Presented pursuant to Act 11 and 12 Geo. 5, s. 5

Department of Trade and Industry

Consolidated Resource Accounts 1999–2000

LONDON: The Stationery Office
HC 11

20 December 2000

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(for the year ended 31 March 2000)

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Foreword

Introduction

The Department of Trade and Industry (DTI) is a major economic department. A healthy business sector is vital to our standard of living as a nation, and the Department has front line responsibility within Government for supporting British business and for much of the underlying framework for economic activity. In particular, the DTI has a central responsibility in delivering the Prime Minister's objective of increasing the UK's influence in the EU—the single largest market in the world. The Department also seeks to promote the highest standards of scientific excellence, to promote sustainable growth and to manage efficiently residual coal and nuclear liabilities on behalf of the Government.

This Foreword has been prepared in accordance with the guidance set out in the Treasury's Resource Accounting Manual. It consists of detail on:

Departmental Aim and Objectives

Aim

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

Objectives

- **To promote enterprise, innovation and increased productivity;** in particular by encouraging successful business start-ups, and by increasing the capacity of business, including Small and Medium Enterprises (SMEs) to grow, to invest, to develop skills, to adopt best practice, and to exploit opportunities abroad, recognising the development of the knowledge economy and taking account of regional differences.
- **To make the most of the UK's science, engineering and technology;** in particular by achieving standards of international excellence and maximising the contribution of its outputs to economic development and the quality of life.
- **To create strong and competitive markets;** in particular by taking action to improve the openness, efficiency and effectiveness of markets at home, in Europe and across the world, and to ensure the provision of secure, diverse and sustainable supplies of energy at competitive prices.
- **To develop a fair and effective legal and regulatory framework;** in particular 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 principles of partnership.

In pursuit of these 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 exploiting the potential of technology;
- Promote sustainable development encompassing growth and environmental and social objectives; and
- Operate efficiently and effectively within available resources.

The Department will also **ensure the efficient management of liabilities** for which it has responsibility. DTI manages, on behalf of the Government, the residual liabilities arising from the coal and nuclear industries' past activities.

Ministers

The Ministers with responsibility for Trade and Industry in 1999–2000 were:

Secretary of State for Trade and Industry	The Rt Hon Stephen Byers MP	(from 24 December 1998)
Ministers of State	The Rt Hon Richard Caborn MP	(from 29 July 1999)
	Patricia Hewitt MP	(from 29 July 1999)
	The Rt Hon Helen Liddell MP	(from 29 July 1999)
	John Battle MP	(to 29 July 1999)
	The Rt Hon Ian McCartney MP	(to 29 July 1999)
	Lord Simon of Highbury	(to 29 July 1999)
	Brian Wilson MP	(to 29 July 1999)
Parliamentary Under-Secretaries of State	Dr Kim Howells MP	(from 28 July 1998)
	Lord Sainsbury of Turville	(from 28 July 1998)
	Alan Johnson MP	(from 29 July 1999)
	Michael Wills MP	(to 29 July 1999)

The remuneration of ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975.

Departmental Management Group

The Permanent Secretary and members of the Departmental Management Group (DMG) in 1999–2000 were:

Permanent Secretary	Sir Michael Scholar	(from 1 July 1996)
Government Chief Scientific Advisor/ Head of the Office of Science and Technology	Sir Robert May	(from 1 September 1995)
Director General (DG) of the Research Councils	Dr John Taylor	(from 1 January 1999)
Chief Executive of British Trade International	Sir David Wright	(from 4 May 1999)
	Mr Tom Harris	(to 14 May 1999 as DG Export Promotion)
Chief Executive of the Small Business Service	Mr David Irwin	(from 6 March 2000)
DG Competition and Markets	Dr Catherine Bell	(from 2 July 1999)
	Mr Brian Hilton	(to 1 July 1999 as DG Corporate and Consumer Affairs)
DG Energy	Mrs Anna Walker	(from 1 October 1998)
DG Enterprise and Innovation	Mr Mark Gibson	(from 2 May 2000)
	Mr David Durie	(to 14 February 2000 as DG Enterprise and Regions)
DG Business Competitiveness	Mr Jonathan Spencer	(from 7 February 2000)
	Mr Alastair Macdonald	(to 29 February 2000 as DG Industry)
DG Trade Policy	Mr Tony Hutton	(from 1 September 1997)
DG Legal Services	Mr David Nissen	(from 17 March 1997)
DG Resources and Services	Mr Jonathan Phillips	(from 7 February 2000)
	Mr Jonathan Spencer	(to 6 February 2000)

Appointment of members to the DMG is undertaken in accordance with the Civil Service Management Code and their remuneration (see Note 2) is determined in accordance with Cabinet Office Guidelines which take into account the recommendations of the Senior Salaries Review Body. Remuneration details of Sir David Wright and Mr Tom Harris are contained in the accounts of the Foreign and Commonwealth Office (FCO).

From April 2000, the DMG was renamed the Departmental Board (DB).

The Department underwent significant restructuring during 1999–2000:

- in partnership with the FCO, British Trade International (BTI) was established to provide a coherent framework for trade development across Government at home and overseas
- the new Enterprise and Innovation Group was created with responsibilities including overall strategy for competitiveness and the knowledge-driven economy at home and in Europe, its delivery in the English regions, and inward investment for the UK as a whole
- two Groups were renamed to highlight the new focus of their work: Industry Group became the Business Competitiveness Group, and Corporate and Consumer Affairs Group became the Competition and Markets Group

Since the end of the financial year, the Small Business Service (SBS) was launched as a Next Steps Agency of the Department (1 April 2000; Mr David Irwin took up his role as Chief Executive just before the launch) and Mr Mark Gibson was announced as the new Director General for Enterprise and Innovation (2 May 2000).

Consolidated Entities

Entities Included

These Consolidated Resource Accounts present the results for 1999–2000 of:

- The Department of Trade and Industry
- Non-executive Non-Departmental Public Bodies, which do not produce their own resource accounts (as detailed in Note 1 to the Resource Accounts)
- On-vote Agencies: the Employment Tribunals Service, the Radiocommunications Agency, the Insolvency Service and the National Weights and Measures Laboratory
- The Advisory, Conciliation and Arbitration Service (a Crown Executive NDPB)

The principal activities undertaken by the bodies in pursuit of the aims and objectives of the Department are summarised below. Further details of each entity can be found in their respective annual reports and accounts available from The Stationery Office or as detailed on page 44.

Body	Principal Activities
The Employment Tribunals Service(ETS)	Provides administrative support to Employment Tribunals and their appellate body, the Employment Appeals Tribunal.
The Radiocommunications Agency(RA)	Manages the use of most non-military radio spectrum in the UK and represents the UK in international discussions on radio matters.
The Insolvency Service (INSS)	Deals with compulsory corporate and individual insolvencies in England and Wales and investigates fraud and misconduct in insolvencies.
The National Weights and Measures Laboratory (NWML)	Regulates equipment used for trade weighing and measurement, and represents the UK in international discussions of the technical requirements for measuring instruments.
Advisory, Conciliation and Arbitration Service (ACAS)	Provides an independent and impartial service to prevent and resolve disputes and build harmonious relationships at work and resources two independent statutory authorities: the Central Arbitration Committee (CAC), which provides voluntary arbitration and exercises judicial arbitration powers; and the Certification Officer who is responsible for ensuring compliance with statutory provisions relating to trade unions and employers' associations.

Entities Excluded

The public sector bodies which have not been consolidated in these accounts, for the reasons set out in the accounting policies at Note 1, and for which the Department had lead policy responsibility in the year, are listed below, together with a description of their status. All these bodies publish their own annual reports and accounts, detailing their financial activity during the year. These can be obtained from The Stationery Office.

Trading Funds

- Companies House
- The Patent Office

Public Corporations

- The Post Office
- British Hallmarking Council
- British Nuclear Fuels Plc
- British Coal Corporation
- British Shipbuilders

Non-Departmental Public Bodies (NDPBs)

- Coal Authority
- Commissioner for Protection Against Unlawful Industrial Action
- Commissioner for the Rights of Trade Union Members
- Gas Consumers' Council (GCC)
- National Consumer Council (NCC)
- Post Office Users' National Councils for Scotland, Wales and Northern Ireland
- Design Council
- Medical Research Council
- Competition Commission (CC)
- National Research Development Corporation (NRDC)
- 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)
- Natural Environment Research Council (NERC)
- Particle Physics and Astronomy Research Council (PPARC)
- Simpler Trade Procedures Board (SITPRO)
- United Kingdom Atomic Energy Authority (UKAEA)

Additionally, the Department does not have lead policy responsibility for the following *related organisations*:

- Export Credits Guarantee Department (ECGD)
- Office of Gas and Electricity Markets (OFGEM)
- Office of Telecommunications (OFTEL)
- Office of Fair Trading (OFT)
- Competition Commission (CC)

In the July 1999 White Paper, *Post Office Reform: A World Class Service for the 21st Century* (Cm 4340), the Government announced its intention, subject to legislation, to transform the Post Office from a public corporation to a public limited company. Since the end of the financial year, the new independent postal services regulator, the Postal Services Commission (PSC), took up its functions and duties (1 April 2000).

The Government has also announced its intention to develop British Nuclear Fuels Ltd (BNFL) through a public-private partnership (PPP), provided BNFL meets specific performance criteria and the PPP represents value-for-money for the public.

Financial Performance

The Department's financial performance is reported in the financial statements and supporting notes to the accounts, which can be found on, pages 19 to 44. Schedule 5—Consolidated Resources by Departmental Aim and Objectives indicates the net expenditure incurred in delivering against each of its objectives. The Department was successful in delivering against each of its objectives. A selection of the highlights of 1999–2000 by objective are listed below. More detailed information on the performance of the Department in 1999–2000, along with its future plans, can be found in *Trade and Industry—The Government's Expenditure Plans 2000–01 to 2001–02* (Cm 4611) published in April 2000.

To promote enterprise, innovation and increased productivity:

E-Commerce

- The Electronic Communications Bill was introduced to Parliament which will facilitate the use of e-mail and other electronic means of communication in commercial transactions.
- A Management of Information programme was launched, in co-operation with Economic and Social Research Council (ESRC), Engineering and Physical Sciences Research Council (EPSRC), Home Office (HO), Defence Evaluation and Research Agency (DERA) and industry, aimed to help combat fraud and worth an estimated £12 million in project costs.
- A £3.6 million programme was launched designed to help UK's Small to Medium Enterprise adopt advanced electronic design techniques.
- A digital content *Action Plan for Growth* was completed with the publishing and content sector.
- The European Commission completed a review of the liberalisation of European Union (EU) communications, and proposed a new regulatory regime to sustain competition in rapidly changing markets up to 2007.

Enterprise and the Small Business Service

- The appointment of Chief Executive for the Small Business Service (SBS), David Irwin, was announced.
- Public consultations were held on the SBS and on Regional Venture Capital Funds.
- A £180 million Enterprise Fund was launched to help small firms invest in success.
- The law relating to personal bankruptcy was reviewed, looking particularly at the stigma which the law attaches to financial failure, and a consultation document on reforms of insolvency legislation was published.
- Development of an Action Plan as part of the European Commission's Business Environment Simplification Taskforce (BEST).

Innovation

- The Department agreed with BAE SYSTEMS to invest up to £530 million in the A3XX very large aircraft, creating 8,000 jobs in BAE SYSTEMS and supply companies.
- Expansion in size and scope of the Smart scheme.
- Commitment of £30 million (from DETR and DTI) to fund a further phase of the Environmental Technology Best Practice Programme.
- Announced launch of the £7.8 million Sustainable Technologies Initiative and the £1.4 million DTI Recycling Programme.
- Publication of the Genome Valley and Biotechnology Clusters reports.

