Department for Business, Enterprise and Regulatory Reform Annual Report and Accounts 2007-08

Including the Annual Departmental Report and Consolidated Resource Accounts for the year ended 31 March 2008

Presented to Parliament pursuant to the Government Resources and Accounts Act 2000 c.20, s.6 (4)

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Foreword from the Secretary of State

Successful, enterprising businesses create wealth, help improve productivity and drive up UK competitiveness. The central role of the Department for Business, Enterprise and Regulatory Reform is to ensure that our business environment actively promotes business success.

We are committed to boosting productivity and keeping the UK economy competitive and equipped to respond to the opportunities and challenges of the future. This includes taking the right decisions to ensure that the UK is an attractive place to do business as we move through the current challenging economic climate.

We negotiate in the EU and internationally, working for business and for the benefit of consumers and employees, to deliver free and fair markets which support competition and investment. We aim to ensure secure, safe energy supplies at competitive prices while tackling climate change. We work to reduce the burden of regulation on business and the public and third sectors. We manage the UK's energy liabilities, and work with all departments to improve the Government's performance as a shareholder in businesses. We promote enterprise and stronger regional economies.

The Department works across Government to ensure that Government policy is informed by a better understanding of its impact on business and the UK's competitive position.

This report sets out the performance of the Department over the past year in terms of achievements against objectives and financial results. Significant progress has been made in the past year and specific achievements include:

- Delivering the **Enterprise Strategy**, which is designed to unlock entrepreneurial talents, boost enterprise skills and knowledge, help new and existing businesses get funding to start up and grow, and ease the burden of regulation.
- Identifying measures to **deliver net reductions in administrative burdens** on business worth over £1 billion per annum.
- Delivering the **Consumers, Estate Agents and Redress Act 2007** to improve protection for consumers and advocacy through a new National Consumer Council.
- Setting out the UK's domestic and international energy policy in the **2007 Energy White Paper**, in order to address long term challenges including tackling climate change and ensuring that the UK has secure supplies of energy.
- Publishing the **2008 Nuclear White Paper** which sets out a timetable of facilitative actions that will deliver a framework enabling energy companies to begin construction of the first new nuclear power station in 2013–14 and start operation in 2017–20.

- **Increasing the aggregate value of six Government businesses** by £3.4 billion, substantially in excess of the £1 billion target.

I am grateful to the many people in BERR and its delivery partners for the outcomes set out in this report, as well as to those we have worked closely with. I look forward to continuing to deliver real outcomes for business success and a stronger UK economy.

Rt. Hon. John Hutton
Secretary of State
Department for Business, Enterprise and Regulatory Reform

Executive Summary

> **"To rise to the new global challenges, Britain must continue to develop its world-class competitive business environment as the key to being a dynamic, flexible and competitive economy.**
>
> **To lead this work, I am today announcing the formation of the Department for Business, Enterprise and Regulatory Reform."**
>
> Rt. Hon. Gordon Brown MP
> Prime Minister,
> 28 June 2007

1. Successful, enterprising businesses create wealth, help improve productivity and drive up UK competitiveness. The Department for Business, Enterprise and Regulatory Reform (BERR) was created in June 2007 to lead Government efforts to help ensure business success in an increasingly competitive world.

2. BERR's role is to boost productivity and keep the UK economy competitive and equipped to respond to the opportunities and challenges of the future, including globalisation, technological change and climate change.

3. BERR has taken on functions from the former Department of Trade and Industry (DTI), which ceased to exist in June 2007, and from the Cabinet Office. It has established itself as a forward looking, flexible and focused Department seeking to deliver real outcomes for business success and a stronger UK economy.

4. BERR has also been adapting to its role as the Voice for Business across Government by working to ensure that Government policies are informed by a better understanding of their impact on business and the UK's competitive position. The Department is engaging with business, key stakeholders and delivery partners to understand and analyse the priority issues.

5. With regard to the Department's strategic framework, throughout 2007-08 BERR maintained a focus on delivering the Public Service Agreements (PSAs) agreed in the 2004 Spending Review (SR04), which covered the period 2005-08. These PSA targets are aligned to several Departmental Strategic Objectives (DSOs) outlined below, which provide a framework for discussing performance in this report.

DSO 1: Promote the creation and growth of business
DSO 2: Ensure better regulation
DSO 3: Deliver free and fair markets
DSO 4: Ensure the reliable supply and efficient use of clean, safe and competitively-priced energy
DSO 5: Manage energy liabilities effectively and responsibly
DSO 6: Ensure that Government acts as an effective shareholder
DSO 7: Provide professional support, capability and infrastructure

6. Of the ten PSAs which BERR was responsible for delivering in 2007-08: five are assessed as on course to be delivered; three are divided and assessed in more detail by sub target (with most of the sub targets assessed as on course or met); one is assessed as partly met; and one is assessed as showing slippage. A detailed summary of PSA performance is provided in section 2.2. Considerable progress has also been made in a number of other areas, which are highlighted throughout the report as key achievements. The report also notes a few areas where further work is to be done in order to improve performance.

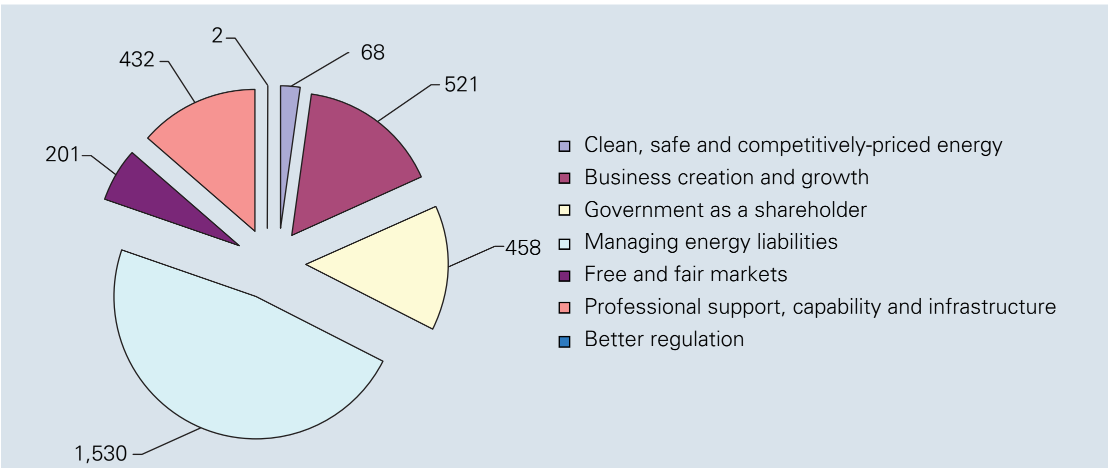
7. The past year has also been one of transition, with the announcement of a new structure of PSAs and DSOs which emerged in the 2007 Comprehensive Spending Review (CSR07). This report introduces these targets, which cover the period 2008-11. Progress on these will be reviewed in detail in future performance reports.

8. Throughout 2007-08, BERR has worked hard to further develop the professional support, capability and infrastructure needed for the Department to successfully deliver its objectives and to be effective in its role as the Voice for Business across Government. The report sets out key developments in this area, including work that has been done to develop the skills of BERR employees through new ways of working and learning, and work that has been done to improve the Department's efficiency and effectiveness in order to increase value for money. The report also discusses the Department's new set of values, which are set out below.

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

9. In 2007-08, the total net expenditure of the Department against its Departmental Expenditure Limits, as shown by the pie chart below, was £3,213 million. In 2007-08, the Department's Annually Managed Expenditure was £5,540 million. Further analysis of the expenditure of the Department and its delivery partners, which are outlined in annex 4, is provided in chapter 4 and annex 8.

BERR Expenditure in Departmental Expenditure Limits by Departmental Strategic Objective 2007-08 (£million)



About this report

1. Following changes to the way in which Government is organised on 28 June 2007, the former Department of Trade and Industry (DTI) ceased to exist and the new Department for Business, Enterprise and Regulatory Reform (BERR) was created, taking on functions from the DTI and the Cabinet Office. This report summarises the performance of the DTI and BERR over the period 1 April 2007 to 31 March 2008, in terms of achievements against objectives and financial results.

How is this report structured?

Chapter 1: Provides an **Introduction to the Department** by outlining BERR's role, strategic objectives, structure and Ministerial responsibilities.
Chapter 2: Presents a **Performance Report** describing performance during 2007-08 against the Department's PSA targets and objectives.
Chapter 3: Focuses on **Managing the Department** by describing how BERR works, including how it promotes better regulation and equality of opportunity in its policies.
Chapter 4: Presents a **Financial Overview** explaining the financial information in the report and the resources available to BERR. This chapter also includes a financial review and details of budgetary spend.
Chapter 5: Contains the audited **Resource Accounts** for BERR and a number of bodies consolidated with BERR for 2007-08.
Annexes: Provide details on PSA data quality, delivery partners, environmental sustainability, health and safety, Public Accounts Committee (PAC) reports and expenditure.

Links to external websites

2. Links to both BERR and external (non-BERR) websites provide further relevant information or key source material. All links have been reviewed; however, they may be subject to change. BERR is not responsible for the content of external websites.

How can you obtain copies of this report?

3. This report is available electronically on the Department's website[1]. Hardcopies, printed on paper contianing 75% recycled fibre content minimum, can be obtained from The Stationery Office (TSO). Alternative formats can be made available on request. Contact details can be found on the back cover of this report.

[1] Department for Business, Enterprise and Regulatory Reform Annual Report & Accounts 2007-08: www.berr.gov.uk/about/strategy-objectives/annual-spending/page25111.html

Chapter 1
Introducing the Department

Section 1.1
The Department for Business, Enterprise and Regulatory Reform

1.1 The Department for Business, Enterprise and Regulatory Reform (BERR) was created in June 2007 to help ensure business success in an increasingly competitive world. Our role is to boost productivity and keep the UK economy competitive and equipped to respond to the opportunities and challenges of the future, including globalisation, technological change and climate change.

The central purpose of the Department for Business, Enterprise and Regulatory Reform is to help ensure business success in an increasingly competitive world

1.2 BERR is committed to keeping the UK an attractive place to do business, especially in challenging economic times. The Department is taking action to raise and sustain the UK's economic performance nationally and regionally to create the jobs, wealth and ideas that support a healthy economy and social well-being. The Department works to:

- Promote the creation and growth of business;
- Ensure better regulation;
- Deliver free and fair markets;
- Ensure the reliable supply and efficient use of clean, safe and competitively-priced energy;
- Manage energy liabilities effectively and responsibly;
- Ensure that Government acts as an effective shareholder; and
- Provide professional support, capability and infrastructure.

1.3 BERR also exists to give business a strong voice at the heart of Government and works collaboratively with departments across Government to strengthen the UK's competitive position. Using its role as the "Voice for Business" across Government, BERR ensures that Government discussions of important policy issues are informed by a full understanding of the implications of policy proposals for business.

1.4 BERR took on functions from the former Department of Trade and Industry (DTI), which ceased to exist in June 2007, and the Cabinet Office. The responsibilities of the DTI for science and innovation passed to the Department for Innovation, Universities and Skills.

Section 1.2
Structure and Ministerial responsibilities

BERR | Department for Business Enterprise & Regulatory Reform


SECRETARY OF STATE
THE RT. HON. JOHN HUTTON


MINISTER OF STATE FOR TRADE AND INVESTMENT (JOINTLY WITH FCO)
LORD DIGBY JONES


MINISTER OF STATE FOR EMPLOYMENT RELATIONS AND POSTAL AFFAIRS
PAT McFADDEN


MINISTER OF STATE FOR ENERGY
MALCOLM WICKS


PARLIAMENTARY UNDER SECRETARY OF STATE FOR TRADE AND CONSUMER AFFAIRS (ALSO A DfID MINISTER)
GARETH THOMAS


PARLIAMENTARY UNDER SECRETARY OF STATE FOR BUSINESS AND COMPETITIVENESS
SHRITI VADERA


PERMANENT SECRETARY
SIR BRIAN BENDER


BETTER REGULATION EXECUTIVE EXECUTIVE CHAIR
SIR WILLIAM SARGENT


SHAREHOLDER EXECUTIVE CHAIRMAN
PHILIP REMNANT


ENERGY GROUP DIRECTOR GENERAL
WILLY RICKETT

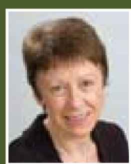

UK TRADE & INVESTMENT CHIEF EXECUTIVE
ANDREW CAHN

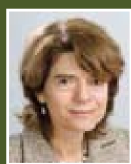

BETTER REGULATION EXECUTIVE CHIEF EXECUTIVE
JITINDER KOHLI


SHAREHOLDER EXECUTIVE CHIEF EXECUTIVE
STEPHEN LOVEGROVE


FAIR MARKETS GROUP DIRECTOR GENERAL
JOHN ALTY


ENTERPRISE AND BUSINESS GROUP DIRECTOR GENERAL
MARK GIBSON


OPERATIONS GROUP CHIEF OPERATING OFFICER
HILARY DOUGLAS


STRATEGIC POLICY ANALYSIS CHIEF ECONOMIC ADVISER AND DIRECTOR GENERAL, ECONOMICS
VICKY PRYCE


FINANCE GROUP DIRECTOR GENERAL
JOHN EDWARDS


LEGAL SERVICES GROUP THE SOLICITOR AND DIRECTOR GENERAL
RACHEL SANDBY-THOMAS


CHIEF SCIENTIFIC ADVISER
PROFESSOR BRIAN COLLINS

Section 1.3

Strategy and objectives

The strategic framework

1.5 BERR works to deliver a number of Public Service Agreements (PSAs). PSAs set out the key priority outcomes which the Government wants to achieve and therefore what the public can expect from Government. Each PSA has a lead delivery department but, in most cases, responsibility for delivery is shared with other departments. BERR, like other Government departments, also has Departmental Strategic Objectives (DSOs), which cover the full range of the Department's activity and provide the framework for business planning and resource management. In addition, BERR has a cross-cutting objective to be the Voice for Business in Government.

1.6 During 2007-08, BERR was responsible for leading delivery of ten PSAs from the 2004 Spending Review (SR04) and progress on these is reported in detail in chapter 2. BERR also had seven DSOs which provide the structure for the chapter 2 performance report.

SR04 Public Service Agreements (PSAs)	
PSA 1 Productivity	**PSA 6** Enterprise
PSA 2 Better Regulation	**PSA 7** Regional economic performance
PSA 3 Competition and consumers	**PSA 8** UK Trade & Investment
PSA 4 Energy	**PSA 9** Nuclear Decommissioning Authority
PSA 5 Trade barriers	**PSA 10** Maximising potential in the workplace

1.7 The Comprehensive Spending Review 2007 (CSR07), published in October 2007, set the Government performance framework for the next three years: 2008-11. CSR07 defined 30 cross-Government PSAs. BERR is the lead Department for three PSAs and is a key delivery partner for a further three[2]. CSR07 also set out new DSOs for the CSR period, which, in BERR's case, carry forward the DSOs which were in operation for 2007-08. Annex 3 explains in further detail the relationship between SR04 and CSR07 targets.

[2] Delivery agreements for the new CSR07 PSAs: www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm

Departmental Strategic Objectives (DSOs) for 2007-08 and CSR07

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

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

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

4. Ensure the reliable supply and efficient use of clean, safe and competitively-priced energy.

5. Manage energy liabilities effectively and responsibly.

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

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

CSR07 PSAs led by BERR:

PSA 1: Raise the productivity of the UK economy.

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

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

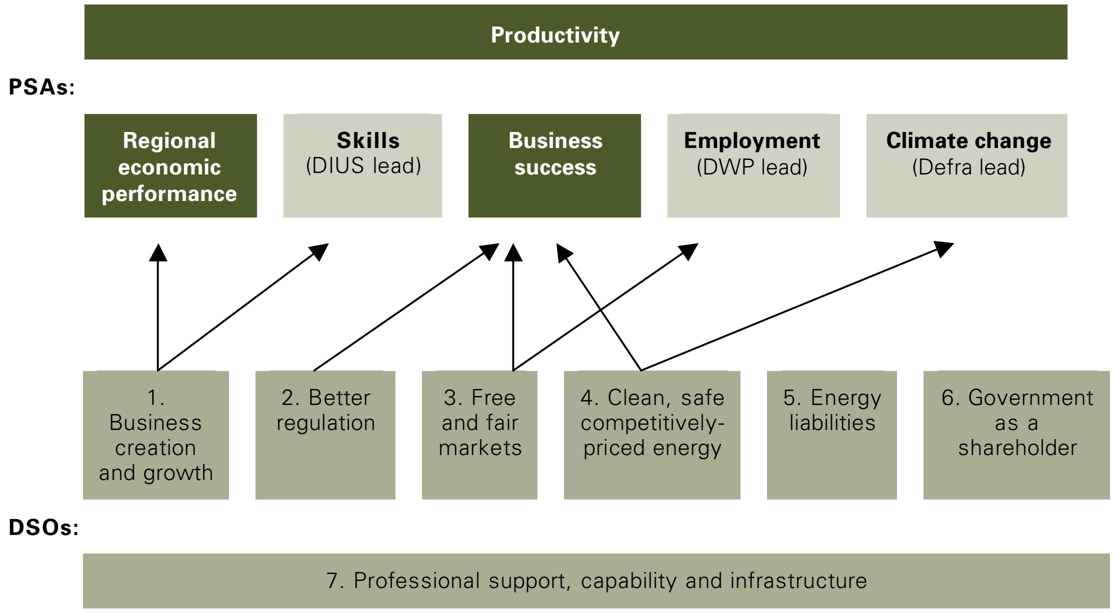
CSR07 PSAs led by other departments for which BERR is a key delivery partner:

PSA 2: Improve the skills of the population, on the way to ensuring a world-class skills base by 2020 (led by the Department for Innovation, Universities and Skills).

PSA 8: Maximise employment opportunity for all (led by the Department for Work and Pensions).

PSA 27: Lead the global effort to avoid dangerous climate change (led by the Department for Environment, Food and Rural Affairs).

Figure 1.1: BERR's CSR07 Performance framework



The Business Plan

1.8 The BERR Business Plan[3] provides further detail on how BERR aims to deliver its DSOs and PSAs. It looks ahead over the three years of the CSR07 period 2008-11 with a particular focus on the first twelve months of the period. The Plan sets out aims, key achievements and milestones and explains how the Department deploys its resources and works with delivery partners in pursuit of its objectives.

[3] BERR Business Plan 2008-11 (June 2008): www.berr.gov.uk/files/file46662.pdf

Section 1.4

Being the Voice for Business across Government

1.9 Since its creation in June 2007, BERR has continued working to ensure business success and a more productive UK economy. The Department has also been adapting to its new role as the Voice for Business across Government. This is not about simply advocating business views; it is about understanding and analysing issues affecting the business environment and influencing in Whitehall, the EU and internationally.

1.10 We have made changes to support the delivery of BERR's new remit. These include communicating the purpose of the new Department to staff and stakeholders, introducing new learning and development opportunities to ensure staff have the right skills and setting up a new "Business Environment Unit" to lead cross-Whitehall influencing work.

Our commitment to business:

- We will focus on issues which matter most to UK business.
- We will carry out our policy responsibilities in a business-friendly way.
- Where others have policy responsibility, we will work with them to deliver outcomes which encourage long-term wealth creation.
- We will draw on business expertise in finding solutions to the challenges we face as a society.
- We will work across Government to understand the concerns of businesses of all sizes and types and across all regions of the country, and help tackle their priority issues.
- We believe that a strong business sector goes hand in hand with empowered consumers and employees.

Explaining BERR's role

1.11 Since the creation of BERR in June 2007, the Department has made a significant effort to communicate what it means to be the Voice for Business to staff and stakeholders. A series of events were arranged to explain BERR's new responsibilities to the Department's staff and create a shared sense of purpose. There was also a programme of engagement with external stakeholders, including other Government departments. We published Our Commitment to Business[4] setting out BERR's new priorities and approach. The document introduces the new Department, gives a high-level analysis of Britain as a place to do business and outlines the Department's strategic programme.

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[4] BERR: Our Commitment to Business (November 2007): www.berr.gov.uk/files/file42100.pdf

A new unit to support BERR's cross-Whitehall role

1.12 A new Business Environment Unit (BEU) has been established within BERR to help make the Department an effective Voice for Business across Government. BEU, with BERR policy colleagues, works in partnership with other Government departments to ensure that business concerns are represented and that productivity considerations are taken into account in policy development and implementation. This includes focusing on issues affecting the business environment where other departments have lead responsibility.

1.13 BEU is focusing on a number of priority issues for business: planning, transport, skills, migration, tax and innovation. It is taking forward this work through strategic relationship teams for each priority area and through specific projects. On the latter, the unit is providing support to the Killian/Pretty review of the planning process, and working with the UK Commission for Employment and Skills to understand better the employability skills that businesses need in their workers, amongst other projects. BEU also supports BERR's corporate strategy and includes the secretariat for the Business Council for Britain, discussed below.

The Business Council for Britain

The Council comprises senior business leaders and provides the opportunity to bring highly experienced business people into a new dialogue with Government. It was set up to advise the Prime Minister on issues that affect enterprise, business and the long term productivity and competitiveness of the UK economy. Discussions have so far covered globalisation and open markets, human capital, including the need for a critical mass of employers to engage on adult skills, climate change and energy security issues.

New ways of working and learning

1.14 BERR is continuing to develop skills, knowledge and behaviours to enable staff to better understand business and influence policy development in Whitehall and beyond. Staff are encouraged to spend some time working outside the Department, often spending "a week in business", or with other stakeholders or delivery partners, so that they can better understand the challenges that businesses face or the issues which affect business success. Staff share their insights with colleagues across BERR and listen actively to business and all BERR's stakeholders in developing new policies. A learning and development programme has also been introduced to support staff in getting the right skills to fulfil the Department's Voice for Business remit.

1.15 A new set of Values have been developed, in consultation with staff, to support effective listening, influencing and to help ensure business success.

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

Chapter 2:
Performance Report

Section 2.1
Introduction

2.1 Successful, enterprising businesses create wealth, help improve productivity and drive up UK competitiveness. The work of BERR and its delivery partners has resulted in a wide range of positive impacts which have made a real difference to business, employees and consumers. This chapter reports on BERR's performance and achievements during 2007-08 against the Department's objectives, focusing on the ten SR04 PSAs introduced in section 1.3.

Reporting on performance against objectives

2.2 This chapter is divided into seven sections, outlined on the following page. The first section summarises performance against the SRO4 PSAs, the next section covers BERR's performance against its cross-cutting objective to raise UK productivity, and subsequent sections cover BERR's performance against its Departmental Strategic Objectives (DSOs), introduced in section 1.3 (with the exception of DSO 7 on professional support, capability and infrastructure, which is reported in section 3.2).

Further information

- Details on the quality of the data systems used to measure progress on PSAs are set out in annex 1.
- Information on PSAs from previous spending reviews is set out in annex 2.
- The CSR07 performance framework and how it relates to the SRO4 performance framework, is dicussed in annex 3.
- Further information on the achievements of BERR's delivery partners can be found in their annual reports. Annex 4 provides references to delivery partner websites.

Section 2.2
Summary of performance

2.3 During 2007-08 BERR was responsible for delivering ten PSA targets from the 2004 Spending Review (SR04). These comprise nine PSAs from the former DTI and one PSA, on better regulation, that transferred to BERR from the Cabinet Office. The former DTI PSA on science and innovation transferred to DIUS.

2.4 The SR04 period has now finished and future BERR performance reports will focus primarily on the new PSAs and DSOs set out in the Comprehensive Spending Review 2007 (CSR07), discussed in section 1.3. Some of the SR04 PSAs are carried forward into CSR07 PSAs and others are finally assessed here. For the remainder we will continue to report on progress until a final assessment can be made.

2.5 Standard terminology, in line with HM Treasury guidance to Government departments, has been adopted for reporting against all targets for final assessments and for interim assessments where targets are yet to reach their completion date.

Final assessment terminology and usage	
Met	Target achieved by the target date.
Partly met	Where a target has two or more distinct elements, and some, but not all, have been achieved by the target date.
Not met	Where a target was not met or met late.
Not known	Where it is not possible to assess progress.
Interim assessment terminology and usage	
Met early	The target has been met ahead of schedule.
Ahead	Progress is exceeding plans and expectations.
On course	Progress is in line with plans and expectations.
Slippage	Progress is slower than expected.
Not yet assessed	A new target for which data are not yet available.

2.6 Where targets are *finally assessed*, this is stated below the assessment. Where targets are *ongoing*, and will be reported on in future performance reports, this is stated below the assessment. Where targets are *carried forward* into a CSR07 target, this is also stated below the assessment.

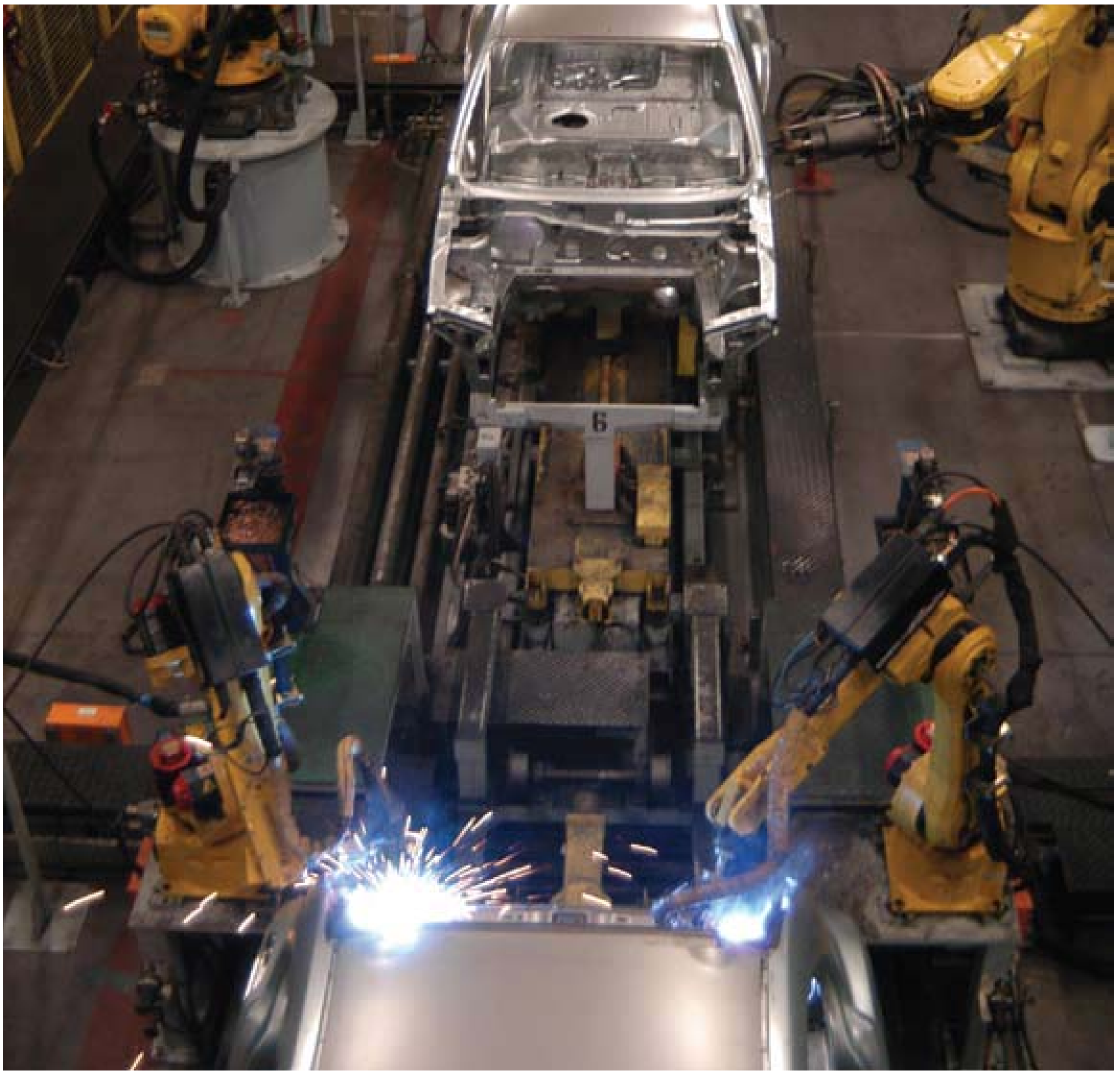
SR04 PSA target	Performance
1. Productivity: Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors. Joint with HM Treasury.	**On Course** This target will be *carried forward* in CSR07 PSA 1.
2. Better regulation: By April 2008, ensure that departments deliver better regulation and tackle unnecessary bureaucracy in both the public and private sectors through: **(i)** Reducing the overall administrative burden; **(ii)** Maintaining the UK's international standing on better regulation; and **(iii)** Improving the perception of regulation.	**On Course** This target is *ongoing*.
3. (i) Competition and (ii) consumers: Promote fair competitive markets by ensuring that the UK framework for competition and for consumer empowerment and support is at the level of the best by 2008, measuring the effectiveness of the regime through international comparisons, supported by a broader evidence base.	**(i) Met** This is the *final assessment* of this target. **(ii) Not Yet Assessed** This target is *ongoing*.

SR04 PSA target	Performance
4. Energy: Lead work to deliver the goals of energy policy: **(i)** Reduce greenhouse gas emissions by 12.5% from 1990 levels in line with our Kyoto commitment and move towards a 20% reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables. Joint with the Department for Environment, Food and Rural Affairs (Defra) and Department for Transport (DfT). **(ii)** Maintain the reliability of energy supplies. **(iii)** Eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy objective. Joint with Defra. **(iv)** Ensure the UK remains in the top three most competitive energy markets in the EU and G7.	**(i) On course** This target will be *carried forward* into CSR07 PSA 27. **(ii) Met** This is the *final assessment* of this target. **(iii) Slippage** This target is *ongoing*. **(iv) Met** This is the *final assessment* of this target.
5. Trade barriers: Ensure that the EU secures significant reductions in EU and world trade barriers by 2008, leading to improved opportunities for developing countries and a more competitive Europe. Joint with the Department for International Development (DFID).	**On course** This target is *ongoing*.
6. Enterprise: Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with: **(i)** An increase in the number of people considering going into business; **(ii)** An improvement in the overall productivity of small firms; and **(iii)** More enterprise in disadvantaged communities.	**(i) Slippage** **(ii) On Course** **(iii) Not Yet Assessed** This target is *ongoing*.

SR04 PSA target	Performance
7. Regional economic performance: Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. Joint with HM Treasury and the Department for Communities and Local Government.	**Slippage** This target will be *carried forward* in CSR07 PSA 7.
8. UK Trade & Investment: By 2008, deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers, with an emphasis on new to export firms; and maintain the UK as the prime location in the EU for foreign direct investment. Joint with the Foreign and Commonwealth Office.	**On Course** This target is *ongoing*.
9. Nuclear Decommissioning Authority: Reduce the civil nuclear liability by 10% by 2010, and establish a safe, innovative and dynamic market for nuclear cleanup by delivering annual 2% efficiency gains from 2006-07; and ensuring successful competitions have been completed for the management of at least 50% of UK nuclear sites by end 2008.	**Partly Met** This is the *final assessment* of this target.
10. Maximising potential in the workplace: By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible labour market.	**On Course** This target is *ongoing*.

Section 2.3

Raising the productivity of the UK economy



Introduction

2.7 Productivity growth is the key determinant of long term economic growth, and together with employment growth, leads to higher prosperity. BERR's key role in encouraging productivity growth is to develop and deliver policies to correct market failures, set the productivity policy framework and create a business friendly environment.

2.8 The Government policy framework for improving productivity is based on the five drivers of productivity: competition, enterprise, innovation, investment and skills. For each driver there are measures seeking to improve UK performance. BERR leads on the development of the Government's productivity evidence base to ensure that resources are targeted in the most effective way, reporting on progress to improve productivity and producing economic analysis.

2.9 The Department has an overarching productivity SR04 PSA target, joint with HM Treasury, discussed in more detail below. During the CSR07 period, BERR will be the lead Department for the new Government productivity PSA, as discussed in section 1.3.

SR04 PSA 1: Productivity

Demonstrate further progress by 2008 on the Government's long term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors.

Joint with HM Treasury.

Summary assessment of progress: ON COURSE

This target will be *carried forward* in CSR07 PSA 1 (raise the productivity of the UK economy).

Current position:

The latest assessment of the productivity and competitiveness indicators in 2007 showed that the UK has made progress towards improving its productivity performance over the economic cycle. The current economic cycle is judged to have started in the first half of 1997. There is some evidence to suggest that economic growth has fallen behind trend, but it is too soon to tell whether this marks the end of the economic cycle.

According to latest HM Treasury estimates in the Budget 2008, the growth in output per hour labour productivity in the current economic cycle averaged 2.4% a year, compared with 1.9% over the previous two cycles. This productivity performance has been very strong given that employment grew substantially in the period (employment growth was 9.7% between Q2 1997 and Q4 2006).

There has also been progress in narrowing the gap in both output per worker and per hour measures with the UK's main competitors (USA, France and Germany).

The UK has seen a strong performance in manufacturing productivity, which has increased by close to 50% between 2006 Q4 and 1997 Q2, double the growth in productivity in the whole economy over the same period

Policies from across Government contribute to improving productivity. BERR policy instruments seek to improve productivity through achieving efficient regulation (see section 2.5), the effective deployment of resources by Regional Development Agencies (RDAs), appropriate business support programmes (see section 2.4) and an effective competition regime (see section 2.6). Within BERR, the Strategic Policy Analysis Directorate manages the productivity agenda and contributes to Departmental analytical work (see section 3.2).

Figure 2.1: International comparisons of labour productivity: GDP per worker (UK = 100)[5]

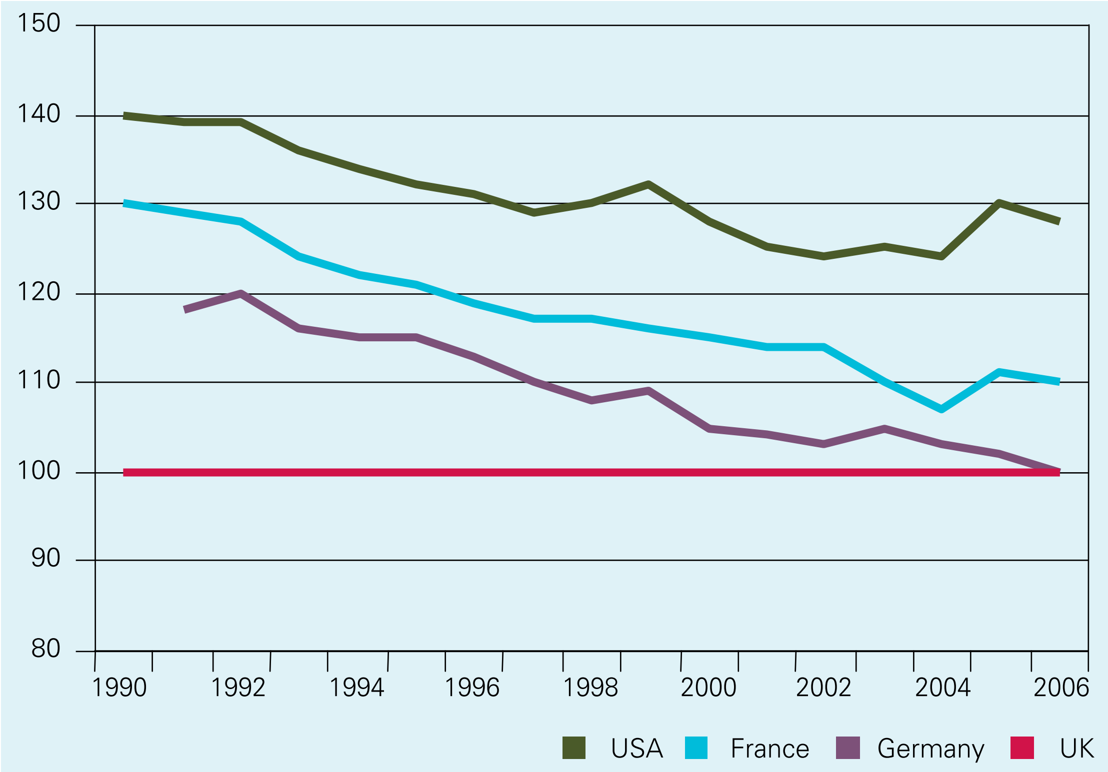
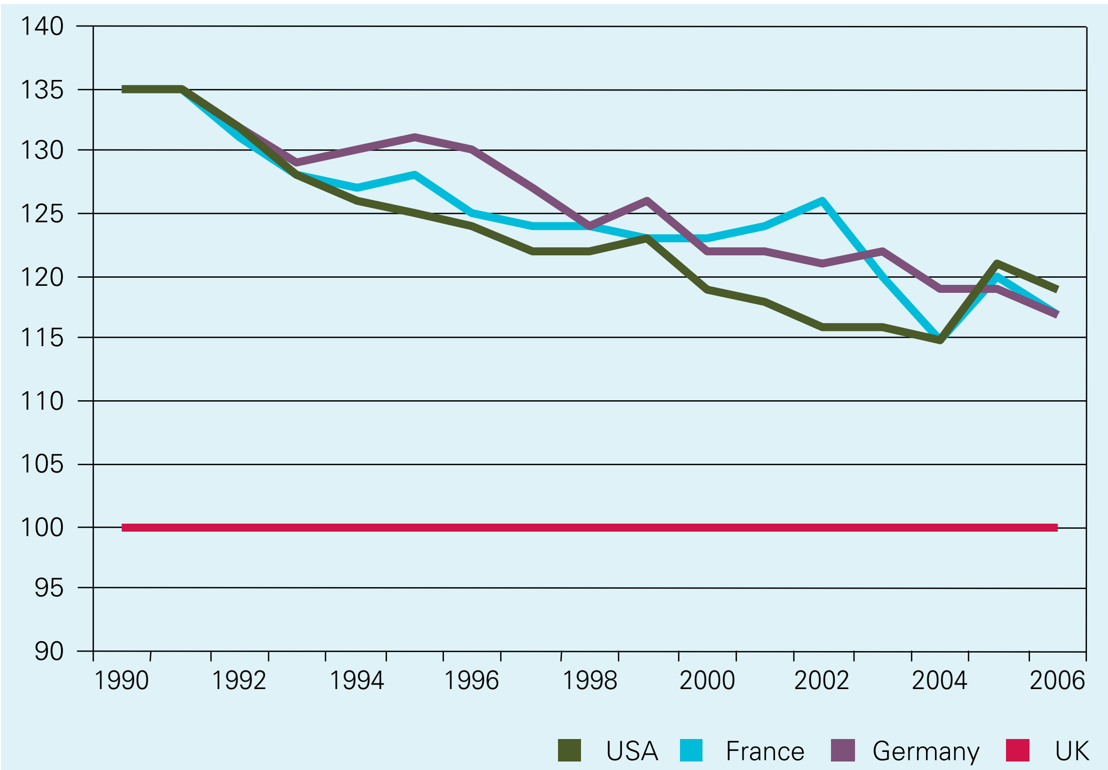


Figure 2.2: International comparisons of labour productivity: GDP per hour worked (UK = 100)



5 Office for National Statistics (ONS) International Comparisons of Productivity (February 2008): www.statistics.gov.uk/STATBASE/Product.asp?vlnk=9671

Drivers of productivity

2.10 The 2007 Productivity and Competitiveness Indicators report[6], outlined below, discusses progress on the headline indicators and the five main drivers of productivity.

