interactive website called TIGER<sup>2</sup> (Tailored Interactive Guidance on Employment Rights) which enables employers and workers to input their personal details and determine how the minimum wage affects them. This site is being extended to cover other employment rights, starting with maternity rights.

### The Employment Relations Act

- 12.9. The main provisions of the Employment Relations Act 1999 on trade unions and industrial relations were implemented during 2000. The changes include:
- On 6 June 2000 the scheme for statutory recognition of trade unions came into force, together with a Code on access to workers during recognition ballots and a method for collective bargaining where no agreement on bargaining procedure can be reached. The Central Arbitration Committee, under its new Chairman, Sir Michael Burton, was strengthened in order to oversee the recognition scheme.
  - Workers dismissed for taking part in official industrial action were given the right to claim unfair dismissal as from 24 April 2000.
  - The right of workers who are required to attend disciplinary or grievance hearings to be accompanied by a fellow-worker or union official came into force on 4 September 2000.
  - Changes to the law on industrial action ballots and notices took effect on 18 September 2000, together with a new Code on the conduct of ballots.

### Part-time work regulations

- 12.10. The Government is committed to removing discrimination against part-time workers because it is unfair and inefficient. Britain has six million part-timers, 80% of whom are women. The part-time Workers (Protection from Less Favourable Treatment) Regulations 2000 came into force on 1 July 2000, implementing the Part-time Work Directive. The Regulations give part-time workers the right to no less favourable treatment compared to full-time workers with the same employer. They also give workers who switch from full-time to part-time working the right to receive no less favourable treatment when they become part-timers, even after a break in employment such as maternity leave.
- 12.11. It is estimated that the Regulations will benefit some 400,000 part-timers who were suffering discrimination. The Regulations are also designed to promote flexible working, enhancing competitiveness by encouraging skilled people to return to the labour market as well as improving work-life balance.

### Employment Agency Standards

- 12.12. The Employment Agency Standards Inspectorate enforces minimum standards<sup>3</sup> for the private recruitment industry, such as the requirement to pay workers promptly. The Inspectorate's helpline (0845 955 5105) receives over 10,000 calls a year from agency users, both workers and hirers. The Inspectorate carries out around 1300 investigations a year into alleged breaches of the legislation. The Inspectorate generally secures compliance with the legislation voluntarily, but will prosecute where wilful or deliberate breaches have occurred or where serious harm has resulted from an agency's failure to meet the standards. In cases where substantial public harm will arise if a trader continues to operate, Prohibition Orders are sought from employment tribunals which require persons to cease business as agencies. During 1999–2000 there were twelve successful prosecutions and Prohibition Orders against two people were obtained. By November 2000 six further successful prosecutions had been brought and prohibition orders obtained against a further five individuals and companies.

<sup>1</sup> *The National Minimum Wage: The Story – Second Report of the Low Pay Commission*, February 2000 (cm4571, The Stationery Office).

<sup>2</sup> [www.tiger.gov.uk](http://www.tiger.gov.uk)

<sup>3</sup> Set by the Employment Agency Standards Act 1973 and subsequent regulations.

12.13. Final drafts of the revised regulations governing standards of conduct were published in January 2001 and are expected to be laid before Parliament in March 2001. This follows consultations undertaken in 1999–2000.

### Redundancy Payments Service

12.14. The National Insurance Fund provides statutory redundancy payments in cases where an employer is unable to make payments because of insolvency or financial difficulty. The Fund may also pay for other debts owed to employees, such as arrears of pay and holiday pay, where the employer is insolvent (as required by the Insolvency Directive). Claims are processed by the Department's Redundancy Payments Service (RPS)<sup>4</sup>.

12.15. On 28 July 2000, the Department announced that the Government will be paying compensation to former Icelandic water trawlermen who lost their jobs when the industry collapsed following the settlement of the 'Cod Wars' of the mid 1970s. The compensation scheme is administered by the RPS and runs up to 2002.

### Employment Tribunal Rules Reform

12.16. The Government is introducing changes to the Employment Tribunals Regulations in Spring 2001. These changes give tribunals a new power to throw out ill-founded claims, raise the existing limit on cost penalties from £500 to £10,000, and raise the maximum deposit on weak cases from £150 to £500, as well as strengthening the management of cases by the tribunals. The changes address concerns about rising tribunal caseloads from misconceived applications which have little chance and which delay genuine claims and place unnecessary costs on business and the taxpayer.

### Fixed Term Work Regulations

12.17. In Spring 2001 the Government launched a public consultation on the implementation of the Fixed Term Work Directive. The Directive aims to give workers on fixed term contracts rights to no less favourable treatment than that accorded to comparable workers on indefinite contracts. The implementation date is July 2001.

## Promoting competitiveness and choice

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### Work and Parents

12.18. On 22 June 2000, the Secretary of State announced the terms of reference for the review of maternity pay and parental leave which was announced in the Spring 2000 Budget. The review aims to identify the steps needed to allow parents to balance their work and their childcare responsibilities, so that they may contribute fully to the competitiveness and productivity of the modern economy. During 2000, Ministers working on the Review participated in a series of roundtable discussions across Great Britain in which 250 individuals and organisations put forward their views. A further 150 individuals and organisations contributed to the review through the website and over 1,000 employers and parents were surveyed. From these consultations over 150 suggestions on how the current system could be changed were received by the Review. A focused range of options was proposed in The Green Paper *Work and Parents: Competitiveness and Choice*, published on 7 December 2000. The consultation period on the options ended on 7 March 2001.

### Partnership at Work

12.19. The Government is committed to fostering the spread of best practice and promoting consensus-based approaches to workplace relations, which will benefit employees, business and the competitiveness of the economy as a whole. The Department has continued to encourage partnership at work through Ministerial support for conferences and other events, as well as through the Partnership Fund.

12.20. The Partnership Fund was launched in 1999 and is providing £5 million over four years to support partnership at work projects. A Second Call for applications to the Fund closed on 21 July 2000 and the winners were announced in November 2000. A variety of projects from both the private and public sectors have been offered a grant. These include projects designed to reduce harassment and bullying, improve work-life balance and to implement modern manufacturing techniques through partnership. The Department will disseminate the good

practice developed as successful projects reach fruition, and will produce case studies for others to draw upon in the future.

- 12.21. During 2000–01 the results of the Workplace Employee Relations Survey, *Britain at Work* September 1999 continued to be used for policy development, Regulatory Impact Assessments and publications. There are now over 150 registered users of the data, mainly in the academic community.

### Best companies to work for in the UK

- 12.22. The Department, along with Learndirect, sponsored the creation of the first list of the ‘Best Companies to Work for in the UK’, based on the views of the companies’ employees. This was published by the Sunday Times in February 2001, and will be published annually. A similar list published by Fortune magazine in the US showed that these companies had:

- significantly lower staff turnover rates;
- higher stock market returns;
- lower levels of sickness and absenteeism; and
- higher levels of productivity and profitability than their competitors.

## Working in Europe

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### Working time

- 12.23. The Department engages in development of European employment policy and legislation. On 1 August the main Horizontal Amending Directive was adopted by European Member States, extending the Working Time Directive to previously excluded sectors. Member States have until August 2003 to implement the measures and August 2004 in the case of junior doctors, with further transitional periods, leading to full implementation by August 2012 at the latest. The Department succeeded in securing an outcome which ensures that neither the competitiveness of industry nor the delivery of healthcare will be adversely affected. A separate Directive applying working time provisions to the road transport sector was agreed in Council in December 2000.

- 12.24. The UK specific opt-out from the working time and night work provisions in the Young Workers Directive ended on 22 June 2000. Following a period of consultation, amendments will be made to the working time regulations to reflect the stricter provisions on adolescents’ working time and drawing on the available derogations.

### Charter of Fundamental Rights of the European Union

- 12.25. The December 2000 Nice European Council proclaimed a new Charter of Fundamental Rights. The Charter sets out a range of rights, freedoms and principles recognised within the EU. At the same time the Charter reaffirms that a number of rights and principles are given effect in different ways and to different degrees by Member States. The Department worked closely with the Foreign and Commonwealth Office and other government departments in supporting Lord Goldsmith, the Prime Minister’s personal representative, in drafting the Charter.

### New social agenda

- 12.26. The European Community adopted a New Social Agenda at the Nice European Council. The Department worked alongside the Department for Education and Employment to influence the development of this agenda and ensure it reflected UK interests and the priorities of employment and social cohesion as identified at the Lisbon Council in March 2000.

### Employee involvement

- 12.27. Negotiations are taking place on a proposed directive to establish a general framework for informing and consulting employees in the European Community. The Government believes that mechanisms for employee involvement should reflect the requirements of individual organisations, respecting subsidiarity and national traditions, and remains to be convinced of the need for this measure. Political agreement was reached in December 2000 on the directive on employee involvement arrangements in the European Company Statute.

## Acquired Rights Directive

12.28. The Department has been developing proposals for reform of the Transfer of Undertakings (Protection of Employment) Regulations (TUPE), including amendments to implement the revised Acquired Rights Directive adopted in June 1998. It has also been discussing the issues raised with the main social partner bodies and the TUPE Forum (parties involved in public sector service contracting). It is envisaged that formal public consultation will be carried out on any substantial proposals for change.

## The Employment Tribunals Service (ETS)

12.29. The ETS<sup>5</sup> is an executive agency of the DTI which provides administrative support to Employment Tribunals and their appellate body, the Employment Appeal Tribunal (EAT). Employment Tribunals are independent judicial bodies set up to determine complaints under a range of employment rights legislation. These include complaints of unfair dismissal, race, sex and disability discrimination, and complaints relating to working time and the national minimum wage.

12.30. The number of Employment Tribunal

**FIGURE 12.2: Employment Tribunal Applications**

Financial Year	Applications
2000-01	120,000
1999-00	103,935
1998-99	91,913
1997-98	80,435
1996-97	88,910

**FIGURE 12.3: Employment Tribunal applications by jurisdiction**

	1999-00	2000-01
Unfair dismissal	43%	36%
Wages Act	20%	20%
Sex, race and equal pay	10%	22%
Breach of Contract	9%	9%
Redundancy Pay	6%	4%
Other	12%	9%

applications has risen in each of the last three years (Figure 12.2)<sup>6</sup>. Research commissioned by the Department shows that this is the continuation of a longer term trend. The main growth in the last three years has come from claims of unfair dismissal, though there have also been significant increases in the number of claims under the Wages Act and of breach of contract. In 2000-01 there was a substantial rise in the proportion of sex, race and equal pay claims as a result of claims concerning part-time workers' pension rights. Increasing numbers of discrimination and equal pay cases are associated with the rising proportion of women in the workforce. Tribunals sat on some 26,900 occasions in 2000-01, though the majority of applications are withdrawn or settled without recourse to a hearing. The median tribunal award for unfair dismissal cases that were successful at a hearing was £2,515, little changed on previous years. Changes to the Employment Tribunal Regulations (paragraph 12.16) and the new scheme for ACAS to arbitrate unfair dismissal cases (paragraph 12.36) being

introduced in Spring 2001 are expected to ease the pressure by deterring weak applications, making it easier for tribunals to manage cases expeditiously, to weed out ill-founded cases and to deal with unreasonable behaviour and providing parties with alternative means of resolving disputes.

### The Advisory, Conciliation and Arbitration Service (ACAS)

12.31. ACAS is an independent statutory body, funded by the Department but not subject to Ministerial direction<sup>7</sup>. Its responsibility is to improve the performance and effectiveness of organisations by providing an independent and impartial service to prevent and resolve disputes and build harmonious relationships at work. Independence and impartiality are secured by the ACAS Council which is appointed by the Secretary of State and consists of a part time Chair and 11 employer, trade union and independent members.

12.32. The number of complaints to Employment

**FIGURE 12.4: ACAS Performance Measures**

	1998-99	1999-00	2000-01*
Number of individual conciliation cases received	83,031	103,909	112,000
Cases referred to ACAS which did not go forward to a tribunal hearing (%)	73	76	76
Unit cost of case settled or withdrawn (£)	292	270	282
Number of enquiries	555,270	714,721	753,000
Unit cost of call (£)	5.3	4.6	4.8
Number of collective conciliation cases received	1,302	1,500	1,420
Cases settled or where significant progress was made (%)	91	92	90
Unit cost of cases settled or where significant progress made (£)	1,492	1,409	1,466
Staff resources spend on Advisory Mediation Projects (AMPs) (%)	12	9	9
Unit cost of AMPs completed (£)	5,340	4,344	4,518

\* Estimate

6 A breakdown of Employment Tribunal applications and other statistical material about Employment Tribunals and the EAT is published in the ETS Annual Report and Accounts.

7 A full report on ACAS's activities giving details of all ACAS operations is made to Parliament each year: *Annual Report, Advisory, Conciliation & Arbitration Service*.

Tribunals has increased significantly in recent years, and in 2000–01 it is projected that the Service will provide individual conciliation in 112,000 tribunal cases – an increase of nearly 10% over the previous year. Despite the rising caseload, ACAS conciliators resolve over 75% of cases before they reach a tribunal hearing.

**12.33.** ACAS' public enquiry points provide a valuable source of information on employment rights issues for individuals and organisations alike, and received over 763,000 telephone callers in 2000. A customer survey in 2000 found that 96% of callers were satisfied or very satisfied with the service they received whilst 98% expressed a willingness to use the service again. Plans are currently being developed to expand the public enquiry service further by providing a web-based service.

**12.34.** In September 2000 ACAS published its new code of practice on disciplinary and grievance procedures. As well as procedural guidance, the new code provides practical help and advice on the new statutory right to be accompanied at disciplinary and grievance hearings introduced by the Employment Relations Act 1999.

**12.35.** ACAS is keen to develop its activities to promote good employment practice and will be seeking to achieve this on a self-financing basis. Work is already underway to identify new opportunities for generating income from training events and publications and the extra revenue will be used both to expand existing provision and improve service quality.

**12.36.** Plans to introduce a new scheme to provide

arbitration in unfair dismissal cases as an alternative to an Employment Tribunal hearing were postponed due to the Department's need to confirm compliance with the Human Rights Act. The scheme was announced by the Secretary of State on 27 November 2000 and is now expected to come into operation in Spring 2001.

## The Office of Manpower Economics

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**12.37.** The Office of Manpower Economics (OME) is funded by the Department but is independent of Government. OME carries out a continuous survey of pay settlements, which informs a range of public sector pay negotiations. Its main role is to serve the Pay Review Bodies and the Police Negotiating Board (PNB). In addition, it makes recommendations to the Prime Minister and relevant departmental Ministers on pay and related matters for a number of public sector employee groups.

**12.38.** During 2000–01, OME produced annual reports with pay recommendations for National Health Service (NHS) nursing staff, health visitors, midwives and professions allied to medicine; doctors and dentists in the NHS; the Armed Forces; school teachers in England and Wales, the judiciary; the Senior Civil Service; and Parliamentary Salaries. There was a full round of negotiations on police pay and conditions of service. OME assisted the Review Bodies in responding to the Education Green Paper for England and Wales, the review of NHS pay systems, and the development and implementation of a new pay system for the Armed Forces.

**FIGURE 12.5:** Expenditure on employment relations (£ million)

Main Supply 2001-02: Request for Resources 1 Functions C and N.

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Employment Tribunals Service <sup>a</sup>	45.8	49.6	53.2	53.2	53.2
OME Running Costs	1.6	1.6	1.7	1.7	1.8
OME Programme Costs	1.1	1.4	1.3	1.4	1.4
Employment Relations Programmes (including NMW enforcement & Partnership Fund)	8.5	15.9	6.9	7.0	7.1
Grant-in-aid to ACAS	28.9	32.7	36.6	36.6	36.6
Redundancy Payment Scheme <sup>ab</sup>	147.2	158.4	156.0	158.0	162.0
Trawlermen Compensation*	0	12.4	5.0	4.5	0

a See also Chapter 16 – Performance of the Redundancy Payments Service and Executive Agencies.

b Non-Voted expenditure.  
\* see paragraph 12.15



# Enhanced competitiveness of Britain's companies through overseas sales and investments; and a continued high level of quality foreign direct investment.

## PSA targets 1999-02

- To improve support for exporters, raise the quality of service, generate additional exports and enhance the business image of the UK (Joint target with FCO).
- To maintain the UK as the prime location in the EU for foreign direct investment (joint target with FCO).

## PSA targets 2001-04

- Deliver a measurable improvement in the business performance of Trade Partners UK customers. (Joint target with FCO)
- Maintain the UK as the prime location in the EU for foreign direct investment (joint target with FCO).

# 13 British Trade International

- Introduction
- Performance in 2000-01
- Future targets and priorities
- International collaboration and partnership
- Trade Partners UK
- Invest UK

## Introduction

- 13.1. The UK is the world's fifth largest trading nation. Exporting is a vital contributor to national prosperity and about one in four British jobs is linked to business overseas. British Trade International brings together the work of the Department and the FCO<sup>1</sup> in support of international trade and investment. It aims to enhance the competitiveness of companies in the UK through overseas sales and investments, and to maintain a high level of quality foreign direct investment. Its two operating units, Trade Partners UK and Invest UK, are responsible for these activities.
- 13.2. The Group Chief Executive, Sir David Wright, reports to the Secretary of State for Trade and Industry and the Secretary of State for Foreign and Commonwealth Affairs, and to the Board of British Trade International. A majority of the Board's members are from business. DTI and FCO Ministers serve as joint chairmen.

## Performance in 2000-01

### Highlights of 2000-01

- Trade Partners UK was launched on 31 May 2000.
- Trade Partners UK Gateway and Brand were introduced on 31 May 2000.
- Invest UK was launched on 5 July 2000.
- Joint Government/Private Sector Federal Republic of Yugoslavia (FRY) Task Force was established in October 2000.

- 13.3. The Department has a Public Service Agreement target (shared with FCO) to improve support for exporters, raise the quality of service, generate additional exports, and enhance the business image of the UK. British Trade International is on course to meet this target and performance against the specific measures is shown in Figure 1.1 in Chapter 1. One of the measures, the value of additional exports per £1 of DTI/FCO expenditure, is not being monitored because the direction of policy has moved away from the generation of additional exports towards the enhancement of the competitiveness of UK firms through

<sup>1</sup>The work of British Trade International is also described in the FCO and BTI Expenditure Plans Reports 2001-02 to 2003-04 (CM 5110 and 5123). March 2001. The Stationery Office.

overseas sales and investment, and improving their skills and business performance. Monitoring is being refocused to assess performance against this new aim.

- 13.4. The Department also has a Public Service Agreement target (shared with FCO) to maintain the UK's position as the No. 1 location in the EU for Foreign Direct Investment (FDI). The UNCTAD World Investment Report 2000 confirmed that the UK retains the largest percentage of inward FDI stocks in the EU. The UK's percentage of FDI inward stocks has increased from 19% in 1995 to 24% in 1999.

## Future targets and priorities

### Priorities for 2001-04

- Retain the UK's No.1 position for attracting foreign direct investment into the EU.
- Develop new exporters through launch of a new trade development package.
- Provide a top-class trade information service for all UK firms.
- Provide more focused help in those markets and sectors, identified together with private sector experts as having strong potential for British business.
- Improve the quality and consistency of service to customers at home and overseas and broaden electronic access to services.

- 13.5. The targets set out above have been subsumed into the new PSA targets commencing in April 2001, and indicators and measurement systems have been agreed. These new targets will underpin British Trade International's Corporate Plan, which will be published annually and will set out the main strategy, objectives and projected resources for a rolling 3-year period.

## International collaboration and partnership

- 13.6. Traditional distinctions between trade development and investment are changing as businesses seek different forms of partnership and collaborative working. Both Invest UK and Trade Partners UK are involved in promoting such arrangements. The *Opportunity for all in a world of change* White Paper, published in February 2001, announced that the Government will:

- drive a new global partnership programme with regional partners, to promote collaboration at home and overseas between UK firms and international partners;
- establish a new Enterprise Scholarship scheme for the brightest and best young graduates, particularly in high technology areas, who want to come to the UK to develop their careers and develop new business ventures here;
- encourage experienced UK entrepreneurs abroad to pursue innovative business ideas in the UK<sup>2</sup>.

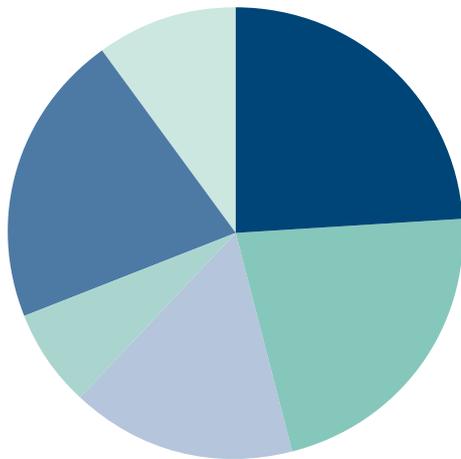
## Trade Partners UK

- 13.7. Trade Partners UK pursues a range of objectives, described below.

**To provide firms with high quality, timely and accessible information to help them export and invest overseas.**

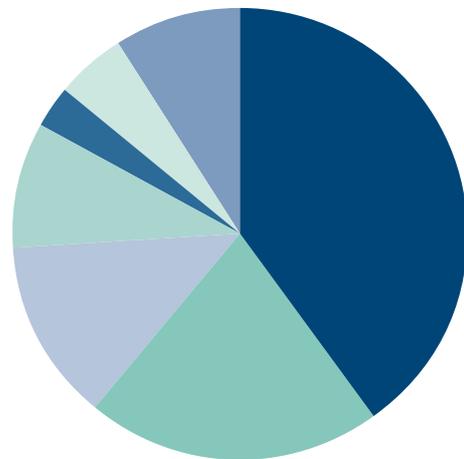
- 13.8. Trade Partners UK has introduced a national gateway for exporters and investors to deliver information and services online<sup>3</sup>. The 2000 Spending Review announced £20 million over 2001-04 to invest in the information and communication technologies (ICT) needed to deliver worldwide trade support and inward investment services to its business customers. The funds will be channelled via DTI and FCO<sup>4</sup>. The use of British Trade International trade promotion services by industry sector and business size are shown in Figures 13.1 and 13.2.

**FIGURE 13.1:** Use of trade promotion services by industry sector



Industry sector	
■ Services	24%
■ Manufacturing	22%
■ Science-based	16%
■ Other	7%
■ Consumer goods	21%
■ Infrastructure	10%

**FIGURE 13.2:** Use of trade promotion services by business size



No. of employees	
■ 1 to 19	40%
■ 20 to 50	21%
■ 51 to 100	13%
■ 101 to 200	9%
■ 201 to 250	3%
■ 251 to 500	5%
■ 501 plus	9%

**To help new inexperienced and occasional exporters develop their potential export capability and as a result their competitiveness**

13.9. Trade Partners UK has recruited, mostly from the private sector, nine International Trade Directors, one for each English region. These Directors and their teams have been strategically located in the Regional Development Agencies to play a full role in drawing up regional trade strategies.

13.10. Trade Partners UK has also introduced a pilot scheme to fill the gap identified in the provision of support for new and inexperienced exporters. There are many excellent schemes regionally, but so far a lack of consistency nationally and no real assessment of the quality

and standard of support delivered. Trade Partners UK’s proposed programme will address both these issues by providing a national template and an accreditation system.

13.11. The existing ‘Export Explorer’ scheme enables small and medium-sized firms to experience new and accessible export markets at minimal cost. In May 2000, the one-thousandth company to participate in an Export Explorer mission returned with firm orders for its product. Another Export Explorer participant won a £100,000 order to sell frozen drinks to Iceland. The same company is now using the programme to break into the Danish market.

**To help firms experienced in exporting and investing abroad to exploit successfully trade and investment opportunities overseas**

13.12. Trade Partners UK has a network of over 200 outlets in Diplomatic Posts overseas to provide market information and advice on local issues to visiting firms. For example, the Overseas Market Team in Bangkok developed a good understanding of the needs of one of Thailand's major conglomerates and worked closely with colleagues in the UK to match their requirements to those of British firms. The result is a series of relationships with British firms and several contracts – including a major investment by one of the British companies. The number of firms supported in trade fairs, missions and seminars is shown in Figure 13.3.

**To provide more focused help in those markets and sectors, identified together with the private sector experts, as having strong potential for British business.**

13.13. Help to existing exporters takes a variety of forms, all aimed at meeting a wide range of customer needs from the provision of information on the website through to detailed advice in response to specific enquiries to lobbying overseas on behalf of UK companies.

13.14. Overseas visits by Ministers also play an important part in the success of British companies overseas. For example, the Deputy Prime Minister, Secretary of State for Trade and Industry and Minister for Construction have each led business delegations to Brazil.

13.15. Trade Partners UK responded quickly to the changing situation in the Federal Republic of Yugoslavia. A Task Force of all interested government departments was established to ensure a joined-up approach to reconstruction opportunities in the region.

13.16. In cooperation with industry, Trade Partners UK has prepared a number of Sector Strategies. These, together with the list of target markets, will determine the content of the Markets and Sectors Matrix as the touchstone for future targeting of activity as well as informing customers about the potential and the levels of demand by sector and market.

**To create a cohesive operation, involving other Government Departments, responsive to exporters and outward investors, providing co-ordinated, cost-effective services to a consistent standard across British Trade International**

13.17. Trade Partners UK has built teams across Whitehall to ensure that policy is inclusive and strategic, consistent with the principles of the Modernising Government agenda. Trade Partners UK has also established a Sector Partnership Programme, including: training courses for trade associations; dedicated pages on Trade Partners UK's website; a benchmarking study on the performance of 10 industry sectors; the establishment of the Sector Partnership Fund; and an annual seminar in conjunction with the Trade Association Forum.

**FIGURE 13.3:** Numbers of firms supported in trade fairs, missions and seminars

	1998-99	1999-2000	2000-01 Estimate	2001-02 Plans	2002-03 Plans	2003-04 Plans
Trade fairs	6,890	7,229	8,710	8,000*	8,000*	8,000*
Overseas seminars	189	392	450	800*	800*	800*
Outward missions	3,658	3,393	3,963	3,950**	3,950**	3,950**
Inward missions (number of visitors)	559	638	600	600*	600*	600*

Number of supported firms is dependent on budget allocation, which is not expected to increase over the next three years.

\*Forecast dependent on outcome of Review of Outward Missions Scheme (Spring 2001).

### To encourage all staff engaged in British Trade International work to achieve high standards of professionalism in serving British firms

**13.18.** Staff are drawn from the two parent departments (FCO and DTI) and from the Government Office network in the English regions. This places a premium on training and development and British Trade International's Training Strategy and Plan will be evaluated in Spring 2001. Private sector expertise, largely through inward secondment programmes, is also an important feature. This mix of staff contributes towards the unique culture and range of expertise that British Trade International can offer customers. British Trade International is also increasing opportunities to place staff in the private sector to enable them to enhance their business awareness and so improve their service delivery to customers.

### Invest UK

**13.19.** In May 2000, the then Invest in Britain Bureau (IBB) joined Trade Partners UK within British Trade International, recognising the synergies from working more closely together. Ministers subsequently decided to rename the operation Invest UK. The new brand, designed to win higher-quality, higher-value, knowledge-driven inward investment to the UK, was officially launched by the Prime Minister on 5 July 2000.

**13.20.** Invest UK is a business service organisation, which communicates the benefits of the UK as the first choice for investment in Europe to potential investors, identifies and approaches potential investors, and assists them with all aspects of locating and expanding in the UK. Invest UK is represented in Embassies and Consulates in over 35 cities around the world, by staff, who are dedicated to inward investment work.

### To attract, retain and add value to investment into the UK

**13.21.** Record inward investment results were achieved in 1999-2000, with 757 inward investment decisions notified to Invest UK, expected to create over 52,000 new jobs. 34% of all these investment projects were from companies with an existing presence in the UK. Invest UK therefore continued to develop the national programme of investor development, to provide added value support to existing investors and find ways of matching and exceeding their expectations and needs. By November 2000 the national programme included 127 companies whilst the programmes of the Development Agencies cover an additional 350.

**FIGURE 13.4:** Inward investment cases and effect on jobs

	1997-98	1998-99	1999-2000
<b>INVEST UK</b>			
Number of active cases	687	789	604
Number of inward investment decisions in which INUK was significantly involved	121	122	145
Number of new jobs created	12,493	15,165	15,519
Number of jobs safeguarded	4,361	2,413	6,704
<b>NATIONAL FIGURES</b>			
Number of inward investment decisions	618	652	757
Number of new jobs created	45,937	44,413	52,783
Number of jobs safeguarded	78,685	74,340	81,411

### Future challenges

13.22. Invest UK's Review of Operations launched on 5 July 2000 mentioned how information and investment can 'shoot round the globe at the press of a button'. This means the nature of internationally mobile inward investment projects is changing and the competition becoming more intense. It will become increasingly difficult to attract and retain foreign investment. The UK must therefore compete by exploiting capabilities, which its competitors cannot easily match. That is why the re-branding announced in July 2000 was designed to focus on the knowledge-driven projects that will increase these capabilities.

**FIGURE 13.5: British Trade International Programme Expenditure (£ million)**

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2001-03 Plans	2003-04 Plans
<b>Trade development and promotion</b>	<b>56.5</b>	<b>68.6</b>	<b>66.8</b>	<b>70.8</b>	<b>72.8</b>
Of which					
(1) To provide firms with high quality, timely and accessible information to help them export and invest overseas.	-	12.7	12.4	13.1	13.5
(2) To help new, inexperienced and occasional exporters develop their potential export capability and as a result their competitiveness.	-	31.1	30.4	32.1	33.0
(3) To help firms experienced in exporting and investing abroad to exploit successfully trade and investment opportunities overseas.	-	16.2	15.9	16.8	17.2
(4) To provide more focused help in those markets and sectors, identified together with the private sector experts, as having strong potential for British business.	-	10.6	10.4	11.0	11.3
All receipts	-3.5	-2.0	-2.3	-2.2	-2.2
<b>Inward investment</b>	<b>15.3</b>	<b>18.3</b>	<b>18.1</b>	<b>18.7</b>	<b>19.7</b>
Of which					
(5) Grants to Regional Development Agencies	11.2	12.2	12.4	12.7	13.4
(6) Invest UK promotional expenditure	4.1	6.1	5.7	6.0	6.3
All receipts	0	0	0	0	0

- i) It is not possible to break down 1999-00 outturn by the above objectives, as expenditure in 1999-00 was recorded against a previous set of objectives which does not allow a direct read across between the two.
- ii) Distributions are approximate as some services serve more than one objective.

- iii) All TPUK expenditure has been included under the four TPUK operational objectives. TPUK Objectives 5 and 6, concerning better co-ordination and professionalism, are primarily aimed at delivering the first four effectively.
- iv) The breakdown of figures against objectives in the 'Plans' columns is approximate. They reflect the same proportion of the total as the breakdown in the '2000-01 Working Provision' column. The proportions are expected to change given the continuing developing nature of the organisation.



# Managing investments, assets and liabilities

<b>14</b>	<b>Investment and Asset Management</b>
<b>15</b>	<b>DTI Managed Liabilities</b>

## 14

## Investment and Asset Management

- Introduction
- Strategic policy context and capital allocation
- Investment strategy

## Introduction

14.1. This chapter summarises the Department's major **capital investments** and its management of these investments and other assets<sup>1</sup>. Further information can be found in the Departmental Investment Strategy (DIS)<sup>2</sup> and the Department's Consolidated Resource Accounts 1999–2000<sup>3</sup>. The Resource Accounts

were published for the first time in December 2000 and provide details of the Department's activities during the 1999–2000 financial year and its Balance Sheet as at 31 March 2000.

## Strategic policy context and capital allocation

14.2. The DTI's aim and objectives are set out in Chapter 1. Capital investments in support of these objectives are shown in Figure 14.1.

**FIGURE 14.1:** DTI capital allocation for the period 2000-04 (£ million)

	2000-01	2001-02	2002-03	2003-04
<b>Department total</b>	<b>462</b>	<b>701</b>	<b>760</b>	<b>1,020</b>
Of which:				
Objective 1: Enterprise and Innovation <sup>a</sup> & Objective 3: Strong and Competitive Markets <sup>c</sup>	173*	382	392	528
Objective 2 Science <sup>b</sup>	289	319	368	492

a Funding under Objective 1 includes: Launch Investment (see Chapter 4), Regional Selective Assistance (see Chapter 5); Small Business Service capital investment plans of £114 million over 2001-04 (see Chapter 3), and Development of the A380 'super jumbo' project: £530 million over the period 2001-04 (see Chapter 4).

b The Department's capital allocation for Science includes: £15m for Genome & e-Science; £100m for the Higher Education Fund; £12m for Exploitation; and £125m for the Higher Education Institutes/Research Councils.

c The Department's capital expenditure to support Objective 3 includes capital grants worth some £39 million over 2001-04 to support new renewable energy technology projects.

1 Launch Investment is described in Chapter 4 – Innovation.

2 The DIS can be found at <http://www2.dti.gov.uk/about/dis/index.htm>

3 DTI *Consolidated Resource Accounts 1999-2000*, December 2000. (The Stationery Office, HC11).

## Capital Modernisation Fund and Invest to Save Budget

14.3. The Capital Modernisation Fund and Invest to Save Budget are funds provided by the Treasury for projects which demonstrate innovation, joined-up government and improved public service. The Department's current projects under these schemes are:

### Invest to Save Budget

In 2000-01 the Department secured funding from the Invest to Save Budget (ISB)<sup>4</sup> towards:

- A £67,000 **video conferencing pilot** between the **Official Receivers Office** and **the Courts**, of which £50,000 is from ISB.
- Over £2 million of funding to run pilot projects offering **debt advice via a telephone helpline**. £1 million of the total funding will be coming from ISB; DTI, matching funding from the Lord Chancellors Department and the Scottish Executive, will invest £50,000 in the project and the remainder has been raised from private finance.
- **Bio.gov.uk**: a £625,000 project to launch a single gateway providing information on biotechnology to the public and services to biotechnology companies, of which £500,000 is from ISB.
- Over £2 million to develop facilities to enable exporters to apply for **Export Licenses over the Internet**, of which £1.5 million is from ISB.
- **Metrology Connect**: a £150,000 project to provide access to services, information and up-to-date advice on Metrology via the Internet, of which £111,000 is from ISB.

Other ongoing projects funded from the Invest to Save Budget are:

- The **SBS Electronic Regulation Service (ERS)** will provide easy and quick access to regulatory services through the SBS Gateway (website and call centre).

- The establishment of **Pilot Call Centres** to provide advice on consumer issues.

- DTI is also participating in **The Comprehensive Business Directory Project** and the **'Business with Government' Project**.

### Capital Modernisation Fund:

- The **Small Business Service Gateway** is a £20 million project to enhance the Small Business Service's communication with SMEs through the development of a knowledge base, a web based information service, a contact centre and a national client database.<sup>5</sup>
- **Getting SMEs on-line** – £10 million<sup>6</sup> towards getting Small and Medium Sized Enterprises on-line.
- The **Innovative Clusters Fund** (joint with HM Treasury) will provide £50 million to Regional Development Agencies (RDAs) for them to invest in projects within their own region.<sup>7</sup>
- Internet Access to Employment Tribunals – £460,000 for an Internet service providing access to the statutory public registers of **employment tribunal** applications and decisions.<sup>8</sup>

14.4. The Department holds investments in the Investment Reserves of two pension schemes for the former employees of the British Coal Corporation. On 31 March 2000 these investments totalled £2.26 billion.<sup>9</sup>

## Investment strategy

### Asset utilisation and disposal

14.5. The Department's holding of tangible fixed assets is reviewed regularly with a view to realising the value of any asset that is no longer required. The move to resource budgeting ensures that the budget includes an amount for the opportunity cost of holding that capital and not investing elsewhere (the cost of capital charge) and a charge for the amount of capital consumed in that particular year (depreciation) – see Figures 14.2 and 14.3 below.

4 Under the terms of the Invest to Save to Budget bidders must provide at least 25% of funding from their own resources. For further information on ISB see [www.invest-2-save.com](http://www.invest-2-save.com) or the [www.hm.treasury.gov.uk](http://www.hm.treasury.gov.uk)

5 See Chapter 3 – The Small Business Service and Enterprise.

6 See Chapter 2 – E-Commerce.

7 See Chapter 5 – The Regions.

8 See Chapter 12 – Employment Relations.

9 Further details can be found in the DTI *Consolidated Resource Accounts 1999-2000*, December 2000. (The Stationery Office, HC11).

- 14.6. The Department currently occupies just over 200 properties which range from large headquarters offices accommodating in excess of 1,500 staff to one person offices where local services are delivered. The operation of the estate is divided between a number of property centres, with a headquarters property centre being responsible for the main estate in the Victoria area and 25 other properties around the country. There is no significant unused space on the estate.
- 14.7. The Department has an agreement with the Treasury that the Research Councils can re-structure their Institutes to make better use of resources, by retaining receipts from the sale of tangible fixed assets provided those receipts are used to fund other capital investment or one-off re-structuring costs. The Councils continually examine the structure of their Institutes, some of which are multi-site, to explore whether there can be sensible rationalisation.

#### Public Private Partnerships (PPPs)

- 14.8. The Department's Public Private Partnerships concerning the Public Corporations are described in Chapter 17.
- 14.9. The **Private Finance Initiative** has been utilised in two main areas in the Department since its inception in 1992: IT equipment and research establishment major works.

- IT investment. Towards the end of 1998 a contract was awarded to the UNITAS consortium (led by ICL in conjunction with CMG) for a privately funded, long-term Public Private Partnership for the supply of IT and related services. The ownership of the IT assets which made up the core Department's main IT infrastructure was transferred to UNITAS together with their assumption of related service responsibilities.

Future IT investments for the core Department will also be privately funded and owned by UNITAS. The PPP contract runs to 2009 with an option on a further five years to 2014.

- Research establishment works. The Teddington site of the National Physical Laboratory is being redeveloped under PFI/PPP with the Laser Consortium (Laing Construction and Serco) and in June 1998 the Department's Radiocommunications Agency established a PPP between itself and CMG plc, under a joint venture company called Radio Spectrum International.

#### Procedures and systems

- 14.10. The internal allocation of DTI's non-science capital budgets is carried out in the context of the internal Resource Allocation and Management (RAM) round. DTI operates a system of delegated budget-holding for its direct capital expenditure. Primary budget responsibilities rest with the Directors General, who are empowered to delegate authority to Heads of Management Unit within their Groups.
- 14.11. The **Science Budget** (capital and current combined) is ring-fenced and managed separately from DTI's other budgets. The Department's capital expenditure on science involves grants in aid to bodies outside DTI – principally the Research Councils – rather than the delegation of capital budgets within DTI. The policy framework for all government-funded expenditure by the Research Councils is determined by the Government, which sets broad priorities between several classes of activity. Within that framework day to day decisions on the scientific merits of different strategies and projects, including capital expenditure, are taken by the Research Councils.

**FIGURE 14.2:** The Department's (Tangible Fixed) asset base at March 2000 (£million)<sup>10</sup>

	Cost or Valuation at 31-03-00	Depreciation at 31-03-00	Net Book Value
Total	121.0	39.9	80.1

<sup>10</sup> Figure 14.2 provides financial information relating to tangible fixed assets within the resource accounting boundary.

**FIGURE 14.3:** Cost of capital and depreciation charges (£000)<sup>11</sup>

<b>Capital charges</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
Cost of capital charge	455.9	455.6	455.9
Depreciation	19.5	25.4	31.9
<b>Total</b>	<b>475.4</b>	<b>481.0</b>	<b>487.8</b>

## 15

## DTI Managed Liabilities

- Introduction
- Coal
- Nuclear

## Introduction

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- 15.1. The Department manages residual liabilities arising from the coal and nuclear industries' past activities. These long term commitments represent a significant part of the Department's budget<sup>1</sup>.

## Coal

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- 15.2. The coal liabilities relate to former British Coal employees and to physical damage arising from pre-privatisation mining activities. The physical liabilities are managed by the **Coal Authority**, a non-Departmental Public Body which was established under the provisions of the Coal Industry Act 1994. These liabilities principally comprise responsibility for repairing subsidence damage caused by pre-privatised mining operations, the cleaning up of former British Coal property and minewater control. The Coal Authority is largely financed by the Department through grant-in-aid. Its activities are set out in the Treasury's annual report and its expenditure is summarised in Figure 15.1.
- 15.3. Liabilities in respect of former British Coal employees are discharged by the Department and cover several programmes of which the most important are on health claims, redundant mineworkers payments and concessionary fuel.

## Health claims

- 15.4. Health claims cover in particular claims for **Chronic Obstructive Pulmonary Disease** (COPD) and **Vibration White Finger** (VWF) which have been the subject of court decisions. The claims schemes are the largest personal injury schemes in the world. The schemes are designed to reflect the evidential basis and compensation payments that would be required and awarded at common law. For both the COPD and VWF schemes, the Department reports regularly to the judge handling the scheme.
- 15.5. There are currently 138,000 COPD claims and over 117,000 VWF claims, and more continue to be received. On COPD, some 69,000 claimants have had their initial lung test and the number of full medical assessments completed weekly is steadily increasing. A couple of outstanding issues on special damages have still to be resolved which is preventing full and final offers being made following medical assessment. However, interim payments are being made wherever possible. Assessments are being carried out at 28 testing centres throughout the country. To end-February the Department has paid over £122 million to some 33,000 COPD claimants, mostly as interim payments, but including over 6,000 full and final payments. The Department has also paid £233 million in compensation for VWF, comprising over 21,000 claims that have been settled, and over 25,000 interim payments.

<sup>1</sup> A statement of DTI's contingent or nominal liabilities is provided at Annex C2. The DTI's liabilities with respect to the Small Firms Loan Guarantee Scheme are described in Chapter 3.

15.6. Most of the day to day work is outsourced to: IRISC, a claims handling agency; Nabarro Nathanson solicitors; and SEMA and Healthcall, providers of medical services who carry out the medical assessments for VWF and COPD respectively. The responsibility for managing the contracts; ensuring that all claims are settled fairly and promptly; developing and implementing policy; and responsibility for the proper expenditure of public funds, rests with the Coal Health Claims Unit (CHCU) in DTI. CHCU arranges regular independent audit of the contractors' work; this includes medical and technical audits. The contractors' remuneration is dependent upon the quality of their work as well as the throughput.

### Redundant Mineworkers Payment Schemes

15.7. Under these schemes payments are made until their 65th birthday to certain men who left the industry prior to March 1987 aged 50 and above. Payments under this programme will terminate naturally in April 2002.

### Concessionary fuel

15.8. There are currently around 67,400 beneficiaries in receipt of concessionary fuel and 81,800 receiving cash in lieu.

## Nuclear

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15.9. The Department is responsible for a decommissioning and radioactive waste management programme which deals with nuclear liabilities on UKAEA and BNFL sites arising from the Government's past nuclear research. Discharging these liabilities is the responsibility of the **United Kingdom Atomic Energy Authority (UKAEA)**, a Non Departmental Public Body. The undiscounted cost to the Department is estimated to be £7.7 billion. UKAEA is responsible for discharging these liabilities in a manner that is safe and secure, environmentally responsible, provides value for money and is publicly acceptable.

15.10. Approximately half of UKAEA's liabilities are located at its Dounreay site in the far north of Scotland. An integrated plan for decommissioning this site was submitted to UKAEA's regulators at the beginning of

October 2000. Once approved this plan will result in the substantial decommissioning of Dounreay in the next 50-60 years, and the removal of the major radiological hazards within 25 years. This is significantly quicker than was previously planned. The expenditure plans take account of the additional resources required in the first few years to deliver this plan.

15.11. During the course of the year the Department conducted the first stage of the **UKAEA quinquennial review**, in accordance with published Cabinet Office guidelines. The review covered all UKAEA activities, including fusion research, property management and development, the UKAEA Constabulary and pensions administration, but focused specifically on UKAEA's primary role in managing nuclear liabilities on behalf of the taxpayer and restoring the environment at the sites for which it is responsible.

15.12. The outcome of Stage 1 of the review was announced by the Minister for Energy on 28 February 2001. It recognises the progress which UKAEA has made since 1996 and commends its performance and commitment to improvement across the full range of activities. However, it identifies a number of options for organisational change and raises fundamental issues relating to UKAEA's primary role in managing nuclear liabilities on behalf of the taxpayer and restoring the environment at the sites for which it is responsible over the next 60 years – for example about funding arrangements, the regulatory framework, waste management and the long-term availability of relevant knowledge and skills.

15.13. It is essential that nuclear liabilities are dealt with safely and cost effectively with the full confidence of the public. The ideas and issues raised by the review team will therefore be explored further with a view to establishing whether there is a case for changing present management arrangements. The review team will also consider what action might be taken to attract more companies into the nuclear decommissioning market and to promote competition for decommissioning contracts let by UKAEA.

**FIGURE 15.1: Expenditure on managing liabilities**

Main Estimates 2001-02: Request for Resources 1 Functions D (Net expenses related to coal provisions), O (Expenses related to nuclear provisions), P (Net expenses related to coal provisions), T (British Coal Corporation External Finance), W (Grants to executive non-Departmental Public Bodies), and AB (Privatisation expenses and refunds of pension adjustments).

	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Coal Authority</b>					
Expenditure (Grant-in-Aid)	33.8	29.0	18.7	18.7	18.7
<b>Ex-employee liabilities transferred from British Coal Corporation</b>					
Expenditure to discharge provisions:					
Health claims and associated expenditure (a)	157.9	648.0	829.5	357.4	6.3
Concessionary fuel and associated expenditure	80.6	77.3	70.0	64.9	60.2
Movement in provision					
Health claims and associated expenditure	922.6	1318.5	289.7	202.4	92.6
Concessionary fuel and associated expenditure	75.6	45.4	41.0	38.5	36.3
Cost of capital					
Health claims and associated expenditure (b)	8.3	-5.2	-1.2	68.4	124.0
Concessionary fuel and associated expenditure (b)	-32.2	105.2	107.7	109.3	110.8
<b>Coal industry operating subsidy(c)</b>					
Expenditure to discharge provisions:	0.0	90.3	40.0	2.0	0.0
Movement in provision	0.0	130.3	3.7	0.2	0.0
Cost of capital	0.0	-1.3	-1.4	-0.1	0.0
<b>British Coal Corporation external finance(d)</b>					
Expenditure to discharge provisions:	0.6	3.0	0.0	0.0	0.0
Movement in provision	3.7	1.8	0.3	0.0	0.0
Cost of capital	-0.1	-0.2	-0.1	0.0	0.0
<b>Coal privatisation – indemnities</b>					
Expenditure to discharge provisions:	11.7	10.0	14.0	10.0	8.0
Movement in provision	9.7	33.1	2.4	1.4	0.6
Cost of capital	0.1	-0.9	-1.3	-0.7	-0.2
<b>Managing nuclear liabilities</b>					
of which:					
UKAEA decommissioning					
Expenditure to discharge provisions:	183.5	191.5	262.5	262.5	262.5
Movement in provision	474.5	241.6	243.9	238.2	234.2
Cost of capital	-171.4	-171.4	-170.1	-166.7	-162.9
UKAEA grant-in-aid					
Expenditure to discharge provisions:	10.9	31.9	35.4	35.4	35.4
Movement in provision	5.0	4.0	3.8	3.3	2.8
Cost of capital	-3.9	-3.9	-3.6	-3.0	-2.5
BNFL/Magnox decommissioning					
Expenditure to discharge provisions:	0.0	0.0	0.0	0.0	0.0
Movement in provision	347.3	277.0	300.5	326.1	353.8
Cost of capital	-185.1	-203.8	-221.1	-239.9	-260.3

(a) The expenditure figures shown are consistent with the Spending Review 2000 settlement. Ring fence arrangements have been agreed with Treasury to allow access to the Reserve to ensure legitimate coal health claims can be met in full. Current forecasts indicate that the actual level of expenditure in 2001-02 and subsequent years is likely to be higher than these figures.

(b) includes Cost of Capital Charge on associated assets.

(c) The Coal Operating Subsidy is described in Chapter 9.

(d) The British Coal Corporation is described in Chapter 17.



# Executive Agencies and Related Organisations

<b>16</b>	Performance of the Redundancy Payments Service and Executive Agencies
<b>17</b>	The Public Corporations
<b>18</b>	Export Credits Guarantee Department
<b>19</b>	The Regulatory Departments

## 16

## Performance of the Redundancy Payments Service and Executive Agencies

- The Redundancy Payments Service
- The Small Business Service
- Companies House
- The Patent Office
- The National Weights and Measures Laboratory
- The Radiocommunications Agency
- The Insolvency Service
- The Employment Tribunals Service

### The Redundancy Payments Service

16.1. The Redundancy Payments Service (RPS) processes claims for payments from the National Insurance Fund. Service quality standards and achievements are set out in the RPS Customer Charter. The RPS introduced a new computer system in September 1997 to make the process of claiming easier, improve the time taken to process claims and achieve significant savings in running costs. The target under the old system was to pay 85% of claims within 12 weeks.

Since the transitional year of 1997-98, the target for time to process claims has been set at 85% within 8 weeks. The target for 2000-01 has been revised further and is set at 80% in 6 weeks.

FIGURE 16.1: RPS expenditure

£ million	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Payments	168.0	178.0	178.0	180.0	185.0
Receipts	21.0	21.0	23.0	25.0	26.0
RPS Administration Costs	3.7	3.9	3.9	3.9	3.9

FIGURE 16.2: RPS claims

	1997-98	1998-99	1999-00	2000-01 Estimate
Speed of Payment of Claims	85% in 10 weeks	83% in 8 weeks	87% in 8 weeks	Not yet available (target is 80% in 6 weeks)
No. of claims for payments	148,000	124,000*	139,000	145,000

\*The figures for 1998-99 cannot be compared to those of previous years as they combine claims from the same person which were previously submitted separately on to one form and therefore more accurately reflect the number of claimants.

FIGURE 16.3: Small Business Service targets for 2000-01

Target	Outturn For 2000-01 (Estimated)
For 150,000 individuals and businesses to use the Small Business Services each quarter	151,000 per quarter.
For 80% of customers to be satisfied	74% of Business Link users were satisfied with the service received (MORI Business Support Needs survey Q1 and Q2). 78% of users with more than 10 employees were satisfied, an increase of 3% since the 1997 MORI survey.
SBS service standards to be published by September 2000	An interim service statement for the SBS and service statements for the Business Link Network and the Smart Scheme were published on the SBS website in September. Service standards for the SBS are under development.
Review business support services and publish results by December 2000	Achieved. <i>The Business Support Infrastructure for SMEs</i> was published on the SBS website ( <a href="http://www.businessadviceonline.org">www.businessadviceonline.org</a> ) on 19 December.
Establish an index of the impact of regulation on small businesses by December 2000	Preliminary consultations internally and externally have highlighted a number of issues that need to be resolved before deciding how to create an index. We were not, therefore, able to meet the end 2000 target for producing this index. A scoping study on how figures might be drawn up and how an index might be compiled will be carried out early in 2001.
Establish 45 franchises by April 2001	Achieved.
Establish the Information and Advisory Service, including systems to allow on-line transactions and notifications of regulations to small businesses by April 2001	Achieved, except that systems to allow on-line transactions and notification of regulations do not form part of the initial release of Gateway in April 2001. They will instead form part of a planned month by month enhancement programme.
100% of valid invoices paid within 30 days	98%.
Chief Executive to reply to all letters within 10 working days, including letters from MPs delegated to him for reply.	91%.
SBS Agency to achieve its own recognition as an Investor in People by 31 March 2001.	In view of the rapid expansion of the SBS and the continuing work on SBS objectives and targets, assessment has been deferred until Summer 2001.

## The Small Business Service

16.2. The Small Business Service (SBS)<sup>1</sup> is included in the Department's gross running cost provision. It was launched as an executive agency on 1st April 2000. During 2000–01 the SBS produced *Think Small First*, the national strategy for supporting small and medium sized

businesses. The SBS has published on its website<sup>2</sup> an interim service statement for the SBS and service standards for the Business Link Network and the Smart Scheme. Figure 16.3 shows the performance of the Small Business Service against targets for its first year of operation.

**FIGURE 16.4:** Small Business Service financial performance (£ million)

	1999-2000 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Administration costs	n/a	8.3	9.6	9.6	9.6
Programme	n/a	311.5	336.9	368.3	341.3
Capital	n/a	n/a	n/a	n/a	n/a

**FIGURE 16.5:** Companies House performance against targets

		1997-98	1998-99	1999-00	2000-01 Estimate
Make statutory documents available for public inspection within maximum 5 days of receipt in Companies House	Target	95	97	99	99
	Outturn	94	98	97	99
Achieve, on average, monthly compliance rates for accounts submitted.*	Target	95	95	95	95
	Outturn	96	96	96	97
Ensure that current processing is error free	Target	97	98	98	98
	Outturn	98	96	95	96
Answer incoming telephone calls within 6 rings (20 seconds)	Target	90	90	90	90
	Outturn	93	95	93	94
Reduce real unit costs of processing/document registration (compared with the previous year)	Target	3	3	3	3
	Outturn	6	6	3	5
Achieve, taking one year with another, an average annual rate of return (= operating surplus/average net assets x 100%)	Target	6	6	6	6
	Outturn	8	7	8	6
Reply to all Chief Executive cases from MPs within 10 working days of receipt	Target	100	100	100	100
	Outturn	100	100	100	100
Ensure that 96% of forms are captured error free	Target	-	-	96	96
	Outturn	-	-	96	96

\* A target to achieve, on average, monthly compliance rates for returns submitted was discontinued in 1997.

1 See Chapter 3 – The Small Business Service and Enterprise for further details about the SBS' activities.

2 [www.businessadviceonline.org](http://www.businessadviceonline.org)

## Companies House

16.3. Companies House is a Trading Fund and so its expenditure does not feature on the Department's Vote. It is required to service its debt and pay dividends on its Public Dividend Capital, and its annual running costs are entirely covered by fee income.

**FIGURE 16.6:** Companies House financial performance (£ million)

	1999-2000 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Income	42.5	44.0	45.9	44.4	45.5
Expenditure	39.3	36.6	43.9	45.3	46.4
Surplus/(deficit) <sup>a</sup>	3.2	7.4	2.0	(0.9)	(0.9)

<sup>a</sup>This table quotes surplus / (deficit) after interest and so expenditure includes net interest payable / receivable

16.4. A **Quinquennial Review** of Companies House was completed in November 2000. The review found that Companies House was performing well in meeting its objectives and targets and in contributing to the achievement of wider Government objectives such as the e-Government strategy. It concluded that there was a continuing need for the functions carried out by Companies House and that those functions were best delivered by retaining it as an executive agency.

## The Patent Office

16.5. The Patent Office is a Trading Fund and so its expenditure does not feature on the Department's Vote. It is required to service its debt and pay dividends on its Public Dividend Capital, and its annual running costs are entirely covered by fee income. The Patent Office was set new targets from 1 April 1998 with a view to maintaining its record of improvement in efficiency and quality of service. It is working to a target of increasing output relative to expenditure by an average of 2% per annum over the period 1998-99 to 2002-03 while also working to demanding customer service standards.

16.6. A **Quinquennial Review** of the Patent Office was completed in March 2001. It concluded that the Agency had emerged as an extremely customer-focused and responsive organisation. It suggested that the Patent Office extends its work to improve awareness of the range of intellectual property rights available, and the avenues that exist for enforcing them, in encouraging innovation and in seeking to make the international routes for patent granting cheaper, faster and more accessible. The review confirmed the continued Agency status of the Patent Office.