The Regions

- Published national inward investment results showed a continuing record level of inward investment projects into the UK, up five per cent on the previous year.
- In partnership with Department for Education and Employment (DfEE) and Department for Environment, Transport and Regions (DETR), the eight Regional Development Agencies (RDAs) became fully operational and £10 million was committed to a new Competitiveness Development Fund for RDAs to address the priorities they identify for improving the competitiveness of business in their region.
- The RDAs presented their first regional economic strategies to Ministers in October 1999. The Government response was published in January 2000.
- Reform of Structural and Cohesion funds gave the UK an allocation of 16.6 billion Euro (approximately £10.7 billion).
- The new Enterprise Grant Scheme was launched.

British Trade International

- In partnership with FCO, British Trade International was established to provide a coherent framework for trade development across Government at home and overseas.
- Achieved the targets for reorganisation set out in the Wilson Review.
- The National Strategy for International Trade Development and Promotion was published.
- A detailed commercial strategy for China was produced for an inward State visit in October 1999.

- A joint Her Majesty's Government (HMG)/private sector Kosovo Task Force was established in June 1999.

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

The Science and Engineering Base

- The French Government joined the Office of Science and Technology (OST)/Wellcome Trust partnership to build a new X-ray synchrotron. In March 2000 the Secretary of State announced that the new facility would be located at The Rutherford Appleton Laboratory in Oxfordshire.
- The results of the first two rounds of the Joint Infrastructure Fund competition were announced. The competition is run in partnership with the Wellcome Trust and the Higher Education Funding Council for England (HEFCE) and provided awards of £470 million to 47 universities for research infrastructure in 1999–2000.
- As part of the Transparency Review announced in the Comprehensive Spending Review White Paper, new management accounting arrangements are being piloted at eight universities.
- The 1999 round of the Joint Research Equipment Initiative awarded nearly £70 million of funding to UK universities to enable them to buy state-of-the-art research equipment.
- The UK played a leading role in developing the new OECD Global Science Forum.

The Exploitation and Application of Science

- The Government announced a joint initiative in a trans-atlantic co-operation between Cambridge University and Massachusetts Institute of Technology, to enhance productivity, competitiveness and entrepreneurship in the UK.
- A new round of the UK Foresight Programme was announced to develop visions of the future 20 or more years ahead.
- New incentives were created for collaboration between business and English universities through the new £60 million joint DTI/HEFCE Reach Out Fund.
- In partnership with the Wellcome Trust and the Gatsby Foundation, University Challenge awards worth £45 million were announced for the establishment of seed corn funds to enhance the exploitation of science and engineering research.
- Eight Centres of Entrepreneurship were established within UK Universities selected through the £25 million Science Enterprise Challenge competition.

To create strong and competitive markets:

Open Markets

- The Competition Commission (CC) replaced the Monopolies and Mergers Commission (MMC) on 1 April 1999.
- Competition Act 1998 came fully into force on 1 March 2000, greatly increasing the powers to crack down on cartels and exploitation.
- A consultation on options for reform of the merger control regime was launched.
- Changes to European Community legislation enabling a reform of the competition rules on vertical restraints were agreed. The Single Market was strengthened by political agreements in the EU on improving the application of mutual recognition and standardisation policy. Work on reducing unnecessary burdens continued with work on better regulation/simplification of legislation.
- There was agreement to continue work to integrate sustainable development and environmental protection in any measures adopted to improve the EU single market.

Energy

- The domestic electricity supply market was fully opened to competition by May 1999.
- New Gas Trading Arrangements, designed to increase competition in the wholesale market, came into effect. The Conclusions Report setting out the blueprint for the New Electricity Trading Arrangements was published jointly by DTI and OFGEM.
- Publication of Energy Paper 67, Cleaner Coal Technologies: *The Government's Plans for Research, Development, Technology Transfer and Export Promotion* and the Conclusions in Response to the Public Consultation on *New and Renewable Energy—Prospects for the 21st Century*.

- The Department worked closely with DETR in the preparation of the draft climate change programme, published for consultation in March 2000.
- The Department participated in the work of the CBI/ACBE Emissions Trading Group, which published outline proposals for a UK emissions trading scheme.

To develop a fair and effective legal and regulatory framework:

The Regulatory Framework

- The systems to control regulation were strengthened, including the creation of a new Panel to which Ministers must account for their regulatory performance on which the Secretary of State and the Chief Executive of the SBS both sit.
- The Utilities Bill was introduced into Parliament, proposing to establish the Gas and Electricity markets Authority and an independent Gas and Electricity Consumer Council.
- A draft bill was introduced on Limited Liability Partnerships in the House of Lords, establishing a new legal form of organisation.
- Proposals were published for strengthening the current corporate governance framework on directors' remuneration.
- A new non-statutory framework of independent regulation for accountants was agreed with the principal accountancy bodies. This is now being implemented.
- Progress was made in the Company Law Review including the publication of four new consultative documents by the independent steering group.

Consumer Policy

- The Government's consumer strategy was published in the White Paper *Modern Markets: Confident Consumers*, setting out action to encourage demanding and confident consumers and to protect against those who attempt to defraud.
- The Department published proposals to modernise weights and measures law.
- More organisations were given powers to act against unfair contract terms.
- New measures were brought in to improve the visibility of price information and to aid price comparisons.
- The Secretary of State hosted a series of high-level Mortgage Summits.

Employment Relations

- The National Minimum Wage was launched, which is now benefiting over 1.5 million people. The independent Low Pay Commission found that this had been done with virtually no adverse impact on the economy as a whole or on employment levels.
- The Employment Relations Bill received Royal Assent, promoting partnership at work and flexible employment practices, preventing discrimination against part-time workers and helping employees to balance work and family responsibilities.
- Maternity and Parental Leave Regulations came into force.
- The European Works Council Directive was implemented.
- The Partnership Fund was launched which will provide £5 million to help foster new attitudes and approaches to partnership at work.

Events since the end of financial year

The first auction of spectrum licences was in progress at the year-end. The deposits of the thirteen bidders for the five Third Generation Mobile Services are shown in the balance sheet under cash at bank and in hand at £1.3 billion. The auction concluded in April 2000 with bids totalling £22.48 billion. The licences are for a period of twenty years. The licence proceeds will be remitted to HM Treasury as soon as they are received. Legal proceedings have been lodged in respect of the issue of the licences. The determination of the proceedings may result in partial refunds of the licence fees and are not expected to come to court before October 2000. They will be vigorously defended. Any refunds would be funded from the proceeds from the issue of the licences.

Redundancy Payment Scheme

The Department acts as the agent for the Benefits Agency in the approval and processing of claims under this scheme. The average payment for RP1 (redundancy pay, holiday pay and arrears or pay) during the 1999–2000 year was £1,535. An average amount of £679 was paid during this period for RP2 claims (which relate to pay in lieu of notice). The expected number of RP1 claims for 2000–01 is 94,000 and that for RP2 58,000. There is an associated income stream related to this scheme arising from two sources:

- Solvent Recovery—where monies are recovered over a period of up to three years from companies that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time;
- Insolvent Recovery—the Department becomes a creditor receiving a dividend if there are sufficient funds in the winding up of the company.

Expenditure in 1999–2000 totalled £167,792,470 against income of £20,589,222.

DTI-Managed Liabilities

The Department manages, on behalf of the Government, residual liabilities arising from the coal and nuclear industries' past activities. These long-term commitments represent a significant part of the Department's budget.

Coal Liabilities

The coal liabilities relate to former British Coal employees. Expenditure on management of these liabilities came to £250.9 million (see note 16) in 1999–2000. The liabilities in respect of former British Coal employees are covered by several programmes of which the most important are: health claims, the Redundant Mineworkers' Payment Schemes and concessionary fuel. In addition, the Department has guaranteed the solvency of the coal pension schemes (see note 9) under arrangements put in place at privatisation in 1994. A new Coal Subsidy Scheme is planned to come into effect in 2000–01 and approval for the Scheme is being sought from the European Commission. The expected liability (undiscounted) over 3 years is £110 million.

Nuclear Liabilities

The Department is responsible for a decommissioning and radioactive waste management programme which deals with nuclear liabilities on United Kingdom Atomic Energy Authority (UKAEA) and British Nuclear Fuels plc (BNFL) sites arising from the Government's past civil nuclear research. This programme is managed on behalf of the Department by UKAEA and BNFL. The estimated undiscounted cost of dealing with UKAEA's nuclear liabilities is £7.7 billion, and BNFL £24.9 billion. Expenditure in 1999–2000 totalling £183.5 million (see note 17).

Employees

Investors in People

The Department attaches great importance to managing, developing and training its staff in accordance with the principles of "Investors in People" (IiP). DTI headquarters achieved IiP recognition in November 1999. The Personnel Training Consortium and those Agencies and Government Offices due for re-assessment were all successful in retaining IiP recognition.

Training and development

During the year the Department continued to give a high priority to training and developing all staff to enhance their professionalism in pursuit of the Department's objectives. The 1999–2000 Departmental Training Plan linked the training and development needs to Departmental objectives and highlighted Department-wide goals and priorities.

Equal Opportunities

The Department's Equal Opportunities Policy aims to ensure that no eligible job applicant or employee receives less favourable treatment on grounds of age, disability, gender, race, colour, nationality, marital status, sexual orientation, religion or religious affiliation or because they work part-time.

The policy statements describing the Department's equal opportunity framework are available to provide guidance for all employees. An *Equal Opportunities Annual Report* was published to provide staff with information on progress in meeting benchmarks for representation at all levels included in the action programmes.

Advisory groups for racial equality, women's issues and disability continued to advise and support the Permanent Secretary on equality issues within the Department during the year. An action programme on *Widening Opportunities for Women* was published and includes a range of measures designed to increase the representation of women at middle and senior management levels, together with benchmarks against which progress can be assessed. The Department continues to provide advice and specialist adaptations and equipment to its staff with disabilities.

In the year to 31 March 2000:

- the proportion of women in managerial grades (Bands B and C) was around 36%;
- female representation in the Senior Civil Service was 23%;
- 13% of staff were known to be of ethnic minority origin, a decrease of around 1% compared to 1998–99; and
- 5% of staff were known to have a disability and were employed at all levels, including in the Senior Civil Service

Pensions

The Pension liabilities arising from the Department's employees' membership of the Principal Civil Service Pension Scheme (PCSPS) are not provided for in these accounts in accordance with Treasury instructions and as described in Note 1 to the financial statements.

The Department has accepted the responsibility to fund the pension scheme liabilities for the United Kingdom Atomic Energy Authority (UKAEA) pension schemes. However, in accordance with Treasury guidance, these costs have not been provided for in the Resource Accounts. Instead, separate pension resource accounts have been published by the Department.

Payment of Suppliers

The Department's policy is to comply with the Better Payment Practice Code, which includes the Late Payments of Commercial Debts (Interest) Act 1998. The Department's standard terms and conditions for the supply of goods or services specify payment within 30 days, or other agreed credit terms, of receipt of goods or services or valid invoice, whichever is the later. The core Department paid 93% of undisputed invoices within the credit term. For the consolidated Department this rose to 97.3%.

Year 2000

The Department passed through the millennium weekend and the subsequent return to work without material disruption from Year 2000-related failures. The Department assessed the likely impact of the Century Date Change during the 1998-99 financial year and confirmed that all business-critical computer systems were Year 2000 compliant. The work to correct business-critical IT systems was co-ordinated centrally at a total cost of £3.5 million, including provision of advice and guidance on local system compliance, procurement, and the development of contingency plans for key services.

Introduction of the EURO

The Department has produced an outline changeover plan which it would follow should the UK adopt the euro. The plan sets out the main changes the Department would need to make. It includes the changes needed to its IT systems, accounting and salary payment systems. The plan also sets out a lead times and key planning activities.