2.11 *Investment:* The assessment of investment covers both business and government. Continuing macroeconomic stability supports an attractive investment climate. However, despite improvement, investment by business and UK capital stock levels remain relatively low, partly due to industrial structure. Since 2000, business investment has on average been lower than the USA, France and Germany, while Government investment, as a proportion of GDP, has been growing.

2.12 *Innovation:* The UK's innovation performance appears mixed. Citations of academic papers per head[7] suggest the UK has a strong and respected science base. However, the indicators for research and development (R&D) investment show that the UK has lower levels of R&D expenditure than in the USA, France and Germany, suggesting that the knowledge base is not being transferred as effectively into business innovation, although much of this gap is due to the UK's industrial composition.

2.13 *Skills:* The UK continues to improve skills, particularly higher level skills. However, there appears to be a weakness in intermediate and basic level skills, and perceptions that UK management skills are not as good as the main competitors.

2.14 *Enterprise:* In comparison to France and Germany, the UK performs well on the enterprise driver. However, despite progress, a gap with the USA remains. There is potential to further lower the costs and time associated with starting up a business.

2.15 *Competition:* The UK competition regime is ranked among the top three globally. Increased powers to the competition authorities through the 1998 Competition Act and the 2002 Enterprise Act continue to have a positive impact. Product market regulation is still considered "light touch", with the UK relatively open to international trade and investment.

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[6] The 2007 Productivity and Competitiveness Indicators (January 2008): www.berr.gov.uk/files/file43540.pdf

[7] This is regarded as the most reliable measure of a paper's impact. The data used covers a multidisciplinary selection of over 11,000 journals from around the world.

Section 2.4

Promoting the creation and growth of business

Introduction

2.16 Successful, enterprising businesses create wealth, help improve productivity and drive up competitiveness. Government recognises that it can either help or hinder such success, with businesses more likely to invest, develop and grow sustainably if they operate within a stable macroeconomic environment. BERR's role has been to focus on three broad areas:

- establishing and maintaining effective relationships with key players in both established and newly emerging business sectors;
- strengthening UK enterprise culture and environment, simplifying business support, and enabling more small and medium sized enterprises to start-up and grow; and
- delivering stronger regional economies, through driving enhanced economic performance across England by fostering growth friendly policies at national and European level.

2.17 BERR has responsibility for two SR04 PSAs related to business creation and growth (PSA 6 Enterprise and PSA 7 Regional economic performance) and a National Standard for online business. Performance on these targets and more broadly is discussed on the following pages.

Key achievements 2007-08

- Delivered the Enterprise Strategy[8], published in Budget 2008, which provides the framework for implementation of the Government's new enterprise policy.
- Facilitated Airbus commitment to composite component manufacture in the UK via the A350 programme.
- Led recovery work following the summer 2007 floods as part of a cross-Government Flood Recovery Group and actively supported effective partnerships at regional level with the Regional Development Agencies (RDAs) and Government Offices.
- Pro-actively influenced the EU Commission and secured UK objectives arising from the mid term Review of EU Industrial Policy and the Regulation on Mobile Roaming. The latter resulted in significant price reductions for consumers using their phones abroad in Europe, without damaging competition or leading to an increase in domestic tariffs.
- As part of BERR's programme to simplify publicly funded business support, 18 high level offers were announced with the full range of products to become available no later than March 2009. Business Link was established as a primary access channel with information, diagnosis and brokerage services to be integrated on a staged basis.
- As a result of UKTI support, more than 9,000 companies improved their performance, generating around £3 billion additional profit[9]. More than 1,400 inward investments into the UK maintained our position as the number one inward investment destination in Europe.

[8] Enterprise: Unlocking the UK's talent (March 2008): www.berr.gov.uk/bbf/enterprise-smes/enterprise-framework/index.html

[9] UKTI's Performance and Impact Monitoring Survey (PIMS), accessed via UKTI's website: www.uktradeinvest.gov.uk

SR04 PSA 6: Enterprise

Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with:

(i) an increase in the number of people considering going into business;

(ii) an improvement in the overall productivity of small firms; and

(iii) more enterprise in disadvantaged communities.

Summary assessment of progress:

(i) **SLIPPAGE**

(ii) **ON COURSE**

(iii) **NOT YET ASSESSED**

This target is *ongoing*.

Current position:

(i) The 2005 Household Survey of Entrepreneurship[10] shows that 11.6% of adults in England were considering going into business, the same as in 2001. A statistically significant increase would require this to rise to 12.3%.

This is a challenging target requiring a change in the intentions of over 300,000 people. Although the proportion of adults has remained stable, there are indications that young people are becoming more interested in starting a business. Government has focused on a range of interventions to increase interest in entrepreneurship amongst young people which have contributed to an increase in the proportion of 16 to 24 year olds considering going into business from 14.4% in 2003 to 17.5% in 2005. The Global Entrepreneurship Monitor[11] shows that the UK is still third in the G7 for early stage entrepreneurship.

(ii) Latest available data from the ONS Annual Business Inquiry[12] show that over the five years 2000-01 to 2004-05, the total increase in productivity in small and medium enterprises (SMEs) exceeded that in all firms by two percentage points. This measure is, therefore, on course even though it has not been met in every individual year.

(iii) It is not yet possible to assess progress in the SR04 period, as assessment depends upon finding a comparable point in the economic cycle. The latest available data, year ending December 2007, show the self-employment rate of people of working age in deprived areas in England is 6.4%. Although it has been stable for the last three quarters, it is above the rate in 2004 (6.1%). The rise in self-employment in disadvantaged communities has been accompanied by a rise in other areas. The self-employment rate in all other areas is 4% higher that the self-employment rate in disadvantaged communities. This gap has increased slightly over the last 18 months but is smaller than it was in 2004.

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[10] Household Survey of Entrepreneurship in 2005 (February 2007): www.berr.gov.uk/files/file38260.pdf

[11] Global Entrepreneurship Monitor 2007: www.gemconsortium.org/document.aspx?id=689

[12] For further details on the ONS Annual Business Enquiry see: www.statistics.gov.uk/abi/

SR04 PSA 7: Regional Economic Performance

Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.

Joint with HM Treasury and the Department for Communities and Local Government.

Summary assessment of progress: SLIPPAGE

This target will be *carried forward* in CSR07 PSA 7 (improve the economic performance of all English regions and reduce the gap in economic growth rates between regions).

Current position:

The first part of the target will be considered met if all English regions achieve a higher rate of growth between 2002 and 2008 than that in the baseline period (1990-2002).

Performance relative to the baseline period has been mixed. The latest Gross Value Added (GVA) data, released in December 2007, showed that between 2002 and 2006 the North East, East Midlands, London and South West regions have all seen stronger growth, with the North West holding its position. The South East, East of England, West Midlands, and Yorkshire and Humber regions have individually seen weaker growth. The level of growth the South East in particular would have to achieve in 2007 and 2008 to meet the first part of the target is outside its typical range of growth. It is for this reason the PSA target is reported as slipping, despite continuing economic growth in all regions. Figure 2.3 shows real gross value added (GVA) per head growth rates of each region.

Activities the Government is undertaking to raise the economic growth rate in the English regions are set out in the Delivery Agreement for CSR07 PSA 7[13]. These actions follow the Government's approach to increasing economic growth by:

- maintaining long-term economic stability;
- tackling market failures in the drivers of growth: enterprise, innovation, skills, investment, competition and employment; and
- devolving decision making to the most appropriate spatial level.

The gap in growth rates between the Greater South East (London, South East and East) and less prosperous regions decreased from 0.6 percentage points over the baseline period to 0.3 between 2002 to 2006. We therefore remain on course to meet this part of the PSA target. Figure 2.4 shows the real GVA per head growth rate and differences for the Greater South East and the North, the Midlands and West.

However, a definitive assessment of progress can only be made over a full economic cycle.

[13] Delivery agreement for CSR07 PSA 7:
http://www.hm-treasury.gov.uk/pbr_csr/psa/pbr_crs07_psagrowth.cfm

Figure 2.3: Real GVA per head growth rates of each English region (Source: ONS[14])

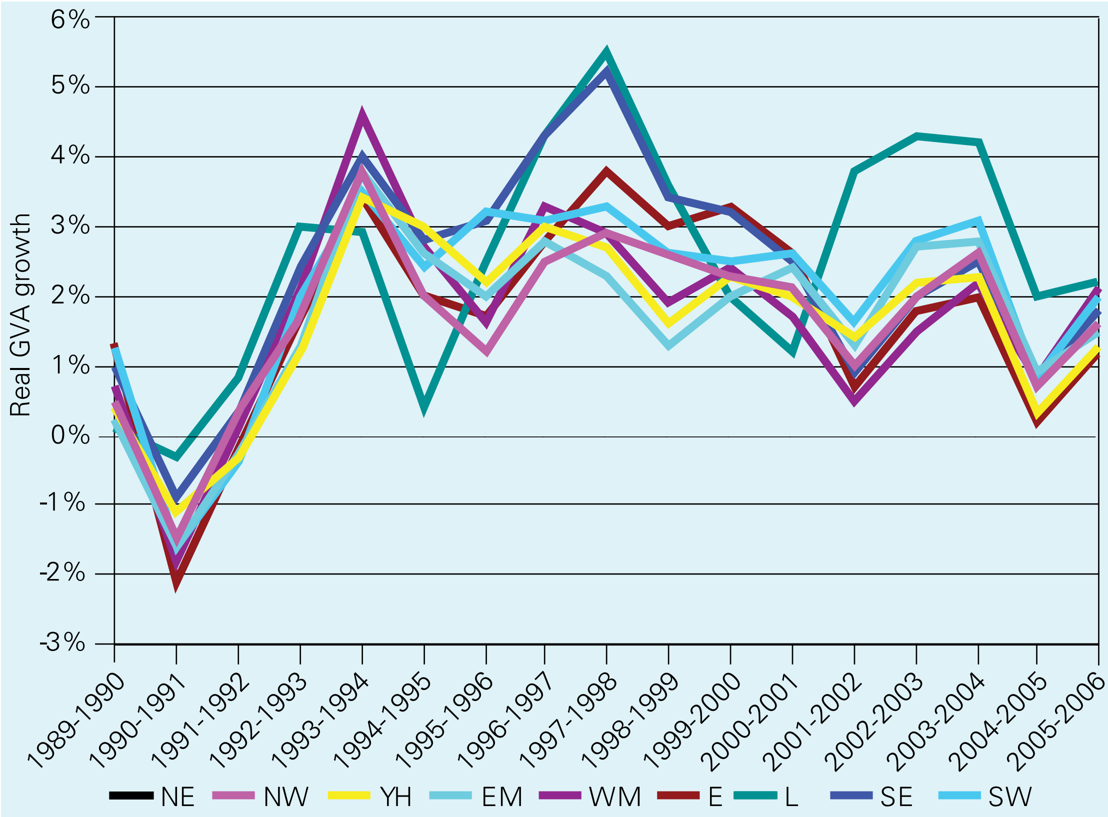

Figure 2.4: Real GVA per head growth rates and differences for the Greater South East (GSE), the North, the Midlands and West (NMW) (Source: ONS)

[14] Regional Economic Performance PSA indicators (see ONS GVA per head data): http://stats.berr.gov.uk/reppsa2/

SR04 PSA 8: UK Trade & Investment

By 2008, deliver a measurable improvement in the business performance of UK Trade & Investment's (UKTI) international trade customers, with an emphasis on new to export firms; and maintain the UK as the prime location in the EU for foreign direct investment.

Joint with the Foreign and Commonwealth Office.

Summary assessment of progress: ON COURSE

This target is *ongoing*.

Current position:

Due to the breadth of this PSA target, for clarity the reporting below addresses each performance indicator detailed in the technical note[15].

(i) At least a 30 percentage point increase by 2007-08 in the proportion of UKTI trade development resources focused on new-to-export firms: PARTLY MET

Provisional UKTI figures for 2007-08 show a 13 percentage point increase in trade development resources focused on new to export firms, over the SR04 period. UKTI's five-year strategy[16] emphasises that new-to-export firms continue to be an important client group for UKTI.

(ii) At least 40% of new-to-export firms assisted by UKTI improve their business performance within 2 years: AHEAD

2004 Annual Result	2005 Annual Result	2006-07* (Cumulative)	2007-08* (Cumulative)
30%	31%	52%	57%

(iii) At least 50% of established exporters assisted by UK Trade & Investment improve their business performance within 2 years: AHEAD

2004 Annual Result	2005 Annual Result	2006-07* (Cumulative)	2007-08* (Cumulative)
43%	54%	51%	56%

[15] Technical notes, detailing how each PSA will be achieved and measured: www.berr.gov.uk/about/strategy-objectives/performance_Framework/page23502.html

[16] UKTI strategy Prosperity in a Changing World (July 2006): https://www.uktradeinvest.gov.uk/ukti/ShowDoc/BEA+Repository/345/391743

* From January 2006, reports for indicators (ii) and (iii) switched to financial rather than calendar years. The 2007-08 figures are provisional.

SR04 PSA 8: UK Trade & Investment (UKTI)

(iv) Improve the UK's ranking within Europe in terms of the Gross Domestic Product (GDP)-adjusted stock of EU foreign direct investment: ON COURSE

Based on the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2007[17] the UK's provisional ranking in 2006 was eleventh. This may be subject to further revision. This was the same as the revised provisional ranking for 2005. The UK's revised final ranking for 2004 remains fifteenth. The UNCTAD report also confirmed that the UK remained the top investment destination in Europe in 2006.

(v) Successful inward investment projects secured by UKTI in each year of the Spending Review as follows: 374 (2005-06), 440 (2006-07) and 524 (2007-08), of which 75% are knowledge driven: ON COURSE

438 successes were delivered in 2005-06 and 496 successes in 2006-07. Of these, 73% and 75% respectively were knowledge-driven. At the end of Q3 2007-08, 327 successes had been reported, of which an estimated 76% were knowledge driven. These figures and percentages are provisional and remain to be verified.

UKTI's Annual Report & Accounts 2007-08, due to be published in July 2008, discusses performance on this PSA in further detail.

[17] UNCTAD World Investment Report 2007:
www.unctad.org/Templates/Page.asp?intItemID=1465

SR04 National Standard: Online business

Maintaining the UK's standing as one of the best places in the world for online business.

Summary assessment of progress: MET

This is the *final assessment* of this target.

Current position:

The UK continues to maintain its position as one of the best places in the world for online business, being placed in sixth place overall against the 22 benchmarked countries of the National Standard Index (NSI) 2007 autumn report. In comparative terms with the G7 countries the UK has maintained its current position of third in the world, with the USA and Sweden in first and second places and also remains ahead of the rest of the G7, Australia, Ireland and South Korea as last measured by the International Benchmarking Study 2004[18].

The UK continues to compare well with other countries in the extensiveness of its broadband infrastructure and the way in which businesses are using technology[19]. There has been a rapid development in broadband services over the last 10 years. In 1997, less than 10% of the population had ever used the Internet. By the end of 2007, 70% were Internet users and more than 50% of homes had broadband[20].

In order to make sure that the UK remains a world leader, the Government has announced a review of the UK Broadband Market which will look at how Government can support the move to next generation broadband networks. The trajectory for future progress is good.

[18] Business in the Information Age: The International Benchmarking Study (DTI, 2004): www2.bah.com/dti2004/

[19] The Communications Market: Broadband Digital progress report (Ofcom, April 2007): www.ofcom.org.uk/research/cm/broadband_rpt/broadband_rpt.pdf

[20] OECD Broadband Statistics to December 2006: www.oecd.org/document/7/0,3343,en_2649_34223_38446855_1_1_1_1,00.html

Enterprise policy

2.18 BERR is responsible for implementing the Government's framework for enterprise policy and small business, in addition to building an evidence base to inform policy development. This work contributes directly to PSA 6. In the past year BERR has:

- Developed and launched an *Enterprise Strategy*[21], underpinned by a series of Ministerial consultations engaging with SME business owners and specific social groups, designed to facilitate and capture relevant ideas.
- Maintained oversight responsibility of a successful *Enterprise Week*[22] which, via hundreds of events and activities across the UK under the banner of the "Make Your Mark" campaign, engaged with young people to stimulate and inspire entrepreneurship. The campaign was run by Enterprise Insight, BERR's key delivery partner for Enterprise Promotion.
- Supported the *National Council for Graduate Entrepreneurship's* "Flying Start Rallies" and "Flying Start Business Readiness Programme" intensive training workshops.
- Provided £5 million from the *Northern Way Growth Fund* to stimulate entrepreneurial desire in young people in the north of England.
- Created both a *Women's Enterprise Task Force and an Ethnic Minority Business Task Force*, with the appointment of ambassadors to promote and engage on issues of concern, a *Small Business Forum*, and a new NDPB, *Capital for Enterprise Ltd*, to oversee the effective delivery of finance interventions, including the Small Firms Loan Guarantee Scheme.
- Responded to the *European Commission's SME agenda*; influenced Whitehall to "think small first"; continued sponsorship and development of the Business Link brand; and delivered a programme of research and evaluation.
- Supported the promotion of enterprise in some of England's most deprived areas through the investment made under the second round of the *Local Enterprise Growth Initiative*, a joint initiative supported by CLG, HM Treasury and BERR.

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[21] Enterprise: Unlocking the UK's talent (March 2008): www.berr.gov.uk/bbf/enterprise-smes/enterprise-framework/index.html

[22] For further details on Enterprise Week see: www.enterpriseweek.org.uk/

Enterprise: Unlocking the UK's Talent

2.19 The Government launched its new Enterprise Strategy on 12 March 2008. The central vision of the strategy is to create the business environment to help make the UK the most enterprising economy in the world and the best place to start and grow a business. It is designed to unlock entrepreneurial talents; boost enterprise skills and knowledge; help new and existing business get funding to start up and grow; ease the burden of regulation, particularly on small firms which feel its impact most; and encourage entrepreneurial innovation.

2.20 The strategy was informed by an extensive series of workshops held across the UK at which Ministers met with more than 600 owners of small and medium sized businesses and budding entrepreneurs, all drawn from a cross-section of social groups, as well as business leaders. The strategy was underpinned by extensive economic and statistical analysis of what drives enterprise, growth and productivity. It sets out five key enablers to take forward the Government's policy for enterprise in the UK:

- *A culture of enterprise:* Where everyone with entrepreneurial talent, irrespective of age, gender, race or social background, is inspired and not afraid to take up the challenge of turning their ideas into wealth.
- *Knowledge and skills:* A lifelong journey for enterprise education, starting in primary schools, continuing in universities and embedded in the workplace, equipping employees and owners with the tools to unlock their entrepreneurial talent.
- *Access to finance:* Ensuring that entrepreneurs and small business owners have the knowledge, skills and opportunity to access the finance they need to make their enterprising ideas a reality.
- *Regulatory framework:* Keeping legislation to a minimum, reducing the burdens of regulation, inspection and enforcement without removing essential protections, and clearly communicating any changes.
- *Business innovation:* Ensuring that UK business is in a position to capitalise on global trends, by helping them to develop and successfully commercialise innovative products, processes and services.

2.21 The strategy also considers the wider benefits of enterprise, where it can be used as a tool to bring significant social and economic benefits to the more deprived parts of the country, and to those groups in the population heavily represented there.

2.22 BERR is making solid progress on all commitments in the Enterprise Strategy. BERR aims to build on the strategy, working across Whitehall and the regions and with the Devolved Administrations and the EU, to continue to demonstrate to the business community that the Department is listening and, where necessary, acting on SME concerns about the slowdown in economic growth and inflationary pressures.

Regional policy

2.23 BERR works to drive enhanced regional economic performance across England, which contributes directly to PSA 7. During 2007-08, this involved:

2.24 Contributing to the *Review of Sub National Economic Development and Regeneration*[23] (SNR) which focused on how to strengthen economic performance throughout the country by ensuring policy interventions are made at the most effective level. The SNR proposed a greater strategic role for the RDAs who will in future be responsible for the development of single integrated regional strategies combining the economic and spatial strategies in the region. A consultation document on these major changes was published in March 2008[24].

2.25 Following the summer 2007 floods, working as an integral part of the cross-Government *Flood Recovery Group*, and actively supporting effective partnerships at regional level. Support for regions was channelled largely through the RDAs, who responded swiftly to tailor their support to best meet the needs of businesses in affected areas.

2.26 Scrutinising a proposal by Advantage West Midlands to spend £100 million supporting the *redevelopment of Birmingham New Street Station*. This project is expected to catalyse the commercial redevelopment of the area to the south of the station and lead directly to the creation of at least 5,000 new jobs.

2.27 *EU Structural Funds*, for which BERR has UK policy responsibility, are also drivers for regional economic development. The 2000-06 programmes, worth some £12 billion, are on course to meet expenditure targets. For the period 2007-13, there are two EU funds, the European Regional Development Fund and the European Social Fund, operating in the UK to promote economic development and social cohesion.

2.28 In addition to EU Structural Funds, BERR supports *Selective Finance for Investment in England* (SFIE), a capital grant scheme aimed at encouraging investment and job creation in disadvantaged areas in England. Over the period 1 April 2007 to 21 March 2008, 279 SFIE grants were awarded. The total value of these grants, from across Government, was £74.8 million and they will leverage £935 million of private sector capital investment in order to create around 9,700 new jobs and safeguard 6,100 existing jobs in deprived areas in England.

2.29 Skills are also a critical issue for business, reflected in BERR being a signatory to World Class Skills[25], the *Government response for England to the Leitch review of skills*. BERR supports DIUS, the lead department for skills, to realise the Government's skills agenda. In particular, BERR works to raise employers' ambitions for and investment in skills, raise performance of Sector Skills Councils through network reform and re-licensing, and reduce complexity within the employment and skills system for business customers.

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[23] Review of Sub-National Economic Development and Regeneration (July 2007): www.hm-treasury.gov.uk./media/9/5/subnational_econ_review170707.pdf

[24] Prosperous Places: Taking forward the Review of SNR (March 2008): www.berr.gov.uk/files/file45468.pdf

[25] World Class Skills: Implementing the Leitch Review of Skills in England (July 2007): www.dfes.gov.uk/skillsstrategy/uploads/documents/World%20Class%20Skills%20FINAL.pdf

Regional Development Agencies

The Regional Development Agencies (RDAs) are the Department's key delivery partners for its policies in the regions. BERR has sponsorship responsibility for the RDAs on behalf of Government as a whole and has strong strategic relationship with them at all levels. BERR Ministers deal with RDAs' finance and Board appointments and approve the Corporate Plans of the RDAs outside London; the London Development Agency is answerable to the Mayor of London who sets their strategy.

2.30 The following Government actions also supported work on PSA 7:

- A new sponsorship framework for the RDAs took effect from 1 April 2008. This emphasises that RDAs must focus on achieving regional growth consistent with PSA 7.
- Regional economic priorities included in the Enterprise Strategy and DIUS Innovation Nation[26] White Papers, published alongside the Budget in 2008.
- A Minister was announced for each of the nine English regions in June 2007. Their role is to be an advocate for the region and representative of central Government.
- The Sainsbury Review of the UK science and innovation system[27] examined the role of science and innovation in ensuring the UK remains competitive and is well placed to benefit from the opportunities of globalisation.
- The final roll-out of "Pathways to Work" will mean that by April 2009 anyone on incapacity benefits throughout the UK will have access to a local service assisting them into work.

Business relations

2.31 The BERR Business Relations Directorate is the main Government channel between key business sectors, UK policymakers and regulators on business issues. Its work includes: strategic initiatives to improve competitiveness; influencing others so their initiatives positively affect sectoral competitiveness; advising on implications of external influences; industrial restructuring challenges; and evaluating and acting on the impact of regulation on business. Some examples of BERR activities in key sectors are outlined below.

- Ensured business understanding of the commercial opportunities from higher environmental standards and the importance of innovation as a way of achieving these.

[26] Innovation Nation (March 2008): www.dius.gov.uk/publications/scienceinnovations.pdf

[27] Sainsbury Review of Science and Innovation (October 2007): www.hm-treasury.gov.uk/independent_reviews/sainsbury_review/sainsbury_index.cfm

- Promoted environmental legislation, including EU measures on car emissions, to achieve environmental objectives whilst taking account of business competitiveness.
- Commenced a Review of the Government's Manufacturing Strategy[28].
- Handled pharmaceutical industry feedback on the Office of Fair Trading report into the Pharmaceutical Pricing Regulation Scheme[29].
- Worked with the automotive industry on new investments, including securing the "New Astra" model for Ellesmere Port and engaging with Ford to help ensure a successful, sustainable future for Jaguar/Land Rover in the UK.
- Implemented regulations on waste electrical and electronic equipment and batteries.
- Brought more public sector spectrum to market and worked to ensure that consumer needs are met throughout the Digital TV switchover.
- Established the UK position on the EU proposals for the Review of European Telecommunications, including mobile roaming.
- Worked with the Postal Services Review on the impacts of liberalisation and trends in future market development.
- Published a consultation document on the reform of the Construction Act[30] to improve payment practices and adjudication.

Business Support Simplification Programme

2.32 This Business Support Simplification Programme (BSSP), run by BERR, was established to meet the challenge, set in the March 2006 Budget[31], to reduce the number of publicly funded business support schemes from an estimated 3,000 to 100 or fewer by 2010. The programme also aims to ensure business support in England is simple for business to understand and access, is good value for money and has a real impact on economic and other policy goals.

2.33 The Government's response[32] to a public consultation published in December 2007 announced an initial portfolio of 18 high-level future business support "offers", with

[28] For further details on the Government's Manufacturing Strategy and Review see: www.berr.gov.uk/sectors/manufacturing/ukstrategy/page25211.html

[29] OFT market Study into the Pharmaceutical Pricing Regulation Scheme (February 2007): www.oft.gov.uk/shared_oft/reports/comp_policy/oft885.pdf

[30] For further details on the review of the Construction Act, including the June 2007 consultation, see: www.berr.gov.uk/sectors/construction/constructionact/page13956.html

[31] Budget (March 2006): www.hm-treasury.gov.uk/budget/budget_06/bud_bud06_index.cfm

[32] Simplifying Business Support: Government Response to consultation (December 2007): www.berr.gov.uk/files/file42641.pdf

the 2007 Pre-Budget Report stating that Business Link would become the primary access channel for publicly funded support. In March 2008 Simple Support, Better Business[33], which was published alongside the Budget and BERR's Enterprise Strategy, set out a timeline for delivery with a new portfolio of business support products to be available no later than March 2009. Business representatives, including the CBI, are involved in the programme to help ensure the product portfolio evolves in the future to meet business need in response to changing economic and policy developments.

UK Trade & Investment (UKTI)

2.34 UK Trade & Investment is the Government organisation that helps UK based companies succeed in international markets, and overseas companies to bring high quality investment to the UK. It is supported jointly by BERR and the Foreign and Commonwealth Office (FCO). From 1 April 2008, UKTI took over responsibility for defence trade promotion from the Ministry of Defence (MOD), when the Defence Export Services Organisation became the UKTI Defence & Security Organisation. UKTI's Annual Report and Accounts 2007-08, due to be published in July 2008, will set out UKTI's activities in further detail.

2.35 His Royal Highness The Duke of York has been the UK Special Representative for International Trade and Investment since October 2001. The Duke of York works closely with UKTI and the Devolved Administrations in support of their international objectives and makes a significant contribution in this role. In 2007-08, The Duke of York undertook an extensive programme of business-related engagements in the UK and overseas to promote the interests of UK business through overseas trade and investment and to attract a continuing high level of quality foreign direct investment.

2.36 UKTI's key achievements over 2007-08 include:

- Ministerial visits to 25 overseas markets and 11 regions. These included accompanying the Prime Minister on his visit to China, during which a new $60 billion trade target was announced, and India, where a pipeline of future contracts worth £10 billion was announced.

- Launched new marketing strategies for four priority sectors (information and communication technology, life sciences, energy technologies and creative industries)[34] which aim to place the UK as the leading partner of choice in these fields. These join the Financial Services Strategy, launched in 2006. In addition, two further strategies are planned, covering climate change and advanced engineering. These strategies showcase the capabilities of UK plc and are building a focused brand with consistent, evidence-based messaging. They will deliver results for the UK's international business and for inward investment through business-government partnerships. All of these will feature close ties with the UK's excellent university base.

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[33] Simple Support, Better Business: Business Support in 2010 (March 2008): www.berr.gov.uk/files/file44988.pdf

[34] For further details on UKTI's Marketing Strategies see: www.uktradeinvest.gov.uk

- Latest UKTI figures show that over the last year, as a result of UKTI support, more than 9,000 companies improved their performance, generating around £3 billion additional profit[35]. More than 1,500 inward investments into the UK maintained our position as the number one inward investment destination in Europe.

2.37 *UKTI's Strategy:* UKTI's five year strategy[36] emphasises the Government's drive to market the strengths of the UK economy internationally. It also confirms UKTI's lead role in working in partnership across Government and with business, and focuses UKTI's resources on the customers and markets where UKTI can add the most value.

2.38 *Delivering UKTI's Strategy:* In March 2007, UKTI launched the business marketing message for the UK, that the UK is a "Springboard for Global Growth". The target audience for this and the business-led marketing strategies includes current and potential buyers of UK goods and services, and international investors. The strategies aim to:

- place the UK as the leading partner of choice in developing new business opportunities and global commercial success in each of these areas; and
- provide the UK with a unified, compelling message to sell and promote the UK's business and science based capabilities clearly and consistently.

2.39 UKTI's partners include the English RDAs, trade promotion and inward investment organisations in the Devolved Administrations, and other Government departments and agencies. We also work closely with the numerous private sector organisations active in this field. We have around 400 international trade advisers across the English regions, and other specialists working for UKTI including a newly enlarged network of 50 private sector specialists who provide knowledge, expertise and contacts to help UKTI deliver its programmes in high growth markets, target sectors, and research and development.

2.40 UKTI is also focusing on where it makes the most difference. Since its strategy was published, UKTI has moved £5.6 million of its overseas resource into high growth markets important to the UK's future economic well being. 17 high growth markets have been identified which represent significant opportunities for UK business, including India, China, Brazil and Russia.

2.41 UKTI is building links with the different networks and collaborative ventures that exist within UK universities and internationally, to enhance the work that is already going on between UKTI and UK higher education institutions. UKTI has set up a working group to look at the way it can work more effectively with UK universities, and how together they can enhance combined value.

[35] UKTI's Performance and Impact Monitoring Survey (PIMS), accessed via UKTI's website: www.uktradeinvest.gov.uk

[36] Prosperity in a Changing World (July 2006): www.uktradeinvest.gov.uk/ukti/ShowDoc/BEA+Repository/345/391743

Expenditure on promoting and creating the growth of business

	£000						
	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL							
Regional Development Agencies	202,406	423,673	482,833	390,099	442,318	432,961	423,831
Regional Innovation Funds (including University Innovation Centres)	239	388	426	164	0	0	0
WEEE Directive and Sustainable Development	3,275	3,041	32,777	10,660	0	0	0
Capital for Enterprise Ltd	0	0	0	0	2,545	2,545	2,545
Launch Investments	-114,667	338	-582	-65	2,927	2,937	1,777
Enterprise Funds (including Small Firms Loan Guarantee Scheme)	145,200	94,909	28,804	57,880	77,019	78,275	79,531
UK Trade and Investment	51,674	49,034	46,837	46,014	47,909	46,868	45,087
Postwatch	-11,566	-509	0	0	0	0	0
OFCOM	5,385	2,801	2,361	1,485	3,240	3,240	3,240
Other Telecommunications and Posts	2,763	1,084	-1	6	0	0	0
Enterprise Insight	181,274	12,664	15,241	12,331	5,000	5,000	5,000
Other Business Support Programmes	55,736	71,054	32,260	21,182	20,922	16,099	16,099
Total Resource Expenditure in DEL	**521,719**	**658,477**	**640,956**	**539,756**	**601,880**	**587,925**	**577,110**
Resource Expenditure in AME							
Regional Development Agencies	38,979	37,147	70,018	31,075	38,985	38,863	32,620
Total Resource Expenditure	**560,698**	**695,624**	**710,974**	**570,831**	**640,865**	**626,788**	**609,730**
Capital Expenditure in DEL							
Regional Selective Assistance/Selective Finance for Investment in England	36,807	49,007	27,684	-10,698	28,800	28,800	28,800
Regional Development Agencies	54,635	133,756	140,382	122,002	93,662	91,382	89,157
Regional Innovation Funds (including University Innovation Centres)	14,189	6,558	3,603	123	0	0	0
Launch Investments	-29,730	-146,490	-154,118	-153,723	-124,000	-120,000	-184,500
Enterprise Funds (including Small Firms Loan Guarantee Scheme)	49,323	21,708	13,711	20,633	53,200	52,500	56,000
UK Trade and Investment	-161	-6	16	2	20	0	20
Postwatch	0	339	174	143	0	0	0
OFCOM	-17,361	-17,810	-5,186	-5,186	0	0	0
Enterprise Insight	18,450	6,056	748	0	0	0	0
Other Business Support Programmes	844	2,683	464	7,488	1,000	900	0
Total Capital Expenditure	**126,996**	**55,801**	**27,478**	**-19,216**	**52,682**	**53,582**	**-10,523**
Total Expenditure	**687,694**	**751,425**	**738,452**	**551,615**	**693,547**	**680,370**	**599,207**

Section 2.5

Ensuring better regulation

Introduction

2.42 Effective and well focused regulation plays a vital role in correcting market failures, promoting fairness and increasing competition. Society expects the Government to provide protection for the public, consumers and employees consistent with the best international standards.

2.43 However, inefficient regulation can impose significant burdens on the private, public and third sectors. This affects our national competitiveness and the quality of public services. The Government's regulatory reform agenda is therefore focused on delivering better regulatory outcomes while driving down unnecessary burdens.

2.44 The Government's ambitious and wide ranging regulatory reform agenda is one of the most respected programmes in the world, confirmed by international surveys[37]. The Better Regulation Executive, within BERR, leads the delivery of this agenda working with and through others. Its aims are:

- to work with departments and regulators to simplify and modernise existing regulations;
- to work with departments to improve the design of new regulations and how they are communicated; and
- to work with regulators (including local authorities) and departments to change attitudes and approaches to regulation to become more risk-based.

2.45 BERR has responsibility for one SR04 PSA related to better regulation (PSA 2 Better Regulation). Performance on this target and on better regulation more broadly is discussed below.

[37] These include World Bank Doing Business Survey; the Organisation for Economic Co-operation and Development (OECD) Economic Survey of the UK; and the National Audit Office (NAO) Survey of Business' Perceptions of Regulation. Full references are provided under footnotes on the following pages.

Key achievements 2007-08

2.46 Government's key achievements in regulatory reform have been aligned to the Better Regulation Executive strategic aims. Summaries are provided below, with more detail in the following sections.

To work with departments and regulators to simplify and modernise existing regulations

Reducing the burden of complying with regulations (private and third sectors): We have set net reduction targets to be delivered by 2010 to deliver efficiency savings to business, charities and voluntary sector organisations.

Reducing the burden of complying with regulations (public sector): We have set a 30% reduction target on the number of data requests made by central Government to front line public sector staff.

To work with departments to improve the design of new regulations and how they are communicated

Considering the impact of regulation on small businesses: We are ensuring small businesses are not disproportionately impacted by regulations by exploring exemption opportunities.

Limiting the costs of new regulations: We are consulting on setting out the costs of new regulation that can be introduced within a given period (regulatory budgets).

Assessing the impact, costs and benefits of regulatory proposals: We have revised the Impact Assessment process to improve transparency and the analysis underpinning government interventions.

Consulting on regulatory proposals: We are revising Government's Consultation Code of Practice to ensure everyone has an opportunity to feed into policy formulation.

Improving communication of regulatory changes: We are continuing to introduce new regulations on two dates each year and are looking at how the guidance surrounding regulations can be improved.

To work with regulators (including local authorities) and departments to change attitudes and approaches to regulation to become more risk-based

Ensuring consistent and proportionate enforcement: We are introducing the Regulatory Enforcement and Sanctions Bill to ensure consistent enforcement across Local Authorities and to establish civil sanctions to address non-compliance.

Merging regulators and inspectorates: We are merging regulators to avoid overlapping inspections and enforcement.

Assessing regulatory performance: We are conducting independent reviews of regulators to ensure they are complying with the better regulation agenda.

Ensuring risk based enforcement by regulators: We are focusing inspection efforts on rogue and high risk businesses.

SR04 PSA 2: Better Regulation

By April 2008, ensure that departments deliver better regulation and tackle unnecessary bureaucracy in both the public and private sectors through:

(i) Reducing the overall administrative burden;

(ii) Maintaining the UK's international standing on better regulation; and

(iii) Improving the perception of regulation.