16.7. The Patent Office's information and advice on intellectual property is improving and expanding daily with its website<sup>3</sup> receiving in excess of 95,000 hits per day on its 2,500 plus pages of information and services, more than triple last year's figure. Customers to the website are now able to download Patent Office forms, view the last three years of published GB Patent specifications, access the registers of patents, trade marks and registered designs and read the last three years' legal decisions at the Office. The electronic renewals system is currently handling in excess of 60% of patent renewals, the highest volume activity in the Office.

FIGURE 16.7: Patent Office performance against targets<sup>4</sup>

	Target	1997-98	1998-99	1999-00	2000-01 <sup>h</sup>
To pay bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	Target	100%	98%	100%	100%
	Actual	98%	98%	99.13%	99.3% <sup>h</sup>
To reply within 10 working days to all MPs' letters delegated to the Chief Executive	100%	100%	100%	100%	100% <sup>h</sup>
To issue 14,500 patent search reports or combined search and examination reports on average within 3 months from the date of request with 90% of all reports issued within 4 months from the date of request					
No. of reports issued	14,500	n/a	16,401	16,130	12,148 <sup>h</sup>
Average time	3 months	n/a	2.8 <sup>a</sup>	3 <sup>a</sup>	4.1 <sup>ah</sup>
% reports in 4 months	90%	n/a	83.3% <sup>a</sup>	77% <sup>a</sup>	52% <sup>ah</sup>
To grant 8,500 valid patents on average within 2 years from the date of filing of the request for substantive examination, with 90% of patents granted within 3 years from the date of request					
No. of patents granted	8,500	n/a	8,890	8,252 <sup>f</sup>	6,097 <sup>h</sup>
Average time	24 months	n/a	23 <sup>a</sup>	24 <sup>a</sup>	24 <sup>ah</sup>
% patents in 3 years	90%	n/a	96% <sup>a</sup>	94% <sup>a</sup>	94% <sup>ah</sup>
To register 8,700 <sup>b</sup> designs on average within 5 months from the date of filing of the application, with 90% of all registrations within 12 months					
No. of registrations	8,700	n/a	9,456	9,739 <sup>b</sup>	6,734 <sup>bh</sup>
Average time	5 months	n/a	4.9 <sup>a</sup>	3 <sup>a</sup>	2.9 <sup>ah</sup>
% registrations in 12 months	90%	n/a	100% <sup>a</sup>	100% <sup>a</sup>	98% <sup>ah</sup>
To process 70,000 trade mark class applications <sup>c</sup> to which no substantive objections are raised or oppositions filed within 9 months of application; target is to increase the proportion registered within 9 months by 5% over the 1997-98 outturn <sup>d</sup>					
No. applications processed	70,000	n/a	70,921	86,865	78,000 <sup>h</sup>
% registered in 9 months	80%	n/a	86.6% <sup>e</sup>	94.4%	98.2% <sup>h</sup>
To increase output in relation to current expenditure by an average of at least 2% per annum over the period 1998-99 to 2002-03					
Outturn against 1997-98	2%	n/a	2.1% <sup>g</sup>	9% <sup>g</sup>	5.53% <sup>gh</sup>

a Average outturn reported against numeric target.

b Volume in 99-00 was adjusted to 7,700 to reflect a lower forecast demand.

c A significant minority (about 20%) of applications are refused and never reach registration. The volume figure (which is not a target but an indication of total demand) is therefore measured at the point at which applicants receive their initial examination.

d Wording of 99-00 target has been modified. It is now "to process 70,000 trade mark class applications with a target to register within 9 months 90% of those to which no substantive objections are raised or oppositions filed".

e Computer system amendments to include Madrid Protocol applications in the calculation of registration time did not take effect until September 1998. The outturn figure for the year therefore takes account of estimated performance for Madrid applications for the first half of the year.

f Shortfall to grant explained in part by response rate from applicants.

g The Treasury deflator has been used to calculate these targets.

h Outturn as at 31 December 2000.

4 A previous set of performance targets was used up until 1997-98. Outturn against these can be found in *Trade and Industry: The Government's Expenditure Plans 2000-01, 2001-02*, Cm 4611, April 2000.

**FIGURE 16.8:** The Patent Office financial performance (£ million)

	1999-2000 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Income	52.6	54.3	51.4	50.8	50.2
Expenditure	35.8	35.7	46.8	50.3	51.3
Surplus*	16.8	18.6	4.6	0.5	(1.1)

\*Operating surplus is profit before interest payable and dividend, expenditure is net of interest receivable

## The National Weights and Measures Laboratory

16.8. The National Weights and Measures Laboratory (NWML) is a net controlled Agency. It is included in the Department's vote, but is free to increase expenditure in line with workload provided that this is recovered by receipts. Although NWML achieved significant improvements over the previous 7 years the efficiency target was narrowly missed in 1999-2000<sup>5</sup>. A major review of targets during the year led to the introduction in 2000-01 of targets covering customer satisfaction and market growth.

16.9. NWML continues to consider ways of reducing turnaround times for type approval and calibration work. Targets relating to the average turnaround times have been introduced in recent years. Ministers are currently considering the options for the future of NWML as an agency that emerged from the **Quinquennial Review** completed during 2000-01. The options are to retain NWML as an agency and review the position again after five years, or to transfer the bulk of NWML's operations to the National Physical Laboratory with a policy unit retained in the DTI. The review found that NWML provided an effective and competitively priced service to customers and had made significant improvements in quality of service, customer focus and value for money since becoming an agency.

<sup>5</sup> The efficiency target has been replaced by one that is aimed at driving down overhead costs.

FIGURE 16.9: NWML performance against targets

To break even in the I&E account	Target		0	0	0
	Actual	-	+£148,000	-£112,000	+£64,000
To meet the net vote target	Target	£31,000	£36,000	£128,000	£102,000
	Actual	£340,000	£216,000	£134,000	£353,000
Reduction in unit cost of a programme-hour in real terms	Target	1.0%	2.0%	4.0%	discontinued
	Actual	1.6%	5.5%	2.9%	discontinued
Ensure that total overhead costs are less than x% of total costs	Target	-	-	-	55%
	Actual	-	-	-	57%
Completion of x% calibration jobs within y working days	Target	95%	95%	95%	95%
	Actual	90.8%	96.3%	96.3%	95%
		18 days	18 days	18 days	18 days*
Completion of x% type approvals jobs in y weeks	Target	85%	85%	90%	90%
	Actual	100%	95%	95%	100%
		10 weeks	10 weeks	10 weeks	10 weeks
Achieve an average completion time of x weeks or better for European type approvals	Target	-	-	8 weeks	7 weeks
	Actual	-	-	6.2 weeks	6 weeks
To meet x% milestones by their due date in the work programme agreed between the NMSPU and NWML	Target	60%	70%	70%	70%
	Actual	65.6%	70%	70%	75%
Achieve a customer rating of x% or more for NWMLs provision of services	Target	-	-	-	80%
	Actual	-	-	-	85%
To increase non-DTI income by x%	Target	-	-	-	15%
	Actual	-	-	-	1.5%

\* Target extended to include average completion time of 14 days

FIGURE 16.10: NWML financial performance (£ million)

	1999-2000 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Income	2.9	3.4	3.5	3.4	3.3
Expenditure	3.0	3.3	3.3	3.3	3.3
Net cost of operations	0.1	-0.1	-0.2	-0.1	0

Figures are on an accruals basis.

## The Radiocommunications Agency

16.10. The Radiocommunications Agency (RA)<sup>6</sup> is subject to net running costs control. It is included in the Department's vote, but is free to increase expenditure in line with workload provided that this is covered by receipts. The Agency remains committed to high quality customer service in line with the Modernising

Government agenda and aims to have all licence services available electronically by 2004.

A second auction of licences was concluded in 2000-01; further auctions are expected. The Agency's future is now seen as part of OFCOM, rather than as a separate entity, following publication of the White Paper *A New Future for Communications*.

**FIGURE 16.11: Radiocommunications Agency performance against targets**

	Target	1997-98 (%)	1998-99 (%)	1999-00 (%)	2000-01 Estimate (%)
Process and dispatch documents for applications and amendments to Category A <sup>a</sup> licences					
	100% in 5 days*	100	100	99	99
Process and dispatch documents for applications and amendments to Category B <sup>b</sup> licences within 15 days (new licences or variations to licences); the remainder to be processed within 25 working days, or an explanation to be given to the applicant					
	≥90% in 15 days	97	99	98	100
	100% within 25 days	98	100	99	-
Process and dispatch documents for applications and amendments to Category C <sup>c</sup> licences within 40 days (new licences or variations to licences); the remainder to be processed within 60 working days, or an explanation to be given to the applicant					
	≥90% in 40 days	86	91	34	80
	100% in 60 days	100	100	99	100
Process and dispatch documents to renew or reissue licences <sup>d</sup>					
Category A licences	100% in 5 days	100	100	100	Discontinued
Category B licences	100% in 10 days	98	94	90	Discontinued
Investigate reports of interference					
Safety of life services	100% in 24 hrs	100	100	100	100
Business services	98% in 5 days	100	100	100	100
	100% in 10 days	100	100	100	100
Domestic TV and radio	98% in 1 month	100	100	100	100
	100% in 2 months	100	100	100	100
Respond to correspondence from MPs delegated to Chief Executive by Ministers					
	100% in 10 days	89	100	92	100
Enquiry point to answer telephone enquiries					
	92% in 30 seconds	97	n/a	n/a	n/a
	95% in 30 seconds	n/a	95	96	96
Prompt payment of invoices					
	95% in 30 days	96	n/a	n/a	n/a
	97% in 30 days	n/a	99	n/a	n/a
	100% in 30 days	n/a	n/a	100	100

\* Days refer to working days

a Licences which involve no frequency assignment, no site clearance nor international co-ordination

b Licences which involve frequency assignment but no site clearance nor international co-ordination

c Licences which involve frequency assignment with site clearances or international co-ordination

d Licence renewals now issued automatically overnight so target does not apply (agreed with Agency Steering Board)

**FIGURE 16.12: Radiocommunications Agency financial performance (£ million)<sup>a</sup>**

	1999-2000 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Income <sup>b</sup>	78.2	109.6	127.6	131.8	134.8
Expenditure	50.1	62.7	68.4	72.5	76.6
Surplus	28.1	46.9	59.2	59.3	58.2

a Figures are on an accruals basis

b Income from auctions of licences has not been included in these figures. Two auctions were completed in 2000-2001, raising £22,477 million and £38 million respectively.

## The Insolvency Service

16.11. The Insolvency Service is included in the Department's gross running cost provision. The Service, in pursuit of the Modernising Government agenda, uses the European Foundation Quality Model in all of its offices and headquarters sections. In addition to further

planned reductions in the unit cost of case administration, the Service has also established a baseline for investigation unit costs and set targets for major reductions. Stage 1 of the Agency's **Quinquennial Review** was completed in January 2001. The review found that the Service performed very well against its targets and provided a high quality service to

**FIGURE 16.13: The Insolvency Service performance against targets**

		1997-98 (%)	1998-99 (%)	1999-00 (%)	2000-01 Estimate (%)
Hold initial meeting of creditors within 12 weeks	Target	90.0	96.0	96.0	96.0
	Outturn	97.3	98.6	97.6	98.0
Report to creditors on assets and liabilities within 8 weeks	Target	90.0	96.0	97.0	97.0
	Outturn	97.7	98.6	98.3	98.0
Complete Case Administrations	Target	27,500	25,500	26,000	26,500
	Outturn	28,898	27,126	26,634	26,500
Number of prosecution reports submitted where there is evidence of criminal behaviour	Target	1,589	1,390	1,421	1,125
	Outturn	1,390	1,421	1,125	1,125
Number of proceedings brought in the public interest for the disqualification of directors of failed companies	Target	1,430	1,419	1,331	1,497
	Outturn	1,419	1,331	1,497	1,497
Reduce unit cost of case administration	Target	3.0	1.00		
	Outturn	-4.20%	5.10%	(see below)	
Reduce unit cost of case administration by 5% in real terms over the period 1999 to 2002*	Achievement	-	-	-11.8	**
Reduce the unit cost of investigation by 10% in real terms over the period 1999 to 2002		-	-	5.90	

\* The target has been changed in 2000-01 to maintain the administrative unit costs in real terms at 31 March 1999 levels

\*\*The increase in unit cost is attributable to additional running costs of the new IT infrastructure over the original capital purchase projection; and accelerated IT training programme; start up costs for the insolvency qualification and an increase in overhead attributable to case administration as a result of larger than projected reductions in investigation unit cost.

**FIGURE 16.14:** The Insolvency Service financial performance (£ million)

	1999-2000 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Income	45.3	44.0	44.0	44.0	44.0
Administration costs	60.6	58.2	57.1	57.1*	57.1*
Programme (including disqualifications)	10.9	14.8	15.6	15.8	15.9

\*Provision figures.

**FIGURE 16.15:** The Employment Tribunals Service performance against targets

		1997-98	1998-99	1999-00	2000-01 Estimate
Registered Employment Tribunal applications		80,435	91,913	103,935	130,000
Registered appeals to the EAT		1,451	1,494	1,411	1,500
Percentage of single Employment Tribunal cases to a first hearing within 26 weeks of receipt	Target	85%	85%	85%	85%
	Actual	84%	89%	88%	77%
Minimum standard to be achieved by all offices in relation to the above target	Target	65%	65%	75%	75%
	Actual <sup>a</sup>	56%	76%	73%	56%
Percentage of Employment Tribunal decisions issued within 4 weeks of hearing	Target	n/a	85%	85%	85%
	Actual		81%	86%	84%
Real terms reduction in administrative unit costs in the Employment Tribunals	Target	3%	3%	5%	5%
	Actual	12%	9%	8%	19%
Percentage of Employment Tribunal users satisfied with Agency service	Target	80%	80%	80%	85%
	Actual	87%	85%	97%	85%
Percentage of appeals registered by the EAT for a preliminary hearing which are ready for listing within 6 weeks	Target	n/a	75%	90%	90%
	Actual	n/a	82%	91%	92%

<sup>a</sup> Figures indicate the performance of the lowest performing ETS office against the hearing target.

customers. It confirmed that continued agency status was appropriate but recommended that consideration be given to contracting out some functions. Stage 2 of the review is due for completion in mid-March 2001.

## The Employment Tribunals Service

16.12. The Employment Tribunals Service (ETS)<sup>7</sup> is included in the Department's gross running cost provision. Despite increases of 13-15% per annum in each of the last three years in the number of applications made to an Employment Tribunal, user satisfaction with the quality of service offered by ETS has remained at very high levels throughout.

**FIGURE 16.16:** The Employment Tribunals Service financial performance (£million)

	1999-2000 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Administration Costs	45.1	48.7	53.2	52.2*	53.2*
Capital	2.7	3.0	1.3	1.0*	1.0*

\* Provisional figures.

## 17

## The Public Corporations

- Introduction
- Post Office
- British Nuclear Fuels plc
- British Coal Corporation
- British Shipbuilders

## Introduction

- 17.1. The Department retains responsibility for The Post Office and British Nuclear Fuels plc, although this chapter details planned changes in the status of both of these. The Department also retains responsibility for residual expenditure of British Coal and British Shipbuilders which it takes forward in line with the Government's overall policy for Public Private Partnerships<sup>1</sup>.

## Highlights of 2000-01

- Royal Assent received on 28 July 2000 to the Postal Services Act 2000.
- Establishment of a new postal regulator, the Postal Services Commission.
- Transformation of the Post Office from a statutory corporation into a public limited company on 26 March 2001.

## Priorities for 2001-04

- Full implementation of the new regulatory regime for postal services.
- Establishing the Government's role of shareholder/owner of the Post Office company.
- Taking forward the recommendations of the Performance and Innovation Unit's (PIU) Report *Counter Revolution: Modernising the Post Office network*.
- To introduce a successful PPP into BNFL, subject to BNFL's overall progress against performance targets and further work by the Department and its advisers.

## Post Office

- 17.2. The Post Office, which was a statutory corporation until 26 March 2001 and is now a public limited company (Consignia Holdings plc), has four main businesses in its operational subsidiary, Consignia plc: Royal Mail, Parcelforce Worldwide, the Post Office Network and an expanding international distribution network. The Post Office, both as a statutory corporation and now as a plc, is committed to providing a postal service which is commercially successful, easily accessed, and nationwide.

## Targets and performance

17.3. From 1999–2000 the profit target and dividend have been the key financial targets set for the Post Office. Separate targets are no longer set by the Government for the main businesses. The Government agreed the Post Office's second Strategic Plan, covering 2000–05, in September 2000. The Plan further develops the Post Office's strategy of becoming a complete distribution company with global reach. Key issues for the Post Office will be achieving its goal of becoming a complete distribution company against the backdrop of a rapidly consolidating postal market, and its ability to respond to the new regulatory environment in the UK.

## Regulatory and commercial reform

17.4. Work has continued on fully implementing the new regulatory regime for postal services set out in the White Paper, *Post Office Reform: A World Class Service for the 21st Century*, published in July 1999. In particular the new regulator, the Postal Services Commission (PSC), took up its duties on 1 April 2000 (see Chapter 19 – The Regulatory Departments).

17.5. The Postal Services Bill received Royal Assent on 28 July 2000 to become the **Postal Services Act 2000**. The Act provides a framework for greater competition in the postal market and completes the package of regulatory and

**FIGURE 17.1:** Financial targets and performance of the Post Office

	Financial targets	Outturn
<b>1999-2000</b>		
Group post-tax profit target	£350m	£302m <sup>a</sup>
Dividend target – 50% of post-tax profits	£175m	£151m <sup>b</sup>
Dividend floor – 80% of dividend target	£140m	
<b>2000-01</b>		
Group post-tax profit target	£260m	(available June/July 2001)
Dividend target – 40% of post-tax profits <sup>c</sup>	£104m	(available June/July 2001)
Dividend floor – 90% of dividend target <sup>d</sup>	£93m	(available June/July 2001)
<b>Indicative financial target for 2002-03*</b>		
Return on capital employed <sup>e</sup>	13%	

\*Profit and dividend targets for 2001-02 to be set by end April 2001, and those for 2002-03 and 2003-04 to be set in January 2002 and January 2003 respectively.

a Excluding exceptional item for the Horizon impairment. The Post Office reported a post-tax loss for the group of £264 million for 1999-2000.

b The Post Office is not able to pay dividends until it becomes a plc in March 2001, but in the meantime has set aside the relevant amount in its reserves.

c As announced in the White Paper, the dividend payment to Government is set at 40% of post-tax profits of the business as a whole from 2000-01 onwards.

d The dividend floor payment for 2000-01 has been raised from the level of 80% set for 1999-2000 to 90% of the dividend that would be paid if the Post Office meets its overall profit target.

e To help the Post Office to plan for the medium term, the Government has set an indicative financial target for 2002-03 of 13% return on capital employed (ROCE) in the Post Office's operational businesses, excluding the network of post offices and any non-operational interest arising from past surpluses. ROCE is defined as profit before interest payable and tax, but after operating interest receivable, divided by operating capital employed.

**FIGURE 17.2:** Post Office expenditure (£ million)

	1999-2000 Outturn
Profit/(loss) after tax*	(264)
Capital Expenditure	794
Cost of capital charge**	336

Profit/Loss, Capital Expenditure and Cost of Capital Charge for forward years are commercially confidential, and are shown for 1999-2000 only.

\*Includes exceptional items, which are excluded from the 'Group post-tax profit target' shown in Figure 17.1.

\*\* Assumes a standard HM Treasury rate of 8%.

commercial reforms set out in the White Paper. The Act sets in place three major reforms:

- *Providing a framework for greater competition in postal services.* The Post Office's monopoly is being replaced with a **licensed area** in which operators will require a licence. These include the new Post Office company to which the property, rights and liabilities of the existing Post Office have been transferred prior to the Post Office's dissolution. Subject to ensuring the continuation of the universal postal service at a uniform tariff, the PSC may promote competition within this licensed area by issuing licences to more than one postal operator. The Act sets the licensed area at letters costing less than £1 and weighing less than 350 grams. The PSC is considering the scope for reducing the licensed area and promoting greater competition through liberalisation of the market, and is due to report during 2001 to the Secretary of State.
- *Providing greater protection for consumers.* The Post Office Users' National Council was replaced by the **Consumer Council for Postal Services** (CCPS) on 1 January 2001, which improves consumer representation in the postal services market and brings it into line with the provision for other utilities. The CCPS has a central role in the new regulatory framework, monitoring service standards and acting as a focus for consumer issues and complaints.
- *Converting the Post Office into a publicly owned public limited company.* The new Post Office company, **Consignia plc**, became operational on 26 March 2001 and acquired the property, rights and liabilities of the existing Post Office. The scope of its activities is defined by its Memorandum and Articles of Association which can be amended in accordance with the provisions of the Companies Act 1985 allowing the company the flexibility to develop its business. All the shares in the new company are owned by the Crown. No disposal of shares is permitted without further primary legislation, except in the case of a share sale or swap between the Post Office company and a partner to cement a commercial alliance, which will require approval from both Houses

of Parliament. Similar restrictions apply to the disposal of shares in Consignia plc and any other subsidiary company directly engaged in providing the universal postal service. As shareholder, the Department is responsible for setting the profit target and minimum level of 'commercial dividend', appointing the Board and approving borrowings for growth investments.

- 17.6. The Postal Services Act makes provision for moves towards further liberalisation of UK postal services by allowing the licensed area to be amended by Order on the recommendation of the PSC. The European Commission issued a draft Directive in May 2000 which proposes to amend the current European Postal Services Directive and redefine the area of the postal market that can be reserved by member states with effect from 2003.
- 17.7. The Performance and Innovation Unit's (PIU) report on the future of the post office network, *Counter Revolution: Modernising the Post Office Network*, was published in June 2000 and set out 24 proposals and measures to modernise the network, to protect the rural network in particular and to maintain convenient access and improve the quality of urban post offices. The proposals in the report are being taken forward with the Post Office and other parties as a matter of priority in line with the timescales set out in the report. This includes the development by the Post Office, in consultation with the banks, of the **Universal Banking** concept, and a role for the post office network as Government General Practitioners and Internet Learning and Access Points.

### British Nuclear Fuels plc

- 17.8. British Nuclear Fuels plc (BNFL) is a public limited company, wholly owned by the Government. It provides a full range of nuclear fuel cycle products and services to UK and overseas customers and its main activities include procurement of uranium; manufacture and supply of new fuel, both uranium and plutonium based; reactor design technology and services; electricity generation; recycling of used fuel; worldwide transport of radioactive

materials; engineering; waste management and decommissioning. BNFL currently operates in 15 countries worldwide and employs more than 23,000 people.

- 17.9. BNFL is managed on a fully commercial basis. During 1999-2000 BNFL made a loss before tax of £337 million on turnover of £2,064 million and the company did not pay a dividend to the Government. This compares with a restated profit of £218 million the previous year. Full details of BNFL's performance can be found in its 2000 Annual Report and Accounts<sup>2</sup>.

### Public Private Partnership

- 17.10. In August 1999, it was discovered that some quality assurance data for Mixed oxide (Mox) fuel produced at BNFL's Mox Demonstration Facility (MDF) had been falsified. The Health and Safety Executive (HSE) investigated the matter, as well as BNFL's arrangements for the control and supervision of operations at Sellafield, and published its recommendations for change in February 2000. BNFL responded positively to the reports in April 2000 with a commitment to deliver the improvements in safety and management called for by the HSE's reports. BNFL have since met all the recommendations in the MDF data falsification incident, and the storage of liquid high level waste, reports and are making good progress on the other report. These events were a setback for the company and a contributory factor in it not meeting the targets set by the Government

when the plan for a Public Private Partnership (PPP) was announced in July 1999. The Minister for Energy therefore announced in March 2000 that the earliest possible date for the introduction of any PPP into BNFL could not be before the latter part of 2002. The introduction and timing of any PPP remains subject to BNFL's performance against targets set by Government<sup>3</sup> as well as the further work being undertaken by the Government and its advisers.

### British Coal Corporation

- 17.11. British Coal Corporation is charged under the Coal Industry Act 1994 with managing or disposing of its remaining mining liabilities and disposing of its non-mining subsidiaries, assets and liabilities. It continues to be treated as a stand-alone nationalised industry with an EFR financed by Residual Payments Grant from DTI. Since the end of 1997, the day-to-day management of the Corporation's affairs has been handled by DTI staff but at arms length from the Department. Most assets and liabilities have been transferred out of the Corporation and just a few residual functions and liabilities remain. British Coal's remaining task is to discharge these outstanding liabilities as efficiently as possible before dissolution of the Corporation which is presently scheduled for late 2001.

**FIGURE 17.3:** British Nuclear Fuels external financing requirement and key financial information (£ million)

	1999-2000 Outturn	2000-01 Estimated Outturn	2001-02 Plans
External Financing Requirement*	1	-75	-150
Profit/(Loss) After Tax	(262)		
Capital Expenditure	492		
Cost of Capital Charge	25		

\* With the introduction of resource accounting, 2001-02 is the last year in which an External Financing Requirement will be used as a financial control on BNFL. Appropriate future control measures will be considered as part of the ongoing work on a PPP. Profit/Loss, Capital Expenditure and Cost of Capital Charge for forward years are commercially confidential, and are shown for 1999-2000 only.

<sup>2</sup> Available on the company's web site: [www.bnfl.com](http://www.bnfl.com) or by telephone on 0808 100 1444.

<sup>3</sup> The Government has set BNFL specific performance targets in the following key areas: safety, health and environmental performance; skills enhancement and productivity; financial performance; operational costs; and the management of liabilities.

**FIGURE 17.4:** British Coal Corporation expenditure (£ million)<sup>4</sup>

Main Estimates 2001-02: Request for Resources 1 Function T (British Coal Corporation External Finance)

	1999-2000 Outturn	2000-01 Estimated Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
Expenditure	0.6	3.0	0.0	0.0	0.0
Movement in Provision	3.7	1.8	0.3	0.0	0.0
Cost of Capital	-0.1	-0.2	-0.1	0.0	0.0

## British Shipbuilders

17.12. British Shipbuilders (BS) remains a public corporation responsible for commitments and liabilities arising from its former manufacture of ships and marine engines. Most of its assets have been privatised, and it is expected that BS will be dissolved as soon as is practicable.

**FIGURE 17.5:** British Shipbuilders expenditure (£ million)

	1999-2000 Outturn
External Financing Requirement <sup>5</sup>	0
Profit/(loss) after tax	(4.14)
Capital Expenditure	0
Cost of Capital Charge	0

## 18

## The Export Credits Guarantee Department

- Introduction
- Delivering better public services
- Targets and performance
- Review of 2000-01
- Modernising Government action plan
- Investment
- Environment
- Recruitment practice
- Public appointments
- Annual Report and Trading Accounts

## Introduction

18.1. The Export Credits Guarantee Department (ECGD) is a separate Government Department, reporting to the Secretary of State for Trade and Industry. ECGD's mission is to benefit the UK economy by helping exporters of UK goods and services win business and UK firms to invest overseas, by providing guarantees, insurance and reinsurance against loss, taking into account the Government's international policies. (This has recently been revised, see paragraph 18.7 below). ECGD charges premiums for its guarantees to reflect the risk and seeks to break even in the longer term with a confidence factor of 65-70%. ECGD plays a key role in the Government's export strategy, and it works closely with British Trade International and other Government Departments involved in export promotion. Its facilities are also intended to complement those available in the private sector.

18.2. Ministers have agreed that ECGD should introduce a Trading Fund for its activities from 1 April 2002, with a 'dry run capitalised framework' to operate from 1 April 2001.

## Highlights of 2000-01

- The conclusion of ECGD's Mission and Status Review was announced in July. The review affirmed that the Department still has a key role in supporting UK exporters in winning business overseas.
- All financial performance indicators are being met – positive cashflow forecast; cumulative Reserve Coverage Ratio (RCR) expected to rise further above the minimum target of 1.5, and in-year RCR set to exceed target of 1.4.
- Fixed Rate Export Finance – A further £1.7 billion of direct Government refinancing of outstanding FREF loans is planned, producing savings over the life of the transactions in the region of some £44 million.

## Delivering better public services

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- 18.3. ECGD's aim is 'to benefit the UK economy by helping exporters of UK goods and services win business and UK firms to invest overseas, by providing guarantees, insurance and reinsurance against loss, taking into account the Government's international policies.'
- 18.4. Consistent with its Mission, its current objectives are:
- To achieve Financial Objectives set by Ministers.
  - To operate in accordance with its Business Principles.
  - To ensure its activities accord with other Government objectives, including those on sustainable development, human rights, good governance and trade.
  - To promote an international framework that allows UK exporters to compete fairly by limiting or eliminating all subsidies and the adoption of consistent practices for assessing projects and countries on a multilateral basis.
  - To recover the maximum amount of debt in respect of claims paid by ECGD in a manner consistent with the Government's policy on debt forgiveness.
  - To ensure ECGD's facilities are, in broad terms, complementary to those in the private sector.
  - To provide an efficient, professional and proactive service for customers which focuses on solutions and innovation.
  - To employ good management practice to recruit, develop and retain the people needed to achieve the Department's business goals and objectives.

## Targets and performance

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- 18.5. Due to the later than expected conclusion of the Mission and Status Review, Ministers have agreed to dispense with a Service Delivery Agreement (SDA) for 2000-01. The SDA for 2001-02 was published on 3 November 2000, this is available from the ECGD website ([www.ecgd.gov.uk/graphic/pubreports/sda.asp](http://www.ecgd.gov.uk/graphic/pubreports/sda.asp)).
- 18.6. ECGD's key financial performance indicators are to achieve a minimum cumulative Reserve Coverage Ratio (RCR) of 1.5 (equivalent to a break-even confidence factor of 65-70%). This was reached in March 2000 and is likely to exceed 1.8 by March 2001. Likewise the in year RCR will comfortably exceed its target of 1.4.

## Review of 2000-01

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- 18.7. ECGD's Mission and Status Review was concluded in July 2000;
- The key conclusion from Mission and Status Review was that ECGD should continue to provide cover for UK exports sold on medium to long terms of credit. ECGD has a key role in bringing economic benefit to the UK by facilitating overseas trade and investments, and in the process, securing domestic employment.
  - The New Mission requires ECGD to take fully into account Government's wider objectives on trade, foreign policy, sustainable development and the environment. ECGD will also look to expand the range of companies and industries that benefit directly from cover, working closely with Trade Partners UK, the Small Business Service and Regional Development Agencies.
  - ECGD will continue to play a pivotal role in debt forgiveness and supporting developing countries in achieving and maintaining sustainable levels of debt in line with the policies outlined by the Chancellor of the Exchequer.
  - ECGD will introduce new corporate governance systems to put in place more robust controls. Recruitment for new Export

Guarantees Advisory Council members and outside directors will be geared to obtaining the right people to help fulfil the new Mission. The role of the Advisory Council will be radically changed to include monitoring and reporting performance against objectives.

- Another key finding of the Mission and Status Review was that ECGD should adopt Business Principles. The purpose of these Principles would be to guide ECGD's business practice in relation to matters such as openness, debt sustainability, human rights, sustainable development, corporate governance and business integrity. In future, ECGD's performance will be monitored and reported against the Business Principles and other strategic goals. ECGD published its Business Principles in December 2000.
- To help ECGD formulate these Business Principles, a consultation with stakeholders has taken place – a Consultation Document was sent out to those who replied to the Mission and Status consultation, as well as others on request, and other interested parties could respond via the ECGD website. ECGD has also consulted other Government Departments with an interest in this process.

18.8. A positive cash contribution to the Exchequer of £155.4 million is forecast in 2000-01 (£101.8 million in 1999-2000). This increase is due to higher premium collection and recoveries of principal and interest, offset by higher forecast claims and administration expenses. ECGD continued with its programme of using direct Government refinancing of Fixed Rate Export Finance (FREF) loans. It is anticipated that £1.7 billion will be used in the programme for 2000-2001 producing total savings in the region of £44 million.

## Priorities for 2001-04

- The establishment of a capital based exposure management framework from 1 April 2001.
- The introduction of a Trading Fund from 1 April 2002.
- Bedding in the necessary changes in risk management and monitoring systems recommended by KPMG in their review of ECGD's systems (which was published with the Mission & Status Review).
- Taking forward the change agenda from the Mission and Status Review.

## Modernising Government action plan

18.9. ECGD's action plan is centred on the five areas for modernisation identified in the Government's White Paper:

- **Policy Making** – In the last 12 months ECGD have incorporated the key principles of the White Paper into our business planning. The Mission & Status Review was a major public consultation exercise, many of the views of which were incorporated into the final report. We have employed a specialist in developmental issues and are looking to appoint outside directors to strengthen ECGD's Corporate Governance. ECGD's products and services are continually being streamlined and enhanced in the light of customer opinion, most recently the SME package.
- **Responsive Public Service** – Whilst ECGD's services are not provided directly to citizens, we recognise that the general public are increasingly interested in what ECGD does. To increase this awareness we have revamped our Website ([www.ecgd.gov.uk](http://www.ecgd.gov.uk)) to make it more accessible to the casual browser. Additionally, minutes of the meetings of the Export Guarantees Advisory Council will now be made public.

- **Quality Public Services** – ECGD have recently launched a package of improvements targeted directly at the smaller and medium sized company (SME) trying to develop their export business. Key features include streamlined insurance documentation, fast track application approval and an increase in the amount of non-UK goods or services eligible for smaller deals.
- **Information Age Government** – ECGD has continued to develop the IT infrastructure and the systems portfolio so that it continues to meet business needs, with a particular focus on customer facing systems. The website has been redeveloped and the current emphasis is on improving Information Management. ECGD is on target to meet the requirements for 100% provision of services on-line by 2005. Connection to the Government Secure Intranet was achieved in October 2000.
- **Valuing Public Service** – The quality of the services provided by ECGD depends upon the dedication, skills and professionalism of its staff. The aims and objectives of ECGD's personnel strategy reflects our new Mission and encompasses all the activities in the Modernising Government White Paper/Civil Service Reform Agenda. ECGD achieved Investors in People recognition in February 1999 and was successfully re-affirmed in April 2000.

## Investment

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- 18.10. ECGD has in place a programme to reduce the cost of FREF support through refinancing arrangements agreed with the banks. This involved replacing bank funds with cheaper funds raised in the capital markets by the Guaranteed Export Finance Corporation plc (GEFCO) – a private sector funding vehicle managed by Lloyds TSB Bank plc and established as a charitable trust. Since 1999, ECGD has carried forward its refinancing programme using public funds Voted by Parliament, since these are substantially cheaper than funds raised by GEFCO in the capital markets. The loans to GEFCO, which is outside ECGD's accounting boundary, are shown as assets in ECGD's Balance Sheet.

- 18.11. During 2000–2001 GEFCO has remained the conduit for these funds to the banking sector. The total net outstanding balance on these loans at 31 March 2000 was £1.24 billion. A further £1.7 billion is expected to be used to refinance more loans during 2000–2001 and, after taking into account repayments of principal, the net loans to GEFCO for refinancing purposes are expected to reach £2.59 billion by 31 March 2001.

## Environment

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- 18.12. ECGD observes the OECD agreement on the exchange of environmental information on environmentally sensitive projects. It has consulted on a set of Business Principles which, amongst other things, focuses upon the underlying quality of a project including its environmental, social and human rights impacts. ECGD will screen applications for cover to identify any adverse environmental, social or human rights aspects. ECGD will also press for the establishment of a multilateral framework of common guidelines for assessing such issues.

## Recruitment practice

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- 18.13. ECGD is committed to the core principles of fair and open competition for recruitment and of selection on merit, as laid down in the guidance from the Civil Service Commissioners. The Department's systems are subject to scrutiny by ECGD's Internal Audit Division on a regular basis. A member of Central Services Division (independent of the relevant recruitment exercise) undertakes an annual review on a sample basis of the recruitment exercise based on Internal Audit methodology. Any corrective action required is then taken to ensure that the required standard is delivered. These systems are also subject to audit by the Civil Service Commissioners.

## Public appointments

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- 18.14. The remit of the Export Guarantees Advisory Council (EGAC) has been broadened in line with ECGD's new Mission. The new remit is to provide advice on the development of the new policies and principles needed for ECGD to

implement the revised Mission and to advise on the drafting, implementation and monitoring of Business Principles. Membership is being broadened to include outside expertise on SME interests, developmental, environmental and corporate governance issues. The EGAC's Terms of Reference have been revised to reflect these changes. The members are Chairman David Harrison CBE (Lloyds TSB Bank plc) and members Liz Airey (Director, Harrison Lovegrove & Co Ltd), Alan Brown (Former Director Group Risk, Barclays Plc), John Elkington (Chairman, SustainAbility Ltd), Peter Godwin CBE (Chairman, Global Energy & Environment Ltd), Professor Jonathan Kydd (Professor of Agricultural Development Economics, Imperial College), Peter Mason (Chief Executive, AMEC Plc), David McLachlan (Former Director of Group Credit Risk, Nat West Group), and Sir David Wright (Chief Executive, British Trade International).

## Annual Report and Accounts

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- 18.15. Further information on ECGD, including its Mission Statement, Objectives, and payment, employment and equal opportunities policies, is set out in ECGD's *Annual Report and Trading Accounts for 1999-2000*, which were presented to Parliament on 20 December 2000 (House of Commons Act Paper 2).

# 19 The Regulatory Departments

- The Office of Fair Trading
- The Office of Telecommunications
- The Office of Gas and Electricity Markets
- The Postal Services Commission

## The Office of Fair Trading

### Aim and Objectives

- 19.1. The Office of Fair Trading (OFT) is a non-Ministerial Government department headed by the Director General of Fair Trading, John Vickers. OFT's aim is to advance and safeguard the economic interests of consumers in the UK by promoting effective competition, removing trading malpractice and publishing appropriate guidance.
- 19.2. OFT objectives are:
- To make sure that competition works well in markets for goods and services so as to make those markets more efficient and benefit consumers (Competition Policy).
  - To help maximise consumer welfare in the longer term, subject to protecting vulnerable consumers' interests by:
    - empowering consumers through information and redress; protecting them by preventing abuse; and
    - promoting competitive and responsive supply (Consumer Affairs).
- 19.3. The Director General's Annual Report for 1999 was published on 29 June 2000.

### Delivering Better Public Services: Progress

- 19.4. OFT's PSA performance measures, with a short commentary on how the Office has done against each measure, are set out in Figure 19.1. The OFT has other performance measures that are set out in its code of practice on enforcement activities. Information about the code itself is contained in the OFT booklet *Helping You*. Details of performance against these measures are set out in Appendix A to the Annual Report.

### Public Accounts Committee Recommendations

- 19.5. The 37th PAC report of 1999-2000 *Protecting Consumers from Unfair Trading Practices* was published in August 2000. This made a number of recommendations in relation to the work of the Office which have been broadly accepted. A Treasury Minute detailing the OFT's response was published on 16 November<sup>1</sup>.

### Modernising Government

- 19.6. The Office is progressing with the programme of work drawn up to accelerate modernisation and the introduction of best practice in OFT. This includes extending the use of the Intranet and Internet for both internal and external communication and reference. Significant work is in hand to improve management and leadership in OFT and to improve Diversity. The OFT has received funding from the Modernisation Fund for an extensive programme of diversity awareness training and a review to ensure equal opportunities policies are integrated fully in personnel practice.

## Highlights of 2000-01

In 2000-2001, OFT saw:

- the full introduction of the Competition Act 1998, including effective use of the enhanced investigatory powers, the provision of a comprehensive education and publicity programme, the introduction of tight timetables for the handling of cases and continued measures to improve the 'professionalism' of staff such as the delivery of a comprehensive training programme in competition law and economics, the recruitment and integration of 'professionally qualified' staff and the development of a comprehensive procedures manual. The training programme has also been extended to the sectoral regulators who enjoy concurrent powers under the Act.
- the implementation of the Distance Selling [and Injunctions] EC Directives. These are effective tools for reducing consumer detriment by taking injunctive action against those in breach of legal requirements to consumers;
- the publication of the Director General of Fair Trading's advice to the Secretary of State on significant merger cases;
- the conclusion of a review of the professions;
- 758 Unfair Contract Terms amended or removed including significant changes to items used by airlines;
- the development of Casework Management Systems across the OFT;
- the continued development of proposals arising from the recommendations in the White Paper, *Modern Markets: Confident Consumers*; and
- the appointment of a Deputy Director General with responsibility for achieving greater synergy across OFT.

**FIGURE 19.1: OFT Public Service Agreement: Progress**

### By March 2002 the OFT will:

#### Competition Policy

- i. Reduce the cost to undertakings of compliance with competition law in the period to March 2002 as a result of the effective and efficient implementation of the Competition Act 1998, including the provision of comprehensive guidance material by March 2002.
- ii. Act within agreed timescales against UK/EU mergers which will damage competition; in particular, meet statutory deadlines in all relevant cases and seek to ensure, in UK public cases, that in 90% of cases parties receive a decision within 45 working days.
- iii. Increase business awareness of the new competition regime each year (demonstrated by comparison between a baseline survey in Spring 1999 with analysis completed by July and subsequent surveys at the same periods in 2000 and 2001).

The OFT has published a considerable body of guidance relating to the operation of the Competition Act 1998. Much of it can be found on the OFT's web site <http://www.of.gov.uk>. The OFT has also produced a video covering compliance matters which 90% of respondents to a recent survey classified as 'very helpful' or 'quite useful'. Many also said that the video had been used as a training tool. The OFT has also published its targets for dealing with cases and has dealt with numerous requests for informal advice from business and their advisers.

This is a joint OFT/DTI target. The OFT element of the target is to provide advice to DTI on decisions within 39 days in 90% of cases. Performance against the overall target is currently running at 66% and at 79% against the internal target.

The OFT has in hand a publicity programme to raise the awareness of industry. The success of this is measured by periodic surveys.

**By March 2002 the OFT will:****Consumer Affairs**

Each year, secure, through negotiation, undertaking or Court action, the abandonment or revision, to eliminate unfairness, of 500 unfair terms used in contracts with consumers.

Terms revised or deleted 1 January 2000 – 31 December 2000: 758

This target has been revised within the SDA to 550 unfair terms.

Encourage the removal of unfair practices by widespread publicity of regulatory action in problem market sectors.

To deliver this target the OFT undertakes a wide range of activities, including Press Releases, research papers, letters to trade bodies, interviews given by the Director General etc. Due to its reactive nature no formal target has been set.

Target research and information campaigns to achieve maximum benefit for the consumer by undertaking cost benefit studies and post implementation reviews to identify areas where the greatest impact can be achieved and where necessary refocus efforts.

Work continues to achieve this target.

Demonstrate the level of consumer detriment in the economy by 1999-00 by: conducting a survey to establish a reliable mechanism for making such assessments on a regular basis and collating and publishing quarterly reports on consumer complaints.

A reliable method of estimating the level of consumer detriment in the UK economy was successfully demonstrated in the report *Consumer Detriment* published in February 2000. Quarterly reports on consumer complaints continue to be published by OFT in the series Trends in Consumer Complaints. Research continues into additional ways of estimating consumer detriment.

Improve publicly available information on consumer detriment and its measurement by sponsoring at least two research projects a year into consumer detriment and the maximising of consumer welfare.

Two research papers were published in 2000: Research Paper 20 by Frank Cowell and Karen Gardiner of LSE on *Welfare Weights*, published in January and a paper which formed an appendix to OFT's report on *Consumer Detriment*, published in February, outlining *A Model for Total Consumer Detriment*. Further research, which may result in papers that will be published in 2001, is being undertaken to follow up the latter.

**For Competition Policy**

A quantified target for consumer saving expressed as 'To save consumers at least £a million over b years by taking action against anti-competitive agreements and conduct that would otherwise have increased prices. (Objective 1)

The OFT is currently undertaking a project to develop a useable methodology which will enable the details of this target to be measured and entered. The project is planned to finish in time for this target to be met.

A quantified target for consumer saving expressed as 'To save consumers at least £c million over d years by taking action against anti-competitive mergers that would otherwise have increased prices. (Objective 1)

The OFT is currently undertaking a project to develop a useable methodology which will enable the details of this target to be measured and entered. The project is planned to finish in time for this target to be met.

**For Consumer Affairs**

By March 2002 have in place a quantified target for consumer detriment expressed as 'CA's annual programme to reduce systematic consumer detriment and the effects of particular malpractices by specific traders so as to generate demonstrable benefits to consumers with a net present value of £y million, these benefits being weighed in relation to consumers income'. (Objective 2).

The OFT is currently undertaking a project to develop a useable methodology which will enable the details of this target to be measured and entered. The project is planned to finish in time for this target to be met.

**By March 2002 the OFT will:****Productivity Targets: The OFT has specific efficiency targets which include:**

Setting up an Operations Management Group (OMG) and Secretariat by 1 April 1999 to ensure prioritisation of resource allocation, target setting and performance delivery.

The OMG was established in April 1999 and has met monthly since then.

Complete Treasury health check of Financial Reporting Systems by end November 1999 for years two and three of SDR settlement.

The Health Check has been successfully completed

Deliver 4% year on year efficiency gains of which half are cash releasing.

A new Procurement Strategy is being implemented. The Procurement section is reviewing office-wide contracts in order to ensure efficiency savings are achieved wherever possible. Efficiency savings are also being generated as a result of the increasing use of IT and the recent relocation.

Using Internet and Intranet technologies and the introduction of case management systems to deliver higher service quality at lower cost.

The OFT implemented its Intranet across the Office and became part of the GSI in 1999. The case management system has also been implemented across the Office.

Enhancing the skills and professionalism of staff by: professional training for the Competition Act 1998; increasing the levels of professional support and professional training throughout the OFT; recruitment of additional legally qualified staff and trained economists; increasing the number of staff holding NVQs in the Office (as measured at the end of 1998-99) by 10 per cent each year; and maintaining Investors in People accreditation gained in December 1998.

The OFT continues to progress against these targets. A significant number of staff have completed the professional training for the Competition Act 1998, and additional lawyers and economists continue to be recruited and trained. NVQs and professional qualifications continue to be pursued by staff in the Consumer Credit Licensing Bureau and Resources and Service Branch respectively. Professionally qualified staff have also been recruited to R&S.

Relocate to single central London office by end 1999

The relocation was completed in February 2000.

Reduce the price of consumer credit licence application in real terms by 3% a year as measured by real changes from 1998-99 cash price of an application.

The cost of a consumer credit licence has remained the same in cash terms since 1998-99. In real terms therefore the OFT is on course to achieve this target.

Contribute to improved throughput by providing internal legal advice within the targets set by the Office in 95% of cases, increasing to 96% by March 2002.

The OFT is on course to meet this target.

In line with Government Policy as set out in the handbook *Better Quality Services*, the OFT will develop a review programme by September 1999 with the intention of having reviewed at least 60% of its services by March 2003.

The review programme was developed on time and the OFT are currently executing the programme.

The Office will set a target by 30 June 1999 in support of the Government commitment that by 2002, 25% of government services will be accessible electronically.

The Office is progressing towards this. Many services are already available through electronic media. The Office has been awarded funding from the latest Invest to Save Budget round for two projects that will significantly increase its ability to achieve this target.

Contribute to Government target to reduce public service sickness absence rates by 20% by 2001 and by 30% by 2003.

The Office has initiated a programme that will contribute towards the Government's target. The project is on course for delivery by 2003.

95% of suppliers will be paid by BACS within 30 days of a correctly presented and valid invoice, unless other payment terms are agreed.

The Office's payment record for 1999-2000 was 98.5%. The payment record for the current year is on course to at least match this.

## Priorities for 2001-04

Future priorities include:

- the development of measurements and targets which demonstrate the impact of the work of OFT on consumers;
- the continued effective operation of the Competition Act 1998, as informed by periodic reviews of public awareness of the regime and of the success of the education initiative;
- the continued effective operation of the merger regime and the implementation of changes arising from reform;
- the successful implementation of the changes recommended by the review of Consumer Credit Licensing;
- the successful implementation of the changes emerging from the *Modern Market, Confident Consumers* White Paper and the Fundamental Review of Consumer Affairs;
- the promotion of proper consideration of consumers' interests in e-commerce developments.
- the targeted delivery of increased information effort;
- improved internal and external information networks and increased use of electronic means of handling business;
- the continued enhancement of professional skills throughout the Office through systematic training and development of existing and newly recruited staff;
- continued modernisation;
- improved identification of consumer and competition priorities and synergy across the OFT; and
- the introduction of a revised management structure for the Office.

### Resources

19.7. Expenditure is fully vote-financed. During 2001-02 gross running costs are planned to increase to £32.25 million. This is because of the increase in activity resulting from the implementation of the EC directives and the continued impact of the **Unfair Terms in Consumer Contracts Regulations 1999**. The provision for capital spending is also due to increase in order to progress the Office investment strategy and achieve the electronic service delivery targets. Programme expenditure on litigation has been higher than normal over the past three years due to the Office's Premier League litigation and the over the counter medicaments case.

19.8. Staff numbers are increasing as a result of the EC directives, the Unfair Terms in Consumer Contracts Regulations, and the tighter deadlines and increased transparency for mergers work.

FIGURE 19.2: OFT running costs and human resources

	1998-1999 Outturn	1999-2000 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
Administration costs (£ million)	21.0	30.5	32.9	32.2	32.8	32.8
Human Resources	400	436	477	485	485	485

## The Office of Telecommunications

### Aim and objectives

19.9. OFTEL is a non-Ministerial Government Department headed by the Director General of Telecommunications, David Edmonds. OFTEL's aim is to provide the **best possible deal for telecommunications customers** in terms of quality, choice and value for money through effective competition.

19.10. OFTEL's strategy is to achieve its goal of the best deal for the consumer through focusing on outcomes of:

- effective competition – benefiting consumers;
- well informed consumers;
- adequately protected consumers;
- prevention of significant anti-competitive practice.

**FIGURE 19.3:** OFTEL Public Service Agreement (apply up to end 2000/01 only): Progress against original 5 objectives set out in Cm 4611

Performance Target	Progress Update
i) Work with DTI to attempt to achieve changes to European Community telecommunications law that secure promotion of competition and consumer protection. Input to review in 1999-2000; (Objectives 1-5)	The EC published proposals show a good correlation with the OFTEL position. OFTEL is working with the DTI to further improve the position during continuing negotiations.
ii) Long term strategy for OFTEL's achievement of its goal and objectives to be developed and published by Autumn 1999; (Objectives 1-5)	OFTEL's Strategy Statement was published January 2000. OFTEL is now working to implement the strategy including: <ul style="list-style-type: none"> <li>● Carrying out market reviews</li> <li>● Making rigorous assessments of what is appropriate regulation for different circumstances</li> </ul>
iii) Policy statement on the review of competition in the mobile market to be published by Summer 1999; (Objective 1)	A statement was published in Jul 1999 and a further review is being conducted in 2000-01. Prices of calling from mobiles are being monitored by OFTEL, and prices have fallen by 24% in the period from Jan 1999 to Sep 2000.
iv) Identify whether there is a need for regulatory action in order to bring higher bandwidth services to the customer, and statement of responses to consultation to be published by Summer 1999; (Objectives 1 & 2)	In Aug 2000 a new condition was inserted into BT's licence requiring BT to offer unbundled local loops to other operators at cost orientated prices. Local loop unbundling started in Jan 2001 with systems in place to provide local loops at full capacity by July 2001. This is in addition to developments on leased lines and mobile GPRS/3G
v) Complete preliminary enquiry in 30 working days for competition cases. Complete 75% of investigations within a further six months, and all within one year; (Objective 3)	Figures for 2000 were: <ul style="list-style-type: none"> <li>100% of preliminary enquiries were completed in 30 days;</li> <li>76% of cases were completed in 6 months and 99% were completed in one year.</li> </ul> The target for completing investigations within six months has been tightened to 80% for the year 2000 onwards.
vi) Monitor price control requirements: <ul style="list-style-type: none"> <li>– weighted average price of BT's basket of services to fall by at least RPI-4.5% each year (where weights used relate to revenues from lowest spending 80% of BT's residential customers</li> <li>– no BT residential customer to experience any real increase in their bill over the price control period (based on the same usage and normal calling pattern). Annually to July 2001; (Objectives 4 &amp; 5)</li> </ul>	Requirement achieved (Aug 00-Jul 01)
vii) Review of need for new price controls on BT from August 2001 and publish initial consultation document by Autumn 1999; (Objectives 4 & 5)	Consultation document published Sep 1999. A further consultation document was published in Mar 2000 and the final consultation document was published in Oct 2000. A statement was published in Feb 2001.

Performance Target	Progress Update
viii) Ensure publication of price comparison information for residential customers of fixed link telecommunications companies by Summer 1999; (Objectives 4 &5)	A price comparison website and phone line was up and running from Dec 1999. This has since been expanded (Sept 2000) and regularly updated (latest update Dec 2000).
ix) Improve the responsiveness of the telecommunications industry to customer needs by reviewing progress each year in the UK telecoms market, and by assessing how a range of different customers – in both residential and business sectors – are doing in getting the ‘best deal’ from telecommunications.	A report of benefits achieved by customers in 1999 was published May 2000. A report for 2000 to be published Spring 2001.

**FIGURE 19.4: OFTEL Service Delivery Agreement (apply from April 2001 onwards): Key performance targets**

Target	Measures
1. Increase the extent to which the market is effectively competitive or effective competition is in prospect. <i>Objective 1</i>	We will maintain a table of the main markets showing which of these are not competitive, competition in prospect, competition achieved (underpinned by a range of quantitative indicators) – the target is for this table to indicate an increase in effective competition. We will be looking for evidence that competition is delivering benefits to consumers: <ul style="list-style-type: none"> <li>● An increased proportion of consumers for whom prices are set by competitive forces rather than by price cap regulation</li> <li>● Improved value for money for consumers as seen by declining prices and at least maintained quality of service</li> <li>● UK moving towards/maintaining a good relative position vis-à-vis other competitor countries on price and quality</li> </ul> In the absence of such evidence, we will act through the various levers set out in our strategy to secure these benefits.
2. Increase: <ul style="list-style-type: none"> <li>● The awareness amongst consumers of the choices available to them;</li> <li>● the availability of useful information on price and quality comparisons provided by the industry/private sector initiatives;</li> <li>● the proportion of consumers making well informed choices.</li> </ul> <i>Objective 2</i>	We will be targeting an increase in the proportion of consumers: <ul style="list-style-type: none"> <li>● aware of the fact there is a choice of supplier</li> <li>● using advanced services</li> <li>● aware of and using price &amp; quality comparison information provided by industry/private sector.</li> </ul>
3. All consumers protected by: <ul style="list-style-type: none"> <li>● Effective competition or regulation where competition is not effective;</li> <li>● Ensuring access to basic telecoms services at affordable prices on reasonable request.</li> </ul> <i>Objective 3</i>	We will be: <ul style="list-style-type: none"> <li>● Targeting no real price increase for any significant group of residential consumers for basic telephony</li> <li>● Targeting an increase in the number of residential consumers whose basic telephony needs are being met.</li> </ul>
4. Encourage and secure a reduction in significant anti-competitive practice by taking effective action. <i>Objective 4</i>	We will be: <ul style="list-style-type: none"> <li>● Targeting reductions in anti-competitive behaviour</li> <li>● Targeting completing rigorous investigations within time frames set to be stretching but achievable</li> <li>● Establishing a basis for use of the Competition Act to prevent anti competitive behaviour</li> </ul>
5. Spending on OFTEL will deliver ‘value for money’	Improvements in the rate of change of telecoms consumer benefits as measured under Target 1 (eg in terms of price reductions, international comparisons, increase in extent of competition) will exceed the rate of change of OFTEL funding.