Auditors

These accounts have been prepared in accordance with an Accounts Direction issued by Her Majesty's Treasury on 28 March 2000. They have been audited by the Comptroller and Auditor General (C&AG) whose opinion is expressed on page 14.

Sir Michael Scholar KCB 24 November 2000
Principal Accounting Officer and Permanent Secretary

Statement of Accounting Officer's responsibilities

Under Section 5 of the Exchequer and Audit Departments Act 1921, the Department is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The Resource Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource out-turn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the Accounts the Accounting Officer is required to comply with the Resource Accounting Manual prepared by the Treasury, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis.

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*.

Statement on the system of internal financial control

1. This statement is given in respect of the Resource Accounts for the Department of Trade and Industry which incorporates the transactions and net assets of the core department, its agencies and other bodies falling within the departmental boundary for resource accounting purposes. As Accounting Officer for the Department, I acknowledge my overall responsibility for ensuring that the Department, agencies and other bodies maintain and operate an effective system of internal financial control in connection with the resources concerned. The Chief Executive of each agency and other self-accounting unit falling within the departmental boundary is responsible for the maintenance and operation of the system of internal financial control in that body, and has signed a statement relating to that system which is reproduced in the accounts of the body.

2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by executive managers within the Department, agencies and other bodies. In particular, the system includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Departmental Board (DB), formerly known as the Departmental Management Group during 1999–2000;
- regular reviews by the DB of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts on a cash basis;
- appropriate controls over capital; and
- formal project management disciplines for major projects.

4. The Department has an Internal Audit Directorate, which operates to standards defined in the *Government Internal Audit Manual.* The work of the Directorate is informed by an analysis of the risk to which the Department is exposed, and the internal audit strategic plan and the annual work programme are based on this analysis. The internal audit strategic plan and annual work programme are reviewed and endorsed by the Department's Audit Committee and approved by me. The Director of Internal Audit provides me with a report annually on internal audit activity in the Department. The Report includes the Director of Internal Audit's independent opinion on the adequacy and effectiveness of the Department's system on internal financial control. There are similar arrangements in place in the agencies and other bodies referred to in paragraph one where, in each case, the Department's Internal Audit Directorate provides the internal audit service.

5. My review of the effectiveness of the system of internal financial control is informed by:

- the executive managers within the Department, agencies and other bodies and the steps they have taken to review the effectiveness of the financial control framework in their area of responsibility;
- the work of the internal auditors as described above; and
- the external auditors in their management letter and other reports.

6. During the year the Department has taken a number of significant steps to improve its financial control. As part of the move to resource accounting and budgeting, the Department has introduced new financial and accounting systems. It has also streamlined its budget holding arrangements.

Implementation of the Turnbull Report

7. As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by the Treasury.

Sir Michael Scholar KCB 24 November 2000
Accounting Officer and Permanent Secretary

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

I certify that I have audited the financial statements on pages 15 to 43 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the historical cost convention as modified by the revaluation to certain fixed assets and the accounting policies set out on pages 20 to 23.

Respective responsibilities of the Accounting Officer and auditor

As described on page 12, the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Department has not kept proper accounting records or if I have not received all the information and explanations I require for my audit. I read the other information contained in the Accounts, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. I review whether the statement on page 13 reflects the Department's compliance with Treasury's guidance "Corporate governance: statement on the system of internal financial control". I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

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

Opinion

In my opinion:

- the financial statements give a true and fair view of state of affairs of the Department of Trade and Industry at 31 March 2000 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by the Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

28 November 2000

National Audit Office
157 – 197 Buckingham Palace Road
Victoria
LONDON SW1W 9SP

SCHEDULE 1

Consolidated Summary of Resource Outturn
for the year ended 31 March 2000

	Estimate			Outturn			
	Gross expenditure *1*	*A-in-A** *2*	*Net Total* *3*	*Gross expenditure* *4*	*A-in-A** *5*	*Net Total* *6*	*Net Total Outturn compared with Estimate* *7*
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Request for Resources 1 Trade and Industry Programme	1,675,612	−382,205	1,293,407	3,124,409	−267,359	2,857,050	−1,563,643
Request for Resources 2 Science	1,525,694	−3,660	1,522,034	1,439,892	−1,452	1,438,440	83,594
Total Resources	**3,201,306**	**−385,865**	**2,815,441**	**4,564,301**	**−268,811**	**4,295,490**	**−1,480,049**
Non-Operating Cost A in A	—	—	**−130,292**	—	—	**−313,794**	**183,502**
Net Cash Requirements	—	—	**3,074,860**	—	—	**1,544,717**	**−1,530,143**

Reconciliation of Resources to Net Cash Requirements	**Note**	**£'000**	**£'000**	**£'000**
Net Total Resources		**2,815,441**	**4,295,490**	**−1,480,049**
Capital Adjustments:				
Purchase of tangible fixed assets	8	36,133	21,339	14,794
Payments—other investments and loans	9, 12	73,305	68,231	5,074
Non-Operating Cost A-in-A				
Receipts—other investments and loans	9	−130,292	−313,048	182,756
Sales proceeds on disposals		−2,384	−746	−1,638
Accruals Adjustments:				
Non-cash items	3, 4	266,589	247,684	18,905
Net decrease in working capital other than cash	10	−3,900	−1,384,753	1,380,853
Net movement in provision	16, 17, 18	19,968	−1,389,480	1,409,448
Excess Cash to be CFERd		—	—	—
Adjustment to reflect department underspending on cash		—	—	—
Net Cash Requirement	(Schedule 4)	**3,074,860**	**1,544,717**	**1,530,143**

Explanation of the variation between Estimate and Outturn:

(i) variation of £1,409,448,000 caused by increase in provisions for liabilities and charges, see notes 16, 17 and 18 for full details.

Explanation of the variation between Estimate net cash requirement and Outturn net cash requirement:

(i) variation caused by increase in creditors of which Spectrum auction receipts (Third Generation Mobile Service) are £1,305,550,000.

Analysis of Income Payable to the Consolidated Fund

In addition to the appropriations-in-aid (A-in-A) the following income relates to the Department and is payable to the Consolidated Fund (cash receipts shown in italics) as extra receipts (CFER):

	1999–2000 Forecast		**1999–2000 Outturn**	
	Income	*Receipts*	Income	*Receipts*
	£'000	*£'000*	£'000	*£'000*
Income for fees not classified as A-in-A (see note 5)	137,736	*137,736*	7,948	*7,948*
Other CFER receipts	531,345	*531,345*	586,794	*586,794*
	669,081	*669,081*	594,742	*594,742*

* In the years prior to the introduction of Resource Estimate, the above Forecast figures are illustrative only, the references to "A-in-A" and "CFER" in Schedule 1 and relevant notes to the accounts do not apply for the purposes of parliamentary control. The figures represent what will be classified as "A-in-A" and "CFER" following the introduction of Resource Estimates.

For more detailed analysis of outturn expenditure and appropriation-in-aid see Schedule 2 and Notes 2 to 7 to the Accounts.

SCHEDULE 2

Consolidated Operating Cost Statement
for the year ended 31 March 2000

	Note	1999–2000 £'000	1999–2000 £'000
CONTINUING OPERATIONS			
Administration Costs			
Staff Costs	2	237,279	
Other Administration Costs	3	310,553	
Gross Administration Costs			**547,832**
Operating Income	5		151,500
Net Administration Costs			**396,332**
Programme Costs			
Trade and Industry Programmes			
Expenditure		2,739,633	
Less: Income	5		
-EU funding (acting as agent)		189	
-EU funding (negative public expenditure)		9,408	
-Other (including CFERS)		114,210	
		2,615,826	
Science			
Expenditure		1,424,039	
Less: Income (including CFERs)	5	1,452	
		1,422,587	
Net Programme Costs	4		**4,038,413**
Net Operating Cost	6, 7		**4,434,745**
Net Resource Outturn	6, 7		**4,295,490**

Consolidated Statement of Recognised Gains and Losses
for the year ended 31 March 2000

	1999–2000 £'000
Net gain on revaluation of fixed assets and investments	**1,561,081**
Total recognised gains and losses for the financial year	**1,561,081**

SCHEDULE 3

Consolidated Balance Sheet
as at 31 March 2000

	Note	31 March 2000 £'000	31 March 2000 £'000	1 April 1999 (unaudited) £'000	1 April 1999 (unaudited) £'000
Fixed Assets					
Tangible Assets	8	81,004		72,274	
Investments	9	3,503,353		3,094,979	
			3,584,357		**3,167,253**
Current Assets					
Stocks	11	25		30	
Debtors (amount falling due within one year)	12	301,188		340,090	
Debtors (amount falling due after more than one year)	12	28,646		97,117	
Investments	13	2,875,000		1,663,000	
Cash at Bank and in Hand	14	1,718,279		429,309	
		4,923,138		2,529,546	
Less: Creditors (amounts falling due within one year)	15	1,879,318		538,148	
Net Current Assets			**3,043,820**		**1,991,398**
Total Assets less Current Liabilities			**6,628,177**		**5,158,651**
Less: Creditors (amounts falling due after more than one year)	15		1,034		15,469
Less: Provisions for Liabilities and Charges					
Coal	16	3,051,437		2,290,792	
Nuclear	17	6,101,479		5,463,298	
Other	18	221,853		231,199	
			9,374,769		7,985,289
Total Net Liabilities			**−2,747,626**		**−2,842,107**
Taxpayer's Equity					
General Fund	20		−8,454,675		−6,989,357
Revaluation Reserves	19		5,707,049		4,147,250
			−2,747,626		**−2,842,107**

These accounts were approved on 24 November 2000.

Sir Michael Scholar KCB
Principal Accounting Officer

SCHEDULE 4

Consolidated Cash Flow Statement
for the year ended 31 March 2000

	1999–2000
	£'000
Net Cash Outflow from Operating Activities	**–1,671,479**
Capital Expenditure and Financial Investment	**224,224**
Financing from the Consolidated Fund (Supply)	**2,957,729**
Non-Operating Consolidated Fund Extra Receipts	**586,794**
Payments to the Consolidated Fund	**–808,298**
Increase in Cash in the Period	**1,288,970**
Reconciliation of Operating Cost to Operating Cash Flows	
Net operating costs (see Schedule 2)	**–4,434,745**
Adjust for Non-Cash Transactions (see Note 3 and 4)	–158,170
Adjust for Non-Cash Expenditure Funded by the NIF	147,203
Adjust for transfer from provision, excluding cash (see Notes 16, 17 and 18)	1,879,436
Adjust for Movements in Working Capital other than Cash (see Note 10)	1,384,753
Adjust for cash utilisation of provisions (see notes 16, 17 and 18)	–489,956
Net Cash Outflow from Operating Activities	**–1,671,479**
Analysis of Capital Expenditure and Financial Investment	
Purchase of Tangible Fixed Assets (see Note 8)	–21,339
Sales proceeds on disposals	746
Investments Redeemed (see Note 9)	313,048
Investments to Other Bodies (see Note 9)	–68,231
Net cash Inflow from Investing Activities	224,224
Analysis of Financing	
From the Consolidated Fund (Supply)	2,957,729
Consolidated Fund Extra Receipts received and not paid over	65,302
Consolidated Fund Extra Receipts received in prior year paid over	–189,344
Increase in Cash (see Note 14)	–1,288,970
Total cash requirements for the Department	**1,544,717**
Less: Non-Supply cash required	—
Net cash requirement (Schedule 1)	**1,544,717**

SCHEDULE 5

Consolidated Resources by Departmental Aim and Objective
for the Year Ended 31 March 2000

	1999–2000 Gross £'000	1999–2000 Income £'000	1999–2000 Net £'000
Aim: to increase competitiveness and scientific excellence in order to generate higher levels of sustainable growth and productivity in a modern economy.			
Promote enterprise, innovation and increased productivity (Objective A)	995,809	46,879	948,930
Make the most of the UK's science, engineering and technology (Objective B)	1,439,892	1,452	1,438,440
Create strong and competitive markets (Objective C)	1,937,838	69,906	1,867,932
Develop a fair and effective legal and regulatory framework (Objective D)	337,965	158,522	179,443
Net Operating Cost	**4,711,504**	**276,759**	**4,434,745**

The amounts included within objective C for the Department's responsibility to ensure efficient management of residual liabilities and assets arising from coal and nuclear industries' past activites are:

	1999–2000 Gross £'000	1999–2000 Income £'000	1999–2000 Net £'000
Ensure efficient management of liabilities and assets	1,826,368	23,000	1,803,368
Net of these figures Objective C figures are	111,470	46,906	64,564

Notes to the 1999–2000 Resource Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the *Resource Accounting Manual* issued by HM Treasury. The particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historic cost convention, modified for assets and liabilities which have been included on the basis of their current value to the business and fixed assets by their reference to their current cost. Not all prior year figures have been shown as this is the first year of formal audit. Where prior year figures are shown, they are unaudited.