Summary assessment of progress: ON COURSE

This target is ongoing.

Current position:

(i) In autumn 2006, Government departments announced they would cut by a net 25% the £13.4 billion[38] of annual administrative burdens on the private and third sectors by 2010. To show how this 25% net saving in administrative burdens would be achieved in the years to 2010, departments also agreed to publish annual rolling Simplification Plans.

In December 2007, 19 simplification plans were published[39], showing more than 700 initiatives to reduce administrative and other burdens. Across Government, savings in annual administrative burdens of £3.5 billion have been identified that will be delivered by 2010. This is 26% of the May 2005 baseline of £13.4 billion. Of this, over £800 million of annual net administrative burdens have already been delivered.

(ii) The UK wants to remain well placed in international comparisons of regulatory burdens and regulatory reform, defined as remaining within the top ten internationally and within the top three in the EU, based on the results of the following surveys:

- the World Bank Doing Business Survey[40], published annually;
- the Organisation for Economic Co-operation and Development (OECD) annual Going for Growth Survey[41] which includes details of "structural policy indicators", "priorities for product market regulation" and "barriers to entrepreneurship"; and
- the OECD Economic Survey of the United Kingdom[42] published every one and a half to two years.

[38] This excludes burdens associated with taxation. At Budget 2006, separate administrative burden reduction targets were set. By April 2007, HMRC had delivered net administrative burden reductions of £174 million.

[39] See below for the 19 2007 Simplification Plans: http://www.berr.gov.uk/bre/policy/simplifying-existing-regulation/simplification-plans/2007/page44068.html

[40] World Bank Doing Business Survey 2008 (September 2007): www.doingbusiness.org/documents/FullReport/2008/DB08_Full_Report.pdf

[41] OECD Going for Growth 2008 (March 2008): www.oecd.org/economics/goingforgrowth2008

[42] OECD Economic Survey of the United Kingdom 2005 (October 2005): http://www.oecd.org/document/43/0,3343,en_2649_201185_35456619_1_1_1_1,00.html

SR04 PSA 2: Better Regulation

The World Bank's study of 178 countries, Doing Business 2008, placed the UK second in the EU and sixth in the world for the best business conditions.

The OECD Economic Survey of the United Kingdom 2005 ranked the UK top among the G8 countries and second among all OECD countries for liberal product market regulation.

The OECD annual Going for Growth Survey ranks the UK as first of the G7 countries and first of the 30 OECD countries in terms of its macroeconomic performance.

The Better Regulation Executive works with departments to analyse any significant changes in the regulatory regimes in other leading countries thereby ensuring that we can learn from best practice and maintain the UK's international competitiveness.

(iii) The NAO has developed an annual survey on business perceptions of regulation to evaluate Government efforts in better regulation. This involves surveying around 2,000 businesses on the five most burdensome policy areas identified in the administrative burdens exercise (tax administration, employment law, health and safety law, planning and company law). The NAO published results from their first survey of business perceptions[43] in July 2007. When asked to comment on the statement "Most regulation is fair and proportionate" with regards to the appropriate policy area, the responses were as follows:

- Strongly agree: 5%
- Tend to agree: 35%
- Neither agree nor disagree: 11%
- Tend to disagree: 25%
- Strongly disagree: 19%
- Don't know: 4%

Therefore, the baseline for this measurement is 40%.

Simplifying and modernising existing regulations

2.47 *Reducing the burden of complying with regulations (private and third sectors):* Government has committed to reducing administrative burdens on the private and third sectors (charity and voluntary organisations) by net 25% by 2010. The Government has identified annual net reductions that will save private and third sector organisations £3.5 billion by 2010, with £800 million of savings already delivered. These reductions will reduce the amount of time spent complying with regulations without removing the protections regulations provide, enabling more time to be spent running businesses.

[43] NAO Survey of Business' Perceptions of Regulation 2007: Technical Summary (July 2007): http://www.nao.org.uk/publications/nao_reports/06-07/0607615_technical_summary.pdf

All In One Place: Employment Law Paperwork

The Employment Law Simplification Review concluded that the provision of improved guidance for employers had the potential to deliver significant reductions in administrative burdens on business throughout the economy.

A coordinated programme has been established by BERR to improve the content, delivery and awareness of employment law guidance through the provision of user friendly tools on employment rights and responsibilities. This is designed to increase business confidence, encourage compliance and reduce compliance costs. Employers can now access a new online tool to set out more quickly and easily pay, terms and conditions for new starters.

£16 million savings have been delivered to date. By 2010, as employer take up increases, savings should rise to around £160 million

Quote from business: *"When I need to know something about employment law, I need to know I've got it right. With this tool, I can look at the website and have it confirmed quickly. It's made it easier to find information that's too often been hidden or impossible to find. The result is that it allows you to manage your business with confidence. By and large this is a serious addressing of the issues employers face and I would recommend it to any business owner."*
(Simon Topman, Chief Executive, Acme Whistles.)

Sensible Risk Management: Risk Assessments

Small businesses often find it difficult to work out what health and safety rules mean for their workplace, and are unsure where to go for advice on developing health and safety plans.

The Health and Safety Executive have published online guidance on how to complete a health and safety risk assessment.[44] The guidance sets out the key risks for particular industries, practical measures to have in place, and examples on what would be "good enough".

Convenience stores, estate agencies, dry cleaners, and hairdressing salons are among the 18 sector-specific businesses that can benefit from these examples risk assessments. This means lower risk businesses will spend less time completing their assessments.

Savings of £29 million have been achieved annually as part of an expected total £200 million savings by 2010.

Quote from business: *"I have taken a look at the [example] risk assessment and ... I am happy that I did. Before reading [it], I was unsure of what exactly needs to be covered in the risk assessment for my business and was finding it difficult to get to grips with it. However, since reading it I have now completed my risk assessment and it took a fraction of the time I had spent on researching the topic."*
(Convenience store owner, Birmingham).

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[44] Health and Safety Executive Risk Management guidance: www.hse.gov.uk/risk

Electronic Planning Applications

Inconsistencies and over-regulation in the planning system have long been issues businesses are concerned about. Changes have been introduced by CLG to provide a faster, more efficient planning system with less red tape.

One example is that planning applications can now be submitted electronically[45], using a single national application form. This makes the process simpler and more consistent across all local authority areas, giving businesses greater certainty for planning and fewer administration costs.

Savings of £124 million are expected to be delivered by 2010.

Quote from business: *"This practice continues to deliver considerable efficiency gains in terms of faster planning decisions, lower operating costs and higher staff time savings. The Portal also provides a cost effective management tool to monitor [consultant] performance."* (Service industry manager, West Midlands).

"Before using the Planning Portal, preparing and submitting a planning application, with all the drawings and attachments, took a full working day. Using the Planning Portal we can now do the job in less than an hour." (Rita Weldon, Planning Department, Complete Technical Services Ltd)

2.48 *Reducing the burden of complying with regulations (public sector):* Public sector internal control processes play an important role in accountability for the use of public funds and in delivering improvements to services. These controls can include regulation, guidance, inspection, targets and budget controls. Front line public sector workers are often concerned that time spent on unnecessary bureaucracy gets in the way of delivery. To address these concerns Government has committed to a 30% reduction in the number of data requests made by central Government to front line public sector workers by 2010.

Review of Central Returns

Over 50,000 hours of NHS staff time (or £1.4 million) have been saved thanks to a review of central data collections known as ROCR (Review of Central Returns). In 2006-07, ten collections were discontinued. In addition, 100,000 hours have been cut from proposed data collections before they reach the NHS.

[45] Planning Portal: the complete online planning and building resource: www.planningportal.gov.uk/

Ofsted inspections

Since 2006, the average length of a school inspection has been cut from five to two days. The notice period has also been reduced by DCSF from ten weeks to two days. This has resulted in schools and teachers spending less time on administering inspections and reduced unnecessary preparation.

Improving the design and communication of new regulations

2.49 *Considering the impact on small businesses:* In the Enterprise Strategy[46] published alongside the 2008 Budget, the Government strengthened the "think small first policy" with departments examining whether small firms can be exempted from new regulatory requirements or be subject to simpler enforcement procedures.

2.50 *Limiting the costs of new regulations:* The Government will consult on a practicable system of regulatory budgets, while ensuring that it is able to meet its commitments on key cross-Government policy priorities such as climate change and national security. These budgets would take account of cost reductions achieved by simplifying or removing existing regulation.

2.51 *Assessing the impact, costs and benefits of regulatory proposals:* From November 2007 all regulatory interventions have been assessed using the revised Impact Assessment process[47]. This builds on the previous process and aims to improve the flow of new regulation by ensuring Impact Assessments are undertaken during policy making, improving the quality of analysis underpinning policy making and increasing transparency. The Government has also launched a website[48] where all published Impact Assessments will be available.

2.52 *Consulting on regulatory proposals:* Effective consultation is vital to ensuring that regulations are well designed and that those affected by them have an opportunity to influence their design. Government is reviewing its approach to consultation to improve how it consults when new policies are being developed. The Code of Practice on Consultation[49] sets out principles for conducting effective, standardised Government consultations and aims to set a benchmark for best practice.

2.53 *Improving communication of regulatory changes:* There is strong evidence that the current poor perception of regulation is influenced by the variable quality and timeliness of much Government guidance on regulation and communication around

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[46] Enterprise: Unlocking the UK's talent (March 2008): http://www.berr.gov.uk/bbf/enterprise-smes/enterprise-framework/index.html

[47] For further details on the revised Impact Assessment process see: www.berr.gov.uk/bre/policy/scrutinising-new-regulations/preparing-impact-assessments/page44077.html

[48] The BERR Impact Assessment Library: www.ialibrary.berr.gov.uk

[49] The Code of Practice on Consultation: http://www.berr.gov.uk/bre/consultation%20guidance/page44420.html

changes to regulations.[50] To address concerns raised by business, the Government has commissioned an independent review, led by Sarah Anderson CBE, into the best way to deliver clarity and certainty in guidance. The review will examine the types, origins, status and reliability of Government guidance for small businesses on how to comply with legal requirements and will report in late autumn 2008.

2.54 The Government is also improving communication around regulatory changes. To help business manage the introduction of new regulations, since 2004 departments have been bringing in the majority of new regulations on two dates a year: 1 October and 6 April. The Government has launched an online Practical Advice for Business Guide[51] of all new regulations that affect business, which also offers a snapshot of regulations expected to come into force on common commencement dates.

Changing attitudes and approaches to regulation to become more risk based

2.55 *Consistent and proportionate enforcement:* The Regulatory Enforcement and Sanctions Bill[52] introduced in Parliament during November 2007 addresses three distinct but related areas vital to delivering better regulation:

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

2.56 The Bill's benefits for business, local authorities, regulators and the public include:

- business savings of up to £100 million (net benefit of £83 million) through greater consistency and coordination of local authority regulatory enforcement and reduced regulatory burdens for compliant businesses;
- local authorities will benefit from savings of up to £18 million (net benefit of £2.5 million) because of a more effective diversion of regulatory responsibilities and greater strategic knowledge of the businesses that they regulate;
- regulators will enjoy access to a sanctions toolkit that provides for an efficient, effective, and proportionate response to regulatory non-compliance; and
- the public will benefit from more efficient markets as a result of better targeting of local authority resources in dealing with rogue businesses.

2.57 The LBRO was set up on 1 September 2007 to improve the coordination and consistency of regulatory functions and enforcement. The LBRO will provide advice

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[50] Annual Survey of Small Businesses' Opinions 2006-07 (February 2008): http://www.berr.gov.uk/files/file42727.doc

[51] Business Link Practical Advice for Business online guide: www.businesslink.gov.uk/ccds

[52] For further details on the Regulatory Enforcement and Sanctions Bill (May 2008): www.berr.gov.uk/files/file44602.pdf

to Ministers on key issues affecting local authority enforcement and encourage best practice. It will also be responsible for refreshing the national enforcement priorities established following the Rogers review[53] which have enabled local authority regulatory services to focus on areas presenting the greatest risk.

2.58 *Merging regulators and inspectorates:* The Hampton Review[54] identified a need to merge regulators and inspectorates to avoid overlapping inspections or enforcement costs. To date, 21 of the 63 regulators covered by the report have merged, with seven more being considered. Eleven regulators have disbanded or lost their inspection functions, which represents a significant simplification in the central regulatory structure.

2.59 *Assessing regulatory performance:* In collaboration with the NAO, in August 2007 the Better Regulation Executive began a review of regulatory performance covering five national regulators. This review, known as Hampton Implementation Reviews, is similar in process to the Cabinet Office Capability Reviews of Government departments. Regulators are reviewed against a framework developed by the Better Regulation Executive and the NAO that assesses how they are performing in line with Hampton principles[55] and the Macrory recommendations on enforcement[56].

2.60 *Ensuring risk based enforcement by regulators:* The Regulators Compliance Code[57], which came into force on 6 April 2008, will promote a risk based approach to regulatory inspection and enforcement. This will ensure that regulators focus their efforts on rogue and higher risk businesses, ensuring that compliant businesses are not inspected where this is unnecessary.

Listening to ideas from the public, private, third and citizen sectors

2.61 The Government is interested in hearing ideas from the private, public and third sectors on what can be changed to make life easier for them through the Better Regulation Executive website[58]. This enables organisations working in the private, public or third (charity and voluntary) sectors to submit ideas or suggestions on how regulations, or guidance surrounding them, could be improved.

2.62 Following its introduction in September 2005, the website was re-launched in May 2007 to make it easier to navigate and understand, as well as making the process more transparent by posting both ideas and the Government responses to them online.

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[53] For further details on national enforcement priorities and the March 2007 Rogers review: www.berr.gov.uk/bre/inspection-enforcement/implementing-principles/prioritising-areas/page44051.html

[54] Hampton Review of regulatory inspections and enforcement (March 2005): http://www.hm-treasury.gov.uk/budget/budget_05/other_documents/bud_bud05_hampton.cfm

[55] See below for a summary of the Hampton Principles: http://www.berr.gov.uk/bre/inspection-enforcement/assessing-regulatory-system/page44042.html

[56] Macrory Review of Improving Compliance among Businesses (May 2006): http://www.berr.gov.uk/bre/reviewing-regulation/compliance-businesses/page44102.html

[57] Regulators' Compliance Code (December 2007): http://www.berr.gov.uk/files/file45019.pdf

[58] Better Regulation Executive website: www.betterregulation.gov.uk

Examples of ideas taken forward

Food Standards Agency

Idea: Standardising food inspection reports and contents of the inspection report to be posted on the appropriate "scores on doors" page of a local authority or national website.

Outcome: Idea could be assessed during the evaluation of the Score on the Doors pilot that the Food Standards Agency is currently undertaking to inform their recommendation on the scheme in 2008. This scheme is a national public information service where you can find the official local authority hygiene ratings for food businesses.

Department for Culture Media and Sport

Idea: Whilst online licensing applications are accepted by Westminster City Council, the Licensing Act 2003 says that applications must also be submitted by paper. Amend the Licensing Act to remove the requirement for the submission of a duplicate paper application if it is completed online.

Outcome: Following discussion with the proposer of the idea, who is from Westminster Council, the idea will be taking forward a voluntary approach to accepting only online applications without having to resort to a change in the regulations. DCMS will provide support to this pilot when it is ready to launch, but will also consider this change among others to the application process involved in the Licensing Act 2003.

Expenditure on ensuring better regulation

	£000							
	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource Expenditure	3,111	3,423	5,364	6,384	2,272	4,400	4,400	4,400
Capital Expenditure	0	0	0	0	197	0	0	0
Total Expenditure	**3,111**	**3,423**	**5,364**	**6,384**	**2,469**	**4,400**	**4,400**	**4,400**

Section 2.6

Delivering free and fair markets

Introduction

2.63 Economic success provides the wealth on which we depend. Markets are the key to that success; providing new and cheaper products and services, full employment and rising living standards. Markets work best within clear rules. Government has a role to help markets work and ensure they are fair.

2.64 Globalisation brings opportunities as well as challenges for the UK economy. New markets and improved access to resources mean that those who get ahead of the game and embrace change benefit the most. However, increased competition means that vulnerable members of society could be impacted more acutely and the Government aims to minimise such impacts. There are significant benefits for business, employees and consumers if we put in place world-class frameworks for domestic and international business activity which help stimulate new ideas and encourage enterprise within a fair society.

2.65 That is what BERR aims to do in setting appropriate and proportionate legal frameworks for competition, corporate governance, insolvency, consumers, labour markets, export control and in promoting free and fair trade. This includes acting, where possible multilaterally:

- to liberalise international markets and support development;
- contributing to international security, and hence trade, by controlling the proliferation of arms and other strategic goods;
- shaping rules to maintain competition and promote openness and competitiveness in the UK and EU business environments;
- intervening to create fair and flexible labour markets and to ensure that confident and informed shareholders and consumers drive markets; and
- acting to protecting the vulnerable, demonstrating that economic prosperity and fairness can go hand in hand.

2.66 Crucially, we must always ensure that we assess evidence and risks, and that regulation is proportionate and simple to follow, without imposing unnecessary burdens. In everything we do, we co-operate with business, trade unions, regulatory bodies and others to ensure that regulatory frameworks foster the conditions for business success. BERR has responsibility for three SR04 PSAs related to free and fair markets: PSA 3 Competition and Consumers, PSA 5 Trade Barriers and PSA 10 Maximising Potential in the Workplace.

Key achievements 2007-08

- Significant progress has been made in implementing the Companies Act 2006, which will reduce annual administrative burdens on business by around £300 million. As of April 2008, the implementation of the Act has brought total savings of around £180 million per year to UK businesses.
- Measures have been identified to deliver net reductions in administrative burdens on business worth over £1 billion per annum, detailed in the BERR Better Regulation Simplification Plan 2007.
- The Department has delivered the Consumers, Estate Agents and Redress (CEAR) Act, which obtained Royal Assent in July 2007, to improve protection for consumers and their representation through a new National Consumer Council.
- On 6 April 2007, the right to request flexible working was extended to carers of adults and subsequently, on 15 May 2008, extended to parents of older children. This change will help employees balance their work and caring responsibilities.
- The European Commission report on the Single Market clearly reflected UK priorities, with a strong emphasis on better regulation.
- The Consumer Protection Regulations, which came into force on 26 May 2008, will strengthen consumer protection and deliver a significant part of BERR's Better Regulation Simplification Plan.
- The Department launched a review of the consumer law regime, looking at the scope for simplifying legislation, rationalising enforcement and improving consumer empowerment and redress.
- As a result of the Gibbons Review[59] of employment dispute resolution, changes are now being made to the dispute resolution system to lighten the regulatory burden on business and encourage more workplace disputes to be resolved earlier and informally.

[59] Better Dispute Resolution: The Gibbons Review of employment dispute resolution (March 2007): www.berr.gov.uk/files/file38516.pdf

SR04 PSA 3: (i) Competition and (ii) Consumers

Promote fair competitive markets by ensuring that the UK framework for competition and for consumer empowerment and support is at the level of the best by 2008, measuring the effectiveness of the regime through international comparisons, supported by a broader evidence base.

Summary assessment of progress:

(i) MET: This is the *final assessment* of the competition regime target.

(ii) NOT YET ASSESSED: The consumer empowerment target is *ongoing*.

The Competition Peer Review will be carried forward in CSR07 PSA 6 (deliver the conditions for business success in the UK) which will be led by BERR.

Current position:

Competition Regime:

The 2006-07 Peer Review of Competition Policy[60] was carried out by KPMG. As in the 2004 Review, it found the UK regime was ranked third behind the USA and Germany, although it was closing the gap.

The Global Competition Review (GCR), published in June 2007[61], also found that the UK competition bodies are among the best in the world with the Competition Commission sharing the "Elite" category with the US Federal Trade Commission, the European Commission's Directorate General Competition, and the Office of Fair Trading (OFT) as one of the world's top ten anti-trust authorities.

The GCR rankings also confirm the result of the Peer Review of Competition Policy.

Consumer Empowerment:

BERR has commissioned a project to benchmark the performance of the UK consumer empowerment regime against six other developed regimes, which will allow assessment against this PSA target. This project should be completed by early summer 2008. To track interim performance, the Department has a balanced scorecard, which captures the latest evidence on performance of the UK's regime.

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[60] Peer Review of Competition Policy Regime 2006-07 (June 2007): www.berr.gov.uk/files/file39863.pdf

[61] For further details on the Global Competition Review see: www.globalcompetitionreview.com/bookstore/bookstore.cfm?section=38&site=gcr&logo=lbr

SR04 PSA 5: Trade Barriers

Ensure that the EU secures significant reductions in EU and world trade barriers by 2008 leading to improved opportunities for developing countries and a more competitive Europe.

Joint with the Department for International Development.

Summary assessment of progress: ON COURSE

This target is *ongoing*.

Current position:

The main driver for meeting this target is the Doha Development Agenda[62] (DDA) negotiations of the World Trade Organisation (WTO), although there are other non-Doha processes that can contribute.

Following a period of formal suspension in 2006, DDA negotiations were resumed in early 2007. Negotiations are now ongoing and revised draft texts of an agreement were published in January 2008. The UK continues to work with the European Commission (EC), other EU Members States and key WTO members to achieve an ambitious, pro-development outcome. Negotiations on the DDA are at a critical stage and substantial progress before the end of 2008 is possible.

In other areas, BERR has been working with the EC to ensure that the EU's Economic Partnership Agreements (EPAs) with African, Caribbean and Pacific (ACP) countries are true tools for development.

By the end of 2007, 35 ACP countries had initialled EPAs.

BERR has also continued to play a major role in maintaining commitment for aid for trade. The Department is also working, with the EC to ensure its new regional trade negotiations build towards future multilateral negotiations and deliver increased liberalisation.

[62] For details on the Doha Development Agenda see: www.wto.org/english/tratop_e/dda_e/dda_e.htm

SR04 PSA 10: Maximising potential in the workplace

By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible labour market.

Summary assessment of progress: ON COURSE
This target is *ongoing*.

Current position: This PSA target is measured using five indicators:

(i) The first indicator is the *self employment rate of under represented ethnic minorities*. We have seen a narrowing of the gap between groups where self employment is under-represented, and that of other groups[63]. The gap fell from 4.0 percentage points in the period summer 2004 to spring 2005, to 2.7 percentage points in 2007. Over the same period, we have seen a statistically significant increase in the self employment rate of under represented ethnic groups from 5.6% to 7.1%[64]. **ON COURSE**

(ii) Reducing the incidence of r*acial discrimination at work* reported by ethnic minority employees was measured through the Fair Treatment at Work Survey. This has been set at 4% using data from the first survey from November 2005[65]. Following an NAO audit of the data system in place, work is now taking place to establish a more robust baseline and progress measure using the Citizenship Survey. **NOT YET ASSESSED**

(iii) Maintaining and improving the overall level of *UK labour market flexibility* is measured by the Index of Labour Market Adaptability (ILMA). Initial findings[66] suggest that between 1992 and 2001 labour market flexibility was increasing, whilst after 2001 there appears to have been some stabilisation. Further work is ongoing, with a report due to be published in autumn 2008. **ON COURSE**

(iv) The baseline to measure the number of employees (in workplaces with 25 or more employees) who have *access to information and consultation procedures* was originally set at 43% using the Workforce Employee Relations Survey 2004 data[67]. This has been revised in 2008 to 48%. Data from the Work Life Balance Employer Survey 2007[68] suggests this target has been exceeded with 61% of employees in workplaces with 25 or more employees covered. **ON COURSE**

(v) The baseline to measure the *number of economically active people who are well informed about their rights at work* has been set at 65% from the DTI Awareness Knowledge and Exercise of Employment Rights Survey 2005[69]. Further data will become available through the Fair Treatment at Work Survey 2008. **NOT YET ASSESSED**

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63 The groups where self-employment is under represented are "White and Black Caribbean", "White and Black African", "White and Asian", "Other mixed", "Bangladeshi", "Other Asian", "Black Caribbean", "Black African", "Other Black" and "Other". "Indian", "Pakistani" and "Chinese", along with "British" and "Other White", are not under-represented groups. For further information see the PSA technical note: www.berr.gov.uk/files/file14301.pdf

64 BERR special analysis of the ONS Labour Force Survey. For further details see: www.statistics.gov.uk/StatBase/Source.asp?vlnk=358&More=Y

65 The First Fair Treatment at Work Survey (November 2005): www.berr.gov.uk/files/file38386.pdf

66 Index of Labour Market Adaptability (November 2007): www.berr.gov.uk/files/file42223.pdf

67 For further details on the Workforce Employee Relations Survey 2004 see: www.wers2004.info/pdf/An%20Introduction%20to%20WERS%202004%20April07.pdf

68 Work Life Balance Employer Survey (March 2007): www.berr.gov.uk/files/file38388.pdf

69 Employment Rights at Work: Survey of Employees 2005 (April 2006): www.berr.gov.uk/files/file27222.pdf

Consumer policy

2.67 Key achievements and activities on consumer policy, which relate directly to SR04 PSA 3, are discussed below.

2.68 *Unfair Commercial Practices Directive (UCPD):* Draft Consumer Protection from Unfair Trading Regulations were laid before Parliament in March 2008, approved on 6 May and came into force on 26 May. They introduce a prohibition on traders in all sectors engaging in unfair commercial practices and establish a framework for dealing with rogue traders.

2.69 *EU Consumer Policy Review (Review of the Consumer Acquis):* BERR set out an ambitious vision of consumer policy at the EU level, arguing for a simpler, principles based consumer legal framework that will empower consumers, reduce the regulatory burden and encourage businesses to sell right across the Single Market.

2.70 *Consumers, Estate Agents and Redress Act 2007:* Received Royal assent in July 2007. The Department has consulted on proposals for exercising powers on estate agents' redress schemes and record keeping requirements. OFT published its criteria for approving schemes and invited applications to run schemes. BERR is taking forward work on establishing the new consumer advocacy body.

2.71 *Consumer Credit Act 2006:* A strengthened credit licensing regime was introduced in April 2008, giving OFT enhanced powers to take action against irresponsible traders. The extension of the Unfair Relationships Test to all credit agreements and removal of the £25,000 financial limit brings new agreements into regulation unless exempted.

2.72 *Consumer Law Review:* The current regulatory landscape for consumer protection has developed over several decades. As a result, regulations are complex, with over 100 different pieces of legislation estimated to result in administrative burdens of more than £1 billion that are sometimes inconsistent and inflexible. The Government has launched a review of the UK's consumer protection regime, which is examining the scope for: simplifying existing legislation; enhancing flexibility whilst maintaining necessary protections; exploring ways to simplify and rationalise enforcement; and investigating options for improving consumer empowerment and redress.

2.73 *Illegal Money Lending Enforcement Project:* In September 2007 the Government committed £2.76 million to implement the project nationally. By March 2008 new regional teams were operational and publicity campaigns underway. In December 2007, BERR confirmed continued funding, subject to a review of effectiveness.

2.74 *Scambusters:* Pilot projects have so far saved consumers approximately £3 million as a direct result of their intervention. An estimated £16 million worth of fraud has also been uncovered and £2 million worth of criminal assets seized.

Competition policy

2.75 Key achievements and activities on competition policy, which relate directly to SR04 PSA 3, are discussed below.

2.76 *State Aid:* BERR continues to support reform that encourages an economic approach and successfully reflected this in the new Environmental Guidelines[70], in addition to providing advice on more than 200 schemes.

2.77 *BSkyB/ITV:* On 29 January 2008, the BERR Secretary of State accepted the findings of the Competition Commission investigation into BSkyB's acquisition of a 17.9% shareholding in ITV plc and the recommendations contained in their report[71]. These recommendations required BSkyB to reduce its level of shareholding to below 7.5% and to give behavioural undertakings.

2.78 *Office of Fair Trading Market Studies:* BERR issued the Government response to the Commercial Use of Public Information[72] and an interim response on the Pharmaceutical Price Regulation Scheme[73]; and completed agreed action plans for Estate Agents and Doorstep Selling studies.

2.79 *European Trade:* BERR works to deliver increased EU competitiveness through economic reform and improved function of the Single Market. UK priorities were reflected in the Commission's final report on its 2007 Single Market Review, with a strong emphasis on better regulation and concentrating action where there are real economic benefits. BERR continues to make progress on implementing the Services Directive[74] by the end of 2009, having consulted on proposals this year.

2.80 *World Trade:* In July 2007, BERR and DFID created a joint Trade Policy Unit (TPU) to align trade, aid and debt policies, with the Minister for Trade and Development being a member of both Departmental Ministerial teams. Progress on the DDA continues to prove challenging with the opportunity for a breakthrough before 2010 narrowing. The UK has achieved a number of other successes, including getting UK priorities included in the EC's negotiating mandates with Korea, India and the Association of South East Asian Nations. The TPU continues to play a major role on aid for trade, pressing for fulfilment of pledges by developed countries, influencing EU strategy and championing the Enhanced Integrated Framework for Least Developed Countries.

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[70] For further details on state aid reviews and consultations see: www.berr.gov.uk/bbf/state-aid/reviews/index.html

[71] BSkyB's acquisition of 17.9% shareholding in ITV plc (Competition Commission, December 2007): www.berr.gov.uk/files/file43218.pdf

[72] Government response to the OFT study into the commercial use of public information (June 2007): www.berr.gov.uk/files/file39966.pdf

[73] Government response to the OFT study on the Pharmaceutical Price Regulation Scheme (August 2007): www.berr.gov.uk/files/file40756.pdf

[74] For further details on the EU Services Directive see: www.berr.gov.uk/europeandtrade/europe/services-directive/page9583.html

Employment strategy

2.81 The Government's employment strategy Success at Work[75] focuses on protecting vulnerable workers and supporting good employers. Substantial progress has been made during 2007-08 and is discussed below:

2.82 *Introduction of the Employment Bill:* The Bill aims to improve the effectiveness of employment law through two key elements. Changes to the dispute resolution system will lighten the regulatory burden on business and encourage more workplace disputes to be resolved earlier and informally. Tough new penalties will be introduced for businesses not paying workers the minimum wage and agencies which try to exploit workers.

2.83 *Setting up the Employment Law Guidance Programme:* This will improve guidance on employment law and make it quicker, cheaper and easier for employers to meet their legal obligations to their employees.

2.84 *Employment Agency Standards inspectors:* The Department has announced it will double the number of inspectors, who seek to help legitimate employment agencies abide by the law whilst taking action against rogue agencies. Most of the new inspectors will be in post by the end of June 2008.

2.85 *Helping vulnerable workers:* In June 2007 BERR launched two new pilot projects to help vulnerable workers which will take place in Birmingham and Docklands in London. BERR has also set up a Vulnerable Worker Enforcement Forum which will bring together unions, workplace enforcement agencies, business groups and advice bodies to look at evidence about the nature and extent of abuse of workplace rights.

2.86 *National Minimum Wage (NMW):* In December 2006, the Pre-Budget Report announced that from April 2007 there would be an increase of £2.9 million for enforcement and monitoring of the NMW. This has resulted in the recruitment of additional enforcement staff and more sustained communications. Publicity has included a bus touring England, Scotland and Wales for nine weeks to directly reach more than 700,000 workers, radio adverts, a poster campaign, an online campaign aimed at young workers and a migrant worker campaign. In the course of the year, HMRC, which enforces the NMW on BERR's behalf, closed over 4,500 cases of which 1,650 involved arrears. They recovered nearly £4 million for some 19,000 workers.

2.87 *Right to request flexible working:* In April 2007 the right to request flexible working was extended to carers of adults and subsequently, in May 2008, extended to parents of older children. This will help employees balance their work and caring responsibilities.

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[75] Success at Work: Protecting Vulnerable Workers, Supporting Good Employers (March 2006): www.berr.gov.uk/files/file27469.pdf

2.88 *European discussions on labour law:* BERR has continued to work towards reaching an acceptable agreement on the Agency Workers Directive that achieved twin objectives of flexibility for UK employers and fairness for workers. On 20 May 2008 a key agreement was reached between the CBI and TUC on how fairer treatment for agency workers in the UK should be promoted while retaining the flexibility that agency work can offer employers and workers. Agreement was reached on various issues, in particular that after 12 weeks in a job there will be entitlement to equal treatment as defined in the joint CBI-TUC declaration.

2.89 The Government has been engaging with its European partners to seek agreement on the terms of the European Agency Workers Directive that will enable this agreement to be brought into legal effect in the UK. A key stage was reached in the European process on 7 June 2008 when political agreement was reached between EU Member States (Council of Ministers). Political agreement is part of the European Parliamentary process and the dossier now returns to the European Parliament for its second reading before returning to the Council of Ministers for final agreement.

Acas (Advisory, Conciliation and Arbitration Service)

2.90 Acas is an independent statutory body funded by BERR which aims to improve organisations and working life through better employment relations. During 2007-08 Acas:

- Dealt with around 900,000 calls to the Acas National Helpline. Surveys indicated the information provided enabled 87% of callers to decide what to do next, with an estimated £11 million saved by the taxpayer as a result.
- Conciliated in 900 collective disputes, delivered 250 workplace projects to improve workplace relations and conciliated resolutions in around 150,000 actual and potential tribunal claims, saving 74% of potential hearing days and about £25 million.

Corporate law and governance

2.91 *Companies Act 2006:* BERR continued its phased implementation of the Companies Act 2006, which received Royal Assent on 8 November 2006 and will be fully implemented by October 2009. A substantial tranche of provisions came into force on 1 October 2007, including provisions relating to directors' general duties, company resolutions and meetings.

2.92 BERR announced on 7 November 2007 that the date of final implementation would be put back to October 2009. A further tranche of provisions became law on 6 April 2008, including provisions relating to accounts and reports, audit and abolishing the obligation on private companies to have company secretaries.

2.93 *EU Directives:* Work has continued to implement EU Directives which need to enter into force by mid 2008, including the Audit Directive and amendments to Capital Maintenance and Accounting Directives. The Cross Border Mergers Directive came into force on 15 December 2007 and negotiations were concluded in June 2007 on the Shareholder Rights Directive, which needs to be implemented by August 2009.

2.94 *Financial Reporting Council (FRC):* BERR announced on 6 February 2008 that it had concluded that the FRC should be funded largely by market participants. The FRC launched a public consultation in April 2008 on options for a new funding arrangement.

Export Control Organisation

2.95 Through its Export Control Organisation, BERR supports Government efforts to prevent proliferation of arms and other strategic goods, whilst minimising the negative impacts on UK business, through the operation of an export licence system, in conjunction with other Government departments. The UK's strategic export controls are based on national and international commitments concerning transfers of conventional weapons, missiles, chemical and biological weapons and nuclear related goods and technology.

2.96 *JEWEL (the cross-Government licensing performance project):* A single licensing community has been created through the establishment of joint management structures, joint induction and new business processes.

2.97 *SPIRE (the export licence application on-line processing system):* Successfully implemented by BERR, FCO, MOD, DFID, GCHQ, and HMRC within budget in September 2007. Processing times have been maintained at above target performance for the year.

Standard individual export licence applications	Performance in 2007-08	Target
Processed within 20 days	79%	70%
Processed within 60 days	98%	95%

Year	Licences produced (per officer per year)	Average cost per standard individual licence
2006-07	97	£421
2007-08	112	£292

Expenditure on delivering free and fair markets

	£000						
	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL							
Insolvency Service	-33	11,442	34,223	37,398	43,834	45,019	46,061
ACAS	44,183	57,242	47,977	42,676	41,062	40,762	40,762
Employment Relations	17,646	11,879	10,746	9,806	26,256	40,703	39,450
Investor Protection	9,405	14,260	4,941	7,037	4,346	4,373	4,402
Trade Promotion including Subscription to WTO	4,779	7,245	4,534	4,703	7,774	8,031	8,192
Simpler Trade Procedures Board	0	1,044	1,009	767	812	812	812
Companies House	34	-162	-1,983	-27	4,000	4,200	5,000
Financial Inclusion Fund (including Face to Face Debt Advice)	0	0	16,613	59,308	24,100	24,500	25,400
Consumer Protection (including Citizens Advice)	75,617	75,814	51,930	31,447	70,098	71,207	70,578
Other Free and Fair Markets Activities	-43	-331	-15	-41	0	0	0
Total Resource Expenditure in DEL	**151,588**	**178,433**	**169,975**	**193,074**	**222,282**	**239,607**	**240,657**
Resource Expenditure in AME							
Statutory Redundancy Payments	186,436	252,733	204,643	173,772	248,812	257,812	257,812
Paternity Pay	37,800	50,000	6,692	42,800	35,000	60,000	60,000
Other Free and Fair Markets Activities	0	9,066	0	0	0	0	0
Total Resource Expenditure in AME	**224,236**	**311,799**	**211,335**	**216,572**	**283,812**	**317,812**	**317,812**
Total Resource Expenditure	**375,824**	**490,232**	**381,310**	**409,646**	**506,094**	**557,419**	**558,469**
Capital Expenditure in DEL							
Insolvency Service	677	1,501	225	5,818	8,200	2,000	2,000
ACAS	1,414	1,108	1,013	1,691	1,035	3,035	1,035
Companies House	-385	-385	-385	0	6,500	-3,500	2,000
Consumer Protection	4,458	883	543	427	806	806	806
Other Free and Fair Markets Activities	504	500	0	0	0	0	0
Total Capital Expenditure	**6,668**	**3,607**	**1,396**	**7,936**	**16,541**	**2,341**	**5,841**
Total Expenditure	**382,492**	**493,839**	**382,706**	**417,582**	**522,635**	**559,760**	**564,310**

Section 2.7

Ensuring the reliable supply and efficient use of clean, safe and competitively-priced energy

Introduction

2.98 Maintaining clean, safe and secure supplies of competitively-priced energy is essential both for the UK's economic growth and the wellbeing of its population. The UK has played a leading role internationally in encouraging action to reduce carbon dioxide emissions and to develop open, competitive energy markets. The Department's strategy for achieving this was published in Meeting the Energy Challenge[76] in May 2007. The strategy is based on:

- creating an effective global carbon price and carbon market;
- creating competitive energy markets in Europe and beyond;
- reforming planning and regulatory systems to enable the market to deliver the clean energy supplies we need;
- promoting low carbon technologies to help them compete in energy and carbon markets;
- being ready to respond to emergencies; and
- helping Defra change behaviour and improve energy efficiency.