## Highlights of 2000-01

- Issuing a determination requiring BT to provide services to enable other operators to supply unmetered Internet access over BT's local network.
- Agreeing a new licence condition with BT requiring them to offer unbundled local loops to other operators at cost orientated prices and facilitating BT and industry work to ensure timely delivery. BT is now accepting orders to build and connect operators' facilities for local loop unbundling and can provision up to 200 of these facilities per month.
- Publishing proposals to increase competition in, and so help reduce prices of, retail national leased lines.
- Improving the evidence base for decision making through publication of a wide range of market research on consumer behaviour on a quarterly basis starting May 2000.
- Working with industry to help the launch of industry sponsored TelecomsAdvice website for small businesses and to improve the existing phonebills.org website for residential consumers.
- Launching major reviews of the dial-up internet, mobile and calls to mobile markets to determine the appropriate level of regulation for the future.

19.11. The Annual Report of the Director General of Telecommunications for 1999 was published on 5 July 2000.

### Delivering better public services: progress

19.12. OFTEL's PSA performance measures, with a short commentary on how the Office has done against each measure, are set out in Figure 19.3. Since the original PSA targets were drawn up OFTEL has developed a new strategy with new outcome focused objectives. New targets have been drawn up for OFTEL's Service Delivery Agreement (SDA) which will apply from April 2001 (see Figure 19.4).

## Priorities for 2001-04

OFTEL's 2000-2001 Management Plan includes the priorities for the first quarter of 2001. The 2001-02 Management Plan to be published in March 2001 following stakeholder consultation will set out the work programme for the following year.

Subject to stakeholder consultation, the main priorities for 2001-02 are likely to include:

- Taking appropriate regulatory action to protect consumer interests in relation to both narrowband services and the emerging world of broadband and converged services;
- Where sector specific regulation is still needed to protect consumers or to promote competition, working with the industry and consumers to identify and implement the most effective and efficient mix of formal, co and self regulation;
- Carrying out regular market reviews of the telecoms sector to ascertain the level of competition (incorporating results of benchmarking exercises to ascertain if the UK consumer is getting good value for money) and identifying how best to match the level of regulation to the competitive conditions in individual markets; and
- Continuing to work with BT and the Industry to ensure that Local Loop Unbundling is available on non-discriminatory terms to all Operators.
- Working with BT to ensure that any restructuring they undertake maintains consumer protection and further progress towards effective competition.

### Modernising Government

19.13. OFTEL engages in an open dialogue with consumers and the industry and in February 2000 held a public consultation on its own work programme. The consultation resulted in the publication in April 2000 of OFTEL's 2000-2001 Management Plan, setting out OFTEL's strategy, goals and work programme for April 2000 to March 2001.

19.14. Cross-departmental collaboration is becoming increasingly important as the boundaries between broadcasting, telecoms and IT break down. OFTEL works with the DTI, DCMS, OFT and the Independent Television Commission to address regulatory issues concerning these sectors. Examples of cross-departmental collaboration include:

- E-commerce – OFTEL worked closely with the Office of the E-Envoy in putting together the relevant sections of the Government’s UK Online annual report and reports monthly on progress. *E-commerce* – a joint consultation document was published by OFTEL and the OFT identifying any emerging barriers to competition in electronic markets and recommending how they be addressed.
- OFTEL works very closely with the Office of the Data Protection Commissioner providing expert technical advice on issues specific to the Telecommunications sector.

- Digital television – joint advice to Government was issued by OFTEL, the ITC and the OFT looking at how consumers will be able to get the best deal and widest choice of access to new digital television services.
- Group of three – the OFT, the ITC and OFTEL meet regularly to discuss issues that cut across the regulators’ responsibilities for broadcasting and co-operate on issues such as mergers

19.15. OFTEL is committed to staff training and development and following achievement of ‘Investors in People’ recognition in October 1999, OFTEL underwent a post recognition review in November 2000 when accreditation was again confirmed.

**FIGURE 19.5: OFTEL administration costs and human resources**

	1999-2000 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans <sup>a</sup>	2003-04 Plans <sup>a</sup>
Administration costs (£ million)	12.0	13.1	15.7	-	-
Human resources	193	206	242	-	-

<sup>a</sup> OFTEL consults the industry and other interested parties on its resource plans on an annual basis as part of the financial regime for the Utility Regulators. Plans for 2001-02 are set out here.

## The Office of Gas and Electricity Markets

### Aims and objectives

- 19.16. Ofgem is a non-Ministerial Government department. In November 2000, the **Gas and Electricity Markets Authority** came into being following the enactment of the Utilities Act. The Act set out a new principal objective for Ofgem to protect the interests of consumers, wherever appropriate by promoting effective competition.
- 19.17. To achieve this principal objective, Ofgem's objectives are:
- to advance and promote effective competition in the gas and electricity industries and markets;
  - to conduct effective regulation of monopoly businesses and those parts of the industries where competition is not fully effective; and
  - to promote arrangements that provide the best possible choice, in terms of price and quality, for the consumer.

### Priorities for 2001-02

Ofgem's priorities for 2001-02 are:

- Social and environmental action.
- Regulation of monopoly businesses.
- Efficient trading in the wholesale gas and electricity markets.
- Managing the move to competitive supply markets.
- Work on industrial structure and competitiveness.
- Work to develop Ofgem as an efficient regulator.

These build on the priorities that were set for 2000-01. This consistency provides greater transparency and certainty to those whom Ofgem regulates and maintains a focus on the policy issues that will secure real benefits for gas and electricity consumers.

### Highlights of 2000-01

Ofgem's major achievements in 2000-01 include:

- Putting in place the legal and regulatory infrastructure for the introduction of the New Electricity Trading Arrangements (NETA), and starting work on the reform of the transmission access arrangements.
- Introducing proposals to create a single British market for electricity trading and transmission access ('BETTA').
- Completing a review of National Grid Company's charges and starting a review of Transco's charges.
- Improving the accuracy and consistency of data relating to key outputs for electricity distribution businesses under the Information and Incentives project.
- Introducing proposals to end price controls in the domestic gas supply market due to the development of competition.
- Completing a review of National Grid Company's charges and starting a review of Transco's charges.
- Improving the accuracy and consistency of data relating to key outputs for electricity distribution businesses under the Information and Incentives project.
- Introducing proposals to end price controls in the domestic gas supply market due to the development of competition.
- Making progress on the separation of electricity distribution and supply businesses.
- Implementing a range of initiatives to tackle fuel poverty under the Social Action Plan
- Consulting on the initial Environmental Action Plan.
- Establishing the Gas and Electricity Markets Authority and progressively implementing the Utilities Act.
- Establishing a Memorandum of Understanding with the new consumers' body (energywatch) and transferring Ofgem's regional offices to it.
- Moving to one London site, designed to facilitate flexible working.

## Delivering better public services

19.18. Ofgem's PSA targets, with a short commentary on how the Office has done against each one, are set out in the table below. Details of progress also form part of Ofgem's Annual Report to Parliament.

19.19. Ofgem is committed to working practices that promote the Modernising Government agenda. The Authority consists of a majority of non-executive members appointed by the Secretary of State. In addition, Ofgem consults on its policy proposals using a range of techniques, including consultation papers and public meetings. It achieves transparency by publishing all consultation and decision documents on the Internet.

**FIGURE 19.6: Ofgem Public Service Agreement: Progress**

Performance Target*	Progress Update
1. Introduce New Electricity Trading Arrangements (NETA) – Q3 (dependent on Utilities Bill timetable)	There was a delay to start of end-to-end testing due to failure to meet minimum criteria. The NETA programme is currently working to a new target 'go live' date of 27 March 2001.
2. Introduce an obligation to establish managerial and operational separation of distribution businesses from April 2000 and report on an initial review of implementation – Q3	Report published in November 2000
3. Review the development of competition in gas and electricity supply and publish a report of reviews – Q3	Reports published by December 2000
4. Review National Grid Company (NGC) price control and publish final proposals – Q2	Final proposals published in September 2000
5. Commence a review of Transco price control (to complete in 2001) and publish a background consultation – Q1	Background consultation published in May 2000
6. Review the information and incentives principles of price control, publish conclusion of output measures and publish initial output incentive regime proposals – Q3	Conclusion of output measures published in September 2000. Initial views on incentive regime published in January 2001
7. Review the implementation of the social action plan and publish a report – Q4	On schedule
8. Implement new price comparison requirements on companies – Q3	Voluntary code for companies providing internet-based price comparison services published in October 2000
9. Review the transfer process used for customers changing supplier and publish conclusions of the review – Q4	Consultation document published in November 2000
10. Publish an environmental action plan – Q3 (dependent on Utilities Bill timetable)	Consultation document published in July 2000. Plan due to be finalised in Q4 once Ministers have published a further draft of the guidance to Ofgem on social and environmental issues

\*Q1 = April to June 2000, Q2 = July to September 2000, Q3 = October to December 2000, Q4 = January to March 2001  
Copies of publications are available on Ofgem's website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk))

**FIGURE 19.7:** Ofgem expenditure and human resources

	1999-2000 Outturn	2000-01 Forecast Outturn	2001-02 Plans	2002-03 Plans <sup>a</sup>	2003-04 Plans <sup>a</sup>
Expenditure (£ million)	50.0	68.5 <sup>b</sup>	33.5	33.5	33.5
Headcount	521	327 <sup>c</sup>	334	325	325

a 2002-03 and 2003-04 Plans: indicative only.

b There was a sharp increase in expenditure between 1999-2000 and 2000-01 due to exceptional costs attributable to NETA and the merger.

c Actual headcount (excludes vacancies).

## The Postal Services Commission

### Introduction

19.20. The Postal Services Commission (which has adopted the working name 'Postcomm') is now an independent non-Ministerial Government Department headed by a Commission comprised of a Chairman, a Chief Executive and 5 part-time Commissioners. Before 6 November 2000 it was administratively part of DTI.

### Duties and objectives

19.21. Postcomm's principal duties are set out in the **Postal Services Act 2000** and are as follows:

- to ensure the provision of a universal postal service at affordable prices and at a UK-wide uniform tariff;
- to further the interests of users of postal services, wherever appropriate by promoting effective competition between postal operators;
- to license postal operators to offer services within the area defined by the Act (i.e. mail costing less than £1.00 and weighing less than 350g);
- to have regard to the interests of those who are disabled or chronically sick, pensioners, those with low incomes and those living in rural areas;
- to promote efficiency and economy in the provision of public postal services;

- to have regard to social and environmental guidance issued to it by the Secretary of State for Trade and Industry;
- to keep itself informed about postal matters generally; and
- to give advice to the Government about postal matters.

19.22. Its principal objectives are:

- to prepare a licensing regime,
- to issue a licence to the Post Office company, including provisions relating to service standards,
- to review, report on and if appropriate implement plans to promote effective competition, including by reviewing the extent of, and licensing operators to offer services within, the area defined by the Act, bearing in mind the cost (if any) to the Post Office company of providing a universal service.
- to prepare a price control for the Post Office company, and
- to report and advise on the post office network and its future.

19.23. There were no performance objectives set for 2000-01 or later.

## Highlights of 2000-01

Postcomm's priority has been to establish a licensing regime and to prepare a draft licence for the Post Office company. This was put out for public consultation in January 2001. Postcomm also began preparatory work which will enable it to carry out its other duties. In particular, in September 2000, it issued a consultation document on promoting effective competition and, in December 2000, it issued a discussion document on preserving access to post offices in rural areas.

## Priorities for 2001-04

Future priorities include:

- by Autumn 2001 completing, and by Spring 2002 implementing the results of, the investigation into the scope for introducing effective competition;
- by Summer 2002 preparing a revised price control for the Post Office; and
- annually, reporting to the Government on the current state and future of the post office network.

**FIGURE 19.8:** Postcomm license income and expenditure plans (£ million)

	2000-01 Forecast Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
Licence income	3.7	3.8	3.8	3.8
Administration costs	2.1	2.3	2.3	2.3
Other current expenditure	1.5	1.5	1.5	1.5
Capital expenditure	0.1	0.1	0.1	0.1



# Main Estimates 2001 – 2002

A1 – DTI

A2 – UKAEA

A3 – ECGD

A4 – OFT

A5 – OFTEL

A6 – OFGEM

A7 – Postal Services Commission

A8 – Explanation of Symbols

# A1

## Main Estimates 2001-02: Department of Trade and Industry

### Introduction

1. The Department of Trade and Industry has two Requests for Resources: (RfR1) Increasing UK Competitiveness and RfR2 Increasing Scientific Excellence in the UK and Maximising its Contribution to Society.

#### **RfR1: Increasing UK Competitiveness**

2. This Request for Resources provides for the resources needed by DTI for the promotion of enterprise, innovation and increased productivity; implementation of the programmes set out in the Knowledge Economy White Paper; the creation of strong and competitive markets; the development of a fair and effective legal and regulatory framework; and the efficient management of nuclear and coal liabilities. These activities include the spread of industry led partnerships at national, regional and sectoral levels aimed at spreading best practice and the encouragement of the use of e-commerce and the uptake and accessibility of technology at home and overseas; research and development and support for standards and the National Measurement Scheme; Regional Selective Assistance, including Enterprise Grants; support for the Small Business Service and the programmes which it will administer through Business Link Operators and other local outlets; the Enterprise Fund, including the Small Firms Loan Guarantee Scheme and other measures for small firms; telecommunications and posts; civil aircraft research and demonstration; space technology; support for the shipbuilding and aerospace industries; compensation of distant water trawlermen; the covering of exchange risk guarantees; nuclear and non-nuclear energy programmes, including the promotion of new and renewable sources of energy and clean coal technology; support for consumer organisations, consumer safety and investor protection measures; regulation of trade policy and fulfilment of international non-proliferation obligations; improvement of radio spectrum efficiency; employment relations, including the promotion of fairness and minimum standards at work and the enforcement of a national minimum wage; funding of the Office of Manpower Economics; re-imburement of claims for the restitution of property of victims of Nazi persecution seized during the Second World War under the Trading With the Enemy legislation; support for the development of post offices to provide access to official services and information; nuclear decommissioning and radioactive waste management; grant in aid to the United Kingdom Atomic Energy Authority; the discharge of liabilities to former coal industry employees - mainly employees of the British Coal Corporation - and other liabilities transferred from the British Coal Corporation; grant in aid to the Coal Authority and the regeneration of former British Coal sites; petroleum licensing repayments; the costs of the advisers for the BNFL Public Private Partnership; Departmental administration costs (including those of British Trade International and support for the Advisory, Conciliation and Arbitration Service), associated depreciation and cost of capital charges, the funding of the executive agencies; loans to and repayments from the trading funds; privatisation expenses and certain other miscellaneous expenditure are also included in the Request for Resources.

#### **RfR2: Increasing Scientific Excellence in the UK and Maximising its Contribution to Society**

3. This Request for Resources provides grant in aid to the seven science Research Councils - Biotechnology and Biological Sciences Research Council (£212,374,000); Economic and Social Research Council (£73,647,000); Engineering and Physical Sciences Research Council (£441,023,000); Medical Research Council (£345,320,000); Natural Environment Research Council (£186,171,000); Particle Physics and Astronomy Research Council (£206,932,000); and the Council for the Central Laboratory of the Research Councils (£2,985,000), including the UK's subscriptions to international organisations in their fields of activity; Research

Council pensions; grants in aid to other scientific bodies (the Royal Society and the Royal Academy of Engineering); and grants for other sundry scientific services including the University Challenge Fund, the Joint Infrastructure Fund, the Cambridge/Massachusetts Institute of Technology Institute, the Synchrotron Radiation Source, the Science Enterprise Challenge Scheme, the Higher Education Innovation Fund, exploitation of discoveries at public sector research establishments, the administration costs of the Office of Science and Technology.

4. A detailed analysis of appropriation in aid of these Requests for Resources and extra receipts payable to the Consolidated Fund Extra Receipts is given in Annex C of this Report.

## Part 1

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	<b>£</b>
■ RfR1: Increasing UK Competitiveness	2,192,363,000
■ RfR2: Increasing Scientific Excellence in the UK and Maximising its Contribution to Society	1,722,227,000
■ Total net resource requirement	3,914,587,000
■ Net Cash Requirement	4,511,126,000

Amounts required in the year ending 31 March 2002 for expenditure by the Department of Trade and Industry on:

### **RfR1: Increasing UK Competitiveness**

Promotion of enterprise, innovation and increased productivity and support for business, including the preparation of regional innovation strategies, the spread of industry led partnerships aimed at spreading best practice and the encouragement of the uptake and accessibility of technology; implementation of the programmes set out in the Knowledge Economy White Paper; payments to the Department of the Environment, Transport and the Regions for the establishment of innovation clusters and business incubators, of regional centres for manufacturing excellence, and towards the costs of the Waste Resources Action Programme; payments to the Department for Culture, Media and Sport for the funding of projects in the tourist and media sectors; payment to the Foreign and Commonwealth Office in respect of the costs of the Chevening scholarships; payment to the Department for Education and Employment of contribution towards the costs of the Council for Excellence in Management and Leadership; support for the Small Business Service and the programmes, including the Farm Business Advice Service, which it will be administering through Business Link Operators and other local outlets; support for the Rover Task Force and its recommendations, including support for suppliers affected by BMW's decision to sell Rover and a payment to the Department of the Environment, Transport and the Regions towards the administration costs incurred by Advantage West Midlands; research and development, including support for standards and the National Measurement System and associated capital expenditure; promotion of and support for the use of e-commerce; competitiveness funding for the Regional Development Agencies and the London Development Agency; support for the Regional Innovation Funds; telecommunications and posts; shipbuilding and aerospace industries; compensation for distant water trawlermen; exchange risk and other guarantee losses; the creation of strong and competitive markets and the development of a fair and effective legal and regulatory framework; the promotion of competition, protecting and promoting the interests of consumers, including support for consumer organisations and trading standards officers, and investor protection; development of post offices to provide access to official services and information, including the Internet and consultancy advice on the implementation of the Postal Services Act; the regulation of trade; fulfilment of international non-proliferation obligations; improvement of employment relations and other programmes to encourage the development of a skilled and flexible labour market, the promotion of fairness and minimum standards at work, including a national minimum wage, and payment to the Inland Revenue for its enforcement; payments towards the expenses of the Office of Manpower Economics; discharge of liabilities in

respect of former public sector employees who suffered damage as a result of an admitted failure to implement the Acquired Rights Directive; improvement of radio spectrum efficiency; international subscriptions; energy-related programmes including research and development, the promotion of new and renewable sources of energy and clean coal technology, security of oil and gas supplies, and civil nuclear emergency planning; support for safety, environment and social impact programmes relating to nuclear sites in Central and Eastern Europe and the Former Soviet Union; grants and loans to the British Coal Corporation; claims for the restitution of property of victims of Nazi persecution seized during the Second World War under the Trading With The Enemy legislation; the efficient management of nuclear liabilities, including nuclear decommissioning and radioactive waste management; regulation of nuclear security including the programme expenditure and administration costs of the Office of Civil Nuclear Security; the efficient management of liabilities in respect of former coal industry employees, mainly employees of the British Coal Corporation, and other liabilities transferred from British Coal, and associated administration costs including arbitration arrangements, grant in aid to the Coal Authority, and support for regeneration mainly of former British Coal sites; operating aid to coal producers; assistance to redundant steel workers; departmental administration including the Advisory, Conciliation and Arbitration Service grant in aid, support for employment tribunals, a share of the administration costs of British Trade International; modernising government activities; central and miscellaneous services; the operational costs of departmental executive agencies; privatisation expenses including the coal, nuclear power and electricity industries; the costs of advisers for the BNFL Public Private Partnership; loans to trading funds; petroleum licensing and royalties; provision of land and buildings, loans, grants and other payments and associated non-cash items.

### **RfR2: Increasing Scientific Excellence in the UK and Maximising its Contribution to Society**

Research Councils; the Royal Society; the Royal Academy of Engineering; Office of Science and Technology initiatives; the University Challenge Fund; the Joint Infrastructure Fund; the Cambridge/Massachusetts Institute of Technology Institute; the Synchrotron Radiation Source and the Science Enterprise Challenge Scheme; the Department for Education and Employment, for the Higher Education Innovation Fund; exploitation of discoveries at public sector research establishments; the Foreign and Commonwealth Office for Chevening Scholarships; fees payable under the Animals (Scientific Procedures) Act 1986; Research Council pensions; capital and administration costs of the Office of Science and Technology and associated non-cash items.

The Department of Trade and Industry will account for the Estimate.

	<b>Net Total £</b>	<b>Allocated in Vote on account £</b>	<b>Balance to Complete £</b>
RfR1	2,192,363,000	990,116,000	1,202,247,000
RfR2	1,722,227,000	784,502,000	937,725,000
Total Net Resource Requirement	3,914,590,000	1,774,618,000	2,139,972,000
Net Cash Requirement	4,511,226,000	2,047,140,000	2,464,086,000

**Part II: Subhead details (£000)**

Resources							Capital		2000-01 Provision 9	1999-2000 Outturn 10
	1 Admin	2 Other Current	3 Grants	4 Gross Total	5 AinA	6 Net Total	7 Capital	8 Non-operating AinA		
<b>RfR 1: Increasing UK Competitiveness</b>	<b>483,887</b>	<b>344,771</b>	<b>1,563,799</b>	<b>2,392,457</b>	<b>200,094</b>	<b>2,192,363</b>	<b>213,950</b>	<b>112,255</b>	<b>2,850,018</b>	<b>2,541,416</b>
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS:										
Central Government spending										
*A. Promotion of enterprise, innovation and increased productivity and associated administration costs										
	102,801	478,678	142,767	724,246	18,766	705,480	52,881	3,475	661,512	561,063
B Measures relating to individual industries and related programmes										
		11,775	36	11,811	1,358	10,453	133,205	104,730	12,525	11,351
*C. Legal and regulatory framework and markets and open associated administration costs										
	281,549	138,213	38,615	458,377	67,684	390,693	7,551	3,435	374,875	288,776
D Net expenses relating to coal provisions										
		75		75	10,165	-10,090			-435,107	-106,487
E Developing post offices to provide access to official services/information and the Internet										
		75,000		75,000		75,000				
*F Net controlled agencies and suppliers of Departmental central services										
	45,571	7,735		53,306	69,581	-16,275	15,313	61	-17,912	-11,383
*G European Regional Development Fund and other Community Programmes (including Leader Network Project)										
		3,227	1,500	4,727	133	4,594			7,619	15,677
H. European Regional Development Fund (non-discretionary)										
		3,500		3,500		3,500			7,000	16
I. Other European Community expenditure										
		1		1		1			1	-
*J. British Trade International administration costs										
	27,053			27,053		27,053	5,000		30,538	27,743
SPENDING IN EMPLOYMENT OPPORTUNITIES FUND										
Central Government spending										
K. Enterprise for All										
		4,601		4,601		4,601			6,904	-
SPENDING IN ANNUALLY MANAGED EXPENDITURE:										
Central Government spending										
BNFL Public Private Partnership Advisers' Fees and Bulk Transfer of Pension Liabilities to PCSPS in respect of Gas and Electricity Consumer Council Staff										
									20,890	3,449
Non-cash items										
L. Promotion of enterprise, innovation and increased productivity and associated administration costs										
	2,312	-5,678		-3,366		-3,366			-9,416	45,453
M. Measures relating to individual industries and related programmes										
		19	81,790	81,809		81,809			105,481	71,045
N. Legal and regulatory framework and markets and associated administration costs										
	13,653	5,783		19,436		19,436			82,373	12,821
O. Expenses relating to nuclear provisions										
		-391,295	544,431	153,136		153,136			143,429	474,768
P. Net expenses relating to coal provisions										
			439,574	439,574		439,574			1,592,961	974,272
Q. Net controlled agencies and suppliers of Departmental central services										
	10,948			10,948		10,948			5,741	9,800
R. European Regional Development Fund and other Community Programmes (including Leader Network Project)										
		-11		-11		-11			-29	-22

Resources							Capital		2000-01 Provision 9	1999-2000 Outturn 10
	1 Admin	2 Other Current	3 Grants	4 Gross Total	5 AinA	6 Net Total	7 Capital	8 Non-operating AinA		
S. European Regional Development Fund (non-discretionary)		420		420		420			150	-60
T. British Coal Corporation External Finance			210	210		210			1,566	3,595
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS										
U. Promotion of enterprise, innovation and increased productivity and associated administration costs			178,250	178,250	250	178,000			131,221	56,763
V. Legal and regulatory framework and markets and associated administration costs			13,000	13,000		13,000			0	0
W. Grants to executive non-Departmental Public Bodies			97,329	97,329		97,329			91,605	84,834
X. Loans to and repayment from trading funds								551		
Y. European Regional Development Fund and other Community Programmes receipts (including Leader Network Project)					7,944	-7,944			-7,873	-5,954
Z. European Community Programme receipts					611	-611			-178	-187
AA. Petroleum Licensing and Royalties			23,600	23,600	23,599	1			568	567
AB. Privatisation expenses and refunds of pension adjustments		12,728	2,697	15,425	3	15,422		3	43,574	23,516
<b>RfR 2: Increasing scientific excellence in the UK and maximising its contribution to society</b>	<b>10,914</b>	<b>27,145</b>	<b>1,684,168</b>	<b>1,722,227</b>	<b>0</b>	<b>1,722,227</b>	<b>198</b>	<b>148</b>	<b>1,604,006</b>	<b>1,416,537</b>
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS:										
Central Government spending										
*A. Research Councils' Pension Scheme		26,970		26,970		26,970			25,620	21,295
*B. The Royal Society			25,945	25,945		25,945			24,622	23,850
*C. The Royal Academy of Engineering			4,270	4,270		4,270			4,025	3,706
*D. OST Initiatives			5,500	5,500		5,500			3,842	2,982
*E. University Challenge Fund			1	1		1			586	
*F. Cambridge/Massachusetts Institute of Technology Institute			14,000	14,000		14,000			10,100	
*G. Higher Education Innovation Fund			15,000	15,000		15,000				
*H. Exploitation of Discoveries at Public Sector Research Establishments			6,000	6,000		6,000				
*I. Administration costs etc relating to the Science and Engineering Base Group	3,861			3,861		3,861	63	49	2,990	3,333
*J. Administration costs etc relating to the Transdepartmental Science and Technology Group	7,053			7,053		7,053	135	99	6,088	6,780
*Science Enterprise Challenge Scheme									13,250	13,150

Resources							Capital		2000-01 Provision 9	1999-2000 Outturn 10
	1 Admin	2 Other Current	3 Grants	4 Gross Total	5 AinA	6 Net Total	7 Capital	8 Non-operating AinA		
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS										
K. Biotechnology and Biological Sciences Research Council										
			212,374	212,374		212,374			213,491	194,182
L. Economic and Social Research Council										
			73,647	73,647		73,647			71,800	70,872
M. Engineering and Physical Sciences Research Council										
			441,023	441,023		441,023			413,552	404,796
N. Medical Research Council										
			345,320	345,320		345,320			319,651	304,538
O. Natural Environment Research Council										
			186,171	186,171		186,171			185,350	176,715
P. Particle Physics and Astronomy Research Council										
			206,932	206,932		206,932			205,774	186,680
Q. Council for the Central Laboratory of the Research Councils										
			2,985	2,985		2,985			4,075	2,000
R. Joint Infrastructure Fund										
			125,000	125,000		125,000			88,116	1,571
S. Synchrotron Radiation Source										
			20,000	20,000		20,000			4,069	0
T. Fees payable under the Animals (Scientific Procedures) Act 1986										
			175	175		175			175	87
Science Enterprise Challenge Scheme										
									2,500	
OST Initiatives										
									4,330	
<b>TOTAL</b>	<b>494,801</b>	<b>371,916</b>	<b>3,247,967</b>	<b>4,114,684</b>	<b>200,094</b>	<b>3,914,590</b>	<b>214,148</b>	<b>112,403</b>	<b>4,454,024</b>	<b>3,957,953</b>

Accruals to cash adjustments	494,891
<b>Net Cash required</b>	<b>4,511,226</b>

Resource to cash reconciliation:	2001-02	£000
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<b>Net Total Resources</b>	<b>3,914,590</b>	
<b>Voted Capital items:</b>		
Capital	214,148	
Less Non-operating AinA	112,403	
	<b>101,745</b>	
<b>Accruals to cash adjustments:</b>		
Capital charges	202,742	
Depreciation	-14,907	
Increase(+)/Decrease(-) in debtors	-8,400	
Increase(-)/Decrease(+) in creditors	-6,546	
Increase(-)/Decrease(+) in provisions	332,002	
		494,891
<b>Net Cash required</b>	<b>4,511,226</b>	

**Part III: Extra Receipts payable to the Consolidated Fund (£000)**

In addition to the appropriations in aid, the following income related to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)e-commerce.

	2001-2002		2000-2001		1999-2000	
	Income	Receipts	Income	Receipts	Income	Receipts
Operating income not classified as A in A	495,557	<i>495,557</i>	22,571,318	<i>22,571,318</i>	161,111	<i>161,111</i>
Non-operating income not classified as A in A	4	<i>4</i>	3	<i>3</i>	4	<i>4</i>
Other income not classified as A in A	641,845	<i>641,845</i>	520,262	<i>520,262</i>	436,914	<i>436,914</i>
	<b>1,137,406</b>	<b><i>1,137,406</i></b>	<b>23,091,583</b>	<b><i>23,091,583</i></b>	<b>598,029</b>	<b><i>598,029</i></b>

**Forecast operating statement (£000)**

for the year ended 31 March 2002

	2001-2002 Provision	2000-2001 Provision	1999-2000 Outturn
<b>Administration Costs</b>			
<b>RfR1</b>			
Staff Costs	250,175	245,867	217,335
Other Administrative Costs	249,025	253,669	236,864
Costs		499,200	499,536
			462,142
<b>RfR2</b>			
Staff Costs	6,025	5,018	5,118
Other Administrative Costs	4,889	4,477	5,378
Costs		10,914	9,495
			10,496
<b>Gross Administration Costs</b>	<b>510,114</b>	<b>509,031</b>	<b>472,638</b>
<b>Operating Income</b>	<b>-103,893</b>	<b>-104,629</b>	<b>-125,671</b>
<b>Total Net Administration Costs</b>	<b>406,221</b>	<b>404,402</b>	<b>346,967</b>
<b>Programme Costs</b>			
<b>RfR1</b>			
Expenditure	2,106,833	3,149,309	2,531,483
Income	-805,334	-23,320,397	-487,566
		1,301,499	-20,171,088
			2,043,917
<b>RfR2</b>			
Expenditure	1,711,313	1,595,078	1,406,513
Income		1,711,313	-150
			0
			1,594,928
			1,405,960
<b>National Insurance Fund</b>			
Expenditure	164,825	167,199	155,985
Income		164,825	167,199
			0
			155,985
			0
<b>Net Programme Costs</b>	<b>3,177,637</b>	<b>-18,408,961</b>	<b>-3,605,862</b>
<b>NET OPERATING COST</b>	<b>3,583,858</b>	<b>-18,004,559</b>	<b>3,952,829</b>
<b>NET RESOURCE OUTTURN</b>	<b>3,914,590</b>	<b>4,454,304</b>	<b>3,957,953</b>
<b>RESOURCE BUDGET OUTTURN</b>	<b>3,412,797</b>	<b>4,340,391</b>	<b>4,628,987</b>

**Forecast cash flow statement (£000)**

	<b>2001-02 Provision</b>	<b>2000-01 Provision</b>	<b>1999-00 Outturn</b>
Net Cash outflow from Operating activities (Note i)	-4,078,706	18,881,780	-1,671,479
Capital expenditure and financial investment (Note ii)	-101,741	29,132	224,224
Receipts due to the Consolidated Fund which are outside the scope of the department's operations	641,845	520,262	586,794
Payment of amounts due to the Consolidated Fund	1,137,406	-23,146,327	-808,298
Financing (Note iii)	4,676,008	3,715,153	2,957,929
<b>Increase (+) /decrease in cash in the period</b>	<b>0</b>	<b>0</b>	<b>1,288,970</b>
<b>Notes to the cash flow statement</b>			
<b>Note i: Reconciliation of operating cost to operating cash flows</b>			
Net operating cost	3,583,858	-18,004,559	4,434,745
Remove non-cash transactions	-702,240	-1,954,996	-1,868,469
Adjust for movements in working capital other than cash	-14,946	-19,288	-1,384,753
Use of provisions	1,212,034	1,097,063	489,956
<b>Net Cash outflow from Operating activities</b>	<b>4,078,706</b>	<b>-18,881,780</b>	<b>1,671,479</b>
<b>Note ii: Analysis of Capital Expenditure and financial investment</b>			
Intangible fixed asset additions	5,000	15,000	
Tangible fixed asset additions	41,943	42,625	21,339
Proceeds of disposal of fixed assets	-7,126	-19,176	-746
Loans to other bodies	61,924	-67,581	-244,817
Adjust for movements in working capital on capital expenditure and financial investment			
<b>Net Cash outflow for capital expenditure and financial investment</b>	<b>101,741</b>	<b>-29,132</b>	<b>-224,224</b>
<b>Note iii: Analysis of financing and reconciliation to the net cash requirement</b>			
From Consolidated Fund (Supply): current year expenditure	4,511,226	3,547,954	2,957,729
From Consolidated Fund (Supply): prior year expenditure			
From Consolidated Fund (Non-supply)			
Net payments from the National Insurance Fund	8,782	8,782	8,782
Net payments from the Redundancy and Maternity Funds	156,000	158,417	144,203
PFI contracts			
<b>Net Financing</b>	<b>4,676,008</b>	<b>3,715,153</b>	<b>3,110,714</b>
<b>Increase(-)/decrease(+) in cash</b>			
<b>"= Net cash flows other than financing (net outflow = +)</b>	<b>4,676,008</b>	<b>3,715,153</b>	<b>1,600,240</b>
Adjust for payments and receipts not related to supply			
Amounts due to the consolidated fund – received in a prior year and paid over			162,764
Amounts due to the consolidated fund – received and not paid over			-65,302
NLF loans – net loans made to other bodies			
NLF loans – interest received from other bodies			
NLF loans – interest paid to other NLF			
Consolidated Fund Standing Services – payments			
National Insurance Fund financed activities – payments less receipts	-8,782	-8,782	-8,782
Activities financed from Redundancy and Maternity Funds	-156,000	-158,417	-144,203
Adjust for payments financed from Contingencies Fund advances accounted for in a different year:			
Current year payments accounted for in following year			
Prior year payments accounted for in current year			
<b>Net cash requirement for the year</b>	<b>4,511,226</b>	<b>3,547,954</b>	<b>1,544,717</b>

## Forecast reconciliation of net resource outturn to net operating cost to resource budget outturn (£000)

	2001-02	2000-01	1999-00
<b>Net Resource Outturn</b>	<b>3,914,590</b>	<b>4,454,304</b>	<b>3,957,953</b>
*Add non-voted expenditure in the OCS	164,825	167,199	155,985
*Add Consolidated Fund Extra Receipts in the OCS	-495,557	-22,626,062	-161,109
*Remove provision voted for earlier years	-	-	-
*Remove other adjustments	-	-	-
<b>Net Operating Costs</b>	<b>3,583,858</b>	<b>18,004,559</b>	<b>3,952,829</b>
*Add other Consolidated Fund Extra Receipts	97,762	22,610,160	103,336
<i>(For NDPBs that score in budgets on the basis of NDPB expenditure:)</i>			
*Less grants in aid payable to NDPBs	-1,565,781	-1,505,298	-1,424,617
*Add cost of capital charges in respect of assets held by NDPBs	60,133	58,237	49,737
*Add net resource consumption by NDPBs including depreciation	1,455,555	1,395,313	1,399,902
<i>(Adjustment for Public Corporations and Trading Funds:)</i>			
*Add cost of capital charges in respect of assets of Public Corporations and Trading Funds (if not already included in Public Expenditure)	115,323	165,911	26,094
*Reverse the deduction of dividend and interest income received from Public Corporations and Trading Funds	-	-	-
*Deduct profit or add loss incurred by Public Corporations and Trading Funds	-223,526	-297,131	526,194
*Deduct grants to Public Corporations and Trading Funds to finance capital expenditure	-	-	-
<i>(Adjustment for Capital Grants:)</i>			
*Less grants to Local Authority to finance capital expenditure	-2,948	-2,060	-
*Less grants paid to private sector by departments to finance capital expenditure	-336,000	-230,236	-58,334
<i>(EU related transactions:)</i>			
*Reverse the deduction of EU income	206,255	166,851	138,016
*Remove other expenditure shown in Estimates under the heading "Other Expenditure Outside DEL" that is outside the Resource Budget (please specify)	-15,598	-44,317	-24,170
*Add unallocated resource provision	47,764	27,520	-
*Other Adjustments (please specify)	-	-	-41,090
<b>Resource Budget Outturn</b>	<b>3,412,797</b>	<b>4,340,391</b>	<b>4,628,897</b>
<i>of which:</i>			
Department Expenditure Limit (DEL)	3,778,717	3,381,218	2,705,989
Spending in Employment Opportunities Fund (EOF) DEL	4,601	6,904	-
Annually Managed Expenditure (AME)	-370,521	952,249	1,922,998

## Explanation of accounting officer responsibilities

The Treasury has appointed the Permanent Head of the Department of Trade and Industry, Sir Michael Scholar, as Accounting Officer for the Department with responsibility for preparing the Department's Estimate.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting.

**Analysis of Appropriation in Aid (£000)**

Detail	2001-2002		2000-2001		1999-2000	
	Operating A-in-A	Non operating A-in-A	Operating A-in-A	Non operating A-in-A	Operating A-in-A	Non operating A-in-A
<b>RfR 1 – Increasing UK Competitiveness</b>						
Small Firms' Loan Guarantee Scheme	8,950		9,110		9,462	
Regional Selective Assistance	250		248		30,020	
Innovation	4,250		1,778		5,136	
Telecommunications and posts	3,278		3,139		1,935	
Space	57		367		26	
Research Establishment Major Works				1,269		1,349
Administration costs related to the promotion of enterprise, innovation and increased productivity	2,230	3,475	6,200	9,238	7,363	2,167
Small Business Service	1		8,501			
Exchange Risk Guarantee Scheme	55				92	
National Selective Assistance	479		479		1,215	
Aerospace		104,730		120,235		144,446
Shipbuilding	824		1,200		1,879	
Non-nuclear receipts of a regulatory nature	640		190		63	
Non-nuclear receipts directly related to the creation of open markets	198		313		208	
Spectrum Efficiency	1,500		1,500			
Consumer and Investor Protection	23,232		10,456		986	
Trade Policy	10		10			
External Legal Receipts	201		195		543	
Administration costs related to legal and regulatory framework and open markets	11,798	3,435	6,683	8,514	5,672	2,416
Coal Subsidence & Arbitration	75		100		107	
Ring-fenced Coal Health Liabilities	5		425,105		105,840	
Non ring-fenced Coal Health Liabilities	10,085		10,002		640	
Leader Network Project	133		175		211	
European Regional Development Fund receipts	7,944		7,873		5,954	
European Community Receipts	611		178		187	
Petroleum Licensing	23,599		26,182		15,729	
Privatisation Receipts	3		6		21	
Other Receipts	3		3		139	
	<b>100,408</b>	<b>111,643</b>	<b>519,990</b>	<b>139,256</b>	<b>193,428</b>	<b>150,378</b>
<b>On Vote Agencies</b>						
Radiocommunications Agency	67,665	51	71,934		56,388	
National Weights & Measures Laboratory	840	10	928		717	
Insolvency Service	30,000		30,000		54,477	
Employment Tribunals Service	105		105		109	
Other Government Departments	1,076		1,076		997	
	<b>99,686</b>	<b>61</b>	<b>104,043</b>	<b>-</b>	<b>112,688</b>	<b>-</b>
<b>Trading Funds</b>						
Companies House		385		385		385
Patent Office		166		166		166
	<b>-</b>	<b>551</b>	<b>-</b>	<b>551</b>	<b>-</b>	<b>551</b>
<b>Grand total</b>	<b>200,094</b>	<b>112,255</b>	<b>624,033</b>	<b>139,807</b>	<b>306,116</b>	<b>150,929</b>
<b>Total A-in-A</b>		<b>312,349</b>		<b>763,840</b>		<b>457,045</b>

## Analysis of Appropriation in Aid (£000) (Continued)

## Resource main estimates 2001-2002

## RfR 2 - Increasing scientific excellence in the UK and maximising its contribution to society

Detail	2001-2002		2000-2001		1999-2000	
	Operating A-in-A	Non operating A-in-A	Operating A-in-A	Non operating A-in-A	Operating A-in-A	Non operating A-in-A
OST initiatives			150		89	
Administrative Costs		148	417	149	383	163
	-	148	567	149	472	163
<b>Total Department of Trade and Industry</b>	<b>200,094</b>	<b>112,403</b>	<b>624,600</b>	<b>139,956</b>	<b>306,588</b>	<b>151,092</b>
		<b>312,497</b>		<b>764,556</b>		<b>457,680</b>

**RfR 1 – Increasing UK Competitiveness**

- a) Amount that may be applied as appropriations in aid in addition to the net total, arising from the recovery of income from the European Union/ECSC and income relating to Regional Selective Assistance, flexible business support measures, the Small Business Service, Business Link Operators, Small Firms Loan Guarantee and other small firm support schemes, receipts from the Ministry of Agriculture, Fisheries and Food in respect of the Farm Business Advice Service, trade policy, e-commerce, energy and coal, innovation and technology support schemes, sectoral support, regional development grants, the exchange risk guarantee scheme, national selective assistance to industry, the Office of Civil Nuclear Security, fees to advisers on privatisation and the BNFL Public Private Partnership, and expenditure in the following areas: telecommunications, including licence fees, posts, civil aircraft research and demonstration, aerospace, private sector shipbuilding, redundant steelworkers, space, consumer and investor protection, employment relations, privatisation and the sale of shares, petroleum licensing and royalties; legal services, consultancy, publications, secondments, departmental administration costs, central services, European Fast Stream, executive agencies and trading funds, including radio licence fees received by the Radiocommunications Agency; receipts from the Postal Services Commission and Office of Gas and Electricity Markets to cover the costs of the relevant Consumer Councils; receipts in connection with the coal subsidence adviser; the receipt of distributions from coal industry pension schemes other than distribution of surpluses; income from the Department of the Environment, Transport and the Regions in respect of the Framework V helpline; and other income from the Office of Gas and Electricity Markets.
- b) Amount that may be applied as non-operating appropriations in aid, arising from the recovery of income from the sales of fixed assets and from sale of land by the Department and its executive agencies, the repayment of loans to the aerospace industry, of loans to the trading funds and of voted loans made to British Coal.

**RfR 2 – Increasing scientific excellence in the UK and maximising its contribution to society**

- a) Amount that may be applied as appropriations in aid in addition to the net total, and income relating to administration costs and OST activities.
- b). Amount that may be applied as non-operating appropriations in aid, arising from the recovery of income from the sales of fixed assets and from sale of land.

**Analysis of Consolidated Fund Extra Receipts (CFERs) (£000)**

	2001-2002		2000-2001		1999-2000	
	Income	Receipts	Income	Receipts	Income	Receipts
In addition to appropriations in aid the following income and receipts relate to the department and are payable to the Consolidated Fund:						
Nuclear – Dividend from BNFL	22,500	22,500			49,000	49,000
Non-nuclear	25	25	25	25	71	71
North Sea exploration	45	45				
Aerospace Support – Interest on Loans Δ	10,800	10,800	15,900	15,900	56,507	56,507
Coal Authority	4,800	4,800	5,200	5,200	6,125	6,125
Distribution of coal pension fund surpluses Φ	386,995	386,995	1	1	0	0
Recovery of coal overpayments (concessionary fuel)	0	0	1	1	1,206	1,206
Petroleum Licensing and Royalty	637,000	637,000	517,000	517,000	433,216	433,216
British Coal EFL	0	0	2	2	0	0
Electricity Privatisation deferred consideration	2	2	2	2	280	280
Coal Privatisation deferred consideration	4,800	4,800	3,262	3,262	2,603	2,603
Nuclear Privatisation deferred consideration	1	1	1	1	819	819
AEA Technology deferred consideration	1	1	1,256	1,256	0	0
Other Miscellaneous Receipts					4,947	4,947
Surpluses generated by Net Agencies						
Radiocommunications	54,046	54,046	50,900	50,900	19,230	19,230
NWML						
Receipts from Trading Funds						
Companies House	1,218	1,218	1,256	1,256	1,294	1,294
CH – Late submission receipts	12,000	12,000	12,000	12,000	18,533	18,533
Patent Office	3,173	3,173	3,190	3,190	3,206	3,206
Promoting of enterprise, innovation and increased productivity			4,187	4,187	528	528
Spectrum auction receipts			22,477,400	22,477,400		
Science Research Councils					464	464
	<b>1,137,406</b>	<b>1,137,406</b>	<b>23,091,583</b>	<b>23,091,583</b>	<b>598,029</b>	<b>598,029</b>

## Notes to the main estimate

### Departmental Expenditure Limit and Administrative Cost Limits

The Departmental Expenditure Limit for 2001-02 is £4,486.2 million and the Administrative Costs Limit is £412 million.

### Grants in Aid

A number of grants in aid and international subscriptions in excess of £1 million are borne on these Requests for Resources (RfRs). For RfR1 grants in aid are provided to the Advisory, Conciliation and Arbitration Service (£36,617,000); the National Association of Citizen's Advice Bureaux (£16,900,000); Citizen's Advice Scotland (£2,800,000); the National Consumer Council (£3,250,000); the Gas and Electricity Consumer Council (£19,000,000); the Design Council (£8,100,000); the Competition Commission (£10,100,000); the Coal Authority (£18,700,000); and the United Kingdom Atomic Energy Authority (£35,378,000).

For RfR1 relevant international subscriptions are the European Space Agency; the World Trade Organisation; the International Telecommunications Union; the Universal Postal Union; the International Atomic Energy Agency; and the Organisation for the Prohibition of Chemical Weapons. For RfR2 relevant international subscriptions are paid to the Institute Laue-Langevin and European Synchrotron Radiation Facility (by EPSRC), International Agency for Research on Cancer, Human Frontier Science Programme, European Molecular Laboratory (by MRC), European Organisation for Nuclear Research, European Incoherent Scatter Facility, European Space Agency and Anglo Australian Telescope (by PPARC), and European Science Foundation (by EPSRC, MRC and PPARC).

### Comparison of provision sought with final provision and forecast outturn

#### RfR1

The provision sought for 2001-02 is 23.1% lower than the final net provision and forecast outturn for 2000-01. A breakdown of the total provision for 2001-02 by individual function is given in Table C1.

#### RfR2

The provision sought for 2001-02 is 7.4% higher than the final net provision and forecast outturn for 2000-01. A breakdown of the total provision for 2001-02 by individual function is given in Table C1.

### Contingent liabilities

Details of contingent liabilities arising from statutory and non-statutory commitments for which this Department takes responsibility are contained in Table C2.

### Long Term Projects

Details of long term projects can be found in Table C4.

### Expenditure resting on the sole authority of the Appropriation Act

The following sub-heads contain provision sought under the sole authority of Part I of the Estimates and of the confirming Appropriation Act:

RfR1 Function C sub-head 2	
Trade Policy and Non-Proliferation: current expenditure. BNFL Public Private Partnership - advisers' fees	£8,263,000
RfR1 Function C sub-head 3	
Trade Policy and Non-Proliferation: international subscriptions	£17,766,000
RfR1 Function AB sub-head 2	
Expenses incurred in connection with privatisation of the nuclear power, electricity and coal industries	£12,728,000

**A2****Main Estimates 2001-02: Department of Trade and Industry: United Kingdom Atomic Energy Authority Superannuation Funds****Introduction**

1. This Request for Resources covers the payments of pensions etc to retired members or their dependants, transfer values for members transferring to other schemes and repayments of contributions under the UKAEA's superannuation schemes. The Schemes, which are the Principal Non-Industrial Superannuation Scheme (PNISS), the Combined Pension Scheme of UKAEA and the Protected Persons Superannuation Scheme (PPSS) cover employees of the UKAEA, National Radiological Protection Board and British Nuclear Fuels plc together with some employees of Nycomed Amersham and some employees of the Engineering and Physical Sciences Research Council, the Particle Physics and Astronomy Research Council and the Council for the Central Laboratory of the Research Councils who were formerly employed by the Science and Engineering Research Council and former UKAEA employees who transferred to the Ministry of Defence (Atomic Weapons Establishment (AWE)).
2. Further details of the expenditure and income contained in this Request for Resource can be found in this Report.
3. The income consists of actual receipts and notional interest which is credited each year at rates agreed with the Government actuary. Income from contributions under the schemes is appropriated in aid.
4. The provision sought for 2001-2002 is 9 per cent lower than the final net provision and forecast outturn for 2000-2001 of £147 million. A breakdown of the forecast outturn for 2000-2001 by individual function is given in Annex C1.
5. Assumptions for 2001-2002 compared to current estimates for 2000-2001 are:

Number	2001-2002 Average Pension			2000-2001 Average Pension		
	Number	Annual	Weekly	Number	Annual	Weekly
Pensioners	17,646	7,169	137.87	16,805	6,960	133.85
Dependants	6,792	2,991	57.52	6,468	2,904	55.85

6. Associated administrative costs are borne by the UKAEA who recover the appropriate proportion from the other participating employers.
7. Symbols are explained in Annex A8.

## Part 1

	£
<b>RfR1: Effective Management of UKAEA Superannuation Schemes</b>	
Total net resource requirement	133,524,000
Net cash requirement	133,500,000

Amounts required in the year ending 31 March 2002 for expenditure by the Department of Trade and Industry on:

**RfR1: Effective Management of UKAEA Superannuation Schemes**

Payment of pensions etc to members of the United Kingdom Atomic Energy Authority's superannuation schemes and other related expenditure.

The Department of Trade and Industry will account for this Vote.

	<b>Net Total</b>	<b>Allocated in Vote on Account</b>	<b>Balance to Complete</b>
	£	£	£
RfR1	133,524,000	82,000,000	51,524,000
Total Net Resource Requirement	133,524,000	82,000,000	51,524,000
<b>Net Cash Requirement</b>	<b>133,500,000</b>	<b>82,000,000</b>	<b>51,500,000</b>

**Part II: Subhead detail (£000)**

Resources .....						Capital		2000-2001 Provision	1999-2000 Outturn	
1	2	3	4	5	6	7	8	9	10	
Admin	Other Current	Grants	Gross Total	AinA	Net Total	Capital	Non- Operating AinA			
<b>RFR1: Effective Management of UKAEA Superannuation Schemes</b>										
0	0	150,624	150,624	17,100	133,524	0	0	147,023	122,365	
SPENDING IN ANNUALLY MANAGED EXPENDITURE										
Central Government spending										
A: Administration										
-	-	150,624	150,624	17,100	133,524	0	0	147,023	122,365	
Payment of pensions, transfer values and repayment of contributions										
	-	-	-	-	-	-	-	-	-	
TOTAL	0	0	150,624	150,624	17,100	133,524	0	0	147,023	122,365
							Accruals to cash adjustments	24		
							<b>NET CASH REQUIRED</b>	<b>133,500</b>		

**Part III: Extra Receipts payable to the Consolidated Fund (£000)**

In addition to the appropriations in aid, the following income related to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	2001-02 Provision		2000-01 Provision		1999-2000 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Operating income not classified as A in A		-		-	4,567	<i>4,567</i>
		-		-	<b>4,567</b>	<i>4,567</i>

## Forecast Operating Statement (£000)

For the year ended 31 March 2002	2001-02 Provision	2000-01 Provision	1999-00 Outturn
<b>Programme Costs</b>			
<b>Voted Expenditure</b>			
<b>RfR1</b>			
Expenditure	150,624	166,523	139,015
Income	-17,100	-19,500	-16,650
	<b>133,524</b>	<b>147,023</b>	<b>122,365</b>
Net Programme Costs	133,524	147,023	122,365
Net Operating Cost	133,524	147,023	117,798
Net Resource Outturn	133,524	147,023	117,798
Resource Budget Outturn	133,524	147,023	117,798

## Forecast Cash Flow Statement (£000)

	2001-02 Provision	2000-01 Provision	1999-00 Outturn
<b>Net Cash outflow from Operating activities (Note i)</b>	-133,500	-147,000	-122,365
<b>Capital expenditure and financial investment</b>	0	0	0
<b>Receipts due to the Consolidated Fund which are outside the scope of the department's operations</b>			
<b>Payment of amounts due to the Consolidated Fund</b>			4,567
<b>Financing</b>	133,500	147,000	122,365
<b>Increase (+) / I decrease (-) in cash in the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Notes to the cash flow statement</b>			
<b>Note i : Reconciliation of operating cost to operating cash flows</b>			
Net operating cost	133,524	-147,023	117,798
Remove non-cash transactions	-24	-23	0
Adjust for movements in working capital other than cash	0	0	
Use of provisions			
<b>Net Cash outflow from Operating activities</b>	133,500	147,000	122,365
<b>Net Financing</b>	133,500	147,000	122,365
<b>Increase(-)/decrease(+) in cash</b>			
<b>=Net cash flows other than financing (net outflow = +)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Adjust for payments and receipts not related to supply			
Amounts due to the Consolidated Fund -received in a prior year and not paid over	0		
Amounts due to the Consolidated Fund -received and not paid over	0		
<b>Net cash requirement for the year</b>	<b>133,500</b>	<b>147,000</b>	<b>122,365</b>

### Forecast reconciliation of net operating cost to net resource outturn and resource budget outturn (£000)

	2001-02 Provision	2000-01 Provision	1999-2000 Outturn
<b>Net Operating Costs</b>	133,524	147,023	117,798
<b>Net Resource Outturn</b>	133,524	147,023	117,798
<b>Resource Budget Outturn</b>	133,524	147,023	117,798
Departmental Expenditure Limit (DEL)	0	0	0
Annually Managed Expenditure (AME)	133,524	147,023	117,798

### Explanation of accounting officer responsibilities

The Treasury has appointed the Permanent Head of the Department of Trade and Industry, Sir Michael Scholar, as Accounting Officer for the Department with responsibility for preparing the Department's Estimate.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting.

### Appropriations in aid (£000)

	2001-02 Provision Operating AinA	2000-01 Provision Operating AinA	1999-2000 Outturn Operating AinA
<b>RfR1: Effective management of UKAEA Superannuation schemes</b>			
Employees' Contributions	15,600	15,600	15,613
Employers' Contributions	500	500	37
Transfer Values Received	1,000	3,400	1,000
<b>TOTAL</b>	<b>17,100</b>	<b>19,500</b>	<b>16,650</b>

### Consolidated fund extra receipts (CFERs) (£000)

	2001-02 Provision		2000-01 Provision		1999-2000 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
In addition to appropriations-in-aid, the following income and receipts relate to the department and is payable to the Consolidated Fund						
RfR1: Effective Management of UKAEA Superannuation Schemes						
Miscellaneous receipts	-	-	-	-	4,567	4,567
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,567</b>	<b>4,567</b>

**A3****Main Estimates 2001-02:  
Exports Credits Guarantee Department****Introductory Note**

The Export Credits Guarantee Department (ECGD) has two Requests for Resources (RfRs), one covering export finance assistance and the other covering trading operations and the operating costs.

Full details of all ECGD's activities are reported to Parliament in the annual Resource Accounts and published by The Stationery Office Limited as "ECGD: Annual Report and Resource Accounts."

**RfR1: Export Finance Assistance**

This RfR provides for the resources needed by ECGD for its programme of financial support for exporters. Statutory Authority is given under sections 1 and 3 of the Export Investment Guarantees Act 1991. A detailed analysis of the appropriations in aid of this RfR and extra receipts payable to the Consolidated Fund can be found in Table C1.