1.2 Basis of Consolidation

These accounts comprise a consolidation of the core Department, its on-Vote agencies, which are the:

Employment Tribunals Service;
Insolvency Service;
National Weights and Measures Laboratory;
Radiocommunications Agency;

and the Advisory, Conciliation and Arbitration Service (ACAS), a crown executive non-departmental public body. The agencies and ACAS also each produce and publish their own report and accounts.

The Insolvency Service receives monies, in accordance with Section 403 of the Insolvency Act 1986, from the realisation of assets in bankruptcies and company liquidations. The sums received are held by the Secretary of State. Interest earned on balances is surrendered to HM Treasury in accordance with Section 405 of the Insolvency Act. Amounts so received are excluded from these accounts as they are outside the voted Supply and are subject to a different financial control framework. Further details are available in the published accounts of the Insolvency Service.

The accounts of the following Non-Departmental Public Bodies (NDPBs), advisory bodies and tribunals are not included by way of consolidation. They are included in the Consolidated Resource Accounts by way of accounting for funds paid as grant or expenses.

Advisory Committee on Coal Research
Aviation Committee
British Trade International
Energy Advisory Panel
Fuel Cell Advisory Panel
Industrial Development Advisory Board
Measurement Advisory Committee
Offshore Supplies Office Board
Regional Industrial Development Boards (7 in total)
Spectrum Management Advisory Group
Teaching Company Scheme Board
Insolvency Practitioners' Tribunal
Advisory Committee for the Joint Environmental Markets Unit Table
Council for Science and Technology
Foresight Steering Group
Human Genetics Advisory Committee
LINK Board
Offshore Industry Liaison Committee
Overseas Projects Board
Renewable Energy Advisory Committee
Standing Advisory Committee on Industrial Property
Copyright Tribunal
Persons Hearing Consumer Credit Licensing Appeals
Persons Hearing Estate Agents Appeals

The accounts of the UKAEA, Companies House, the Patent Office, the Post Office, the British Coal Corporation, British Shipbuilders, and BNFL Plc, which are all sponsored by the Department, are not included by way of consolidation. They are outside the voted Supply and are subject to a different financial control framework. Financial information about them may be obtained from their separate published annual report and accounts.

The public sector bodies which have not been consolidated in these accounts, as set out above, and for which the Department had lead policy responsibility in the year, are listed in the foreword to the accounts on page 6. All these bodies publish their own annual reports and accounts, detailing their financial activity during the year. These can be obtained from The Stationery Office.

1.3 Tangible Fixed Assets

Title to the freehold land and buildings shown in the accounts is held as follows:

i. Property on the departmental estate, title to which is held by the Department;

ii. Property held by the Department of Environment, Transport and the Regions in the name of the Secretary of State.

Freehold land and buildings are restated at current cost using professional valuations every five years and appropriate indices in intervening years. Other tangible assets have been stated at current cost using appropriate indices.

1.4 Depreciation

Freehold land is not depreciated.

The Department has a number of non-operational heritage assets held for historical and cultural association alone and these have been recorded in the Register of Assets at nil book value and are therefore not subject to depreciation.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives, after allowance for residual value. Asset lives are within the following ranges:

Freehold buildings	50 years or estimated useful life, if shorter
Historic leasehold land and buildings	Residual Term of the Lease
Office machinery and equipment	5 years
Computer equipment	3-10 years
Scientific equipment	10-50 years
Telecommunication equipment	5-10 years
Furniture, fixtures and fittings	7 years
Plant and machinery	7-10 years
Antique furniture	Shorter of estimated remaining useful life or 50 years

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

1.5 Investments

Fixed asset investments comprise the Department's entitlement to investment reserves in the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS). These are held at market value advised by GAD. Fixed asset investments of shares and PDC are stated at historic cost.

Launch Investment is reviewed annually at a management valuation based on the discounted value of future income streams. Where the valuation exceeds historic cost, increases in revaluation are taken to the revaluation reserve and are released to the General Fund as investments are realised. Any permanent diminution in value is written off against any previous upward revaluations and then to the Operating Cost Statement. The Government's standard discount rate of 6% is applied.

Other investments are shown at market value at the balance sheet date, unless this cannot be readily ascertained, in which case they are stated at historical cost, less any provision for impairment.

Current asset investments are stated at market value at the balance sheet date.

1.6 Provisions

The Department makes provision for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, the Department discounts the provision to its present value using a discount rate of 6%, the Government's standard rate. Each year the financing charges in the Operating Cost Statement include the adjustments to amortise one year's discount and restate liabilities to current price levels.

The change in price levels is calculated using the HM Treasury's annual GDP deflator or where it is available the relevant actual change in prices rate.

1.7 Research and Development

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

1.8 Operating Income

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

The Department is required to identify those CFERs that are negative public expenditure (amounts used to reduce the amount of expenditure the Department would otherwise have to spend) and those revenue CFERs that relate to the recovery of costs recorded in the Operating Cost Statement, or to returns on investments. These types of CFERs are credited to the Operating Cost Statement as income to the Department.

The remaining CFERs are not included in the Department's Operating Cost Statement and are accounted for through the balance sheet accounts of cash and creditors.

1.9 Administration and Programme Expenditure and Income

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

1.10 Grants Payable

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

1.11 Capital Charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the Government's standard rate of 6% in real terms on all assets less liabilities, except for:

- donated assets, and cash balances with the Office of the Paymaster General (OPG), where the charge is nil;
- the Department's investments in the trading funds, Companies House and the Patent Office and British Shipbuilders, where the charge is equal to 6% of the net relevant assets of the recipient body and for BNFL Plc where the charge is equal to 8% of the net relevant assets of BNFL;
- the Department's investment in British Energy Ordinary Shares, where the cost of capital is calculated by reference to the arithmetic mean of the average values of the shares on 30 June, 30 September, 31 December and 31 March during the year;
- liabilities for amounts to be surrendered to the Consolidated Fund, where the credit will be at a nil rate.

1.12 Foreign Exchange

Transactions which are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly in which case an average rate for a period is used. The Department does not have the authority to undertake exchange rate risk management (hedging) and as a consequence, all gains or losses on exchange differences are charged direct to the Operating Cost Statement during the period in which they occur.

1.13 Pension Costs

The provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded, cover present and past employees. Liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

1.14 Early Departure Costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Civil Service Superannuation Vote. The amount provided in these accounts is shown net of any such payments.

1.15 Taxation

The Department is exempt from income and corporation tax by way of its Crown exemption.

Value Added Tax (VAT) is accounted for in the accounts, in that amounts are shown net of VAT except:

- irrecoverable VAT is charged to the Operating Cost Statement, and included under the heading relevant to the type of expenditure;
- irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset.

The net amount due to, or from, HM Customs and Excise in respect of VAT is included within debtors and creditors within the Consolidated Balance Sheet.

1.16 Schedules 1 and 5

The information contained in Schedules 1 and 5 and associated notes are based on the Request for Resources information that forms part of the parliamentary approval processes. Costs have been attributed directly where possible and then apportioned on the basis of programme spend within each request for resource and function.

1.17 Leases

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage. Future payments, disclosed at Note 23, 'Commitments under Operating Leases', are not discounted.

2. Staff Numbers and Costs

The average number of whole time equivalent persons employed (including senior management), by objective, during the year was as follows:

Objective	**1999–2000 No.**
Promote enterprise, innovation and increased productivity	1,516
Make the most of the UK's science, engineering and technology	281
Create strong and competitive markets	1,174
Develop a fair and effective legal and regulatory framework	4,906
	7,877

The aggregate payroll costs of these persons were as follows:

	1999–2000			
	Total	Officials	Ministers	Special Advisers
	£'000	£'000	£'000	£'000
Wages and Salaries	**197,924**	197,643	203	78
Social security costs	**14,021**	13,993	19	9
Other pension costs	**25,334**	25,313	10	11
TOTAL	**237,279**	**236,949**	**232**	**98**

For 1999–2000, contributions of £25.334 million were paid to the Principal Civil Service Pension Scheme at rates determined by the Government Actuary and advised by the Treasury. These rates were in the range 11–19.5% of pensionable pay.

The salary and pension entitlements of the most senior managers of the Department were as follows:

Name	Age	Salary (including pay in lieu of notice)	Increase during the year of pension at age 60	Total accrued pension at age 60 at 31 March 2000
		£'000	£'000	£'000
Sir Michael Scholar	58	120–125	2.5–5.0	45–50
Sir Robert May	64	110–115	0–2.5	5–10
Sir David Wright*	55	—	—	—
Tom Harris*	55	—	—	—
John Taylor	57	110–115	—	—
Tony Hutton	58	90–95	2.5–5.0	40–45
Alistair MacDonald	59	135–140	2.5–5.0	40–45
Anna Walker	48	80–85	2.5–5.0	20–25
Catherine Bell	48	75–80	2.5–5.0	20–25
David Durie	55	85–90	2.5–5.0	40–45
David Nissen	57	85–90	2.5–5.0	35–40
Jonathan Spencer	50	85–90	0–2.5	25–30
Brian Hilton	59	55–60	0–2.5	45–50
Jonathan Phillips	47	80–85	0–2.5	20–25
David Irwin (Part Year)	44	5–10	—	—

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). This is a statutory scheme which provides benefits on a "final salary" basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at the rate of half the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions. (* Salary and pension are paid by the FCO. Details can be found in their departmental resource accounts for 1999–2000.)

Salaries include reserved rights to London weighting or London allowances, recruitment and retention allowances and private office allowances, bonuses, other allowances, taxable benefits and compensation payments.