2.99 BERR has responsibility for one SR04 PSA related to clean, safe and competitively-priced energy (PSA 4 Energy). Performance on this and more broadly is discussed in this section.

[76] Energy White Paper: Meeting the Energy Challenge (May 2007): www.berr.gov.uk/energy/whitepaper/page39534.html

Key achievements 2007-08

- On 19 November 2007, the Prime Minister launched a competition to develop the UK's first full scale commercial demonstration of carbon capture and storage[77] technology. When operational, early in the next decade, this will make the UK a world leader in this globally important new technology.
- The Department published a Nuclear White Paper in January 2008 confirming that energy companies should have the option of investing in new nuclear power stations.
- A new energy markets information service, the Energy Market Outlook[78], has been launched by BERR, providing forward-looking energy market information.
- Independent analysis[79] has once again confirmed that the UK's energy market remains the most competitive in overall structure in the EU and G7.
- The Department set out its domestic and international energy policy in the 2007 Energy White Paper[80], to address the long term challenges to tackle climate change and ensure the UK has secure supplies of energy. The legislative aspects of this White Paper and the Nuclear White Paper are being implemented through the Energy Bill.

[77] Carbon capture and storage technology has the potential to reduce carbon dioxide emissions by capturing the carbon dioxide emitted when burning fossil fuels, transporting it and storing it in secure spaces such as geological formations, including old oil and gas fields and aquifers under the seabed. For further details see: www.berr.gov.uk/energy/sources/sustainable/carbon-abatement-tech/ccs/page42320.html

[78] For further details on the Energy Markets Outlook see: www.berr.gov.uk/energy/energymarketsoutlook/page41839.html

[79] Energy Market Competition in the EU and G7: Final 2005 Rankings (October 2007): www.berr.gov.uk/energy/markets/competitiveness/page28432.html

[80] Energy White Paper: Meeting the Energy Challenge (May 2007): www.berr.gov.uk/energy/whitepaper/page39534.html

SR04 PSA 4: Energy

Lead work to deliver the goals of energy policy:

(i) Reduce greenhouse gas emissions by 12.5% from 1990 levels in line with our Kyoto commitment and to move towards a 20% reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables. Joint with the Department for Environment, Food and Rural Affairs (Defra) and Department for Transport (DfT).

(ii) Maintain the reliability of energy supplies.

(iii) Eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy objective. Joint with Defra.

(iv) Ensure the UK remains in the top three most competitive energy markets in the EU and G7.

Summary assessment of progress:

(i) **ON COURSE:** Work on climate change will be *carried forward* into CSR07 PSA 27 (Lead the global effort to avoid dangerous climate change).

(ii) **MET:** This is the *final assessment* of this target.

(iii) **SLIPPAGE:** This target is *ongoing*.

(iv) **MET:** This is the *final assessment* of this target.

Current position:

The Government remains on course to deliver the security of supply and competitiveness targets, and on the greenhouse gas component of the climate change target. Meeting the carbon dioxide emissions and fuel poverty targets remains extremely challenging.

(i) BERR estimates that in 2010, and including the effect of the EU Emissions Trading Scheme (ETS), CO_2 emissions will be about 16% below 1990, and emissions of all greenhouse gases will be about 24% below Kyoto base year levels. This means the UK will remain on course to meet its Kyoto target. However, BERR's domestic goal to reduce CO_2 emissions to 20% below 1990 levels by 2010, which was always designed to be stretching, looks increasingly difficult to achieve. More information is available on this in Defra's Departmental Report 2008[81].

[81] Defra Departmental Report 2008: http://www.defra.gov.uk/corporate/deprep/2008/index.htm

(ii) The reliability of UK energy supplies depends on our ability to make the best use of indigenous energy sources, as well as to import more oil and gas from other countries through open, competitive international markets. The energy market is continuing to bring forward new investment in the necessary infrastructure for gas imports and for electricity generation. In October 2007 BERR published the Energy Markets Outlook[82], a new information service providing forward-looking energy market information relating to security of supply. This was in response to the commitment we made in the Energy White Paper[83] to provide transparent, credible information to help markets function effectively, and replaces the Joint Energy Security of Supply Working Group (JESS), drawing on analysis from National Grid, the wider industry and other sources.

(iii) Between 1996 and 2004, three million households in England were lifted out of fuel poverty, but since then rising energy prices have counteracted this progress. The 2005 English House Conditions Survey[84] showed a rise in the number of households in fuel poverty, taking the overall number in England to 1.5 million, of which the number of vulnerable households was 1.2 million. Figures for 2006 will be published later this year and are likely to show an increase in fuel poverty. Whilst, in line with the strategy, BERR continues to be committed to ending fuel poverty for vulnerable households by 2010 as far as is reasonably practicable, we estimate there may still be 1.2 million vulnerable households in fuel poverty in England by 2010. BERR is taking action with Defra to address this, including:

- working with supply companies to deliver a voluntary agreement to increase the level of support they provide to vulnerable customers to £150 million a year;
- working with Ofgem to ensure that those vulnerable to fuel poverty are able to take advantage of the competitive market and switch to the best possible deal;
- publicising help available to consumers through Warm Front and other initiatives to improve energy efficiency; and
- providing more Benefits Entitlement Checks to encourage greater take-up of benefits. More information is available in the Defra Departmental Report 2008.

(iv) Independent analysis by the economics consultancy Oxera[85] has again confirmed that the UK's gas and electricity markets remain among the most competitive in the EU and G7 for both industrial and domestic prices. Preliminary results for 2006 confirm a number one ranking for the UK.

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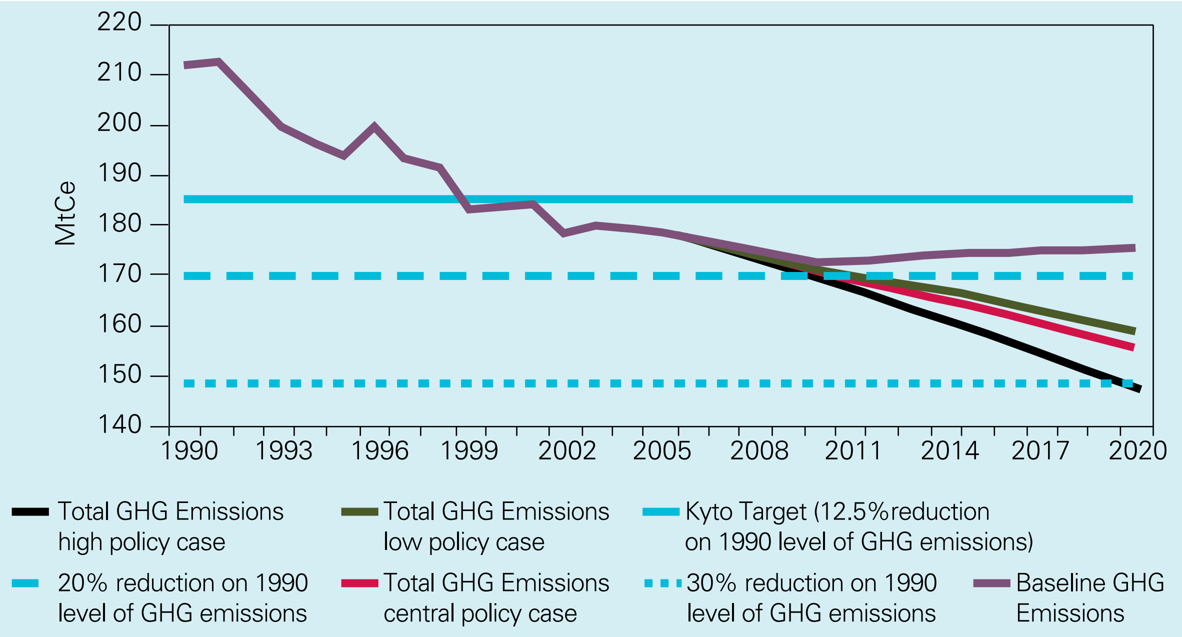
[82] BERR's Energy Markets Outlook (EMO) (October 2007): http://www.berr.gov.uk/energy/energymarketsoutlook/page41839.html

[83] Energy Markets Outlook commitment in the Energy White Paper (May 2007): http://www.berr.gov.uk/files/file39568.pdf

[84] 2005 English House Conditions Survey (June 2007): http://www.communities.gov.uk/publications/housing/englishhousesurveyannual

[85] Energy Market Competition in the EU and G7: Final 2005 Rankings (October 2007): http://www.berr.gov.uk/energy/markets/competitiveness/page28432.html

Figure 2.5: Total Greenhouse Gas (GHG) emissions, million tonnes of carbon equivalent (MtCe) 1990-2020[86]



International energy policy and energy strategy

Energy White Paper

The 2007 Energy White Paper sets out the Government's international and domestic energy strategy to respond to the twin challenges of tackling climate change and securing clean and affordable energy as we become increasingly dependent on imported fuel. It also helps enable us to deliver our four energy policy goals:

- to put ourselves on a path to cutting CO_2 emissions by some 60% by about 2050, with real progress by 2020;
- to maintain the reliability of energy supplies;
- to promote competitive markets in the UK and beyond; and
- to ensure that every home is adequately and affordably heated.

Energy Bill

The legislative aspects of the Energy White Paper are being implemented through the Energy Bill, which is updating the legislative framework to:

- reflect the availability of new technologies (such as carbon capture and storage and emerging renewable technologies);
- correspond with our changing requirements for security of supply infrastructure (such as offshore gas storage); and
- ensure adequate protections for the environment and the tax payer as our energy market changes.

The Energy Bill will receive Royal Assent by autumn 2008.

[86] Updated Energy and Carbon Emissions Projections (May 2007): www.berr.gov.uk/files/file39580.pdf

2.100 *2007 EU Spring Council:* European Heads of State and Government (HoSG) called for agreement on a package of climate change and energy measures by the end of 2008. This includes proposals on renewable energy and the EU Emissions Trading Scheme. They also stressed the importance of a fully functioning internal energy market and their ambition to reach agreement on the Third Internal Market Package this summer. In addition, HoSG looked ahead to this year's Strategic Energy Review, which should focus on security of supply and the external dimension of EU energy policy. The UK considers these key priorities and will be closely involved in taking them forward.

EU renewables 2020 target

One of the commitments made at the 2007 EU Spring Council was to source 20% of the EU's energy from renewables by 2020. The target covers final consumption of energy in the electricity, heat and transport sectors. The transport sector also has a target for each member state to use 10% renewable transport fuel by 2020. The Commission published a draft Directive on 23 January 2008, including a proposed share of 15% for the UK. Renewable energy is an integral part of the Government's strategy to delivering on our climate goals and will play an increasingly important role in our moves to a low carbon economy. The Commission's proposed target for the UK of 15% would be very challenging, as our current share is less than 2%. BERR remains completely committed to meeting the UK share, when that has been agreed.

2.101 *New UK Renewable Energy Strategy:* This will be published in spring 2009, following the current consultation[87] launched on 26 June 2008, on what else the UK should do to increase renewable energy use to meet our share of the EU 2020 renewables target. This will also reflect the new EU Renewables Directive detailed above.

Energy markets

2.102 *Gas:* In 2007, imported gas accounted for some 20% of the UK's annual demand. This percentage will grow in coming years. New import capacity quadrupled annually between 2004-05 and 2006-07 and should increase by more than half as much again by 2008-09. This should more than offset declining indigenous production until around 2015. There are also plans for at least ten significant new gas storage projects. If all of these gain regulatory consent and go forward on schedule, the UK's gas storage capacity would more than double by the middle of the next decade.

2.103 *Electricity:* In 2006 and 2007, the Department consented to the construction of nearly 9 Gigawatts (GW) of new conventional electricity generation capacity. In addition to this, there are some 6 GW of renewables projects in the UK with permission granted but not yet operational, and a further 12 GW under consideration by the Department.

[87] UK Renewable Energy Strategy Consultation (June 2008): www.berr.gov.uk/files/file46799.pdf

2.104 *Competitive energy markets:* The UK continues to support the European Commission's work to liberalise energy markets and is participating actively in ongoing negotiations on the Third Package of EU Energy Markets Liberalisation[88]. Against a backdrop of tightening global oil and gas markets, BERR has led Government work to engage with other key energy consumers. This has involved working through the International Energy Agency, as well as key energy supply and transit countries, including through OPEC and the International Energy Forum, to improve the functioning of global markets, particularly investment in new oil and gas reserves, diverse supply routes and development of cleaner technologies.

2.105 *Prices:* Fossil fuel prices have been on an upward trend over 2007-08, mainly driven by global supply and demand pressures. Domestic competition alone cannot protect UK consumers from global energy price rises as high global fossil fuel prices feed through to retail prices. Over the first few months in 2008 the six major suppliers increased retail prices by an average of 12.4% for electricity and 15.2% for gas[89]. Even after the retail price rises in January and February 2008, UK prices to medium sized domestic consumers, including taxes, remain well below average EU15[90] levels. Continuing price rises in oil are likely to be reflected in further retail price increases.

Energy development

2.106 *North Sea oil and gas activity:* Various initiatives have helped to encourage continued activity. 2007 saw 111 exploration and appraisal wells drilled, the highest number since 1996. 2006 saw around half a billion barrels of oil and gas discovered, the most since 2001. 2007 was also positive, with initial indications suggesting that between 300 and 400 million barrels were found.

2.107 *Oil and gas exploration and production licences:* In 2007-08, BERR awarded 150 licences to 104 companies covering 246 blocks[91], building on the record numbers of licences issued in 2006-07. This year a new offshore licensing round was launched, the twenty fifth such round, which included a record breaking 2,297 blocks or part blocks.

2.108 As oil and gas supplies become more precious BERR will continue to help maximise the exploitation of our resources through the Fallow Initiative, which encourages license holders of blocks not being worked to relinquish them to be re-released in future rounds. In addition, BERR continues to see success with Promote Licences which give a wider range of companies the opportunity to invest, with 40% of those offered in the twenty third round now continuing into the second drilling and exploration phase. Increased drilling activity and success has been seen in the area west of the Shetland Islands and a Government-industry task force is focusing on how to access gas reserves in the region.

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[88] For further details on EU common energy policy see: www.berr.gov.uk/energy/policy-strategy/international/eu/page28034.html

[89] Figures from Energywatch (April 2008): www.energywatch.org.uk/media/news/show_release.asp?article_id=1093

[90] EU-15 refers to the 15 countries in the European Union before expansion on 1 May 2004.

[91] A block is an area measuring approximately 10 x 20 kilometres.

Renewables and cleaner fossil fuels

2.109 *Carbon Capture and Storage (CCS):* The Department has launched a competition to support the world's first commercial scale CCS project using post-combustion capture on a coal fired power station[92]. It is intended that the project selected through the competition will be operational by 2014, making the UK a world leader in this globally important technology.

2.110 *Tidal Power:* BERR has also announced a two year feasibility study to enable Government to decide whether, and if so on what terms, Government could support a tidal range power project or projects in the Severn Estuary. The study will cover all technologies, including barrages and lagoons. It will assess in broad terms, whilst engaging stakeholders and the wider public, potential costs, benefits and impacts, including environmental, social, regional, economic and energy market impacts.

2.111 *Wind Power:* As of January 2008, the UK had some 2.39 GW of installed wind capacity, onshore and offshore. Development activity, particularly for onshore wind, continues at a high rate with some 9.44 GW of onshore and offshore wind capacity in the planning system. This is more than enough to meet the Government target that by 2010 10% of electricity supplies should come from renewable sources.

Nuclear White Paper

Following an extensive public consultation[93] between May and October 2007, BERR published the Nuclear White Paper[94] in January 2008. This announced that the Government was inviting energy companies to bring forward plans to build and operate new nuclear power stations as part of the UK's future low-carbon electricity generating mix. The White Paper sets out a timetable of facilitative actions which will deliver a framework that would enable energy companies to begin construction of the first new nuclear power station in 2013-14 and start operation in 2017-20. In addition to these actions, the Secretary of State held a conference on 12 June 2008, at which he announced further actions, including the formation of an Office of Nuclear Development, to bring together Government resources focused on facilitating new nuclear investment in the UK, and a Nuclear Development Forum to provide regular contact between Government and industry.

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[92] For further details on see the commercial scale carbon capture and storage competition: www.berr.gov.uk/energy/sources/sustainable/carbon-abatement-tech/ccs/page42320.html

[93] For further details on the Future of Nuclear Power consultation (May 2007) and response see: http://nuclearpower2007.direct.gov.uk

[94] Meeting the Energy Challenge: A White paper on Nuclear Power (January 2008): www.berr.gov.uk/files/file43006.pdf

Expenditure on ensuring the reliable supply and efficient use of clean, safe and competitively-priced energy

	£000						
	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL							
Energy Efficiency including Carbon Trust	0	0	9,000	6,000	0	0	0
Sustainable Energy Programmes	31,572	27,214	9,079	9,963	9,136	9,173	9,207
Non proliferation, including subscriptions to international organisations	18,671	20,431	18,013	17,875	20,001	20,501	21,201
Energy Watch	0	12,984	12,300	10,783	10,642	10,642	10,642
Licence fee income	-13,417	-13,081	-12,288	-11,084	-12,605	-12,605	-12,605
Maximising Oil and Gas Recovery	7,108	6,410	5,325	4,857	8,901	8,991	9,079
Other programmes	620	995	496	1,678	95	95	95
Total Resource Expenditure	**44,554**	**54,953**	**41,925**	**40,072**	**36,170**	**36,797**	**37,619**
Capital Expenditure in DEL							
Coal Investment Aid	29,307	18,038	4,116	1,521	0	0	0
Capital Grants for Sustainable Energy, and the Environment Transformation Fund	24,455	38,763	51,694	26,619	65,200	52,900	49,200
Total Capital Expenditure	**53,762**	**56,801**	**55,810**	**28,140**	**65,200**	**52,900**	**49,200**
Total Expenditure	**98,316**	**111,754**	**97,735**	**68,212**	**101,370**	**89,697**	**86,819**

Section 2.8

Managing energy liabilities effectively and responsibly

Introduction

2.112 The coal, gas and electricity industries used to be in public ownership. The Government continues to be responsible for significant liabilities, and assets, inherited from those industries when they were privatised. These include an interest in British Energy, the liabilities for civil nuclear decommissioning managed through the Nuclear Decommissioning Authority (NDA), and residual liabilities arising from the coal, steel and shipbuilding industries, including claims relating to the health of former coal workers.

2.113 BERR is also responsible for two schemes to compensate coal miners and their families in relation to Chronic Obstructive Pulmonary Disease (COPD) and Vibration White Finger (VWF). These are the biggest personal injury schemes in British legal history.

2.114 In addition, BERR works to ensure nuclear security and safety through supervisory and regulatory activities to protect public and international safety. Substantial technical assistance is also given to former Soviet Union and Eastern European countries in addressing nuclear legacy issues, to reduce the global threat posed by the potential spread of weapons and materials of mass destruction.

Key achievements 2007-08

- The NDA exceeded its target over the three year SR04 period to deliver net efficiency savings on the programme above the annual 2% target.
- The NDA successful completed its first competition, for the management of the low level waste repository site near Drigg in Cumbria.
- Under the Department's VWF scheme, almost 166,000 coal health claims have been settled with a total of £1.7 billion having been paid in compensation.
- Under the COPD scheme, the Department has registered 592,000 claims. £2.2 billion has been paid in compensation to claimants, with 524,000 claims having been settled.

SR04 PSA 9: Nuclear Decommissioning Authority

(i) Reduce the civil nuclear liability by 10% by 2010;

(ii) Establish a safe, innovative and dynamic market for nuclear clean up by delivering annual 2% efficiency gains from 2006-07; and

(iii) Ensure successful competitions have been completed for the management of at least 50% of UK nuclear sites by the end of 2008.

Summary assessment of progress: PARTLY MET

This is the *final assessment* of this target.

Current position:

Progress against all three elements of PSA 9, which was set before the NDA became operational, has been substantial. Despite key elements having being overtaken by changes to the strategic approach driven by greater understanding of the challenges and changes in strategic priorities, the NDA has made significant progress on the underlying objective since it inherited responsibility for the decommissioning and clean-up of the UK's legacy nuclear sites in April 2005. For the first time, there is now a single body with responsibility for an ever improving understanding of the UK's nuclear liabilities and a clear planning process for determining how to manage those liabilities. The process is being improved year on year to ensure that the plan is technically robust, affordable and flexible.

(i) The first element of the PSA target, to reduce the civil nuclear liability by 10% by 2010, falls outside the SR04 period. The nature and scale of the decommissioning task inherited by the NDA in 2005 was highly uncertain. An early objective for the NDA was to establish the cost of the legacy and establish a benchmark against which future action to reduce that legacy could be measured. The NDA is currently on track to deliver a baseline liability figure in its accounts this year and is committed to driving down clean-up costs in the longer term. This is the first ever attempt to systematically catalogue the scale of the UK's nuclear legacy and is an early success for the NDA.

(ii) The NDA is making progress towards establishing a safe, innovative and dynamic market for nuclear clean-up and decommissioning. Over the three year SR04 period, the NDA exceeded its target, delivering net efficiency savings on the programme above the annual 2% target, and delivered efficiency savings on its non-programme expenditure.

(iii) The original competition schedule had to be changed to address business needs and regulatory concerns, bringing forward the competition for Sellafield and pushing back competitions for other sites. This effectively made the original target to compete 50% of sites by 2008 redundant. Good progress has been made against the revised competition programme, with the successful completion by the NDA of its first competition at the end of March, for the management of the low level waste repository site near Drigg, for which the contract was awarded. The competition for Sellafield, one of the largest and most complex public procurements in the world and which represents more than 60% of the nuclear legacy, is on track to be completed in the autumn. The remainder of the competitions schedule will proceed once NDA has taken account of market feedback and lessons learned from these competitions.
In the meantime, the NDA also assisted the Government in the competitive sale of Magnox Electric and Westinghouse which will mean that by the end of the year only three of the NDA's sites will remain under public sector management.

Nuclear Decommissioning Authority

2.115 The Nuclear Decommissioning Authority (NDA) is an NDPB set up under the Energy Act 2004 to ensure that the UK's civil public nuclear legacy sites are decommissioned and cleaned up efficiently and effectively. On 1 April 2005 it took over responsibility for 19 sites formerly owned by the UK Atomic Energy Authority (UKAEA) and British Nuclear Fuels (BNFL), which have in the first instance continued to manage these sites under contract to the NDA. Competitions for contracts to manage the work on these sites are expected to improve decommissioning performance and drive value for money. The NDA is required to operate existing commercial activities and meet current contracts, using revenues to offset spend on decommissioning. It also has responsibility for delivering an integrated waste policy.

2.116 Since the NDA was created, the amount being spent on decommissioning and liabilities management has significantly increased. The NDA's total spend was £2.4 billion in 2005-06, £2.6 billion in 2006-07; and is forecast to be some £2.8 billion in 2007-08. NDA's planned gross expenditure over the next 3 years is set to be over £8 billion. This will be the largest amount of expenditure on the UK civil nuclear clean-up programme over such a period. It will allow the NDA to operate safely and effectively and ensures that the primary focus of the programme will be to address the risks at the most hazardous facilities[95].

Chronic Obstructive Pulmonary Disease

2.117 Under the Chronic Obstructive Pulmonary Disease (COPD) scheme[96] BERR has registered some 592,000 claims. At the end of March 2008, £2.2 billion has been paid in compensation to claimants, with 524,000 claims having been settled. The Department's focus is on resolving outstanding issues preventing settlement of claims with a view to substantial completion by summer 2009.

Vibration White Finger

2.118 The total number of claims received under the Vibration White Finger (VWF) compensation scheme[97] is 170,000. At the end of March 2008, almost 166,000 claims have been settled with a total of £1.7 billion having been paid in compensation. The Department aims to complete delivery of the VWF compensation substantially by autumn 2008.

National Concessionary Fuel Scheme

2.119 The National Concessionary Fuel Scheme provides concessionary solid fuel, or cash in lieu, to former employees of the British Coal Corporation. At the end of March 2008, the total number of beneficiaries in the scheme was over 102,000, and for the 2007-08 financial year there was a 7% decline in the total number of beneficiaries compared with the previous year. Of these, 21,742 beneficiaries took their entitlement as solid fuel.

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[95] For further details on the NDA, including the NDA Business Plan 2008-11, see: www.nda.gov.uk

[96] For further details on COPD and the compensation scheme see: www.berr.gov.uk/energy/coal-health/background/resp-disease/page16565.html

[97] For further details on VWF and the compensation scheme see: www.berr.gov.uk/energy/coal-health/background/vwf/page16575.html

British Shipbuilders Corporation

2.120 BERR is responsible for managing the settlement of personal injury liabilities arising from former employees of the British Shipbuilders Corporation (BSC), the former nationalised shipbuilding company which still exists under statute even though the shipyards have been sold off. Following a review of the BSC's liabilities, and an increased likelihood of asbestos related claims from former employees, BERR has taken on future liabilities of asbestos-related claims in line with a Minute to Parliament in 1988, at the time of re-privatisation, that the Government would meet any future financial obligations arising from the BSC.

Coal Authority

2.121 The Coal Authority continued to discharge its statutory obligations in respect of subsidence and surface damage arising from historic coal mining. As part of its ongoing delivery of a national programme of mine water treatment, the Authority began work on the Dawdon Scheme, a multi-million pound project to prevent contamination of a major aquifer which supplies the North East region with eight million gallons of drinking water per day.

Former Soviet Union and Eastern European countries

2.122 The Global Threat Reduction Programme is the UK's spending programme in the former Soviet Union (FSU). The programme is making real progress in enhancing the safety and security materials related to weapons of mass destruction. The programme addresses nuclear, chemical and biological threats through a single, pooled budget, under the direct responsibility of a Ministerial Oversight Board. More than half the UK pledge of US$750 million made at Kananaskis in 2003 has been spent. UK achievements include:

- providing technical assistance and infrastructure to enable Russia to make safe and secure over 30 tonnes of spent nuclear fuel from nuclear submarines and icebreakers;
- completing infrastructure and equipment projects for the Russian Chemical Weapon Destruction Facility at Shchuch'ye;
- construction of a facility to enhance the physical protection of nuclear and radiological materials held in vulnerable locations across the FSU;
- dismantling three nuclear submarines to time and to cost;
- creating some 1,500 sustainable jobs for former weapons scientists, with the expectation of up to 3,000 by 2012;
- enhancing safety and regulatory oversight of nuclear power plants across the FSU; and
- ensuring the irreversible closure of a weapon-grade plutonium producing reactor in Kazakhstan, and contributing to a US led project to enable the last weapon-grade plutonium producing reactors in Russia to be closed in 2009.

Expenditure on managing energy liabilities effectively and responsibly

	£000						
	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL							
British Shipbuilders	24,390	88,565	-664	38,936	3,799	3,887	3,977
Concessionary Fuel Liabilities	55,873	64,559	150,409	13,802	-2,980	9,577	-2,429
Coal Authority	9	37,026	21,934	27,233	27,349	28,496	30,200
Civil Nuclear Police Authority	0	55	0	0	2,246	2,850	2,944
Nuclear Decommissioning Authority	0	76,126	342,261	125,071	351,539	417,765	519,719
British Energy Historic Fuel Liabilities	185,171	189,026	196,383	204,502	207,400	215,074	223,032
United Kingdom Atomic Energy Authority	286,638	5,365	10,306	4,435	16,814	16,387	14,112
Global Threat Reduction Programme	35,281	38,655	31,785	40,601	36,200	36,200	36,200
Other Liabilities	20,086	4,274	5,011	0	6,660	6,741	6,821
Total Resource Expenditure in DEL	**607,448**	**503,651**	**757,425**	**454,580**	**649,027**	**736,977**	**834,576**
Resource Expenditure in AME							
Liabilities arising from Coal Privatisation	7,774	1,454	-4,139	-1,684	-249	-20	0
Coal Pension Schemes	0	0	0	134,760	110,000	111,800	116,300
Coal Health Liabilities	-318,593	-176,883	83,232	-130,055	-3,100	-1,624	-815
of which cash payments to former mineworkers	*873,220*	*1,036,673*	*823,494*	*696,911*	*270,943*	*51,336*	*7,614*
Nuclear Decommissioning Authority	0	5,595,732	5,592,158	6,124,161	-185,000	-185,000	-185,000
British Energy Historic Fuel Liabilities	-105,117	-11,542	-114,410	-147,740	-267,146	-256,256	-245,600
British Nuclear Fuels/Magnox Decommissioning	169,786	-93,735	-22,241	0	0	0	0
United Kingdom Atomic Energy Authority	-584,231	16,186	-6,986	1,976	-6,407	-6,314	-15,381
Other Liabilities	-479	0	0	0	0	0	0
Total Resource Expenditure in AME	**-830,860**	**5,331,212**	**5,527,614**	**5,981,418**	**-351,902**	**-337,414**	**-330,496**
Total Resource Expenditure	**-223,412**	**5,834,863**	**6,285,039**	**6,435,998**	**297,125**	**399,563**	**504,080**
Capital Expenditure in DEL							
Coal Authority	-378	-10,619	-962	3,561	8,710	4,849	4,222
Civil Nuclear Police Authority	0	1,073	0	955	3,000	3,000	3,000
Nuclear Decommissioning Authority	0	1,012,929	1,051,870	1,071,365	1,183,691	1,193,126	1,187,169
United Kingdom Atomic Energy Authority	0	-7,929	0	0	300	350	300
Other Liabilities	0	-59	0	0	0	0	0
Total Capital Expenditure in DEL	**-378**	**995,395**	**1,050,908**	**1,075,881**	**1,195,701**	**1,201,325**	**1,194,691**
Capital Expenditure in AME							
Coal Pension Schemes	-328,000	-440,280	-569,000	-419,000	-419,000	-409,000	-65,000
British Nuclear Fuels/Magnox Decommissioning	0	0	-550,153	-260,000	-320,000	-20,000	-20,000
Total Capital Expenditure in AME	**-328,000**	**-440,280**	**-1,119,153**	**-679,000**	**-739,000**	**-429,000**	**-85,000**
Total Capital Expenditure	**-328,378**	**555,115**	**-68,245**	**396,881**	**456,701**	**772,325**	**1,109,691**
Total Expenditure	**-551,790**	**6,389,978**	**6,216,794**	**6,832,879**	**753,826**	**1,171,888**	**1,613,771**

Section 2.9
Ensuring that Government acts as an effective and intelligent shareholder

Introduction

2.123 The Shareholder Executive, within BERR, manages shareholdings in a number of Government businesses including the Forensic Science Service, British Waterways and the Royal Mint. Its objective is to work with Government departments and management teams to improve the Government's performance as a shareholder and to provide a source of corporate finance expertise within Government.

2.124 The Shareholder Executive has a portfolio of 28 Government businesses, responsible to 12 different Government departments, with a combined turnover in 2006-07 of around £22 billion, equivalent to around 1.5% of GDP. These figures exclude the NDA, which became the responsibility of the Shareholder Executive in September 2007, and Northern Rock, on which Shareholder Executive was given an advisory role in February 2008.

2.125 The Shareholder Executive either advises ministers directly on their shareholder interests in those businesses, or supports departmental shareholder teams. It is accountable to the respective departmental Ministers and senior officials for its advice on individual businesses. It reports directly to BERR Ministers on six organisations: British Energy plc, BNFL plc, Export Credits Guarantee Department, Nuclear Decommissioning Authority, Royal Mail Holdings plc and United Kingdom Atomic Energy Authority.

Key achievements 2007-08

- BERR exceeded the target of increasing the aggregate value of six of the businesses in its portfolio (Royal Mail, Royal Mint, BNFL, QinetiQ, NATS and CDC) by £1 billion in the three years to March 2007. The cumulative value enhancement figure was £3.4 billion, substantially in excess of the £1 billion target.
- Endorsement from the Public Accounts Committee (PAC)[98] that the Shareholder Executive has improved the way in which Government shareholdings are managed and delivered value for the taxpayer (see annex 7).
- Successfully obtained approval from the European Commission for £634 million of public funding for the UK's network of post offices over a three period from 1 April 2008.

[98] The Shareholder Executive and Public Sector Businesses (PAC report, September 2007): www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/409/409.pdf

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

2.126 In 2004 Ministers set the Shareholder Executive a target of increasing the aggregate value of six of the businesses in its portfolio (Royal Mail, Royal Mint, BNFL, QinetiQ, NATS and CDC) by £1 billion in the three years to March 2007. In its Annual Report for 2006-07[99] the Shareholder Executive reported that the cumulative value enhancement figure was £3.4 billion, substantially in excess of the £1 billion target. The main driver of this increase was the value gain in BNFL following the value uplift realised through the sale of Westinghouse.

Corporate finance

2.127 The Shareholder Executive remains actively involved in many of the larger corporate finance issues facing Government. Most of its work was connected with situations where Government is investing significant sums in non-Government owned businesses.

2.128 A number of regional assistance cases were appraised over the year with an emphasis on companies in the automotive sector. One example is Vauxhall's car plant at Ellesmere Port where the active participation of the Shareholder Executive working across Government was a material factor in the plant successfully securing the work allocation of a new model.

2.129 The team continues to assist in the appraisal of a number of launch investment applications submitted to the Department.

Royal Mail & Postal Services

2.130 In May 2007, in light of the Government's December 2006 public consultation on the future of the post office network[100], the Secretary of State announced investment of up to £1.7 billion in Post Office Limited, building on the previous investment of £2 billion and including a £150 million a year subsidy up to 2011. At the same time, the Secretary of State announced criteria for access to post offices aimed at ensuring that the public has continued access to post office services on a national basis.

2.131 The funding package includes provision for Post Office Ltd to undertake an investment plan aimed at delivering £200 million of annual savings by 2011. As part of the investment plan, Post Office Ltd is carrying out an 18 month network change programme that began in July 2007, which will see the closure of up to 2,500 post offices and the setting up of around 500 new "Outreach" services. This is a difficult and challenging process, but it is essential in order to put the Post Office network on a sustainable footing. In proposing Post Offices for closure, Post Office Ltd is required to take account of a range of factors including impact on the local economy and on vulnerable groups, and must ensure that the Government's access criteria

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[99] Shareholder Executive Annual Report 2006-07: www.shareholderexecutive.gov.uk/publications/pdf/annualreport0607.pdf

[100] The Post Office Network: A Consultation (December 2006): www.berr.gov.uk/files/file36025.pdf

continue to be met. Closure proposals in each area are tested with key stakeholders in advance and are then subject to a six week public consultation.

2.132 In December 2007, the Secretary of State announced an independent review of the postal services market[101]. The review will look at the impact of liberalisation since the market was fully opened at the beginning of 2006 and future trends in the postal market. The review will also consider how a universal postal service can be maintained in a liberalised and rapidly changing communications market.

2.133 The review published an initial response to evidence on 6 May 2008[102]. The initial findings from the review paint a stark picture of the huge changes in the postal market. New technologies are transforming the way people communicate and this will intensify in the coming decade. This has highlighted that, despite progress in recent years, to be successful the Royal Mail must undergo radical change. The review panel is expected to come forward with its conclusions later in 2008.

Figure 2.6: Portfolio of businesses managed by the Shareholder Executive

Department for Business, Enterprise and Regulatory Reform	
British Energy plc www.british-energy.co.uk	Nuclear Decommissioning Authority www.nda.gov.uk
BNFL plc www.bnfl.com	Royal Mail Holdings plc www.royalmail.com/portal/rm
Export Credits Guarantee Department www.ecgd.gov.uk/index.htm	United Kingdom Atomic Energy Authority www.ukaea.org.uk
HM Treasury	
Northern Rock www.northernrock.co.uk	Royal Mint www.royalmint.com
Partnerships UK www.partnershipsuk.org.uk	
Ministry of Defence	
Defence Science & Technology Laboratory www.dstl.gov.uk	UK Hydrographic Office www.hydro.gov.uk
Defence Support Group (DSG) www.dsg.mod.uk	QinetiQ plc www.qinetiq.com
Met Office www.met-office.gov.uk	

[101] For further details on the independent review of the Postal Services market see: www.berr.gov.uk/sectors/postalservices/Review/page45129.html

[102] The Challenges and opportunities facing UK postal services (May 2008): www.berr.gov.uk/files/file46075.pdf

Home Office	
Forensic Science Service	www.forensic.gov.uk
Department for Transport	
NATS Holdings plc	www.nats.co.uk
Department of International Development	
Actis Capital LLP www.act.is	CDC Group plc www.cdcgroup.com
Department for Work and Pensions	
Working Links Limited	www.workinglinks.co.uk
Department for the Environment, Food and Rural Affairs	
British Waterways Authority www.britishwaterways.co.uk	New Covent Garden Market Authority www.cgma.gov.uk
Department for Culture, Media and Sport	
Channel 4 www.channel4.com	The Tote www.totesport.com
Department for Communities and Local Government	
Fire Service College www.fireservicecollege.ac.uk	QEII Conference Centre www.qeiicc.co.uk
Ordnance Survey www.ordnancesurvey.co.uk/oswebsite	
Department for Regional Development (Northern Ireland	
Northern Ireland Water Service	www.waterni.gov.uk
Scottish Executive	
Scottish Water	www.scottishwater.co.uk

Expenditure on ensuring Government acts as an effective and intelligent shareholder

	£000						
	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource Expenditure in DEL							
Royal Mail and Post Office	73,944	14,199	79,234	458,213	304,720	165,650	150,000
Total Resource Expenditure	**73,944**	**14,199**	**79,234**	**458,213**	**304,720**	**165,650**	**150,000**
Capital Expenditure in AME							
Royal Mail Equity Purchase	0	0	430,273	0	0	0	0
Post Office Working Capital Revolving Loan Facility	520,000	-120,000	0	-10,000	50,000	50,000	50,000
Total Capital Expenditure	**520,000**	**-120,000**	**430,273**	**-10,000**	**50,000**	**50,000**	**50,000**
Total Expenditure	**593,944**	**-105,801**	**509,507**	**448,213**	**354,720**	**215,650**	**200,000**

Chapter 3:
Managing the Department

Section 3.1
Introduction

3.1 In order to deliver its strategic objectives, the Department requires effective and efficient services to support its activities. BERR has maintained a focus on developing the capabilities and skills it needs to succeed in its role as the Voice for Business in Whitehall, whilst also working to improve efficiency and effectiveness to increase value for money. The table below outlines the structure of this chapter, which covers how the Department is managed and its performance over the past year.