**Function A** provides for costs arising from interest equalisation agreements with lending banks under the fixed rate export finance scheme (FREF). This section also provides for payment of grants to lenders to meet the difference between fixed consensus rates and concessionary rates of interest offered on commercial loans for long-term projects in developing countries, or for certain long-term defence export contracts. It also incorporates the costs/savings arising from ECGD initiatives aimed at reducing or containing the cost of supporting exports, eg in connection with arrangements for capital market funding of fixed rate export finance loans and for certain interest rate swap arrangements. It also includes the mixed credit matching facility, which reduced the cost of export finance to match foreign competition in certain circumstances.

**Function B** provides for the funding of a refinancing programme currently undertaken by the Guaranteed Export Finance Corporation (GEFCO), a private sector company which operates on behalf of ECGD. The £1.307 billion loan being provided by ECGD is greater than the net expenditure under this RfR, because the latter includes receipts of principal due under the loans. Figures shown represent the funding loan plus interest equalisation between ECGD and GEFCO, which formerly fell within Function A.

**RfR2: Trading Operations**

This RfR provides for resources consumed by ECGD in providing credit insurance and other support activities for exporters including cover against certain risks for new direct overseas investment and tender to contract cover/foreign exchange supplement cover. Statutory authority for these activities is given in sections 1,2 and 3 of the Export and Investment Guarantees Act 1991. This RfR also provides the resources to be consumed by ECGD in administering the operations described in this RfR and RfR1. Capital Expenditure (Function A ) is classified as expenditure within the Departmental Expenditure Limit (DEL) with the associated depreciation and capital charges (Function B) classified as Annually Managed Expenditure (AME). Administration costs (Function C) are outside both DEL and AME as they are met from trading income (Function D,E,F and G). Charges made to exporters for the Department's services largely anticipate the recovery of related costs. Further Trading Expenses of £57.5 million are provided for in Function D.

**Function A** provides for the new expenditure on fixed assets expected for 2001-2002.

**Function B** provides for the resources consumed to maintain ECGD's fixed assets including depreciation and capital charges.

**Function C** provides resources for ECGD's administration costs.

**Function D** provides for the resources consumed in the issuance and management of credit insurance guarantees and obligation arising from debt rescheduling agreements and costs related to other forms of guarantee including cover to banks financing insured exports, indemnities for banks and surety companies issuing bonds against calls by overseas buyers, reinsurance arrangements with other countries' credit insurance organisations for jointly sourced goods and residual commitments under schemes which have been discontinued. Expenses in connection with the provision of these services are also covered and include commission to brokers for negotiating and administering ECGD guarantees, charges by agents for information on company and market risks, legal fees and professional advice on underwriting of guarantees and assessments of risk and liability and costs arising out of action taken to avoid or minimise potential loss or recover payments under guarantees.

**Function E** provides for the settlement of reinsurance arrangements between ECGD and private sector export credit organisations in addition to the administration and reinsurance of risks transferred as a result of the partial privatisation of ECGD and expenses in connection with the provision of these services.

**Function F** provides for claims, related expenses and recoveries under contracts insuring UK companies investing overseas against certain political risks.

**Function G** provides for partial protection to exporters tendering in foreign currency against losses caused by exchange rate fluctuations in the period before the contract is secured. The forward exchange supplement guarantee affords similar protection after the contract is secured and where cover cannot be obtained through normal forward exchange markets.

## Part 1

	£
RfR1: Export Finance Assistance	235,124,000
RfR2: Trading Operations	15,184,000
Total net resource requirement	250,308,000
Net Cash Requirement	961,929,000

Amounts required in the year ending 31 March 2002 for expenditure by the Export Credits Guarantee Department on:

### **RfR1: Export Finance Assistance**

Interest support to banks and other lenders of export finance, grants towards financing of exports to match foreign competition, the funding of the refinancing programme, and on associated non-cash items.

### **RfR2: Trading Operations**

Export credit guarantees given in the national interest or to render economic assistance to overseas countries, overseas investment insurance, tender to contract/forward exchange supplement cover, residual commitments under discontinued facilities, the cost escalation scheme, expenses relating to the active management of the portfolio, trading and administration expenses, and on associated non-cash items.

The Export Credits Guarantee Department will account for the Estimate.

	<b>Net Total £</b>	<b>Allocated in Vote on account £</b>	<b>Balance to Complete £</b>
RfR1	235,124,000	105,805,800	129,318,200
RfR2	15,184,000	25,875,000	-10,691,000
Total Net Resource Requirement	250,308,000	131,680,800	118,627,200
Net Cash Requirement	961,929,000	437,603,000	524,326,000

**PART II: Subhead details (£000)**

<b>Resources</b>	1	2	3	4	5	6	2001-02 Capital 7	8	2000-01 Outturn 9	1999-2000 Outturn 10
	<b>Admin</b>	<b>Other Current</b>	<b>Grants</b>	<b>Gross Total</b>	<b>AinA</b>	<b>Net Total</b>	<b>Capital</b>	<b>Non-operating AinA</b>		
<b>RfR 1: Export Finance Assistance</b>	<b>0</b>	<b>179,324</b>	<b>142,400</b>	<b>321,724</b>	<b>86,600</b>	<b>235,124</b>	<b>1,307,000</b>	<b>421,300</b>	<b>184,326</b>	<b>66,640</b>
SPENDING IN ANNUALLY MANAGED EXPENDITURE: Central Government's Own Expenditure A: Fixed Rate Export Finance (FREF)	-		73,600	73,600	40,700	32,900	-	-	36,768	5,748
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS B:GEFCO loans and interest equalisation	-	179,324	68,800	248,124	45,900	202,224	1,307,000	421,300	147,558	60,892
<b>RfR 2:Trading Operations</b>	<b>0</b>	<b>247,110</b>	<b>89,595</b>	<b>336,705</b>	<b>321,521</b>	<b>15,184</b>	<b>546</b>	<b>0</b>	<b>1</b>	<b>91,070</b>
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS: Central Government's spending A: Administration	-	-	-	-	-	-	546	-	0	0
SPENDING IN ANNUALLY MANAGED EXPENDITURE: Central Government's Own Expenditure B: Administration	-	610	-	610		610	-	-	510	602
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS C: Admin- Running Costs	-	-	28,828	28,828	0	28,828	-	-	25,086	20,953
D:Export Credits	-	246,500	60,767	307,267	313,394	-6,127	-	-	-19,460	69,515
E: Reinsurance	-	-	0	0	127	-127	-	-	175	-
F:Overseas Investment Insurance	-	-	0	0	8,000	-8,000	-	-	-5,260	-
G:Tender to Contract	-	-		0		0	-	-	-1,050	0
<b>TOTAL</b>	<b>0</b>	<b>426,434</b>	<b>231,995</b>	<b>658,429</b>	<b>408,121</b>	<b>250,308</b>	<b>1,307,546</b>	<b>421,300</b>	<b>184,327</b>	<b>157,710</b>
									Accruals to cash adjustments	-174,625
									<b>NET CASH REQUIRED</b>	<b>961,929</b>

Resource to cash reconciliation:	2001-02	£000
<b>Net Total Resources</b>		<b>250,308</b>
<b>Voted Capital items:</b>		
Capital	1,307,546	
Less Non-operating AinA	421,300	
	<hr/>	<b>886,246</b>
<b>Accruals to cash adjustments:</b>		
Capital charges	-426,034	
Depreciation	-400	
Cash Adjustment for Unrecovered Claims	210,263	
Increase(+)/Decrease(-) in stock	-	
Increase(+)/Decrease(-) in debtors	1,913	
Increase(-)/Decrease(+) in creditors	-1,100	
Increase(-)/Decrease(+) in provisions	-3,267	
Excess cash to be CFERd	44,000	
	<hr/>	<b>-174,625</b>
<b>Net Cash required</b>		<b>961,929</b>

**PART III: Extra Receipts payable to the Consolidated Fund (£000)**

In addition to the appropriations in aid, the following income related to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	2001-2002 Provision		2000-2001 Provision		1999-2000 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Operating income not classified as A in A	157,372	<i>157,372</i>	134,305	<i>134,305</i>	176,739	<i>176,739</i>
Non-operating income not classified as A in A	0	<i>0</i>	0	<i>0</i>	-	-
Other income not classified as A in A	44,000	<i>44,000</i>	0	<i>0</i>	-	-
	<b>201,372</b>	<b><i>201,372</i></b>	<b>134,305</b>	<b><i>134,305</i></b>	<b>176,739</b>	<b><i>176,739</i></b>

**Forecast operating cost statement (£000)**

for the year ended 31 March 2002

	2001-2002 Provision	2000-2001 Provision	1999-2000 Outturn
<b>Programme Costs</b>			
<b>Voted Expenditure</b>			
<b>RfR1</b>			
Expenditure	321,724	267,758	232,975
Income	-243,972	-179,432	-195,102
		77,752	88,326
			37,873
<b>RfR2</b>			
Expenditure	336,705	322,131	336,683
Income	-321,521	-360,435	-393,585
		15,184	-38,304
			-56,902
<b>Net Programme Costs</b>		<b>92,936</b>	<b>50,022</b>
<b>Net Operating Cost</b>		<b>92,936</b>	<b>50,022</b>
<b>Net Resource Outturn</b>		<b>250,308</b>	<b>184,327</b>
<b>Resource Budget Outturn</b>		<b>33,510</b>	<b>37,278</b>
			<b>6,350</b>

## Forecast cash flow statement (£000)

	2001-02 Provision	2000-01 Provision	1999-00 Outturn
Net Cash outflow from Operating activities (Note i)	81,689	140,829	-107,082
Capital expenditure and financial investment (Note ii)	-886,246	-1,344,433	-980,424
Receipts due to the Consolidated Fund which are outside the scope of the department's operations	44,000	0	-
Payment of amounts due to the Consolidated Fund	-201,372	-134,305	-176,739
Financing (Note iii)	961,929	1,337,909	1,264,245
<b>Increase (+) /decrease in cash in the period</b> [inflows = positive, outflows = negative]	<b>0</b>	<b>0</b>	<b>0</b>
<b>Notes to the cash flow statement</b>			
<b>Note i: Reconciliation of operating cost to operating cash flows</b>			
Net operating cost	92,936	50,022	-19,029
Remove non-cash transactions	-385,701	-392,518	-233,648
Adjust for movements in working capital other than cash	813	-2,349	248,763
Cash Adjustment for Unrecovered Claims	210,263	204,016	110,996
Use of provisions	-	-	0
<b>Net Cash outflow from Operating activities</b>	<b>-81,689</b>	<b>-140,829</b>	<b>107,082</b>
<b>Note ii: Analysis of Capital Expenditure and financial investment</b>			
Intangible fixed asset additions	-	-	-
Tangible fixed asset additions	546	533	243
Proceeds of disposal of fixed assets	-	-	-
Loans to other bodies	885,700	1,343,900	980,181
Adjust for movements in working capital on capital expenditure and financial investment	-	-	-
<b>Net Cash outflow for capital expenditure and financial investment</b>	<b>886,246</b>	<b>1,344,433</b>	<b>980,424</b>
<b>Note iii: Analysis of financing and reconciliation to the net cash requirement</b>			
From Consolidated Fund (Supply): current year expenditure	961,929	1,337,909	1,264,245
From Consolidated Fund (Supply): prior year expenditure	-	-	-
From Consolidated Fund (Non-supply)	-	-	-
Net payments from the National Insurance Fund	-	-	-
Net payments from the Contingencies Fund	-	-	-
Net loans from the National Loans Fund	-	-	-
Capital element of payments in respect of finance leases and "on balance sheet" PFI contracts.	-	-	-
<b>Net Financing</b>	<b>961,929</b>	<b>1,337,909</b>	<b>1,264,245</b>
<b>Increase(-)/decrease(+) in cash</b> [inflows = positive, outflows = negative]			
<b>Net cash flows other than financing (net outflow = +)</b>	<b>961,929</b>	<b>1,337,909</b>	<b>1,264,245</b>
Adjust for payments and receipts not related to supply	0	0	0
<b>Net cash requirement for the year</b>	<b>961,929</b>	<b>1,337,909</b>	<b>1,264,245</b>

## Forecast reconciliation of net operating cost to net resource outturn and resource budget outturn (£000)

For the year ended 31 March 2002

	2001-02	2000-01	1999-00
<b>Net Operating Cost</b>	<b>92,936</b>	<b>50,022</b>	<b>-19,029</b>
Remove income scored as CFERs	157,372	134,305	176,739
<b>Net Resource Outturn</b>	<b>250,308</b>	<b>184,327</b>	<b>157,710</b>
deduct operating income treated as CFER and within resource budgets			
remove other expenditure shown in Estimates under the heading "Other Expenditure Outside DEL" that is outside the resource budget	216,798	147,049	151,360
Adjust to take account of any other changes required/advised by HMTreasury	0	0	-
<b>Resource Budget Outturn</b>	<b>33,510</b>	<b>37,278</b>	<b>6,350</b>
Of which:			
Departmental Expenditure Limit (DEL)	0	0	-
Annually Managed Expenditure (AME)	33,510	37,278	6,350

## Explanation of accounting officer responsibilities

The Treasury has appointed the Chief Executive of the Export Credits Guarantee Department, Mr Vivian Brown, as Accounting Officer of the Department with responsibility for preparing the Department's Estimate.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in *Government Accounting*.

## Analysis of Appropriations in Aid (£000)

	2001-02 Provision		2000-01 Provision		1999-00 Outturn	
	Operating A-in-A	Non- operating A-in-A	Operating A-in-A	Non- operating A-in-A	Operating A-in-A	Non- operating A-in-A
<b>RfR1: Export Finance Assistance</b>						
Interest make-up receipts	86,600	-	84,432	-	165,908	-
Repayments of loan principal	-	421,300		356,100	-	19,243
<b>RfR2: Trading Operations</b>						
Premium and moratorium interest income	321,521	-	322,130	-	230,487	-
<b>TOTAL</b>	<b>408,121</b>	<b>421,300</b>	<b>406,562</b>	<b>356,100</b>	<b>396,395</b>	<b>19,243</b>

Amount that may be applied as operating appropriations in aid in addition to the net total, arising from the recovery of income from interest make-up receipts, premium and moratorium interest.

Amount that may be applied as non-operating appropriations in aid in addition to the net total, arising from repayment of loan principal.

## Analysis of Consolidated Fund Extra Receipts (CFERs) (£000)

	2001-2002 Provision		2000-2001 Provision		1999-2000 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
In addition to appropriations in aid the following income and receipts relate to the department and are payable to the Consolidated Fund:						
<b>RfR1: Export Finance Assistance</b>						
Loan repayments (interest only)	157372	157372	100000	96000	28,767	28,767
<b>RfR2: Trading Operations</b>						
Voted Payment	44000	44,000	–	–	–	–
Premium and moratorium interest (income); premium, recoveries of claims payments, moratorium interest (receipts)	–	–	34305	38305	147,972	147,972
<b>TOTAL</b>	<b>201,372</b>	<b>201,372</b>	<b>134305</b>	<b>134305</b>	<b>176,739</b>	<b>176,739</b>

## Notes to the main estimate

### Departmental Expenditure Limit

The cost of administering the operations of Export Credits Guarantee Department (ECGD) is covered under RfR2. Capital expenditure (Section A) is classified as expenditure within the Departmental Expenditure Limit but the administration costs are not because they are met from trading income.

### Provision sought

#### RfR1

The provision sought for 2001-02 is 22% higher than the final net provision and forecast outturn for 2000-01. A breakdown of the total provision for 2000-01 by individual function is given in Table C1.

#### RfR2

The provision sought for 2001-02 is £15.184 million, compared to a token RfR for 2000-01. A breakdown of the total provision for 2000-01 by individual function is given in Table C1.

### Contingent liabilities

#### RfR1

As at 31 March 2000 contingent liabilities chargeable to the Consolidated Fund in connection with activities provided for in this RfR were under Section 1 (£5,691 million) and Section 3 (£1,959 million) of the Export and Investment Guarantees Act 1991.

#### RfR2

As at 31 March 2000 contingent liabilities chargeable to the Consolidated Fund in connection with activities provided for in this RfR were under Section 1 (£27,857 million), Section 2 (£835 million) and Section 3 (£1,820 million) of the Export and Investment Guarantees Act 1991.

## A4

Main Estimates 2001-02:  
Office of Fair Trading

## Introductory note

1. The Office of Fair Trading supports the Director General of Fair Trading in carrying out a wide range of statutory duties and functions in relation to the promotion of competition and the protection of consumers, including the Competition Act 1998. The Director General is responsible for initiating action against restrictive agreements, monopolies and anti competitive practices. He also advises Ministers on mergers affecting competition and on the rules of regulatory bodies in the financial services sector. The Director General takes action against trading practices including 'unfair contract terms' which adversely affect consumers and negotiates codes of practice. He administers the legislation and regulation of consumer credit and is charged with initiating court action on misleading advertising wherever other means of control have been inadequate.
2. Further details of the expenditure contained in this Estimate can be found in Chapter 19.
3. Symbols are explained in the Annex A8.

## Part 1

	£
RfR1: Advancing and safeguarding the economic interests of UK consumers	33,414,000
Total net resource requirement	33,414,000
Net Cash Requirement	32,369,000

Amounts required in the year ending 31 March 2002 for expenditure by the Office of Fair Trading on:

**RfR1: Advancing and safeguarding the economic interests of UK consumers**

administrative and operational costs, and associated non cash items.

The Office of Fair Trading will account for this Estimate.

	Net Total £	Allocated in Vote on account £	Balance to Complete £
RfR1	34,102,800	14,554,800	19,230,800
Total Net Resource Requirement	34,102,800	14,554,800	19,230,800
Net Cash Requirement	33,057,800	14,084,550	18,491,800

## Part II: Subhead details (£000)

Resources							2001-02		2000-01	1999-2000
	1	2	3	4	5	6	7	8	9	10
	Admin	Other Current	Grants	Gross Total	AinA	Net Total	Capital	Non-operating AinA		
<b>RfR 1: Advancing and safeguarding the economic interests of UK consumers</b>										
	33,819	650	0	34,469	366	34,103	1,398	0	33,041	24,694
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL):										
Central Government spending	31,163	650	0	31,183	366	31,447	1,398	0	30,391	23,413
SPENDING IN ANNUALLY MANAGED EXPENDITURE:										
Central Government spending	2,633	0	0	2,633	0	2,633	0	0	2,627	1,275
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS										
Refunds	23			23		23			23	6
<b>TOTAL</b>	<b>33,130</b>	<b>650</b>	<b>0</b>	<b>33,780</b>	<b>366</b>	<b>3,344</b>	<b>0</b>	<b>0</b>	<b>33,041</b>	<b>24,694</b>
									Accruals to cash adjustments	0
									<b>NET CASH REQUIRED</b>	<b>0</b>

## Resource to cash reconciliation (£000):

2001-02

<b>Net Total Resources</b>	<b>34,103</b>
<b>Voted Capital items:</b>	
Capital	1,398
Less Non-operating AinA	0
	<b>0</b>
<b>Accruals to cash adjustments:</b>	
Capital charges	-517
Depreciation	-2,116
Other non-cash items	-16
Increase(+)/Decrease(-) in stock	0
Increase(+)/Decrease(-) in debtors	31
Increase(-)/Decrease(+) in creditors	175
Increase(-)/Decrease(+) in provisions	0
Excess cash to be CFERd	0
	<b>-2,443</b>
<b>Net Cash required</b>	<b>33,058</b>

**Part III: Extra Receipts payable to the Consolidated Fund (£000)**

In addition to the appropriations in aid, the following income related to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	2001-2002		2000-2001		1999-2000	
	Income	Receipts	Income	Receipts	Income	Receipts
Operating income not classified as A in A	-	-	-	-	-	-
Non-operating income not classified as A in A	-	-	-	-	-	-
Other income not classified as A in A	3,491	<i>3,491</i>	3,491	<i>3,491</i>	6,343	<i>6,164</i>
	<b>3,491</b>	<b><i>3,491</i></b>	<b>3,491</b>	<b><i>3,491</i></b>	<b>6,343</b>	<b><i>6,164</i></b>

**Forecast operating statement (£000)**

for the year ended 31 March 2002

	2001-2002 Provision	2000-2001 Provision	1999-2000 Outturn
<b>Administration Costs</b>			
<b>Voted Expenditure</b>			
<b>RfR1</b>			
Staff Costs	17,492	15,970	12,724
Other administration costs*	16,327	16,949	11,216
		33,819	23,940
Operating income		-355	-248
		-467	
<b>Net Administration Costs</b>	<b>33,464</b>	<b>32,452</b>	<b>23,692</b>
<b>Programme Costs</b>			
<b>Voted Expenditure</b>			
Expenditure	650	600	1,033
Income	-3,502	-3,502	-6,374
Net Programme Costs	-2,852	-2,902	-5,341
<b>Non-Voted Expenditure</b>			
Expenditure			
Income			
Net Programme Costs	-	-	-
<b>Total Net Programme Costs</b>	<b>-2,852</b>	<b>-2,902</b>	<b>-5,341</b>
<b>Net Operating Cost</b>	<b>30,612</b>	<b>29,550</b>	<b>18,351</b>
<b>Net Resource Outturn</b>	<b>34,103</b>	<b>33,041</b>	<b>24,694</b>
<b>Resource Budget Outturn</b>	<b>34,091</b>	<b>33,029</b>	<b>24,719</b>

\*This includes programme of £650k spend and £3,520k income (in 2001-02) £600k and £3,502k in 2000-01 and £1,003k and £6,213k in 1999-2000.

## Forecast cash flow statement (£000)

	2001-02 Provision	2000-01 Provision	1999-00 Outturn
Net Cash outflow from Operating activities (Note i)	-28,169	-27,113	-17,616
Capital expenditure and financial investment (Note ii)	-1,398	-1,718	-6,393
Receipts due to the Consolidated Fund which are outside the scope of the department's operations			
Payment of amounts due to the Consolidated Fund	-3,491	-3,491	-6,344
Financing (Note iii)	33,058	32,322	30,765
<b>Increase (+) /decrease in cash in the period</b>	<b>0</b>	<b>0</b>	<b>439</b>
<b>Notes to the cash flow statement</b>			
<b>Note i: Reconciliation of operating cost to operating cash flows</b>			
Net operating cost	30,612	29,550	18,351
Remove non-cash transactions	-2,649	-2,643	-1,638
Adjust for movements in working capital other than cash	206	206	903
Use of provisions	-	-	
<b>Net Cash outflow from Operating activities</b>	<b>28,169</b>	<b>27,113</b>	<b>17,616</b>
<b>Note ii: Analysis of Capital Expenditure and financial investment</b>			
Intangible fixed asset additions	-	-	-
Tangible fixed asset additions	1,398	1,718	6,277
Proceeds of disposal of fixed assets	-	-	-
Loans to other bodies	-	-	-
Adjust for movements in working capital on capital expenditure and financial investment	-	116	
<b>Net Cash outflow for capital expenditure and financial investment</b>	<b>1,398</b>	<b>1,718</b>	<b>6,393</b>
<b>Note iii: Analysis of financing and reconciliation to the net cash requirement</b>			
From Consolidated Fund (Supply): current year expenditure	-	33,058	30,765
From Consolidated Fund (Supply): prior year expenditure	-	-	-
From Consolidated Fund (Non-supply)	-	-	-
Net payments from the National Insurance Fund	-	-	-
Net payments from the Contingencies Fund	-	-	-
Net loans from the National Loans Fund	-	-	-
Capital element of payments in respect of finance leases and "on balance sheet" PFI contracts.	-	-	-
<b>Net Financing</b>	<b>33,058</b>	<b>32,322</b>	<b>30,765</b>
<b>Increase(-)/decrease(+) in cash</b>	<b>0</b>		<b>-439</b>
<b>Net cash flows other than financing (net outflow = +)</b>	<b>32,369</b>	<b>32,322</b>	<b>30,326</b>
Adjust for payments and receipts not related to supply	-	-	-
Amounts due to the Consolidated Fund – received in a prior year and paid over	-	-	-700
Amounts due to the Consolidated Fund – received and not paid over	-	-	547
<b>Net cash requirement for the year</b>	<b>32,369</b>	<b>32,322</b>	<b>30,173</b>

## Forecast reconciliation of net operating cost to net resource outturn and resource budget outturn (£000)

For the year ended 31 March 2002	2001-02	2000-01	1999-2000
<b>Net Operating Costs</b>	<b>30,612</b>	<b>29,550</b>	<b>18,351</b>
<b>Net Resource Outturn</b>	<b>34,103</b>	<b>33,041</b>	<b>24,694</b>
<b>Resource Budget Outturn</b>	<b>34,091</b>	<b>33,029</b>	<b>24,719</b>
Of which:			
Departmental Expenditure Limit (DEL)	30,769	30,402	23,444
Annually Managed Expenditure (AME)	2,633	2,627	1,275

## Explanation of accounting officer responsibilities

The Treasury has appointed the Director General of OFT, John Vickers, as Accounting Officer of the Department with responsibility for preparing the Department's Estimate.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting.

## Analysis of Appropriations in Aid (£000)

	2001-2002 Provision		2000-2001 Provision		1999-2000 Outturn	
	Operating A-in-A	Non- operating A-in-A	Operating A-in-A	Non- operating A-in-A	Operating A-in-A	Non- operating A-in-A
<b>RfR1: Advancing and safeguarding the economic interests of UK consumers.</b>						
Recovered Legal Costs	20	–	20	–	44	–
Recovered Common Services provided to other departments	135	–	135	–	61	–
Competition Act Notification fees	200	–	200	–	–	–
<b>TOTAL</b>	<b>355</b>	<b>–</b>	<b>355</b>	<b>–</b>	<b>105</b>	<b>–</b>

Amount that may be applied as appropriations in aid in addition to the net total, arising from the recovery of legal costs, fees for common services provided to other departments and Competition Act fees.

## Analysis of Consolidated Fund Extra Receipts (CFERs) (£000)

	2001-2002		2000-2001		1999-2000	
	Income	Receipts	Income	Receipts	Income	Receipts
In addition to appropriations in aid the following income and receipts relate to the department and are payable to the Consolidated Fund:						
Fees for administration of the Consumer Credit Act 1974	-	-	-	-	3,413	3,801
Fees charged for Mergers under the Fair Trading Act 1973	-	-	-	-	2,691	2,285
Miscellaneous receipts	-	-	-	-	78	78
<b>TOTAL</b>	<b>3,491</b>	<b>3,491</b>	<b>3,491</b>	<b>3,491</b>	<b>6,182</b>	<b>6,164</b>

## Notes to the main estimate

### Departmental Expenditure Limit & Administrative Cost Limit

The Departmental Expenditure Limit (DEL) is £30,758,000 and the Administrative Cost Limit is £32,775,000.

### Comparison of provision sought with final provision & forecast outturn

The provision sought for 2001-02 is 1 per cent lower than the final net provision and forecast outturn for 2000-01 of £33.041 million.

**A5****Main Estimates 2001-02:  
Office of Telecommunications****Introduction**

1. The Office of Telecommunications (OFTEL) was set up on 1 July 1984 under the Telecommunications Act 1984. The Director General of Telecommunications is responsible for the enforcement of telecommunications operators' licences and for initiating their modification where appropriate, his duties include the promotion of users' interest and of effective competition. OFTEL's aim is to promote competition in order to create conditions in which telecommunications can operate most effectively to the benefit of the economy. OFTEL is funded by licence fees paid to the Government by UK telecommunication operators, and by sundry small commercial receipts.
2. Further details of the expenditure contained in this Estimate can be found in Chapter 19.
3. Symbols are explained in Annex A8.

**Part 1**

	£
<b>RfR 1: Providing the best possible deal for telecommunications customers through effective competition</b>	<b>1,356,000</b>
<b>Total net resource requirement</b>	<b>1,356,000</b>
<b>Net cash requirement</b>	<b>1,599,000</b>

Amounts required in the year ending 31 March 2002 for expenditure by the Office of Telecommunications on

**RfR1: Providing the best possible deal for telecommunications customers through effective competition administrative and operational costs, cooperation with economic regulators overseas and associated non cash items.**

The Office of Telecommunications will account for this Estimate.

	Net Total £	Allocated in Vote on account £	Balance to Complete £
RfR1	1,356,000	531,000	825,000
Total Net Resource Requirement	1,356,000	531,000	825,000
Net Cash Requirement	1,599,000	630,000	969,000

## Part II: Subhead detail (£000)

Resources .....					Capital .....		2000-2001 provision	1999-2000 outturn		
1	2	3	4	5	6	7	8	9	10	
Admin	Other Current	Grants	Gross Total	AinA	Net Total	Capital	Non- Operating AinA	Net Total Resources	Net Total Resources	
<b>RfR1: Providing the best possible deal for telecommunications customers through effective competition</b>										
16,355	1,321	-	17,676	16,320	1,356	880	-	2,355	950	
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL)										
Central Government spending										
A: Administration										
15,718	1,321	-	17,039	16,320	719	880	-	1,769	138	
SPENDING IN ANNUALLY MANAGED EXPENDITURE										
Non-Cash items										
B Administration										
637	-	-	637	-	637	-	-	586	695	
C Administration										
-	-	-	-	-	-	-	-	-	117	
<b>TOTAL</b>	<b>16,335</b>	<b>1,321</b>	<b>-</b>	<b>17,676</b>	<b>16,320</b>	<b>1,356</b>	<b>880</b>	<b>-</b>	<b>2,355</b>	<b>950</b>
							Accruals to cash adjustments	-637		
							<b>NET CASH REQUIRED</b>	<b>1,599</b>		
<b>Resource to cash reconciliation:</b>							<b>£000</b>			
							<b>2001-02</b>			
<b>Net Total Resources</b>							<b>1,356</b>			
<b>Voted Capital items:</b>										
Capital							880			
Less Non-operating AinA										
							<b>880</b>			
<b>Accruals to cash adjustments:</b>										
Capital charges							-100			
Depreciation							-503			
Other non-cash items							-30			
Increase(+)/Decrease(-) in stock										
Increase(+)/Decrease(-) in debtors							55			
Increase(-)/Decrease(+) in creditors							-32			
Increase(-)/Decrease(+) in provisions							-27			
Excess cash to be CFERd							-637			
<b>Net Cash required</b>							<b>1,599</b>			

**Part III: Extra Receipts payable to the Consolidated Fund (£000)**

In addition to the appropriations in aid, the following income related to the department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	2001-2002 Provision		2000-2001 Provision		1999-2000 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Operating income not classified as A in A	-	-	-	-	386	274
Non-operating income not classified as A in A	-	-	-	-	-	-
Other income not classified as A in A	-	-	-	-	1	-
	-	-	-	-	<b>387</b>	<b>274</b>

**Forecast operating statement**

For the year ended 31 March 2002	Provision 2001-02	Provision 2000-01	Outturn 1999-00
<b>Administration Costs</b>			
<b>Voted Expenditure</b>			
Staff Costs	9,234	7,000	6,783
Other Administration costs	7,121	6,734	6,004
Gross Administration costs	16,355	13,734	12,787
Operating income	-16,320	-12,604	-12,449
<b>Total Net Administration costs</b>	<b>35</b>	<b>1,130</b>	<b>338</b>
<b>Programme Costs</b>			
<b>Voted Expenditure</b>			
Expenditure	1,321	1,225	226
Income			
Net Programme costs	1,321	1,225	226
<b>Non-Voted Expenditure</b>			
<b>Expenditure</b>			
<b>Income</b>			
<b>Net Programme costs</b>			
<b>Total Net Programme costs</b>	<b>1,321</b>	<b>1,225</b>	<b>226</b>
<b>NET OPERATING COST</b>	<b>1,356</b>	<b>2,355</b>	<b>564</b>
<b>NET RESOURCE OUTTURN</b>	<b>1,356</b>	<b>2,355</b>	<b>950</b>
<b>RESOURCE BUDGET OUTTURN</b>	<b>1,349</b>	<b>2,349</b>	<b>442</b>

## Forecast cash flow statement

	2001-02 Provision	2000-01 Provision	1999-00 Outturn
<b>Net Cash outflow from Operating activities (Note i)</b>	-719	-1,769	17
<b>Capital expenditure and financial investment (Note ii)</b>	-880	-632	-1,929
<b>Receipts due to the Consolidated Fund which are outside the scope of the department's operations</b>	-	-	-
<b>Payment of amounts due to the Consolidated Fund</b>	0	0	-2,327
<b>Financing (Note iii)</b>	1,599	2,401	2,141
<b>Increase (+) / I decrease (-) in cash in the period</b>	<b>0</b>	<b>0</b>	<b>2,098</b>
<b>Notes to the cash flow statement</b>			
<b>Note i: Reconciliation of operating cost to operating cash flows</b>			
Net operating cost	1,356	2,355	330
Remove non-cash transactions	-667	-602	-605
Adjust for movements in working capital other than cash	23	10	253
Use of provisions	7	6	5
<b>Net Cash outflow from Operating activities</b>	<b>719</b>	<b>1,769</b>	<b>-17</b>
<b>Note ii: Analysis of capital expenditure and financial investment</b>			
Intangible fixed asset additions	880	632	1,929
Tangible fixed asset additions	-	-	-
Proceeds of disposal of fixed assets	0	0	-
Loans to other bodies	-	-	-
Adjust for movements in working capital on capital expenditure and financial investment on capital expenditure and financial investment	-	-	-
<b>Net Cash outflow for capital expenditure and financial investment</b>	<b>880</b>	<b>632</b>	<b>1,929</b>
<b>Note iii: Analysis of financing and reconciliation</b>			
From Consolidated Fund (Supply): current year expenditure	1,599	2,401	2,141
From Consolidated Fund (Supply): prior year expenditure			
From Consolidated Fund (Non-supply)			
Net payments from the National Insurance Fund			
Net payments from the Contingencies Fund			
Net loans from the National Loans Fund			
Capital element of payments in respect of finance leases and "on balance sheet" PFI contracts.			
<b>Net Financing</b>	<b>1,599</b>	<b>2,401</b>	<b>2,141</b>
<b>Increase(-)/decrease(+) in cash</b>			<b>2,098</b>
<b>"=Net cash flows other than financing (net outflow = +)</b>	<b>1,599</b>	<b>2,401</b>	<b>4,239</b>
Adjust for payments and receipts not related to supply			
Amounts due to the Consolidated Fund -received in a prior year and not paid over	0	0	-2,327
Amounts due to the Consolidated Fund -received and not paid over	0	0	274
<b>Net cash requirement for the year</b>	<b>1,599</b>	<b>2,401</b>	<b>2,186</b>

## Forecast reconciliation of net operating cost to net resource outturn and resource budget outturn (£000)

For the year ended 31 March 2002	2001-02	2000-01	1999-2000
Net Resource Outturn	1,356	2,355	950
Add Consolidated Fund Extra Receipts in the OCS	–	–	-386
Net Operating Costs	1,356	2,355	564
Reverse the deduction of gains and deduct the losses incurred on disposal of assets	–	–	117
Other Adjustments	-7	-6	-5
Resource Budget Outturn	1,349	2,349	442
Departmental Expenditure Limit (DEL)	719	1,769	-248
Spending in Employment Opportunities Fund (EOF) DEL	–	–	–
Annually Managed Expenditure (AME)	630	580	690

## Explanation of accounting officer responsibilities

The Treasury has appointed the Director General of OFTEL, David Edmonds, as Accounting Officer of the Department with responsibility for preparing the Department's Estimate.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting.

## Appropriations in Aid (£000)

	2001-02 provision AinA Non-op. AinA	2000-01 provision AinA Non-op. AinA	1999-2000 outturn AinA Non-op. AinA
<b>RfR1: Providing the best possible deal for telecommunications customers through effective competition</b>			
Licence Fees	15,617	12,594	12053
Sales of Publications and office equipment	6	10	10
Co-operation with economic regulators overseas	697		0
<b>Competition Act notification fees</b>			
<b>TOTAL</b>	<b>16,320</b>	<b>12,604</b>	<b>12,063</b>

Amount that may be applied as appropriations in aid in addition to the net total, arising from the recovery of income from receipts from licence fees, Competition Act Fees, co-operation with economic regulators overseas and the sale of publications, obsolete office equipment and information systems.

**Consolidated fund extra receipts (CFERs) (£000)**

	2001-2002 Provision		2000-2001 Provision		1999-2000 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
In addition to appropriations-in-aid, the following income and receipts relate to the department and is payable to the Consolidated Fund.						
Licence fees	-	-	-	-	386	274
Miscellaneous receipts	-	-	-	-	1	-
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>387</b>	<b>274</b>

**Notes to the Main Estimate****Departmental Expenditure Limit & Administrative Cost Limit**

The Departmental Expenditure Limit (DEL) is £719,000 and the Administrative Cost Limit is £15,718,000.

**Comparison of provision sought with final provision & forecast outturn**

The provision sought for 2001-02 is 44 per cent lower than the final net provision and forecast outturn for 2000-01 of £2.4 million.

**A6****Main Estimates 2001-02:  
Office of Gas and Electricity Markets****Introduction**

The Office of Gas and Electricity Markets (OFGEM) comprises the Gas and Electricity Markets Authority and was set up in December 2000 under the provisions of the Utilities Act 2000. OFGEM's principal aim is to protect the interests of consumers, wherever appropriate by promoting effective competition.

Further details of the expenditure contained in Section A of this Estimate can be found in Chapter 19.

Monies collected on behalf of the Secretary of State, either on behalf of energywatch or in respect of the Secretary of State's own costs are shown as payments to the DTI.

Central expenditure is offset mainly by income from licence fees recovered from the gas and electricity industries. However, expenditure by the Technical Directorate is largely funded by receipts from those using the services provided.

**Part I**

	£
<b>RfR 1: Protecting consumers by regulating monopolies and promoting competition in the electricity and gas industry.</b>	<b>1,000</b>
<b>Total net resource requirement</b>	<b>1,000</b>
<b>Net cash requirement</b>	<b>1,000</b>

Amounts required in the year ending 31 March 2002 for expenditure by the Office of Gas and Electricity Markets on:

**RfR 1: Protecting consumers by regulating monopolies and promoting competition in the electricity and gas industry.**

administrative and operational costs, and associated non cash items.  
payments to DTI

The Office of Gas and Electricity Markets will account for this Estimate.

	Net Total £	Allocated in Vote on account £	Balance to Complete £
<b>RfR1</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>Total Net Resource Requirement</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
<b>Net Cash Requirement</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>



### Part III: Extra Receipts payable to the Consolidated Fund (£000)

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).

	2001-02		2000-01		1999-00	
	Income	Receipts	Income	Receipts	Income	Receipts
Operating income not classified as AinA	-	1,900	300	300	300	300
Non-operating income not classified as AinA	-	-	-	-	-	-
Other income not classified as AinA	-	-	-	-	-	-
<b>TOTAL</b>	-	1,900	300	300	300	300

### Forecast operating statement (£000)

	2001-02 Provision	2000-01 Provision	1999-2000 Outturn
<b>Administration Costs</b>			
<b>Voted Expenditure</b>			
<b>RfR1</b>			
Staff Costs	14,716	16,340	23,048
Other administration costs	22,077	54,922	45,689
		36,793	71,262
Operating income	-55,454	-71,481	-58,972
<b>Net Administration Costs</b>	<b>-18,661</b>	<b>-219</b>	<b>9,765</b>
<b>Programme Costs</b>			
<b>Voted Expenditure</b>			
Expenditure	19,675	10,572	
Income	-1,013	9,606	-10,065
<b>Total Net Programme Costs</b>	<b>18,662</b>	<b>966</b>	<b>-10,065</b>
<b>Net Operating Cost</b>	<b>1</b>	<b>747</b>	<b>-300</b>
<b>Net Resource Outturn</b>	<b>1</b>	<b>747</b>	<b>-</b>
<b>Resource Budget Outturn</b>	<b>1</b>	<b>747</b>	<b>-300</b>

## Forecast cash flow statement (£000)

	2001-02 Provision	2000-01 Provision	1999-00 Outturn
<b>Net Cash outflow from Operating activities (Note i)</b>	<b>2,864</b>	<b>6,143</b>	<b>2,752</b>
<b>Capital expenditure and financial investment (Note ii)</b>	<b>-965</b>	<b>-5,844</b>	<b>-2,461</b>
<b>Receipts due to the Consolidated Fund which are outside the scope of the department's operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Payment of amounts due to the Consolidated Fund Financing (Note iii)</b>	<b>-1,900</b>	<b>-300</b>	<b>-</b>
	<b>1</b>	<b>1</b>	<b>-</b>
<b>Increase (+) / I decrease (-) in cash in the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Notes to the cash flow statement</b>			
<b>Note i : Reconciliation of operating cost to operating cash flows</b>			
Net operating cost	1	747	8
Remove non-cash transactions	-1,047	-9,641	10,099
Adjust for movements in working capital other than cash	-1,818	-3,051	7,647
Use of provisions	-	-	-
<b>Net Cash outflow from Operating activities</b>	<b>-2,864</b>	<b>-6,143</b>	<b>-2,752</b>
<b>Note ii: Analysis of capital expenditure and financial investment</b>			
Intangible fixed asset additions	1,115	5,994	2,611
Tangible fixed asset additions	0	-	-
Proceeds of disposal of fixed assets	-150	-150	-150
Loans to other bodies	-	-	-
Adjust for movements in working capital on capital expenditure and financial investment	-	-	-
<b>Net Cash outflow for capital expenditure and financial investment</b>	<b>965</b>	<b>5,844</b>	<b>2,461</b>
<b>Note iii: Analysis of financing and reconciliation</b>			
From Consolidated Fund (Supply): current year expenditure	1	1	-
From Consolidated Fund (Supply): prior year expenditure	0	0	-
From Consolidated Fund (Non-supply)	-	-	-
Net payments from the National Insurance Fund	-	-	-
Net payments from the Contingencies Fund	0	0	-
Net loans from the National Loans Fund	-	-	-
Capital element of payments in respect of finance leases and "on balance sheet" PFI contracts.	-	-	-
<b>Net Financing</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>Increase(-)/decrease(+) in cash</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>"=Net cash flows other than financing (net outflow = +)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Adjust for payments and receipts not related to supply	-	-	-
Amounts due to the Consolidated Fund -received in a prior year and not paid over	0	0	-
Amounts due to the Consolidated Fund -received and not paid over	0	0	-
<b>Net cash requirement for the year</b>	<b>1</b>	<b>1</b>	<b>9</b>

### Forecast reconciliation of net operating cost to net resource outturn and resource budget outturn (£000)

For the year ended 31 March 2002	2001-02	2000-01	1999-2000
<b>Net Operating Costs</b>	<b>1</b>	<b>747</b>	<b>-8</b>
<b>Net Resource Outturn</b>	<b>1</b>	<b>747</b>	<b>-8</b>
<b>Resource Budget Outturn</b>	<b>1</b>	<b>747</b>	<b>-8</b>

### Explanation of accounting officer responsibilities

The Treasury has appointed the Chairman of the Authority and Chief Executive of Ofgem, Callum McCarthy, as Accounting Officer of the Department with responsibility for preparing the Department's Estimate.

The responsibility of the Accounting Officer, including responsibility for the property and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in *Government Accounting*.

## Appropriations in Aid (£000)

	2001-02 provision		2000-01 provision	1999-2000 outturn
	Operating AinA	Non-operating AinA	Operating AinA	Operating AinA
<b>RfR 1: Protecting consumers by regulating monopolies and promoting competition in the electricity and gas industry.</b>				
Licence fees:				
Electricity	20,215		29,051	30,456
NETA	1,600		10,600	10,214
Gas	13,477		12,450	13,052
GCC	19,500		10,850	3,072
Income from fees and charges levied under Gas Act (metering and quality testing)	1,500		1,500	1,470
Recovery of costs of administering the Fossil Fuel Levy	175		175	424
Reverse Premium on lease for new headquarters building	–		5,200	–
Receipts in respect of the disposal, vacation or occupation of property or accommodation	–		5,500	–
Elexon Recharge	156	150	19,645	–
Non-operating				
<b>Total</b>	<b>56,467</b>	<b>150</b>	<b>94,977</b>	<b>58,688</b>

**Note 2: Non-operating AinA: During 2000-2001 OFGEM expects to receive £5,200,000 as reverse premium relating to its occupation of its new headquarters building. This amount has been scored as capital.**

## Consolidated fund extra receipts (CFERs) (£000)

	2001-2002 Provision		2000-2001 Provision		1999-2000 Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
No extra income or receipts were received in 1999-2000. None are expected in 2000-2001 or in 2001-2002.						

## Notes to the Main Estimate

### Departmental Expenditure Limit & Administrative Costs Limit

1. The Departmental Expenditure Limit is £1,000. The Administrative Costs Limit is £36,793,000.

### Comparison of provision sought with final provision & forecast outturn

2. The net token provision for 2001-02 is significantly less than the forecast outturn for 2000-01. The final provision and forecast outturn for the current year is £747,000 in cash terms. The full cost of economic regulation on an accruals basis is recovered from the industry.

**A7****Main Estimates 2001-02:  
Postal Services Commission****Introduction**

1. The Postal Services Commission (PostComm) was created by administrative action, within the Department of Trade and Industry, in January 2000. Staff were recruited throughout the 2000-01 financial year and provided with accommodation and equipment. PostComm became a non-Ministerial Government Department on 6 November 2000, but has been asked to provide accounts for the whole of 2000-01.
2. The token net provision sought for 2001-02 reflects the fact that receipts from the Post Office are appropriated in aid, rather than surrendered directly to the Consolidated Fund.
3. Symbols are explained in Annex A8.

**Part 1**

	£
<b>RfR 1: Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers and promoting competition.</b>	<b>1,000</b>
<b>Total net resource requirement</b>	<b>1,000</b>
<b>Net cash requirement</b>	<b>101,000</b>

Amounts required in the year ending 31 March 2002 for expenditure by the Postal Services Commission on:

**RfR 1: Ensuring the provision of a universal service at a uniform tariff, protecting the consumers and promoting competition.** Administrative, operational costs, and associated non cash items.

The Postal Services Commission will account for this Estimate.

	Net Total £	Allocated in Vote on account £	Balance to Complete £
RfR1	1,000	–	1,000
<b>Total Net Resource Requirement</b>	<b>1,000</b>	<b>–</b>	<b>1,000</b>
<b>Net Cash Requirement</b>	<b>101,000</b>	<b>45,000</b>	<b>56,000</b>

## Part II: Subhead detail (£000)

Resources .....						Capital .....	2000-01 Provision	1999-2000 Outturn	
1	2	3	4	5	6	7	8	9	10

## RfR1: Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers and promoting competition.

Admin	Other Current	Grants	GrossTotal	AinA	Net Total	Capital	Non- Operating AinA
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## SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS

## Central Government Spending

## A. Ensuring the provision of a universal postal service at a uniform tariff, protecting consumers and promoting competition.

2,300	1,501		3,801	3,800	1	100	1
2,300	1,501		3,801	3,800	1	100	1

Accruals to cash adjustments 0

**NET CASH REQUIRED 101**

Resource to cash reconciliation:	2001-02	£000
Net Total Resources	1	
Voted Capital items:	100	
Capital		
Less Non-operating AinA	<u>100</u>	
<b>Net Cash required</b>	<b>101</b>	

**Part III: Extra Receipts payable to the Consolidated Fund (£000)**

In addition to the appropriations in aid, the following income related to the department and is payable to the Consolidated Fund. (Cash receipts shown in italics).

	2001-02 Provision		2000-01 Provision	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income not classified as A in A	100	<i>100</i>	100	<i>100</i>
Non-operating income not classified as A in A	-	-	-	-
Other income not classified as A in A	-	-	-	-
<b>TOTAL</b>	100	<i>100</i>	100	<i>100</i>

**Forecast operating statement (£000)**

For the year ended 31 March 2002	2001-02 Provision	2000-01 Provision
<b>Administration Costs</b>		
<b>Voted Expenditure</b>		
Staff Costs	1,660	1,460
Other administration costs	640	640
	2,300	2,100
Operating income		
<b>Net Administration Costs</b>	<b>2,300</b>	<b>2,100</b>
<b>Programme Costs</b>		
<b>Voted Expenditure</b>		
Expenditure	1,501	1,501
Income	-3,900	-3,600
	-2,399	-2,199
Total Net Programme Costs	<b>-2,399</b>	<b>-2,199</b>
<b>Net Operating Costs</b>	<b>-99</b>	<b>1</b>
<b>Net Resource Outturn</b>	<b>1</b>	<b>1</b>
<b>Resource Budget Outturn</b>	<b>-99</b>	<b>1</b>

## Forecast cash flow statement (£000)

	2001-02 Provision	2000-01 Provision
<b>Net Cash outflow from Operating activities (Note i)</b>	<b>99</b>	<b>99</b>
<b>Capital expenditure and financial investment (Note ii)</b>	<b>-100</b>	<b>-100</b>
<b>Receipts due to the Consolidated Fund which are outside the scope of the department's operations</b>		
<b>Payment of amounts due to the Consolidated Fund</b>	<b>-100</b>	<b>-100</b>
<b>Financing (Note iii)</b>	<b>101</b>	<b>101</b>
<b>Increase (+) / I decrease (-) in cash in the period</b>	<b>0</b>	<b>0</b>
<b>Notes to the cash flow statement</b>		
<b>Note i : Reconciliation of operating cost to operating cash flows</b>		
<b>Net operating cost</b>	<b>-99</b>	<b>1</b>
<b>Remove non-cash transactions</b>		
Adjust for movements in working capital other than cash		
Use of provisions		<b>-100</b>
<b>Net Cash outflow from Operating activities</b>	<b>-99</b>	<b>-99</b>
<b>Note ii: Analysis of capital expenditure and financial investment</b>		
Intangible fixed asset additions	100	100
<b>Net Cash outflow for capital expenditure and financial investment</b>	<b>100</b>	<b>100</b>
<b>Note iii: Analysis of financing and reconciliation</b>		
From Consolidated Fund (Supply): current year expenditure	101	101
From Consolidated Fund (Supply): prior year expenditure	0	0
Net payments from the Contingencies Fund	0	0
<b>Net Financing</b>	<b>101</b>	<b>101</b>
<b>Increase(-)/decrease(+) in cash</b>		
<b>"=Net cash flows other than financing (net outflow = +)</b>	<b>0</b>	
Adjust for payments and receipts not related to supply		
Amounts due to the Consolidated Fund – received in a prior year and not paid over	0	
Amounts due to the Consolidated Fund – received and not paid over	0	
<b>Net cash requirement for the year</b>	<b>101</b>	<b>101</b>

## Forecast Reconciliation of Net Operating Cost to Net Resource Outturn and Resource Budget Outturn (£000)

For the year ended 31 March 2002	2001-2002	2000-2001
<b>Net Operating Costs</b>	<b>1</b>	<b>1</b>
Add Consolidated Fund extra receipts in the OCS	-100	-100
<b>Net Resource Outturn</b>	<b>-99</b>	<b>-99</b>
<b>Resource Budget Outturn</b>	<b>-99</b>	<b>-99</b>
Departmental Expenditure Limit (DEL)	-99	-99
Annually Managed Expenditure (AME)		

### Explanation of accounting officer responsibilities

The Treasury has appointed the Chief Executive of the Commission, Martin Stanley, as Accounting Officer of the Department with responsibility for preparing the Department's Estimate.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in Government Accounting.

### Appropriations in Aid (£000)

	2001-02 Provision Operating AinA	2000-01 Provision Operating AinA
RfR 1: Ensuring the provision of a universal postal service at a uniform tariff, protecting the consumers and promoting competition.		
Income from postal operators	3,800	3,600
<b>Total</b>	<b>3,800</b>	<b>3,600</b>

### Consolidated fund extra receipts (CFERs) (£000)

	2001-2002 Provision		2000-2001 Provision	
	Income	Receipts	Income	Receipts
In addition to appropriates-in-aid, the following income and receipts relate to the department and is payable to the Consolidated Fund.				
Income from postal operators	100	100	100	100
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Notes to the Main Estimate

### Departmental Expenditure Limit & Administrative Cost Limit

The Departmental Expenditure Limit of the Postal Services Commission is £1,000 and the Administration Costs Limit is £2,300,000.

# A8

## Main Estimates 2001-02: Explanation of symbols

### Public expenditure

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- ★ A section of an Estimate which contains discretionary expenditure.
  - Income which is classified as negative in Resource Budgets: DELs or in Capital Budget: DELs in respect of income from capital receipts including assets sales and which is, exceptionally surrendered direct to the Consolidated Fund as extra receipts rather than taken on to the Estimate as appropriations-in-aid.
  - Income which is classified as negative in Resource Budget: AME or Capital Budget: AME and which are exceptionally surrendered direct to the Consolidated Fund as extra receipts rather than taken on to the Estimate as appropriations-in-aid.
- Ⓞ Income receipts which are classified as negative DEL or negative DEL in respect of income from capital receipts including assets sales and which are, exceptionally surrendered to the Consolidated Funds as extra receipts rather than taken on to the Estimate as appropriations in aid.
- △ Income receipts which are classified as negative AME or negative AME in respect of income from capital receipts including asset sales and which are, exceptionally, surrendered to the Consolidated Fund as extra receipts rather than taken on to the Estimate as appropriations in aid.
- Extra receipts which are classified as “other spending outside Departmental Expenditure Limits” and are surrendered to the Consolidated Fund as extra receipts.

### Statutory authority for expenditure:

- Items where provision is sought under the sole authority of Part I of the Estimate and of the confirming Appropriation Act.

### Accounting and audit arrangements for grants in aid and certain subscriptions, etc, to international organisations:

- ♥ The accounts of this body are audited by the Comptroller and Auditor General and presented to Parliament.
- ◆ The accounts of this body are audited by auditors appointed by the Secretary of State (or Minister) and presented to Parliament. The books and accounts are also open to inspection by the Comptroller and Auditor General.
- ♠ The accounts of this body are audited by auditors appointed by the Secretary of State (or Minister) and presented to Parliament.



# Expenditure Plans Tables

**Table B1** – High level spending plans table

**Table B2** – Departmental Voted Cash Requirement

**Table B3** – Total Capital Employed by Department

**Table B4** – Consumption: Analysis of Resource Budget Spending Plans

**Table B5** – Investment: Analysis of Capital Budget Spending Plans

**Table B6** – Reconciliation of resource expenditure between accounts, Estimates and budgets

**Table B7** – Reconciliation of capital expenditure between accounts, Estimates and budgets

**Table B8** – Analysis of Local Authority expenditure

**Table B9** – Analysis of administration costs

**Table B10** – Staff numbers

**Table B11** – DEL and AME cash plans, 1995-96 to 2000-01

**Table B12** – Reconciliation of RAB and cash budgets, 1998-99 to 2000-01



# Expenditure Plans Tables

## ANNEX B: Expenditure Plans Tables

### Introduction to the new format of the tables

Following the introduction of resource accounting and budgeting (RAB), there have been a number of changes to the core tables in this year's departmental report.

RAB provides a more accurate measure of departmental expenditure by matching costs to time, taking account of the full consumption and investment of arms-length bodies such as NDPBs and public corporations, and measuring the full cost of government activity, including non-cash expenditure such as depreciation, cost of capital charges, and provisions.

The aim of the tables is to provide a detailed analysis of departmental expenditure plans in resource terms, showing: resource consumption and capital investment; Voted and non-Voted expenditure; and expenditure in three year Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME).

Following the decision to introduce resource budgeting in two stages, the major non-cash items – depreciation, cost of capital charges, and provisions – score in AME for the 2000 Spending Review years (2001 – 02 to 2003 – 04). Throughout the tables, non-cash expenditure in AME is distinguished from annually managed programme expenditure for the department. In Stage 2 resource budgeting, which is scheduled for the 2002 Spending Review, these items will score in DEL. Because RAB data is at present available only from 1998–99, the scope of the resource tables is restricted to

1998–99 to 2003–04, the last year covered by the 2000 Spending Review. However, Table B 11 sets out DEL in cash terms from 1995–96 to 2001–02, whilst Table B 12 shows the cash to RAB reconciliation for DEL numbers for 1998–99 to 2000–01.