3. Other Administration Costs

		1999–2000
		£'000
Rentals under operating leases:		
Accommodation		66,225
Hire of office equipment		592
Other operating leases		5,743
Research and development expenditure—current		3,208
Non-cash items Operating:		
Auditors' remuneration and expenses		
Audit fees—core Department audit work	170	
Audit fees—core Department non audit work	30	
Audit fees—consolidated entities	116	
Depreciation	13,205	
Loss on the disposal of fixed assets	3,938	
Downward revaluation of tangible fixed assets	421	
Provision for early departure costs	6,772	
Write back of overstated creditor	−14,142	
Cost of capital charge	7,000	
		17,510
Other expenditure		217,275
		310,553

4. Net Programme Costs

		1999–2000
		£'000
Current grants and other current expenditure		1,606,216
Capital grants		87,445
Other Expenditure		766,255
Non-cash items Operating:		
Charge due to the movement in provisions (see Notes 16,17 and 18)	1,872,664	
Revised Valuation Estimate (note 9)	−71,158	
Amortisation of one year's discount (note 9)	−72,402	
Reduction in net book value of British Shipbuilders PDC	29,000	
Cost of capital credit	−143,862	
		1,614,242
Non-cash Items Non-operating Consolidated Fund:		
Recognition of under accrual of CFER in previous year		89,514
Programme expenditure		**4,163,672**
Less: Programme income (see Note 5)		117,311
		4,046,361
Less: CFERs credited to the Operating Cost Statement (see Note 1.8)		7,948
		4,038,413

5. Operating Income

	1999–2000		
	A-in-A	Not A-in-A	Total
	£'000	£'000	£'000
Operating income analysed by classification and activity, is as follows:			
Administration income:			
—allowable within admin cost limit	5,526		5,526
—other fees and charges external customers	134,005		134,005
—other fees and charges other departments	11,969		11,969
Total Administration Income	**151,500**		**151,500**
Programme income:			
—dividend and interest from Trading Funds and Nationalised Industries	3,900		3,900
—other	103,814		103,814
—EU funding	9,597		9,597
	117,311	—	**117,311**
Consolidated Fund Extra Receipts	—	**7,948**	**7,948**
Total Programme Income	**117,311**	**7,948**	**125,259**
Total Operating Income	**268,811**	**7,948**	**276,759**

Appropriations-in-aid represent income due to the Department that can be retained for offset against other public expenditure. This contrasts with Consolidated Fund Extra Receipts (CFERs) which are collected by the Department on an agency basis on behalf of HM Treasury.

As detailed at Note 1.8 the Department is required to credit certain types of CFER to the Operating Cost Statement, although they remain payable to HM Treasury. During 1999–2000, CFER income of £594,742 was due to the Department, on an accruals basis. Of this total, £7,948 is credited to the Operating Cost Statement. The remaining £586,794 has been accounted for through the Balance Sheet and is not recognised as income to the Department.

Of the total Programme income of £125,259,000:

- £123,807,000 relates to Trade and Industry Programmes (RfR1);
- the balance of £1,452,000 relates to Science Programmes (RfR2).

Operating income not appropriated-in-aid (i.e. transferred to the Consolidated Fund) is analysed for resource budget purposes between that included in public expenditure and that which is not (see Note 7).

An analysis of income from services with full costs in excess of £1 million provided to external and public sector customers can be found in the published accounts of the Department's On-vote Agencies and ACAS.

6. Reconciliation of Net Operating Cost to Control Total and Net Resource Outturn

	1999–2000
	£'000
Net Operating Cost	**4,434,745**
Add: Non-supply expenditure and income, including income scored as Consolidated Fund Extra Receipts (CFERs)	7,948
Less: Non-supply expenditure funded by the National Insurance Fund	−147,203
Add: BCSSS Net Funding*	0
Net Resource Outturn	**4,295,490**

	£'000
* BCSSS Net funding	
BCSSS Income	23,000
BCSSS Expenditure	23,000
Total	0

Net Operating Cost is the total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). Net Resource Outturn is the total of those elements of expenditure and income that are subject to Parliamentary approval and included in the Department's Supply Estimate. The outturn against the Estimate is shown in the Summary of Resource Outturn (Schedule 1). Schedule 1 will not be fully relevant until after the introduction, subject to Parliamentary approval, of resource-based Supply.

7. Analysis of Net Resource Outturn and Net Operating Cost by Function

	1999–2000					
	Admin	Other current	A-in-A	Net Total	Estimate	Net Total Outturn compared with Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
To increase UK Competitiveness (Vote 1)						
A: Support for Business	125,570	782,389	−21,305	886,654	—	—
B: Measures Relating to Individual Industries and Related Programmes	248,219	1,768,362	−48,243	1,968,338	—	—
C: Departmental Capital and Administration	—	—	—	—	—	—
D: Net Controlled Agencies and Suppliers of Departmental Central Services	—	—	—	—	—	—
E: Loans to Agencies and Trading Funds and Repayment and Receipt of Dividends	—	—	−4,180	−4,180	—	—
F: European Region Development Fund and Other Community Programmes	2,431	15,145	−211	17,365	—	—
G: ERDF	−13	−80	—	−93	—	—
H: Other EC Programme Expenditure	—	—	—	—	—	—
I: British Coal Corporation External Finance	101	627	—	728	—	—
J: ERDF and Other Community Programmes Receipts (including Leader Network)	—	—	−8,965	−8,965	—	—
K: EC Programme Receipts	—	—	−186	−186	—	—
L: Petroleum Licensing and Royalty	1,639	10,211	−32,748	−20,898	—	—
M: Refunds of Pension Adjustments; and Privatisation Expenses	1,900	11,836	−21	13,715	—	—
N. BNFL	632	3,940	—	4,572	—	—
Total Request for Resources 1	**380,479**	**2,592,430**	**−115,859**	**2,857,050**	**1,293,407**	**−1,563,643**

	1999–2000					
	Admin	Other current	A-in-A	Net Total	Estimate	Net Total Outturn compared with Estimate
	£'000	£'000	£'000	£'000	£'000	£'000
To increase UK scientific Excellence (Vote 2)						
A: BBSRC	2,231	200,376	−1,363	201,244	—	—
B: ESRC	796	71,534	—	72,330	—	—
C: EPSRC	4,548	408,577	—	413,125	—	—
D: MRC	3,422	307,382	—	310,804	—	—
E: NERC	1,986	178,365	—	180,351	—	—
F: PPARC	2,098	188,424	—	190,522	—	—
G: CCLRC	22	2,019	—	2,041	—	—
H: Swindon Research Council's Pension Scheme	239	21,494	—	21,733	—	—
I: The Royal Society	268	24,073	—	24,341	—	—
J: The Royal Academy of Engineering	42	3,741	—	3,783	—	—
K: Office of Science and Technology—OST Initiatives	34	3,070	−89	3,015	—	—
L: Joint Infrastructure Fund	18	1,585	—	1,603	—	—
M: University Challenge Fund	—	—	—	—	—	—
N: Science Enterprise Challenge Scheme	148	13,273	—	13,421	—	—
O: Fees payable under the Animals (Scientific Procedures Act 1986)	1	126	—	127	—	—
Total Request for Resources 2	**15,853**	**1,424,039**	**−1,452**	**1,438,440**	**1,522,034**	**83,594**
Resource Outturn	**396,332**	**4,016,469**	**−117,311**	**4,295,490**	**2,815,441**	**−1,480,049**
Non-Supply Expenditure		147,203		147,203		
Non-A-in-A Operating Income			−7,948	−7,948		
Net Operating Cost	**396,332**	**4,163,672**	**−125,259**	**4,434,745**		

Functions, denoted by letters above, represent the disaggregation of requests for resources for control purposes and Parliamentary approval. They do not correspond to departmental objectives for the management of activities.

For an analysis of A-in-A, see Note 5. For an explanation of variation between Estimates and Outturn, see Schedule 1.

Included in the above figures are the amounts relating to the increase of provisions as determined in Notes 16, 17 and 18. These total £1,879,436,000.

8. Tangible Fixed Assets

	Land & Buildings	Leasehold Improvements	Office Machinery & Equipment	Computer Equipment	Scientific Equipment	Telecommunications Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April 1999 (unaudited)	27,639	—	1,115	20,902	19,215	120
Prior year adjustment	–2,092	3,720	177	–123	—	–8
Revised 1 April 1999 (unaudited)	**25,547**	**3,720**	**1,292**	**20,779**	**19,215**	**112**
Additions	1,068	2,367	98	3,959	2,620	24
Disposals	–5,235	—	–6	–2,892	–133	–5
Transfers	2,080	—	—	8,355	—	—
Revaluation	2,852	—	5	–482	–2	–1
At 31 March 2000	**26,312**	**6,087**	**1,389**	**29,719**	**21,700**	**130**
Depreciation						
At 1 April 1999 (unaudited)	**1,982**	—	**652**	**12,206**	**4,316**	**31**
Prior year adjustment	–1,409	558	32	–183	6	—
Revised 1 April 1999 (unaudited)	**573**	**558**	**684**	**12,023**	**4,322**	**31**
Charge	2,010	413	204	4,252	2,785	31
Disposals	–703	—	–5	–2,594	–3	–1
Revaluation	37	–	1	–225	–2	—
At 31 March 2000	**1,917**	**971**	**884**	**13,456**	**7,102**	**61**
Net Book Value						
At 31 March 2000	**24,395**	**5,116**	**505**	**16,263**	**14,598**	**69**
At 1 April 1999 (unaudited)	**25,657**	—	**463**	**8,696**	**14,899**	**89**

	Furniture, Fixtures & Fittings	Motor Vehicles	Plant & Machinery	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1 April 1999 (unaudited)	10,628	2,286	13,009	9,308	104,222
Prior year adjustment	125	—	108	–374	1,533
Revised 1 April 1999 (unaudited)	**10,753**	**2,286**	**13,117**	**8,934**	**105,755**
Additions	2,780	542	994	7,372	21,824
Disposals	–154	–578	–258	—	–9,261
Transfers	125	62	1,665	–12,287	—
Revaluation	194	–53	123	–3	2,633
At 31 March 2000	**13,698**	**2,259**	**15,641**	**4,016**	**120,951**
Depreciation					
At 1 April 1999 (unaudited)	**4,173**	**1,013**	**7,575**	—	**31,948**
Prior year adjustment	– 56	—	– 1	—	–1,053
Revised 1 April 1999 (unaudited)	**4,117**	**1,013**	**7,574**	—	**30,895**
Charge	2,054	243	1,213	—	13,205
Disposals	–110	–444	–231	—	–4,091
Revaluation	59	–17	85	—	–62
At 31 March 2000	**6,120**	**795**	**8,641**	—	**39,947**
Net Book Value					
At 31 March 2000	**7,578**	**1,464**	**7,000**	**4,016**	**81,004**
At 1 April 1999 (unaudited)	**6,455**	**1,273**	**5,434**	**9,308**	**72,274**

The net book value of land and building comprises:

	31 March 2000	1 April 1999 (unaudited)
	£'000	£'000
Freehold	**22,815**	**24,182**
Leasehold—long	**1,580**	**1,475**
Leasehold—short	—	—
	24,395	**25,657**

Core DTI land and buildings were revalued as at 31 March 1998 by Donaldsons, Montagu Evans and Powis Hughes, independent Chartered Surveyors, on the basis of open market value or depreciated replacement cost, as appropriate. The valuations have been updated by reference to appropriate indices.

The Insolvency Service's land and buildings were revalued as at 30 June 1999 by King Sturge, independent Chartered Surveyors, on the basis of existing use value.

The Radiocommunication Agency's land and buildings were revalued as at 30 June 1999, by Messrs England and Company, independent Chartered Surveyors, on the basis of existing use value.

Two of the Employment Tribunal Service's properties were revalued in 1996 by Montagu Evans, independent Chartered Surveyors, on the basis of Existing Use Value. The remaining building was valued by Donaldsons, independent Chartered Surveyors, on 24 January 1997 on the basis of open market valuation. The valuations have been updated by reference to appropriate indices.

Other tangible assets have been revalued at 30 June 1999 by reference to appropriate current cost indices.

The Department has incurred a net loss on the disposal of tangible fixed assets of £3,938,000. This includes a loss of £4,532,000 incurred on the disposal of land and buildings transferred, with the approval of HM Treasury, to the Ministry of Defence at nil value.