Section 3.2
Professional support, capability and infrastructure

3.2 This section covers the work of BERR's central functions and relates to Departmental Strategic Objective (DSO) 7: provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered. Delivery of BERR's objectives requires a skilled and committed workforce, reliable Departmental infrastructure, prudent management of resources and good communication with many interested parties. To support policy teams the Department has specialist units providing legal, finance, communications, analytical and human resources expertise as well as information management and technical expertise. The Department is committed to working more efficiently and effectively, raising its capability while closely managing its costs. Below is a short account of the key developments in the past year.

Developing BERR as a new department

3.3 In order to establish itself as a new department, BERR has given additional support and training to its staff to develop the skills, knowledge and behaviours to act as the Voice for Business in Government. In particular, we are focusing on supporting staff to reinforce business understanding and influencing skills, whilst also making the most of the Department's recognised strengths in analysis and delivery. BERR continues to be committed to diversity and to ensuring our workforce reflects the diversity of the businesses and other communities we serve.

Capability Review

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

3.5 The former DTI was assessed in autumn 2006 on ten elements and the subsequent report[103] highlighted strengths in delivery, an impressive record of analysis and use of evidence and success in delivering efficiency and headcount targets ahead of schedule. The report also recommended action be taken in four areas: ensuring the Department's vision and role drives its business; improving leadership; joining-up with delivery partners; and driving corporate performance. During 2007-08, the Department began a programme of activities to implement these recommendations. With the creation of BERR in June 2007, being the Voice for Business in Government was added to the programme.

[103] DTI Capability Review 2006 (December 2006): http://www.berr.gov.uk/files/file36018.pdf

Capability Review *continued*

3.6 The Cabinet Office Capability Review Team returned to BERR in July 2007 and February 2008 to assess progress in the four key areas identified for improvement. They found that BERR's capability work had led to improvements, and praised progress made on leadership, strategic direction, performance management and engagement with delivery partners. A public update report of the twelve month assessment is now available on the Cabinet Office website[104]. There will be a fresh external review in autumn 2008 against the ten elements in the original Capability Review.

3.7 The Department's People Strategy contributes significantly to raising BERR's capability, particularly through leadership development and reinforcing the skills our staff need. The strategy aims to create a high-performing Department by: building the department's leadership capability; managing its people to achieve high performance; developing and deploying their skills and talents; and working in partnership with its employees to develop and sustain a diverse, motivated workforce.

Leadership programme

3.8 BERR has further developed its leadership capability by continuing to develop its top team (the Department's Management Board) and its senior managers. The Department has continued to run the successful Accelerated Development Programme for employees with the potential to reach team leader posts within three to four years and senior management positions in the future. It also continued the successful New Leaders programme to support newly promoted senior civil servants.

3.9 Evaluation of the 18-month middle management leadership programme rolled out between June 2005 and January 2007 showed a statistically significant increase in leadership capability and other Professional Skills for Government[105] competences the programme sought to build.

3.10 The evaluation of senior manager leadership development reported benefits including improved team communication and greater clarity of objectives amongst staff. The Department has fed the successful elements identified by the evaluation, for example 360 degree feedback, into mandatory management development programmes. BERR is also using these in other management learning in the department. Staff survey results from 2007 show a positive picture of BERR's leadership capability, with 12 out of 16 questions asked of all staff on leadership showing significant improvement since 2006.

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[104] Cabinet Office Capability Review Report (February 2008): www.civilservice.gov.uk/about/accountability/capability/index.asp

[105] For further details on Professional Skills for Government see: http://www.civilservice.gov.uk/iam/psg/

Leadership programme *continued*

3.11 During 2007-8, BERR launched an Emerging Leaders pilot programme to identify middle managers with the potential to reach the senior civil service within three years. The Department successfully identified 30 staff through an assessment centre which assessed candidates against the PSG framework and assessed their leadership potential. The programme started in summer 2007 and the pilot is currently being assessed.

3.12 The programme was successful in encouraging staff from under-represented groups to apply and the diversity data for the final successful applicants suggested the group was representative of the wider BERR population. So far, one participant in the programme has achieved promotion to the senior civil service. BERR initiated a senior civil service promotion competition at the end of March 2008, which will be completed by July 2008.

Skills strategy

3.13 Developing the skills of BERR's employees also continues to be a priority for the Department. A revised BERR Skills Strategy for 2008-11 was agreed in May 2008. This supports the continued growth of staff capability for BERR's role as the Voice for Business in Whitehall and the broader skills strategy for Government. Priorities include influencing skills and greater understanding of business.

3.14 The Department runs a series of lunchtime seminars, open to all staff, that look at topical European issues, and technical workshops that cover specific EU issues in depth. It is also developing an internal monitoring programme for those with EU expertise to share their skills. The Department's Energy Group also runs an innovative learning and development opportunity for the benefit of its staff, the Energy School, which has been seen as a highly effective approach to upskilling and knowledge sharing.

3.15 Staff survey results from 2007 show an improved position on developing skills and talents. BERR staff are more optimistic than most of central Government about opportunities for personal growth and development but there are concerns about finding time to develop skills.

3.16 The Professional Skills for Government Framework is a personal and career development framework to cover civil servants across Government. Following roll-out to senior civil servants and feeder grades in 2006-7, BERR rolled out the framework for remaining staff in 2007-8, with staff at all levels completing a skills assessment against PSG core skills.

Staff survey

3.17 A comprehensive survey of BERR employees took place during November 2007. This was an important opportunity for staff to inform BERR's senior managers about what it is like to work for BERR and to share thoughts on BERR's strategic priorities, as well as on the way the Department is led and managed. The results have informed the BERR Business Plan and fed into staff objectives, enabled benchmarking with other organisations and supported development planning. The results for 37 of the 66 attitudinal questions show a statistically significant improvement on those for the DTI in 2006 across a range of issues. BERR results exceed central Government averages for 20 out of 34 available benchmarks.

3.18 The results paint a cautiously optimistic picture of the new Department, compared with the DTI in 2006, with stronger leadership capability, improvements in performance management, a real commitment to career development and higher levels of staff satisfaction.

3.19 Less positive results relate to the pressures of increasing workloads, the time available for developing skills, remuneration and the physical working environment. In response, we have developed innovative approaches to learning and development, such as an on line Virtual Learning Resource Centre, and introduced a major programme to improve ventilation and cooling in our main offices. We are also seeking to build staff pride in the Department.

Diversity within BERR

3.20 BERR has continued to make progress with its Diversity Strategy 2005-08. The Strategy also takes account of the cross Whitehall 10 point plan[106], which committed Government departments to targets and key areas for action on diversity.

3.21 Throughout 2007-08, the Management Board and Diversity Steering Group continued to monitor progress on the Diversity Strategy and the Permanent Secretary continued his dialogue with the department's diversity steering groups. The training to raise key leaders' awareness of diversity issues was well received and BERR developed a computer based diversity awareness programme for all staff to complete in 2008-09 to support the Departmental value "working together".

3.22 BERR continues to monitor internal indicators on the extent to which equality of opportunity is embedded across the Department. Section 3.5 of this report discusses how the Department promotes equality of opportunity externally in all its functions for race, gender and disability. The Department takes the duty to promote equality very seriously and continues to consider, and mitigate against any potential negative impact our people policies may have on under-represented or disadvantaged groups of staff.

3.23 BERR is one of the Government departments that has fully met the Cabinet Office's civil service wide diversity targets for the proportion of the senior civil service (SCS) from under-represented groups. BERR has met some of its own more ambitious targets for SCS representation, meeting the target for women in the SCS and exceeding that for staff in the SCS with disabilities or long term health conditions. The proportion of staff below the SCS choosing to declare their diversity data has increased as a result of a joint effort between the Department and Trade Unions.

Figure 3.1: BERR's senior civil service (SCS) diversity statistics

Diversity category	Civil service 10 Point Plan target (set 2005 to be achieved by April 2008)	Department target (to be achieved by April 2008)	DTI performance (April 2007)	BERR performance (April 2008)
SCS who are women	37%	37%	30%	37%
Top SCS posts occupied by women	30%	35%	23%	30%
SCS from ethnic minority backgrounds	4%	8%	5%	4%
SCS with disabilities	3%	5%	3%	5%

[106] For further details on the Civil Service 10 Point Plan see: www.civilservice.gov.uk/ian/diversity/10point/index.asp

Flexible deployment and project management

3.24 BERR's Project Pool develops staff skills in project and programme management and deploys these staff quickly and flexibly to the Department's top priority projects. This way of working, which includes around 190 staff, also supports better project and programme management. After three years of operation, the Project Pool is regarded as an exemplar of flexible resourcing in Whitehall and provides advice to other Government departments setting up similar arrangements.

3.25 BERR's Projectcentre aims to maximise the success of programmes and projects across the Department and in its delivery partners by providing support, advice and professional guidance on project management and project based working. This support is then evaluated with any lessons learned incorporated into future activity, to ensure we build on our solid reputation for delivery. The Projectcentre has also provided "health checks" for projects and programmes along similar lines to Office of Government Commerce (OGC) gateway reviews, which examine programmes and projects at key decision points in their lifecycle. In January 2008, BERR achieved "medium risk delegation" from OGC meaning that BERR is competent to carry out gateway reviews on medium risk projects in-house achieving a saving of £2,000 per review.

Providing professional support and infrastructure

3.26 Whilst building capability and achieving value for money, BERR has also provided enabler services effectively, against a backdrop of significant organisational change and while achieving value for money and efficiency savings. In particular, further savings have been made in 2007-08 on Information Technology and Estates. These services include a range of professional support and workplace and infrastructure services. They support the achievement of all the Department's objectives.

Legal support

3.27 BERR has continued to benefit from expert legal advice on aspects of policy, investigations, prosecutions, EU negotiations, the development of international commercial and private law and Freedom of Information issues. Significant projects are detailed below.

- Delivery of the Consumers Estate Agents and Redress Bill; the Energy White Paper; the Employment Bill; and the Regulatory Enforcement and Sanctions Bill.
- Implementation of the Companies Act, the Unfair Commercial Practices Directive, Services Directive and Waste Electrical and Electronic Equipment Regulations (WEEE).

3.28 The Department has a high level of satisfaction (98%) with the legal advice it receives and ongoing feedback from independent assurance providers such as the Attorney General's Office, Parliamentary Counsel and the Merits of Statutory Instruments Committee, has remained positive.

Analytical support

3.29 Analytical work is key to assessing how to improve the business environment or influencing others to. It is used to support BERR's strategic direction and underpins policy development. The Department's analysis of globalisation and the UK productivity and competitiveness agenda also contributes to a better understanding of the challenges and opportunities of globalisation for businesses in the UK, as well as of the drivers of productivity, and what Government can do to improve it.

3.30 During 2007-08, this analytical work has contributed to areas including the Business Support Simplification Programme, the Enterprise Strategy, and the review of the Government's Manufacturing Strategy.

Communications

3.31 An important challenge in 2007-08 has been to communicate to many audiences what the new Department is about, while continuing to engage them across the full range of its work.

Media relations and marketing

3.32 BERR has ensured the Department's audiences have been engaged in its initiatives and programmes. This has been achieved through accurate coverage in the print, broadcast and online media, with notable examples including balanced coverage of the White Paper on Nuclear Power in January 2008 and the Enterprise Strategy alongside the Budget in March 2008.

3.33 BERR also ran a number of communications campaigns, including on the National Minimum Wage, employment guidance and firework safety. An innovation of the National Minimum Wage campaign was a bus which took the campaign messages into local communities over a nine week period. This was seen by approximately 727,000 people and involved the distribution of an estimated 132,000 leaflets.

Correspondence and enquiry handling

3.34 The Whitehall correspondence target requires Government departments to respond to 80% of correspondence from MPs within either 15 or 20 days. BERR uses the 15 day standard and in 2007 scored 74%, compared to 71% in 2006. The Department replied to over 2,000 letters and emails during 2007, ranking BERR fifth amongst the ten departments who use the 15 day target. BERR met the Whitehall enquiries target, answering 93% of telephone calls within 15 seconds.

3.35 As this report covers a different reporting cycle (the financial year) to that of the Ministerial Correspondence target (the calendar year), it is worth saying that implementation of a new correspondence handling process has temporarily affected performance against the month-on-month correspondence target for the first half of 2008. This is likely to affect the averaged out performance figure which will be reported at the end of 2008.

Estates management

3.36 Achievements over 2007-08 have included:

- Providing accommodation services for the new DIUS, who were successfully moved into Kingsgate House, on London's Victoria Street, on time and within budget.
- Excellent progress on environmental and energy performance. The sixth annual Sustainable Development in Government Report[107] published by the Sustainable Development Commission awarded BERR five stars out of five for performance against Sustainable Operations on the Government Estate[108] targets in 2006-07. BERR also improved its overall performance, coming third in the departmental rankings table, and discontinued the use of bottled water, with tap water provided in reusable glass bottles instead. Annex 5 discusses environmental sustainability.

Security and resilience

3.37 BERR has held a successful simulated business continuity exercise, subsequently strengthening internal contingency planning, in addition to strengthening flu pandemic planning within BERR and across BERR sponsored critical national infrastructure sectors.

[107] Sustainable Development in Government Report 2007 (SDC, March 2007): http://www.sd-commission.org.uk/sdig2007/

[108] For further details on Sustainable Operations on the Government Estate see: http://www.sustainable-development.gov.uk

Information and workplace services

3.38 BERR met its headline objective for 2007-08 of lowering its operating costs wherever possible, whilst still delivering all services to the agreed service levels. These services comprise: information management, estates management, security and resilience and information technology. A real cost saving of £16 million was achieved in this area in year 2007-08[109] and a real cost saving of £14.7 million is planned for 2008-09.

Information Management and Information Strategy

3.39 BERR's electronic data and records management system, known as Matrix, is recognised as an exemplar in Whitehall. An upgrade to the system was successfully introduced in August 2008, which won the Tower Software European Upgrade of the Year award. The proportion of staff actively using Matrix within BERR has increased by almost 10% since the upgrade.

3.40 BERR has continued to ensure sound administration of information rights legislation and maintained its position in the top quartile of Government departments for the proportion of Freedom of Information requests answered on time. BERR gave 100% of applicants making subject access requests their own personal data within the deadline set down in law.

3.41 BERR is responding to the Government's Review of Data Handling[110] and has tightened data handling procedures within the central Department. Delivery partners have been advised on how best to protect personal data.

Reporting of Personal Data Related Incidents

3.42 BERR reported no incidents of the loss of any "Protected Personal Data" to the Information Commissioners Office in 2007-08 (or prior years). There were no "Other Protected Personal Data" incidents in 2007-08 (or prior years) such as the loss of inadequately protected or insecure disposal of electronic equipemnt, devices or paper documents from secured Government premises, or any other authorised disclosure.

BERR will continue to monitor and assess its information risks, in order to identify and address any weakness and ensure continuous imrovement of systems.

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[109] These include savings on estates and ICT, where progress towards savings targets for 2008-9 is on track.

[110] For further details on the Government's Review of Data Handling see: http://www.cabinetoffice.gov.uk/newsroom/statements/071123_data.aspx

Section 3.3

Efficiency programmes

3.43 In providing professional support and infrastructure and deploying its people flexibly, BERR has continued to increase its efficiency and effectiveness in order to increase value for money. Effective financial management has been important in achieving efficiency targets from the 2004 Spending Review and will continue to be so in meeting the efficiency targets set in the 2007 Comprehensive Spending Review.

Financial support

Comprehensive Spending Review 2007 (CSR07)

3.44 CSR07 set BERR's budgets and objectives for the next three years. The BERR budget will be, on average, approximately fixed in nominal terms over the period and includes funding for priorities such as continued support for business and the promotion of enterprise, an ambitious better regulation programme that reduces unnecessary regulatory burdens and works for the public, private and third sectors and additional funding for the Nuclear Decommissioning Authority. In line with other Government departments, BERR's administration budgets will reduce at 5% annually in real terms. BERR will use its internal, annual business planning process to implement the settlement and continue to monitor performance.

Finance Excellence Programme (FEP)

3.45 The FEP is focussed on building BERR's financial management capability, effectiveness, efficiency and professionalism. Achievements include improved business planning, performance and risk management, forecasting, monthly management accounts, significantly reduced invoice transaction costs, improved systems upgrades and providing improved advice on the financial implications of decisions to Ministers. Improved financial skills and a new finance organisation structure will also be delivered by the FEP.

Transaction costs

3.46 BERR has maintained financial transaction costs at 2006-07 levels, at £5.20 per invoice. Operational impacts of the Machinery of Government changes have been absorbed and further reductions are anticipated. Improvements to Accounts Receivable processes in 2007-08 have reduced BERR's level of aged debt (overdue by 30 days or more), reducing outstanding balances from £12 million to £4.5 million.

BERR's SR04 efficiency target

To achieve annual efficiencies of at least 2.5%, equivalent to at least £380 million (adjusted to £209 million[111]) by 2007-08. Following changes to the way in which Government is organised in June 2007, outlined below, responsibility for a number of work streams transferred to the DIUS. At least half of these efficiencies will be cash releasing, allowing resources to be recycled to priority programmes[112].

3.47 Following several Machinery of Government changes in June 2007, it was agreed with HM Treasury that the Department for Children, Schools and Families (DCSF) and DIUS would work with BERR on delivering and reporting the respective legacy DTI and Department for Education and Skills (DfES) targets that have transferred to DIUS for the remainder of the SR04 period. Work has been undertaken to split out the financial efficiency targets and relocation targets which transferred to DIUS. As part of this programme, BERR had the following targets to be achieved by the end of 2007-08:

- Deliver around 80% of the total efficiency gains principally by means of increasing the effectiveness of the Department's business support products;
- Deliver around £20 million of savings through improved procurement, particularly of external consultancy and ICT, and rationalisation of the BERR estate;
- Work with RDAs to ensure the efficient devolution of business support products and to minimise overlaps in service provision; and
- Achieve a total reduction in civil service posts of 1,010 in the core Department[113], 200 in UKTI, 270 in other bodies, and be on course to have relocated at least 710 posts[114] out of London and the South East by 2010. The relocations target has been split with DIUS, with BERR responsible for delivering 527 relocations with the remaining 183 falling to DIUS.

[111] Adjusted to £209 million following changes to the way Government is organised in June 2007.

[112] Releasing Resources to the Frontline: Review of Public Sector Efficiency (Gershon, July 2004): http://www.hm-treasury.gov.uk/media/C/A/efficiency_review120704.pdf

[113] The "Core Department" includes BERR and the following units: UKTI; the Export Control Organisation; and the Shareholder Executive. The "Departmental family" includes the Core Department and its delivery partners outlined in annex 4.

[114] The relocations target is for 710 posts as opposed to the target of 685 published in the Gershon review as it includes an additional relocations target of 25 posts, transferred from Cabinet Office in June 2007.

Achievements 2007-08

3.48 BERR delivered efficiency savings of £365 million against the £209 million target for the SR04 period. Figure 3.3 sets out the detailed financial savings against efficiency targets. The following areas achieved savings beyond their target:

- Rationalisation of BERR's Business Support Schemes resulted in considerable savings above the original target. Monitoring Surveys provided quality assurance evidence.
- Significant savings have been achieved from the implementation of the "two-roof" estates optimisation programme. Savings on commodity items from better commercial deals have been exceeded.
- RDA work streams have realised efficiency savings ahead of target as they continue to achieve savings from structural and strategic programme changes.

3.49 The core Department, including BERR staff in Government Offices, has delivered 1,527 staff reductions against the target of 1,010. The Department's agencies have delivered 235 staff reductions against the 270 target

3.50 BERR, its agencies and delivery partners have relocated 383 posts from London and the South east against a target of 85 posts by March 2008 and against the overall target of 527 posts by March 2010. Areas where posts have been relocated include; Belfast, Leeds, Newport, Birmingham, Manchester and Swindon.

Further details on restructuring and redeployment

3.51 BERR is a policy-focused Department with delivery increasingly carried out by its delivery partners. This has required a rolling programme of restructuring and significant reductions in staff numbers. In restructuring, BERR's and previously DTI's aim has been to minimise compulsory redundancies. Since January 2007, 490 posts have been declared surplus. Support provided to people in these posts ensured that by March 2008 about 230 found new posts. A further 246 left the department for various reasons (mostly on voluntary departure schemes) and the remainder await an outcome.

Figure 3.2: Detailed financial savings against efficiency targets[115]

SR04 EFFICIENCY Workforce targets	2005-06 delivery (Year one) Q1–Q4		2006-07 delivery (Year two) Q1–Q4		2007-08 delivery (Year three) Q1–Q4		SR04 2005–2008 Overall target	
Staff reductions[116]	1062		1251		1527		1010	
Agency reductions	167		189		235		270	
Relocations	251		314.5		383		685	
Financial efficiency gains (cumulative)	N/C[117]	C[118]	N/C	C	N/C	C	N/C	C
	£m	£m	£m	£m	£m	£m	£m	£m
Staff reductions	0.00	33.71	0.00	37.63	0.00	39.41	0.00	39.25
Internal Operations[#]	4.25	11.85	-0.12	31.98	-0.12	55.51	20.29	13.96
Value for money in programme spend	0.00	1.92	27.09	5.82	27.09	5.82	12.42	20.07
Business Support	0.00	27.50	0.00	70.21	0.00	70.21	0.00	41.36
Nuclear Decommissioning Authority (NDA)[119]	N/A	N/A	0.00	40.00	0.00	65.60	0.00	13.72
RDAS (total)[#]	23.07	24.15	76.11	81.59	172.72	190.32	73.59	73.59
RDAs (BERR)[120]	2.92	3.06	9.64	12.39	21.87	37.59	9.32	14.59
Trading Fund (Companies House)	1.10	0.00	1.10	0.00	4.80	0.00	7.70	0.00
Delivery Partners	4.54	1.78	8.67	7.30	3.00	8.25	6.37	10.59
Exceptional items[121]	0.24	12.91	0.24	18.08	0.24	25.75	N/A	N/A
Total (BERR)[122]	**13.05**	**92.73**	**46.62**	**223.42**	**56.88**	**308.14**	**56.10**	**153.54**

115 All data exclude legacy DTI efficiency savings (RCUK, IPO, NWML and Design Council) which have transferred to DIUS and which are reported in the DIUS Annual Report & Accounts

116 Reductions delivered by core BERR (include BERR activity in Government Offices; excluding UKTI).

117 N/C = Non-cashable efficiency gains. These are essentially representative of the Department and its work streams delivering more outputs for the same level of funding. These gains do not release ‘cash’ for reinvestment, but allow the Department to keep funding at constant cash levels in these activities.

118 C = Cashable efficiency gains. These gains are cash releasing and are representative of the department’s ability to maintain delivery levels, while reducing spend in the areas identified.

119 BERR is the lead sponsor Department for RDAs and has overall responsibility for efficiency delivery. All Departments that contribute to the RDA Single Pot claim from the total savings achieved on a pro rata basis. Presented above are the total savings and the former BERR’s share of those total savings.

120 In line with existing reporting mechanisms for BERR NDPBs and the RDAs report delivery one quarter behind actual delivery.

121 Exceptional items include efficiency gains which were not original targets but score against Gershon efficiency criteria and provide contingency for the Programme. The figure relates to procurement savings reported to OGC in 2004-05 as part of our central procurement return.

122 The total represents BERR savings only, including BERR’s share of RDA savings. The full RDA savings presented in the table are for information only, and are excluded from the total.

Several work streams have been audited over the lifetime of the programme by Internal Audit within BERR and in Delivery Partners.

Figure 3.3: Classification of reported efficiency gains[123]

Status of gains	£m	Data assurance	£m
Preliminary	£22.31	Partial	£0.04
Interim	£19.69	Substantial	£45.04
Final	£323.04	Full	£319.96
Total	£365.04	Total	£365.04

3.52 The final SR04 efficiency savings total will be reported in the BERR Autumn Performance Report 2008.

Value for Money

3.53 Building on the success of the SR04 efficiency programme, as part of BERR's CSR settlement, BERR has been tasked with making annual value for money savings in real terms of 3% on its core programme budgets and 5% annual savings in its administration budget[124]. This represents a total saving of £307 million in 2010-11, including £49 million in its administration budget. BERR will be making these savings by:

- making savings and efficiencies in our delivery contracts;
- focusing on our highest priority areas where we can have the most impact;
- service transformation; and
- delivering reductions in our facilities costs and making savings on our regional estate.

3.54 In addition, the RDAs have been tasked with making 5% annual value for money savings in real terms, totalling £700 million over the CSR period.

[123] Reported gains have been classified according to HM Treasury measurement guidance. For projects where the Department is still finalising balancing quality measures or are still awaiting data on agreed quality measures. Reported gains have been classified according to HM Treasury Measurement guidance.

[124] Section 4.5 of this report provides further details on programme and administration budgets.

Section 3.4
Better regulation

3.55 Adherence to better policy making principles is at the heart of BERR's agenda. The incorporation of the Better Regulation Executive from the Cabinet Office into BERR in June 2007 reinforced this. Section 2.5 provides details on the cross-Government activities of the Better Regulation Executive.

3.56 This section focuses on the regulations which BERR itself administers. A key milestone achieved has been the identification of measures to reduce, by 25%, annual administrative burdens imposed by BERR by 2010. These measures are set out in detail in the BERR Better Regulation Simplification Plan 2007[125] discussed further in this section.

Culture change

3.57 Promoting and maintaining the right corporate approach on regulation and policy making is an issue to which BERR attaches high priority. The main vehicle for tackling this is our better policy making culture change strategy. Through the strategy, BERR is promoting good quality impact assessment, programme and project management principles and effective stakeholder engagement.

3.58 On skills, BERR is providing staff courses on better policy making underlining the need for light-touch approaches. BERR's Ministerial Challenge Panel continues to be highly rated for its role in opening policy development to external challenge. These activities have the strong support of the senior management team, whose performance and personal remuneration continues to be linked to successful delivery on this agenda.

Impact Assessments (IAs)

3.59 BERR's Better Regulation team and economists were involved in the development of a new Government IA template introduced during May 2007. These accompany any new policy proposal affecting business, allowing the benefits of potential options to be compared in detail to potential costs. Since the introduction of the new IA template, over 140 officials have benefited from the regular training workshops that have been held to help improve the Department's capability in the completion of IAs.

3.60 BERR economists also continue to lead on a number of cross-departmental better regulation initiatives. In particular, the IA Peer Review Group has been established to ensure the ongoing engagement of BERR's economists in the development of IAs. It scrutinises and challenges IAs to ensure they meet the requirements of better policy making and are able to withstand wider external scrutiny.

[125] BERR Better Regulation Simplification Plan (December 2007): http://www.berr.gov.uk/files/file42767.pdf

Consultation

3.61 The Department's 2007-08 consultations are detailed below. BERR follows the Cabinet Office Code of Practice on Consultation[126].

Total consultations held by BERR 2007-08	45
Lasted 12-weeks or more	39
Ministerial authorisation for shorter consultation	6
Compliant with the Department's consultation template	44
Two or more consultation methods used	45

Simplification and reduction of the administrative burden

3.62 BERR's burden reduction programme is channelled through its annual Better Regulation Simplification Plans. BERR's Simplification Plan 2007 sets out savings delivered and future proposals to deliver net reductions in administrative burdens worth more than £1 billion per year within the next two years. The five key initiatives that will deliver the bulk of the reductions are: implementation of the Companies Act 2006; delivery of an improved employment dispute resolution system; improved guidance for employers on employment law obligations; implementation of the EU Unfair Commercial Practices Directive (UCPD); and a consumer law review. The target date for delivery of all our measures is 2010. The main measures in the Plan grouped by delivery date are as follows:

Achievements between May 2006 and October 2007	
Employment Law	• Changes to National Minimum Wage regulations saving employers £5 million per year (implemented October 2006). • Revised Business Link tools and guidance on producing statements of employment particulars and redundancy terms (implemented May 2007).
Company Law	• Enabling electronic communication with shareholders, with estimated savings of around £66 million per year (implemented January 2007). • Removal of the requirement for private companies to hold Annual General Meetings, with projected savings of over £45 million per year (implemented October 2007).

[126] Cabinet Office Code of Practice on Consultation (January 2004): www.berr.gov.uk/bre/consultation%20guidance/page44459.html

Measures implemented October 2007 to May 2008
• Implementation of the EU UCPD will lead to the repeal of several pieces of consumer legislation and replacement with a general duty not to trade unfairly. Projected savings are about £216 million per year. • Various guidance projects in employment law rolled out starting in 2007 have the potential to deliver up to £365 million in administrative burdens reductions.
Measures being implemented May 2008 to May 2010
• Companies Act measures, including simplifying capital maintenance rules and directors' general duties. Further savings over £150 million per year (due by October 2009). • Insolvency measures, simplified Individual Voluntary Arrangements, and consolidated secondary legislation with projected savings of £23 million per year (due in 2008). • Employment law measures in the Employment Relations Bill, including the outcome of the dispute resolution review, will potentially deliver administrative burdens savings worth up to £182 million per year.

Section 3.5
Promoting equality of opportunity

3.63 BERR, along with other public sector organisations, is required by law to promote equality of opportunity in all its functions for race, gender and disability[127]. This section provides an update on actions set out in the Department's Race, Disability and Gender Equality Schemes[128]. Legal Equality Duties and BERR's internal guidance, the "Toolkit for Equality Duties" have been widely publicised internally. Section 3.2 discusses BERR's work on diversity, including race, gender and disability, with regard to BERR employees.

Commitments in race, disability and gender equality schemes

Equality Impact Assessments (EQIA)	Progress made
Employment Bill	The Employment Bill EQIA[129] covers the dispute resolution review, national minimum wage and employment agency standards enforcement. It finds that proposed changes to the dispute resolution system should apply equally to all groups. Data from the Tribunals Service shows a relatively high proportion of race and disability discrimination cases are resolved by Acas conciliation, which will be better funded following the proposed changes to dispute resolution.
Increasing statutory paid leave entitlement	An EQIA had been published including a full regulatory impact assessment (RIA)[130]. All elements of the proposals are intended to affect workers equally regardless of their age, race, sex, disability, religion or belief, or sexual orientation. The race EQIA suggested the policies were likely to benefit non-white employees more than the average employee.
Vulnerable agency workers	An initial Race EQIA has been published in the Government response to the consultation[131]. While the responses received did not provide reliable estimates of the likely impacts by race, industry statistics suggest that a higher proportion of people from ethnic minorities work through agencies than in the general population. BERR will work with race equality bodies and relevant community groups to ensure impacts are monitored.

[127] The Race Relations Act 1976 (as amended by the Race Relations (Amendment) Act 2000); the Disability Discrimination Act (as amended by the Disability Discrimination Act 2005) and the Sex Discrimination Act 1975 (as amended by the Equality Act 2006). There is no similar legislation currently as regards religion or belief, sexual orientation or age.

[128] BERR Race, Disability and Gender Equality Schemes: www.berr.gov.uk/about/strategy-objectives/how-we-work/equality-schemes/page35704.html

[129] BERR Employment Bill Impact Assessments (February 2008): www.berr.gov.uk/files/file44363.pdf

[130] Increasing the holiday entitlement: final Regulatory Impact Assessment (June 2007): www.berr.gov.uk/files/file39873.pdf

[131] Protecting vulnerable agency workers: Government response to the consultation (November 2007): http://www.berr.gov.uk/files/file42483.pdf

Equality Impact Assessments (EQIA)	Progress made
Additional Paternity Leave & Pay (APL&P)	A full EQIA will be published in conjunction with the final impact assessment, alongside the draft APL&P regulations.
Business Support Simplification Programme (BSSP)	An EQIA[132] was published as part of an impact assessment. To encourage responses the African Caribbean Business Network and Ethnic Minority Business Forum were briefed.
White Paper on Nuclear Power	Initial screening for equality impact[133] showed no differential impact on race, disability or gender equality.
BERR restructure	This diversity impact assessment[134] addresses issues emerging from the process of restructuring BERR, and previously by DTI, between October 2006 and December 2007.

Other actions

Information Services	
Access to information and services	BERR has improved the accessibility of its core website, which meets AA accessibility levels[135]. Guidance on developing special needs applications was published in September 2007.
Energy Group	
Tackling fuel poverty (joint with Defra)	The number of households in fuel poverty in England continues to be monitored annually by BERR and Defra, including the number of households in the vulnerable category.

[132] BSSP impact assessment (December 20007): www.berr.gov.uk/files/file42813.pdf

[133] Impact assessment of the Government's White Paper on nuclear power (January 2008): www.berr.gov.uk/files/file43205.pdf

[134] Diversity Impact Assessment: Restructuring BERR and DTI (December 2007): www.berr.gov.uk/about/strategy-objectives/how-we-work/dia/index.html

[135] World Wide Web Consortium (W3C) Web Accessibility Initiative (WAI): www.w3.org/WAI/

Enterprise and Business Group	
Digital Television Switchover	A quarterly "Switchover Tracker" reports on understanding, awareness and take-up of digital TV, including by gender, age and disability, and is used to inform communication strategies.
The Digital Strategy	UK Online Centres continue to be successful in encouraging involvement in the digital revolution. Monitoring is used to assess whether social exclusion is being addressed. Paul Murphy MP has been appointed as Digital Inclusion Minister.
"Myguide" service	The "Myguide" service[136], implemented nationally in October 2006, is the main tool used by UK Online Centres across England to help the estimated 39% of adults who are not online get the skills and confidence to make the internet work for them. The centres are continuing to develop "Myguide" and more resources are being added to the site.
Research on under-represented groups in business by gender, ethnicity and age	A commissioned household survey and evaluation of the Small Firms Loan Guarantee[137] added to the evidence about how entrepreneurial attitudes vary across different groups and effectiveness in removing the barriers faced by women and ethnic minority owned businesses in accessing finance.
Ethnic Minority Business Task Force (EMBTF) and Women's Enterprise Task Force (WETF)	In June 2007 the Government announced the launch of the EMBTF and WETF, which will foster growth of ethnic minority owned and women owned firms and boost entrepreneurship in those groups. The EMBTF and WETF, working with BERR, have launched a series of road-shows to help ethnic minority and women owned businesses bid for Olympic Games related contracts and to help them win other public sector contracts.
BERR funding for Enterprise Insight	Enterprise Insight's remit is to increase motivation and confidence, entrepreneurial experience, capability and ambition, and to stimulate the creation and growth of business. Enterprise Insight activity has primarily concentrated on young people aged 14 to 30 years. In line with the Government's Enterprise Strategy[138], Enterprise Insight are now taking on a more focused range of initiatives to address the specific needs of women, some ethnic minority groups at all ages and people over 50 years.

[136] The "Myguide" online service: www.myguide.gov.uk/myguide/Home.do

[137] Small Firms Loan Guarantee Annual Report 2006-07 (July 2007) www.berr.gov.uk/files/file40539.pdf

[138] Enterprise: Unlocking the UK's talent (March 2008): www.berr.gov.uk/bbf/enterprise-smes/enterprise-framework/index.html

Fair Markets Group	
Fair Treatment at work survey	This survey monitors the extent of employee discrimination, unfair treatment, bullying and sexual harassment. The results from the first survey in 2005 are informing work on the second survey to be conducted in 2008. There is ongoing activity to raise awareness of employment status and rights by improving guidance, particularly targeting migrant worker communities.
Extension of the right to request flexible working	On 6 April 2007, the right to request flexible working was extended to carers of adults and subsequently, on 6 November 2007, extended to parents of older children. This change will help employees balance their work and caring responsibilities. A review of where the cut-off age for older children should be is being conducted by Imelda Walsh, Human Resources Director of J Sainsbury Plc.
Unfair Commercial Practices Directive (UCPD)	The UCPD introduces a general duty on business not to treat consumers unfairly. The UCPD Regulations came into force on 26 May 2008. Between May and August 2007, the Office of Fair Trading (OFT) and BERR jointly consulted on guidance on the implementation of UCPD. This sets out how the additional protection for vulnerable groups will operate in practice.
National Minimum Wage	BERR continues to raise awareness amongst vulnerable workers. Two thirds of beneficiaries continue to be women.
Face-to-face debt advice projects	The number of disabled people assisted by over indebtedness projects will be monitored quarterly. Debt advice providers were encouraged to set out in their bids for grant funding details of how they will ensure services are targeted at a range of social groups, including people from black and minority ethnic (BME) backgrounds. The selected bids provide coverage of areas with high BME populations and extra resource has been provided to assist in the provision of advice to these groups, for example interpreters.
Consumer Credit Act	The impact of the statutory instruments in the Act on equality and fairness were considered following public consultation. Stakeholder engagement is continuous, including those representing vulnerable consumers. No adverse impact on equality is foreseen from the Act. Issues around money lending practices in Muslim communities are currently being discussed with the Islamic Bank of Britain.
Doorstep selling	The IA[139] highlights that vulnerable groups may be particularly at risk from rogue traders and bogus selling practices and they feature prominently in evidence of consumer detriment and doorstep crime. No consumer should be put at a disadvantage when purchasing goods or services in their own home.

[139] Regulatory Impact Assessment of doorstep selling and cold calling measures (September 2006): http://www.berr.gov.uk/files/file33820.pdf

Shareholder Executive	
Post Office Network Strategy and public consultation	As part of the consultation exercise on the future of the post office network, the former DTI sent its consultation to a range of national organisations representing minority groups and invited comments. All responses were considered and the guidance set out by Government in its response to the consultation document[140] was that "no particular group of people should be significantly more adversely affected by closures or other changes in service provision than any other".
UK Trade & Investment	
Performance and Impact Monitoring Survey (PIMS)	PIMS results allow UKTI to monitor the extent to which there is an increase in the number of currently under-represented groups accessing services as a result of the targeted initiatives taken. UKTI also undertakes a range of outreach initiatives targeted at minority groups, including female entrepreneurs and taking forward the Ethnic Minority Business agenda.