As in previous years, tables are included showing key information on local authority expenditure, administration costs and staff numbers.

The corresponding tables for programme expenditure for British Trade International are provided in *British Trade International Expenditure Plans Report 2001-02 to 2003-04* (Cm 5123, The Stationery Office).

Plans for 2002–03 and 2003–04 for OFTEL and OFGEM are indicative only.

**TABLE B1 High Level Spending Plans<sup>1</sup>**

This table sets out, in resource terms, a summary of expenditure by each department from 1998–99 to 2003–04. The first part shows total expenditure in DEL and AME for the department, including the new non-cash AME items introduced by RAB. This is then split into resource and capital expenditure, the former showing what the department consumes in current spending and the latter showing planned investment expenditure.

The ‘Total Resource Budget’ and ‘Total Capital Budget’ figures illustrate, in resource terms, total DEL and AME expenditure in the department’s budget. This includes expenditure such as the consumption and investment of public corporations, which is outside the departmental

accounting boundary and some of which is not Voted by Parliament. ‘Programme spending in Resource AME’ is used to distinguish annually managed programme expenditure from the non-cash items which score in AME under Stage 1 resource budgeting.

‘Net operating costs’ and ‘Capital expenditure in accounts’ show the expenditure covered in the departmental resource accounts, while ‘Net total resources (Voted)’ and ‘Net capital expenditure (Voted)’ show the resources and capital expenditure voted by Parliament in Estimates. Reconciliations between the budgeting accounting and Parliamentary Estimates aggregates are shown in Tables B6 and B7 for resources and capital expenditure.

	£ million					
	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	Plans 2001-02	Plans 2002-03	Plans 2003-04
<b>TOTAL SPENDING IN DEL</b>	<b>2,906</b>	<b>2,918</b>	<b>3,646</b>	<b>4,522</b>	<b>4,259</b>	<b>4,201</b>
<b>SPENDING IN EQUAL OPPORTUNITIES FUND (EOF) DEL</b>	<b>–</b>	<b>–</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>–</b>
<b>TOTAL SPENDING IN AME</b>	<b>349</b>	<b>4,153</b>	<b>3,561</b>	<b>1,409</b>	<b>1,645</b>	<b>1,535</b>
of which non-cash AME	-84	1,250	1,297	-299	292	622
<b>CONSUMPTION: THE RESOURCE BUDGET</b>						
<b>Resource DEL</b>	<b>2,662</b>	<b>2,729</b>	<b>3,193</b>	<b>3,811</b>	<b>3,491</b>	<b>3,176</b>
<b>EOF DEL</b>	<b>–</b>	<b>–</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>–</b>
<b>Resource AME</b>	<b>109</b>	<b>2,049</b>	<b>1,360</b>	<b>-200</b>	<b>202</b>	<b>326</b>
<i>of which:</i>						
Programme spending	193	799	63	98	-89	-297
Non-cash items in Resource AME	-84	1,250	1,297	-299	292	622
<b>Total Resource Budget</b>	<b>2,771</b>	<b>4,778</b>	<b>4,560</b>	<b>3,615</b>	<b>3,699</b>	<b>3,501</b>
Adjustment to reach operating costs	-673	-208	-22,279	227	338	567
<b>Net Operating Costs</b>	<b>2,098</b>	<b>4,071</b>	<b>17,719</b>	<b>3,842</b>	<b>4,037</b>	<b>4,069</b>
Adjustment to reach voted total	473	193	22,541	492	562	715
<b>Net Total Resources (Voted)</b>	<b>2,571</b>	<b>4,264</b>	<b>4,821</b>	<b>4,334</b>	<b>4,599</b>	<b>4,783</b>
<b>INVESTMENT: THE CAPITAL BUDGET</b>						
<b>Capital DEL</b>	<b>244</b>	<b>188</b>	<b>453</b>	<b>712</b>	<b>767</b>	<b>1,025</b>
<b>Capital AME</b>	<b>240</b>	<b>2,104</b>	<b>2,201</b>	<b>1,609</b>	<b>1,443</b>	<b>1,210</b>
<b>Total Capital Budget</b>	<b>484</b>	<b>2,293</b>	<b>2,654</b>	<b>2,321</b>	<b>2,210</b>	<b>2,235</b>
Adjustment to reach voted capital	-232	-1,354	-1,530	-1,329	-1,718	-1,825
<b>Net Capital Expenditure (Voted)</b>	<b>252</b>	<b>938</b>	<b>1,324</b>	<b>991</b>	<b>492</b>	<b>410</b>

<sup>1</sup>This table summarises information on spending ending plans accounts and Estimates across DTI, ECGD, OFTEL, OFGEM, Office of Fair Trading and Postal Services Commission. All this information is presented in more detail in Tables 4 to 7.

**TABLE B2** Departmental Voted Cash Requirement

Under RAB, Parliament votes both a net resource requirement for departmental expenditure, reflecting the total Voted provision sought in resource terms, and the cash requirement needed to fund this commitment. The Voted net cash requirement represents the Parliamentary limit for the department in cash terms and the limit for the amount of cash which can be drawn down for use by the department in the year.

adjusting for accruals/cash differences such as timing, and then stripping out the part of the departmental cash requirement that is not Voted.

The net Voted cash requirement is shown from 1998-99 to the year for which the current Estimate has been submitted, 2001-02.

The Voted net cash requirement is calculated by removing non-cash costs from net operating costs,

	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
<b>Department of Trade &amp; Industry</b>						
Net Current Expenditure	2,501	3,958	4,454	3,915	4,199	4,367
Net Capital Expenditure (Voted)	-13	-53	-29	102	99	209
Adjust for non-cash transactions	277	273	175	188	128	84
Adjust for movement in working capital	-	-4	-19	-15	-4	-4
Adjust for transfers from provision	-93	-1,475	-1,253	322	-124	-397
Excess cash to be CFER'ed	-	-	-	-	-	-
<b>Net Cash Required</b>	<b>2,671</b>	<b>2,699</b>	<b>3,327</b>	<b>4,511</b>	<b>4,296</b>	<b>4,259</b>
<b>UKAEA</b>						
Net Current Expenditure	123	122	147	134	137	137
Net Capital Expenditure (Voted)	-	-	-	-	-	-
Adjust for non-cash transactions	-	-	-	#	#	#
Adjust for movement in working capital	-	-	-	-	-	-
Adjust for transfers from provision	-	-	-	-	-	-
Excess cash to be CFER'ed	-	-	-	-	-	-
<b>Net Cash Required</b>	<b>123</b>	<b>122</b>	<b>147</b>	<b>134</b>	<b>136</b>	<b>136</b>
<b>Export Credits Guarantee Department</b>						
Net Current Expenditure	-73	158	184	250	228	244
Net Capital Expenditure (Voted)	263	980	1,344	886	390	198
Adjust for non-cash transactions	-208	-70	-85	-216	-269	-439
Adjust for movement in working capital	17	361	-2	1	-81	-66
Adjust for transfers from provision	-4	-165	-103	-3	-61	19
Excess cash to be CFER'ed	-	-	-	44	-	-
<b>Net Cash Required</b>	<b>-5</b>	<b>1,264</b>	<b>1,338</b>	<b>962</b>	<b>206</b>	<b>-45</b>

**TABLE B2** Departmental Voted Cash Requirement *(Continued)*

	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
<b>Office of Fair Trading</b>						
Net Current Expenditure	22	25	33	34	34	33
Net Capital Expenditure (Voted)	2	6	2	1	1	1
Adjust for non-cash transactions	-	-2	-3	-3	-3	-3
Adjust for movement in working capital	-	1	-	-	-	-
Excess cash to be CFER'ed	-	-	-	-	-	-
<b>Net Cash Required</b>	<b>23</b>	<b>30</b>	<b>32</b>	<b>33</b>	<b>33</b>	<b>32</b>
<b>Office of Telecommunications</b>						
Net Current Expenditure	-1	1	2	1	1	1
Net Capital Expenditure (Voted)	1	2	1	1	1	1
Adjust for non-cash transactions	#	-1	-1	-1	-1	-1
Adjust for movement in working capital	-1	#	#	#	-	-
Adjust for transfers from provision	#	#	#	#	-	-
Excess cash to be CFER'ed	1	-	-	-	-	-
<b>Net Cash Required</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Office of Gas and Electricity Markets</b>						
Net Current Expenditure	-	-	1	-1	1	1
Net Capital Expenditure (Voted)	-	2	6	1	1	1
Adjust for non-cash transactions	-	-3	-3	-1	-1	-1
Adjust for movement in working capital	-	8	3	-2	-2	-2
Adjust for transfers from provision	-	-7	-7	-	#	#
Excess cash to be CFER'ed	-	-	#	3	#	#
<b>Net Cash Required</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-1</b>
<b>Postal Services Commission</b>						
Net Current Expenditure	-	-	-	-	-	-
Net Capital Expenditure (Voted)	-	-	-	-	-	-
Adjust for non-cash transactions	-	-	-	-	-	-
Adjust for movement in working capital	-	-	-	-	-	-
Adjust for transfers from provision	-	-	-	-	-	-
Excess cash to be CFER'ed	-	-	-	-	-	-
<b>Net Cash Required</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**TABLE B3** Total Capital Employed by Department

RAB gives a much clearer picture of the capital assets used by a department. This is used as the basis for calculating the cost of capital charges paid by departments to reflect the economic costs of holding

the assets. This table sets out Total Capital Employed by the department within the accounting boundary, and by its sponsored bodies outside the boundary.

Net Assets/Liabilities	£million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
<b>Within the Departmental Account</b>						
Department of Trade and Industry	-2,842	-2,748	-2,752	-2,285	-2,308	-2,486
Export Credits Guarantee Department	1,500	1,283	1,435	1,329	1,301	1,170
Office of Fair Trading	3	8	10	10	9	9
Office of Telecommunications	1	2	2	2	2	2
Office of Gas and Electricity Markets	5	5	5	5	5	5
Postal Services Commission	-	-	#	#	#	#
<b>Investment outside Accounting Boundary</b>						
Department of Trade and Industry	5,919	5,535	5,789	6,109	6,474	6,954
Export Credits Guarantee Department	263	1,243	2,587	3,473	3,863	4,061
Office of Fair Trading	0	0	0	0	0	0
Office of Telecommunications	0	0	0	0	0	0
Office of Gas and Electricity Markets	0	0	0	0	0	0
Postal Services Commission	-	-	#	#	#	#
<b>Total Capital Employed</b>	<b>4,849</b>	<b>5,328</b>	<b>7,076</b>	<b>8,643</b>	<b>9,346</b>	<b>9,715</b>

**TABLE B4** Consumption: Analysis of Resource Budget Spending Plans

This table gives a detailed breakdown of the resource or current spending plans from 1998-99 to 2003-04. The functional splits by which resources are allocated match those in the Main Resource Estimates, split into DEL and AME. Non-Voted expenditure is shown with a brief description as to its functions. Non-cash expenditure in AME is shown by category –

depreciation, cost of capital charge, and changes in provisions and other charges.

As in previous years, this table gives a breakdown of departmental expenditure into spending by the Central Government sector, Public Corporations, and support to local authorities.

### A: Department of Trade and Industry

Resource Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
<b>RfR 1</b>						
Promotion of enterprise, innovation and increased productivity and associated administration costs	568	561	662	705	766	760
Measures relating to individual industries and related programmes	32	11	13	10	9	5
Legal and regulatory framework and markets and associated administration costs	274	289	375	390	426	443
Net expenses relating to coal provisions	-152	-106	-435	-10	-10	-10
Developing post offices to provide access to official services/information and the Internet	–	–	–	75	70	110
Net controlled agencies and suppliers of Departmental central services	-12	-11	-18	-16	-16	-19
European Regional Development Fund and other Community programmes (including Leader Network Project)	17	16	8	5	2	2
European Regional Development Fund (non-discretionary)	#	#	7	4	4	4
Other European Community Expenditure	–	–	#	#	#	#
British Trade International Administration Costs	–	28	31	27	32	32
<b>RfR 2</b>						
Research Councils Pension Scheme	13	21	26	27	28	30
The Royal Society	23	24	25	26	29	29
The Royal Academy of Engineering	3	4	4	4	5	5
OST Initiatives	2	3	4	6	3	3
University Challenge Fund	15	–	1	#	5	–
Cambridge/Massachusetts Institute of Technology	–	–	10	14	14	14
Higher Education Innovation Fund	–	–	–	15	20	40
Exploitation of Discoveries at Public Sector	–	–	–	6	–	–
Research Establishments	–	–	–	–	3	5
Foresight Challenge	–	–	–	–	3	5
Administration costs etc relating to Science and Engineering Base Group	3	3	3	4	3	3
Administration costs etc relating to the Transdepartmental Science and Technology Group	6	7	6	7	6	6
Science Enterprise Challenge Scheme	–	13	13	–	5	10
<b>Non-Voted Expenditure<sup>1</sup></b>						
Science	1,303	1,228	1,286	1,337	1,422	1,528
Non-science	425	484	985	948	397	-19
ERDF	123	132	157	195	236	162

<sup>1</sup> Includes expenditure of Non-Departmental Public Bodies, some of which is financed by voted grants.

**TABLE B4** Consumption: Analysis of Resource Budget Spending Plans (Continued)

Resource Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Total DEL</b>	<b>2,644</b>	<b>2,706</b>	<b>3,160</b>	<b>3,779</b>	<b>3,459</b>	<b>3,144</b>
<i>Of which:</i>						
Central government spending <sup>2</sup>	2,623	2,695	3,137	3,754	3,418	3,108
Support for local authorities	15	10	19	27	40	31
Public Corporations	6	1	5	-2	2	4
<i>Of which:</i>						
Voted	916	994	889	1,494	1,640	1,635
Non-voted	1,728	1,712	2,271	2,285	1,819	1,509
<b>Employment Opportunities Fund (EOF)</b>						
<b>RfR 1</b>						
Enterprise for All	-	-	7	5	5	-
<b>Total EoF DEL</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>-</b>
<i>Of which:</i>						
Central government spending	-	-	7	5	5	-
<i>Of which:</i>						
Voted	-	-	7	5	5	-
<b>Annually Managed Expenditure (AME)</b>						
<b>RfR 1</b>						
Promotion of enterprise, innovation and increased productivity and associated administration costs	1	45	-9	-3	-3	-3
Measures relating to individual industries and related programmes	69	71	105	82	82	82
Legal and regulatory framework and markets and associated administration costs	23	13	82	19	20	20
Expenses relating to nuclear provisions	-8	475	143	153	158	165
Net expenses relating to coal provisions	138	974	1,593	440	419	364
Net controlled agencies and suppliers of Departmental central services	-	10	6	11	13	15
European Regional Development Fund and other Community programmes (including Leader Network Project)	-	#	#	#	#	#
European Regional Development Fund (non-discretionary)	-	#	#	#	#	#
British Coal Corporation External Finance	-	-	4	2	#	-
Other	-	3	21	-	-	-
<b>Non-voted expenditure</b>						
Science	125	144	139	145	153	162
Non-science (including ERDF structured fund)	-432	184	-909	-1,217	-789	-629
<b>Total AME</b>	<b>-84</b>	<b>1,923</b>	<b>1,173</b>	<b>-371</b>	<b>52</b>	<b>175</b>
<i>Of which:</i>						
Central government spending	48	1,397	1,472	-139	454	788
Public Corporations	-132	526	-299	-232	-402	-613
<i>Of which:</i>						
Voted	223	1,595	1,943	702	688	642
Non-voted	-307	328	-771	-1,073	-636	-467
<i>Of which non-cash items in AME</i>						
Changes in provision and other charges	52	1,364	1,165	-368	75	350
Cost of capital charges	-201	-219	35	-29	109	159
Depreciation	64	93	84	94	103	109

<sup>2</sup> Central government spending does not include spending on public corporations.

**TABLE B4** Consumption: Analysis of Resource Budget Spending Plans *(Continued)***B: UKAEA Superannuation Funds**

Resource Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Annually Managed Expenditure</b>						
<b>RfR 1</b>						
Payment of pensions transfer values and repayment of contributions	123	122	147	134	137	137
Non-voted expenditure	-3	-5	-	-	-	-
<b>Total AME</b>	<b>120</b>	<b>118</b>	<b>147</b>	<b>134</b>	<b>137</b>	<b>137</b>
<i>Of which:</i>						
Central government spending <sup>2</sup>	120	118	147	134	137	137
<i>Of which:</i>						
Voted	123	122	147	134	137	137
Non-voted <sup>1</sup>	-3	-5	-	-	-	-

**C: Export Credits Guarantee Department**

Resource Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Annually Managed Expenditure</b>						
<b>RfR 1</b>						
Fixed rate export finance	73	6	37	33	9	9
<b>RfR 2</b>						
Administration – non-cash items	1	1	1	1	1	1
<b>Total AME</b>	<b>73</b>	<b>6</b>	<b>37</b>	<b>34</b>	<b>10</b>	<b>10</b>
<i>Of which:</i>						
Central government spending <sup>2</sup>	73	6	37	34	10	10
<i>Of which:</i>						
Voted	73	6	37	34	10	10
<i>Of which non-cash items in AME</i>						
<i>Of which:</i>						
Cost of capital charges	#	#	#	#	#	#
Depreciation	1	#	#	#	#	#

<sup>2</sup> Central government spending does not include spending as public corporations.

**D: Office of Fair Trading**

Resource Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
<b>RfR 1</b>						
Administration	22	23	30	31	32	31
Non-voted expenditure <sup>1</sup>	-	-	-	-	-	-
<b>DEL</b>						
<i>Of which:</i>						
Central government spending <sup>2</sup>	22	23	30	31	32	31

**TABLE B4** Consumption: Analysis of Resource Budget Spending Plans (Continued)

<i>Of which:</i> Voted	22	23	30	31	31	31
<b>Annually Managed Expenditure (AME)</b>						
<b>RfR 1</b>						
Administration	–	1	3	3	3	3
Non-voted expenditure <sup>1</sup>	–	–	–	–	–	–
<b>AME</b>						
<i>Of which:</i> Central government spending <sup>2</sup>	–	1	3	3	3	3
<i>Of which:</i> Voted	–	1	3	3	3	3
<b>Of which non-cash items in AME</b>						
<i>Of which:</i> Cost of capital charges	#	#	1	1	1	–
Depreciation	1	2	2	2	2	–

1 Includes expenditure of Non-Departmental Public Bodies (NDPBs), some of which is financed by voted grants.

2 Central government spending does not include spending as public corporations.

## E: Office of Telecommunications

Resource Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
<b>RfR 1</b>						
Administration	-1	#	2	1	1	1
Non-voted expenditure <sup>1</sup>	-2	#	–	–	–	–
<b>DEL</b>						
<i>Of which:</i> Central government spending <sup>2</sup>	-3	#	2	1	1	1
<i>Of which:</i> Voted	-1	#	2	1	1	1
Non-voted	-2	#	–	–	–	–
<b>Annually Managed Expenditure (AME)</b>						
<b>RfR 1</b>						
Administration	#	1	1	1	1	1
Non-voted expenditure <sup>1</sup>	–	–	–	#	–	–
<b>AME</b>						
<i>Of which:</i> Central government spending <sup>2</sup>	#	1	1	1	1	1
<i>Of which:</i> Voted	#	1	1	1	–	–
Non-voted	–	#	#	#	#	#
<b>Of which non-cash items in AME</b>						
Charges in Provisions and Other Charges	#	#	#	#	–	–
Cost of capital charges	#	#	#	#	–	–
Depreciation	#	1	#	1	1	1

1 Includes expenditure of Non-Departmental Public Bodies (NDPBs), some of which is financed by voted grants.

2 Central government spending does not include spending as public corporations.

**TABLE B4** Consumption: Analysis of Resource Budget Spending Plans *(Continued)***F: Office of Gas and Electricity Markets**

Resource Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
<i>RfR 1</i>						
Gas and Electricity Markets Authority: Administration Non-voted expenditure <sup>1</sup>	–	#	1	#	#	#
DEL	–	#	#	-71	-51	-51
<i>Of which:</i> Central government spending <sup>2</sup>	–	–	–	–	–	–
<i>Of which:</i> Voted	–	–	–	–	–	–
<b>Annually Managed Expenditure (AME)</b>						
<i>RfR 1</i>						
Gas and Electricity Market Authority: Administration Non-voted expenditure <sup>1</sup>		–	–	–	1	1
AME		–	–	–	–	–
<i>Of which:</i> Central government spending <sup>2</sup>		–	–	–	1	1
<i>Of which:</i> Voted		–	–	–	1	1
Of which non-cash items in AME						
Charges in Provisions and Other Charges		7	7	–	–	–
Cost of capital charges		0	2	1	1	1
Depreciation		2	0	0	0	0

1 Includes expenditure of Non-Departmental Public Bodies (NDPBs), some of which is financed by voted grants.

2 Central government spending does not include spending as public corporations.

**G: Postal Services Commission**

Resource Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
<i>RfR 1</i>						
Administration Non-voted expenditure <sup>1</sup>			#	#	#	#
DEL			#	#	#	#
<i>Of which:</i> Central government spending <sup>2</sup>			#	#	#	#
<i>Of which:</i> Voted			#	#	#	#
Non-voted			–	–	–	–

1 Includes expenditure of Non-Departmental Public Bodies (NDPBs), some of which is financed by voted grants.

2 Central government spending does not include spending as public corporations.

**TABLE B5** Investment: Analysis of Capital Budget Spending Plans

This table gives a detailed breakdown of the investment or capital spending plans from 1998–99 to 2003–04. The functional splits by which resources are allocated match those in the Main Resource Estimates, split into DEL and AME. Non-Voted expenditure is shown with a brief description as to its functions.

As in previous years, this table gives a breakdown of departmental expenditure into spending by the Central Government sector, Public Corporations, and support to local authorities.

**A: Department of Trade and Industry**

Capital Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
<b>RfR 1</b>						
Promotion of enterprise, innovation and increased productivity and associated administration costs	24	11	18	49	44	27
Measures relating to individual industries and related programmes	-52	-78	-67	28	32	157
Legal and regulatory framework and markets and associated administration costs	4	6	3	4	4	4
Net controlled Agencies and Suppliers of Departmental Central Services	10	8	17	15	15	18
British Trade International Administration Costs	–	–	–	5	3	3
<i>Shown in Estimates as Resource Expenditure outside DEL(1)</i>						
Promotion of enterprise innovation and increased productivity	110	57	131	178	160	167
Legal and regulatory framework and markets	–	–	–	13	13	13
<b>Total</b>	<b>97</b>	<b>4</b>	<b>103</b>	<b>293</b>	<b>271</b>	<b>389</b>
<b>RfR 2</b>						
Administration costs etc relating to Science and Engineering Base Group	#	#	#	#	#	#
Administration costs etc relating to the Transdepartmental Science and Technology Group	#	#	#	#	#	#
<i>Shown in Estimates as Resource Expenditure outside DEL</i>						
OST Initiatives	–	–	4	–	–	–
Joint Infrastructure Fund	–	2	88	125	–	–
Synchrotron Radiation Source	–	–	4	20	20	20
Science Enterprise Challenge Scheme	–	–	2	–	–	–
Science Research Investment Fund	–	–	–	–	125	250
<b>Total</b>	<b>#</b>	<b>2</b>	<b>99</b>	<b>145</b>	<b>145</b>	<b>270</b>
<b>Non-Voted Expenditure</b>						
Science	24	118	142	175	209	198
Non-science	120	53	98	94	138	164
<b>Total DEL</b>	<b>241</b>	<b>177</b>	<b>444</b>	<b>708</b>	<b>763</b>	<b>1,022</b>
<i>Of which:</i>						
Central government spending	241	174	439	703	755	1,014
Support for local authorities	–	–	2	3	1	1
Public Corporations	–	4	3	1	7	7
<i>Of which:</i>						
Voted	97	6	204	439	416	659
Non-voted	145	171	240	269	347	362
<b>Annually Managed Expenditure</b>						
<i>Of which:</i>						
Non-voted expenditure	466	1,185	1,110	845	1,011	793
Self-financing public corporations	466	1,185	1,110	845	1,011	793
<b>Total AME</b>	<b>466</b>	<b>1,185</b>	<b>1,110</b>	<b>845</b>	<b>1,011</b>	<b>793</b>

**TABLE B5** Investment: Analysis of Capital Budget Spending Plans *(Continued)***B: Export Credits Guarantee Department**

Capital Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
RfR 2						
Administration-capital spending	#	#	1	1	1	#
Non-voted expenditure	-	-	-	-	-	-
Total DEL	#	#	1	1	1	#
<i>Of which:</i>						
Central government spending	#	#	1	1	1	#
<i>Of which:</i>						
Voted	#	#	1	1	1	#

**C: Office of Fair Trading**

Capital Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
RfR 1						
Administration	2	6	2	1	1	1
Non-voted expenditure	-	-	-	-	-	-
DEL	2	6	2	1	1	1
<i>Of which:</i>						
Central government spending	2	6	2	1	1	1
<i>Of which:</i>						
Voted	2	6	2	1	1	1

**D: Office of Telecommunications**

Capital Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
RfR 1						
Administration-capital spending	1	2	1	1	1	1
<i>Shown in Estimates as Resource Expenditure outside DEL</i>						
Administration						
Non-voted expenditure	#	#	-	-	-	-
Total DEL	1	2	1	1	1	1
<i>Of which:</i>						
Central government spending	1	2	1	1	1	1
<i>Of which:</i>						
Voted	1	2	1	1	1	1

**TABLE B5** Investment: Analysis of Capital Budget Spending Plans *(Continued)***E: Office of Gas and Electricity Markets**

Capital Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
<i>RfR 1</i>						
Gas and Electricity Markets Authority:						
Administration	–	3	6	1	1	1
Non-voted expenditure	–	–	–	–	–	–
DEL	–	3	6	1	1	1
<i>Of which:</i>						
Central government spending	–	3	6	1	1	1
<i>Of which:</i>						
Voted	–	3	6	1	1	1

**F: Postal Services Commission**

Capital Budget	£ million					
	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
<b>Departmental Expenditure Limits (DEL)</b>						
<i>RfR 1</i>						
Administration	–	–	#	#	#	–
Non-voted expenditure	–	–	–	–	–	–
DEL	–	–	#	#	–	–
<i>Of which:</i>						
Central government spending	–	–	#	#	–	–
<i>Of which:</i>						
Voted	–	–	#	#	–	–

**TABLE B6** Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

This is a technical table showing the inter-relationship between the three totals for accounts, Estimates and budgets. The outturn against the total Voted by Parliament in the Estimates is shown first. The net operating cost figure in the accounts include items which are not part of the resource total voted by Parliament, such as non-Voted expenditure within the departmental accounting boundary, and receipts surrendered to the Consolidated Fund.

The budgeting total reflects the spending authority for the department within the Government's framework for expenditure control. This is an administrative limit imposed by the Government on the department and its sponsored bodies. So the resource budget outturn total includes a number of categories of expenditure which are not included in, or scored differently from, the totals recorded for Voted Estimates and departments' accounts.

The main adjustments from the net operating cost in the accounts to the outturn against resource budget total are:

- further adjustments for receipts surrendered to the Consolidated Fund, where these score differently in accounts and in budgets;
- the budget scores the full resource consumption of sponsored bodies (NDPBs and public corporations), whilst the Estimate scores only voted grants to those bodies;
- capital grants to local authorities and the private sector are Voted as current grants in Estimates. But for administrative control purposes, these score as capital in budgets. Similarly, gains and losses on asset disposals pass through the accounts and Estimates on the resource side, but are recycled through the capital budget under the transitional resource budgeting regime;
- Employment Opportunities Fund expenditure (formerly Welfare to Work) is voted to Departments in Estimates, but in administrative control terms, it is segregated from the rest of Departmental DEL and AME; and
- European Union income is Voted but is not included within departmental budgets;
- Departmental Unallocated Provisions (DUPs) are not Voted but appear in budgets, as the expenditure has not yet been assigned to a particular function.

**TABLE B6** Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets *(Continued)*

Department of Trade and Industry	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
<b>1 Net Resource Outturn (Estimates)</b>	<b>2,501</b>	<b>3,958</b>	<b>4,454</b>	<b>3,915</b>	<b>4,199</b>	<b>4,367</b>
<i>Adjustments for:</i>						
2 Non-voted expenditure in the OCS	133	156	167	165	167	171
3 Consolidated Fund Extra Receipts in the OCS	-163	-161	-22,570	-496	-529	-603
<b>4 Net Operating Costs (Accounts)</b>	<b>2,471</b>	<b>3,953</b>	<b>-17,949</b>	<b>3,584</b>	<b>3,837</b>	<b>3,935</b>
<i>Adjustments for:</i>						
5 Other Consolidated Fund Extra Receipts	94	103	22,554	98	118	127
6 Full resource consumption of non-departmental public bodies	64	-35	-52	-50	-66	-47
7 Full resource consumption of public corporations	-86	552	-131	-118	-208	-412
8 Capital grants to the private sector and local authorities	-110	-58	-232	-339	-319	-451
9 European Union income and related adjustments	132	138	167	206	137	137
10 Voted expenditure outside the budget (Privatisation Expenses)	-5	-24	-44	-16	-11	-9
11 Unallocated resource provision	-	-	28	48	29	38
<b>12 Resource Budget Outturn (Budget)</b>	<b>2,560</b>	<b>4,628</b>	<b>4,339</b>	<b>3,413</b>	<b>3,516</b>	<b>3,319</b>
<i>Of which:</i>						
13 Departmental Expenditure Limit (DEL)	2,644	2,706	3,160	3,779	3,459	3,144
14 Spending in Employment Opportunities Fund (EOF) DEL	-	-	7	5	5	-
15 Annually Managed Expenditure (AME)	-84	1,923	1,173	-371	52	175
<b>United Kingdom Atomic Energy Authority Superannuation Funds</b>	<b>£ million</b>					
	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
<b>1 Net Resource Outturn (Estimates)</b>	<b>123</b>	<b>122</b>	<b>147</b>	<b>134</b>	<b>137</b>	<b>137</b>
<i>Adjustments for:</i>						
2 Consolidated Fund Extra Receipts in the OCS	-3	-5	-	-	-	-
3 Net Operating Costs (Accounts)	120	118	147	134	137	137
<i>Adjustments for:</i>						
4 Resource Budget Outturn (Budget)	120	118	147	134	137	137
<i>Of which:</i>						
5 Annually Managed Expenditure (AME)	120	118	147	134	137	137
<b>Export Credits Guarantee Department</b>	<b>£ million</b>					
	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
<b>1 Net Resource Outturn (Estimates)</b>	<b>-73</b>	<b>158</b>	<b>184</b>	<b>250</b>	<b>228</b>	<b>244</b>
<i>Adjustments for:</i>						
2 Consolidated Fund Extra Receipts in the OCS	-431	-177	-134	-157	-197	-279
<b>3 Net Operating Costs (Accounts)</b>	<b>-504</b>	<b>-19</b>	<b>50</b>	<b>93</b>	<b>30</b>	<b>-35</b>
<i>Adjustments for:</i>						
4 Other Consolidated Fund Extra Receipts	431	177	134	157	197	279
5 Voted expenditure outside the budget (Net refinancing costs)	146	-151	-147	-217	-218	-234
6 Other Adjustments	-	-	-	-	-	-
<b>7 Resource Budget Outturn (Budget)</b>	<b>73</b>	<b>6</b>	<b>37</b>	<b>34</b>	<b>10</b>	<b>10</b>
<i>Of which:</i>						
8 Annually Managed Expenditure (AME)	73	6	37	34	10	10
<b>Office of Fair Trading</b>	<b>£ million</b>					
	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
<b>1 Net Resource Outturn (Estimates)</b>	<b>22</b>	<b>50</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>
<i>Adjustments for:</i>						
2 Consolidated Fund Extra Receipts in the OCS	-7	13	-3	-3	-3	-3
<b>3 Net Operating Costs (Accounts)</b>	<b>15</b>	<b>38</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>

**TABLE B6** Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets *(Continued)*

<i>Adjustments for:</i>						
4 European Union income and related adjustments	-	-	-	-	-	-
5 Voted expenditure outside the budget (Refunds in respect of consumer credit licences)	-	-	-	-	-	-
6 Unallocated resource provision	-	-	-	-	-	-
7 Other adjustments	-	-	-	-	-	-
<b>8 Resource Budget Outturn (Budget)</b>	<b>22</b>	<b>50</b>	<b>33</b>	<b>33</b>	<b>33</b>	<b>33</b>
<i>Of which:</i>						
9 Departmental Expenditure Limit (DEL)	22	47	30	31	31	31
10 Annually Managed Expenditure (AME)	-	3	3	3	3	3
<b>Office of Telecommunications</b>						
	<b>1998-99</b>	<b>1999-00</b>	<b>£ million</b>		<b>2002-03</b>	<b>2003-04</b>
			<b>2000-01</b>	<b>2001-02</b>		
<b>1 Net Resource Outturn (Estimates)</b>	<b>-1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
<i>Adjustments for:</i>						
2 Consolidated Fund Extra Receipts in the OCS	-2	#	-	-	-	-
<b>3 Net Operating Costs (Accounts)</b>	<b>-3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
<i>Adjustments for:</i>						
4 Gains/losses from sale of capital assets	#	#	-	-	-	-
5 Release of provision	#	#	#	-	-	-
<b>6 Resource Budget Outturn (Budget)</b>	<b>-3</b>	<b>#</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>
<i>Of which:</i>						
7 Departmental Expenditure Limit (DEL)	-3	#	2	1	1	1
8 Spending in Employment Opportunities Fund (EOF) DEL	-	-	-	-	-	-
9 Annually Managed Expenditure (AME)	#	1	1	1	1	1
<b>Office of Gas and Electricity Markets</b>						
	<b>1998-99</b>	<b>1999-00</b>	<b>£ million</b>		<b>2002-03</b>	<b>2003-04</b>
			<b>2000-01</b>	<b>2001-02</b>		
<b>1 Net Resource Outturn (Estimates)</b>	<b>-</b>	<b>#</b>	<b>1</b>	<b>#</b>	<b>1</b>	<b>1</b>
<i>Adjustments for:</i>						
2 Consolidated Fund Extra Receipts in the OCS	-	-	-	-	-	-
<b>3 Net Operating Costs (Accounts)</b>	<b>-</b>	<b>#</b>	<b>1</b>	<b>#</b>	<b>1</b>	<b>1</b>
4 Resource Budget Outturn (Budget)	-	#	1	#	#	#
<i>Of which:</i>						
5 Departmental Expenditure Limit (DEL)	-	#	1	#	#	#
6 Spending in Employment Opportunities Fund (EOF) DEL	-	-	-	-	-	-
7 Annually Managed Expenditure (AME)	-	-	-	-	1	1
<b>Postal Services Commission</b>						
	<b>1998-99</b>	<b>1999-00</b>	<b>£ million</b>		<b>2002-03</b>	<b>2003-04</b>
			<b>2000-01</b>	<b>2001-02</b>		
<b>1 Net Resource Outturn (Estimates)</b>	<b>-</b>	<b>-</b>	<b>#</b>	<b>#</b>	<b>-</b>	<b>-</b>
<i>Adjustments for:</i>						
3 Consolidated Fund Extra Receipts in the OCS	-	-	#	#	-	-
Cross check total of above	-	-	#	#	-	-
<b>4 Resource Budget Outturn (Budget)</b>	<b>-</b>	<b>-</b>	<b>#</b>	<b>#</b>	<b>-</b>	<b>-</b>
<i>Of which:</i>						
5 Departmental Expenditure Limit (DEL)	-	-	#	#	-	-
6 Annually Managed Expenditure (AME)	-	-	#	#	-	-

**TABLE B7** Reconciliation of Capital Expenditure between Estimates Budgets

This table shows the inter-relationship between the three totals for capital expenditure.

The adjustments from the Voted Estimates totals to the capital expenditure in the accounts are broadly the same as they are on the resource side. The main adjustments from the capital expenditure in the accounts to the outturn against the capital budget are as follows:

- the capital budget scores the full capital expenditure of public corporations, including expenditure not funded by Vote;
- capital grants to local authorities and the private sector, which are Voted as resource expenditure in Estimates, are included in the capital budget;
- gains and losses on asset disposals pass through the accounts and Estimates on the resource side, but are recycled through the capital budget under the transitional resource budgeting regime
- local authority credit approvals are not included in the Estimate but are included in the budget;
- European Union income is not included in the budget, but is in the Estimate;
- unallocated capital provision in the DUP is not voted in Estimates but is included within the budgeting total.

DTI	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Voted Capital Outturn (Estimates)	-13	-53	-29	102	99	209
Full capital expenditure by non-departmental public bodies	31	126	156	173	175	178
Full capital expenditure by public corporations	466	1,189	1,113	847	1,018	800
Capital grants to the private sector and local authorities	110	58	232	339	319	451
Unallocated capital provision	-	-	1	-	46	37
Other adjustments	114	42	81	92	117	139
Capital Budget Outturn	707	1,362	1,554	1,553	1,774	1,815
<i>of which:</i>						
Departmental Expenditure Limits (DEL)	241	177	444	708	763	1,022
Annually Managed Expenditure (AME)	466	1,185	1,110	845	1,011	793

ECGD	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Voted Capital Outturn (Estimates)	263	980	1,344	886	390	198
Other adjustments (GEFCO Loan Capital)	-263	-980	-1,344	-886	-389	-197
Capital Budget Outturn	-226	919	1,092	765	433	417
<i>of which:</i>						
Departmental Expenditure Limits (DEL)	#	#	1	1	1	#

OFT	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Voted Capital Outturn (Estimates)	2	6	2	1	1	1
Capital Budget Outturn	2	6	2	1	1	1
<i>of which:</i>						
Departmental Expenditure Limits (DEL)	2	6	2	1	1	1

**TABLE B7** Reconciliation of Capital Expenditure between Estimates Budgets *(Continued)*

OFTEL	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Voted Capital Outturn (Estimates)	1	2	1	1	1	1
Gains/losses from sale of capital assets	#	#	-	-	-	-
Capital Budget Outturn	1	2	1	1	1	1
<i>of which:</i>						
Departmental Expenditure Limits (DEL)	1	2	1	1	1	1

OFGEM	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Voted Capital Outturn (Estimates)	-	3	6	1	1	1
Capital Budget Outturn	-	3	6	1	1	1
<i>of which:</i>						
Departmental Expenditure Limits (DEL)	-	3	6	1	1	1
Spending in Employment Opportunities (EOF) (DEL)	-	-	-	-	-	-
Annually Managed Expenditure (AME)	-	-	-	-	-	-

Postal Service Commission	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Voted Capital Outturn (Estimates)	-	-	#	#	-	-
Capital Budget Outturn	-	-	#	#	-	-
<i>of which:</i>						
Departmental Expenditure Limits (DEL)	-	-	#	#	-	-

**TABLE B8** Local Authority Expenditure

This table shows an analysis of local authority expenditure largely unchanged from previous years.

	£ million					Estimated Outturn 2000-01
	Outturn 1995-96	Outturn 1996-97	Outturn 1997-98	Outturn 1998-99	Outturn 1999-00	
<b>Department of Trade and Industry</b>						
<b>Current Spending</b>						
Regulation of domestic trade and industry consumer protection	166	168	168	161	165	152
Total current spending	166	168	168	161	165	152
<b>Capital Spending</b>						
Regulation of domestic trade and industry consumer protection		–	2	–	1	1
Total capital spending		–	2	–	1	1
<b>Total local authority expenditure</b>	<b>166</b>	<b>168</b>	<b>170</b>	<b>161</b>	<b>166</b>	<b>153</b>

**TABLE B9 Administration costs**

This table shows an analysis of administration costs (formerly known as running costs) largely unchanged from previous years.

	£ million					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Outturn	Outturn	Working Provision	Plans	Plans	Plans
<b>Department of Trade and Industry</b>						
<b>Gross administration costs <sup>1</sup></b>						
Paybill	227	222	251	256	271	274
Other	192	228	237	227	230	232
<b>Total administration costs</b>	<b>418</b>	<b>449</b>	<b>487</b>	<b>483</b>	<b>501</b>	<b>506</b>
Related Receipts	-96	-111	-89	-89	-90	-92
<b>Net expenditure</b>	<b>310</b>	<b>325</b>	<b>384</b>	<b>379</b>	<b>396</b>	<b>398</b>
Gross controlled administration costs limits <sup>2</sup>	-	-	-	412	-	-
Non-cash administration costs in AME	0	22	21	27	29	31
<b>Administration costs by control area</b>						
<b>Gross Control areas</b>						
Central DTI	269	261	288	284	296	298
Insolvency Service	55	58	57	58	57	58
Employment Tribunal Service	41	45	50	53	53	54
British Trade International <sup>3</sup>	0	28	31	27	32	32
<b>Net control areas</b>						
Central Services						
Gross Expenditure	12	13	14	14	14	14
Net Expenditure	0	0	0	0	0	0
<b>National Weights and Measures</b>						
Laboratory Executive Agency						
Gross Expenditure	2	3	3	3	3	3
Net Expenditure	0	0	0	0	0	0
<b>Radiocommunications Executive Agency</b>						
Gross Expenditure	40	43	45	44	45	47
Net Expenditure	0	0	0	0	0	0
<b>Office of Fair Trading</b>						
<b>Gross administration costs<sup>1</sup></b>						
Paybill	12	13	16	-	-	-
Other	9	9	14	-	-	-
<b>Total administration costs</b>	<b>21</b>	<b>22</b>	<b>30</b>	<b>31</b>	<b>31</b>	<b>31</b>
Related Receipts	#	#	#	#	#	#
<b>Net expenditure</b>	<b>21</b>	<b>22</b>	<b>30</b>	<b>31</b>	<b>31</b>	<b>30</b>
Gross controlled administration costs limits	-	-	-	-	-	-
<b>Office of Telecommunications</b>						
<b>Gross administration costs<sup>1</sup></b>						
Paybill	6	7	7	-	-	-
Other	4	5	6	-	-	-
<b>Total administration costs</b>	<b>10</b>	<b>12</b>	<b>13</b>	<b>16</b>	<b>16</b>	<b>16</b>
Related Receipts	-14	-12	-13	-16	-16	-16
<b>Net expenditure</b>	<b>-4</b>	<b>#</b>	<b>1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Gross controlled administration costs limits	-	-	-	16	-	-
Non-cash administration costs in AME	#	1	1	1	1	1

**TABLE B9** Administration Costs (Continued)

	£ million					
	1998-99 Outturn	1999-00 Outturn	2000-01 Working Provision	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Office of Gas and Electricity Markets</b>						
<b>Gross administration costs<sup>1</sup></b>						
Paybill	-	23	16	-	-	-
Other	-	36	45	-	-	-
<b>Total administration costs</b>	-	59	62	36	36	36
Related Receipts	-	-59	-71	-55	-48	-47
<b>Net expenditure</b>	-	-	-10	-20	-12	-11
Gross controlled administration costs limits <sup>2</sup>	-	-	-	36	-	-
<b>Postal Services Commission</b>						
<b>Gross administration costs<sup>1</sup></b>						
Paybill	-	-	-	1	1	1
Other	-	-	-	1	1	1
<b>Total administration costs</b>	-	-	-	2	2	2
Related Receipts	-	-	-	-	-	-
<b>Net expenditure</b>	-	-	-	-	-	-
Gross controlled administration costs limits	-	-	-	-	-	-

1 Includes both gross and net controlled running costs.

2 Includes invest to save budget.

3 BTI administration costs are shared by DTI and FCO. DTI contribution only shown here.

**TABLE B10** Staff numbers

This table shows an analysis of staff numbers largely unchanged from previous years. All numbers are averaged over the year shown.

		Staff Years								
		1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Estimate Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Department of Trade and Industry<sup>1, 2, 8</sup></b> (Gross Control Area)										
	CS FTEs	6,925	6,327	6,058	6,091	3,519	3,757	3,964	3,948	3,934
	Overtime	67	64	58	61	27	27	13	14	13
	Casuals	343	299	207	178	40	43	21	29	29
	<b>TOTAL</b>	<b>7,335</b>	<b>6,690</b>	<b>6,323</b>	<b>6,330</b>	<b>3,586</b>	<b>3,827</b>	<b>3,998</b>	<b>3,991</b>	<b>3,976</b>
<b>Small Business Service<sup>8</sup></b> (Gross Control Area)										
	CS FTEs	–	–	–	–	196	201	210	210	210
	Overtime	–	–	–	–	1	1	1	1	1
	Casuals	–	–	–	–	6	6	5	5	5
	<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>203</b>	<b>208</b>	<b>216</b>	<b>216</b>	<b>216</b>
<b>British Trade International<sup>8</sup></b> (Gross Control Area)										
	CS FTEs	–	–	–	–	674	708	710	710	710
	Overtime	–	–	–	–	11	10	10	10	10
	Casuals	–	–	–	–	1	1	1	1	1
	<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>686</b>	<b>719</b>	<b>721</b>	<b>721</b>	<b>721</b>
<b>Employment Tribunals Service<sup>8</sup></b> (Gross Control Area)										
	CS FTEs	–	–	–	–	607	673	706	722	736
	Overtime	–	–	–	–	8	8	8	8	8
	Casuals	–	–	–	–	58	31	39	31	31
	<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>673</b>	<b>712</b>	<b>753</b>	<b>761</b>	<b>775</b>
<b>Insolvency Service<sup>8</sup></b> (Gross Control Area)										
	CS FTEs	–	–	–	–	1,447	1,361	1,410	1,410	1,410
	Overtime	–	–	–	–	4	4	4	4	4
	Casuals	–	–	–	–	50	96	34	34	34
	<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,501</b>	<b>1,461</b>	<b>1,448</b>	<b>1,448</b>	<b>1,448</b>
<b>Central Services</b> (Net Control Area)										
	CS FTEs	192	182	194	190	191	210	214	214	214
	Overtime	1	1	1	1	1	1	1	1	1
	Casuals	2	4	3	3	3	3	0	0	0
	<b>TOTAL</b>	<b>195</b>	<b>187</b>	<b>198</b>	<b>194</b>	<b>195</b>	<b>214</b>	<b>215</b>	<b>215</b>	<b>215</b>
<b>Laboratory of the Government Chemist<sup>3</sup></b> (Net Control Area)										
	CS FTEs	235	0	0	0	–	–	–	–	–
	Overtime	2	0	0	0	–	–	–	–	–
	Casuals	10	0	0	0	–	–	–	–	–
	<b>TOTAL</b>	<b>247</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>National Engineering Laboratory<sup>4</sup></b> (Net Control Area)										
	CS FTEs	141	0	0	0	–	–	–	–	–
	Overtime	3	0	0	0	–	–	–	–	–
	Casuals	1	0	0	0	–	–	–	–	–
	<b>TOTAL</b>	<b>145</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>National Physical Laboratory<sup>5</sup></b> (Net Control Area)										
	CS FTEs	243	0	0	0	–	–	–	–	–
	Overtime	1	0	0	0	–	–	–	–	–
	Casuals	24	0	0	0	–	–	–	–	–
	<b>TOTAL</b>	<b>268</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>National Weights and Measures Laboratory</b> (Net Control Area)										
	CS FTEs	46	47	48	51	56	55	55	55	55
	Overtime	0	0	0	0	0	0	0	0	0
	Casuals	0	3	2	1	1	1	1	1	1
	<b>TOTAL</b>	<b>46</b>	<b>50</b>	<b>50</b>	<b>52</b>	<b>57</b>	<b>56</b>	<b>56</b>	<b>56</b>	<b>56</b>

TABLE B10 Staff Numbers (Continued)

		Staff Years								
		1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Estimate Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Radiocommunications Agency</b>										
(Net Control Area)	CS FTEs	530	517	517	497	520	517	550	550	550
	Overtime	24	23	22	23	19	24	25	25	25
	Casuals	17	14	9	13	19	16	6	6	6
	<b>TOTAL</b>	<b>571</b>	<b>554</b>	<b>548</b>	<b>533</b>	<b>558</b>	<b>557</b>	<b>581</b>	<b>581</b>	<b>581</b>
<b>Advisory, Conciliation and Arbitration Service<sup>1</sup></b>										
	CS FTEs	610	587	613	651	740	805	809	848	874
	Overtime	0	0	1	2	2	2	2	2	2
	Casuals	19	27	25	16	21	17	17	17	17
	<b>TOTAL</b>	<b>629</b>	<b>614</b>	<b>639</b>	<b>669</b>	<b>763</b>	<b>824</b>	<b>828</b>	<b>867</b>	<b>893</b>
<b>Companies House<sup>6</sup></b>	CS FTEs	910	816	819	845	824	850	960	1,000	1,000
<b>Patent Office<sup>6</sup></b>	CS FTEs	851	729	726	792	828	896	914	909	909
<b>TOTAL DTI</b>		<b>11,197</b>	<b>9,640</b>	<b>9,303</b>	<b>9,415</b>	<b>9,874</b>	<b>10,324</b>	<b>10,690</b>	<b>10,765</b>	<b>10,790</b>
<b>Office of Fair Trading<sup>7</sup></b>										
	CS FTEs	391	391	402	408	420	447	485	485	485
	Overtime	2	2	1	1	1	1	1	1	1
	Casuals	8	5	6	14	12	3	4	4	4
	<b>TOTAL</b>	<b>401</b>	<b>398</b>	<b>409</b>	<b>423</b>	<b>433</b>	<b>451</b>	<b>490</b>	<b>490</b>	<b>490</b>
<b>Office of Telecommunications<sup>7</sup></b>										
	CS FTEs	160	155	166	165	195	206	242	242	242
	Overtime	0	0	0	0	0	0	0	0	0
	Casuals	1	6	10	16	0	3	0	0	0
	<b>TOTAL</b>	<b>161</b>	<b>161</b>	<b>176</b>	<b>181</b>	<b>195</b>	<b>209</b>	<b>242</b>	<b>242</b>	<b>242</b>
<b>Office of Gas and Electricity Markets<sup>7,9</sup></b>										
	CS FTEs	288	337	343	364	418	397	325	315	305
	Overtime	1	1	3	2	4	0	0	0	0
	Casuals	20	21	24	35	43	35	16	12	12
	<b>TOTAL</b>	<b>309</b>	<b>359</b>	<b>370</b>	<b>401</b>	<b>465</b>	<b>432</b>	<b>341</b>	<b>327</b>	<b>317</b>
<b>Postal Services Commission<sup>7</sup></b>										
	CS FTEs	–	–	–	–	–	28	28	28	28
	Overtime	–	–	–	–	–	0	0	–	–
	Casuals	–	–	–	–	–	0	0	–	–
	<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>
<b>ECGD</b>	CS FTEs	453	424	386	380	406	383	412	414	414

1 The plans are provisional subject to the outcome of the running cost allocation process for the relevant year.

2 Excludes staff transferred to the Financial Services Authority.

3 The Laboratory of the Government Chemist was privatised on 31 March 1996.

4 The National Engineering Laboratory was privatised on 31 October 1995.

5 Approximately 60 of the National Physical Laboratory's (NPL) staff transferred out on 1 August 1995 when the National Measurement Accreditation Service was privatised. The services of NPL were contracted out to NPL Management LTD on 1 October 1995.

6 Companies House and Patent Office became trading funds with effect from 1 October 1991.

7 The Office of Fair Trading, Office of Telecommunications, Office of Gas & Electricity Markets, and Postal Services Commission are statutorily independent of the Department of Trade and Industry.

8 SBS, BTI, ETS & The Insolvency Service shown separately from DTI from 1999 – 00.

9 The Office of Gas Supply and the Office of Electricity Regulation merged to become the Office of Gas & Electricity Markets in 1999. A Strategic Staffing Review is currently underway.

**TABLE B11** DEL and AME cash plans, 1995-96 to 2000-01

For the purposes of allowing comparisons to be made with previous expenditure over a longer period, a table showing outturn in cash terms is included from

1995 – 96 to 2000 – 01. 2000 – 01 is the last year where outturn will be expressed in cash terms.

Department of Trade and Industry	£ million					
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
<b>Departmental Expenditure Limits (DEL)</b>						
<i>Current budget</i>	-	-	-	-	-	-
Promotion of enterprise, innovation and increased productivity	594	614	595	569	591	707
Measures Relating to Individual Industries and Related Programmes	46	40	43	32	9	23
Legal and Regulatory Framework and Markets	343	301	310	288	308	472
Nuclear and Coal Liabilities	521	388	221	244	351	623
Science	1,200	1,242	1,268	1,289	1,310	1,361
Net Controlled Executive Agencies and Central Services (including Trading Funds)	-39	-37	-38	-33	-30	-28
ERDF	39	79	119	140	136	171
British Coal	189	41	51	6	1	3
Non-science unallocated provision	-	-	-	-	-	20
Science unallocated provision	-	-	-	-	-	8
<i>Capital budget</i>	-	-	-	-	-	-
Promotion of enterprise, innovation and increased productivity	134	109	127	134	81	144
Measures Relating to Individual Industries and Related Programmes	-29	-47	4	-52	-78	-68
Legal and Regulatory Framework and Markets	10	9	8	4	6	3
Science	120	96	86	90	119	255
Nuclear and Coal Liabilities	21	11	3	7	7	8
Net Controlled Executive Agencies and Central Services (including Trading Funds)	11	10	5	9	8	16
Non-Fossil Fuel Obligation Order	97	99	118	113	42	81
ERDF	97	99	118	113	42	81
Science unallocated provision	7	#	2	#	-	2
British Coal External Finance	-141	-	-	-	-	#
British Shipbuilders	-1	-1	-28	-	-	-
Nuclear Electric	235	-	-	-	-	-
British Energy	-	-478	-	-	-	-
UKAEA	-13	-	-	-	-	-
BNFL Capital Grants	-	768	100	-	-	-
<b>Total spending in DEL</b>	<b>3,346</b>	<b>3,243</b>	<b>2,995</b>	<b>2,841</b>	<b>2,861</b>	<b>3,802</b>
<b>Employment Opportunities Fund</b>						
Enterprise for All	-	-	-	-	-	7
<b>Total Employment Opportunities Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>
<b>Annually Managed Expenditure</b>						
Legal and Regulatory Framework and Markets	-	-	-	-	3	21
Redundancy Payments Scheme	142	117	101	130	156	167
UKAEA Superannuation Funds	90	227	101	120	117	147
BNFL	-13	-438	-12	32	1	-75
Post Office	-245	-285	-338	-214	231	286
<b>Total spending in Departmental AME</b>	<b>-25</b>	<b>-379</b>	<b>-148</b>	<b>68</b>	<b>509</b>	<b>546</b>

	£ million					
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
<b>Export Credits Guarantee Department</b>						
<b>Departmental Expenditure Limits (DEL)</b>						
<i>Capital budget</i>						
Trading operations	1	#	#	#	#	1
Total spending in DEL	1	#	#	#	#	1
Departmental AME	-	-	-	-	-	-
Export Finance Assistance	29	23	39	56	22	23
Non-voted expenditure	-6	-6	-	#	#	-
Total departmental AME	22	#	#	#	#	23
<b>Office of Fair Trading</b>						
<b>Departmental Expenditure Limits (DEL)</b>						
Current budget administration	19	18	19	22	23	32
Capital Budget Administration	-	1	-	2	7	2
Export finance assistance	#	1	#	2	6	2
Total spending in DEL	19	19	19	24	30	34
<b>Office of Telecommunications</b>						
<b>Departmental Expenditure Limits (DEL)</b>						
Current budget administration	9	9	10	-1	#	2
Non-voted expenditure	-10	-10	-11	-2	#	-
Capital budget administration	#	#	#	1	2	1
Total spending in DEL	#	-1	#	-2	1	2
<b>Office of Gas and Electricity Markets</b>						
<b>Departmental Expenditure Limits (DEL)</b>						
Current budget administration	16	22	26	11	-2	-9
Capital budget administration	1	2	1	2	2	-4
Total spending in DEL	1	-5	-3	12	-1	-12
<b>Postal Services Commission</b>						
<b>Departmental Expenditure Limits (DEL)</b>						
Current budget administration	-	-	-	-	-	#
Capital budget administration	-	-	-	-	-	#
Total spending in DEL	-	-	-	-	-	#

**TABLE B12** Reconciliation of RAB and cash budgets, 1998-99 to 2000-01<sup>1</sup>

This table illustrates how the new resource based outturn figures have been derived from the previous cash numbers for both the resource and capital budgets, in both DEL and AME. The main types of adjustment from the cash to the resource based system are:

- timing adjustments, reflecting the fact that under RAB costs are scored when the economic activity takes place, not when it is paid for;
- classification switches from resource to capital, and vice-versa as a result of the new accounting and budgeting rules;
- the inclusion of capital charges on the department's civil estate in the resource DEL;
- scoring adjustments to reflect the full resource consumption and capital investment of NDPBs and public corporations, including switching capital spending by financed public corporations generated by the corporations themselves from AME into DEL; and
- the inclusion of non-cash costs in AME.