9. Fixed Asset Investments

	31 March 2000	1 April 1999 (unaudited)
	£'000	£'000
BCSSS Investment Reserve	1,245,000	1,059,000
MPS Investment Reserve	1,017,000	713,000
	2,262,000	**1,772,000**
Ordinary shares	32,668	32,668
Public Dividend Capital	43,214	72,214
Other investments and loans	8,353	11,397
Launch Investments	1,157,118	1,206,700
	3,503,353	**3,094,979**

Investment Reserves—MPS and BCSSS

The Department's investments in the Investment Reserves of the two pension schemes for the former employees of the British Coal Corporation, the Mineworkers Pension Scheme (MPS) and the British Coal Staff Superannuation Scheme (BCSSS), are shown at market value as at 5 April 2000 for the BCSSS and 31 March 2000 for all other investments. These are shown at market value based upon actuarial valuations. The Investment Reserves exist as sub-funds and are available to maintain the benefits of scheme members. To the extent the Investment Reserves are not required to meet deficits, they will be paid to the Department over a period of at least 25 years on the advice of each scheme's actuary. The accounts of the two pension schemes can be obtained from CMT Pension Trustee Services, 1 Hussar Court, Hillsborough Barracks, Penistone Road, Sheffield, South Yorkshire, S6 2GZ.

	Value at 1 April 1999	Additions	Disposals	Revaluation	Value at 31 March 2000
	£'000	£'000	£'000	£'000	£'000
Ordinary Shares					
BNFL Plc £1 Ordinary Shares	32,668	—	—	—	32,668

The ordinary shares are shown at historical cost less any provision for impairment.

	Value at 1 April 1999	Additions	Disposals	Revaluation	Value at 31 March 2000
	£'000	£'000	£'000	£'000	£'000
Public Dividend Capital (PDC)					
British Shipbuilders	50,000	—	—	–29,000	21,000
Companies House	15,889	—	—	—	15,889
Patent Office	6,325	—	—	—	6,325
	72,214	—	—	–29,000	43,214

The British Shipbuilders PDC is shown at the historical cost of £1,598,339,000 less a provision for impairment of £1,577,339,000 (of which £1,548,339,000 was accounted for in 1998–99 and a further £29,000,000 in 1999–2000). This impairment has been subject to parliamentary approval.

In addition, the Secretary of State holds one £1 Special Rights Preference Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body. The Department redeemed its Special Rights share in National Power plc in August 2000.

Body in which Share is held	Terms of Shareholding
British Aerospace Plc Special Rights Preference Share	• Created in 1985 (but subsequently amended); • No time limit; • Provides for a 15% limit on any individual foreign shareholding in the company; • Provides for a 49.5% overall foreign shareholding limit.
British Energy Plc Special Share	• Created on 21 June 1996; • Held jointly by the Secretary of State for the DTI and the First Minister for Scotland. The First Minister for Scotland has agreed to act in concert with the Secretary of State in using his special share; • The holders may require the company to redeem the share any time after 30 September 2006; • The consent of the Special Shareholder is required for a number of things, including: — varying certain of the company's Articles of Association, including the rights of the Special Shareholder; — issuing new voting shares and variations in voting rights attached to shares; — ownership by a shareholder of 15% or more of the company; — the voluntary liquidation of the company; — appointment of the Chairman of the Board; — changes in the Articles of Association of Nuclear Electric and Scottish Nuclear.
Cable and Wireless Special Rights Redeemable Preference Share	• Created in November 1983; • No time limit; • Provides for a 15% limit on individual shareholdings; • Special Shareholder's consent required for material disposal of assets; • Special Shareholder's consent required for voluntary winding up; • Redemption is by agreement with the Board.
National Grid Group Plc Special Rights Redeemable Preference Share	• Created on 17 November 1995; • It may be redeemed at any time; • The consent of the Special Shareholder is required for the variation of certain of the Articles of Association, including those covering the : — rights of the Special Shareholder; — restrictions on other electricity companies' ownership in NGG and the appointment of such companies' employees or directors to the Board of NGT. • Consent from the Special Shareholder is also required to effect the disposal of shares in NGT to a third party and to liquidate the company.
National Power Plc Special Rights Redeemable Preference Share (see also note 27)	• Created in March 1990; • It may be redeemed at any time by the Special Shareholder; • The consent of the Special Shareholder is required for various changes in the company's constitution, particularly those which affect the: — rights of the Special Shareholder; — limitation on any one shareholder owning 15% or more of the company. • Consent from the Special Shareholder is also required for the issue of shares (with some exceptions) and the variation of voting rights in the company.
UK Nirex Ltd Special Share	• Created in November 1985; • Special Shareholder's approval required for the disposal of or the granting of, any interest in any land in respect of which a nuclear license has been granted under the Nuclear Installations Act 1965 whether or not the license remains in force. Any such approval can be granted subject to conditions; • Rights attached to the Special Share can only be changed by the written consent of the holder.
PowerGen Plc Special Rights Redeemable Preference Share	• Created in March 1990; • It may be redeemed at any time by the Special Shareholder; • The consent of the Special Shareholder is required for various changes in the company's constitution, particularly those which affect the: — rights of the Special Shareholder; — limitation on any one shareholder owning 15% or more of the company. • Consent from the Special Shareholder is also required for the issue of shares (with some exceptions) and the variation of voting rights in the company.
Rolls Royce Plc Special Share	• Created in 1987 (but subsequently amended); • No time limit; • Provides for a 15% limit on any individual foreign shareholding in the company; • Provides for a 49.5% overall foreign shareholding limit; • Provides for a veto over the material disposal of assets of either the nuclear business or the group overall; • Provides for a veto of any voluntary winding up.

See also note 27

Other investments and loans

	At 1 April 1999 (unaudited)	Additions	Redemption	Revaluation	At 31 March 2000
	£'000	£'000	£'000	£'000	£'000
Patent Office	3,160	—	−166	—	2,994
Companies House	3,077	—	−385	—	2,692
Loans	5,160	—	−2,493	—	2,667
	11,397	—	−3,044	—	8,353

The Radiocommunications Agency entered into a joint venture agreement with CMG UK Ltd on 8 June 1998. The agreement has an initial term of seven years, with the objectives of supplying IT services to the Radiocommunications Agency, and developing an international spectrum management consultancy, through a joint venture company. Radio Spectrum International Consulting Ltd (RSI) was incorporated with an issued share capital of 1,000 ordinary shares of £1 each, of which 30% was issued to Radiocommunications Agency, who appointed two directors, and 70% to CMG , who appointed four directors. RSI produced accounts for the year ended 31 December 1999. These showed net assets of £1,000 (1998 £63,000) after provision for dividend. The Radiocommunications Agency's share of the dividend was £240,600 (1998 nil).

Launch Investments

	£'000
Balance b/f at 1 April 1999 (unaudited)	1,206,700
Revised valuation estimate	71,158
Amortisation of one years discount	72,402
Investments made during the year	66,431
Investments repaid during the year	−203,004
Decrease in asset values	−56,569
Balance c/f at 31 March 2000	**1,157,118**

The Department provides specific support to the aerospace industry through Launch Investment. The investment is shown at a management valuation, based on discounted future income streams using the Treasury discount rate of 6%. The corresponding historic cost valuation at 31 March 2000 is £591 million (1 April 1999; £750 million).

10. Movements in Working Capital Other Than Cash

	1999–2000		
	Non-operating movements	Operating movements	Total
	£'000	£'000	£'000
Decrease in stocks and work-in-progress (see Note 11)	—	−5	−5
Decrease in debtors (see Note 12)	−24,745	−82,628	−107,373
(Increase)/decrease in creditors (see Note 15)	−24,615	−1,302,120	1,326,735
Net (decrease)/increase in working capital other than cash	**−49,360**	**−1,384,753**	**−1,434,113**

Movements in the Department's working capital are split between "Non-operating movements" and "Operating movements". The former includes balances arising from the collection and subsequent surrender to HM Treasury of Consolidated Fund Extra Receipts. They are therefore excluded from calculation of the Department's own working capital balances.

11. Stocks and Work-in-Progress

	31 March 2000	1 April 1999 (unaudited)
	£'000	£'000
Goods for resale	25	30
	25	**30**

12. Debtors

	31 March 2000 £'000	1 April 1999 (unaudited) £'000
Amounts falling due within one year:		
HM Customs and Excise (VAT)	13,330	17,418
Trade debtors	45,717	127,205
Other debtors	26,769	26,938
Prepayments and accrued Income	212,954	134,097
Consolidated Fund debtor	—	26,545
Staff debtors	2,418	7,887
	301,188	340,090

	31 March 2000 £'000	1 April 1999 (unaudited) £'000
Amounts falling due over one year:		
Trade debtors	27,378	95,812
Other debtors	—	239
Prepayments and accrued Income	1,268	638
Staff debtors	—	428
	28,646	97,117

The Department provided Ofgem with a short-term loan of £1.8 million repayable within one year. This is disclosed under other debtors amounts falling due within one year.

13. Current Asset Investments

	1 April 1999 (unaudited) £'000	Revaluation Increase £'000	Release of Previous Revaluation Gain £'000	31 March 2000 £000
BCSSS and MPS debtors	1,663,000	1,319,000	–107,000	2,875,000
	1,663,000	**1,319,000**	**–107,000**	**2,875,000**

In addition to the Fixed Asset Investment in the two pension schemes of the former employees of British Coal, as referred to at Note 9, the Department is entitled to half of any surpluses declared by the two closed pension schemes on the basis of three yearly valuations by the Schemes' actuary (the Government Actuary), which are accounted for as a current asset investment. The Department has estimated the increase in the valuation of the investments during 1999–2000, based on circularisations issued by the Government Actuary. Ongoing discussions between the Schemes and the Inland Revenue over the tax status of certain Scheme sub-funds may impact upon these figures in the future.

	Value at 1 April 1999 (unaudited) £'000	Additions £'000	Disposals £'000	Revaluation £'000	Value at 31 March 2000 £'000
Ordinary Shares					
British Energy £1 Ordinary Shares	29,701	—	28,812	—	889
British Energy A Shares	—	30	—	—	30
Less: Matching year-end creditor	–29,701	–30	–28,812	—	–919
Total	—	—	—	—	—

14. Cash at Bank and in Hand

	Consolidated Fund Non-operating Cash flows 1999–2000	Operating Cash flows 1999–2000	Total 1999–2000
	£'000	£'000	£'000
Balance at 1 April 1999 (unaudited)	317,014	112,295	429,309
Net cash inflow/(outflow):	51,160	1,237,810	1,288,970
Balance at 31 March 2000	**368,174**	**1,350,105**	**1,718,279**

The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances were held at 31 March 2000:

	31 March 2000
	£'000
Spectrum auction receipts	1,308,550
OPG	404,469
Cash at commercial banks and imprest accounts	5,257
Cash floats	3
	1,718,279

15. Creditors

	31 March 2000	1 April 1999 (unaudited)
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	65,422	134,136
Deposits—Third Generation Mobile Services	1,308,550	—
Other taxation & social security	14,796	17,553
Other creditors	55,988	26,316
Accruals and deferred income	66,388	16,584
Cash balance payable to the Consolidated Fund	368,174	343,559
	1,879,318	**538,148**
Amounts falling due after one year:		
Trade creditors	1,034	15,469
Accruals and deferred income	—	—
	1,034	**15,469**

16. Provisions for Liabilities and Charges—Coal

	Health-Related Provisions			Other Provisions		
	COPD	VWF	Other	Con. Fuel	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 1999 (unaudited)	**1,190,237**	**466,581**	**92,068**	**508,986**	**32,920**	**2,290,792**
Financing charges:						
Changes in price levels	29,204	10,583	1,962	11,816	569	54,134
Amortisation of one Year's discount	71,414	27,995	5,524	30,539	1,975	137,447
Increase/(decrease) in Provision	200,735	571,177	4,010	22,126	21,915	819,963
Expenditure in year	-44,181	-86,550	-27,217	-72,667	-20,284	-250,899
At 31 March 2000	**1,447,409**	**989,786**	**76,347**	**500,800**	**37,095**	**3,051,437**

Provisions have been made for liabilities relating to British Coal employees.