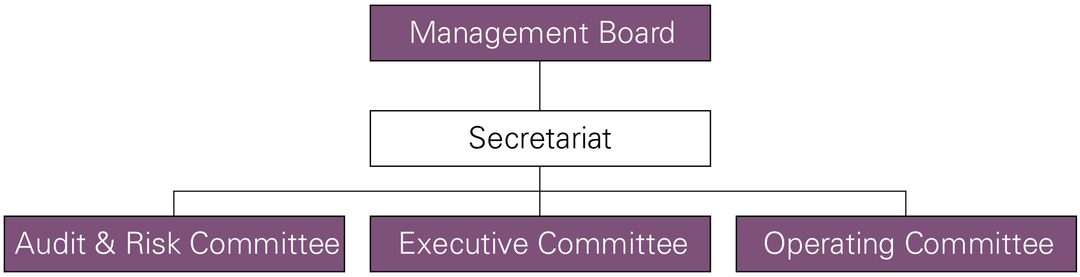
BERR delivery partners	
Companies House	Companies House produces a comprehensive Diversity Statistical Monitoring Report which covers diversity related categories and enables the organisation to monitor trends and implement relevant action. Diversity Awareness Training is increasingly used.
Insolvency Service (INSS)	The INSS has undertaken further research to inform assessment of the relevance and impact of proposed policies on equality and diversity. Re-screening for equality impact showed: • Introduction of Debt Relief Orders showed no differential impact based on race or age. However, there was potential for a positive impact on women and individuals with disabilities, as such debtors are more likely to meet the entry criteria. • Introduction of Streamlined Individual Voluntary Agreements showed no differential impact based on race or disability. However, there was potential for a positive impact on women and younger people as such debtors are more likely to meet the entry criteria.

[140] The Post Office Network: Government response to public consultation (May 2007): http://www.berr.gov.uk/files/file39479.pdf

BERR delivery partners	
	• Consideration of the removal of court from the debtor's petition process showed no differential impact based on race or age. However, there was potential for a positive impact on women and individuals with disabilities as information shows that women are more likely to feel there is a stigma associated with bankruptcy and would therefore not be willing to access bankruptcy due to its current stigma. In addition, removal of the requirement to attend at courts to file a bankruptcy petition should benefit people unable to travel to court due to disability.
Acas	Acas have conducted a comprehensive equality monitoring exercise across all staff and carried out IAs for new policies and procedures including co-location of head office staff to another location in London. EQIAs were carried out on several HR policies ranging from use of Assessment Centres to policy on special leave. Following an Equal Pay Review in 2006, Acas formed a working group to monitor gender issues including addressing any underlying reasons for pay gaps. Acas has a network of Disability Champions to deliver awareness training to staff and underpin policy development. A Disability Involvement Forum is being established to provide advice on the development of policies and practices.

Section 3.6
Corporate governance arrangements

3.64 The Department's corporate governance structure comprises a Management Board and three sub-Committees: the Audit & Risk Committee, the Executive Committee and the Operating Committee.



Appointments

3.65 Members of the Management Board and the Sub-Committees are civil servants appointed in accordance with the Civil Service Management Code[141]. The exceptions are the Non-Executive Board Members (NEBMs). NEBMs are recruited via fair and open competition taking into account the code of the Office of the Commissioner for Public Appointments (OCPA), for an initial term of two or three years with the possibility of a second similar term. The remuneration report in section 3.7 provides details of remuneration and fees.

3.66 BERR NEBMs provide a valuable external perspective to help improve internal processes, service delivery and change management. They sit on the Management Board and Sub-Committees in an individual, independent capacity and do not take decisions but have an important advisory and challenging role.

3.67 BERR is committed to making appointments in our delivery partners based on merit. Public appointments to the boards of the Department's NDPBS and agencies are made by Ministers in accordance with the OCPA Code.

Management Board

3.68 The Management Board's role is to provide corporate strategic leadership to the Department. This involves:

- working with Ministers[142] to set the Department's Strategy and allocate resources;
- agreeing business plans and monitoring Departmental performance;
- assessing risks/issues which could undermine BERR's strategy or corporate plan;
- assessing Departmental capability and plans for the future; and
- setting standards, values and controls.

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[141] For further details on the Civil Service Management Code see: www.civilservice.gov.uk/iam/codes/csmc/index.asp

[142] Details of the Department's Ministers, as at 31 March 2008, are provided in section 1.2. Details of others who also held Ministerial responsibility during 2007-08 are provided in section 3.7.

3.69 The full terms of reference of the **Management Board** can be found on the BERR website[143]. In order to discharge these responsibilities the Board met monthly throughout 2007-08, except during August. The Members of the Management Board as at 31 March 2008 were:

Sir Brian Bender (Chair)	Permanent Secretary
John Alty	Director General, Fair Markets Group
Andrew Cahn	Chief Executive, UK Trade & Investment
Mark Clarke	Director General, Finance & Strategy
Hilary Douglas	Chief Operating Officer and Director General, Operations Group
Mark Gibson	Director General, Enterprise & Business Group
Jitinder Kohli (From 28 June 2007)	Chief Executive, Better Regulation Executive
Vicky Pryce	Chief Economic Adviser and Director General, Economics
William Rickett	Director General, Energy Group
Rachel Sandby-Thomas (From 31 March 2008)	Solicitor and Director General, Legal Services
Non-Executive Board Members:	
Arnoud De Meyer (From 16 July 2007)	Professor of Management Studies at Cambridge University and Director of the Judge Business School.
Roger Urwin CBE (From 16 July 2007)	Non-Executive Chairman of Alfred McAlpine. Formerly Group Chief Executive of National Grid. Fellow of the Institute of Engineering and Technology and Fellow of the Royal Society of Engineering.
Fields Wicker-Miurin OBE	Co-founder and Partner of Leaders' Quest. Non-Executive Director of CDC Group plc, Savills plc, and The Carnegie Group. From 1994 -1997, Chief Financial Officer & Director of Strategy, London Stock Exchange.
Brian Woods-Scawen CBE	Chairman of the West Bromwich Building Society and Board member of Martineau Johnson solicitors. Member of the Committee on Standards in Public Life and Board member of Government Office for the West Midlands. Partner in PricewaterhouseCoopers from 1981 to 2003.
In addition, the following were Board members during 2007-08:	
Crawford Gillies (Until 12 June 2007)	Non-Executive Board Member (Senior Adviser to Bain & Company Inc, and former Chairman of the CBI London Region and Chairman of the London Business School.)
Anthony Inglese (Until 29 February 2008)	Solicitor and Director General, Legal Services
Keith O'Nions (Until 27 June 2007)	Director General, Science and Innovation
Also attending during 2007-08:	
Matthew Hilton (Until 1 August 2007)	Director, Strategy and Communications
Ceri Smith (From 10 December 2007)	Director, Business Environment Unit
Russell Grossman (From 14 January 2008)	Director of Communications

[143] Terms of reference for the BERR Management Board: www.berr.gov.uk/about/corp-gov/management-board/page14179.html

Sub Committees

3.70 The **Executive Committee** makes decisions on strategic, department-wide internal management issues. This includes:

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

3.71 In order to discharge these responsibilities the Committee met monthly throughout 2007-08, except during August. The members of the Executive Committee as at 31 March 2008 were:

Sir Brian Bender (Chair)	Permanent Secretary
John Alty	Director General, Fair Markets Group
Andrew Cahn	Chief Executive, UK Trade & Investment
Mark Clarke	Director General, Finance & Strategy
Hilary Douglas	Chief Operating Officer and Director General, Operations Group
Mark Gibson	Director General, Enterprise & Business Group
Jitinder Kohli (From 28 June 2007)	Chief Executive, Better Regulation Executive
Vicky Pryce	Chief Economic Adviser and Director General, Economics
William Rickett	Director General, Energy Group
Rachel Sandby-Thomas (From 31 March 2008)	Solicitor and Director General, Legal Services
Also attending:	
Stephen Lovegrove (From 27 June 2007)[144]	Chief Executive, Shareholder Executive
Jean Irvine OBE (From 1 April 2007)[145]	Non-Executive Board Member. Non Executive Director of the Chelsea Building Society and Vice chair of RADAR, the disability charity. Formerly at the Post Office where she held roles as IT Director, Group HR Director and finally Director of its Customer Relationship Management programme.
In addition, the following were Committee members during 2007-08:	
Anthony Inglese (Until 29 February 2008)	Solicitor and Director General, Legal Services
Keith O'Nions (Until 27 June 2007)	Director General, Science and Innovation
Also attending during 2007-08:	
Martin Bryant (Until 26 June 2007)[146]	Chief Executive, Shareholder Executive
Matthew Hilton (Until 1 August 2007)	Director, Strategy and Communications

[144] Stephen Lovegrove attends when the committee considers SCS performance and development.
[145] Jean Irvine attends when convened as SCS Performance and Development Committee.
[146] Martin Bryant attended when the committee considered SCS performance and development.

3.72 The **Operating Committee** makes decisions on BERR processes and resources relating to people, planning, financial management, communication, project management, IT and property. Its functions include looking at key enabler projects and co-ordinating the implementation of change and efficiency initiatives. In order to discharge these responsibilities the Committee met monthly throughout 2007-08, except during August. The members of the Operating Committee as of 31 March 2008 were:

Jitinder Kohli (Chair) (From 1 March 2008)	Chief Executive, Better Regulation Executive
Mark Clarke	Director General, Finance & Strategy
Geoff Dart	Director, Corporate Law & Governance
John Dodds (From 28 June 2007)	Director of Regulatory Reform & Project Pool
Hilary Douglas	Chief Operating Officer and Director General, Operations Group
Russell Grossman (From 14 January 2008)	Director of Communications
Susan Haird	Deputy Chief Executive, UK Trade & Investment
David Hendon	Director, Business Relations 2
Peter Lowe	Director, Information & Workplace Services
Stephen Speed (From 29 October 2007)	Chief Executive, Insolvency Service
Simon Virley (From 6 March 2008)	Director, Renewable Energy & Innovation Unit
Ken Warwick	Deputy Chief Economic Adviser
Susan Young (From 25 February 2008)	Director, Human Resources
Non-Executive Board Members:	
Claire Ighodaro CBE	Trustee of the British Council, National Council Member of the Learning and Skills Council, non-executive director of the Banking Code Standards Board, independent board member of the UKTI Executive Board, council member of the Open University, Chair of the OU, BCSB Audit Committee and UKTI Audit Committees.
Jean Irvine OBE	(details under Executive Committee)
Tim Walton	Non Executive Director of NHS Direct serving on the Audit, Risk, Remuneration and New Media committees. Up to late 2006, he was Chief Information Officer at Arup and prior to that Director for e-Business at Rolls-Royce Group plc.
In addition, the following were Committee members during 2007–08:	
Aileen Boughen (Until 14 January 2008)	Acting Director of Communications
Jeremy Clayton (Until 27 June 2007)	Group Director, Transdepartmental Science and Technology
Desmond Flynn (Until 1 May 2007)	Chief Executive, Insolvency Service
Hugh Giles (Until 12 March 2008)	Director, Legal Services A
Matthew Hilton (Until 1 August 2007)	Director, Strategy and Communications
Anthony Inglese (Chair) (until 29 February 2008)	Solicitor and Director General, Legal Services
Ian Jones (Until 19 July 2007)	Director, Operations Directorate
Shirley Pointer (Until 1 February 2008)	Director, Human Resources
Peter Waller (Until 5 March 2008)	Director, Energy Technologies Unit
David Weymouth (Until 5 July 2007)	Non-Executive Board Member (Former Corporate Responsibility Director and Group Chief Information Officer for Barclays Group).

3.73 The **Audit and Risk Committee's** overall objective is to support the Board and Permanent Secretary as Accounting Officer by ensuring the overall governance arrangements are appropriate and operating effectively, overseeing the work of the internal and external auditors and reviewing the annual financial statements before submission to the Management Board. The full terms of reference of the Audit and Risk Committee can be found on the BERR website[147]. The scope of the objectives covers all of BERR's activities including those of its Executive Agencies and NDPBs.

3.74 The members of the Audit and Risk Committee as at 31 March 2008 were:

Brian Woods-Scawen (Chair from 13 June 2007, member for full year)	Non-Executive Board Member (details under the Management Board)
Bryan Jackson (From 19 September 2007)	Non-Executive Member, Chair of East Midlands Development Agency. Retired as Managing Director of Toyota Motor Manufacturing (UK) Limited in 2004, after 14 years, having spent the previous 23 years with Ford Motor Company.
Hunada Nouss (From 19 November 2007)	Non-Executive Member, Director General, Finance and Corporate Service Delivery at the Department for Communities and Local Government. Previously Finance Director for Burger King in the UK.
Barry Rourke	Non-Executive Member, Director of Surrey and Borders mental health trust; Chairman of 3Legs Natural Resources plc; director of Columbus Acquisitions Corporation and Trustee and Treasurer of the Robert Bouffler Music Trust. He was a Partner at PricewaterhouseCoopers from 1984-2001.
Darrel Sheinman (From 19 November 2007)	Non-Executive Member, founder of Sheinman Exploration Ltd. Sits on the Royal Geographical Society Council; co-founded Pole Start Space Applications Ltd and Eyelab Ltd. Previously held senior trading and management positions at Westpac, Société Générale, Morgan Stanley and Credit Suisse.
In addition, the following were Committee members during 2007-08:	
Crawford Gillies (Chair until 12 June 2007)	Non-Executive Board Member (details under the Management Board)
Claire Durkin (Until 7 September 2007)	Head of Energy Markets Unit
Mark Gibson (Until 7 September 2007)	Director General, Enterprise & Business Group
Anthony Inglese (Until 7 September 2007)	Solicitor and Director General, Legal Services

3.75 The Permanent Secretary, Director General Finance, Head of Internal Audit and a Director of the National Audit Office also attend meetings of the Committee.

[147] Terms of reference for the BERR Audit & Risk Committee: www.berr.gov.uk/files/file42437.pdf

Section 3.7
Remuneration report

Remuneration policy

3.76 The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

3.77 The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975. In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving public services including the requirement on departments to meet output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

3.78 The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the methods used to assess performance, contract conditions and other work of the Review Body can be found at *www.ome.uk.com*.

Performance and reward

3.79 The Senior Civil Service (SCS) pay system consists of relative performance assessments. Individuals are assessed as being in the top, middle or bottom performance tranche of their pay band.

3.80 All individuals in the top performance tranche and a proportion of the individuals in the middle performance tranche receive a non-consolidated bonus. Bonuses can vary in amount. The maximum bonus award is 20% of base pay.

Service contracts

3.81 Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be on merit on the basis of fair and open competition and also includes the circumstances when appointments may otherwise be made. Further information about the work of the Civil Service Commissioners can be found at *www.civilservicecommissioners.org*

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

- Andrew Cahn was appointed on a 4 year contract commencing 27 March 2006. The notice period for the employee is 3 months. For the employer the notice period is 6 months or a period, if less, equal to the unexpired part of the fixed term contract.
- Mark Clarke was appointed on a 3 year contract commencing 5 June 2006. The notice period for the employee is 3 months. For the employer the notice period is 6 months or a period, if less, equal to the unexpired part of the fixed term contract. The contract was terminated in 2008-09 and Mark Clarke left the department.
- Vicky Pryce was re-appointed on a 3 year contract commencing 10 March 2005. Her contract was extended until 26 August 2009 during 2007-08. The notice period for the employee and employer is 3 months.

Salary and pension entitlements for Ministers of the Department:

3.83 The remainder of this Remuneration Report contains audited information. The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department for Business, Enterprise and Regulatory Reform for the year ending 31 March 2008 were as follows:

2007-08	Accrued pension at 65 at 31/03/08	Real Increase in pension at age 65	CETV at 31/03/08	CETV at 31/03/07	Real increase in CETV	Ministerial salary received 2007-08	Ministerial salary received 2006-07
	£'000	£'000	£'000	£'000	£'000	£	£
Secretary of State							
Rt Hon John Hutton, MP (from 2 July 2007)[1]	5-10	0-2.5	98	87	5	57,678	–
Rt Hon Alistair Darling, MP (from 5 May 2006 to 29 June 2007)[2]	15-20	0-2.5	235	226	6	25,635	63,452
Rt Hon Alan Johnson, MP (to 4 May 2006)[3]	–	–	–	–	–	–	18,725
Ministers of State							
Lord Jones (from 4 July 2007)[4]	–	–	–	–	–	–	–
Lord Drayson (from 2 July 2007 to 7 November 2007)[5]	–	–	–	–	–	–	–
Pat McFadden, MP (from 2 July 2007)[6]	0–5	0–2.5	12	6	3	28,083	–
Rt Hon Stephen Timms, MP (from 2 July 2007)[7]	5–10	0.2.5	97	88	3	19,947	–
Rt Hon Ian McCartney, MP (from 5 May 2006 to 29 June 2007)[8]	–	–	–	–	–	–	–
Rt Hon Margaret Hodge MBE, MP (from 5 May 2006 to 29 June 2007)[9]	5–10	0–2.5	101	98	2	13,298	32,897
Malcolm Wicks, MP	5–10	0–2.5	91	75	7	39,893	39,372
Alun Michael, MP (to 4 May 2006)[10]	–	–	–	–	–	–	19,427
Ian Pearson, MP (to 4 May 2006)[11]	–	–	–	–	–	–	–
Parliamentary Under-Secretaries of State							
Baroness Vadera (from 24 January 2008)[12]	0–5	0–2.5	11	8	1	11,831	–
Gareth Thomas, MP (from 2 July 2007)[13]	–	–	–	–	–	–	–
Jim Fitzpatrick, MP (from 5 May 2006 to 29 June 2007)[14]	0–5	0–2.5	44	41	1	7,570	24,969
Lord Truscott, MP (from 13 November 2006)[15]	–	–	–	–	–	–	–
Barry Gardiner, MP (to 4 May 2006)[16]	–	–	–	–	–	–	7,373
Meg Munn, MP (to 4 May 2006)[15]	–	–	–	–	–	–	–
Lord Sainsbury of Turville (to 9 November 2006)[15]	–	–	–	–	–	–	–
Gerry Sutcliffe, MP (to 4 May 2006)[16]	–	–	–	–	–	–	7,373

1 The 07-08 salary figure quoted is for the period 2 July 2007 to 31 March 2008, full year equivalent is £77,044. CETV stated as 'at 31/03/07' is in fact at 2 July 2007.
2 The 07-08 salary figure quoted is for the period 1 April 2007 to 29 June 2007, full year equivalent is £77,367. The 06-07 salary figure quoted is for the period 5 May 2006 to 31 March 2007, full year equivalent is £75,964. CETV stated as 'at 31/03/08' is in fact at 29 June 2007.
3 The 06-07 salary figure quoted is for the period 1 April 2006 to 4 May 2006, full year equivalent is £75,654.
4 Salary and pension details can be found in the Departmental resource accounts for 2007-08 of the Foreign and Commonwealth Office.
5 Salary and pension details can be found in the Departmental resource accounts for 2007-08 of the Ministry of Defence.
6 The 07-08 salary figure quoted is for the period 2 July 2007 to 31 March 2008, full year equivalent is £41,446. CETV stated as 'at 31/03/07' is in fact at 2 July 2007.
7 The 07-08 salary figure quoted is for the period 2 July 2007 to 31 March 2008, full year equivalent is £39,821. CETV stated as 'at 31/03/07' is in fact at 2 July 2007.
8 Salary and pension details can be found in the Departmental resource accounts for 2007-08 of the Foreign and Commonwealth Office.
9 The 07-08 salary figure quoted is for the period 1 April 2007 to 29 June 2007, full year equivalent is £40,112. The 06-07 salary figure quoted is for the period 5 May 2006 to 31 March 2007, full year equivalent is £39,385. CETV stated as 'at 31/03/08' is in fact at 29 June 2007.
10 The 06-07 salary figure quoted is for the period 1 April 2006 to 4 May 2006, full year equivalent is £39,244.
11 Salary and pension details can be found in the Departmental resource accounts for 2007-08 of the Foreign and Commonwealth Office.
12 The 07-08 salary figure quoted is for the period 24 January 2008 to 31 March 2008, full year equivalent is £71,895. CETV stated as 'at 31/03/07' is in fact at 24 January 2008.
13 Salary and pension details can be found in the Departmental resource accounts for 2007-08 of the Department for International Development.
14 The 07-08 salary figure quoted is for the period 1 April 2007 to 29 June 2007, full year equivalent is £30,446. The 06-07 salary figure quoted is for the period 5 May 2006 to 31 March 2007, full year equivalent is £29,995. CETV stated as 'at 31/03/08' is in fact at 29 June 2007.
15 Elected not to draw a Ministerial salary and are not members of the Parliamentary Contribution Pension Fund.
16 The 06-07 salary figure quoted is for the period 1 April 2006 to 4 May 2006, full year equivalent is £29,787.

Salary and pension entitlements for the senior managers of the Department:

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

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

1 CETV stated as 'at 31/03/08' is in fact at 1 July 2007. The salary amount excludes compensation for loss of office.
2 CETV stated as 'at 31/03/08' is in fact at 3 March 2008.
3 Opted out of the Pension Scheme
4 CETV stated as 'at 31/03/07' is in fact at 4 March 2008 and CETV stated as 'at 31/03/08' is in fact at 29 March 2008.
5 Joined the Department on 31 March 2008 and was paid by HMRC, her former employer to 31 March 2008. This officer will not appear on the Department's payroll until 1 April 2008.
6 Due to certain factors being incorrect in last years CETV calculator there may be a slight difference between the final period CETV for 2006-07 and the start of period CETV for 2007/08

2006-07 (restated)						
	Accrued pension at age 60 at 31/03/07 and related lump sum	**Real increase in pension and related lump sum at age 60**	**CETV at 31/03/07**	**CETV at 31/03/06**	**Real increase in CETV**	**Salary including performance pay**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Sir Brian Bender	65 – 70 plus 205 – 210 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	1,504	1,391	48	175-180
John Alty[7]	40 – 45 plus 120 – 125 lump sum	2.5 – 5 plus 7.5 – 10 lump sum	720	657	44	115-120
Martin Bryant (from 20 November 2006)[1]	0 – 5	0 – 2.5	80	70	9	60-65 (165-170 full year equivalent)
Andrew Cahn	35 – 40	0 – 2.5	661	611	24	180-185
Mark Clarke (from 5 June 2006)[2]	0 – 5	0 – 2.5	25	-	22	135-140 (170-175 full year equivalent)
Hilary Douglas (from 18 April 2006)[3, 7]	45 – 50 plus 140 – 145 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	1,034	969	29	125-130 (140-145) full year equivalent)
David Evans (to 17 April 2006)[4]	45 – 50 plus 120 – 125 lump sum	0 – 2.5	1,042	1,046	1	5-10 (115-120 full year equivalent)
Mark Gibson	45 – 50 plus 140 – 145 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	959	891	37	135-140
Richard Gillingwater (to 31 August 2006)[5]	-	-	-	-	-	-
David Hughes (to 16 April 2006)[6]	25 – 30	0 – 2.5	611	595	16	115-120 (150-155 full year equivalent)
Anthony Inglese[7]	50 – 55 plus 150 – 155 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	1,046	968	40	140-145
Vicky Pryce	5 – 10 plus 15 – 20 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	128	97	25	165-170
William Rickett[7]	50 – 55 plus 155 – 160 lump sum	0 – 2.5 plus 5 – 7.5 lump sum	1,061	993	33	140-145

1 CETV stated as 'at 31/03/06' is in fact at 20 November 2006.
2 CETV stated as 'at 31/03/06' is in fact at 5 June 2006.
3 CETV stated as 'at 31/03/06' is in fact at 18 April 2006.
4 CETV stated as 'at 31/03/07' is in fact at 17 April 2006.
5 On secondment from the Cabinet Office. DTI was invoiced for a total amount of £109,602 (£261,369 for the year 05-06) for the use of his services as Chief Executive of Shareholders Executive during the 2006-07 year.
6 CETV stated as 'at 31/03/07' is in fact at 16 April 2006.
7 'Salary including performance pay' has been restated to include bonus paid, rather than bonus payable

Notes

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

Ministerial pensions

3.85 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

3.86 Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other employees of the PCPF, can opt for a 1/50th accrual rate and the lower rate of employee contribution.

3.87 Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate or 10% of salary if they opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the ministerial salary.

3.88 The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

Civil service pensions

3.89 Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). The statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Price Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account).

3.90 Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on the pensionable earnings during the period of scheme membership. At the end of the Scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with the RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

3.91 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). There were no employer contributions by the most Senior Managers to partnership pension accounts during the year.

3.92 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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

The Cash Equivalent Transfer Value

3.94 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

Compensation for loss of office

3.96 Martin Bryant left office on 1 July 2007. He received compensation of £105-110k under the terms of the Civil Service Compensation Scheme.

Fees paid to Non-Executive Board Members

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

Non-Executive Member	Fees for 2007-08	Fees for 2006-07
	£000	£000
Dr John Hood[1]	–	0 – 5
Dr Martin Read[1]	–	0 – 5
Rana Talwar[1]	–	0 – 5
Paul Gates[1]	–	0 – 5
Dr Brian Woods-Scawen[2]	5 – 10	5 – 10
Mary McAnally (to June 2006)[3]	–	0 – 5
Fields Wicker-Miurin[3]	5 – 10	5 – 10
Arnoud De Meyer (from July 2007)[3]	0 – 5	–
Roger Urwin (from July 2007)[3]	0 – 5	–
Crawford Gillies (to June 2007)[4]	0 – 5	5 – 10

1 Fees paid for independent membership of the Strategy Board until the Board was disbanded in September 2006
2 Fees paid for independent membership of the Management Board and chair of the Audit and Risk Committee
3 Fees paid for independent membership of the Management Board
4 Fees paid for independent membership of the Management Board and ex-officio Chair of the Audit and Risk Committee

Brian Bender

Sir Brian Bender KCB
Principal Accounting Officer and Permanent Secretary
10 July 2008

Chapter 4:
Financial Overview

Section 4.1
About the financial information in this report

4.1 The financial information in this report is shown from two different perspectives:

- the Budgeting boundary, which is the budgetary spend of the "Departmental family", including the core Department and its delivery partners outlined in annex 4; and
- the Accounting boundary, which comprises the Consolidated Resource Accounts for the core Department and those of its delivery partners that are consolidated in the Resource Accounts.

Budgets

The Departmental family delivers on its objectives through its budgets. The Department is ultimately responsible for these resources and the bodies who spend them. The financial tables at the end of the sections in chapter 2, and in annex 8 set out the total spend of all bodies within the Departmental family required to deliver the Department's objectives. The budgetary spend shown here is published by HM Treasury in the 2008 Public Expenditure Outturn White Paper.

Accounts

The Department's audited Consolidated Resource Accounts in chapter 5 include only the results of the Department; the Department's elements of the administration expenditure of UKTI (a joint BERR and FCO operation); the Insolvency Service[148] (an executive agency); and Acas (a Crown Executive NDPB). The other delivery partners within the Departmental family are not included in the Consolidated Resource Accounts, apart from the Department's cash funding of these bodies by grant in aid.

In common with other central Government bodies, the Department's Consolidated Resource Accounts are audited by the National Audit Office on behalf of the Comptroller & Auditor General. Most of BERR's delivery partners that sit outside of the Accounting boundary produce their own resource accounts.

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

4.2 The Department is represented on an expert working group supporting HM Treasury's "Clear Line of Sight" Project. The aim of this project is to *"create a single, coherent financial regime that is effective, efficient and transparent, enhances accountability to Parliament and the public, and underpins the Government's fiscal framework, incentivises good value for money and supports delivery of excellent public services by allowing managers to manage"*. Implementation of the new framework is likely to take place before April 2010.

Other financial information

- Section 4.2 provides details of the way in which Government accounting and budgeting is managed and controlled, and explains how this applies to BERR.
- Section 4.3 looks at the relationship between estimates, budgets and accounts.
- Section 4.4 provides a financial review of the year, including analysis of some of the key information in the Consolidated Resource Accounts.

4.3 In June 2007 the work and staff associated with Science and Innovation in the former Department of Trade and Industry were transferred to the new Department for Innovation, Universities and Skills as a Machinery of Government (MoG) change. The transfer also included sponsorship responsibility for the following NDPBs and agencies: British Hallmarking Council, Design Council, the Research Councils, Technology Strategy Board, Council for Science and Technology, Copyright Tribunal, the National Weights and Measures Laboratory, and the UK Intellectual Property Office (UKIPO). The transfer was backdated to 1 April 2007.

4.4 At the same time, the Better Regulation Executive was transferred to the Department from the Cabinet Office. The transfer included the sponsorship responsibility for the following NDPBs: the Local Better Regulation Office and the Better Regulation Commission. The transfer was backdated to 1 April 2007.

4.5 On 1 April 2007 the Office of Civil Nuclear Security, together with other nuclear safeguards activities, were transferred to the Health and Safety Executive. On 1 March 2008 the responsibility for the collection of construction statistics and six related surveys transferred to the Office for National Statistics. The transfer was backdated to 1 April 2007.

Section 4.2
The resources available to the Department

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

The Spending Review process

4.7 The Spending Review (SR) is the process by which the Government sets spending plans, usually for the coming three years. This determines the overall Control Total, Total Managed Expenditure (TME). TME is made up of two components, the Department Expenditure Limit (DEL) and Annually Managed Expenditure (AME). The DEL is set annually within the context of the Department's three-year SR settlement and AME is set in consultation with HM Treasury through twice yearly reviews. DEL Budgets for the three-year period 2005-06, 2006-07 and 2007-08 were set in Spending Review 2004.

4.8 In October 2007, the Comprehensive Spending Review 2007 (CSR07) was agreed with HM Treasury, setting DEL budgets for 2008-09, 2009-10 and 2010-11. BERR's CSR Settlement gave the Department an approximately flat cash allocation across the three CSR years, and, as with all departments, directed that BERR must meet or surpass the following cross-Government benchmarks:

- at least three per cent net cashable value for money gains per annum; and
- five per cent annual real reductions in Administration Budgets.

From budgets to estimates to accounts

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

The Department's budget

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

- *DEL:* The Department can largely control DEL expenditure, though some elements may be demand-led. It is set annually within the context of the Department's three year financial settlement, determined in the Spending Review;

- *AME:* This expenditure is demand-led, volatile, and therefore difficult to predict. AME budgets are set in consultation with HM Treasury through twice yearly reviews. The majority of BERR's AME expenditure relates to nuclear provisions, coal health liabilities, the Post Office revolving loan and the Redundancy Payments Service.

4.11 Within DEL and AME, there are resource budgets (broken down into administration and programme budgets) and capital budgets. The Department's DEL budget for 2007-08 was £3,997 million (2006-07 £3,700 million) and the AME budget amounted to £(367) million (2006-07 £348 million). The 2006-07 figures have been restated to reflect MoG changes.

4.12 Some of BERR's DEL budgets are ring-fenced by HM Treasury. This means the budgets are allocated for specific purposes and any underspends generated cannot be used in aid of other activities. 61% of the 2007-08 DEL was ring-fenced leaving £1,558 million available for discretionary allocation by the Department.

4.13 There are also further classifications of expenditure within resource budgets termed "near cash" and "non cash".

- *Near cash items:* These transactions result in real cash flows in the near future and include pay costs, procurement of goods and services, and grants. Importantly they also include cash expenditure against provisions.
- *Non cash items:* These components reflect the full economic cost of activities and the usage of long term assets. Non cash items include depreciation, cost of capital, profit or loss on disposal of balance sheet assets and changes in provisions.

4.14 BERR is responsible for all of the resources allocated to the Departmental family and has put in place a strong budgetary control process to effectively discharge this responsibility. BERR allocates annual budgets in March of each year and monitors them on a monthly basis. Forecasts of expenditure are reviewed monthly and updated where appropriate. More in-depth reviews of forecasts are carried out quarterly with particular emphasis on end December reviews (used by HM Treasury as a basis for total spend across Government for the year) and end January reviews (to identify changes to be made through the Spring Supplementary Estimate). A corporate financial report is delivered to the monthly Management Board, highlighting emerging issues and advising where action may be required, and a monthly financial update is given to the Secretary of State.

4.15 Budgets are usually amended via Winter and Spring Supplementary Estimates. The Supplementary Estimates provide access to savings in DEL budgets achieved in previous years (a process known as End Year Flexibility) in addition to other changes.

The Estimates process

4.16 The Department's budgets are agreed in the Spending Review process, but additional Parliamentary approval must be sought annually for the issue of public funds. Main Estimates are the means by which departments seek Parliamentary authority for their spending each year.

4.17 The detailed Estimates include DEL and AME expenditure of the consolidated Department and the grant in aid paid to the other delivery partners outside the accounting boundary. Grant in aid is essentially the provision of cash financing, and does not count as budgetary expenditure. Notes to the Estimates demonstrate the relationship between the Estimates total and the total budget for the Department including its delivery partners. All changes to budgets are approved as part of the Estimates process.

4.18 BERR seeks approval from Parliament for its Main Estimates for the year in April. Supplementary Estimates can be submitted in the summer, winter and spring. Estimates follow a standard format, comprising a Request for Resources (RfR) which set a limit on the resources required for each main activity, a request for capital funding and a Net Cash Requirement (NCR), which represents the actual cash made available by the Exchequer to fund the Department's activities. Each Estimate is accompanied by a formal description (or ambit) of the services to be financed under it. Funds voted by Parliament can only be used to finance services that fall within the ambit of the Estimate.

The Resource Accounts

4.19 The Department's Estimate has a single Request for Resources (RfR), entitled Increasing UK Competitiveness. The Department also has a separate Estimate and RfR for the effective management of the UKAEA pension schemes. These are separate from the Consolidated Resource Accounts contained in this report. Copies of the UKAEA pensions accounts are available from the UKAEA pensions website.[149] At the end of the year, the Deprtment is required to report actual expenditure against Estimates in its Consolidated Resource Accounts.

[149] UKAEA pensions website: www.ukaeapensions.org.uk

Section 4.3
Reconciling Estimates, Accounts and Budgets

4.20 As explained in section 4.2, there are different boundaries for the Department's Estimates, Accounts and Budgets. This section explains their relationship and includes the following reconciliations:

- *Estimates to Accounts:* This shows how the Net Resource Outturn (voted by Parliament), shown in the Statement of Parliamentary Supply on page 159, is reconciled to the Net Operating Cost which is shown in the Operating Cost Statement in the Accounts on page 160; and
- *Accounts to Budgets:* This shows how the Net Operating Cost is reconciled to the Resource Budget Outturn shown on page 253.

Estimates to Accounts

The Estimate is reconciled to the Net Operating Cost through three adjustments:

- The first adjustment adds expenditure which is included in the Operating Cost Statement, but does not require formal approval by Parliament in the Supply Estimates. For the Department, this comprises expenditure on statutory redundancy payments funded by the National Insurance Fund, the cost of capital credit on the net liabilities of Royal Mail Holdings plc and the cost of capital charge on the net assets of BNFL plc. Further details are provided in Note 3 to the Accounts.
- The second adjustment adds any Consolidated Fund Extra Receipts (CFERs) which are classified as operating income and therefore included in Net Operating Cost. CFERs arise from the operating activities of the Department, but are not classified as income for Estimates purposes. The receipts are paid directly to HM Treasury.
- The third adjustment shows the difference between the amount of operating income received and that authorised to be Appropriated in Aid of expenditure.

Accounts to Budgets

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

- The first adjustment removes capital grants (classed as resource items in the accounts, but as capital items in the budgeting framework).
- The second adjustment removes the cash grant in aid to the Department's delivery partners (not counted as budgetary expenditure).
- The third adjustment adds the income and expenditure of these delivery partners on an accruals basis.
- The fourth adjustment removes those CFERs that are classed as being outside of the budgeting boundary. There are usually other adjustments depending on particular circumstances.

Reconciliation of Estimates to Accounts to Budgets

	Notes	2007-08	2006-07 (restated)
		£000	£000
Net Resource Outturn (Estimates)	1	3,767,122	**2,748,260**
Adjustments in respect of:			
Non- Supply expenditure in the Operating Cost Statement (OCS)	2	155,852	3,563
Consolidated Fund Extra Receipts (CFER) in the OCS		-274,407	-1,845,538
Excess Appropriations in Aid	3	-213,663	
Net Operating Cost (Accounts)		**3,434,904**	**906,285**
Adjustments in respect of:			
Capital Grants treated as Resource in Accounts, but Capital in Budgets	4	794,805	694,019
Expenditure in OCS not included in budgets	5	-4,962,122	-3,996,740
Resource consumption of delivery partners		8,734,140	8,361,776
Other CFER not in budgets		14,316	1,829,240
Budgeting classification differences	6	267,400	
Adjustment to budgeting outturn for MoG change	7	14,498	15,871
Other	8	37,514	
Resource Budget Outturn		**8,335,455**	**7,810,451**
of which DEL		2,105,290	2,001,484
AME		*6,229,065*	*5,808,967*

Notes
1 Disclosed in the Statement of Parliamentary Supply on page 159 of the Resource Accounts
2 See Note 3 to the Resource Accounts
3 The amount of operating income received in excess of that authorised to be Appropriated in Aid
4 Capital grant receipts in excess of expenditure
5 Mainly grant in aid payments to delivery partners
6 This covers two items: the Special Dividend from BNFL is treated as Resource in Accounts, but Capital in Budgets, and payments to British Shipbuilders are treated as Capital in Accounts, but Resource in Budgets
7 Budgeting outturns include Defence Export Services Organisation, transferred from Ministry of Defence
8 Mainly relates to adjustments to Accounts after PEOWP deadline for budgeting outturns (particularly a £34m adjustment to cost of capital on Coal Pension Schemes)

Section 4.4

Financial review

4.21 This section reviews the Department's financials for 2007-08. It covers both the performance of the consolidated Department in the context of the Resource Accounts, and how the Department has performed compared to the final Estimate.