<b>Departmental Expenditure Limits – Cash to Resource Reconciliation 1998-99 to 2000-01</b>	<b>1998-89 Outturn</b>	<b>£ million 1999-00 Outturn</b>	<b>2000-01 Estimated Outturn</b>
<b>DEL Current Budget – Cash</b>	<b>2,565</b>	<b>2,697</b>	<b>3,386</b>
Timing adjustments	-10	19	3
Switches from current to capital budget	–	–	–
Switches from capital to resource budget	–	–	–
Capital charges on the Civil Estate	6	3	4
Non-Departmental Public Bodies – scoring adjustments	80	-8	10
Other adjustments	21	18	-210
Other budgeting changes	–	–	–
<b>Resource Budget DEL</b>	<b>2,662</b>	<b>2,729</b>	<b>3,193</b>
<b>DEL Capital Budget – Cash</b>	<b>311</b>	<b>197</b>	<b>442</b>
Timing adjustments	-2	-17	12
Switches from current to capital budget	–	–	–
Switches from capital to resource budget	–	–	–
Non-Departmental Public Bodies – scoring adjustments	-65	4	-4
Other budgeting changes	–	4	3
<b>Capital Budget DEL</b>	<b>244</b>	<b>188</b>	<b>453</b>
<b>Total DEL under Cash</b>	<b>2,876</b>	<b>2,894</b>	<b>3,828</b>
<b>Total DEL under RAB</b>	<b>2,906</b>	<b>2,917</b>	<b>3,646</b>

**TABLE B12** Reconciliation of RAB and cash budgets, 1998-99 to 2000-01 *(Continued)*

Annually Managed Expenditure – Cash to Resource Reconciliation 1998-99 to 2000-01	1998-89 Outturn	£ million 1999-00 Outturn	2000-01 Estimated Outturn
<b>AME Current Budget – Cash</b>	<b>244</b>	<b>678</b>	<b>702</b>
Timing adjustments	19	-26	4
Self financing public corporations scoring adjustments	50	294	-510
Other adjustments	–	–	–
Other budgeting changes	–	–	–
<b>Resource Budget Departmental AME</b>	<b>313</b>	<b>946</b>	<b>196</b>
<b>Non-cash items in Resource AME</b>	<b>-84</b>	<b>1,250</b>	<b>1,297</b>
<b>Total AME Current</b>	<b>229</b>	<b>2,196</b>	<b>1,493</b>
<b>AME Capital Budget – Cash</b>		–	–
Public corporations' capital expenditure	240	1,185	1,110
<b>Capital Budget departmental AME</b>	<b>240</b>	<b>1,185</b>	<b>1,110</b>
<b>Total AME under Cash</b>	<b>244</b>	<b>678</b>	<b>702</b>
<b>Total AME under RAB</b>	<b>469</b>	<b>3,381</b>	<b>2,603</b>

<sup>1</sup>This table summarises information across DTI, ECGD, OFT, OFTEL, OFGEM and PSC.



# Supplementary Tables

- C1** – Resource Estimate Details\*
- C2** – Statement of Contingent or Nominal Liabilities
- C3** – Research Councils’ Grant in Aid
- C4** – Long-Term Projects
- C5** – Non-Departmental Public Bodies
- C6** – Senior Civil Service Salaries
- C7** – Public Appointments made by DTI

\*The symbols used in this table are set out below:

## **Discretionary status**

- ★ A vote which is treated wholly as discretionary or a section of a vote which contains discretionary expenditure.
- ☆ A vote which contains a mixture of discretionary and non-discretionary expenditure.

## **Public expenditure**

- Expenditure not included in the Departmental Expenditure Limits or in Main Departmental Programmes in Annually Managed Expenditure.

## **Statutory authority for expenditure**

- Items where expenditure rests on the sole authority of the confirming Appropriation Act.

## **Accounting and audit arrangements for grants in aid and certain subscriptions etc. to international organisations**

- ♥ The accounts of this body are audited by the Comptroller and Auditor General and presented to Parliament.
- ◆ The accounts of this body are audited by auditors appointed by the Secretary of State and presented to Parliament. The books and accounts are also open to the Comptroller and Auditor General.

## C1

## Resource estimate details, including appropriations in aid and consolidated fund extra receipts

## Department of Trade and Industry Request for Resources 1: Increasing UK Competitiveness

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Spending in Departmental Expenditure Limits (DEL)</b>	
		<b>Central Government's own expenditure:</b>	
		<b>*Function A: Promotion of enterprise, innovation, and increased productivity and associated administration costs</b>	
<b>183,555</b>	<b>292,489</b>	<b>A1 Small Business Service</b>	<b>312,316</b>
	65,137	(1) Enterprise Fund	106,270
		Small Firms Loan Guarantee Scheme	40,200
		Regional and Other Enterprise Fund Support	66,070
	152,450	(2) Local Delivery	149,825
	39,003	(3) Other Support for Small Business	28,221
	35,899	(4) SMART (excluding expenditure in Northern Ireland)	28,000
<b>0</b>	<b>0</b>	<b>A2 Regional Innovation Fund</b>	<b>15,000</b>
		Regional Innovation Fund	
<b>2,081</b>	<b>9,514</b>	<b>A3 Regional Development Agency Development Fund</b>	<b>5,200</b>
		Payments to DETR for the Regional Development Agency Competitiveness Development Fund	
<b>280,877</b>	<b>297,433</b>	<b>A4 Innovation</b>	<b>327,692</b>
	57,424	(1) Industrial Exploitation of Science	59,550
	72,583	(2) Support for Competitiveness	89,885
	90,359	(3) Space	90,057
	67,363	(4) Technical and Design Infrastructure	76,800
	3,533	(5) Expert Advice and Other Expenditure	3,800
	5,338	(6) Research Establishments Major Building Works	7,600
	833	(7) Year 2000	0

Note: A new reporting structure is shown here, see Figure 4.5 in Chapter 4 of this Report for how this relates to previous reporting of innovation expenditure.

**TABLE C1** Resource Estimate Details *(Continued)*

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
3,517	3,608	<b>A5 Telecommunications and Posts</b>	3,716
	1,915	(1) Subscription to International Telecommunications Union	1,888
	940	(2) Subscription to Universal Postal Union and Conference of European Posts and Telecommunications Administrations	915
	753	(3) Other telecommunications and posts expenditure	913
8,944	1,848	<b>A6 Post Office Consultancy and Other Expenditure Related to the Post Office</b>	2,000
		Advisers' Fees in connection with the proposed restructuring of the Post Office	
120,438	114,443	<b>A7 Administration and Other Costs related to Promotion of Enterprise, Innovation and Productivity</b>	111,203
	99	(1) Share of salaries of Ministers and special advisers	101
	101,760	(2) Departmental staff, excluding Ministers	100,860
	8,726	(3) Share of Departmental capital expenditure	6,181
	2,303	(4) Share of expenditure on Central Publicity, Queen's Awards, Secondments and Consultancy	2,221
	1,555	(5) Share of Capital Charges	1,750
		(6) Invest to Save Administration Costs	90
599,412	719,335	<b>Gross Total</b>	777,127
		Less	
27,438	39,602	<b>AZ Appropriations in Aid</b>	22,241
9,482	17,611	<b>AZ01 Small Business Service</b>	8,951
	5,860	Small Firms Loan Guarantee Scheme - Premium Receipts	5,730
	3,250	Small Firms Loan Guarantee Scheme - Recoveries	3,220
	8,500	Farm Business Advice Services - Receipts from MAFF	
	1	Other Small Business Service Receipts	1
6,511	3,414	<b>AZ02 Innovation</b>	4,307
	1,269	Receipts from NPL contract	
	2,145	Other Receipts - Innovation	4,307
1,935	3,139	<b>AZ043 Telecommunications and Posts</b>	3,278
	1,995	International Telecommunications Union Receipts	1,888
	1,144	Other Receipts - Telecommunications and Posts	1,390
9,530	15,438	<b>AZ04 Administration and Other Costs related to Promotion of Enterprise, Innovation and Productivity</b>	5,705
	5,841	Share of receipts in respect of services provided by central divisions (including share of Other Government Department and Other Services receipts)	2,021
	359	Administration Costs: Other Receipts	209
	9,238	Book Value of Tangible Asset Sales	3,475
571,974	679,733	<b>Net Total</b>	754,886
		<b>Function B: Measures relating to individual industries and related programmes</b>	
14	36	<b>B1 Contributions under the International Natural Rubber Agreement</b>	36
		UK contributions to the administrative and buffer stock accounts of the International Natural Rubber Agreement	
72,572	57,695	<b>B2 Aerospace Support</b>	137,401
	5	(1) Development of the EH 101 helicopter	
	53,200	(2) Trent Engine development programme	

TABLE C1 Resource Estimate Details (Continued)

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
	4,267	(3) Airbus sales support and other civil aircraft expenditure	3,946
	223	(4) MoD administration costs relating to Launch Aid	250
		(5) Development of wings for Airbus A340-500/600	133,205
<b>5,166</b>	<b>9,550</b>	<b>B3 Assistance to Shipbuilding</b>	<b>7,424</b>
	1,050	(1) Administration costs to Ship Mortgage Finance Company PLC	1,050
	8,500	(2) Intervention Fund	6,374
		(3) Home Shipbuilding Credit Guarantee Scheme	
<b>3,113</b>	<b>100</b>	<b>B4 Exchange risk and other guarantees</b>	<b>155</b>
		Exchange risk and other guarantees	0
<b>103</b>	<b>28</b>	<b>B5 Assistance to the Steel Industry</b>	<b>0</b>
		Payments in respect of Redundant Steel Workers	
<b>80,968</b>	<b>67,409</b>	<b>Gross total</b>	<b>145,016</b>
		less	
<b>147,632</b>	<b>121,914</b>	<b>BZ Appropriations in Aid</b>	<b>106,088</b>
<b>1,215</b>	<b>479</b>	<b>BZ01 National Selective Assistance to Industry</b>	<b>479</b>
		Repayment of a loan made under the Industrial Expansion Act 1968	
		Receipts from the International natural Rubber Agreement	
<b>144,446</b>	<b>120,235</b>	<b>BZ02 Aerospace Support</b>	<b>104,730</b>
	20,200	Launch Aid receipts relating to the Rolls Royce RB211 and other engines	19,000
	100,035	Launch Aid receipts relating to airframes, including the A320 Airbus	85,730
<b>1,879</b>	<b>1,200</b>	<b>BZ03 Assistance to the Shipbuilding Industry</b>	<b>824</b>
	200	Premium income from shipbuilding credit guarantees and repayment expenses	100
	1,000	Repayments of Intervention Fund grants and re-imbursments by Home Shipbuilding Credit Guarantee Scheme borrowers on interest charged on late repayment of principal	724
		Receipts from institutions of excess interest received in respect of their lending under the Home Shipbuilding Credit Guarantee Scheme	
<b>92</b>	<b>0</b>	<b>BZ04 Exchange risk and other guarantees</b>	<b>55</b>
		Premium income from, and other receipts related to, guarantees on European Investment Bank and European Coal and Steel Community loans	
<b>-66,664</b>	<b>-54,505</b>	<b>Net total</b>	<b>38,928</b>
		<b>*Function C: Legal and regulatory framework and open markets and associated administration costs</b>	
<b>14,409</b>	<b>14,330</b>	<b>C1 Nuclear Fusion</b>	<b>14,330</b>
		Nuclear Fusion	
<b>2,403</b>	<b>2,640</b>	<b>C2 Nuclear International</b>	<b>2,550</b>
	2,200	(1) Civil Nuclear Emergency Planning	2,200
	440	(2) Nuclear Energy Agency	350
<b>3,869</b>	<b>3,661</b>	<b>C3 Nuclear Support for the Former Soviet Union</b>	<b>23,661</b>
		Nuclear Support for the Former Soviet Union	
<b>0</b>	<b>0</b>	<b>C4 BNFL Public/Private Partnership – Advisers' Fees</b>	<b>5,500</b>
		BNFL Public/Private Partnership – Advisers' Fees	
<b>157</b>	<b>157</b>	<b>C5 Aluminium Smelting</b>	<b>0</b>
		Payment to aluminium smelting companies	
<b>15,621</b>	<b>20,845</b>	<b>C6 Non-Nuclear Expenditure Directly Related to the Creation of Open Markets</b>	<b>25,977</b>
	13,616	(1) New and renewable sources of energy	18,000
	4,206	(2) Clean coal technology	4,900

**TABLE C1** Resource Estimate Details *(Continued)*

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
	1,700	(3) Oil and gas competitiveness	1,700
	1,323	(4) Environmental, economic and statistical advice, and other assistance relating to energy programmes and the annual Energy Report	1,377
<b>5,278</b>	<b>6,367</b>	<b>C7 Non-Nuclear Expenditure of a Regulatory Nature</b>	<b>6,911</b>
	5,207	(1) Regulation of the offshore oil and gas industries	5,735
	100	(2) Public inquiries	100
	800	(3) Subscription to the International Energy Agency	816
	260	(4) Contribution to the European Energy Charter	260
<b>11,992</b>	<b>16,185</b>	<b>C8 Non-Proliferation ■</b>	<b>15,196</b>
	10,035	(1) International Atomic Energy Agency	10,165
	4,634	(2) Organisation for the Prohibition of Chemical Weapons and Organisation for the Prohibition of Biological Weapons	3,561
	1,066	(3) Safeguards Support for International Atomic Energy Agency	1,200
	400	(4) Support for DTI Safeguards Office	250
	50	(5) Non-Proliferation Studies	20
<b>4,321</b>	<b>5,348</b>	<b>C9 Trade Policy and Related Subscriptions ■</b>	<b>5,333</b>
	648	(1) Trade Policy, including Joint Commissions, publicity, promotion, tariff suspensions, OECD Steel Subscription	633
	4,000	(2) Subscription to the World Trade Organisation	4,000
	700	(3) Expenditure on Simpler Trade Procedures Board	700
<b>0</b>	<b>2,168</b>	<b>C10 Spectrum Efficiency Scheme</b>	<b>1,501</b>
		Spectrum Efficiency Scheme expenditure	
<b>40,381</b>	<b>51,124</b>	<b>C11 Consumer and Investor Protection</b>	<b>55,005</b>
	19	(1) National Industry Consumer Councils	19
	18,325	(2) Citizens' Advice	19,700
	10,651	(3) Miscellaneous Consumer Protection	12,486
	22,129	(4) Investor Protection	22,800
<b>8,518</b>	<b>15,906</b>	<b>C12 Employment Relations</b>	<b>6,931</b>
	5,601	(1) Programme awareness and support activities	1,101
	500	(2) Evaluation and Research	550
	7,780	(3) National Minimum Wage and EC Directives, including Working Time Directive	3,280
	1,500	(4) Partnership Training Fund	1,500
	500	(5) Low Pay Commission	500
	25	(6) Commissioners for the Rights of Trade Union Members and for Protection against Unlawful Industrial Action	
<b>0</b>	<b>0</b>	<b>C13 Electronic Government</b>	<b>5,500</b>
		Electronic Government	
<b>3,430</b>	<b>3,742</b>	<b>C14 External Legal Fees and Office of Manpower Economics Consultancy</b>	<b>4,212</b>
	2,473	(1) Expenditure on external legal fees	2,913
	1,269	(2) Office of Manpower Economics Consultancy	1,299
<b>249,191</b>	<b>293,376</b>	<b>C15 Administration and Other Costs related to Legal and Regulatory Framework and Markets</b>	<b>293,321</b>
	99	(1) Share of salaries of Ministers and special advisers	102
	278,697	(2) Departmental staff, excluding Ministers	276,365
	1,568	(3) Office of Manpower Economics running costs	1,664
	9,001	(4) Share of Departmental capital expenditure (including Capital Modernisation Fund expenditure)	7,365

TABLE C1 Resource Estimate Details (Continued)

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
	2,302	(5) Share of expenditure on Central Publicity, Queen's Awards, Secondments and Consultancy	4,221
	1,709	(6) Share of Capital Charges	1,750
		(7) Invest to Save (Administration and Capital Expenditure)	1,854
359,570	435,849	<b>Gross Total</b>	<b>465,928</b>
		less	
64,474	57,966	<b>CZ Appropriations in Aid</b>	<b>71,119</b>
208	313	<b>CZ01 Non-Nuclear Expenditure Directly Related to the Creation of Open Markets</b>	<b>198</b>
	313	Receipts in respect of new and renewable sources of energy clean coal, and oil and gas competitiveness	198
63	190	<b>CZ02 Non-Nuclear Expenditure of a Regulatory Nature</b>	<b>640</b>
		Receipts arising from public inquiries under the Electricity Act, Offshore Geology programme, and Chemicals Notification Scheme	
0	10	<b>CZ03 Trade Policy and Related Subscriptions</b>	<b>10</b>
		Spearhead Receipts	
0	1,500	<b>CZ04 Spectrum Efficiency Scheme</b>	<b>1,500</b>
		Spectrum Efficiency Scheme receipts	
986	10,456	<b>CZ05 Consumer and Investor Protection</b>	<b>23,232</b>
	88	Receipts in respect of legal costs and fees paid to Treasury Solicitors	
	75	Receipts from overseas regulators	
	10,293	Receipts from Consumer Council Licence Fees and OFTEL	23,232
543	195	<b>CZ06 External Legal Fees and Office of Manpower Economics Consultancy</b>	<b>201</b>
		Prosecution and Treasury Solicitors receipts	
62,674	45,302	<b>CZ07 Administration and Other Costs related to Legal and Regulatory Framework and Markets</b>	<b>45,338</b>
	5,732	Share of receipts in respect of services provided by central divisions (including share of Other Government Department and Other Services receipts)	9,413
	951	Administration Costs: Other Receipts	2,385
	8,514	Book Value of Tangible Asset Sales	3,435
	30,000	Insolvency Service: fees and costs from bankruptcies	30,000
0	105	Employment relations receipts	105
295,096	377,883	<b>Net Total</b>	<b>394,809</b>
		<b>Function D: Net expenses related to coal provisions</b>	
100	100	<b>D1 Subsidence adviser, statutory arbitration arrangements</b>	<b>75</b>
		Costs of the subsidence adviser and statutory arbitration arrangements	
100	100	<b>Gross Total</b>	<b>75</b>
		less	
106,587	435,207	<b>DZ Appropriations in Aid</b>	<b>10,165</b>
107	100	<b>DZ01 Subsidence adviser, statutory arbitration arrangements</b>	<b>75</b>
		Subsidence Adviser and statutory arbitration arrangements: receipts in connection with services or activities intended to operate on a cost recovery basis	
105,840	425,105	<b>DZ02 Ring-fenced coal health liabilities</b>	<b>5</b>
	5	Recoveries of overpayments in connection with ex-employee liabilities	
	425,100	Distribution of surpluses from coal industry pension schemes	
640	10,002	<b>DZ03 Non ring-fenced coal liabilities</b>	<b>10,085</b>
	10,000	Release from Investment Reserve	10,000

**TABLE C1** Resource Estimate Details *(Continued)*

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
	2	Recoveries of overpayments in connection with ex-employee liabilities	85
-106,487	-435,107	<b>Net total</b>	<b>-10,090</b>
		<b>*Function E: Developing post offices to provide access to official services/information and the Internet</b>	
0	0	<b>E1 Developing post offices to provide access to official services/information and the Internet</b>	<b>75,000</b>
		Payments in respect of Post Office Network	
0	0	<b>Gross and net total</b>	<b>75,000</b>
		<b>*Section F: Net controlled Agencies and suppliers of Departmental central services</b>	
		<b>Suppliers of Departmental central services</b>	
		<b>F1 Central Services net expenditure</b>	
13,436	14,194	(1) Administration costs	14,194
		Less:	
12,605	13,234	(2) Receipts from DTI, excluding DTI Trading Funds:	13,234
	13,130	Allowable administration cost related receipts	13,130
	104	Other	104
831	960	<b>Gross total</b>	<b>960</b>
		Less:	
997	1,076	<b>FZ Appropriations in Aid</b>	<b>1,076</b>
997	1,076	<b>Suppliers of departmental central services</b>	<b>1,076</b>
		Receipts from other Government Departments, DTI trading funds and the private sector	
	1,064	Departmental Central Services: Allowable administration cost receipts	1,064
	12	Departmental Central Services: Other receipts	12
-166	-116	<b>Net Total</b>	<b>-116</b>
		<b>Radiocommunications Executive Agency</b>	
42,874	45,097	<b>F2 Administration costs</b>	<b>43,667</b>
		Administration costs	
2,543	9,396	<b>F3 Other current expenditure</b>	<b>8,299</b>
		Other current expenditure	
7,965	16,644	<b>F4 Capital expenditure</b>	<b>15,013</b>
		Capital expenditure on scientific and computer equipment, office machinery, fixtures and fittings	
53,382	71,137	<b>Gross total</b>	<b>66,979</b>
		Less:	
56,388	71,934	<b>FZ Appropriations in Aid</b>	<b>67,716</b>
56,388	71,934	<b>Radiocommunications Executive Agency</b>	<b>67,716</b>
		Receipts from fees and services to other Government Departments and the private sector	
	45,097	Allowable administration cost receipts	43,667
	26,837	Other receipts	24,049
-3,006	-797	<b>Net Total</b>	<b>-737</b>
		<b>National Weights and Measures Laboratory Executive Agency</b>	
471	573	<b>F5 Current expenditure</b>	<b>380</b>
	3,057	(1) Administration costs:	3,023
		Less:	
	2,484	(2) Receipts from DTI:	2,643

TABLE C1 Resource Estimate Details (Continued)

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		Allowable administration cost related receipts	2,183
		Other receipts	460
109	253	<b>F6 NWML Capital expenditure</b>	<b>300</b>
		Capital expenditure on scientific and computer equipment, office machinery, fixtures and fittings	
580	826	<b>Gross total</b>	<b>680</b>
		Less	
717	928	<b>FZ Appropriations in Aid</b>	<b>850</b>
	928	National Weights & Measures: Allowable administration cost receipts	850
-137	-102	<b>Net Total</b>	<b>-170</b>
54,793	72,923	<b>Function F Gross Total</b>	<b>68,619</b>
58,102	73,938	<b>Function F Appropriations in aid</b>	<b>69,642</b>
-3,309	-1,015	<b>Function F Net Total</b>	<b>-1,023</b>
		<b>*Function G: European Regional Development Fund and other Community programmes (including Leader Network Project)</b>	
15,888	7,794	<b>G1 Co-financed ERDF and Other Payments</b>	<b>4,727</b>
	5,996	(1) Business development payments, Co-financed activities	3,000
	1,500	(2) Technology transfer payments	1,500
	298	(3) Leader Network Projects	227
15,888	7,794	<b>Gross total</b>	<b>4,727</b>
		less:	
211	175	<b>GZ Appropriations in aid</b>	<b>133</b>
		Leader Network receipts from other Government Departments	
15,677	7,619	<b>Net total</b>	<b>4,594</b>
		<b>Function H: European Regional Development Fund (non-discretionary)</b>	
0	0	<b>H1: Payments on behalf of the European Community/Union:</b>	<b>0</b>
		Payments for support of small firms business development and other EC payments	
155	7,000	<b>H2: Repayments of EC/EU expenditure</b>	<b>3,500</b>
		Repayment of EC/EU expenditure and related expenditure	
155	7,000	<b>Gross total</b>	<b>3,500</b>
		less:	
139	0	<b>HZ Appropriations in aid</b>	<b>0</b>
		Receipts – Business Development Activities	
16	7,000	<b>Net total</b>	<b>3,500</b>
		<b>Function I: Other European Community Expenditure</b>	
		EU Funded Consumer Education Project	
0	1	<b>Gross and net total</b>	<b>1</b>
		<b>*Function J: British Trade International Administration Costs</b>	
	30,538	(1) Departmental staff	27,053
		(2) Share of Departmental capital expenditure	5,000
27,743	30,538	<b>Gross and net total</b>	<b>32,053</b>
		<b>Spending in Employment Opportunities Fund in Departmental Expenditure Limits</b>	

**TABLE C1** Resource Estimate Details *(Continued)*

1999-2000 Outturn £'000	2000-01 Total provision £'000		2001-02 Provision £'000
	6,904	<b>Function K: Enterprise For All</b>	4,601
		Enterprise for all	
0	6,904	<b>Gross and Net Total</b>	4,601
		<b>Spending in Annually Managed Expenditure</b>	
		<b>Central Government's own spending</b>	
3,449	20,890	<b>BNFL Public/Private Partnership – Advisers' Fees and Bulk Transfer of Pension Liabilities to the Principal Civil Service Pension Scheme of Gas and Electricity Consumer Council Staff</b>	0
	14,890	BNFL Public/Private Partnership – Advisers' Fees	
	6,000	Bulk Transfer of Pension Liabilities to the Principall Civil Service Pension Scheme of Gas and Electricity Consumer Council Staff	
		<b>Non-cash items</b>	
		<b>Function L: Promotion of enterprise, innovation, and increased productivity and associated running costs</b>	
	-2,538	Cost of capital charges	-3,932
	-7,280	Provisions in respect of Small Firms Loan Guarantee Scheme	
	402	Depreciation	566
45,453	-9,416	<b>Gross and Net Total</b>	-3,366
		<b>Function M: Measures relating to individual industries and related programmes</b>	
	79,601	Cost of capital charges	
	25,880	Provisions in respect of Aerospace and Trawlermen	77,809
			4,000
71,045	105,481	<b>Gross and Net Total</b>	81,809
		<b>Function N: Legal and regulatory framework and open markets and associated administration costs</b>	
	9,439	Cost of capital charges	4,787
	4,500	Bad Debt provision	4,500
	63,663	Provisions in respect of Employment Liabilities and Early Retirement	4,449
	4,771	Depreciation	5,700
12,821	82,373	<b>Gross and Net Total</b>	19,436
		<b>Function O: Expenses related to Nuclear Provisions</b>	
	-375,197	Cost of capital charges	-391,295
	518,626	Additional provision and revaluation of existing provision in respect of Nuclear Liabilities	544,431
474,768	143,429	<b>Gross and Net Total</b>	153,136
		<b>Function P: Net expenses related to Coal Provisions</b>	
	-5,167	Cost of capital charges in respect of Coal Health Liabilities and associated assets	-1,179
	1,318,531	Additional provision and revaluation of existing provision in respect of Coal Health Liabilities	289,737
	103,908	Cost of capital charges in respect of Other Coal Liabilities and associated assets	106,277
	175,689	Additional provision and revaluation of existing provision in respect of Other Coal Liabilities	44,739
974,272	1,592,961	<b>Gross and Net Total</b>	439,574

TABLE C1 Resource Estimate Details (Continued)

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Function Q: Net Controlled Agencies and Suppliers of Departmental Central Services</b>	
	484	Cost of capital charges	2,307
	5,257	Depreciation	8,641
9,800	5,741	<b>Gross and Net Total</b>	<b>10,948</b>
		<b>Function R: European Regional Development Fund and other Community programmes (including Leader Network Project)</b>	
	-29	Cost of capital charges	-11
-22	-29	<b>Gross and Net Total</b>	<b>-11</b>
		<b>Function S: European Regional Development Fund (non-discretionary)</b>	
		Cost of capital charges	0
-60	150	<b>Gross and Net Total</b>	<b>420</b>
		<b>Function T: British Coal Corporation External Financing</b>	
	-206	Cost of capital charges	-115
	1,772	Additional provision and revaluation of existing provision in respect of British Coal	325
3,595	1,566	<b>Gross and Net Total</b>	<b>210</b>
		<b>Other Expenditure outside Departmental Expenditure Limits</b>	
		<b>Function U: Promotion of enterprise, innovation, and increased productivity</b>	
86,783	115,770	<b>U1 Regional Selective Assistance</b>	<b>130,250</b>
		Grants to investment projects which create new jobs or safeguard existing employment in the assisted areas of England and related consultancy	
0	15,000	<b>U2 Regional Innovation Fund</b>	<b>35,000</b>
		Innovative Clusters and Business Incubators	
0	699	<b>U3 Small Business Service</b>	<b>8,000</b>
		Gateway and Electronic Regulation Service Projects	
0	0	<b>U4 Knowledge Economy White Paper</b>	<b>5,000</b>
		Business Incubators	
86,783	131,469	<b>Gross Total</b>	<b>178,250</b>
		Less	
30,020	248	<b>UZ Appropriations in Aid</b>	<b>250</b>
30,020	248	<b>UZ01 Recoveries of Regional Selective Assistance Grants</b>	<b>250</b>
		Refund of Section 7 grants	
56,763	131,221	<b>Net total</b>	<b>178,000</b>
		<b>Function V: Legal and regulatory framework and open markets</b>	
0	0	<b>V1 Non-Nuclear Expenditure Directly Related to the Creation of Open Markets</b>	<b>13,000</b>
		Capital Grants to the Private Sector	
0	0	<b>Gross and net total</b>	<b>13,000</b>
		<b>Function W: Grants in Aid to Non-Departmental Public Bodies</b>	
6,400	5,900	<b>W1 Design Council</b>	<b>6,500</b>
		Grant-in-Aid to the Design Council	

**TABLE C1** Resource Estimate Details *(Continued)*

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
29,289	31,890	<b>W2 United Kingdom Atomic Energy Authority</b>	35,378
		United Kingdom Atomic Energy Authority Grant in Aid	
33,837	29,001	<b>W3 Coal Authority</b>	18,700
		Coal Authority Grant in Aid	
15,308	24,814	<b>W4 Consumer and Investor Protection</b>	36,751
	15,944	(1) Consumer Groups and Councils Grant in Aid	26,651
	8,870	(2) Competition Commission Grant in Aid	10,100
84,834	91,605	<b>Gross and Net Total</b>	97,329
		<b>Function X: Loans to and Repayment of Dividends from Trading Funds</b>	
551	551	<b>XZ Appropriations in aid</b>	551
	385	Repayment of principal of Companies House long term loans	385
	166	Repayment of principal of Patent Office long term loans	166
-551	-551	<b>Net total</b>	-551
		<b>Function Y: European Regional Development Fund and other Community programmes receipts (including Leader Network receipts)</b>	
		<b>YZ Appropriations in Aid</b>	
5,954	7,873	<b>ERDF and other receipts</b>	7,944
	6,000	Business Development	6,100
	1,500	Technology Transfer	1,500
	250	EHLASS	250
	123	Leader Network	94
-5,954	-7,873	<b>Net Total</b>	-7,944
		<b>Function Z: European Community Programme Receipts</b>	
187	178	<b>ZZ Appropriations in aid</b>	611
187	178	<b>Receipts from EC programmes</b>	611
	1	Contributions from the European Coal and Steel Community towards benefits paid under the Iron and Steel Employees Readaptation Benefits Scheme (classified as programme 2.7 (net payments to European Community Institutions))	611
	177	Receipts from the European Coal and Steel Community against payments of restructuring grants to British Coal Corporation	
-187	-178	<b>Net Total</b>	-611
		<b>Function AA: Petroleum licensing and royalty</b>	
5,412	14,683	<b>AA1 Refunds and repayments under petroleum licences</b>	13,600
	1,600	(1) Refunds and repayments of overpayments of application fees and of initial and periodic payments for licences	600
	13,083	(2) Repayments of royalty, including any interest due. Royalty payments are collected on account and are subsequently adjusted when actual amounts due have been determined. Repayments may also be made under Section 41(3) of the 1975 Petroleum and Submarine Pipelines Act	13,000
10,317	11,500	<b>AA2 Payments to Northern Ireland</b>	10,000
		Proportion of proceeds from petroleum licensing and royalties	10,000
15,729	26,183	<b>Gross total</b>	23,600
		Less:	
15,729	26,182	<b>AAZ Appropriations in aid petroleum licences and royalty</b>	23,599

TABLE C1 Resource Estimate Details (Continued)

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		Application fees for petroleum exploration and production licences, and initial and periodic payments. Royalty on petroleum won and saved	23,599
0	1	<b>Net total</b>	<b>1</b>
		<b>Function AB: Refunds of pension adjustments; and privatisation expenses</b>	
272	315	<b>AB1 Refunds of pension adjustments to pensioners for UK income tax</b>	<b>346</b>
	230	(1) European Space Agency	290
	85	(2) European Patent Office	56
5	4	<b>AB2 Privatisation of the Electricity Industry ■</b>	<b>4</b>
		Privatisation of the electricity industry in England and Wales	4
21,279	42,375	<b>AB3 Privatisation of the coal industry ■</b>	<b>15,071</b>
	83	(1) Residual expenses Mainly advisers' fees in connection with the privatisation of British Coal Corporation's activities	30
	10,000	(2) Indemnities and warranties Contractual and other payments in relation to the sale of British Coal Corporation's mining and non-mining activities	14,000
	-854	(3) Cost of capital charges	-1,310
	33,146	(4) Additional provision and revaluation of existing provision in respect of Coal Privatisation Liabilities	2,351
1,960	883	<b>AB4 Privatisation of the nuclear power industry ■</b>	<b>4</b>
	4	(1) Residual expenses	4
	879	(2) Cost of capital charges .	
23,516	43,577	<b>Gross total</b>	<b>15,425</b>
		Less:	
21	6	<b>ABZ Appropriations in aid</b>	<b>6</b>
21	3	<b>ABZ01 Privatisation of the electricity industry in England and Wales</b>	<b>3</b>
		Receipts from the sale of shares in the electricity industry	
0	3	<b>ABZ03 Privatisation of the nuclear power industry</b>	<b>3</b>
		Receipts from the sale of the nuclear power industry	
23,495	43,571	<b>Net Total</b>	<b>15,419</b>
2,944,612	3,583,833	<b>Gross total</b>	<b>2,606,407</b>
457,045	763,840	<b>Gross receipts</b>	<b>312,349</b>
2,487,567	2,819,993	<b>Net Total</b>	<b>2,294,058</b>
		<b>Payments In Respect of Provisions</b>	
165,210	191,244	1) UKAEA Decommissioning	262,544
157,948	646,305	2) Coal Health Liabilities	829,500
80,808	77,294	3) Other Coal Liabilities	69,990
	90,340	4) Coal Operating Subsidy	40,000
634	3,000	5) British Coal EFL	
	12,380	6) Distant Water Trawlermen	5,000
83	16,500	7) Enemy Property	5,000
404,683	1,037,063	<b>TOTAL EXPENDITURE IN RESPECT OF PROVISIONS</b>	<b>1,212,034</b>

**TABLE C1** Resource Estimate Details *(Continued)*

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
<b>Extra receipts payable to the Consolidated Fund</b>			
In addition to appropriations in aid there are the following estimated receipts:			
468	4,152	(1) Innovation and Business Links	
60		(2) Repayments of Regional Development Grants previously written off	
56,507	15,900	(3) Levies on sales of aero engines and airframes	10,800
28		(4) Receipts not authorised to be used as appropriations in aid	
1,294	1,256	(5) Interest on loans advanced to the Companies House Executive Agency trading fund by the Secretary of State and receipt of dividend	1,218
3,206	3,190	(6) Interest on loans advanced to the Patent Office Executive Agency trading fund by the Secretary of State and receipt of dividend	3,173
18,533	12,000	(7) Companies House receipts from late filing penalties	12,000
433,216	517,000	(8) Application fees for petroleum exploration and production licences, and initial and periodic payments (rents). Royalty on petroleum won and saved	637,000
	35	(9) Newspaper mergers	
		(10) Consumer Council for Postal Services	1
49,000		(11) Dividends from British Nuclear Fuels plc	22,500
71	25	(12) Non-nuclear energy miscellaneous receipts	70
280	2	(13) Privatisation of the electricity industry, including clawback receipts	2
4,919		(14) Receipts relating to Legal and Regulatory Framework and Open Markets	
6,125	5,200	(15) Receipts of the Coal Authority	4,800
	1	(16) Interest on loans to the British Coal Corporation	
2,603	3,262	(17) Privatisation of the coal industry including property clawback receipts	4,800
	1	(18) Distribution of surpluses from coal industry pension schemes	386,995
	1	(19) Repayment of grant to British Coal Corporation	
819	1	(20) Privatisation of the nuclear power industry	1
1,206	1	(21) Recovery of overpayments in connection with ex-employee coal liabilities	
	1,256	(22) Privatisation of AEA Technology - property and land clawback	1
19,230	50,900	(23) Net controlled agencies	54,045
	22,477,400	(24) Radiocommunications Agency: Spectrum Auction Receipts	
<b>597,565</b>	<b>23,091,583</b>	<b>Total</b>	<b>1,137,406</b>

TABLE C1 Resource Estimate Details (Continued)

**Department of Trade and Industry Request for Resources 2: Increasing scientific excellence in the UK and maximising its contribution to society**

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Spending in Departmental Expenditure Limits</b>	
		<b>Central Government's own expenditure</b>	
21,295	25,620	*A Swindon Research Councils' pensions scheme	26,970
23,850	24,622	*B The Royal Society	25,945
3,706	4,025	*C The Royal Academy of Engineering	4,270
3,071	3,992	*D OST Initiatives	5,500
		Less:	
89	150	(DZ) Appropriations In Aid	0
0	586	*E University Challenge Fund	1
0	10,100	*F Cambridge/Massachusetts Institute of Technology Institute	14,000
0	0	*G Higher Education Innovation Funds	15,000
0	0	*H Exploitation of Discoveries at Public Sector Research Establishments	6,000
3,650	3,194	*I Science and Engineering Base Administration Costs	3,924
	3,128	(1) Administration Costs	3,861
	66	(2) Share of Departmental capital expenditure	63
		Less:	
181	187	(IZ) Appropriations in Aid	49
	138	(IZ01) – Administration Costs Related Receipts	0
	49	(IZ02) – Capital Related Receipts	49
3,469	3,007	<b>Net Total</b>	<b>3,875</b>
7,421	6,502	*J Transdepartmental Science and Technology Group Running Costs	7,188
	6,367	(1) Administration Costs	7,053
	135	(2) Share of Departmental capital expenditure	135
		Less:	
365	379	(JZ) Appropriations in Aid	99
	279	(JZ01) – Running Costs Related Receipts	
	100	(JZ02) – Capital Related Receipts	99
13,150	13,250	*Science Enterprise Challenge Scheme	
		<b>Spending Outside Departmental Expenditure Limits</b>	
194,182	213,491	K Biotechnology and Biological Sciences Research Council – Grant-in-Aid	212,374
70,872	71,800	L Economic and Social Research Council - Grant-in-Aid	73,647
404,796	413,552	M Engineering and Physical Sciences Research Council - Grant-in-Aid	441,023
304,538	319,651	N Medical Research Council – Grant-in-Aid	345,320
176,715	185,350	O Natural Environment Research Council – Grant-in-Aid	186,171
186,680	205,774	P Particle Physics and Astronomy Research Council – Grant-in-Aid	206,932
2,000	4,075	Q Council for the Central Laboratory of the Research Councils – Grant-in-Aid	2,985
1,571	88,116	R Joint Infrastructure Fund	125,000
0	4,069	S Synchrotron Radiation Source	20,000
87	175	T Fees payable under the Animals (Scientific Procedures) Act 1986	175
	4,330	OST Initiatives	

**TABLE C1** Resource Estimate Details *(Continued)*

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
	2,500	<b>Science Enterprise Challenge Scheme</b>	
1,417,584	1,604,774	<b>Gross total</b>	1,722,425
635	716	<b>Gross receipts</b>	148
1,416,949	1,604,058	<b>Net total</b>	1,722,277
		Extra receipts payable to the Consolidated Fund	
		In addition to appropriations in aid, there are the following estimated receipts:	
180		Medical Research Council - Interest on balances held at the Bank of England	
179		The Royal Society - Interest on deposit account	
64		Biotechnology and Biological Research Council - Interest on bank account	
14		Engineering and Physical Sciences Research Council	
20		Particle Physics and Astronomy Research Council	
7		Natural Environment Research Council	
464	0	<b>Total</b>	0

### UKAEA Superannuation Funds Request for Resources: Effective management of UKAEA superannuation schemes

1999-2000	2000-01		2001-02
Outturn £'000	Final provision £'000		Provision £'000
		<b>Spending in Annually Managed Expenditure:</b>	
		<b>Function A: Payments of pensions, transfer values and repayments of contributions</b>	
139,015	166,500	<b>A1 Payments of pensions, transfer values and repayments of contributions</b>	150,600
	139,000	(1) Payments of pensions etc Includes lump sums and annual pensions for age and ill-health retirements, lump sums on death and dependants' pensions.	141,000
	9,200	(2) Payment of transfer values Payment made when former members of the schemes join a new employer's occupational pension scheme or are transferred back to the State Additional Pension Scheme. The transfer value is based on the members' accrued pension rights at the date of terminating employment covered by the schemes.	9,200
	18,300	(3) Repayment of contributions	400
		<i>Less:</i>	
16,650	19,500	<b>AZ Appropriations in aid</b>	17,100
	15,600	(1) UKAEA employees contributions	15,600
	500	(2) UKAEA employers' contributions	500
	3,400	(3) UKAEA transfer values received	1,000
122,365	147,000	<b>Net total</b>	133,500
4,567	0	<b>Extra receipts payable to the Consolidated Fund</b>	0
		<i>(Receipts in excess of the appropriations in aid allocation).</i>	

TABLE C1 Resource Estimate Details (Continued)

## Export Credits Guarantee Department Request for Resources 1: Export Finance Assistance

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Central Government's own expenditure:</b>	
		<b>Spending in Annually Managed Expenditure:</b>	
		<b>Function A: Fixed rate export finance</b>	
101,724	73,550	<b>A Grants made in respect of fixed rate export lending</b>	73,600
		Payments under interest equalisation and interest rate swap agreements.	
101,724	73,550	<b>Gross total</b>	73,600
		Less:	
95,976	36,782	<b>AZ Appropriations in aid</b>	40,700
	13,547	(1) Interest equalisation receipts under the interest support schemes and under interest rate swap agreements	37,100
26,105	23,235	(2) Contributions from DfID under the Aid and Trade Provision to finance concessional interest rates on long term commercial loans for projects in developing countries (see DfID Estimate).	3,600
5,748	36,768	<b>Net total</b>	32,900
		<b>Other expenditure outside Departmental Expenditure Limits:</b>	
		<b>Function B: Guaranteed Export Finance Corporation (GEFCO) Loans and Interest Equalisation</b>	
999,424	1,700,000	<b>B1 Loans to Guaranteed Export Finance Corporation (GEFCO)</b>	1,307,000
32,125	114,908	<b>B2 Cost of Capital</b>	179,324
93,017	79,300	<b>B3 GEFCO interest equalisation payments</b>	68,800
1,124,556	1,894,208	<b>Gross total</b>	1,555,124
		Less:	
89,175	402,750	<b>BZ Appropriations in aid</b>	467,200
19,243	356,100	(1) Repayments of loan capital	421,300
69,932	46,650	(2) Interest equalisation receipts under the refinancing scheme	45,900
1,035,391	1,491,458	<b>Net Totals</b>	1,087,924
		<b>Extra receipts payable to the Consolidated Fund</b>	
		In addition to appropriations in aid, there are the following estimated receipts:	
28,767	96,000	Repayments of loan interest	157,372
28,767	96,000	<b>Totals</b>	157,372

**TABLE C1** Resource Estimate Details *(Continued)***Export Credits Guarantee Department Request for Resources 2: Trading Operations**

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Spending in Departmental Expenditure Limits</b>	
		<b>Central Government's own expenditure:-</b>	
243	533	<b>A Capital expenditure</b>	546
		Less:	
		<b>AZ Non-operating Appropriations in aid</b>	
243	533	<b>Net total</b>	546
		<b>Spending in Annually Managed Expenditure:</b>	
		<b>Function B: Administration</b>	
602	510	<b>B1 Administration</b>	610
		Depreciation and Cost of capital	
602	510	<b>Net total</b>	610
		<b>Other spending outside Departmental Expenditure Limits:-</b>	
		<b>Function C: Administration</b>	
22,425	27,021	<b>C1 Administration</b>	28,828
		Salaries, personnel overheads including travel and subsistence and training, accommodation, office services, publicity and international subscriptions, IT and agency services including payments to other Government departments, computer costs including maintenance and telecommunications	
		Less:	
1,472	1,935	<b>CZ Appropriations in aid</b>	0
20,953	25,086	<b>Net total</b>	28,828
		<b>Function D: Export credit guarantees</b>	
148,289	173,700	<b>D1 Cost of Capital</b>	246,500
165,367	120,435	<b>D2 Trading expenses and claims charge</b>	60,767
		Trading expenses in connection with provision for export credit guarantees, movements in unrecovered claims provisions and transfers to / from underwriting funds	
313,656	294,135	<b>Gross total</b>	307,267
		Less:	
244,141	313,595	<b>DZ Appropriations in aid</b>	313,394
		Premium and moratorium interest	
69,515	-19,460	<b>Net total</b>	-6,127
		<b>Function E: Reinsurance operations</b>	
0	275	<b>E1 Portfolio transfer and underwriting administration payments</b>	0
		Settlement of claims and obligations in respect of portfolio transfer and underwriting administration payments	
0	275	<b>Gross total</b>	0
		Less:	
0	100	<b>EZ Appropriations in aid</b>	127
		Premium, moratorium interest and recoveries	
0	175	<b>Net total</b>	-127
		<b>Function F: Overseas investment insurance</b>	
0	140	<b>F1 Payments under contracts</b>	0
		Settlement of claims expected under contracts insuring companies investing overseas against political risks, and associated trading expenses	

**TABLE C1** Resource Estimate Details (Continued)

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		Less:	
0	5,400	<b>FZ Appropriations in aid</b>	<b>8,000</b>
		Premium and recoveries	
0	-5,260	<b>Net total</b>	<b>-8,000</b>
		<b>Function G: Tender to Contract</b>	
0	50	<b>G1 Payments under tender to contract/forward exchange supplement guarantees</b>	<b>0</b>
		Payments under TTC/FES guarantees to protect exporters tendering in foreign currency	
		Less:	
0	1,100	<b>GZ Appropriations in aid</b>	<b>0</b>
		Premium paid for guarantees	
		Gains arising from fluctuations in exchange rates of guaranteed contracts	
0	-1,050	<b>Net Total</b>	<b>0</b>
0		<b>Extra receipts payable to the Consolidated Fund</b>	
		In addition to appropriations in aid, there are the following estimated receipts:	
147,972	38,305	(1) Excess Appropriation in aid	
		(2)Voted payment	44,000
<b>147,972</b>	<b>38,305</b>	<b>Total</b>	<b>44,000</b>

### Office of Fair Trading Request for Resources: Advancing and safeguarding the interests of UK consumers

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Departmental Expenditure in Departmental Expenditure Limits</b>	
		<b>Central Government's Own Expenditure:-</b>	
		<b>*A: Administration</b>	
22,952	30,157	<b>A1 Administration Costs</b>	<b>30,474</b>
997	600	<b>A2 Other Current Expenditure</b>	<b>650</b>
<b>23,949</b>	<b>30,757</b>	<b>Gross Total</b>	<b>31,124</b>
		Less:	
270	366	<b>AZ Appropriations in aid</b>	<b>366</b>
<b>23,679</b>	<b>30,391</b>	<b>Net Resource Total</b>	<b>30,758</b>
6,655	1,718	<b>A3 Capital Expenditure</b>	<b>1,398</b>
		Less:	
0	0	<b>Non-operating Appropriations in Aid</b>	<b>0</b>
<b>6,655</b>	<b>1,718</b>	<b>Net Capital Total</b>	<b>1,398</b>
		<b>Spending in Annually Managed Expenditure</b>	
		<b>Non-cash items:</b>	<b>2,633</b>
366	699	Cost of capital	517
1,539	1,928	Depreciation	2,116
		<b>Other Spending Outside Departmental Expenditure Limits</b>	
6	23	<b>C Refunds</b>	<b>23</b>
<b>30,340</b>	<b>33,041</b>	<b>Net Resource Estimate Voted</b>	<b>33,414</b>
<b>3,491</b>	<b>3,491</b>	<b>Extra receipts payable to the Consolidated Fund</b>	<b>3,491</b>
		Fees for Administration of the Consumer Credit Act 1974	
		Fees charged for Mergers and the Fair Trading Act 1973	
		Miscellaneous Receipts	

**TABLE C1** Resource Estimate Details *(Continued)***Office of Telecommunications Request for Resources: Providing the best possible deal for telecommunications customers through effective competition**

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Spending in Departmental Expenditure Limits (DEL)</b>	
		<b>Central government's own expenditure:-</b>	
		<b>*A: Administration</b>	
11,589	13,148	<b>Administration</b>	15,718
226	1,225	<b>Other current expenditure</b>	1,321
	195	(1) Operating costs of the Advisory Committee on Telecommunications including those not directly serviced by OFTEL	540
	84	(2) Litigation costs	84
	946	(3) Twinning with Poland	697
		<b>Spending in Annually Managed Expenditure (AME)</b>	
		<b>Central government's own expenditure:-</b>	
		<b>B: Administration</b>	
694	586	<b>Administration</b>	637
		Non cash costs	
12,509	14,959	<b>Gross total</b>	17,676
		Less:	
11,677	12,604	<b>AZ Appropriations in aid</b>	16,320
		Receipts from licence fees, VAT refunds on contracted out services and the sale of publications and obsolete office equipment	
832	2,355	<b>Net total</b>	1,356
387	0	<b>Extra receipts payable to the Consolidated Fund</b>	0
		In addition to appropriations in aid, there are the following estimated receipts:	
	0	Administration	0
	0	Receipts from licences and search fees under Administration of the Telecommunications Act 1984	0
1,812	632	<b>Capital expenditure</b>	880
		Computers, office equipment and fittings	

TABLE C1 Resource Estimate Details (Continued)

## Office of Gas and Electricity Markets Request for Resources: Protecting consumers by regulating monopolies and promoting competition in the electricity and gas industry

1999-2000	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Departmental Expenditure in Departmental Expenditure Limits</b>	
		<b>Central Government's Own Expenditure:-</b>	
		<b>*A: Gas and Electricity Markets Authority</b>	
68,729	71,262	<b>A1 Administration Costs</b>	35,780
		<b>A2 Other Current Expenditure</b>	175
68,729	71,262	<b>Gross Total</b>	35,955
		Less:	
58,672	71,481	<b>AZ Appropriations in aid</b>	35,954
0	0	<b>Net Resource Total</b>	1
10,057	-219	<b>*B: Payments to the Department of Trade and Industry</b>	
		<b>B2 Other Current Expenditure</b>	19,500
0	10,572	<b>Gross Total</b>	19,500
		Less:	
10,065	9,606	<b>BZ Appropriations in aid</b>	19,500
-10,065	966	<b>Net Resource Total</b>	0
		<b>Capital Expenditure</b>	
		Gas and Electricity Markets Authority	1,115
2,611	5,994	<b>Gross Total</b>	1,115
		Less:	
0	0	<b>Non-operating Appropriations in Aid</b>	150
		Gas and Electricity Markets Authority	150
0	0	<b>Net Capital Total</b>	965
		<b>Spending in Annually Managed Expenditure</b>	
		<b>Gas and Electricity Markets Authority</b>	
		Administration	1,013
0	0	<b>Gross Total</b>	1,013
		Less:	
		<b>AZ Appropriations in aid</b>	1,013
-8	747	<b>Net Resource Total</b>	1
		<b>Extra receipts payable to the Consolidated Fund</b>	

## Postal Services Commission Request for Resources: Protecting consumers by regulating postal operations and promoting competition in the postal services industry

2000-01		2001-02
Total provision £'000		Provision £'000
	<b>Departmental Expenditure in Departmental Expenditure Limits</b>	
	<b>Central Government's Own Expenditure:-</b>	
	<b>* A: Administration</b>	
2,100	<b>A1 Administration Costs</b>	2,301
1,501	<b>A2 Other Current Expenditure</b>	1,501
3,601	<b>Gross Total</b>	3,801
	Less:	
3,700	<b>AZ Appropriations in aid</b>	3,900
-99	<b>Net Resource Total</b>	-99
100	<b>A3 Capital Expenditure</b>	100
	Less:	
	<b>Non-operating Appropriations in Aid</b>	
100	<b>Net Capital Total</b>	100
-99	<b>Net Resource Estimate Voted</b>	-99
	<b>Extra receipts payable to the Consolidated Fund</b>	
	Note: The Postal Services Commission did not incur any expenditure in 1999-2000	

## C2

## Statement of Contingent or Nominal Liabilities

TABLE C2 Department of Trade and Industry: Statement of contingent or nominal liabilities<sup>a</sup>

Statute	Nature of liability	Amount outstanding at 31-3-99	Amount outstanding at 31-3-00
<b>Department of Trade and Industry</b>	<b>Statutory liabilities charged to votes</b>	<b>£ million</b>	<b>£ million</b>
British Aerospace Act 1980, Section 9	BAe: Liabilities immediately prior to Privatisation. The Government assumed ultimate responsibility for any outstanding liabilities of British Aerospace existing immediately prior to its Privatisation on 18 February 1981. The Government would only become responsible in the event of a formal winding up of BAe or an order to wind up the company by the court under the Companies Act.	Unquantifiable	Unquantifiable
Telecommunications Act 1984, Section 68(2)	The Government is liable for certain debts of the Corporation which were outstanding at the transfer date and which are now liabilities of BT plc. In the event of British Telecom plc being wound up, other than for the purpose of reconstruction or amalgamation, the Government would become liable to pay the companies debts to creditors in respect of obligations which were formerly those of British Telecommunications Corporation and were transferred to British Telecom plc.	Unquantifiable	Unquantifiable
Nuclear Installations Act 1965, Sections 16 to 18, as amended by the Energy Act 1983	Statutory liability for third party claims in excess of the operators liability in the event of a nuclear accident in the UK.	up to 280.0 (approximately per incident)	up to 280.0 (approximately per incident)
Nuclear Installations Act 1965, Section 18 as amended by the Energy Act 1983	Contributions to an international pool of funds for third party claims following a Nuclear accident in another country party to the Brussels convention 1963 supplementary to the Paris Convention on third party liability in the fields of Nuclear Energy, 1960 where the aggregate claims exceed £165m (approx) up to a limit of £280m (approx).	up to 16.0 (approximately per incident)	up to 16.0 (approximately per incident)
Atomic Energy Act 1989, section 5(1)	To provide assistance to another Member State under the IAEA convention assistance in the case of a nuclear accident or radiological emergency.	Unquantifiable	Unquantifiable
Atomic Energy Authority Acts 1954 and 1971	Indemnities given to the UKAEA by the Secretary of State to cover certain indemnities given by UKAEA to carriers and British Nuclear Fuels against certain claims for damage caused by Nuclear matter in the course of carriage.	Unquantifiable	Unquantifiable
Nuclear Industry (Finance) Act 1977, Sections 1 and 2 as amended by Section 1 of the 1981 Act and by Section 1 of the Atomic Energy Act 1989.	Guarantees by the Secretary of State to cover loans from the European Investment Bank to British Nuclear Fuels plc.	Nil	Nil
Coal Industry Acts	Assurance to British Coal Corporation that, subject to Parliament approving any necessary provisions, adequate funds will continue to be made available to enable the Corporation to meet their financial obligations as they fall due during the current financial year.	5,500	5,500
Coal Industry Act 1994, Schedule 5, Paragraph 2 (9)	Deeds of guarantee dated 31 October 1994 in respect of British Coal Corporation Pension Schemes (Mineworkers Pension Scheme and British Coal Staff Superannuation Scheme) in which the Secretary of State agrees to meet a deficiency in the Schemes ability to fund pension benefits laid down in the Schemes.	Unquantifiable	Unquantifiable

<sup>a</sup>This information is also published in December each year in the Consolidated Fund and National Loans Fund Accounts: Supplementary Statements (The Stationery Office).