The time scale over which it is estimated the discounted costs will need to be incurred, is as follows at 31 March 2000 :

	£bn
Within 1 year	0.8
Between 2 to 5 years	1.9
Beyond 5 years	0.3
Total	**3.0**

Health-Related Provisions

Responsibility for compensation claims relating to personal injuries suffered by former British Coal mineworkers transferred to the Department on 1 January, 1998 by a restructuring scheme under the Coal Industry Act 1994.

Chronic Obstructive Pulmonary Disease (COPD)

Liabilities arise from claims relating to respiratory diseases such as emphysema and chronic bronchitis, caused by exposure to mine dust and fumes. The expected discounted liability over the next 5 years is £1.45 billion, the undiscounted amount being £1.51 billion.

Surface Dust—COPD

This is a new provision included within COPD to reflect potential liabilities over the next five years arising from exposure to mine dust by surface coal-workers. The full cost of the liability has to be established and, as such, there is uncertainty as to the reliability of the current estimates which stands at £83 million undiscounted and £74 million discounted.

Vibration White Finger (VWF)

Liabilities arise from claims relating to damage caused by the prolonged use of vibratory tools. Claims total to a discounted amount of around £990 million over the next 5 years (1998–99 £467 million) The corresponding undiscounted amount is £1.061 billion (1998–99 £494 million). The significant increase in provisions for 1999-2000 is due to an increase in the number of new claims combined with a 50% increase in the average unit cost settlement of each individual claim which is based on actual results experienced for 1999-2000.

Other Health Provisions

This provision incorporates other injury-related compensation claims such as deafness, accidents and miscellaneous diseases. It also covers payments under British Coal's Pneumoconiosis Compensation Scheme and associated administration costs of managing the health claims.

Other Provisions

Concessionary Fuel

The Department has responsibility to provide either solid fuel or a cash alternative to around 155,000 beneficiaries. Approximately half of these have opted for the cash alternative of approximately £278 per annum, compared with a typical solid fuel cost to the Department of around £624 per annum. The number of beneficiaries is decreasing by around 4–5% per year and therefore the liability will continue for several decades. The provision is based on standard female mortality assumptions and includes an assumption of the number of solid fuel/cash alternative beneficiaries

Other

These provisions relate to costs for the administration of non-health related liabilities, indemnities, a separate grant for British Coal and the Redundant Mineworkers Payments Scheme (RMPS) which was introduced in 1967 but closed to new entrants in 1987. It ceases entirely after April 2002 and involves a system of statutory based weekly benefit payments to ex-employees of the coal industry until they reach retirement age.

17. Provisions for Liabilities and Charges—Nuclear

	UKAEA Decommissioning	BNFL	Total
	£'000	£'000	£'000
At 1 April 1999 (unaudited)	**2,551,978**	**2,911,320**	**5,463,298**
Financing charges:			
Changes in price levels	76,559	72,783	149,342
Amortisation of one year's discount	157,712	174,679	332,391
Increase/(decrease) in provision	240,181	99,797	339,978
Expenditure in year	–183,530	—	–183,530
At 31 March 2000	**2,842,900**	**3,258,579**	**6,101,479**

United Kingdom Atomic Energy Authority (UKAEA) Decommissioning Provision

The Department has a letter of understanding with the UKAEA to cover the liabilities arising from the costs associated with the decommissioning of radioactive plant and facilities, storing, processing and eventually disposing of radioactive waste, and of reprocessing, or in other ways, managing nuclear fuels and nuclear materials. It is expected that the cost of £2.8 billion (discounted at 6% and expressed in 1999-2000 money values) will be incurred over a very long time frame of approximately 100 years. (See also note 27).

Calculation of the liabilities is based on the technical assessments of the processes and methods likely to be used in the future to carry out the work. Estimates are derived using the latest technical knowledge and commercial information available and take account of current legislation, regulations and government policy. Summary figures are built up by aggregating detailed estimates for individual liabilities. Allowance is also made for infrastructure costs which are an appropriate share of running costs and other overhead costs attributable to plant and buildings. The calculation is re-assessed annually. Since much of the work will not be done until well into the future, there is considerable uncertainty as to the likely costs.

The time scale over which it is estimated the costs will need to be incurred is as follows:

	£bn
Within 1 year	0.2
Between 2 to 5 years	0.8
Beyond 5 years	1.8
Total	**2.8**

The overall discounted estimate has been increased by £0.24 billion due to various factors including an increase in the estimated cost of discharging historic liabilities at the Sellafield site, a decision to bring forward the decommissioning of facilities at Dounreay and finally to the implementation of UKAEA wide management and plant improvements following the Dounreay safety audit.

The latest estimate of the undiscounted cost of dealing with the UKAEA's Nuclear liabilities representing the Department's liability is as follows:

	£bn
Decommissioning work	2.2
Fuel and waste management costs	2.8
Infrastructure costs	1.7
UKAEA liabilities on BNFL sites	0.9
Other	0.1
Total	**7.7**

A reduction of £0.2billion in the undiscounted liabilities estimate is due to the following factors:

- the opening balance has been inflated to 1999-2000 monetary values, resulting in an increase of £0.2 billion;
- the implementation of the Dounreay safety audit changes resulting in an increase of £0.1 billion;
- the changes in strategy and earlier decommissioning of facilities at Dounreay resulting in a reduction of £0.2 billion;
- other changes in estimates resulting in a reduction of £0.1 billion;
- work done during the year resulting in a decrease of £0.2 billion.

British Nuclear Fuels Ltd (BNFL)

There is an agreement between the Secretary of State for Trade and Industry and Magnox Electric plc, a wholly owned subsidiary of BNFL, whereby the Secretary of State has undertaken to pay Magnox Electric plc £3.7 billion together with interest at a rate of 4.5% above inflation on the outstanding balance. The payments commence in the year ending 31 March 2008 and cease in the year ending 31 March 2116. The total undiscounted liability is approximately £24.9 billion with the corresponding discounted amount at 6% being £3.3 billion.

The time scale over which the discounted costs will need to be incurred is:

	2000
	£bn
Within 1 year	—
Between 2 to 5 years	—
Beyond 5 years	3.3
	3.3

The terms of the Undertaking provide for a review of Magnox liabilities every five years starting on 1 April 2003. Potential adjustments to the outstanding amount may also occur:

a) where the actions taken by persons or bodies external to BNFL cumulatively increase the discounted value of Magnox liabilities by more than £250 million (in which circumstances the Secretary of State has discretion to vary the amounts of the undertaking or the payment schedule);

b) where there is an adjustment to the provisions as a result of downward revisions in the estimate of the cost of Magnox liabilities (in which circumstances clawback arrangements exist to reduce the Secretary of State's liability.

Reductions in provisions falling within b) above will be shared between the Secretary of State and BNFL (via adjustment of the outstanding amount of the undertaking) on a sliding scale with the maximum reduction in the undertaking being £800 million escalated by 2.5% above inflation from April 1998.

Following an extensive review, BNFL's undiscounted liabilities estimate increased this year from £27.1 to £34.2 billion. In the light of this the Department has carefully examined the extent of its exposure to this increase under the terms of the Magnox Undertaking and has concluded that since no "event", (See (a) above), has taken place its liability under that Undertaking has not increased. The Department is therefore confident that the current level of its provision is adequate in the absence of a further change in circumstances.

18. Provisions for Liabilities and Charges—Other

	SFLG	UKAEA Other	Other	Total
	£'000	£'000	£'000	£'000
At 1 April 1999 (unaudited)	**86,141**	**73,226**	**71,832**	**231,199**
Financing charges				
Change in price levels	1,673	—	345	2,018
Amortisation of one year's discount	5,168	4,394	949	10,511
Increase/(decrease) in provision	24,867	582	8,203	33,652
Expenditure during year	−38,462	−10,891	−6,174	−55,527
At 31 March 2000	**79,387**	**67,311**	**75,155**	**221,853**

Small Firms Loan Guarantee (SFLG)

The SFLG is the Department's main instrument for supporting business finance. The Scheme exists to provide guarantees for banks to lend to businesses for viable propositions where the necessary security of track record to justify normal terms is lacking. The provision is based on the expected value of defaults of all outstanding loans and has been discounted at the Treasury rate of 6%. The undiscounted liability is £87 million, which is expected to be utilised over the next nine years.

UKAEA Other Nuclear provisions

The figures reflect provisions relating to restructuring and environmental remediation. Restructuring costs cover the continuing annual payments for staff who took early retirement primarily before the privatisation of AEAT in 1995 and will continue until they reach retirement age. Environmental Remediation costs cover for the treatment of chemical contamination to the ground water at the Harwell site.

Other

This relates to a range of liabilities arising from the Department's normal business and includes agency provisions arising through consolidation.

19. Revaluation Reserves

	Tangible Fixed asset	Launch investment	Coal Pensions	Total
	£'000	£'000	£'000	**£'000**
Balance at 1 April 1999 (unaudited)	3,296	708,954	3,435,000	4,147,250
Prior year adjustment	−1,282	—	—	−1,282
Revised opening balance at 1 April 1999 (unaudited)	**2,014**	**708,954**	**3,435,000**	**4,145,968**
Arising on revaluation during year	3,116	−56,569	1,809,000	1,755,547
Transfer to General Fund	−1,200	−86,266	—	−87,466
Coal Pensions—surplus released	—	—	−107,000	−107,000
Balance at 31 March 2000	**3,930**	**566,119**	**5,137,000**	**5,707,049**

The Fixed Asset Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustments of tangible fixed assets (excluding donated assets).

The Launch Investment Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to Launch Investment.

20. Reconciliation of Net Operating Cost to changes in the General Fund

	1999-2000
	£'000
Net Operating Cost for the year (Schedule 2)	−4,434,745
Income not appropriated-in-aid paid to the Consolidated Fund	−7,948
Non-supply expenditure funded by the National Insurance Fund	147,203
	−4,295,490
Parliamentary funding (net of amounts repayable):	
Vote 1	1,361,961
Vote 2	1,406,424
Transfer to General Fund in respect of the realised element of Revaluation Reserve	87,466
Realised element of previously recognised revaluation gain	107,000
Prior year adjustment to fixed assets of consolidated bodies	3,867
Non-cash charges:	
Cost of capital credit (net) (Notes 3 and 4)	−136,862
Auditor's remuneration	316
Net decrease in General Fund	**−1,465,318**
General Fund at 1 April 1999	**−6,989,357**
General Fund at 31 March 2000	**−8,454,675**

21. Capital Commitments

	31 March 2000
	£'000
Contracted capital commitments (excluding VAT) for which no provision has been made.	**407**

22. Other Commitments

The department had the following commitments as at 31 March 2000:

	Within 1 year	Between 2 to 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000
European Space Agency	65,580	186,260	701,800	953,640
World Trade Organisation	4,000	16,000	20,000	40,000
Organisation for the Prohibition of Chemical Weapons	1,848	10,662	13,565	26,075
Joint European Torus (JET)	5,200	10,400	-	15,600
Universal and Postal Union and Conference of European Post and Telecommunications Administrations	866	3,464	4,330	8,660
International Atomic Energy Agency	800	3,200	4,250	8,250
Chernobyl Shelter Fund	900	3,500	-	4,400
Bureau International des Poids et Mesures (BIPM)	395	1,581	1,977	3,953
European Energy Charter	260	1,040	1,400	2,700
Nuclear Energy Agency	342	1,563	435	2,340
UNIDROIT	70	280	350	700
Organisation for Economic Co-operation and Development Steel Committee	40	160	200	400
Organisation Internationale de Metrologie Legale (OIML)	30	121	152	303
Total	**80,331**	**238,231**	**748,459**	**1,067,021**

European Space Agency (ESA) undertakes research and development activities on behalf of its participating members.

The World Trade Organisation's main function is to ensure that trade flows as smoothly, predictably and freely as possible. It regulates trade and tariffs worldwide with a goal to helping producers of goods and services, exporters and importers conduct their business.