The Primary Statements in the Consolidated Resource Accounts

4.22 The primary statements in the Consolidated Resource Accounts comprise:

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

Statement of Parliamentary Supply

4.23 This is the accountability statement for parliamentary reporting purposes. It records the Net Resource Outturn compared to Estimate and only includes expenditure and income (Appropriations in Aid) allowable against the Estimate. Explanation of why the outturn in 2007-08 was different from the Estimate is given below. This statement also includes a comparison of non-operating cost Appropriations in Aid with the amount voted by Parliament in the Estimate, and discloses amounts payable to the Consolidated Fund as Extra Receipts (CFERs).

4.24 Non-operating cost Appropriations in Aid reduced by £2,152 million, from £8,635 million in 2006-07 to £6,483 million due to a reduction in loan repayments on the Post Office revolving loan.

4.25 CFERs decreased by more than £4,409 million compared to 2006-07, where there were exceptional items related to the repayment of the BNFL debenture; and liquidation of the Nuclear Liabilities Investment Portfolio (NLIP).

4.26 Net Resource Outturn for 2007-08 (as shown in the Statement of Parliamentary Supply) was £3,767 million. This is an increase of £1,019 million compared to the outturn for 2006-07 of £2,748 million, which was restated to account for MoG changes. The increase was mainly the result of increased expenditure on nuclear decommissioning activity, support for the Royal Mail, and onerous property lease provisions. This compares to a final Estimate of £4,296 million, giving an underspend of £529 million. The most significant reasons (where the variance is greater than £10.5 million and 10% of the Estimate) for the underspend are given below (the disclosure here is based on Note 2 to the Resource Accounts):

- Net outturn on Extending Competitive Markets (Estimate Function B) was £12 million (17%) less than Estimate as a result of underspends across a range of consumer support programmes, including the Face to Face Debt Advice programme.
- Net outturn on Sustainability and the Environment (Estimate Function D) was £19 million (31%) less than Estimate due to slippage in capital grants for sustainable energy programmes.
- Net outturn on Enterprise Growth and Business Investment (Estimate Function E) was £14 million (13%) less than Estimate primarily due to a lower than expected increase in the Small Firms Loan Guarantee Scheme provision, and higher than expected premium receipts.
- Net administrative expenditure by UK Trade and Investment (Estimate Function G) was £3 million (10%) less than Estimate as a result of unfilled vacancies, and associated staff cost reductions, lower payments to the Department for Communities and Local Government because of the reduction of Government Offices staff working on UKTI business, and reduced IT costs due to slippage in the Joint Infrastructure Project and other associated IT projects.
- Net outturn on Corporate Activity and Insolvency Framework (Estimate Function I) was £9 million (13%) less than Estimate as a result of savings in the administration costs budget of the Better Regulation Executive following its transfer from the Cabinet Office, and lower than expected outturns on Insolvency Service programmes.
- Net outturn on activities in support of all Objectives (Estimate Function L) was £65 million (14%) less than Estimate due to a combination of factors: the cost of capital credit on working capital (for which no Estimate was made); the write-back of some restructuring provisions; and the realisation of in-year savings in staff costs as part of Departmental efficiency measures.
- Net outturn on Assets and Liabilities (Estimate Function W) was £362 million (11%) less than Estimate as the estimated figure for grant in aid to the NDA was set to allow for the possibility that certain significant income streams would not materialise before year end; in the event the income did materialise, so the NDA's cash requirement from the Department was reduced as a consequence.
- Net outturn on Nuclear Security and Export Control (Estimate Function X) was £2 million (65%) lower than Estimate due to the lower than anticipated grant in aid requirements of the Civil Nuclear Police Authority, largely due to slippage in capital expenditure.

Operating Cost Statement

4.27 The Operating Cost Statement is similar to an Income and Expenditure account in not-for-profit bodies and includes all operating income and expenditure relating to the consolidated bodies on an accruals accounting basis, including that which sits outside of the Estimate. The Net Operating Cost for 2007-08 was £3,435 million, an increase of £2,529 million compared to the restated figures as a result of the MoG changes for 2006-07 of £906 million. This was mainly due to the exceptional receipt of the BNFL dividend of £1,800 million in 2006-07, increased levels of support for the Royal Mail and the Nuclear Decommissioning Authority and the creation of the onerous property lease provision in 2007-08.

4.28 The differences between Net Operating Cost and Net Resource Outturn are disclosed in Note 3 to the accounts. The main differences relate to expenditure for the redundancy payments payable from the National Insurance Fund, the cost of capital credit on the net liabilities of Royal Mail Holdings plc; the cost of capital charge on the net assets of BNFL plc which are not included in Estimates; and income payable to the Consolidated Fund for a special dividend from BNFL plc.

4.29 Operating income includes dividends declared by Companies House. These dividends represent the return on investment of Public Dividend Capital (PDC), as shown in Note 16 of the accounts. The Companies House dividend, at £2.116 million, represented a return of 3.5% on the Companies House average capital employed.

4.30 Grant in aid and other grants represented nearly 90% of gross expenditure for programmes in 2007-08. This ratio is similar to 2006-07.

4.31 Total expenditure on consultancy, according to definitions issued by the OGC, amounted to £25 million in 2007-08. This compares to £29 million in 2006-07, and follows the introduction of stringent controls over the procurement of consultancy services. Following discussions with HM Treasury, most Departmental expenditure on consultancy is now recorded under administration costs, and a transfer of £20 million programme budgets into administration budgets was agreed in the Winter Supplementary Estimate.

Statement of Recognised Gains and Losses

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

Balance Sheet

4.33 The Balance Sheet discloses the assets and liabilities of the Department at the balance sheet date. The main changes in the Department's assets and liabilities during the year are described below.

4.34 The Consolidated Department had total Net Assets of £2,845 million in 2007-08, compared to £2,368 million in 2006-07. The main reasons for this change relate to the increase in cash at bank, a consequence of the MoG changes where the Department was reimbursed for cash spent on activities transferred to other departments, and a reduction in Coal Health provisions as outstanding claims under closed schemes are being settled, though these were offset by reductions in the value of Coal Pension Fund investments. More detail is set out below and in the notes to the Accounts.

4.35 Tangible fixed assets increased by £11 million resulting from an increase in assets under construction including work on improvements to buildings on the Departmental estate and spend on major IT projects.

Royal Mail Holdings Plc

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

- *Equity injection:* The Department owns shares at a total value of £430 million. The primary purpose of this equity purchase is to inject funds into POL as part of the 2002-03 POL funding agreement, approved by the EU Commission. The valuation of the shares has been subject to an impairment review by the Department as at 31 March 2008, the result of which indicates that no impairment is required.

- *Debt financing:* On 6 February 2001 Royal Mail utilised a £500 million National Loans Fund (NLF) loan facility that was made available to it, to assist with the company's acquisitions which included German Parcel. The facility comprises 20 separate tranches of £25 million each, the first tranches of which do not begin to mature until 20 March 2021. Therefore, the outstanding balance for this NLF loan on 31 March 2008 remains at the full £500 million. Royal Mail makes bi-annual interest payments on the loan amounting to £29.17 million per annum.

  At the end of 2002, the Government agreed a financing package with the Royal Mail mails business. This package initially comprised £1,044 million of debt finance from Government (subsequently reducing to £844 million) on commercial terms to provide Royal Mail with access to funds to assist it in delivering its 3 year restructuring programme for the mails business.

  On 26 March 2007, the Secretary Of State confirmed via written statement to Parliament finalisation of a new financing framework for Royal Mail. Part of this framework includes new debt facilities of £900 million to be provided by the NLF on commercial terms (comprising a revolving facility of up to £300 million and a separate facility of up to £600 million). This new package replaces and increases the current package agreed in 2002 (for borrowing facilities of £844 million) and these debt facilities are further supplemented by a £300 million shareholder loan, also to be provided on commercial terms. The agreed package will allow the company to embark on an investment programme so that it can further transform its effectiveness and secure the efficiency improvements required under the latest regulatory settlement. The new debt facilities became effective from 23 March 2007, but had not been utilised before 31 March 2008.

  The Department has also made available to POL, through an agreement reached on 17 October 2003, a revolving loan facility based on commercial terms of up to £1.15 billion. This is to help the company fund its working capital requirements in branch. The package was agreed against the background of the migration of state benefits to a system of direct payment and the loss of pre-funding to POL from

DWP, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from Post Office branches. POL began utilising this facility on 1 December 2003. The facility matures on 31 March 2011 by when any outstanding amounts will need to have been repaid. The outstanding balance as at 31 March 2008 was £390 million.

- *Post Office Network Support:* On 17 May 2007, the Government announced investment of up to £1.7 billion to the end of 2010-11 to support the post office network. This included continuation of the £150 million annual Social Network Payment, aimed at supporting the provision of rural post offices by helping to cover POL's costs of keeping open non-commercial branches. This funding package initially received State Aid approval up until the end of 2007-08, and in November 2007, the approval was given for payments up to 2010-11. The investment will enable POL to change to meet the challenges it faces and will enable the Post Office to expand financial services for customers including a roll out of up to 4,000 free-to-use ATMs across the network.

  In conjunction with the announcement, the Department published its response to a 12 week national public consultation on the network, which covered a range of proposed measures to modernise and reshape the network and put it on a more stable footing. Some offices will have to close, but the new "access criteria" will preserve the national network while protecting the vital social and economic role of post offices in local communities. Post Office Limited has now put in place a Network Change programme, involving the compulsory compensated closure of up to 2,500 branches, replacing around 500 of these with innovative new "Outreach" service points for small remote communities, including mobile post offices and services in village halls, community centres and pubs. The programme started in October 2007 and will be completed over a 12 to 18 month period.

European Commission state aid investigation

4.37 The European Commission are currently examining some aspects of the support package provided by the Government to Royal Mail, to determine whether they constitute state subsidies or whether they meet 'market investor' conditions. Broadly speaking, provision of funding on terms which would be acceptable to a private investor operating in a market economy is not considered state aid. The Department is clear that it has taken appropriate steps to ensure that all areas under examination represent funding on commercial terms.

Coal Pension Investment Reserve

4.38 The Investment Reserves are Government assets held within the closed coal pension schemes. Immediately prior to the privatisation of British Coal in 1994, the Corporation's two pension schemes (the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS)) were closed and Government guarantees were introduced to safeguard the real value of members' pension entitlements.

4.39 Investment Reserves were established in each of the two schemes using British Coal's unused share of pre-privatisation valuation surpluses. The Investment Reserves act as a first line of defence in the event of any periodic deficit in the scheme sub-funds which support pension entitlements. To the extent they are not required for this purpose, the Investment Reserves are ultimately payable to Government. The Government agreed in 1994 that it would leave Reserves in place until at least 2019 and indicated that, conditional on the recommendations of the schemes' actuary (the Government Actuary), withdrawals were likely to be weighted towards the second half of the 25 year period.

4.40 Funds from the Investment Reserves were deployed to support pension liabilities following deficits at 2002 and 2003 valuations in the MPS and BCSSS respectively. In 2006/7, in accordance with the Guarantee arrangements, these monies were repaid along with the appropriate capital gains after surpluses were identified in subsequent valuations (MPS: 2005, BCSSS: 2006). Further detail on the investments and the pension scheme accounts can be found in Note 16 to the accounts.

4.41 As guarantor to the coal pension schemes the Government is entitled to 50% of any valuation surplus. This money is held in a separate sub-fund known as the Guarantor's Fund and is payable to the Government in annual instalments over a 10 year period. In 2007-08 the fund was revalued downwards by £15.3 million and £286 million was released to the Guarantor. Further details on these funds can be found in Note 19 to the accounts.

Launch Investments

4.42 The Department provides support to the aerospace industry in the form of 'launch investments' for the development of aerospace products; historic investments are covered by the Department's portfolio of Launch Investment contracts. The investments are repayable to the Department at a rate of return, usually via levies on subsequent sales of the products developed. The Department forecasts sales and the future levies expected from each investment and the resulting cash flow is discounted to determine the value of the portfolio.

4.43 During 2007-08 the value of the investments fell by £35 million from £1,543 million at the end of 2006-07 to £1,508 million at the end of 2007-08, as a result of levy income offset by a valuation increase.

Capital for Enterprise Limited

4.44 Capital for Enterprise Limited (CfEL) has been set up to manage the Department's investment funds and the Small Firms Loans Guarantee Scheme. The Department owns 49,901 shares in CfEL and provides cash funding as grants in aid. CfEL commenced full business activity on 1 April 2008.

Nuclear Provisions

4.45 The Department retains the liability to cover the costs of the decommissioning of the United Kingdom Atomic Energy Authority (UKAEA) Culham site, and it assists British Energy (BE) in meeting its contractual historic fuel liabilities. The total nuclear provisions reduced by £57 million from £2,544 million at the end of 2006-07 to £2,487 million at the end of 2007-08.

Coal Provisions

4.46 The liabilities of British Coal transferred to the Department on 1 January 1998 (under the terms of the Coal Industry Act 1994). There are two schemes to compensate coal miners and their families in relation to respiratory disease (chronic obstructive pulmonary disease (COPD) and Vibration White Finger (VWF)). The liabilities in relation to these provisions as at 31 March 2008 were £232 million and £57 million respectively. The schemes are now closed to new claimants. Around 762,000 claimants have been registered in both schemes.

4.47 Additionally there is a further health provision, which incorporates other injury-related compensation claims such as deafness, accidents and miscellaneous diseases. This also covers payments under British Coal's Pneumonoconiosis Compensation Scheme and associated administration costs of managing the health claims. The value of the provision as at 31 March 2008 was £106 million.

4.48 Coal provisions reduced by £793 million, mainly due to a reduction in the COPD provision of £450 million due to payments of claims totalling £295 million and a decrease of £171 million in the provision based on the model used to predict future cash flows. This scheme closed in 2004. All other coal provisions have decreased.

4.49 Handling agreements for the COPD and VWF were negotiated with a group of solicitors (for each disease) who were the chosen representatives for the large numbers of firms involved. The agreements are necessarily complex as they define exactly how claims will be dealt with by claimants' solicitors, the Department's claims handlers, the medical assessors etc. They specify the compensation a claimant would have expected to get if he had pursued his claim under common law through the courts. They give claimants a fair entitlement tailored to reflect their disability. They are not flat rate schemes and reflect other factors set out in the Court judgements.

4.50 Apart from the health provisions, the Department has a responsibility to provide either solid fuel or a cash alternative to over 102,000 beneficiaries. Approximately three quarters of these have opted for the cash alternative which is index-linked to fuel and light prices. The value of the provision as at 31 March 2008 is estimated to be £386 million; payments in the year amounted to £47 million.

British Shipbuilders

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

4.52 The total liability increased by £36 million from £79 million at the end of 2006-07 to £115 million at the end of 2007-08, following an independent revaluation of future liabilities.

Other provisions

4.53 Other provisions have increased by £144 million, mainly due to the creation of a provision for losses against the existing leases on properties that are determined surplus to existing and future requirements under the Department's "two-roof" accommodation strategy. The Department has attempted to mitigate potential losses by issuing sub-leases, but these do not cover the full costs to the Department of the existing head lease. The provision has therefore been made for the gap between costs and expected income

Revaluation reserve

4.54 The revaluation reserve, which records gains and losses on revaluation of assets in the period, stands at £3,916 million at 31 March 2008, compared to £4,487 million at 31 March 2007, largely due to the release of Coal Pension Fund surpluses and net charges to the value of the Launch Investment portfolio.

Cash Flow Statement

4.55 The Department also has to estimate how much cash it is going to need in the year (the Net Cash Requirement). The amount of cash required to fund the Department's activities during 2007-08 was £4,761 million compared to an Estimate of £6,025 million, an underspend of £1,264 million.

4.56 The underspend was mainly due to two factors:

- The estimated cash requirement for the Post Office working capital revolver loan (£650 million) is set to cover the maximum possible cash call allowable under the statutory provisions; outturns for 2007–08 meant that none of this was required at year end.
- The estimated grant in aid for the NDA was set to allow for the possibility that certain significant income streams of around £400 million would not materialise before year end; in the event these did materialise, so the NDA's cash requirement from the Department was reduced as a consequence.

4.57 Additionally, cash expenditure against provisions was £58 million lower than estimated, particularly in respect of coal health provisions.

Statement of Operating Cost by Departmental Aim and Objectives

4.58 The Statement of Operating Costs by Departmental Aim and Objectives shows how resources, as set out in the Operating Cost Statement, have been deployed to each of the Department's Strategic Objectives (DSOs). These are outlined in detail in section 1.3 and annex 3.

4.59 The DSOs differ from the Objectives disclosed in the Department of Trade and Industry Annual Report and Accounts 2006-07. Specifically:

- activities covered by the former Objective "Promoting world class science and engineering" have been transferred to the Department of Innovation, Universities and Skills;
- the former Objective "Supporting successful business" has been redefined as new DSO "Promoting the creation and growth of business";
- DSO "Ensuring better regulation" reflects the work of the Better Regulation Executive transferred from the Cabinet Office during 2007-08;
- DSO "Delivering free and fair markets" is broadly equivalent to the former "Free and fair markers" Objective;

- activities covered by the former Objective "Secure, sustainable and affordable energy" are now covered by DSO "Ensuring clean, safe and competitively priced energy" and DSO "Managing energy liabilities"
- DSO "Ensuring the Government acts as an effective shareholder" is new for 2007-08; and
- expenditure on activities now covered by DSO "Professional support, capability and infrastructure" were previously apportioned across the other objectives.

Other information

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

4.60 The Management Board reviews each month, except August, the Department's principal risks that might affect the organisation's position either in the immediate or long term future. During the year these risks have included:

- potential major company failures;
- energy price rises/fuel poverty;
- better regulation;
- UK energy policy;
- Royal Mail/Post Office Ltd;
- Nuclear Decommissioning Authority; and
- budget funding.

Liquidity and currency risk

4.61 The Department has no borrowings and relies primarily on voted funds from Parliament for its cash requirements. It is therefore not exposed to liquidity risk. It has no material deposits so it is not exposed to interest rate risk and all material assets and liabilities are denominated in sterling, so it is not exposed to material currency risk. Further disclosures are provided in Note 33 to these accounts.

Pension liabilities

4.62 The Department's staff can become members of the Principal Civil Service Pension Scheme (PCSPS). The Department's employer's contributions into the scheme are reflected in the Resource Accounts within staff costs. The PCSPS is an unfunded multi-employer defined benefit scheme and the Department is consequently unable to identify its share of the underlying assets and liabilities. There is therefore no reflection of the scheme on the Department's Balance Sheet. Further details can be found in Note 9 to the accounts.

Payment of suppliers

4.63 The Department's policy is to comply with the Better Payment Practice Code, which includes the Late Payments of Commercial Debts (Interest) Act 1988. 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 a valid invoice, whichever is the later. In 2007-08, the core Department paid 100% of undisputed invoices within the 30 days (98.3% in 2006-07), and the Consolidated Department paid 99.1% of undisputed invoices within the 30 days (98.1% in 2006-07).

Post balance sheet events

4.64 *Defence Export Service Organisation:* On 25 July the Prime Minister announced changes to how defence trade should be handled, namely that:

- the Government would look to move responsibility for defence trade promotion from the Defence Export Service Organisation to UK Trade and Investment.
- no change was envisaged to existing and planned agreements between the Ministry of Defence and other Governments which will continue to be administered by the Ministry of Defence.

4.65 With effect from 1 April 2008 the Defence Export Service Organisation was transferred to UK Trade & Investment, under the Machinery of Government change, and renamed the Defence & Security Organisation.

Auditors

4.66 These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 156 to 158. The notional cost to the Department of the external audit of the core account by the National Audit Office for the C&AG was £240,000 (2006-07: £266,000). The total cost of work on the Consolidated Account was £309,000 (2006-07: £328,000).

4.67 The NAO also completed other work relating to the core Department's activities. The main areas of work where subsequent reports were published by the Public Accounts Committee during 2007-08 or subsequently are set out below. These are discussed in detail in annex 7.

- *The Shareholder Executive and Public Sector Businesses*
(42nd Report of 2006-07, HC 409, 20th September 2007)
- *The Restructuring of British Energy*
(43rd Report of 2006-07, HC 892, 19th July 2007)
- *The Compensation Scheme for former Icelandic Water Trawlermen*
(11th Report of 2007-08, HC 71, 26th February 2008)
- *Coal Health Compensation Schemes*
(12th Report of 2007-08, HC 350, 4th March 2008)

4.68 During 2007-08, and subsequently, the NAO also published reports on:

- *Evaluation of Regulatory Impact Assessments*[150]: The report focused on regulatory impact assessments produced by the Department of Health and the Department for Communities and Local Government. The report concluded that

[150] Evaluation of Regulatory Impact Assessments (July 2007): http://www.nao.org.uk/publications/nao_reports/06-07/0607606.pdf

all too often the regulatory impact assessments were not an integral part of the policy making process. The report noted that the relationship between the Better Regulation Executive and the departments had been strengthened. The Report recommended that the Better Regulation Executive and departments should work together to identify the key measures of good quality regulatory impact assessments (HC 606, 2006-2007, issued 11 July 2007).

- *Reducing the Cost of Complying with Regulations – The Delivery of the Administrative Burdens Reduction Programme*[151]: The report noted that, for the first time, as part of the Administrative Burdens Reduction Programme, the Government had estimated the burden on business of complying with the information obligations created by regulations. By setting targets and monitoring progress, it had established a means of holding departments to account for delivering reductions in the regulatory burdens on business. The report recommended that the Better Regulation Executive should build on the work already done by the DTI and develop a methodology for assessing the total cumulative cost to business of regulation. It also concluded that the Better Regulation Executive and departments needed to improve how they communicate with business about changes to the regulatory environment. (HC 615, 2006-2007 issued 25 July 2007).

- *The Nuclear Decommissioning Authority – Taking Forward Decommissioning*[152]: The report concluded that the Authority, and previously the DTI, had developed a comprehensive and consistent framework for drawing up decommissioning plans at site level. The quality of the plans had improved over a number of iterations particularly in setting out what needs to be done and, in broad terms, how it might be done and when. The report noted that at the end of 2007 the Department transferred responsibility for the governance of the Authority from its policy team to its Shareholder Executive. The report urged the Department to ensure these new arrangements keep it fully aware of developing financial and other major issues affecting the decommissioning programme and enable it to assess key risks to the Authority's programme (HC 238, 2007-2008 issued 30 January 2008).

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

- UK Trade and Investment: Support for Trade with High Growth Markets; and

- Ensuring High Quality Impact Assessments.

[151] Reducing the Cost of Complying with Regulations - The Delivery of the Administrative Burdens Reduction Programme (NAO, July 2007): http://www.innovazionepa.it/dipartimento/docs_pdf/Reducing_the_Cost_of_Complying_with_Regulations.pdf

[152] The Nuclear Decommissioning Authority - Taking Forward Decommissioning (NAO, January 2008): http://www.nao.org.uk/publications/nao_reports/07-08/0708238.pdf

London Development Agency

4.70 The London Development Agency (LDA) is a local authority body and its accounts are not audited by the NAO but by the Audit Commission (AC).

4.71 The AC is in the process of undertaking its fieldwork in order to enable it to provide an opinion on the LDA's 2007-08 accounts. It is also considering a report prepared by the Finance Director of the LDA, with input from Deloittes, for the LDA Board. The Department is in close contact with the Commission and will be discussing with the Commission and the Agency any relevant findings from that audit and their views on the Finance Director's report.

4.72 The Department has written to the Audit Commission asking for more formal assurances. The Audit Commission has agreed to regular keep in touch arrangements with BERR for future financial years and as a first step, to discuss with us the outcome of their 2007-08 audit of the LDA, both financial and regarding systems and procedures, including regularity.

4.73 The Department will also press on with what it considers a robust set of monitoring arrangements, and has set out the detail of that role for the LDA (and the other RDAs) in its Sponsorship Assurance Framework.

Disclosure of audit information

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

Brian Bender

Sir Brian Bender KCB
Principal Accounting Officer and Permanent Secretary
10 July 2008

Section 4.5

Budgetary spend from year to year

Departmental Expenditure Limit (DEL)	
Comparison of 2006-07 and 2007-08 Budgeting Outturns	**£m**
Resource DEL Outturn 2006-07	**2,001**
Increased expenditure on:	
Support for Royal Mail[1]	379
Onerous property lease	193
Consumer Protection, including Face to Face Debt Advice	21
Enterprise Fund (including Small Firms Loan Guarantee Scheme)	15
Other programmes	10
Offset by reduced expenditure on:	
Nuclear Decommissioning Authority (arising from increase in income)	(217)
Concessionary Fuel	(136)
Regional Development Agencies	(93)
Administration costs	(46)
WEEE Directive	(22)
Resource DEL Outturn 2007-08	**2,105**
Capital DEL Outturn 2006-07	**1,149**
Increased expenditure on:	
Nuclear Decommissioning Authority	20
Other	2
Offset by reduced expenditure on:	
Regional Selective Assistance/Selective Finance for Investment in England	(38)
Capital Grants for renewable energy	(25)
Capital DEL Outturn 2007-08	**1,108**
Comparison of 2007-08 Outturns to 2007-08 Budgets	
Resource DEL Outturn 2007-08	**2,105**
Underspends against budgets:	
Nuclear Decommissioning Authority[2]	562
Other non ring fenced budgets	64
Administration costs	32
Regional Development Agencies	14
Enterprise Fund (including Small Firms Loan Guarantee Scheme)	13
Insolvency Service	11
Face to Face Debt Advice project	2
Resource DEL Budget 2007-08	**2,803**
Capital DEL Outturn 2007-08	**1,108**
Underspends against budgets:	
Enterprise Capital Funds	40
Nuclear Decommissioning Authority	10
Regional Selective Assistance/Selective Finance for Investment in England	9
Capital Grants for renewable energy	8
Launch Investments	4
Other (including Departmental unallocated provision)	15
Capital DEL Budget 2007-08	**1,194**

Annually Managed Expenditure (AME)	
Comparison of 2006-07 and 2007-08 Budgeting Outturns	
Resource AME Outturn 2006-07	**5,808**
Increased expenditure on:	
Nuclear Decommissioning Authority[3]	532
Offset by reduced expenditure on:	
Coal Health provisions and pension schemes	(78)
British Energy	(33)
Resource AME Outturn 2007-08	**6,229**
Capital AME Outturn 2006-07	**(689)**
Increased expenditure on:	
BNFL (smaller special dividend received in 2007-08)	290
Coal Pensions	150
Offset by reduced expenditure on:	
Post Office Working Capital revolving loan facility	(10)
Equity purchase in Royal Mail (2006-07 only) 4	(430)
Capital AME Outturn 2007-08	**(689)**
Comparison of 2007-08 Outturns to 2007-08 Budgets	
Resource AME Outturn 2007-08	**6,229**
Underspends against budgets:	
Coal Health provisions and pension schemes	136
Redundancy Payments Service	85
Other	1
Overspends against budgets:	
Nuclear Decommissioning Authority 5	(6,766)
British Energy	(23)
Resource AME Budget 2007-08	**(338)**
Capital AME Outturn 2007-08	**(689)**
Underspends against budgets:	
Post Office Working Capital revolving loan facility 6	660
Capital AME Budget 2007-08	**(29)**

Notes
1 Additional support to the Post Office network announced in May 2007
2 The underspend against budget was the result of additional income by the NDA arising from highly complex commercial contracts which were not finalised until December 2007. The final determination of the accounting and budgeting treatment of these contracts were not concluded until the year end.
3 The increase is mainly the result of an increase in decommissioning provisions
4 The purchase of shares Royal Mail shares took place in 2006-07; there was no similar transaction in 2007-08
5 The increase in the value of decommissioning provisions had not been determined when the final budget for the year was made.
6 The budget allows for the maximum amount of loan to be issued according to the agreement with the Post Office; at year end all outstanding loans issued in year had been repaid.

Chapter 5:
Resource Accounts

Section 5.1
Statement of Accounting Officer's responsibilities

5.1 Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Business, Enterprise and Regulatory Reform (BERR) to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

5.2 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

5.3 HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department for Business, Enterprise and Regulatory Reform's assets, are set out in *Managing Public Money* as published by HM Treasury..

Section 5.2
Statement on internal control

Introduction

5.4 The Department for Business, Enterprise and Regulatory Reform (BERR) was established on 28 June 2007 and has taken on functions from the former Department of Trade and Industry (DTI) and the Cabinet Office.

Scope of responsibility

5.5 As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Business, Enterprise and Regulatory Reform's policies, aim and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

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

- Promoting the creation and growth of business and a strong enterprise economy across all regions;
- Ensuring that all Government Departments and Agencies deliver better regulation for the private, public and third sectors;
- Delivering free and fair markets, with greater competition, for businesses, consumers and employees;
- Ensuring the reliable supply and efficient use of clean, safe and competitively-priced energy and managing energy liabilities effectively; and
- Ensuring Government acts as an effective and intelligent shareholder and providing a source of excellent corporate finance expertise within Government.

5.7 In supporting Ministers in pursuit of this, I am supported by:

- The Department's Management Board which I chair. It comprises the Core Operational Directors General; Chief Executive UKTI; and four Independent Board Members. The Director of Communications and the Director of Business Environment Unit both attend the Management Board. The Board meets monthly, except August, and works with Ministers to set the Department's strategy and allocate resources, agree business plans and monitor Departmental performance, assess risks/issues which could undermine the Department's strategy/business plan, assess Departmental capability and plans for the future and set standards, values and controls.
- The following 3 Committees support the role of the Management Board:
  - Audit and Risk Committee
  - Executive Committee
  - Operating Committee

- The Secretariat, who proactively manage the governance of Board and Committee agendas and provide strategic input, take minutes and record follow up on decisions and action points.

5.8 I work with Ministers and the Department's top management through the Management Board, other meetings and correspondence. I involve Ministers in the management of risk at a strategic level, considering major factors that could prevent Departmental objectives being achieved.

The purpose of the system of internal control

5.9 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aim and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department for Business, Enterprise and Regulatory Reform for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to handle risk

5.10 The Management Board have taken the lead in embedding risk management in the organisation by reviewing each month the strategic risks facing the Department. This approach helped the Board identify a new risk around the Machinery of Government Changes and ensure arrangements were in place to facilitate the transformation from DTI into BERR with only minimal disruption to the new organisation. The Board also reviewed the long term risks that may pose a significant threat to the Department in the future. These risks were recorded on a register of long term risks that is reviewed every six months by the Management Board. The Board also reviewed, each quarter, the register of risks identified at Group level together with a summary of the Department's overall risk profile.

5.11 During 2007-08, BERR revised its risk management framework to take account of changes in the Department's approach to business planning and performance management. The risk management policy was updated to reflect the new arrangements and was endorsed by the Audit & Risk Committee in February 2008.

5.12 Guidance is available to all staff on risk management through the Risk Management Intranet site, which was revised and updated during 2007-08. In addition to a risk management policy, specific guidance is available on undertaking risk self assessment which includes guidance on applying risk management as an integral part of the Department's business planning process. Risk management workshops are available to all staff and practical guidance on its application is incorporated into a wide range of training courses. These courses cover all ranges of staff in the Department and are tailored to be appropriate to their authority and duties.

The risk and control framework

5.13 The risk management framework for the Department operates through the initial identification of risks, as part of the business planning process, which threatens the achievement of the Department's objectives. These risks are then evaluated in terms of impact and probability. Consideration is then given to the actions required to effectively manage each risk. This process establishes the level of residual risk against which the Department is exposed and which is monitored over time as part of performance management. Ownership for each risk is assigned to a named individual. Assurance that risk mitigation activities are appropriate is obtained through regular management reviews and Internal Audits of the key activities undertaken in the Department.

5.14 Throughout 2007-08, the Department's Risk Support Team continued to work with colleagues to embed risk identification and assessment into the early stages of key decision making processes such as business planning and performance management, policy-making and project management. The Risk Support Team worked in partnership with a number of policy and project teams to help embed risk management within their activities.

Review of effectiveness

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

5.16 The effectiveness of the system of internal control is reviewed by my Directors General who each provide me with a Statement on Risk Management, Internal Control & Corporate Governance for their Group, informed by returns or opinions they themselves received from their Heads of Management Units. The Chairman of the Audit & Risk Committee and the Director of Internal Audit review each Statement & Representation with the relevant Director General and discuss the key findings with me.

5.17 The Department's Agencies and consolidated Delivery Partners also conduct a review of the effectiveness of internal control in preparing a Statement on Internal Control for their Annual Accounts. A similar process is applied to that in the Department and the signed statements from each Chief Executive form part of the Department's overall assurance on internal control.

5.18 The Department also has arrangements, tailored to each particular situation, for monitoring those sponsored bodies, which are not consolidated into the Departmental Resource Accounts but where these bodies participate in the delivery of Departmental objectives. Monitoring arrangements are in place as needed for other bodies where the Department had lead policy within Government.

5.19 The Audit & Risk Committee provide independent advice to give assurance to the Management Board on internal control issues, the Internal Audit work programme and the progress being made in embedding risk management within the organisation. I regularly attend meetings of the Committee and maintain a dialogue with the Chairman. The Chairman also sits as an Independent Board Member on the Management Board. A new Terms of reference was developed by the Audit & Risk Committee during 2007-08 which sets out more explicitly how the work of the Committee relates to the Department's internal control environment. During the year, the Audit & Risk committee reviewed the financial control framework that operates with BERR and concluded it was appropriate to the Department's needs.

5.20 Internal Audit operates to requirements defined in the Government Internal Audit Standards. Their audit programme is focused around the Department's key risks and regular reports are submitted on the adequacy and effectiveness of internal control together with recommendations for improvement. Where weaknesses in the control environment were identified, action to strengthen control has been taken or is planned. The Director of Internal Audit provides me with an Annual Report, which records his opinion that during 2007-08 the system of internal control that has operated within BERR has been satisfactory.

Other matters relevant to my statement

5.21 During the accounting period, BERR was voted a Spring Supplementary Estimate for an additional £400 million to be made available to the Nuclear Decommissioning Authority (NDA) for the financial year 2007-08. Of this total, £256 million of near cash was raised from the Department's End Year Flexibility (EYF), £97 million was claimed from the Reserve and £47 million of capital was allocated from unspent funds.

5.22 In November 2007, at a meeting between BERR and NDA officials, it came to light that the budgeting treatment for certain commercial income streams which, at that stage, was assumed to include Waste Substitution Income (WSI), was likely to be different from the budgeting treatment assumed for 2007-08 and in the CSR07 Settlement.

5.23 Both the 2007-08 forecast for commercial income and CSR Settlement, were based on WSI being recognised when the cash was expected to be received allowing for end-year accruals. In November 2007, during the latter stages of WSI contract negotiation, it was agreed that WSI would be contracted as a variation to the original reprocessing service agreements rather than being subject to a separate agreement. In January 2008, the UK GAAP accounting treatment of WSI that would follow as a consequence of this agreement was still under discussion. At that time, on the basis of work completed, advice from the NDA's accounting advisors was that the revenue from WSI should be taken as part of the long term work in progress accounting and spread over the life of the relevant contracts. Under HM Treasury's budgeting rules, HM Treasury determines the budgeting treatment of income which usually follows the UK GAAP accounting treatment. Consequently, in the absence, at that time, of more specific information for the relevant contracts, it was presumed likely that only a proportion of the WSI would be recognised as income in 2007-08. Therefore, the Department took the prudent course of requesting a Supplementary Estimate to address what was considered to be the likely budgetary shortfall.

5.24 By the middle of March, NDA had further developed their review of the WSI income and the relevant contracts to the point that an alternative accounting treatment was proposed. Their view was that it was correct to apply UKGAAP and Government Accounting rules (under the Government's Financial Reporting Manual – FReM) to take the invoiced amount in full to income in the month in which the invoices were raised. This would lead the NDA to record income of £438m for the contracts in the 2007-08 financial year meaning that the additional funding granted in the Spring Supplementary Estimate would not be required and therefore that the Reserve claim could be repaid. On 21st April 2008 the NAO confirmed that this proposed accounting treatment was reasonable.

5.25 As part of the project to reduce overhead costs, BERR vacated two of its central London buildings. The buildings were subsequently sub let on short term leases to third parties. The head leases which BERR own expire in 2021 and 2026. As the Department's intention is not to occupy the buildings again, provision should have been made for the onerous element of one lease in the 2006-07 accounts. This was not done and amounts to £32m. The non-cash provision for the other has to be made in-year and amounts to £162m. The total provision is being partly met from BERR non-cash EYF stock (£72m) and partly by way of a non-cash Reserve claim to Treasury (£122m) that appeared in Spring Supplementary Estimate. Future proposals for near cash efficiency savings will be subject to increased scrutiny to ensure any similar instances are picked up and fully considered in advance.

5.26 Two cases have emerged of possible fraud relating to the Phoenix Fund which the Small Business Service (formerly an Executive Agency of the DTI) administered from 2000-06. The first allegation totals £785,729 and relates to the period between December 2003 and March 2006. The organisation is currently being investigated by the Metropolitan Police and the District Auditor is assessing the conduct and findings of the internal reviews by the London Development Agency (LDA) to decide whether further investigation is needed. The Department is closely monitoring the situation, and is awaiting the outcome of the District Auditor and police investigations before considering what further action needs to be taken. The second allegation relates to an organisation that received £77,391 revenue support and £707,725 capital support under Round 2 of the Phoenix Fund between 2004 and 2006. It is understood the organisation received significant amounts of additional funding through European Regional Development Funds (ERDF), Neighbour Renewal Funding (NRF) and the Single Regeneration Budget (SRB). BERR have launched an investigation to establish whether the terms of the Phoenix Fund Grant Letter were breached.

5.27 Given that two possible frauds have arisen in a short period of time and the Phoenix Fund Grant Letters only give BERR powers to act within 3 years of final payment, a wider audit of beneficiaries of the Phoenix Fund has commenced to identify whether there are any other potential cases that require remedial action. The review will also consider what lessons should be learnt from these cases.