**TABLE C2** Statement of contingent or nominal liabilities *(Continued)*

Statute	Nature of liability	Amount outstanding at 31-3-99	Amount outstanding at 31-3-00
<b>Department of Trade and Industry</b>	<b>Statutory liabilities charged to votes</b>	<b>£ million</b>	<b>£ million</b>
Industrial Development Act 1982, Section 8	A liability under the Departments Small Firms Loan Guarantee Scheme on outstanding guarantees for loans granted over, approximately, the past 7 years.	86.141	86.576
Companies Act 1985, Section 256 (as amended by the Companies Act 1989)	A guarantee has been given to the Financial Reporting Council that if the amount held in the Legal costs fund falls below £1m in any year, an additional grant will be made to cover legal costs subsequently incurred that year.	Unquantifiable	Unquantifiable
Industry Act 1972, Section 10	Home Shipbuilding Credit Guarantee Scheme Guarantees to banks in respect of loans made to UK Shipowners for the construction, completion or alteration of ships and offshore installations.	270.0	270.0
Coal Industry Act 1994	Undertakings/indemnities given to Mining Scotland Ltd in connection with its acquisition of the Scottish mining activities of the British Coal Corporation.	Unquantifiable	Unquantifiable
Coal Industry Act 1994	Undertakings/Indemnities given to Celtic Energy Ltd in connection with its acquisition of the South Wales mining activities of the British Coal Corporation.	Unquantifiable	Unquantifiable
Coal Industry Act 1994	Indemnities given to Coal Investment plc in connection with its acquisition of Annesley/Boutinck Ltd.	Unquantifiable	Unquantifiable
Coal Industry Act 1994	Undertakings/Indemnities given to RJB (Mining) PLC in connection with its acquisition of the English mining activities of British Coal Corporation.	Unquantifiable	Unquantifiable
Outer Space Act 1986	The Outer Space Act (1986) gives the Secretary of State the power to licence UK companies and nationals who intend to procure and/or operate in space objects. Before issuing a licence BNSC requires evidence of third party liability insurance of at least £100 million. Any liability on HMG will therefore only arise if a claim is in excess of £100 million. In addition, the Governor of Cayman Islands has also issued an Exemption to Sea Launch for their test launch in March 1999, under the Act as extended to Cayman Islands in 1998. This is the first time the Act has been used for launchers rather than satellites. The seven licenses issued to Matra Marconi Space were for UK MoD Satellites. Any liability for them is therefore the responsibility of the MoD and not DTI.	Unquantifiable	Unquantifiable
	<b>Non-statutory liabilities charged to vote</b>		
	International Natural Rubber Agreement 1995. The UK and other member countries may be called upon to contribute to the buffer stock account.	0.4	0.4
	BAe: Airbus Development Costs Guarantee in respect of BAe by HMG to other Airbus Governments that finance will be available for BAe's share of agreed development costs for the A330/A340 programme.	33.0	33.0
	BAe: Financial Obligations to Airbus. Under the terms of the principles of Co-operation of 1978 with the French and German Governments (which do not have treaty status) the UK Government will stand behind the discharge by BAe of its financial obligations to Airbus industry.	Unquantifiable	Unquantifiable
	Treaty with the French Government relating to the Concorde programme. The Government stands behind those companies involved in the manufacture and supply of services and other support to the aircraft. To the extent of any successful claims in respect of the manufacturers product liability for losses involving British owned and operated aircraft, the Government would ensure payments of claims which exceeded insurance cover against liability.		

TABLE C2 Statement of contingent or nominal liabilities (Continued)

Statute	Nature of liability	Amount outstanding at 31-3-99	Amount outstanding at 31-3-00
	<b>Non-statutory liabilities charged to vote</b>		
	Assurance that, subject to Parliamentary approval of any expenditure entailed, the Government would meet any net liabilities of British Shipbuilders as recorded in their Accounts. Beyond this general commitment, and subject to the same caveats, more specific assurances have been given to meet contingent liabilities associated with certain of BS's financial guarantees.	13.0	13.0
	Costs of meeting waste management and decommissioning liabilities at UKAEA sites and certain similar liabilities of the UKAEA at BNFL sites.	7,100 (approximately)	2,840 (approximately)
	Letter of comfort to AEA Technology who, under the terms of a collaboration agreement on a European project for underground gasification of coal, accept joint and several liability.	Unquantifiable	Unquantifiable
	Financial undertaking from the Government to BNFL in connection with the transfer of the Governments shareholding in Magnox Electric Plc to BNFL on 30 January 1998.	2.911	3,179
	Deed of indemnity in respect of potential liabilities vested in National Grid Company under a CEGB/EdF protocol which governs responsibilities in respect of the interconnector linking England and France.	Up to 200	Up to 200
	<b>Paid in capital subscription for the Common Fund for Commodities:</b>		
	Government is committed to the payment of a subscription of £4.48m to the First Account of the Fund, half of which is in the form of Promissory Notes callable following the coming into operation of the first Account.	2.24	2.24
	<b>Callable capital subscription for the Common Fund for Commodities:</b>		
	Government is committed to the payment of a subscription of £1.96m to the First Account of the Fund, in the event that the Fund is unable to meet its liabilities in respect of First Account operations.	1.96	1.96
	<b>European Patent Office:</b>		
	The UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973.	Unquantifiable	Unquantifiable
	<b>World Intellectual Property Organisation.</b>		
	The UK as a contracting state to the Patent Co-operation Treaty of 1970, has a potential liability under Article 57 of the Treaty.	Unquantifiable	Unquantifiable
	Indemnity given to the police. The Police Information Technology Organisation (Home Office) provides Legal Services Directorate D (DTI) with access to data from the Police National Computer (PNC). The DTI has indemnified the police against any liabilities which they might incur as a result of providing that access.	Unquantifiable	Unquantifiable
	"Back end" costs of decommissioning nuclear facilities for the Central Laboratory of the Research Councils and the Medical Research Council.	11.5	5.63 <sup>b</sup>

<sup>b</sup> Breakdown of 1999 figures in respect of nuclear facilities (£ million):

CLRC	5.5
ISIS	5.4
Synchrotron Radiation Source	0.1
MRC	3.5
TOTAL	9.0

**TABLE C2** Statement of contingent or nominal liabilities *(Continued)*

Statute	Nature of liability	Amount outstanding at 31-3-99	Amount outstanding at 31-3-00
	The Biotechnology and Biological Sciences Research Council (BBSRC), formerly the Agricultural and Food Research Council (AFRC) has a contingent liability to meet the redundancy costs of BBSRC employees attached to Horticultural Research International who are made redundant.	18.0	18.0
	"Back end" costs of decommissioning international scientific facilities.	80.6	Expired <sup>c</sup>
	Cost of demolition of buildings and remediation of contaminated land at NPL, Teddington site.	14	Unquantifiable
	At 20 May 1999, BNSC has issued the following licences: two to B Sky B, twelve to Surrey University, one to British Aerospace Ltd, seven to Matra Marconi Space Ltd, two to Telenor UK Ltd, one to INMARSAT, and four to the Science and Engineering Research Council. Additionally, the Governor of Hong Kong has issued two licences to AsiaSat Ltd and two to AIT Satellite Company Ltd under the 1986 Act as extended to Hong Kong in 1990. The Governor of Gibraltar has also issued a licence to GE (Gib) Communications Ltd under the Act as extended to Gibraltar in 1996.	Unquantifiable	Unquantifiable
	Radiation Compensation Scheme and Health Mortality Programme Agreement.	0.32	0.26
	Changes to the Radioactive Waste Management Policy.	Unquantifiable	Unquantifiable
	Further Incidents/Accidents or insurance claim for exposure to ionising radiation pursued outside the existing scheme.	Unquantifiable	Unquantifiable
	LSI Wind Turbine Project decommissioning costs.	0.3	0.3
	Changes to International Regulations.	Unquantifiable	Unquantifiable
	There is a very remote possibility that 3 satellites in orbit belonging to PPARC/SERC may collide with other satellites or aircraft before being removed from orbit. There is also the potential that these satellites cause to the surface of the earth. If PPARC were shown to be at fault for this damage, a liability would arise against HMG. The possibility of this arising is extremely remote.	Unquantifiable	Unquantifiable
	United Kingdom's share of debts of CERN liabilities.	37	31
	Liabilities arising from the collapse of the Matrix Churchill company. The Government could be obliged to pay compensation or individuals that were damaged by the Department's action in respect of Matrix Churchill.	Unquantifiable	Unquantifiable
	Indemnity given by the Secretary of State to intermediary lending institutions under an exchange risk guarantee scheme in respect of actions etc, which may be brought against them arising from failure of the Secretary of State to comply with obligations imposed upon him by Exchange Risk Guarantee Agreements.	Unquantifiable	Unquantifiable

<sup>c</sup> Breakdown of 1999 figures in respect of international facilities (£ million):

	<b>EPSRC</b>		<b>43.6</b>
	Institut Laue Langevin (Decommissioning)	35.0	
	Institut Laue Langevin (Reprocessing)	3.6	
	European Synchrotron Radiation Facility (Decommissioning)	3.6	
306	<b>PPARC</b>		<b>37.0</b>
	CERN	37.0	
	<b>TOTAL</b>		<b>80.6</b>

## C3

Grant in Aid – Analysis of Expenditure  
by Type

TABLE C3 Grant in aid – analysis of expenditure by type

## a) Biotechnology and Biological Sciences Research Council

1999-00	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
0		<b>Gross expenditure</b>	
7,100	7,000	<b>A Central Administration and Expenses</b>	7,000
4,100	1,350	<b>B Restructuring / Superannuation</b>	2,500
64,910	73,133	<b>C Grants and Contracts to Research Institutes and other research bodies</b>	73,500
	70,217	a) Research Institutes	70,500
	2,916	b) CCLRC	3,000
91,284	99,284	<b>D Grants for Research in Universities and Other Bodies</b>	101,700
	87,284	a) Current	89,540
	12,000	b) Capital	12,160
23,432	23,872	<b>E Postgraduate Awards</b>	26,513
200	200	<b>F International Subscriptions</b>	200
191,026	204,839	<b>Total Gross Recurrent Expenditure</b>	211,413
13,101	15,544	<b>G Major Capital Expenditure</b>	14,175
	15,294	a) Institutes etc.	13,925
	250	b) Administration	250
204,127	220,383	<b>Total Gross Expenditure</b>	225,588
		<b>Financed by:</b>	
195,545	213,491	<b>(Cash) Grant in Aid (Resource)</b>	216,205
8,582	6,892	<b>Current Receipts</b>	7,983
	6,012	a) Other Research Councils	7,383
	880	b) Miscellaneous Receipts	600
0	0	<b>Capital Receipts</b>	1,400
204,127	220,383	<b>Total</b>	225,588

**TABLE C3** Grant in Aid *(Continued)***Economic and Social Research Council**

1999-00	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Gross Expenditure</b>	
4,065	3,297	<b>Central Administration and Expenses</b>	3940
341	192	<b>Restructuring/Superannuation</b>	192
46,194	48,610	<b>Grants for Research in Universities and Other Bodies and Research Dissemination</b>	50,166
45,575	47,810	a) Current	49,466
619	800	b) Capital	700
21,075	22,628	<b>Postgraduate Awards</b>	23251
132	100	<b>International Subscriptions</b>	100
<b>71,807</b>	<b>74,827</b>	<b>Total Gross Recurrent Expenditure</b>	<b>77,649</b>
476	170	<b>Major Capital Expenditure</b>	500
<b>72,283</b>	<b>74,997</b>	<b>Total Gross Expenditure</b>	<b>78,149</b>
		Financed by:	
70,872	71,800	<b>Grant in Aid</b>	-73,647
1,028	3,197	<b>Current Receipts</b>	4,502
991	3,097	a) Government Departments	4401
74	100	b) Others	101
383	0	<b>Transfer from Reserves</b>	0
<b>72,283</b>	<b>74,997</b>	<b>Total</b>	<b>78,149</b>

**TABLE C3** Grant in Aid *(Continued)***Engineering and Physical Sciences Research Council**

1999-00	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Gross Expenditure</b>	
16,143	15,412	<b>Central Administration</b>	17,874
4,296	1,096	<b>Restructuring</b>	750
6,440	6,350	<b>CLRC 1</b>	5,495
274,094	301,481	<b>Grants for Research in Universities and Other Bodies</b>	328,017
	251,854	a) Current	259,235
	49,627	b) Capital	68,782
89,570	77,322	<b>Postgraduate Awards</b>	75,607
7,494	7,496	<b>Other Expenditure on Research</b>	10,376
13,656	12,293	<b>International Subscriptions</b>	12,208
<b>411,693</b>	<b>421,450</b>	<b>Total Gross Recurrent Expenditure</b>	<b>450,327</b>
533	950	<b>Major Capital Expenditure</b>	376
	400	i) Central Administration	376
	550	ii) Other Expenditure on Research	0
<b>412,226</b>	<b>422,400</b>	<b>Total Gross Expenditure</b>	<b>450,703</b>
		Financed by:	
404,796	413,552	<b>Grant in Aid</b>	441,023
7,090	8,848	<b>Current Receipts</b>	9,680
	6,700	a) Government Departments	5,600
	1,774	b) Other Research Councils	3,830
	266	c) Other Bodies	0
	96	d) Restructuring	250
	12	e) Other operating receipts	0
0	0	<b>Capital Receipts</b>	0
340		<b>Transfer to Reserves</b>	
<b>412,226</b>	<b>422,400</b>	<b>Total</b>	<b>450,703</b>

1 Payments to CCLRC in respect of research in HEIs are included in that heading.

**TABLE C3** Grant in Aid *(Continued)***Medical Research Council**

1999-00	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Gross Expenditure</b>	
12,736	12,800	<b>Central Administration</b>	13,300
4,765	4,600	<b>Restructuring</b>	5,000
147,619	156,800	<b>Council Institutes, Establishments and Other Staff</b>	165,900
6,119	5,300	<b>Grants and Contracts to Research Institutes and Other Bodies</b>	7,200
1,803	1,680	a) CCLRC	1,800
4,316	3,620	b) Others	5,400
101,965	109,600	<b>Grants for Research in Universities and Other Bodies</b>	119,871
91,178	99,000	a) Current	107,871
10,787	10,600	b) Capital	12,000
37,494	37,700	<b>Postgraduate Awards</b>	43,929
6,091	6,000	<b>International Subscriptions</b>	6,100
3,862	5,000	<b>Commercial Fund</b>	5,000
<b>320,651</b>	<b>337,800</b>	<b>Total Gross Recurrent Expenditure</b>	<b>366,300</b>
23,638	29,651	<b>Major Capital Expenditure</b>	26,520
11	0	i) Central Administration	0
23,627	29,651	ii) Institutes	26,520
<b>344,289</b>	<b>367,451</b>	<b>Total Gross Expenditure</b>	<b>392,820</b>
		Financed by:	
304,538	322,151	<b>Grant in Aid</b>	347,820
38,739	46,310	<b>Current Receipts</b>	40,000
11,357	12,000	a) Government Departments	12,500
3,680	3,334	b) Commissions from the EU	3,334
23,702	30,976	c) Other	24,166
6,740	5,000	<b>Commercial Fund Receipts</b>	5,000
0	0	<b>Capital Receipts</b>	0
(5,728)	(6,010)	<b>Transfer to Reserves</b>	0
<b>344,289</b>	<b>367,451</b>	<b>Total</b>	<b>392,820</b>

1 1999-2000 Outturn in Cash Terms. Provisions in Resource Terms.

TABLE C3 Grant in Aid (Continued)

## Natural Environment Research Council

1999-00	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Gross Expenditure</b>	
<b>8,475</b>	<b>8,980</b>	<b>Central Administration</b>	<b>10,042</b>
7,942	8,465	NERC Central Administration	8,460
533	515	Joint Services provided to other Councils	442
		Swindon Office refurbishment	1,140
<b>9,113</b>	<b>6,118</b>	<b>Restructuring</b>	<b>7,412</b>
<b>114,483</b>	<b>106,641</b>	<b>NERC Centres/Surveys, Services and Facilities</b>	<b>115,840</b>
<b>6,313</b>	<b>3,925</b>	<b>Grants and Contracts to Other Research Bodies</b>	<b>3,450</b>
5,636	3,225	a) CCLRC	2,692
677	700	b) Associations	758
<b>48,393</b>	<b>69,604</b>	<b>Grants for Research in Universities and Other Bodies</b>	<b>63,442</b>
45,307	62,860	a) Current	58,433
3,086	6,744	b) Capital	5,009
<b>15,980</b>	<b>16,194</b>	<b>Postgraduate Training Awards</b>	<b>16,705</b>
<b>1,846</b>	<b>2,055</b>	<b>International Subscriptions</b>	<b>2,055</b>
<b>204,603</b>	<b>213,517</b>	<b>Total Gross Recurrent Expenditure</b>	<b>218,946</b>
<b>14,441</b>	<b>16,140</b>	<b>Major Capital Expenditure</b>	<b>11,497</b>
20		i) Central Administration	
14,421	16,140	ii) Centres/Surveys, Services and Facilities	11,497
		iii) Joint Services	
<b>219,044</b>	<b>229,657</b>	<b>Total Gross Expenditure</b>	<b>230,443</b>
		Financed by:	
<b>176,715</b>	<b>185,350</b>	<b>Grant in Aid</b>	<b>187,871</b>
<b>43,444</b>	<b>44,007</b>	<b>Current Receipts</b>	<b>42,032</b>
15,425	15,853	a) Commissions from Government Departments	15,500
4,092	5,436	b) Commissions from the EU	5,572
12,080	17,388	c) Other Commissions	16,300
533	515	d) From Other Councils for Joint Services	442
11,314	4,815	e) Other Receipts	4,218
<b>1,075</b>	<b>300</b>	<b>Capital Receipts</b>	<b>540</b>
<b>(2,190)</b>		<b>Transfer To Reserves</b>	
<b>219,044</b>	<b>229,657</b>	<b>Total</b>	<b>230,443</b>

**TABLE C3** Grant in Aid *(Continued)***Particle Physics and Astronomy Research Council**

1999-00	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Gross Expenditure</b>	
5,466	4,019	Administration	4,118
1,362	750	Restructuring	750
10,269	11,237	Council Institutes and Establishments	11,801
21,059	24,729	Grants and Contracts to Other Research Bodies - CCLRC	24,300
47,770	45,296	Grants for Research in Universities and Other Bodies	52,943
41,560	39,519	a) Current	45,900
6,210	5,777	b) Capital	7,043
9,952	10,214	Postgraduate Training Awards	11,100
84,432	98,999	International Subscriptions	97,630
7,142	10,551	Other Expenditure on Research	4,990
<b>187,452</b>	<b>205,795</b>	<b>Total Gross Recurrent Expenditure</b>	<b>209,718</b>
3,856	2,430	Major Capital Expenditure	1,800
86	0	i) Central Administration	0
3,770	2,430	ii) Council Establishments	1,800
<b>191,308</b>	<b>208,225</b>	<b>Total Gross Expenditure</b>	<b>211,518</b>
		Financed by:	
186,680	205,774	Grant in Aid	206,932
4,628	2,451	Current Receipts	2,500
1,556	928	a) Commissions from Government Departments	69
	46	b) EU Commissions	17
3,072	1,477	c) Other Commissions	2,414
0	0	Capital Receipts	0
<b>191,308</b>	<b>208,225</b>	<b>Total</b>	<b>209,432</b>

**TABLE C3** Grant in Aid *(Continued)***Council for the Central Laboratory of the Research Councils**

1999-00	2000-01		2001-02
Outturn £'000	Total provision £'000		Provision £'000
		<b>Gross Expenditure</b>	
<b>100,230</b>	<b>99,572</b>	<b>Programme and Facility Operating Costs</b>	<b>101,476</b>
<b>100,230</b>	<b>99,572</b>	<b>Total Gross Recurrent Expenditure</b>	<b>101,476</b>
<b>8,033</b>	<b>13,415</b>	<b>Capital Expenditure</b>	<b>12,043</b>
<b>108,263</b>	<b>112,987</b>	<b>Total Gross Expenditure</b>	<b>113,519</b>
		Financed by:	
<b>2,000</b>	<b>4,075</b>	<b>Grant in Aid</b>	<b>4,336</b>
<b>107,499</b>	<b>108,912</b>	<b>Current receipts</b>	<b>109,183</b>
80,367	81,665	(1) Research Councils	82,840
4,724	4,820	(2) Other Government Departments	3,095
22,408	22,427	(3) Other sources	23,248
<b>281</b>		<b>Capital receipts</b>	
<b>109,780</b>	<b>112,987</b>	<b>Total</b>	<b>113,519</b>

1 2000-2001 Provision in Cash Terms

## C4

Department of Trade and Industry:  
Long-term projects

## Aerospace support – details of investments over £20 million

Project	Year of start/ original estimate of year of completion	Current estimate of completion	Current estimate of expenditure £ thousand at 2000-01 prices				
			Original estimate of expenditure	Total	Spend in past years (end March 2001)	Estimated provision 2001-02	To be spent in in future years
Trent 500 engine development	1997-98 /2000-01	2001-02	200,000	200,000	195,500	4,500	0
A380 airframe development	2001-02/2003-04	2003-04	530,000	530,000	0	136,000	394,000
Trent 900 and 600 engine development [contract under negotiation]	2001-02/2003-04	2003-04	250,000	250,000	0	63,000	187,000
<b>Total</b>			<b>980,000</b>	<b>980,000</b>	<b>195,500</b>	<b>203,500</b>	<b>581,000</b>

Note: To reflect the nature of the contract, all costs are expressed in cash, not 2000-01 prices, and the current estimate of cost equates to the original estimate of cost.

## Details of contributions to the European Space Agency of over £5 million

Project	Year of start/ original estimate of year of completion	Current estimate of completion	Current estimate of expenditure £ thousand at 2000-01 prices				
			Original estimate of expenditure	Total	Spend in past years (end March 2001)	Estimated provision 2001-02	To be spent in in future years
Project							
European Remote Sensing Satellite 2 (Phase E1)	1997-98/2000-01	2000-01	8,512	9,106	9,106	0	0
Technology Mission (Artemis)	1990-91/1998-99	2004-05	45,740	51,341	50,572	277	492
Earth Observation Preparatory Programme (Extension 2)	1997-98/2002-03	2003-04	7,131	7,524	5,675	1,477	372
Earth Observation Envelope Programme	1999-00/2001-02	2007-08	71,175	68,882	9,467	13,260	46,155
Columbus Polar Platform	1993-94/1999-00	2002-03	181,008	187,746	184,759	2,450	537
Environmental Satellite 1 (Phase C/D)	1992-93/2003-04	2005-06	228,449	215,234	184,670	6,695	23,869
METOP 1 Phase C/D	1997-98/2006-07	2006-07	14,377	13,547	13,547	0	0
Advanced Research in Telecommunications Systems - Element 3	1998-99/2000-01	2003-04	6,919	9,409	7,546	1,332	531
Advanced Research in Telecommunications Systems - Element 3 Phase 2	1999-00/2002-03	2003-04	26,992	26,083	13,362	8,247	4,474
<b>Total</b>			<b>590,303</b>	<b>588,872</b>	<b>478,704</b>	<b>33,738</b>	<b>76,430</b>

Note: ESA inflation updating factors have been used to express the figures in 2001-02 prices.

## Biotechnology and Biological Sciences Research Council

Project	Year of start/ original estimate of year of completion	Current estimate of completion	Current estimate of expenditure £ thousand at 2000-01 prices				
			Original estimate of expenditure	Total	Spend in past years (end March 2001)	Estimated provision 2001-02	To be spent in in future years
Project							
I Research Institutes of the Council							
I Total					0		
II Other Research Institutes							
(a) Land and Buildings							
Schemes in progress on 1 April 2001							
Institute of Arable Crops Research - Rothamsted							
Site Redevelopment	1999-00/ 2003-04	2003-04	19000	24000	7032	8000	8968
Schemes costing less than £400,000						3836	
(b) Plant,Machinery etc							
Items costing less than £400,000						3489	
II Total						15325	
III BBSRC Office							
(a) Land and Buildings							
Schemes costing less than £400,000						0	
(b) Plant,Machinery etc							
Items costing less than £400,000						250	
III Total						250	
Gross Total						15575	
Less:							
Capital Receipts							
Sale of Land and Building						1400	
Net total (Subhead A1(2))						14175	

NB. Figures in this table are based on projected and outturn cash prices,deflated to 2001-02 prices using the GDP deflator.

**TABLE C4** Long Term Projects *(Continued)***Engineering and Physical Sciences Research Council**

Project	Year of start/ original estimate of year of completion	Current estimate of completion	Original estimate of expenditure	Current estimate of expenditure £ thousand at 2000-01 prices			
				Total	Spend in past years (end March 2001)	Estimated provision 2001-02	To be spent in in future years
Project							
<b>I Headquarters</b>							
Plant and Machinery							
Items costing less than £400,000						376	
<b>I Total</b>						<b>376</b>	
<b>II Capital Element Supercomputing</b>							
						0	
<b>II Total</b>						<b>0</b>	
<b>Gross total</b>						<b>376</b>	
less:							
Capital Receipts						0	
<b>Net total</b>						<b>376</b>	

N.B. Figures in this table are based on projected and outturn cash prices deflated to 2000-01 prices using the GDP deflator.

## Medical Research Council

Project	Notes	Year of start/ original estimate of year of completion	Current estimate of completion	Current estimate of expenditure £ thousand at 2000-01 prices				
				Original estimate of expenditure	Total	Spend in past years (end March 2001)	Estimated provision 2001-02	To be spent in in future years
Project								
<b>Council Establishments</b>								
(a) Land and Buildings								
Schemes costing more than £400,000 and in progress at 1 April 2001								
<b>Dunn Nutrition Unit</b>								
New building (Island site)	1	1994-95/1997-98	2000-01	7,590	11,200	11,200	0	0
Island site phase 1 refurbishment	2	1998-99/2000-01	2001-02	2,831	2,695	2,612	83	0
Island site phase 2 refurbishment	3	1998-99/2001-02	2001-02	5,240	5,500	5,356	144	0
Accommodation for the HNR	4	1998-99/2001-02	2001-02	1,950	1,950	1,870	80	0
<b>Other Unit Projects</b>								
NMR facilities in Cambridge (LMR)	5	1998-99/1999-00	2001-02	835	834	789	45	0
Cognition and Brain Sciences Unit extension	6	1998-99/2000-01	2002-03	2,008	2,100	1,661	380	59
<b>New Projects (commenced during 2000-01)</b>								
SPF Building (NIMR)		2000-01/2002-03	2002-03	2,400	2,400	546	1,817	37
Stephenson House Refurbishment (UCL)		2000-01/2001-02	2001-02	818	818	798	20	0
Animal (mouse) Facilities (Harwell) (Initial funding)		2000-01/2001-02	2001-02	1,500	1,500	300	1,200	0
Canterbury Project		2000-01/2003-04	2003-04	6,680	6,680	350	5,807	523
Building (HIU)		2001-02/2001-02	2001-02	500	500	0	500	0
Animal (mouse) Facilities (Hammersmith)		2002-03/2004-05	2002-03	4,000	4,000	0	0	4,000
Schemes costing less than £400,000							315	
(b) Plant and Machinery and permanent equipment								
Items costing more than £400,000							1,440	
Items costing less than £400,000							18,477	
<b>Total</b>							<b>30,308</b>	
less:								
Receipts from the sale of assets							0	
<b>Net total</b>							<b>30,308</b>	

N.B. Figures in this table are based on projected and outturn cash prices deflated to 2001-02 prices using the GDP deflator.

## Notes

- 1 This project will complete this financial year, earlier than anticipated in our returns last year. Original estimates of costs and the timetable were provisional.
- 2 While costs have risen, they remain less than original estimate. End date has moved into the next financial year compared to last year's returns due to building delays.
- 3 The total estimate for this has been increased by 1.6% compared to last year's return.
- 4 Incorrect estimates entered in last year's return; apologies for the error.
- 5 Costs have remained static, but the end date has moved into the next financial year compared to last year's returns, mainly attributable to building delays.
- 6 The estimates for this has been increased by 1.45% compared to last year's return.

**TABLE C4** Long Term Projects (Continued)**Natural Environment Research Council**

Long term projects	Year of start/ original estimate of year of completion	Current estimate of completion	Current estimate of expenditure £ thousand at 2000-01 prices				
			Original estimate of expenditure	Total	Spend in past years (end March 2001)	Estimated provision 2001-02	To be spent in in future years
<b>Research establishments of the Council</b>							
Schemes in progress on 1 April 2001							
(a) Land and Buildings							
Dorset Merger Project	1998-99/2001-02	2001-02	4,040	4,040	3,785	255	0
Merlewood/Lancaster Project	2000-01/2002-03	2001-02	6,794	6,699	0	2,797	3,902
Monks Wood (BAS Block Replacement)	1999-00/2001-02	2001-02	617	623	623	0	0
POL Liverpool	2001-02/2003-04	2003-04	3,927	3,927	0	1,500	2,427
National Geoscience Records Centre Extension, Keyworth	2001-02/2002-03	2002/03	912	912	113	779	20
Items costing less than £400,000						455	
<b>(a) Total</b>						<b>5,786</b>	
(b) Plant and Machinery						0	
Items costing less than £400,000						5,711	
<b>(b) Total</b>						<b>5,711</b>	
<b>Gross Total</b>						<b>11,497</b>	
Less:							
Sales of assets						540	
<b>Net Total</b>						<b>10,957</b>	

Figures in this table are based on projected and outturn cash prices deflated to 2001-02 prices using the GDP deflator.

**Particle Physics and Astronomy Research Council**

Project	Year of start/ original estimate of year of completion	Current estimate of completion	Current estimate of expenditure £ thousand at 2000-01 prices				
			Original estimate of expenditure	Total	Spend in past years (end March 2001)	Estimated provision 2001-02	To be spent in in future years
<b>I Research Establishments</b>							
Plant and Machinery							
Items costing less than £400,000						1,800	
<b>Total</b>						<b>1,800</b>	
less:							
Capital Receipts							
Sale of Plant and Machinery						0	
<b>Net total</b>						<b>1,800</b>	

N.B. Figures in this table are based on projected and outturn cash prices deflated to 2001-02 prices using the GDP deflator.

# C5

## Non-Departmental Public Bodies

Listed below are those Non-Departmental Public Bodies (NDPBs) sponsored by the Department of Trade and Industry. Details of the amount of grant in aid given to these bodies (where appropriate) can be found in tables C1 and C3 (Science Budget).

Information on the Public Corporations can be found in Chapter 17.

Further information on all NDPBs can be found in Public Bodies 2000, published by the Cabinet Office.

### Executive Bodies

Advisory, Conciliation and Arbitration Service (ACAS)

British Hallmarking Council

Coal Authority

Consumer Consultative Bodies:

Consumer Council for Postal Services (1)

Gas and Electricity Consumer Council (2)

Gas Consumers' Council (2)

National Consumer Council

Post Office Users' National Council (1)

Post Office Users' Councils for Scotland, Wales and Northern Ireland (1)

Design Council

Competition Commission

National Research Development Corporation (3)

Research Councils:

Biotechnology and Biological Sciences Research

Council (BBSRC)

Council for the Central Laboratory of the Research

Councils (CCLRC)

Economic and Social Research Council (ESRC)

Engineering and Physical Sciences Research

Council (EPSRC)

Medical Research Council (MRC)

Natural Environment Research Council (NERC)

Particle Physics and Astronomy Research Council

(PPARC)

Simpler Trade Procedures Board (SITPRO)

United Kingdom Atomic Energy Authority

### Advisory Bodies

Advisory Committee on Cleaner Coal Technology

Aerospace Committee

Council for Science and Technology

Energy Advisory Panel

Ethnic Minority Business Advisory Forum

Foresight Steering Group

Fuel Cell Advisory Panel

Import Parity Price Panel

Industrial Development Advisory Board

LINK/TCS Board

Low Pay Commission

Measurement Advisory Committee

OSO Industry Board

Partnership Fund Assessment Panel

Regional Industrial Development Boards (Seven)

Renewable Energy Advisory Committee

Small Business Council

Small Business Investment Task Force

Spectrum Management Advisory Group

Standing Advisory Committee on Industrial Property

### Tribunals

Central Arbitration Committee

Copyright Tribunal

Employment Appeal Tribunal

Employment Tribunals

Insolvency Practitioners' Tribunal

Persons Hearing Consumer Credit Licensing Appeals

Persons Hearing Estate Agents Appeals

1. The Consumer Council for Postal Services (CCPS) was established on 1 January 2001. The CCPS took over the work of the Post Office Users' National Council and the Post Office Users' Councils for Northern Ireland, Scotland and Wales which have been abolished.

2. The Gas and Electricity Consumer Council (GECC) was established on 1 November 2000. The GECC took over the work of the Gas Consumers' Council which was abolished.

3. Following the transfer of property rights and liabilities to the British Technology Group under the British Technology Group Act 1991, the Corporation continues to carry out certain residuary functions.

**TABLE C5** Non-Departmental Public Bodies *(Continued)*

The following table shows the gross administrative expenditure for the larger executive NDBPs and tribunals. 'Larger' means here a body which has 25 or more staff and which normally relies on Government grant or grant-in-aid for 50 per cent or more of its income, or trades mainly with other Government Departments. In the case of the Research Councils, the figures

represent their total running costs and include expenditure on research undertaken at their institutes. The Research Councils' figures are net figures. They therefore exclude the expenditure on research work commissioned by Government Departments, the EU etc and the private sector.

(£ million)	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-00 Outturn	2000-01 Estimate Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Science NDPBs</b>								
<b>BBSRC</b>								
Service Providers	59.8	58.8	59.9	60.2	64.4	69.1	73.2	75
Policy Advisers	1	1	1	1	1	1	1	1
Support and Ohs	3.8	3.8	3.9	3.8	3.8	3.8	3.8	3.8
<b>Total</b>	<b>64.6</b>	<b>63.6</b>	<b>64.8</b>	<b>65.0</b>	<b>69.2</b>	<b>73.9</b>	<b>78</b>	<b>79.8</b>
<b>ESRC</b>								
Service Providers	1.8	1.8	1.9	2	2	2	2	2
Policy Advisers	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Support and Ohs	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
<b>Total</b>	<b>2.5</b>	<b>2.5</b>	<b>2.7</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>
<b>EPSRC</b>								
Service Providers (1)	52.9	57.1	21.9	17.1	21	22.5	28.5	28.9
Policy Advisers	1.9	1.9	2.2	2.2	2.2	2.1	2.1	2.1
Support and Ohs	7.6	7.6	8	8.1	6	6.4	6.6	6.6
<b>Total</b>	<b>62.4</b>	<b>66.6</b>	<b>32.1</b>	<b>27.4</b>	<b>29.2</b>	<b>31</b>	<b>37.2</b>	<b>37.6</b>
<b>MRC</b>								
Service Providers	107	105	105	109.4	111.7	127.8	133.4	137.9
Policy Advisers	6.1	5.9	5.9	6.1	6.3	7.2	7.5	7.8
Support and Ohs	7	7.1	7.1	7.4	7.5	8.6	9	9.3
<b>Total</b>	<b>120.1</b>	<b>118</b>	<b>118</b>	<b>122.9</b>	<b>125.5</b>	<b>143.6</b>	<b>149.9</b>	<b>155</b>
<b>NERC</b>								
Service Providers (2)	78.9	81	80.1	83.7	83.6	83.8	84.6	92.5
Policy Advisers	3	3.1	3.2	3.1	3.3	3.3	3.4	3.4
Support and Ohs	5.5	5.1	4.6	4.8	5	5.1	5.1	5.1
<b>Total</b>	<b>87.3</b>	<b>89.2</b>	<b>87.8</b>	<b>91.6</b>	<b>91.9</b>	<b>92.2</b>	<b>93.1</b>	<b>101</b>
<b>PPARC (3)</b>								
Service Providers	38	43.9	39.8	39.6	46	41.2	42.4	43.7
Policy Advisers	1.5	2.4	2.7	2.5	2.4	2.5	2.5	2.6
Support and Ohs	2.1	1.8	2	1.9	1.8	1.8	1.9	1.9
<b>Total</b>	<b>41.7</b>	<b>48.2</b>	<b>44.5</b>	<b>44</b>	<b>50.2</b>	<b>45.5</b>	<b>46.8</b>	<b>48.2</b>
<b>CCLRC (4)</b>								
Service Providers	1.5	1.2	1.5	0	0	0	0	0
Policy Advisers								
Support and Ohs								
<b>Total</b>	<b>1.5</b>	<b>1.2</b>	<b>1.5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Research Councils Sub-Total</b>	<b>380.1</b>	<b>389.3</b>	<b>351.4</b>	<b>353.7</b>	<b>368.8</b>	<b>389</b>	<b>407.8</b>	<b>424.4</b>

1. Since 1998-99 some payments to CCLRC relating to Research grants to HEIs have been treated differently i.e. excluded from here and included as part of the grants.
2. In 1998-89 a far higher proportion of the Council's research was undertaken in its own institutes and the trend is expected to continue.
3. The difference between PPARCs totals here and those in the Treasury database are restructuring costs which apply across all areas.
4. These figures are net; CCLRC recurrent expenditure is charged to other Research Councils and other customers. The service providers for the other Research Councils includes payments for CCLRC services, except EPSRC, see Note 1 above. From 1999-2000 onwards CCLRC received no grant in respect of their current expenditure.

(£ million)	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-00 Outturn	2000-01 Estimated Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
<b>Non Science NDPBs</b>								
<b>ACAS (1)</b>								
Service Providers	18.7	19.9	20.4	21.6	25	28.5	30.8	32.3
Policy Advisers	0.9	1	1	1	1.3	1.4	1.4	1.5
Support and Ohs	3.2	3.6	4.1	4.7	4.7	4.7	4.8	5
<b>Total</b>	<b>22.8</b>	<b>24.5</b>	<b>25.5</b>	<b>27.3</b>	<b>31</b>	<b>34.6</b>	<b>37</b>	<b>38.8</b>
<b>Coal Authority</b>								
Service Providers	2.3	2.1	2	1.9	1.9	1.8	1.8	1.6
Policy Advisers	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Support and Ohs	1.7	1.6	1.8	2.3	2.1	2.3	2	1.9
<b>Total</b>	<b>4.3</b>	<b>4</b>	<b>4.2</b>	<b>4.6</b>	<b>4.4</b>	<b>4.5</b>	<b>4.2</b>	<b>3.9</b>
<b>Design Council</b>								
Service Providers	0	0	0	0	0	0	0	0
Policy Advisers	3	3.8	5.1	6.8	7.7	6.3	4.4	4.1
Support and Ohs	0.6	1.7	1.5	1.6	1.7	1.8	1.8	1.8
<b>Total</b>	<b>3.6</b>	<b>5.5</b>	<b>6.6</b>	<b>8.4</b>	<b>9.4</b>	<b>8.1</b>	<b>6.2</b>	<b>5.9</b>
<b>Gas Consumers' Council (2)</b>								
Service Providers	1.6	1.7	1.7	1.8	1.1			
Policy Advisers	0.1	0.1	0.1	0.1	0.1			
Support and Ohs	1.3	1.3	1.1	1.6	0.9			
<b>Total</b>	<b>3</b>	<b>3.1</b>	<b>2.9</b>	<b>3.5</b>	<b>2.1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Gas and Electricity Consumer Council (3)</b>								
<b>Total</b>					<b>5.6</b>	<b>19</b>	<b>12</b>	<b>11.2</b>
<b>National Consumer Council</b>								
Service Providers	1.1	0.9	1	1.1	1.7	1.6	1.6	1.6
Policy Advisers	0.2	0.2	0.2	0.2	0	0	0	0
Support and Ohs	1.3	0.7	0.6	1.2	1.8	1.6	1.6	1.6
<b>Total</b>	<b>2.6</b>	<b>1.8</b>	<b>1.8</b>	<b>2.5</b>	<b>3.5</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
<b>Consumer Council for Postal Services (4)</b>								
<b>Total</b>					<b>1.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>
<b>Competition Commission</b>								
Service Providers	4.4	3	3.5	4.9	5	5.6	6.1	6
Policy Advisers	0	0	0	0	0	0	0	0
Support and Ohs	3.3	3.6	3	3.2	3.9	4.4	4.8	4.7
<b>Total</b>	<b>7.7</b>	<b>6.6</b>	<b>6.5</b>	<b>8.1</b>	<b>8.9</b>	<b>10</b>	<b>10.9</b>	<b>10.7</b>
<b>UKAEA</b>								
Service Providers	6.8	7.6	9.3	8.3	8.4	8.6	8.6	8.6
Policy Advisers	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Support and Ohs	24.6	24.9	25.5	27.5	27.6	28.7	29.6	30.5
<b>Total</b>	<b>31.7</b>	<b>32.8</b>	<b>35.1</b>	<b>36.1</b>	<b>36.3</b>	<b>37.6</b>	<b>38.5</b>	<b>39.4</b>
<b>Total Non-science</b>	<b>75.7</b>	<b>78.3</b>	<b>82.6</b>	<b>90.5</b>	<b>102.4</b>	<b>121.2</b>	<b>116.2</b>	<b>117.3</b>

1. ACAS figures exclude the costs of the Central Arbitration Committee, a tribunal NDPB

2. The Gas Consumers' Council was abolished in November 2000. Its work was taken over by the Gas and Electricity Consumer Council

3. The Gas and Electricity Consumer Council was established in November 2000 (see Note 2). No breakdown of the planned figures is currently available.

4. The Consumer Council for Postal Services was established in January 2001. It took over the work of the Post Office Users Councils. No breakdown of the planned figures is currently available.

## C6

## Senior Civil Service Salaries

Pay Range	Number of SCS Staff within the Range	
	DTI	ECGD
Below £40,000	0	0
£40,001 - £44,999	1	0
£45,000 - £49,999	13	1
£50,000 - £54,999	16	5
£55,000 - £59,999	35	2
£60,000 - £64,999	42	5
£65,000 - £69,999	30	2
£70,000 - £74,999	21	1
£75,000 - £79,999	18	1
£80,000 - £84,999	8	1
£85,000 - £89,999	3	1
£90,000 - £94,999	9	0
£95,000 - £99,999	2	0
£100,000 - £104,999	1	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	0	0
£120,000 - £124,999	1	0

## C7

## Public Appointments made by DTI

Public Body & Name of Appointee	Position	Period of Appointment	Annual Remuneration (£ per annum)	Time Input
<b>East of England Industrial Development Board</b>				
Linda Allen	Board Member	01-01-00 - 31-12-02	Nil	Part time
Shaz Khan	Board Member	01-01-00 - 31-12-02	Nil	Part time
Hugh Lawson	Board Member	01-01-00 - 31-12-02	Nil	Part time
Mike Smith	Board Member	01-01-00 - 31-12-02	Nil	
<b>Re-appointments for one year</b>				
David Burall	Board Member	01-01-00 - 31-12-00	Nil	
JohnCarter	Board Member	01-01-00 - 31-12-00	Nil	
Declan Connolly	Board Member	01-01-00 - 31-12-00	Nil	
John Tweddle	Board Member	01-01-00 - 31-12-00	Nil	
<b>Design Council</b>				
Design Council Professor Christopher Frayling	Chairman	01-04-00 - 31-03-03	Nil	Part time
Design Council Rumi Verge	Member	01-01-00 - 31-12-02	Nil	Part time
Design Council John Crathorne	Member	01-01-00 - 31-12-02	Nil	Part time
Design Council Gary Lockton	Member	01-01-00 - 31-12-02	Nil	Part time
Design Council Jonathan Sands	Member	01-01-00 - 31-12-02	Nil	Part time
Design Council Dorothy MacKenzie	Member	01-01-00 - 31-12-01	Nil	Part time
Design Council Richard Dykes	Member	01-01-00 - 31-12-01	Nil	Part time
<b>RIDB Board for Yorkshire &amp; the Humber and East Midlands</b>				
Julie Kenny	Chair & Board Member	01-01-00 to 31-12-02 (3 years)	Expenses only	Part time
Hector M Birdwisa	Board Member	01-01-00 to 31-12-02 (3 years)	Expenses only	Part time
C J Brown	Board Member	01-01-01 to 31-12-01 (1 year)	Expenses only	Part time
Mr A Berryman	Board Member	01-01-99 to 31-12-01 (3 years)	Expenses only	Part time
Mr N Adnitt	Board Member	01-01-99 to 31-12-01 (3 years)	Expenses only	Part time
Mrs Gail Mettyear	Board Member	01-01-01 to 31-12-03 (3 years)	Expenses only	Part time
Mr A J Stradling	Board Member	01-01-01 to 31-12-01 (1 year)	Expenses only	Part time
Mr J Cummins	Board Member	01-06-99 to 31-05-02 (3 years)	Expenses only	Part time
Mr S Nagra	Board Member	01-06-99 to 31-05-02 (3 years)	Expenses only	Part time
Ms Corinne Holmes	Board Member	01-01-00 to 31-12-02 (3 years)	Expenses only	Part time
Mrs Jane Bradford	Board Member	01-01-00 to 31-12-02 (3 years)	Expenses only	Part time
Mr S Good	Board Member	01-01-01 to 31-12-03 (3 years)	Expenses only	Part time
Mr D Cliff	Board Member	01-01-01 to 31-12-03 (3 years)	Expenses only	Part time
<b>EPSRC – Economic and Social Research Council</b>				
Professor Wilson Sibbett	Member	01-04-00 - 31-03-01	5,390	Part time
Mr Bevan Braithwaite	member	01-04-00 - 31-03-01	5,390	Part time
Mr Simon Murray	Member	01-04-00 - 31-03-01	5,390	Part time
Professor Julia King	Member	01-04-00 - 31-03-03	5,390	Part time
Professor John Archer	Member	01-04-00 - 31-03-03	5,390	Part time
Dr Peter Grindrod	Member	01-04-00 - 31-03-03	5,390	Part time
Professor Janet Bainbridge	member	01-04-00 - 31-03-03	5,390	Part time

**TABLE C7** Public Appointments made by DTI *(Continued)*

Public Body & Name of Appointee	Position	Period of Appointment	Annual Remuneration (£ per annum)	Time Input
<b>CCLRC – Council for the Central Laboratory of the Research Council</b>				
Mr Stephen Dexter	Member	01-06-00 - 31-05-02	5,390	Part time
Professor David Saxon	Member	01-04-00 - 31-03-01	5,390	Part time
Professor Wilson Sibbett	Member	01-04-00 - 01-03-01	5,390	Part time
<b>BBSRC – Biotechnology and Biological Sciences Research Council</b>				
Professor Julia Goddell	Member	01-04-00 - 31-03-03	5,390	Part time
Professor Christopher Leaver	Member	01-04-00 - 31-03-03	5,390	Part time
Professor Douglas Kell	Member	01-04-00 - 31-03-03	5,390	Part time
<b>ESRC – Economic and Social Research Council</b>				
Ms Marianne Neville Rolfe	member	01-08-00 - 31-07-02	5,390	Part time
Professor Hadyn Ellia	Member	01-08-00 - 31-07-03	5,390	Part time
Professor Ian Diamond	Member	01-08-00 - 31-07-02	5,390	Part time
Professor Alan Wilson	Member	01-08-00 - 31-07-02	5,390	Part time
<b>MRC – Medical Research Council</b>				
Professor Nancy Rothwell	Member	01-08-00 - 31-07-03	5,390	Part time
Professor Ian MacLennan	Member	01-08-00 - 31-07-03	5,390	Part time
Dr Peter Fellner	Member	01-08-00 - 31-07-03	5,390	Part time
Sir Ros Buckland	member	01-08-00 - 31-07-04	5,390	Part time
<b>NERC – Natural Environment Research Council</b>				
Professor John Beddington	Member	01-08-00 - 31-07-03	5,390	Part time
Professor Maxwell Irvine	Member	01-08-00 - 31-07-01	5,390	Part time
Professor Judith Petts	Member	01-08-00 - 31-07-03	5,390	Part time
Professor Alan Thorpe	Member	01-08-00 - 31-07-03	5,390	Part time
<b>PPARC – Particle Physics and Astronomy Research Council</b>				
Professor Dewi Lewis	Member	01-04-00 - 31-03-03	5,390	Part time
Professor John Pendry	Member	01-04-00 - 31-03-02	5,390	Part time
Professor Andrew Lawrence	Member	01-04-00 - 31-03-03	5,390	Part time
Professor Keith Mason	member	01-04-00 - 31-03-03	5,390	Part time
<b>ACCCT – Advisory Committee on Cleaner Coal Technology</b>				
Dr John Billingsley	member	30-08-00 (2 years)	nil	Part time
Mr Peter Cooper	member	30-08-00 (2 years)	nil	Part time
Mr Phillip Deakin	member	29-08-02 (2 years)	nil	Part time
Mr Mike Evans	member	29-08-02 (2 years)	nil	Part time
Dr Mike Farley	member	29-08-02 (2 years)	nil	Part time
Dr John Grant	member	29-08-02 (2 years)	nil	Part time
Dr John Griffiths	member	29-08-02 (2 years)	nil	Part time
Prof John McMullan	member	29-08-02 (2 years)	nil	Part time
Mr Nick Otter	member	29-08-02 (2 years)	nil	Part time
Mr Brian Ricketts	member	29-08-02 (2 years)	nil	Part time
Mr Paul Setchfield	member	29-08-02 (2 years)	nil	Part time
Dr Allan Shuttleworth	member	29-08-02 (2 years)	nil	Part time
Prof Jim Williamson	member	29-08-02 (2 years)	nil	Part time
<b>Measurement Advisory Committee</b>				
Mr William Goldfinch	Chairman	Appointment officially expired 30-06-00, but extended for an indefinite period pending decisions on the future remit of MAC	Unpaid	Part time

**TABLE C7** Public Appointments made by DTI (Continued)

Public Body & Name of Appointee	Position	Period of Appointment	Annual Remuneration (£ per annum)	Time Input
Prof William Stewart	Member	Appointment officially expired 30-06-00, but extended for an indefinite period pending decisions on the future remit of MAC	Unpaid	Part time
<b>Central Arbitration Committee</b>				
Sir Michael Burton	Chairman	27-03-00 - 26-03-03	Paid as High Court Judge from Consolidated Fund	Part time
Prof Frank Burchill	Deputy Chairman	10-04-00 - 09-04-03	£350 per day	Part time
His Hon Judge Peter Clark	Deputy Chairman	10-04-00 - 09-04-03	£350 per day	Part time
Prof Gillian Morris	Deputy Chairman	10-04-00 - 09-04-03	£350 per day	Part time
Prof John Purcell	Deputy Chairman	10-04-00 - 09-04-03	£350 per day	Part time
Prof Roger Rideout	Deputy Chairman	10-04-00 - 09-04-03	£350 per day	Part time
Ms Mary Stacey	Deputy Chairman	10-04-00 - 09-04-03	£350 per day	Part time
Kenneth Anthony	Member	10-04-00 - 09-04-03	£198 per day	Part time
Charles Eamonn Barry	Member	10-04-00 - 09-04-03	£198 per day	Part time
David Bower	Member	10-04-00 - 09-04-03	£198 per day	Part time
Michael Cann	Member	10-04-00 - 09-04-03	£198 per day	Part time
Maureen Chambers	Member	10-04-00 - 09-04-03	£198 per day	Part time
David Crowe	Member	10-04-00 - 09-04-03	£198 per day	Part time
Simon Faiers	Member	10-04-00 - 09-04-00	£198 per day	Part time
Gerald Fisher	Member	10-04-00 - 09-04-03	£198 per day	Part time
Peter Humphrey	Member	10-04-00 - 09-04-03	£198 per day	Part time
Mrs Jean Johnson	Member	10-04-00 - 09-04-03	£198 per day	Part time
Alexander (Sandy) Morrison	Member	10-04-00 - 09-04-03	£198 per day	Part time
Mrs Diana Palmer	Member	10-04-00 - 09-04-03	£198 per day	Part time
Ms Jacqueline Pate	Member	10-04-00 - 09-04-03	£198 per day	Part time
John Rugman	Member	10-04-00 - 09-04-03	£198 per day	Part time
Mrs Maureen Shaw	Member	10-04-00 - 09-04-03	£198 per day	Part time
Neil Wallace	Member	10-04-00 - 09-04-03	£198 per day	Part time
Dr Elizabeth Allen	Member	10-04-00 - 09-04-03	£198 per day	Part time
Jonathan Allen	Member	10-04-00 - 09-04-03	£198 per day	Part time
Alexander (Sandy) Boyle	Member	10-04-00 - 09-04-03	£198 per day	Part time
Ms Virginia Branney	Member	10-04-00 - 09-04-03	£198 per day	Part time
Dennis Cameron	Member	10-04-00 - 09-04-03	£198 per day	Part time
Kenneth Cameron	Member	10-04-00 - 09-04-03	£198 per day	Part time
William Connor	Member	10-04-00 - 09-04-03	£198 per day	Part time
Ms Susan Corby	Member	10-04-00 - 09-04-03	£198 per day	Part time
Paul Gates	Member	10-04-00 - 09-04-03	£198 per day	Part time
Derek Hodgson	Member	10-04-00 - 09-04-03	£198 per day	Part time
Sir Kenneth Jackson	Member	10-04-00 - 09-04-03	£198 per day	Part time
Mrs Margaret Prosser	Member	10-04-00 - 09-04-03	£198 per day	Part time
Keith Sonnet	Member	10-04-00 - 09-04-03	£198 per day	Part time
Dr William Spiers	Member	10-04-00 - 09-04-03	£198 per day	Part time
Roger Henderson QC	Chairman	19-03-00 - 18-03-03		(None during 2000)
<b>Advisory Conciliation and Arbitration Service - ACAS</b>				
Ms Rita Donaghy OBE	Chairman	09-10-00 - 08-10-05	£53, 810 p.a.	Part time
William Coupar	Council member	22-11-00 - 30-04-04	£1367 p.a. + £139 per day	Part time
James Knapp	Council member	22-11-00 - 30-04-04	£1367 p.a. + £139 per day	Part time
Ms Veronica (Ronnie) McDonald	Council member	22-11-00 - 30-04-04	£1367 p.a. + £139 per day	Part time