The Organisation for the Prohibition of Chemical Weapons undertakes the implementation on the international level of the provisions of the Chemical Weapons Convention (CWC).

Joint European Torus (JET) is the world's largest magnetic confinement fusion experiment which aims at confirming the scientific theory of fusion and the scientific feasibility of nuclear fusion of power generation.

The Universal Postal Union is the specialised institution of the United Nations that regulates the universal service and the European Conference of Postal and Telecommunications Administrations establishes broad regional co-operation in the field of posts and telecommunications.

The International Atomic Energy Agency serves as the world's central intergovernmental forum for scientific and technical co-operation in the nuclear field, and as the international inspectorate for the application of nuclear safeguards and verification measures covering civilian nuclear programmes.

The Chernobyl Shelter Fund finances a large-scale international project to make the sarcophagus at unit 4 of Chernobyl environmentally stable.

The Bureau International des poids et Mesures' mandate is to provide the basis for a single, coherent system of measurements throughout the world, traceable to the international System of Units (SI).

The European Energy Charter strives towards open, efficient, sustainable and secure energy markets and promotes a constructive climate conducive to energy interdependence on the basis of trust between nations.

The Nuclear Energy Agency's objective is to contribute to the development of nuclear energy as a safe, environmentally acceptable source through co-operation among its participating countries.

The International Institute for the unification of private law (UNIDROIT) purpose is to examine ways of harmonising and co-ordinating the private law of states and groups of states, and to prepare gradually for the adoption by states of uniform rules of private law.

The Organisation for Economic Co-Operation and Development Steel Committee is the only international forum established to discuss steel industry issues such as production trends, trade flows and issues, market developments and environmental issues with representatives of industry and Government from all OECD member countries. OECD members account for more than 90% of world steel production.

The International Organisation of legal metrology (OIML) promotes the global harmonisation of legal metrology procedures. It provides its members with metrological guidelines for the elaboration of national and regional requirements concerning the manufacture and use of measuring instruments for legal metrology application.

23. Commitments under Operating Leases

At 31 March 2000 the Department was committed to making the following payments during the next year in respect of operating leases expiring:

	Consolidated			Core Department		
	Land and Buildings	Other	Total	Land and Buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	26,408	22,118	48,526	25,327	21,918	47,245
Between two to five years	106,496	86,406	192,902	104,528	86,116	190,644
After five years	325,823	110,514	436,337	312,522	106,000	418,522
	458,727	**6,838**	**677,765**	**442,377**	**214,034**	**656,411**

Included in the above is a lease for the supply of services which is treated as operating leases under the guidance issued by HM Treasury for the PFI initiative.

ELGAR covers the provision of a wide range of information systems and services to the Department, including infrastructure management, IT development, business process re-engineering, consultancy advice and technology refresh. The contract was awarded in November 1998 for a period of 10 years, extendable for up to a further 5 years. The amount of contract payments charged as operating expenses in 1999–2000 amounted to £18.76 million and the estimated capital value of the scheme is £4 million. There is an additional £6 million per annum level of work in the pipeline for which has not yet been formally contractually agreed. Over the 9 remaining years of the contract this amounts to £54 million. The DTI has a responsibility to pay termination charges should the Department exercise its break option before the agreed service end date. In year 1 this amounts to £21.5 million for the core service, together with an additional £24.5 million for other (extended) services.

The Department also has a PFI project agreement for the provision of scientific accommodation services and related support services for the National Physical Laboratory (NPL) at Teddington. The contract was awarded in July 1998 for a period of 25 years, after which the facilities revert to the Department. The accommodation will include 400 laboratory spaces with demanding operating requirements in respect of temperature, vibration, humidity, gases and power supplies. In addition there will be 200 support spaces including offices, canteen, storage, workshops, library and museum. The accommodation is currently under construction, and no payments for services were made to the contractor in 1999–2000. On full availability of the facilities the annual fees payable for accommodation and support services will be inflation-linked to a base figure of £11.1m in 1997 prices.

At 31 March, the existing land and buildings were held on the balance sheet (see note 8).

24. Contingent Liabilities

The Department has recognised a number of contingent liabilities which arise out of legislation, letters of comfort, or specific guarantees. Disclosed below are the contingent liabilities considered to need disclosure under the relevant accounting standards and the Treasury Resource Accounting Manual.

Basis of Recognition	Description
Coal Industry Act 1994	Any liabilities of British Coal in respect of industrial injury to its former employees between 1947 and 31 December 1994, the timing and amounts of which are uncertain at this time. The liabilities arise through the various health claims that have been made by former and current employees of British Coal. The uncertainty is due to two factors: (a) the nature of any injury (b) whether the courts decide that compensation is due Given recent history, the fact that the burden of proof rests with the plaintiff and that the compensation level is determined on a case-by-case basis, there is a high level of uncertainty relating to either the amount of the payments due or whether they are likely to be paid. This uncertainty is also referred to in the Coal Provisions Note (Note 16). Over time, it is likely that a more accurate estimate of the expected costs to be borne by the Department will become available.
Coal Industry Act 1994	The Department has given a series of undertakings and indemnities to four coal mining companies following their acquisition of mining activity formerly part of British Coal Corporation. Full details are set out in the Departmental minutes to Parliament dated 16 January 1995 and 27 April 1995.
Nuclear	The Department has a range of civil nuclear liabilities arising through its association with UKAEA and BNFL as well as ensuring that HMG complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable.
Employment liabilities	The Department acts for all other government departments in relation to claims from employees contracted out from a wide range of public bodies, including local authorities and health authorities. A provision directly related to this also exists. The maximum liabilities including the provision are not expected to exceed £75 million over the next two financial years.
Health and Safety	Claims have been lodged by a number of employees and ex-employees for compensation for industrial injury or disease allegedly arising from a period of employment at one or other of the former research establishments of the DTI.
Contract Law	A claim has been received from a building contractor relating to the cost of additional work to a building. The amount and timing of any cashflow is uncertain and is and will depend on the results of arbitration.

Further detailed information relating to the Department's statutory and other liabilities not reportable under the Accounting Standards and the Treasury Resource Accounts Manual can be found in Table S2 of the Department's Expenditure Plans 2000–2001 to 2002–2003 (cm 4211).

25. Analysis of Net Operating Cost

This note analyses funding by the Department to the relevant spending body.

Spending Body	1999–2000 Budget £'000	1999–2000 Outturn £'000
Core Department	—	4,380,775
Advisory, Conciliation and Arbitration Service	—	–728
Employment Tribunal Service	—	46,581
Insolvency Service	—	36,149
National Weights and Measures Laboratory	—	112
Radiocommunications Agency	—	–28,144
	—	**4,434,745**

The Radiocommunications Agency surrenders to the Department the surplus it generates through fees and charges from external customers.

Resource budgeting in central government is currently under development. It is expected that a formal resource budget, 'Request for Resources', will be set for the first time for the 2001–02 financial year. This is the reason why there are no figures disclosed in the 'Budget' column.

26. Related Party Transactions

The Department is the parent of the Advisory, Conciliation and Arbitration Service (ACAS), the Employment Tribunals Service (ETS), the Insolvency Service (INSS), the National Weights and Measures Laboratory (NWML) and the Radiocommunications Agency (RA) and sponsors Companies House and the Patent Office (trading funds) and the Post Office, British Shipbuilders, British Coal Corportion and BNFL. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

The Department provided Ofgem with a short-term loan of £1.8 million repayable within one year. This is included in note 12 under other debtors.

None of the board members, key managerial staff or other related parties has undertaken any material transaction with the Department during the year. Ms Helen Leiser of the Department is a Board member of UKAEA.

The Department has had a small number of transactions with other government departments and other central government bodies.

In addition the Department acts as guarantor for the Mineworkers Pension Scheme (MPS) and the British Coal Staff Superannuation Scheme (BCSSS). These schemes have been disclosed as Fixed Asset Investments in the accounts with a corresponding debtor arising from surpluses in the respective funds being shown as Current Asset Investments. The Department also occupies a number of scheme properties to which it pays rent on a commercial arm's length basis in the normal course of business. The Government, through the Secretary of State, appoints five of the MPS's Committee of Management. Of these five, two are also members of the BCSSS Committee of Management. There were no transactions between the Department and CMT Pension Trustee Services Ltd, a jointly owned venture of the MPS and the BCSSS.

27. Post Balance Sheet Events

The first auction of spectrum licences was in progress at the year-end. The deposits of the thirteen bidders for the five Third Generation Mobile Services are shown in the balance sheet at £1,308,550,000.

The auction concluded in April 2000 with bids totalling £22,477,400,000. The licences are for a period of twenty years. The licence proceeds will be remitted to HM Treasury as soon as they are received. Legal proceedings have been lodged in respect of the issue of the licences. The determination of the proceedings may result in partial refunds of the licence fees and are not expected to come to court before October 2000. They will be vigorously defended. Any refunds would be funded from the proceeds from the issue of the licences.

The National Power redeemable preference share was redeemed by the Secretary of State on 9 August 2000.

UKAEA has recently announced plans to decommission the Dounreay site in 50-60 years, and in October presented an outline plan to its regulators which will be the basis of achieving this objective. This plan has been in development for 2 years and liability estimates produced by UKAEA in this time have reflected these developments as they have been incorporated in UKAEA's forward strategy for Dounreay. The plan is currently the subject of discussion between UKAE and its regulators, and once finalised is expected to have a small additional impact on the Department's liabilities. Any further adjustment will be reflected in the Department's accounts for 2000–01.

In December 1999, the special share in BG plc was 'retained but moved' to BG Group plc, where it was focused on the regulated gas pipe-lines business (Transco) through provisions that:

(a) required BG Group plc to procure that while Transco remained with BG Group plc, the holding companies above Transco were subject to a special share focused on Transco, and

(b) permitted BG Group plc to seek redemption of the special share in BG Group in circumstances where BG Group plc is not longer the holding company of BG Transco.

With effect from 23 October 2000, Lattice Group plc demerged from BG Group plc. Transco is within the Lattice Group.

Lattice Group plc is subject to a special share, focused on Transco, and conferring substantially the same rights as had been conferred by the special share in BG Group plc. The special share in BG Group plc was redeemed following the demerger.

28. Accountability Notes

Losses shown are recorded on an accruals basis, as required by Government Accounting reporting requirements in resource accounts.

Losses	**£'000**
Total (25,125 cases).	9,114
Included in the above are:	
● Regional Selective Assistance irrecoverable from companies in liquidation or receivership (2 cases).	1,090
● Losses in respect of overpayments of concessionary fuel or cash in lieu entitlements to ex-employees of British Coal or their dependants. These write-offs represent a backlog of irrecoverable overpayments from the period from March 1995, when the Department inherited the liability from British Coal, to the end of March 1999 (410 cases).	175
● Companies House late filling penalties deemed to be irrecoverable (24,589 cases).	5,523

Included in the figure for late filing penalties is a provision for specific bad debts of £2 million.

Further Information

Name	*Address*	*ISBN of Annual Accounts*
The Stationery Office	PO Box 29, Norwich, NR3 1GN,	—
The Radiocommunications Agency	Wyndham House, 189 Marsh Wall, London, E14 9SX.	0-10-556853-8
The National Weights and Measures Laboratory	Stanton Avenue, Teddington, Middlesex, TW11 0JZ.	0-10-556860-0
The Employment Tribunal Services	Level 7, 19-29 Woburn Place, London, WC1H 0LU.	0-10-556856-2
The Insolvency Service	P.O. Box 203, 21 Bloomsbury Street, London, WC1B 3QW.	0-10-556868-6
Advisory, Conciliation and Arbitration Service	Brandon House, 180 Borough High Street, London, SE1 1LW	Not available

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