**TABLE C7** Public Appointments made by DTI (Continued)

Public Body & Name of Appointee	Position	Period of Appointment	Annual Remuneration (£ per annum)	Time Input
John Steele	Council member	22-11-00 - 30-04-04	£1367 p.a. + £139 per day	Part time
<b>The Post Office</b>				
Mr John Roberts CBE	Chief Executive	01-03-00 - 28-02-02	£205,000	Full Time
Mr Jerry Cope	Managing Director Strategy and Personnel	01-03-00 - 28-02-02	£140,000	Full Time
<b>North West Industrial Development Board</b>				
Ms Eva Wisemark	Member	01-09-00 - 31-08-03	N/A	Part time
Mr JC Dixon (Re-appointment)	Member	01-08-00- 31-07-03	N/A	Part time
Mr D McCall (Re-appointment)	Member	01-08-00- 31-07-03	N/A	Part time
<b>Industrial Development Advisory Board</b>				
Bryan Sanderson CBE	Member	01-02-00 to 31-01-03	Nil	Part time
Rosalind Hedley-Miller	Member	01-03-00 to 28-02-03	Nil	Part time
Sir Michael Lickiss	Member	01-03-00 to 28-02-03	Nil	Part time
<b>Competition Commission</b>				
Judith Hanratty	Reporting panel	03-03-00 - 02-03-03	Per day @ annual rate of £16,097	Part time
Timothy Richmond	Reporting panel	10-03-00 - 09-03-03	Per day @ annual rate of £16,097	Part time
Adam Scott	Appeal Panel	01-03-00 - 28-02-04	£250 per day	Part time
Richard Prosser	Appeal Panel	01-03-00 - 28-02-04	£250 per day	Part time
David Summers	Appeal Panel	01-03-00 - 28-02-04	£250 per day	Part time
Sheila Hewitt	Appeal Panel	01-03-00 - 28-02-04	£250 per day	Part time
Barry Colgate	Appeal Panel	01-03-00 - 28-02-04	£250 per day	Part time
Arthur Pryor	Appeal Panel	01-03-00 - 28-02-04	£250 per day	Part time
Peter Grant-Hutchison	Appeal Panel	01-03-00 - 28-02-04	£250 per day	Part time
Ann Kelly	Appeal Panel	01-03-00 - 28-02-04	£250 per day	Part time
Graham Hadley	Reporting Panel	27-03-00 - 26-03-03	Per day @ annual rate of £16097	Part time
Elizabeth Monck	Reporting Panel	27-03-00 - 26-03-03	Per day @ annual rate of £16097	Part time
Martyn Webster	Reporting Panel	27-03-00 - 26-03-03	Per day @ annual rate of £16097	Part time
David Parker	Reporting Panel	27-03-00 - 26-03-03	Per day @ annual rate of £16097	Part time
Edward Seddon	Reporting Panel	27-03-00 - 26-03-03	Per day @ annual rate of £16097	Part time
Nicholas Garthwaite	Reporting Panel	27-03-00 - 26-03-03	Per day @ annual rate of £16097	Part time
Alan Young	Reporting Panel	27-03-00 - 26-03-03	Per day @ annual rate of £16097	Part time
Cosmo Graham	Reporting Panel	27-03-00 - 26-03-03	Per day @ annual rate of £16097	Part time
Peter Graham Corbett	Deputy Chairman	01-05-00 - 31-08-00	£55,729	Part time
Denise Kingsmill	Deputy Chairman	01-09-00 - 31-08-04	£74.31	Part time
Andrew Bain	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Michael Blair	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Peter Clayton	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Michael Davey	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Graham Mather	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
John Pickering	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Patricia Quigley	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time

**TABLE C7** Public Appointments made by DTI (Continued)

Public Body & Name of Appointee	Position	Period of Appointment	Annual Remuneration (£ per annum)	Time Input
Avindelyn Smith-Hillman	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Paul Stoneman	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Graham Zellick	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Peter Grinyer	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Antony Lewis	Appeal Panel	01-09-00 - 31-08-04	£250 per day	Part time
Jonathan Rickford	Reporting Panel	09-12-00 - 08-12-04	Pro rata on annual rate of £16,097	Part time
Anthony Steele	Reporting Panel	09-12-00 - 08-12-04	Pro rata on annual rate of £16,097	Part time
Helena Shovelton	Reporting Panel	11-12-00 - 10-12-04	Pro rata on annual rate of £16,097	Part time
<b>UKAEA – United Kingdom Atomic Energy Authority</b>				
JOHN McKEOWN	Chief Executive	11-11-00 - 10-11-03	£125,000 plus 35% max. bonus	Full time
<b>British Shipholders</b>				
Christopher Campbell CBE	Chairman	Extended from 04-09-00 for maximum of 18 months	£17,368	Part-time
<b>BNFL – British Nuclear Fuels</b>				
Norman Askew	Chief Executive	13-03-00 for 1 year	£350,000	Full time
John Edwards	Finance Director	01-08-00 for 1 year	£255,000	Full time
Gordon Campbell	Non-executive director	01-08-00 for 1 year	£20,000	Part time
Bill Lowther	Non-executive director	01-08-00 for 1 year	£20,000	Part time
Dr Gail de Planque	Non-executive director	24-11-00 for 1 year	20,000	Part time
<b>National Consumer Council</b>				
Deirdre Hutton	Chair	01-01-01 - 31-12-03	£ 30,000 pa	Part time
Shammit Saggarr (re-appted)	Member	01-10-00 - 30-09-01	£5,446 pa	Part time
Richard Greenslade (re-appted)	Member	01-10-00 - 30-09-01	£5,446 pa	Part time
<b>Scottish Consumer Council</b>				
Graeme Millar	Chair	08-05-00 - 30-04-03	£15,000	Part time
Ann Clark	Member	01-11-00- 31-10-03	£84 per day	Part time
Neil Edwards	Member	01-11-00- 31-10-03	£84 per day	Part time
Lawrie Dewar	Member	01-11-00- 31-10-03	£84 per day	Part time
William Ure (re-appted)	Member	01-11-00- 31-10-03	£84 per day	Part time
John Hanlon (re-appted)	Member	01-11-00- 31-10-03	£84 per day	Part time
<b>Welsh Consumer Council</b>				
Ann Morgan	Member	01-10-00 - 30-09-03	£84 per day	Part time
Carys Evans	Member	01-10-00 - 30-09-03	£84 per day	Part time
Barbara Hicks (re-appted)	Chair	01-10-00 - 30-09-03	£6,500	Part time
Stephen Delahaye (re-appted)	Member	01-08-00 - 31-07-03	£84 per day	Part time
<b>Hearing Aid Council</b>				
Huw Thomas	Member	01-10-00 - 30-09-03	£128.52 per meeting	Part time
Peter Ormerod	Member	01-01-01 - 31-12-03	£128.52 per meeting	Part time
Tony Corcoran	Member	01-01-01 - 31-12-03	£128.52 per meeting	Part time
John Irwin	Member	01-01-01 - 31-12-03	£128.52 per meeting	Part time
John Raine (re-appted)	Chair	01-01-01 - 31-12-03	£167.28 per meeting	Part time

**TABLE C7** Public Appointments made by DTI (Continued)

Public Body & Name of Appointee	Position	Period of Appointment	Annual Remuneration (£ per annum)	Time Input
<b>Gas and Electricity Consumer Council</b>				
Moureen 'Ann' Robinson	Chair	01-11-00 - 31-03-03	£60000 pa	Part time
John Hanlon	Chair -	01-11-00 - 31-03-05	£10,000 pa	Part time
Bob Wilkinson	Chair -	01-11-00 - 31-03-05	£10,000 pa	Part time
Sharon Darcy	Member	01-11-00 - 31-03-05	£7000pa	Part time
Neil Menzies	Member	01-11-00 - 31-03-05	£7000pa	Part time
Tim Cole	Member	01-11-00 - 31-03-05	£7000pa	Part time
Sukhvinder Stubbs	Member	01-11-00 - 31-03-05	£7000pa	Part time
Andrew Horsler	Member	01-11-00 - 31-03-05	£7000pa	Part time
Les Roberts	Member	01-11-00 - 31-03-05	£7000pa	Part time
<b>Consumer Council for Postal Services</b>				
CCPS - Peter Carr	Chair	01-01-01 - 31-12-03	£30,870pa	Part time
CCPS - Tom Begg	Regional Chair	01-01-01 - 31-12-03	£15,500 pa	Part time
CCPS - Eifion Pritchard	Regional Chair	01-01-01 - 31-12-03	£15,500 pa	Part time
CCPS - Sir John Laughlin Semple KCB	Regional Chair	01-01-01 - 31-12-03	£15,500 pa	Part time
CCPS - Robert Burgin	Regional Chair	01-01-01 - 31-12-03	£15,500 pa	Part time
CCPS - Mrs Kay Dixon	Regional Chair	01-01-01 - 31-12-03	£15,500 pa	Part time
CCPS - Mrs Judith Donovan	Regional Chair	01-01-01 - 31-12-03	£15,500 pa	Part time
CCPS - Richard Ward	Regional Chair	01-01-01 - 31-12-03	£15,500 pa	Part time
CCPS - Charles Howeson	Regional Chair	01-01-01 - 31-12-03	£15,500 pa	Part time
CCPS - Peter Privett	Regional Chair	01-01-01 - 31-12-03	£15,500 pa	Part time
CCPS - Ms Moi Ali	Member	01-01-01 - 31-12-03	£160 per day	Part time
CCPS - Dr Diane Bailey	Member	01-01-01 - 31-12-03	£160 per day	Part time
CCPS - Mrs Ann Foster	Member	01-01-01 - 31-12-03	£160 per day	Part time
CCPS - Mrs Janet Candler	Member	01-01-01 - 31-12-03	£160 per day	Part time
<b>Gas Consumer Council</b>				
GCC - Nicholas Ridley (re-appted)	Member	30-06-00 - 31-12-00	£6,105 pa	Part time
GCC - James Corbett (re-appted)	Member	30-06-00 - 31-12-00	£6,105 pa	Part time
<b>Foresight Steering Group</b>				
Prof David King	Chairman	from 1-10-2000		
Dr Gordon Marshall	Member	from 1-10-2000	none	
Mr Eddie Frizzell	Member	from 1-10-2000	none	
Mr Keith Clarke	Member	from 1-10-2000	none	
Dr Joe Blaker	Member	from 1-10-2000	none	
Lord Colin Sharman	Member	from 1-10-2000	none	
Ms Joyce Taylor	Member	from 1-10-2000	none	
Prof John Wood	Member	from 1-10-2000	none	
Sir Donald Spiers	Member	from 1-10-2000	none	
Dr Tim Jones	Member	from 1-10-2000	none	
Mr Hugh Williams	Member	from 1-10-2000	none	
Mr Mark Gibson	Member	from 1-10-2000	none	
<b>British Hallmarking Council</b>				
Mr Fod Barnes	Member	01-01-01 - 31-12-03	none	Varies
Dr Peter Clapham	Member	01-01-01 - 31-12-03	none	Varies
Mr Adam Green	Member	01-01-01 - 31-12-03	none	Varies
Ms Vera McEwan	Member	01-01-01 - 31-12-03	none	Varies
Mrs Catherine Whitehead	Member	01-01-01 - 31-12-03	none	Varies
Mr Peter Atkinson	Member	01-01-01 - 31-12-03	none	Varies
Mr John Evans	Member	01-01-01 - 31-12-03	none	Varies
Mr Bipin Pala	Member	01-01-01 - 31-12-03	none	Varies

**TABLE C7** Public Appointments made by DTI (Continued)

Public Body & Name of Appointee	Position	Period of Appointment	Annual Remuneration (£ per annum)	Time Input
Mr John Pyke	Member	01-01-01 - 31-12-03	none	Varies
Mrs Zoe Simpson	Member	01-01-01 - 31-12-03	none	Varies
<b>West Midlands Industrial Development Board</b>				
Maureen Barrett	Member	3 years	Nil	Part time
Mark Day	Member	3 years	Nil	Part time
David Grove	Member	3 years	Nil	Part time
David Lovatt	Member	3 years	Nil	Part time
Chris Swan	Member	3 years	Nil	Part time
Howard Marshall	Member	3 years	Nil	Part time
Rod Small	Member	3 years (re-appointment)	Nil	Part time
<b>South West Industrial Development Board</b>				
Gareth Unsworth	Member	1-1-00 - 31-12-02	Nil	Part time
Denise Major (Mrs)	Member	1-1-00 - 31-12-02	Nil	Part time
Nigel John Randall	Member	1-1-00 - 31-12-02	Nil	
<b>Aerospace Committee</b>				
Mr M Ryan	Member	04-09-00 - 30-09-03	Nil	Part time
<b>North East Industrial Development Board</b>				
Mr S J H Still	Member	01-01-00 - 31-12-02	Nil	Part time
Mrs L Moran	Member	01-01-00 - 31-12-02	Nil	Part time
Ms A Reece	Member	01-01-00 - 31-12-02	Nil	Part time
<b>Small Business Council</b>				
William Sargent	Chairman	01-03-00 - 06-03-03	expenses only	Part time
Sarah Anderson	member	01-05-00 - 30-04-02	expenses only	Part time
James Brathwaite	member	01-05-00 - 30-04-02	expenses only	Part time
Dr Marion Carter	member	01-05-00 - 30-04-02	expenses only	Part time
Sam Gemmell	member	01-05-00 - 30-04-02	expenses only	Part time
Walter Herriot	member	01-05-00 - 30-04-02	expenses only	Part time
Bill Jeffrey	member	01-05-00 - 30-04-02	expenses only	Part time
Paul Morgan	member	01-05-00 - 30-04-02	expenses only	Part time
Dr Bob Parkinson	member	01-05-00 - 30-04-02	expenses only	Part time
Kirit Patel	member	01-05-00 - 30-04-02	expenses only	Part time
Meena Pathak	member	01-05-00 - 30-04-02	expenses only	Part time
Colin Perry	member	01-05-00 - 30-04-02	expenses only	Part time
Ian Rees	member	01-05-00 - 30-04-02	expenses only	Part time
Reuben Singh	member	01-05-00 - 30-04-02	expenses only	Part time
Michael Snyder	member	01-05-00 - 30-04-02	expenses only	Part time
Prof. David Storey	member	01-05-00 - 30-04-02	expenses only	Part time
Marilyn Tarn	member	01-05-00 - 30-04-02	expenses only	Part time
Yvonne Thompson	member	01-05-00 - 30-04-02	expenses only	Part time
Jim Torrance	member	01-05-00 - 30-04-02	expenses only	Part time
Beverley Webster	member	01-05-00 - 30-04-02	expenses only	Part time
<b>Low Pay Commission</b>				
David Coats	Member	Jun 00 - Oct 01	Nil	Part time
Ian Hay	Member	Jun 00 - Oct 01	Nil	Part time
Margaret Prosser	Member	Nov 00 - Oct 01	Nil	Part time

**TABLE C7** Public Appointments made by DTI *(Continued)*

Public Body & Name of Appointee	Position	Period of Appointment	Annual Remuneration (£ per annum)	Time Input
<b>London and the South East Regional Industrial Development Board</b>				
Mr Praful Davda	Board Member	01-01-00 - 31-12-02	Nil	Part time
Mr Roger De Hann	Board Member	01-01-00 - 31-12-02	Nil	Part time
Mr George Kessler	Board Member	01-01-00 - 31-12-02	Nil	Part time
Mr Robert Stiles	Board Member	01-01-00 - 31-12-02	Nil	Part time
<b>Council for Science and Technology (CST)</b>				
Sir Aaron Klugg OM PRS	independent member	01-03-00 - 31-12-00	Nil	Part time
Sir Richard Sykes DSc. FRS. FMed.Sci	independent member	01-03-00 - 28-02-03	Nil	Part time
Professor Kumar Bhattacharyya CBE FREng	independent member	01-03-00 - 28-02-03	Nil	Part time
Sir. Paul Nurse FRS	independent member	01-03-00 - 28-02-03	Nil	Part time
Professor Peter Schuddeboom	independent member	01-03-00 - 28-02-03	Nil	Part time
Mr. Javaid Aziz	independent member	01-03-00 - 28-02-03	Nil	Part time
Mr. John Weston CBE	independent member	01-03-00 - 28-02-03	Nil	Part time
Mr. Euan Baird	independent member	01-03-00 - 28-02-03	Nil	Part time
Professor David VandeLinde	independent member	01-03-00 - 28-02-03	Nil	Part time
Professor Vicki Bruce OBE	independent member	01-03-00 - 28-02-03	Nil	Part time
<b>Ethnic Minority Business Forum</b>				
Yvonne Thompson	Chair	July 00 - July 03	Nil	Part time
Amir Bhatia	Member	July 00 - July 03	Nil	Part time
Niyazi Enver	Member	July 00 - July 03	Nil	Part time
Haider Imam	Member	July 00 - July 03	Nil	Part time
Mohammed Afzal Khan	Member	July 00 - July 03	Nil	Part time
Mei Sim Lai	Member	July 00 - July 03	Nil	Part time
Adeeba Malik	Member	July 00 - July 03	Nil	Part time
Gulam Noon	Member	July 00 - July 03	Nil	Part time
Askar Sheibanis	Member	July 00 - July 03	Nil	Part time
Clyde Williams	Member	July 00 - July 03	Nil	Part time
Jeffery Yap	Member	July 00 - July 02	Nil	Part time
Sukhvinder Stubbs	Member	July 00 - July 02	Nil	Part time
Tony Sealey	Member	July 00 - July 02	Nil	Part time
Mohammed Nazir	Member	July 00 - July 02	Nil	Part time
Jaswin McDonald	Member	July 00 - July 02	Nil	Part time
Kam Kothia	Member	July 00 - July 02	Nil	Part time
Pravin Kapadia	Member	July 00 - July 02	Nil	Part time
Maxine James	Member	July 00 - July 02	Nil	Part time
Jennifer Craig	Member	July 00 - July 02	Nil	Part time
Monder Ram	Member	August 00 - August 03	Nil	Part time
<b>Coal Authority</b>				
Ken Fergusson	Chief Executive	01-04-00 - 30-06-01	Not applicable	Full time
Malcolm Edwards	Member (Director of Finance)	01-04-00 - 30-06-01	Not applicable	Full time
Albert Schofield	Member (Director of Finance)	01-04-00 - 31-03-05	Not applicable	Full time

**TABLE C7** Public Appointments made by DTI *(Continued)*

Public Body & Name of Appointee	Position	Period of Appointment	Annual Remuneration (£ per annum)	Time Input
John Hawksley	Member	17-04-00 - 31-03-05	7,250	Part time
Barrie Jones	Member	22-05-00 - 31-03-05	7,250	Part time
<b>Agriculture and Environment Biotechnology Commission</b>				
Professor Malcolm Grant	Chair	01-02-00 - 31-01-03	£188.00 per day	Part time
Ms Julie Hill	Deputy Chair	01-02-00 - 31-01-03	£150.00 per day	Part time
Professor Michael Banner	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Ms Anna Bradley	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Ms Helen Browning	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Dr David Carmichael	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Professor Philip Dale	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Dr Ed Dart	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Dr Matthew Freeman	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Mr John Gilliland	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Professor Robin Grove-White	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Dr Rosemary Hails	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Ms Judith Hann	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Ms Edith Iweajunwa	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Dr Derek Langslow	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Professor Jeff Maxwell	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Dr Sue Mayer	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Dr Ben Mephram	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Ms Justine Thornton	Member	01-02-00 - 31-01-03	£150.00 per day	Part time
Dr Roger Turner	Member	01-02-00 - 31-01-03	£150.00 per day	Part time



# Service Delivery Agreement

## D

## Service Delivery Agreement

## A. Accountability

The Secretary of State for Trade and Industry is accountable to Parliament for the achievement of the objectives set out in the Public Service Agreement and the Service Delivery Agreement, and for the delivery of the targets, and for the resources consumed in the process. The promotion of high quality services to the public is a key priority and the Secretary of State is personally committed to making this a core issue in the implementation of this Service Delivery Agreement.

## B. Delivering key results

The Department's Public Services Agreement sets out its key targets and the performance measures by which these objectives will be judged. The delivery targets are as follows:

### TARGET

1. Improve UK competitiveness by narrowing the productivity gap with the US, France, Germany and Japan over the economic cycle.

This target will be delivered through the delivery targets from 2 to 12 below. The Department will work to achieve improvement against the annually

published competitiveness indicators. It will also seek to achieve a step change in UK business innovation, the impact to be assessed using the regular EU Community Innovation Survey.

### TARGET

2. Help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities.

This target will be delivered through the Small Business Service Agency which will work to: increase usage of SBS information services, including increasing use of the SBS website [www.businessadviceonline.org](http://www.businessadviceonline.org) to 3m enquiries a year by March 2004, achieving 80% customer satisfaction; increase the productivity and

profitability of businesses using SBS business support services; and increase the accessibility of business support to identified under-represented communities; increase the number of successful high-growth business start-ups.

## TARGET

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3. Make and keep the UK the best place in the world to trade electronically, as measured by the cost of Internet access and the extent of business to business and business to consumer transactions carried out over e-commerce networks.

The Department will work with the e-envoy and others rapidly to take forward the Government's e-commerce strategy, building on the current goal that by 2002 the UK will be the best place to trade electronically. Within a wide-ranging programme it will: ensure the effective development of 'UK online for business' [www.ukonlineforbusiness.gov.uk](http://www.ukonlineforbusiness.gov.uk) including enabling it to handle over 200,000 contacts a year by 2002; ensuring its effective integration with the SBS and its equivalents in the rest of the UK, and introducing new services to help UK businesses keep up with changing business practices. This is part of the

cross-Governmental UK online programme.

The UK is to be in the top 4 OECD countries for demand of mobile data services by March 2004. Success will be assessed against published independent surveys. The Department will ensure that the UK fully complies with the Local Loop Unbundling Regulation by end-2000, fully implements the E-Commerce Directive by end-2001 and fully implements legislation arising from the European Commission's 1999 communications review by end-2002. These technical and market access issues will greatly facilitate price competition and thus stimulate increased usage both for leisure and business purposes.

## TARGET

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4. Improve the economic performance of all regions measured by the trend in growth of each region's GDP per capita.

A wide range of the Department's activities and programmes contribute to the achievement of this target, but specifically the Department will use the Regional Assistance and Enterprise Grants to create/safeguard jobs; the Department, with other

Departments, will agree a business plan with each RDA, covering each year from 2001-02, establishing the outputs which RDAs should aim to achieve with their budgets, including £50 million a year from the Regional Innovation Fund.

## TARGET

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5. Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.

DTI and the Office of Science and Technology will deliver this target through increasing the ranking of quality and cost effectiveness and the ranking of relevance of the Science and Engineering Base.

The OST will implement the Science Research Infrastructure Fund to renew the science infrastructure in universities and invest in three major new cross cutting science programmes: e-science, post genomics and basic technology.

## TARGET

6. Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources.

DTI and the Office of Science and Technology will work to achieve this target by: achieving a year-on-year increase in the income the university sector earns from working with business, and from spin outs and licences; increasing the amount of university/company, university/intermediary and university/intermediary/company collaborations; increasing the number of papers jointly authored by the science base and industry.

DTI and the Office of Science and Technology will also: establish permanent umbrella mechanisms to enable the Science, Engineering and Technology (SET) base to work with business, such as the Higher Education Innovation Fund in England (HEIF) and at least 24 Faraday Partnerships in the UK by 2002-3; work with other organisations in the field (e.g.

Regional Development Agencies and the CBI) through the Teaching Companies Scheme (TCS) and Faraday Partnerships to increase the proportion of SMEs employing graduate scientists/engineers; ensure that innovation facilitators employed by Business Links, Faraday Partnerships and similar organisations are properly trained and aware of the scope for exploiting SET knowledge by firms; deliver final rounds of Science Enterprise Challenge and University Challenge by April 2001; develop, in partnership with Higher Education Funding Council for England (HEFCE), management arrangements for the HEIF and deliver the first round of allocations by April 2001; work with the Research Councils and others towards their implementation of the Small Business Research Initiative; and help commercialise research by Public Sector Research Establishments.

## TARGET

7. Have the most effective competition regime in the OECD, as measured by peer review, and achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information and advice.

The Department will work to achieve this target by: the introduction of a new framework of company law as soon as possible following completion of the Company Law Review; reform of UK merger control by summer 2003, implementing the Competition Commission report on cars and negotiating a way forward on the EC block exemption which meets UK objectives by 2002; obtaining a 20% reduction in home accidental deaths over the next five years; ensuring that 100% of Trading Standards

Departments are signed up to the enforcement concordat by April 2002 and having national performance targets for Trading Standards Departments by April 2001; establishing an effective system of national target setting, monitoring and reporting for Trading Standards Departments by April 2002; ensuring that all of Great Britain is covered by a Consumer Support Network providing accessible and joined-up consumer information and advice by 2004.

## TARGET

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8. Ensure competitive gas and electricity prices in the lower half of the EU/G7 basket, while achieving security of supply and social and environmental objectives.

The Department (with DETR) will set new Energy Efficiency Commitments for electricity and gas suppliers from April 2002 to deliver energy efficiency savings for the domestic sector. The Department will publish a consultation document for alleviating fuel

poverty by December 2000, and finalise the strategy by the summer of 2001. The Department is working urgently to achieve full liberalisation of the gas and electricity markets in the EU as soon as possible.

## TARGET

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9. Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in CO<sub>2</sub> emissions by 2010. *Joint target with DETR.*

The Department will deliver this target by securing 10% of electricity supply from renewables by 2010; Implementing, in a timely and cost effective way, EU Directives that will contribute to improving resource

productivity; achieving the targets and outcomes set out in its Sustainable Development Strategy and Action Plan, published on 5 October 2000.

## TARGET

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10. Deliver a measurable improvement in the business performance of Trade Partners UK customers. *Joint target with FCO.*

British Trade International will publish its own SDA covering the work of its trade support services under

the brand name Trade Partners UK and its inward investment work under the brand name Invest UK.

## TARGET

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11. Maintain the UK as the prime location in the EU for foreign direct investment. *Joint target with FCO.*

See 10

## TARGET

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12. Achieve value for money improvements of 2.5% a year across the Department as measured by a set of indicators.

See para C.2

## Other targets/objectives

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The Department is fully committed to the Small Business Research Initiative (SBRI) and supports the Government's overall objective for 2.5 percent of externally procured R&D to be procured from Small and Medium Sized Enterprises (SMEs). In support of this initiative DTI aims eventually to procure from SMEs 2.5 percent of the value of the Research Councils' recurrent research grants to universities. In addition, by 2004 DTI aims to increase its non-science budget procurement of R&D from SMEs by 30 percent (that is from an estimated £3.8m in 1999-2000 to a projected £5.8m in 2003-04 (assuming the continuation of current programmes).

The Department has a modernising programme in place which aims to improve continuously the quality of the policy support and services we provide to Ministers and our customers. It addresses how we can best deliver the Department's overall objectives. The programme comprises work at the centre to modernise the Department and local actions to modernise. Projects to support the SDA targets are reflected in the Modernising DTI Action Plan, which can be found at <http://www2.dti.gov.uk/modernisingdti/action1.htm>

## Performance information validation

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All new measures of performance under the Public Service Agreement or Service Delivery Agreement are scrutinised by a Departmental Audit Group in which is represented Internal Audit, Economics & Statistics Directorate, Finance & Resource Management Directorate and the Competitiveness Unit. Once this group has considered the measures, they are submitted to the Departmental Board for approval. Monitoring is done quarterly.

## C. Improving performance

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### C.1 Strategies for improving performance

Initiatives designed to improve performance are as follows:

- The Department is actively considering the introduction of the Excellence Model or similar Benchmarking activities for areas of work where the options of market testing, internal restructuring, contracting out, privatisation or abolition are not applicable. DTI's agencies have already used the model, in some cases as participants in the Public Sector Benchmarking project.
- The Department is reviewing all its activities and those of its agencies and NDPBs by the end of 2004 in line with the Better Quality Services initiative, and 60% of its activities by March 2003.
- The Department is committed to developing its approach to performance management in the light of the work done by Byron Grote in his capacity as a member of the Public Services Productivity Panel. The approach has been piloted in the Energy Group of the Department, developed in the Business Competitiveness Group, and will be rolled out to two further Groups in the course of 2001-2.
- The Department is committed to improving its business processes. The ELGAR (Electronic Government through Administrative Re-engineering) PFI/PPP contract, signed with Unitas in 1998, includes a consultancy service giving the Department a permanent business process re-engineering capability. APR studies are currently being carried out in the following areas: Electronic Records and Document Management, Electronic Procurement, Export Licensing, and Secondments and Public Appointments.
- The Department is developing a new competence framework for all staff up to the SCS by end March 2001 to ensure that proper weight is given to management and leadership skills. It is also considering whether further changes are required to its staff appraisal system to support improved management of performance.

- The Department has already made some changes to its pay system for staff up to the Senior Civil Service in the light of the Civil Service Reform Programme proposals and will review the system on an annual basis.

## **C.2 Value for money**

### **DTI PSA Objective 12**

“To achieve value for money improvements of 2.5% a year across the Department as measured by a set of indicators.”

The level of the DTI Spending Review settlement already assumes efficiency gains of at least 2.5% a year across DTI's activities, and more in the headquarters area. DTI will provide evidence of this by reference to the following set of indicators:

#### **DTI Executive Agencies (and ACAS)**

Agencies funded directly by DTI (including ACAS) make up 29% of DTI administration costs, expenditure in 1998-99 totalling £127 million. The Trading Funds and self-funding Agencies account for a further £121 million in administration costs.

DTI Agencies have the following value for money public targets, which will be kept under review in the context of Agency corporate plans:

- Radiocommunications Agency will achieve a 20% gain in financial efficiency (comparing costs with income at constant levels) over the period 1998-99 to 2002-03 (an improved efficiency target is under development).
- Companies House will continue to achieve real reductions in the unit costs of document registration.
- Employment Tribunals Service will achieve an annual real terms reduction in administrative unit costs of 5%.
- Insolvency Service will maintain in real terms the unit cost of administering bankruptcy and compulsory liquidation cases over the period 1999-2002 at the level of 1998-99. The Insolvency Service will also reduce in real terms the unit cost of its investigation of bankruptcy and liquidation cases by 10% over the period 1999-2002.

- Patent Office will increase output in relation to current expenditure by an average of at least 2% per annum over the period 1998-99 to 2002-03.
- National Weights and Measures Laboratory aim to reduce overhead costs from 57% of total costs to 55% of total costs in 2001-02 (approximately £150k).

DTI will work with its Executive Agencies in the context of their Quinquennial Reviews to develop and refine outcome-based public targets, demonstrating the contribution the Agencies make to DTI's PSA targets.

The Small Business Service is considering how best to extend its work on measuring the impact on assisted businesses of Business Link advice to all its services. The aim would be to monitor the performance of assisted businesses against a comparison group of businesses not receiving SBS assistance.

DTI will work with ACAS and the Employment Tribunals Service to develop by 2002 a composite measure of the savings achieved for public funds, and for both parties to an Employment Tribunal application, of a successful ACAS conciliation.

#### **Programme expenditure**

The Office of Science and Technology will maintain Research Councils' Headquarters administration costs at under 4% of overall Research Councils' expenditure. The Department will seek to develop this type of target for other appropriate areas of programme expenditure by 2004. It will also seek a mechanism for comparing the performance of local offices where they are delivering the same or similar grant schemes.

In addition to the well-established targets on Regional Selective Assistance relating to the generation of capital investment, and the safeguarding and creation of jobs, DTI is exploring the possibility of measures to reflect the extent to which RSA contributes to the competitiveness of the UK economy.

The Department will seek to develop customer service targets that can be applied across all its main industry support schemes. If such targets can be established, the Department will review all its grant processes in order to achieve them. This may include

examining alternative ways of administering grant schemes such as contracting out parts or all of the processes, which is already the case with some grant schemes.

### Administration costs

The Department will review and develop, as necessary, efficiency indicators for its main industry support schemes, starting with a pilot in RSA, LINK and SMART.

### C.3 Variations in performance

Where there is scope for comparison between offices carrying out broadly the same functions, management information will be used to explore variations in performance and to develop interventions that will bring any poor performers up to the standard of the rest. Examples are as follows:

The Insolvency Service has a number of Official Receivers' offices, all carrying out essentially the same functions. The Service will be carrying out a comprehensive process review during 2000-2001, the objectives of which will be to identify best practice and ensure that this is used consistently to produce the most efficient, cost-effective and customer-oriented procedures throughout the organisation.

The Employment Tribunals Service monitors the performance of all its local offices. In each of the last three years an overall target has been set for the speed to which cases come to a hearing. Separate targets are set for the poorest performing offices. Details of performance against targets are published in the ETS's annual report.

The SBS has plans to level up any variations in the performance of the franchisees that are delivering small business services. They are designing an integrated client management system which will enable the SBS to get access to performance information from across the network that will produce a holistic view of franchise performance including profitability, productivity, customer satisfaction and quality.

### C.4 Procurement

The Department is reviewing its procurement arrangements and has appointed a professional Head of Procurement to take this forward. Actions underway include:

- DTI saves 53% of its costs per transaction by using purchasing cards to buy low value goods and services. By March 2001 DTI expects to process 70% of its low value transactions using purchasing cards.
- In accordance with Government wide targets, DTI aims to conduct all of its interactions with suppliers electronically by 2005.
- DTI is reviewing procurement posts across the Department to identify those which might be deemed Key Procurement Posts. DTI aims to have 75% of its procurement staff occupying Key posts qualified to degree-level standard in procurement by 2004.
- 100% of invoices should be paid within 30 days of the date of receipt of a correctly presented invoice or the date any supplier dispute is resolved.

The Department will be working closely with the Office of Government Commerce in seeking collaborative procurement opportunities across the Government sector. DTI is piloting the OGC gateway process in one of its projects.

### C.5 Fraud

#### Internal fraud

The levels of fraud within the core Department are very low. The last contribution to the Treasury's Annual Fraud Report stated that £108,000 of fraud was detected in 1998-99. This level has been fairly stable for the last decade but the Department aims to lower it still further. DTI promotes an environment where fraud is not acceptable and will continue to monitor and report on internal fraud and to issue appropriate guidance to staff as required.

#### External fraud

Evidence suggests that external fraud is also low. The Department has reviewed its procedures for detecting external fraud. DTI promotes an environment where fraud is not acceptable and will continue to review its systems to ensure that every practical step is taken to eradicate the risk of fraud.

## D. Consumer focus

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### D.1 Consumer tests

The Department will publish an annual report (available on our website) starting in 2002 demonstrating the impact of consumer feedback in shaping the way in which services have been developed, and analysing the main areas of praise and complaint, giving the Department's response. This report will include breakdown by gender, ethnicity and disability.

DTI service providers have very well developed systems for seeking users' views on their services and for monitoring performance against Service First standards, which are published in hard copy or on websites. They will seek to keep these at the leading edge. An example of best practice is Companies House which runs quarterly surveys which invite customers to rate the importance of aspects of service and to benchmark the Agency against their best supplier. The results are published. It also has itself tested against other customer-orientated organisations by means of external Mystery Shopping exercises. Other Agencies also use regular surveys and user group consultations on business improvements. The Employment Tribunals Service is now targeting 85% user satisfaction with its service, based on surveys. NWML and SBS have also introduced customer satisfaction targets (80%). Several of our key service providers hold the Charter Mark (see D.3 below). These will need to demonstrate their continuing improvement and commitment to excellence in service delivery as they re-apply for the award.

### D.2 Consumer access

DTI agencies are continually reviewing the availability of their services including the scope for electronic and on-line service delivery. They will look to maximise access consistent with the requirements of their customers and the technological and other resources available. Key examples from DTI service areas include the introduction and further development of electronic filing of documents (including piloting of Internet filing) by Companies House and their ongoing development of the CH Direct service for making company data available electronically. All of the Insolvency Service's leaflets can be downloaded from its website. The Service plans to put the Individual Insolvency Register on its website in 2000-01. Searches will be able to be carried out free of charge at any OR

office or by post to the Insolvency Service HQ in Birmingham. Radiocommunications Agency will continue to use its website to allow radio spectrum auctions to be watched as they happen. This attracted huge interest during the Third Generation Mobile Spectrum auction.

The Small Business Service Information and Advisory Service (the Gateway: see delivery under PSA target 2 in section B above) will be a major step forward in access to key services and information. Based on a knowledge network of business support organisations, initiatives and information from the public, private and voluntary sectors, this will evolve into an electronic network of databases accessible by phone, the Internet, through the local Business Link franchisee or other Gateway sources of expertise. The Gateway will be established by April 2001.

### D.3 Awards for excellence in service delivery

The Insolvency Service, the Patent Office and Companies House have already received Charter Mark Awards. Companies House and The Patent Office were among the first agencies to win the award for three consecutive terms. The Employment Tribunals Service aims to re-apply for Charter Mark status in the year 2000 having received a commendation for their first application in 1999. Companies House won two prizes in 2000 for their CH Direct Service in open competition with the private sector – the PriceWaterhouseCoopers Award for Innovation and Risk Management and the Digital Britain Award for Best Content & Document Management /Workflow Solution sponsored by Microsoft. The best practice and experience of these bodies will be available to other organisations inside and outside the DTI, which may be considering participation in the Quality Award Schemes and will be shared through the internal and external quality networks they are part of.

### D.4 Prompt handling of correspondence

DTI Ministers and Agency Chief Executives will respond to letters from MPs within 10 working days of receipt or provide an explanation as to why a full reply cannot be given and a deadline for the full response (target currently under review). The handling of Ministerial correspondence is the subject of an administrative re-engineering study with a view to driving performance against this target up from its 1999-2000 level. The Department has a Service First

target to respond to all correspondence from business and the public within 15 days of receipt (i.e. a 100% target but with a holding reply where necessary).

## E. Managing people

### E.1 Civil Service reform

The Department's key targets for improving the management of its staff are as follows:

#### iiP accreditation/training

- Ensure that DTI headquarters retains and builds on the recognition obtained in November 1999 as an Investor in People, through periodic re-assessment.
- Introduce pilot mentoring schemes during 2000 to assist staff career development and diversity objectives.

#### Diversity

Through putting into practice Departmental Action Programmes for racial equality, gender and disability make progress towards benchmarks agreed for representation of ethnic minorities and women at management levels in the headquarters department as follows:

- Increase representation of ethnic minorities to at least 14% of junior/middle managers (Band B) and 5.5% of middle/senior managers (Band C) and 2.0% in the Senior Civil Service by December 2001, rising to 18%, 8.5% and 4% respectively by 2005 (corresponding April 1999 figures were 11.4%, 4.0% and 0.5%).
- Increase representation of women to 43% of Band B, 32% of Band C and 28% of the Senior Civil Service by the end of 2002 rising to 50%, 40% and 35% respectively by 2005 (1999 figures were 40%, 26% and 21%).
- Increase representation of staff with disabilities to 5.7% of Band B (junior/middle managers), 3.4% of Band C (middle/senior managers) and 3.9% of the Senior Civil Service by end 2002, rising to 6.7% of Band B, 3.8% of Band C and 4.7% of the SCS respectively by 2005.

The Department's action plans for racial equality and widening opportunities for women can be found on the DTI's website at [www.dti.gov.uk/about/racial\\_e](http://www.dti.gov.uk/about/racial_e) and [www.gov.uk/about\\_opps](http://www.gov.uk/about_opps) respectively.

### New recruitment

#### Hold more open competitions as necessary to fill important SCS posts

- Continue to recruit new talent at key levels below the SCS, including at Range 10, and ensure that recruitment activities make a positive contribution to the achievement of the Department's diversity targets.

#### Interchange targets

- Increase the number of SCS staff with experience outside Whitehall to 65% by 2005 and maintain the number of SCS staff with experience outside the Department at a minimum of 75%.

#### Provision of comprehensive development programmes, which also offer the most promising performers wider experience in areas of frontline delivery

- Develop by May 2001 a training and development strategy for R10 and 11 staff including a route map of continuous professional and personal development. The programme is to be kept under review and the strategy refined accordingly during the PSA period.
- Set up outreach and work placement programme for prospective graduate recruits by March 2001.
- Launch by April each year an annual Accelerated Development Programme, taking in up to 40 recruits.
- Pilot new career development centres for junior and middle managers designed to enable them better to manage their own careers and development. The target is that 25% of staff in the relevant ranges should have taken the opportunity to develop appropriate career development strategies within two years.

In recruiting at all levels, the Department will ensure its competitions are fully equality proofed. Insofar as some groups are underrepresented amongst the Department's current staff, the bringing in of high quality new recruits in numbers more representative of the population at large will play an important part in helping to achieve the Department's targets.

**Leadership**

- Re-structure the Departmental Management Board from the Summer of 2000 to reflect the Board's prime responsibility for delivery of the targets in the PSA.

**Use of 360° feedback**

- 180 SCS staff to attend by March 2002 a development centre at which they receive 360° feedback on their performance and prepare a personal development plan based upon the feedback and other objective assessments of them against the SCS core criteria.

**E.2 Wider public sector reform**

The Department's Agencies and NDPBs are all subject to rigorous Quinquennial Review as part of the DTI's 5-year Better Quality Services programme. These bodies will in addition undertake their own reviews of activities and contracts where necessary in line with BQS principles. The Department will continue to encourage Agencies and NDPBs in their work to develop performance management systems best designed to deliver outcomes in their particular areas of activity in keeping with the Modernising Government agenda and the latest developments in thinking such as the Makinson report.

**E3 Sickness absence**

The Department aims to achieve a 7.5 % reduction in days lost through sickness per staff year in DTI (including DTI Agencies) on 1998 levels by 2001; and a 13.8% reduction by 2003, to a maximum of 7.4 days and 6.9 days respectively.

The Department will operate effective occupational health policies and sound management practices which: achieve in the DTI levels of ill health retirement by 2005 consistent with or better than the best quartile target of 3.72 retirements per 1000 employees; and recognise individual entitlements to ill health retirement where this is justified following consistent, robust but fair application of the scheme criteria.

**F. Electronic Government**

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DTI is committed to making its key services available electronically by 2005 in line with the Government target. The DTI Electronic Business Strategy shows how we plan to do this via a series of projects, working with other organisations within and outside government. It also describes how we will conform with relevant government standards, covers the skills we believe to be necessary and explains how we deal with the major risks we have identified. It confirms that monitoring of progress to deliver the strategy is firmly embedded in departmental management and planning structures.

The Department's Information Age Government Champion is Jonathan Spencer. Like other departments, DTI is drafting its initial E-Business Strategy, which will be submitted to the E-envoy's office in October 2000. In this work our IAG Champion is supported by the department's E-Business Strategist and receives advice from the Electronic Business Steering Group, which he chairs.

As part of the process of developing and implementing its E-Business Strategy, DTI will set and publish targets for take-up of its services.

**G. Policy & strategy**

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**Improved policy development**

DTI is committed to the use of regulatory impact assessment as a policy tool to assess the impact – in terms of costs, benefits and risks – of any proposed regulation that could affect business, charities or the voluntary sector. The Department now intends to undertake a project to review and improve its policy-making processes in line with the Modernising Government agenda. As the basis for the review it expects to:

- develop a shared model of the policy development process so that different parts of the Department can benchmark their approaches against each other, using a common vocabulary;
- use the model to help in the planned Inter-departmental benchmarking /policy process to be led by Cabinet Office;

- identify areas for improvement in current practice, together with examples of best practice for dissemination; and
- develop a programme to spread and renew best practice.

Building on the process analysis work previously undertaken by Unitas, and 'joining-up' initiatives already underway (e.g. work co-ordinated by the Department's Strategic Evaluation Committee to assess the evidence base underpinning departmental delivery of its objectives and targets) DTI proposes to consider – with the assistance of consultants as appropriate – how best some of the management tools referred to in the PIU Report *Adding It Up* might be adapted to assist key elements of its policy development processes. (<http://www.cabinet-office.gov.uk/innovation/2000/adding/index.htm>). The Department also plans to undertake detailed consultations with policy development teams in key areas, as well as a series of workshops with a wider range of staff, to test and refine its proposals as they evolve.

By this means DTI aims to develop a shared model of the policy-making process and reflect best practice whilst meeting the Department's needs, taking account of initiatives already underway such as the Phoenix Fund, which will help to increase awareness of the problems faced by entrepreneurs in deprived areas. It then expects to be able to identify areas for improvement, and to address them in such a way as to develop a culture of continuous improvement, based on evaluation tools built into the policy-making process.

The Department is firmly committed to enhancing the evidence base of its policymaking and has a rolling programme to assess and publish the evidence base underpinning policy selection relating to each of its objectives under the aegis of the Strategic Evaluation Committee (SEC). Where gaps are uncovered, research programmes will be adjusted to include additional evaluation of relevant policies and appraisal of alternatives so as to achieve evidence based policy.

DTI proposes to set up processes to spread best practice, and ensure that the model remains up-to-date and relevant to the Department's needs. In particular, it is intended that the model should become a basis for the development of training and guidance material, and should itself be reviewed and updated over time.

Devolution has had a significant impact on DTI, and to ensure that the Department is working efficiently and effectively with devolved administrations, it will benchmark against other Government Departments, at least once per year, the working arrangements with the administrations in Scotland, Wales and Northern Ireland, to ensure best practice.

Finally, the Department's implementation of the SDA will take account of gender differences to ensure the most effective delivery of its policies.



# Public Service Agreement 2001-04 – Technical Notes

## E

Public Service Agreement  
2001-04 Technical Notes

The following table sets out the full technical details of how the PSA for the Department of Trade and Industry published in *2000 Spending Review: Public Service Agreements 2001-2004* (Cm 4808) will be measured.

*The links included in this document are for information purposes only, generally the information is free, however in some cases there is a cost to purchase statistical information from the site, usually in the form of a book.*

## TARGET

1. Improve UK competitiveness by narrowing the productivity gap with the US, France, Germany and Japan over the economic cycle.

*Joint target with HMTREASURY.*

**Source:** OECD statistics<sup>1</sup>

**Timing:** Based on economic cycle, which is defined as the period between two dates when the economy is judged to be on-trend, or at potential. A full economic cycle includes both a period in which output is above potential, and a period in which it is below potential.

The Treasury's methodology for assessing on-trend points is set out in *Fiscal policy: public finances and the cycle*, HM Treasury, March 1999.

**Ambiguous terms:** The productivity gap is calculated by reference to output per worker and output per hour. To close the productivity gap it is necessary to achieve higher productivity growth over the period in question than the comparator countries.

Output per worker is calculated as GDP divided by total employment.

The methodology for calculating output per hour is set out in *Economic Trends 530 International Comparisons of Productivity and Wages* by Harley and Owen. Estimates of output per hour are less timely for international comparisons and will come out with a delay for some countries, in particular Japan.

Productivity relative to other countries will be compared considering the factors that affect the transparency of the comparisons, such as differences in the economic cycles of the comparator countries.

**Target Date:** 2004

<sup>1</sup> <http://www.oecd.org/statistics/>

**TARGET**

2. Help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities.

**A: Individuals going into business**

**Source:** Annual survey carried out by Small Business Service (currently being put out to tender).

**Ambiguous terms:** 'Considering': to a certain extent this has to be taken on faith, but can be tested through a survey questioning business ideas, motivations and any steps they have taken thus far and compared to local variables – self-employment rates, VAT registration rates and business bank account activity.

**Date:** Annual from 2001; target date 2004.

**B: Improvement in the overall productivity of small firms**

**Source:** Annual Business Inquiry<sup>2</sup>

**Scope:** England

**Ambiguous terms:** 'Small firms' is taken to mean whole enterprises with under 250 employees. This matches the definition used by Eurostat and all EU member states. 'Productivity' is taken to mean gross value added (gva) per employee.

**Date:** Target date 2010, although progress will be monitored annually from 2001. A target date of 2010 has been chosen, due to it taking some time before being able to assess fully the impact of the Small Business Service upon small firms.

**C: More enterprise in disadvantaged communities**

**Sources:** VAT registrations, flow of people into self-employment, and number of people considering going into business. Only a rise across all these measures will be considered as meeting the target.

**Ambiguous terms:** Disadvantaged communities will be defined using the DETR deprivation index<sup>3</sup>, both geographically (areas with high levels of deprivation) and demographically (e.g. single parents and ethnic minorities).

**Date:** Annual from 2001; target date 2004.

## TARGET

3. Make and keep the UK the best place in the world to trade electronically, as measured by the cost of Internet access and the extent of business to business and business to consumer transactions carried out over e-commerce networks.

### A: Cost of internet access

**Source:** The Office of Telecommunications (OFTEL) International Benchmarking Study of mobile services and dial-up PSTN Internet access (Public Switched Telephone Network: refers to analogue rather than digital telephone lines)<sup>4</sup>. This study reflects prices at August 2000. The survey looks at dial-up Internet access, including unmetered packages, and mobile phone services. Countries considered in the study are the UK, France, Germany, Italy (mobile only), Sweden, and the US states of Ohio and California (Internet only).

**Ambiguous terms:** Lowest cost of access will be assessed on the basis of the cost of 20, 30 or 40 hours of use per month, and 'always on', on-peak or off-peak.

**Date:** Achieve target by 2002 and maintain it thereafter. OFTEL carry out this benchmarking survey every six months.

### B: Higher percentage of business to business/business to customer transactions to be carried out on e-commerce networks than in any other G7 country

**Source:** The Office of National Statistics (ONS) is currently piloting a survey to measure the extent of e-commerce within businesses. In addition, OECD are agreeing core indicators on business and individual use of e-commerce, which include measuring the proportion and value of transactions. It is hoped that individual countries will use these core indicators and the related OECD questionnaire to gather data on use of e-commerce. DTI also carry out their own international benchmarking survey on use of e-commerce which attempts to measure progress against this target.

**Ambiguous terms:** The 'extent' of business to business and business to consumer transactions will be measured by value and proportion.

**Date:** Achieve target by 2002. DTI study is annual. The ONS pilot is to be completed next year, and maybe annual after that (this is still to be decided and may be more frequent). OECD may gather data annually or more often from next year.

## TARGET

4. Improve the economic performance of all regions measured by the trend in growth of each region's GDP per capita.  
*Joint target with DETR.*

**Source:** The estimate of Gross Domestic Product (GDP) per head at NUTS level 1, current prices, (workplace based) produced by the ONS. Further work will be needed to adjust to constant prices. The data are produced annually but are subject to revision.

**Scope:** English Regions

**Measured by:** The core indicator is the regional variations on GDP. Data for 2000 will be available in the first half of 2002. When sufficient further years are available, a trend for each region will be established with respect to: similar data for the UK or England; historic data for that region and whole country; the economic cycle; GDP components and any other data deemed useful. This trend will then be compared with the benchmark trend estimates.

## TARGET

5. Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.

**Source:** OECD<sup>5</sup>; Science Citation Index<sup>6</sup>

**Measured by:** International ranking on quality, relevance and cost-effectiveness of the science and engineering base output.

**Date:** Annual from 2001; target date 2004.

## TARGET

6. Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources.

**Source:** Community Innovation Survey

**Measured by:** The percentage of innovating businesses, as defined by the Community Innovation Survey, citing science and technology base sources, including DTI supported standards and measurement

**Date:** Survey every two years from 2001; target date 2005.

## TARGET

7. Have the most effective competition regime in the OECD, as measured by peer review, and achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information.

### **A: Most effective competition regime**

**Source:** Survey of experts in the competition field, commissioned by the Competition Policy Directorate within DTI.

**Measured by:** Views of experts.

**Ambiguous terms:** Peer review will be conducted through identifying a group of experts, both in the UK and abroad, who could give an objective assessment of, and will be asked to rate, the UK's competition regime. Work is ongoing to identify this group of experts.

**Date:** Survey carried out at beginning and end of PSA period.

### **B: Level of consumer knowledge and understanding**

**Source:** MORI Survey

**Measured by:** Consumers surveyed to assess consumer knowledge and skills.

**Date:** Survey carried out at beginning and end of PSA period.

## TARGET

8. Ensure competitive gas and electricity prices in the lower half of the EU/G7 basket, while achieving security of supply and social and environmental objectives.

### A: Prices

**Source:** International Energy Agency and European Commission published in IEA Energy Prices and Taxes Quarterly Statistics and converted by DTI using EUROSTAT exchange rates.

**Measured by:** Pre- and post tax gas and electricity prices to final consumers (industrial and domestic). "EU/G7" means the price in the 15 EU member states and the non-EU G7 (USA, Japan and Canada). This definition may be reviewed if significant price convergence in the Euro zone occurs or if significant shocks in one or more comparator might make comparison less useful.

**Ambiguous terms:** Security of supply objectives are pursued through emergency planning, transmission system operator investment signals (reflected in price controls) and wider UK and EU level policies. They should be achieved without compromising the price target. Social and environmental objectives are pursued through a range of policies (and reflected in statutory guidance to the Gas & Electricity Markets Authority).

**Date:** Annual from 2001; target date 2004.

### B: UK to obtain 5% of its electricity from renewable sources by 2003 as a step towards a 10% reduction by 2010, subject to the cost to consumers being acceptable

**Source:** Energy statistics produced by the Energy Technology Support Unit and the DTI and published in the DTI's digest of UK Energy Statistics annual publication.

**Ambiguous terms:** Renewable sources are defined as those which are continuously and sustainably available in our environment. In relation to the costs of renewable sources being acceptable to consumers, the DTI have, in the publication *New and Renewable Energy, Prospects for the 21st Century, The Renewables Obligation, Preliminary Consultation*, set out the costs and invited comments from readers.

**Date:** Annual from 2001; target date 2004

### C: Fuel expenditure as a percentage of income for the lowest 3 income deciles to be reducing and below 4% by 2003-04.

**Source:** Family Expenditure Survey run by ONS

**Date:** Annual from 2001.

**TARGET**

9. Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in CO<sub>2</sub> emissions by 2010. *Joint target with DETR.*

**Source:** The National Environmental Technology Centre (NETCEN), part of the European Network of Environmental Research Organisations (enero), on behalf of DETR.<sup>7</sup> NETCEN publishes an annual inventory of the UK's historic greenhouse gas emissions. Data for CO<sub>2</sub> emissions are available for each year from 1990 to 1998. Data for non-CO<sub>2</sub> emissions are available for 1995 and 1998. Disaggregated data for England, Scotland, Wales and Northern Ireland are available for 1990, 1995 and 1998. In the future, data will be available for each series on an annual basis. Projections of greenhouse gas emissions to 2010 and to 2020 are produced regularly, although not necessarily every year.

**Scope:** Applies to UK

**Measured by:** The baseline for the UK's greenhouse gas emissions is 1990 although, as allowed by the Kyoto Protocol, 1995 is used for emissions of hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

**Target Date:** The UK published a draft climate change programme<sup>8</sup> setting out how it proposes to deliver the 12.5% target and move towards the 20% goal in March 2000. The final programme was published on 17 November 2000. The programme will be formally reviewed and evaluated in 2004.

**TARGET**

10. Deliver a measurable improvement in the business performance of Trade Partners UK customers. *Joint target with FCO.*

Details for this target will be set out in the British Trade International Service Delivery Agreement.<sup>9</sup>

**TARGET**

11. Maintain the UK as the prime location in the EU for foreign direct investment. *Joint target with FCO.*

Details for this target will be set out in the British Trade International Service Delivery Agreement.<sup>9</sup>

## TARGET

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12. Achieve value for money improvements of 2.5% a year across the Department as measured by a set of indicators.

**Source:** Annual monitoring by the Department's Finance and Resource Management section.

**Date:** Annual from 2001; target date 2004

For full details of this target and the set of indicators it is to be measured by, please refer to the DTI Service Delivery Agreement, specifically section C.2. Value for Money<sup>10</sup>. The target will be achieved through aggregate performance against the set of indicators.



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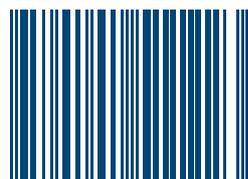
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