5.28 The cross Government review of data handling procedures has resulted in BERR taking a number of steps to ensure best practice is understood and embedded across the Department. Data governance arrangements have been strengthened so that all identified data systems have a suitable senior data owner in place to ensure the security of data. A network of Group Data Champions has also been established to work with data owners and BERR's Delivery Partners. They will disseminate centrally produced security information and ensure minimum standards, covering electronic and paper data, are applied, and also be responsible for reporting all Group data losses to Ministers. BERR has also identified all the personal and sensitive data sets across the Department, its Agencies and Delivery Partners. The top six, in terms of size and scope, have been flagged to the Cabinet Office. Internal Audit are undertaking a Departmental review, including Agencies and Delivery Partners, of the more material holdings of sensitive data, including personal data, in order to provide the Accounting Officer specific assurance regarding the security of the Department's information. No significant data handling incidents have happened in 2007-08.

5.29 There are no significant internal control problems in the Department's Agencies and Delivery Partners that impact on the Department's Resource Accounts.

Brian Bender

Sir Brian Bender KCB
Principal Accounting Officer and Permanent Secretary
10 July 2008

Section 5.3

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

5.30 I certify that I have audited the financial statements of the Department for Business Enterprise and Regulatory Reform for the year ended 31 March 2008 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

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

5.33 I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises sections 3.6, 4.1, 4.4, Annex 4 and Annex 5 included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

5.36 I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This comprises the remaining sections of the Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

5.37 I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

5.38 I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

5.39 In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises sections 3.6, 4.1, 4.4, Annex 4 and Annex 5 included within the Annual Report, is consistent with the financial statements.

5.40 Opinion on Regularity:

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

Report

I have no observations to make on these financial statements.

Tim Burr

Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
15 July 2008

Section 5.4

Primary Statements

Statement of Parliamentary Supply

Summary of Resource Outturn 2007-08

								2007-08 £'000	(restated) 2006-07 £'000
				Estimate			Outturn		Outturn
Request for Resources	**Note**	**Gross Expenditure**	**A in A**	**Net Total**	**Gross Expenditure**	**A in A**	**Net Total**	**Net Total Outturn compared with Estimate: saving/ (excess)**	**Net Total**
RfR 1 Increasing UK Competitiveness	2	7,709,140	(3,412,860)	4,296,280	7,179,982	(3,412,860)	3,767,122	529,158	2,748,260
Total resources	3	**7,709,140**	**(3,412,860)**	**4,296,280**	**7,179,982**	**(3,412,860)**	**3,767,122**	**529,158**	**2,748,260**
Non-operating cost A in A	7			**9,957,479**			**6,483,180**	**3,474,299**	**8,635,066**

Net Cash Requirement 2007-08

				2007-08 £'000	(restated) 2006-07 £'000
	Note	**Estimate**	**Outturn**	**Net total Outturn compared with Estimate: saving/ (excess)**	**Outturn**
Net Cash Requirement	4	6,024,621	4,761,371	1,263,250	4,114,866

The prior year figures have been restated to reflect the Machinery of Government changes such that they represent the position of BERR and not the former DTI, as described in Note 40.

Summary of income payable to the Consolidated Fund

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

		Forecast 2007-08 £'000		Outturn 2007-08 £'000	
	Note	**Income**	***Receipts***	Income	*Receipts*
Total	5	908,368	*908,368*	1,316,744	*1,326,943*

Further detail and explanation of the variation between Estimate and Outturn are given in Note 2 and in the Financial Review in section 4.4 of the Report to these Accounts.

The Notes on pages 164 to 217 form part of these Accounts.

Operating Cost Statement

for the year ended 31 March 2008

		2007-08 £'000						(restated) 2006-07 £'000	
		Core Department			Consolidated			Core Department	Consolidated
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Administration Costs									
Staff costs	3.2, 9	148,369			152,831			155,244	159,906
Other administration costs	3.2, 10		350,213			357,802		146,852	151,323
Operating income	3.2, 12			(33,233)			(41,982)	(17,768)	(24,176)
Programme Costs									
Request for Resources 1									
Staff costs	9	1,078			103,945			2,397	94,649
Programme costs	11		6,729,278			6,750,428		5,552,994	5,568,746
Income	12			(3,490,142)			(3,628,120)	(3,126,078)	(3,244,199)
Special dividend (BNFL plc)	12			(260,000)			(260,000)	(1,799,964)	(1,799,964)
Totals		**149,447**	**7,079,491**	**(3,783,375)**	**256,776**	**7,108,230**	**(3,930,102)**	**913,677**	**906,285**
Net Operating Cost	3, 13			**3,445,563**			**3,434,904**	**913,677**	**906,285**

All income and expenditure is derived from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

		2007-08 £'000		(restated) 2006-07 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Net gain/(loss) on revaluation of tangible fixed assets	26	(196)	40	318	116
Net gain/(loss) on revaluation of investments	26	(23,029)	(23,029)	2,012,746	2,012,746
Recognised gains and losses for the financial year		**(23,225)**	**(22,989)**	**2,013,064**	**2,012,862**

The prior year figures have been restated to reflect the Machinery of Government changes such that they represent the position of BERR and not the former DTI, as described in Note 40.

The Notes on pages 164 to 217 form part of these Accounts.

Balance Sheet

as at 31 March 2008

		2007-08 £'000				(restated) 2006-07 £'000	
	Note	**Core Department**		**Consolidated**		**Core Department**	**Consolidated**
Fixed Assets:							
Tangible assets	14	69,199		80,520		61,628	69,111
Intangible assets	15	-		1,612		-	387
Investments	16	5,381,796		5,381,796		5,630,627	5,630,627
			5,450,995		5,463,928	5,692,255	5,700,125
Debtors (amounts falling due after more than one year)	18		9,734		396	8,971	-
Current Assets:							
Stocks	17	-		25		-	26
Debtors	18	549,636		637,016		746,399	804,478
Investments	19	1,390,293		1,390,293		1,701,655	1,701,655
Cash at bank and in hand	20	1,099,600		1,125,178		482,404	525,435
		3,039,529		3,152,512		2,930,458	3,031,594
Creditors (amounts falling due within one year)	21	(1,365,478)		(1,416,437)		(1,289,697)	(1,338,431)
Net Current Assets			**1,674,051**		**1,736,075**	**1,640,761**	**1,693,163**
Total Assets less Current Liabilities			**7,134,780**		**7,200,399**	**7,341,987**	**7,393,288**
Creditors (amounts falling due after more than one year)	21		(538,406)		(540,827)	(540,934)	(541,072)
Provisions for liabilities and charges:							
Coal	22	(827,954)		(827,954)		(1,620,851)	(1,620,851)
Nuclear	23	(2,486,895)		(2,486,895)		(2,543,920)	(2,543,920)
Other	24	(489,591)		(500,192)		(309,453)	(319,699)
			(3,804,440)		(3,815,041)	(4,474,224)	(4,484,470)
			2,791,934		**2,844,531**	**2,326,829**	**2,367,746**
Taxpayers' Equity:							
General fund	25		(1,123,841)		(1,071,925)	(2,159,802)	(2,119,565)
Revaluation reserves	26		3,915,775		3,916,456	4,486,631	4,487,311
			2,791,934		**2,844,531**	**2,326,829**	**2,367,746**

The prior year balances have been restated to reflect the Machinery of Government changes such that they represent the position of BERR and not the former DTI, as described in Note 40.

Brian Bender

Sir Brian Bender KCB

Principal Accounting Officer and Permanent Secretary

10 July 2008

The Notes on pages 164 to 217 form part of these Accounts.

Consolidated Cash Flow Statement

for the year ended 31 March 2008

	Note	2007-08 £'000	(restated) 2006-07 £'000
Net cash outflow from operating activities	27.1	(4,271,838)	(1,800,169)
Capital expenditure and financial investment	27.2	(1,508)	(425,265)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	5	838,918	5,234,763
Payments of amounts due to the Consolidated Fund		(1,689,255)	(6,963,819)
Financing	27.4	5,723,630	3,927,970
Increase /(decrease) in cash in the period	27.5	**599,947**	**(26,520)**

The increase/(decrease) in cash comprises the movement in the Cash Note and the movement in the overdraft disclosed in Note 21

The prior year movements have been restated to reflect the Machinery of Government changes such that they represent the position of BERR and not the former DTI , as described in Note 40.

The Notes on pages 164 to 217 form part of these Accounts.

Consolidated Statement of Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2008

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

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

			2007-08 £'000			(restated) 2006-07 £'000
Objectives:	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
Promoting the creation and growth of business	2,469,384	(1,865,954)	603,430	2,458,229	(1,836,750)	621,479
Ensuring better regulation	9,140	(1)	9,139	6,502	(117)	6,385
Ensuring free and fair markets	562,529	(130,793)	431,736	533,493	(124,704)	408,789
Ensuring clean safe competitive energy	142,001	(14,643)	127,358	181,770	(14,866)	166,904
Managing energy liabilities	3,398,500	(1,553,265)	1,845,235	2,611,103	(1,191,011)	1,420,092
Ensuring the Government acts as an effective shareholder	402,445	(321,015)	81,430	(50,050)	(1,878,630)	(1,928,680)
Professional support, capability and infrastructure	381,007	(44,431)	336,576	233,577	(22,261)	211,316
Net operating cost	**7,365,006**	**(3,930,102)**	**3,434,904**	**5,974,624**	**(5,068,339)**	**906,285**

The Department has changed its aim and objectives in 2007-08 following the Machinery of Government change in June 2007.

See Note 28

The prior year costs have been restated to reflect the Machinery of Government changes such that they represent the position of BERR and not the former DTI, as described in Note 40.

The Notes on pages 164 to 217 form part of these Accounts.

Section 5.5

Notes

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2007-08 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

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

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

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of certain fixed and current assets, as described in paragraphs 1.3, 1.4, 1.5 and 1.6.

1.2 Basis of consolidation

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

A list of all those entities within the Departmental boundary is contained in Annex 4 of the Report to these accounts.

1.3 Tangible fixed assets

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

- Property on the Departmental estate, title to which is held by the Department;
- Property held by the Department for Communities and Local Government, in the name of the Secretary of State.

Freehold land and buildings are re-stated at current cost using professional valuations every five years and where appropriate by using indices in the intervening years. Other tangible assets have been stated at current cost using appropriate indices. The core Department does not index any leasehold improvements.

The core Department's capitalisation threshold for tangible fixed assets is £1,000, except for furniture assets, where all expenditure in one financial year is pooled and capitalised, and IT hardware where all expenditure is capitalised.

The capitalisation thresholds for the consolidated bodies range from £1,000 to £3,000.

1.4 Intangible fixed assets

Where computer software licences are purchased and have a useful life in excess of one year they are capitalised as intangible fixed assets in the accounts of some of the Department's consolidating bodies. These are revalued each year using relevant published indices. Software licences are amortised over the shorter of the term of the licence and the useful economic life. The useful economic life is usually between 5 to 12 years.

1.5 Depreciation

Freehold land is not depreciated.

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

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

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

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

1.6 Investments

Fixed asset investments include 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 which is advised by the Government Actuary's Department (GAD). Fixed asset investments in shares and Public Dividend Capital (PDC) are stated at historical cost, less any provision for impairment.

The Launch Investments value as shown in the accounts is based on an annual management valuation. The management valuation is based on the discounted value of future income streams. Where the valuation exceeds historical cost, increases in valuation are taken to the revaluation reserve and are released to HM Treasury as Consolidated Fund Extra Receipts as investments are realised. Any permanent diminution in value is written off against any previous upward revaluations if appropriate, and then to the Operating Cost Statement. The Government's standard discount rate of 3.5% 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 impairment.

Current asset investments are stated at market value at the Balance Sheet date.

1.7 Stocks and work in progress

Stocks and work in progress are valued as follows:

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

1.8 Provisions

In accordance with FRS12, the Department makes provision for liabilities and charges where, at the Balance Sheet date, a legal or constructive liability exists (i.e. a present obligation arising 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 2.2%, the Government's standard rate. Each year the financing charges in the Operating Cost Statement include the adjustments to amortise one year's discount so that liabilities are shown at current price levels.

1.9 Research and development

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

1.10 Operating income

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

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

CFERs are not included in the Department's Operating Cost Statement and are accounted for through the Balance Sheet accounts of cash and creditors.

1.11 Administration and programme expenditure and income

The Operating Cost Statement is analysed between Administration and Programme income and expenditure. Administration costs reflect the costs of running the Department, as defined under the Administration Cost-Control Regime, together with the associated operating income. Income is analysed in the Notes between that which, under the Regime, is allowed to be offset against gross Administrative costs in determining the Outturn against the Administration cost limit, and that operating income which is not. Programme costs reflect Non-Administration costs, including payments of grants and other disbursements by the Department.

1.12 Grants payable

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

1.13 Capital charge

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

- cash balances with the Office of the Paymaster General (OPG), where the charge is nil;
- The Department's investments in its trading fund (Companies House) and the public corporation, British Shipbuilders, where the charge is equal to 3.5% of the trading fund's underlying net assets, and the public corporations (BNFL and Royal Mail) where the charge is equal to 8% of the public corporation's underlying net assets; and
- Amounts due from, or due to be surrendered to, the Consolidated Fund, where the credit will be at a nil rate.

1.14 Foreign exchange

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

1.15 Pensions

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

1.16 Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when 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 gross of any such payments.

1.17 Taxation

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

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

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

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

1.18 Statement of Parliamentary Supply and the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

The information contained in the Statement of Parliamentary Supply and associated Notes are based on the Request for Resources information that forms part of the Parliamentary approval processes.

The Consolidated Statement of Operating Costs by Departmental Aim and Objectives reports expenditure and income for each of the Department's seven objectives. The differences between the Net Resource Outturn, as disclosed in the Statement of Parliamentary Supply and the Net Operating Costs, as disclosed in the Operating Cost Statement and the Statement of Operating Costs by Departmental Aim and Objectives, are disclosed in Note 3 to the accounts.

1.19 Leases

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage. Future payments, disclosed at Note 30.1, are not discounted.

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright at the present value of the total rentals payable during the primary period of the lease. The corresponding leasing commitments are shown as obligations to the lessor. The core Department currently has no Finance leases, however, The Insolvency Service, the Department's Agency, does have finance leases. Charges are made to the Operating Cost Statement in respect of:

- Depreciation, which is charged on a straight line basis over the useful economic life of the asset; and
- The total finance charge, which is allocated over the primary period of the lease using the sum of digits method.

Where the Department is the lessor of an operating lease, amounts due under the operating lease are treated as amounts receivable and reported as debtors.

1.20 Inter-Departmental transfers of functions: Restatement of prior year comparators

In accordance with the FReM, where functions are transferred between Government Departments, the results and cash flows of the combining entities are brought into account from the start of the financial year in which the transfer occurs. Prior-year comparative figures are re-stated to show the effect as if the transfer had occurred one year earlier.

1.21 Private Finance Initiative (PFI) transactions

PFI transactions have been accounted for in accordance with Technical Note No. 1 (Revised), entitled 'How to Account for PFI Transactions' as required by the FReM. Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost.

1.22 Contingent Assets and Liabilities

In addition to contingent liabilities or assets disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement; and
- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of the Accounts), which are required by the FReM to be noted in the Accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

In accordance with the FReM, the Department does not disclose any contingent liabilities of its Delivery Partners that arise in the normal course of business.

1.23 Third-party assets

The Department holds, as custodian or trustee, certain cash balances at commercial banks belonging to third parties. These are not recognised in the accounts since neither the Department nor Government more generally has a direct beneficial interest in them.

2. Analysis of net resource outturn by section

RfR 1 Increasing UK competitiveness	Outturn						2007-08 £'000 Estimate		(restated) 2006-07 £'000
	Administration	Other Current	Grants	Gross Resource Expenditure	A in A	Net Resource Total	Net Total	Net Total Outturn compared with Estimate	Outturn
Spending in Departmental Expenditure Limits (DEL) Central Government spending									
A Knowledge Transfer and Innovation	–	1,075	9,602	10,677	(16)	10,661	**11,206**	545	90,071
B Extending Competitive Markets	–	84,181	63,564	147,745	(88,223)	59,522	**71,902**	12,380	42,040
C Security of Energy Supply	–	3,405	2,973	6,378	(10,820)	(4,442)	**(4,273)**	169	(2,847)
D Sustainability and the Environment	–	19,320	26,583	45,903	(3,321)	42,582	**61,417**	18,835	73,113
E Enterprise Growth and Business Investment	–	29,162	78,424	107,586	(12,677)	94,909	**109,038**	14,129	93,652
F Regional Economies	–	147	10,205	10,352	(1,749,941)	(1,739,589)	**(1,749,241)**	(9,652)	(1,699,765)
G Trade and Investment	30,356	–	–	30,356	(203)	30,153	**33,516**	3,363	30,887
H Maximising Potential in the Workplace	–	58,451	198	58,649	(3,633)	55,016	**54,772**	(244)	63,568
I Corporate Activity and Insolvency Framework	16,973	176,616	734	194,323	(133,891)	60,432	**69,407**	8,975	46,548
J Assets and Liabilities	7,024	(12,804)	527,975	522,195	(1,383,856)	(861,661)	**(849,181)**	12,480	(935,816)
K Nuclear Security and Export Control	–	1,717	58,510	60,227	(72)	60,155	**59,791**	(364)	50,309
L Activities in Support of all Objectives	456,280	(8,164)	(14,480)	433,636	(26,207)	407,429	**472,654**	65,225	232,460
Support for Local Authorities									
M Knowledge Transfer and Innovation	–	–	–	–	–	–	**–**	**–**	–
N Grants to London Development Agency	–	–	385,797	385,797	–	385,797	**391,184**	5,387	415,625
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
O Maximising Potential in the Workplace	–	–	42,800	42,800	–	42,800	**42,800**	–	7,271
P Assets and Liabilities	–	28,386	101,041	129,427	–	129,427	**140,449**	11,022	159,390
Support for Local Authorities									
Q Regional Economies	–	–	2,263	2,263	–	2,263	**2,567**	304	3,454
Non-Budget									
R Extending Competitive Markets	–	–	38,550	38,550	–	38,550	**38,311**	(239)	34,705
S Security of Energy Supply	–	–	11,446	11,446	–	11,446	**10,700**	(746)	12,449
T Enterprise Growth and Business Investment	–	–	25	25	–	25	**300**	275	(611)
U Regional Economies	–	–	1,809,312	1,809,312	–	1,809,312	**1,832,010**	22,698	1,730,621
V Corporate Activity and Insolvency Framework	–	–	1,794	1,794	–	1,794	**2,010**	216	144
W Assets and Liabilities	–	–	3,129,490	3,129,490	–	3,129,490	**3,491,941**	362,451	2,300,992
X Nuclear Security and Export Council	–	–	1,051	1,051	–	1,051	**3,000**	1,949	–
Resource Outturn	**510,633**	**381,492**	**6,287,857**	**7,179,982**	**(3,412,860)**	**3,767,122**	**4,296,280**	**529,158**	**2,748,260**

The classifications within the RfR relate to SR04 and to the former business planning objectives of the DTI which were similar but not identical to those of BERR. New classification based on BERR's Departmental Strategic Objectives will be used from 2008-09 onwards once the details have been agreed with HM Treasury.

Explanations of the variation between Estimate and Outturn are given in the Financial Overview in Chapter 4 of the Report to these Accounts.

3. Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of net resource outturn to net operating cost

	Note	Outturn	Supply Estimate	2007-08 £'000 Outturn compared with Estimate	(restated) 2006-07 £'000 Outturn
Net Resource Outturn	2	3,767,122	4,296,280	(529,158)	2,748,260
Non-supply income (CFERs)	5	(488,070)	(2,186)	(485,884)	(1,845,538)
Non-supply Expenditure – National Insurance Fund expenditure (RPS)	25	173,772	258,809	(85,037)	204,643
Royal Mail and BNFL Cost of Capital credit		(17,920)	–	(17,920)	(201,080)
NLF net funding *		–	–	–	–
Net Operating Cost		**3,434,904**	**4,552,903**	**(1,117,999)**	**906,285**

*** Net Funding**			2007-08 £'000	(restated) 2006-07 £'0000
NLF loan income	–	–	(29,172)	(29,170)
NLF loan expenditure	–	–	29,172	29,170
Total	–	–	–	–

The Redundancy Payments Service (RPS)

The Department is responsible for the approval and processing of claims under the Redundancy Payment Scheme, which is financed from the National Insurance Fund. Claims processed under the Scheme fall into two categories: RP1 (which covers redundancy pay, holiday pay and arrears of pay) and RP2 (pay in lieu of notice). The average payment for RP1 during 2007-08 was £1,370 (2006-07: £1,448). An average amount of £676 was paid during 2007-08 for RP2 (2006-07: £690).

There is associated income related to this Scheme arising from two sources:

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

Expenditure in 2007-08 totalled £213 million (2006-07: £245 million) against income of £39 million (2006-07: £40 million) and is disclosed in Note 11.

3.2 Outturn against final administration budget

	Note	Budget	2007-08 £'000 Outturn	(restated) 2006-07 £'000 Outturn
Gross administration budget	9, 10	544,765	510,633	311,229
Income allowable against the administration budget	12	(43,934)	(41,982)	(24,176)
Net outturn against final Administration Budget		**500,831**	**468,651**	**287,053**

4. Reconciliation of resources to cash requirement

	Note	Estimate £'000	Outturn £'000	2007-08 Net Total Outturn compared with Estimate: saving/(excess) £'000
Resource Outturn	2	4,296,280	3,767,122	529,158
Capital:				
Acquisition of fixed assets	14,15, 27.3	–	22,792	(22,792)
Investments	27.3	10,672,887	6,469,119	4,203,768
Non-operating A in A:				
Proceeds of fixed asset disposals	7	–	–	–
Investments	7,27.3	(9,957,479)	(6,483,180)	(3,474,299)
Accruals adjustments:				
Royal Mail and BNFL cost of capital credit	3.1	–	(17,920)	17,920
Non-cash items	10.1	(482,477)	(441,544)	(40,933)
Changes in working capital other than cash		359,904	367,431	(7,527)
Changes in creditors falling due after more than one year	21	–	245	(245)
Provision expenditure in year	22,23,24	1,135,506	1,077,306	58,200
Net cash requirement		**6,024,621**	**4,761,371**	**1,263,250**

5. Analysis of income payable to the Consolidated Fund

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

		Forecast 2007-08 £'000		Outturn 2007-08 £'000	
	Note	Income	*Receipts*	Income	*Receipts*
Operating income and receipts – excess A in A		–	*–*	213,663	*213,663*
Other operating income and receipts not classified as A in A	12	2,186	*2,186*	274,407	*274,362*
	25	**2,186**	***2,186***	**488,070**	***488,025***
Non-operating income and receipts – excess A in A		**–**	***–***	**–**	***–***
Other Non-operating income and receipts not classified as A in A		828,400	*828,400*	–	*–*
Other amounts collectable on behalf of the Consolidated Fund		77,782	*77,782*	828,674	*838,918*
Total income payable to the Consolidated Fund		**908,368**	***908,368***	**1,316,744**	***1,326,943***

The forecast is the estimated CFER the Department expected to collect in 2007-08. However, CFER does not form part of the departmental Supply Estimate and is not disclosed in the Statement of Parliamentary Supply.

A breakdown of other amounts payable to the Consolidated Fund is as follows:

	2007-08 £'000	(restated) 2006-07 £'000
Coal Pension surplus releases and disposals	419,000	569,000
Receipt from the Coal Authority	271	369
Launch investment levies received	128,114	117,609
Petroleum licences	54,959	60,262
Universal banking contributions	34,625	36,500
Companies House late filing penalties	42,800	40,835
OFCOM Wireless Telegraphy Act	106,165	90,262
BNFL NLIP	–	3,767,642
BNFL Debenture	–	550,153
UKAEA	34,935	–
Other	7,805	5,487
Total	**828,674**	**5,238,119**

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2007-08 £'000	(restated) 2006-07 £'000
Operating income	12	(3,930,102)	(5,068,339)
Income outside of the supply process	12	29,172	29,170
Gross income		**(3,900,930)**	**(5,039,169)**
Less: Income authorised to be Appropriated-in-Aid[1]	12	3,412,860	3,193,631
Operating income payable to the Consolidated Fund	5	**(488,070)**	**(1,845,538)**

1 This figure comes from the Departmental Estimate and is disclosed in the Statement of Parliamentary Supply.

7. Non-operating income

	2007-08 £'000	(restated) 2006-07 £'000
Royal Mail Holdings Plc working capital loan	(6,450,000)	(8,590,000)
Proceeds on disposal of fixed assets	–	(2)
Other investment income	(5,784)	(9,099)
Launch Investment income	(25,609)	(36,509)
Movement in Launch Investment debtors	(1,787)	544
Non-operating income	**(6,483,180)**	**(8,635,066)**

8. Non-operating income not classified as Appropriations in Aid (A in A)

There is no non-operating income not classified as A in A for 2007-08, nor was there any for 2006-07

9. Staff numbers and related costs

Staff costs comprise:

	Permanently employed staff	Others	Ministers	Special Advisers	2007-08 £'000 Total	(restated) 2006-07 £'000 Total
Wages and salaries	193,436	9,405	186	176	203,203	204,328
Social security costs	15,802	55	24	19	15,900	15,265
Other pension costs	38,787	77	–	–	38,864	36,458
Total	**248,025**	**9,537**	**210**	**195**	**257,967**	**256,051**
Less recoveries in respect of outward secondments	–	(1,191)	–	–	(1,191)	(1,496)
Total net costs	**248,025**	**8,346**	**210**	**195**	**256,776**	**254,555**
Of which: Core Department	**146,972**	**2,070**	**210**	**195**	**149,447**	**157,641**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit Scheme but the Department for Business, Enterprise and Regulatory Reform is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £37,143,490 were payable to the PCSPS (2006-07: £37,203,945) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2006-07 were also between 17.1% and 25.5%). The Scheme's Actuary reviews employer contributions every four years following a full Scheme valuation. The salary bands and contribution rates were revised for 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the Scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £133,719 (2006-07: £101,805) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (the rates in 2006-07 were also between 3% and 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% (2006-07: also 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were £7,001 of contributions due to the partnership pension providers at the Balance Sheet date, but there were no contributions prepaid at that date.

In 2007-08, 3 persons (2006-07: 9 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £18,727 (2006-07: £48,330).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the Department as well as in Agencies and other bodies included within the Consolidated Departmental Resource Accounts.

Objective	Permanent staff	Others	Ministers	Special Advisers	2007-08 Number Total	(restated) 2006-07 Number Total
Promoting the creation and growth of business	828.8	48.9	–	–	**877.7**	**1,112.8**
Ensuring better regulation	85.6	2.4	–	–	**88.0**	**92.0**
Ensuring free and fair markets	3,510.0	637.8	–	–	**4,147.8**	**3,646.1**
Ensuring clean safe competitive energy	329.0	11.4	–	–	**340.4**	**392.3**
Managing energy liabilities	41.1	3.8	–	–	**44.9**	**55.1**
Ensuring the Government acts as an effective shareholder	39.5	4.0	–	–	**43.5**	**47.4**
Professional support, capability and infrastructure	1,178.1	59.7	6.6	2.4	**1,246.8**	**1,262.9**
Total	**6,012.1**	**768.0**	**6.6**	**2.4**	**6,789.1**	**6,608.6**
Of which: Core Department	**2,867.1**	**139.0**	**6.6**	**2.4**	**3,015.1**	**3,377.6**

Staff Debtors

At 31 March 2008, 1,521 (31 March 2007: 1,635) employees of the Department and its Agencies were in receipt of advances of travel and housing loans, repayable to the employer. The staff debtor amount is disclosed in Note 18.

10. Other administration costs

Other administration costs comprise:

	Note	2007-08 £'000 Core Department	Consolidated	(restated) 2006-07 £'000 Core Department	Consolidated
Rentals under operating leases:					
Plant and Machinery		1,020	1,031	992	1,022
Other		37,246	38,195	35,605	35,911
Interest charges		3	3	2	2
PFI service charge	31	26,622	26,622	28,294	28,294
Research & Development		2	2	–	–
Travel & subsistence		7,156	7,531	6,681	6,824
IT support		8,392	8,392	8,637	9,433
Training and other staff costs		8,985	9,223	13,792	12,035
Professional services		31,166	31,560	14,216	12,501
Accommodation		20,839	21,971	18,332	18,721
Other		4,952	9,442	5,535	9,625
		146,383	**153,972**	**132,086**	**134,368**
Non-Cash Items:					
Depreciation	14,15	7,127	7,127	5,817	5,856
Revaluation/impairment	14,15	(12)	(12)	437	444
Proceeds on disposal of fixed assets		–	–	(2)	(2)
(Profit)/Loss on disposal of fixed assets		37	37	15	18
Cost of capital charges/(credit)		(2,408)	(2,408)	4,884	4,935
Auditors' remuneration		240	240	266	268
Specific bad debt write off		18	18	753	1,850
Provision for bad debt		(241)	(241)	(683)	(961)
Provision provided for in year	22,23,24	199,103	199,103	2,510	2,517
Unwinding of discount on provisions	22,23,24	(34)	(34)	769	771
Other agency notional Costs		–	–	–	1,259
Total non-cash		**203,830**	**203,830**	**14, 766**	**16,955**
Total other administration costs		**350,213**	**357,802**	**146,852**	**151,323**

The auditors' remuneration represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work.

With the exception of expenditure relating to the Redundancy Payment Service, Administration costs do not include the costs of ACAS or INSS. These Agency costs are recorded as Programme expenditure and hence are excluded from the Administration Budget Regime.

10.1 Administration and Programme non-cash costs summary

The total for non cash costs in Note 10 (other Administration costs) and Note 11 (Programme costs) is as follows:

			2007-08 £'000		(restated) 2006-07 £'000
	Note	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Auditors' remuneration		240	277	266	300
Depreciation/amortisation		7,127	10,028	5,817	9,496
Loss/(profit) on the disposal of fixed assets		37	73	13	290
Revaluation/impairments		31,142	31,251	17,401	20,449
Bad debt provision movement		(241)	(241)	(683)	(961)
Specific bad debt write off		83	15,897	887	14,023
Cost of capital charge/credit		29,654	30,402	(199,272)	(198,826)
Other agency notional costs		–	–	–	1,259
Launch Investment – unwinding of discount		(54,020)	(54,020)	(56,098)	(56,098)
Movement on provisions		404,735	407,877	411,387	414,738
Total	4, 27.1	**418,757**	**441,544**	**179,718**	**204,670**

11. Programme costs

	Note	Core Department	2007-08 £'000 Consolidated	Core Department	(restated) 2006-07 £'000 Consolidated
Grant in Aid		5,144,748	5,099,625	4,240,609	4,192,264
Other grants		1,000,243	994,678	697,857	697,857
Interest on NLF loan on-lent to Royal Mail Holdings plc		29,172	29,172	29,170	29,170
Interest on Bank loans and overdraft		10	10	–	–
PFI Service Charges	31	597	6,128	828	5,548
Net loss (gain) on foreign exchange		75	75	(183)	(183)
Rentals under operating leases – plant and machinery		9	725	11	547
Charges under finance lease		–	192	–	–
Research and development		2,315	2,548	2,469	2,501
Redundancy Payments Service – National Insurance Fund	3.1	173,772	173,772	204,643	204,643
Other		163,410	205,757	212,638	248,656
Auditors' remuneration		–	32	–	28
		6,514,351	**6,512,714**	**5,388,042**	**5,381,031**
Non-cash items					
Depreciation – tangible fixed assets	14	–	2,455	–	3,469
Amortisation – intangible fixed assets	15	–	446	–	171
Revaluation/impairment		–	109	–	3,041
Loss on disposal of fixed assets	14	–	36	–	274
Investment impairment		31,154	31,154	16,964	16,964
Specific bad debt write off		65	15,879	134	12,173
Cost of capital charges /(credit)		32,062	32,810	(204,156)	(203,761)
Auditors' remuneration		–	37	–	32
Provisions:					
Provided for in year	22,23,24	107,411	110,516	294,026	297,368
Unwinding of discount on provisions	22,23,24	98,255	98,292	114,082	114,082
Launch Investment – unwinding of discount	16	(54,020)	(54,020)	(56,098)	(56,098)
Total non-cash		**214,927**	**237,714**	**164,952**	**187,715**
Total programme expenditure		**6,729,278**	**6,750,428**	**5,552,994**	**5,568,746**

12. Income

	Note	2007-08 £'000 Core Department	2007-08 £'000 Consolidated	(restated) 2006-07 £'000 Core Department	(restated) 2006-07 £'000 Consolidated
Administration Income:					
Fees and charges received from external customers		16,100	24,849	10,614	17,022
Recovery/rent/rates/services		15,531	15,531	6,899	6,899
Other allowable within the Administration cost limit		1,602	1,602	255	255
Total Administration Income (A in A)	6	***33,233***	***41,982***	***17,768***	***24,176***
Programme Income:					
Funding from Other Government Departments for Regional Development Agencies/London Development Agency		1,746,174	1,746,174	1,731,463	1,731,463
Other income from Other Government Departments		16	16	3	3
European Union Funding		67	67	148	148
Nuclear Decommissioning Authority		1,452,036	1,452,036	1,181,000	1,181,000
Other		248,270	386,248	138,720	256,841
Programme Income (A in A)	6	***3,446,563***	***3,584,541***	***3,051,334***	***3,169,455***
Programme Income outside of the supply process					
Interest on NLF loan on-lent to Royal Mail Holdings plc	6	29,172	29,172	29,170	29,170
Consolidated Fund Extra Receipts (CFERs)	5, 25	14,407	14,407	45,574	45,574
Special Dividend (BNFL plc)	5, 25	260,000	260,000	1,799,964	1,799,964
Total Programme Income		***3,750,142***	***3,888,120***	***4,926,042***	***5,044,163***
Total Operating Income	6	**3,783,375**	**3,930,102**	**4,943,810**	**5,068,339**

Total income allowable against the Estimate, as shown in the Statement of Parliamentary Supply, amounted to £3,412,860.

13. Analysis of net operating cost by spending body

	Note	2007-08 £'000 Estimate	2007-08 £'000 Outturn	(restated) 2006-07 £'000 Outturn
Spending body:				
Core Department		4,465,781	3,353,322	818,354
Advisory, Conciliation and Arbitration Service		40,762	42,797	50,395
Insolvency Service		46,360	38,785	37,536
Net operating cost	3.1	**4,552,903**	**3,434,904**	**906,285**

14. Tangible fixed assets

	Land & Buildings £'000	Leasehold Improvements £'000	Office Machinery £'000	Computer Equipment £'000	Furniture, Fixtures & fittings £'000	Plant and Machinery £'000	Assets under Construction £'000	Total £'000
Cost or valuation								
(restated) At 1 April 2007	1,360	39,077	1,599	11,741	10,501	1,922	30,352	96,552
Additions	–	314	265	2,071	98	52	18,304	21,104
Disposals	–	–	(132)	(450)	(114)	(2)	–	(698)
Reclassifications	291	13,689	54	402	171	–	(14,607)	–
Revaluation	–	705	121	(286)	(106)	(3)	–	431
At 31 March 2008	**1,651**	**53,785**	**1,907**	**13,478**	**10,550**	**1,969**	**34,049**	**117,389**
Depreciation								
(restated) At 1 April 2007	405	13,742	1,071	4,379	6,259	1,585	–	27,441
Charged in year	50	4,919	148	2,661	1,657	147	–	9,582
Disposals	–	–	(101)	(414)	(108)	(2)	–	(625)
Reclassifications	177	(177)	–	–	–	–	–	–
Revaluation	–	534	73	(1)	(108)	(27)	–	471
At 31 March 2008	**632**	**19,018**	**1,191**	**6,625**	**7,700**	**1,703**	**–**	**36,869**
Net book value at 31 March 2008	**1,019**	**34,767**	**716**	**6,853**	**2,850**	**266**	**34,049**	**80,520**
Net book value (restated) at 31 March 2007	955	25,335	528	7,362	4,242	337	30,352	69,111
Asset financing								
Owned	1,019	34,767	716	4,501	2,850	266	34,049	78168
Finance leases	–	–	–	2,352	–	–	–	2,352
Net book value at 31 March 2008	**1,019**	**34,767**	**716**	**6,853**	**2, 850**	**266**	**34,049**	**80,520**

Analysis of tangible fixed assets

The net book value of tangible fixed assets comprises:

	Land & Buildings £'000	Leasehold Improvements £'000	Office Machinery £'000	Computer Equipment £'000	Furniture, Fixtures & fittings £'000	Plant and Machinery £'000	Assets under Construction £'000	Total £'000
Core department March 2008	1,019	32,023	81	3,831	2,457	167	29,621	69,199
Agencies March 2008	–	2,744	635	3,022	393	99	4,428	11,321
Core Department March 2007	955	22,186	49	4,771	3,833	256	29,578	61,628
Agencies March 2007	–	3,149	479	2,591	409	81	774	7,483

The total fixed asset additions as disclosed in Notes 14 and 15, amounting to, £22,792 can be reconciled to the cash payments made during the year as follows:

	Note	£'000
Cash payments made to purchase fixed assets during 2007-08 for:		
Tangible fixed assets	27.2	13,881
Intangible fixed assets	27.2	1,688
		15,569
Movement in creditors	27.3	292
Movement in accrued expenditure		4,437
Creditor for finance lease		2,494
Additions in fixed asset notes	14,15	**22,792**

14.1 The net book value of land and buildings comprises:

	31 March 2008 £'000 Land & Buildings	(restated) 31 March 2007 £'000 Buildings
Freehold	1,019	955
Total	**1,019**	**955**

The Department has one freehold property:

- The Core Store at 36 Gilmerton Road, Edinburgh was revalued in June 2004 by Donaldson's, independent Chartered Surveyors, on an existing use basis. On 1 August 2005 the Core Store was leased to the British Geological Survey (BGS) for the sum of £1 per annum for a term of 10 years. BGS is a research centre wholly owned by the Natural Environment Research Council (NERC), which is funded by the Department for Innovation, Universities and Skills (DIUS) through Grant-in-Aid. The Department is in negotiation with DIUS to take on this building in 2008-09.

All professional valuations have been made in accordance with Royal Institute of Chartered Surveyors guidance.

Other tangible assets have been restated to current value as at 31 March 2008, using appropriate indices published by the Office of National Statistics.

14.2 Heritage assets

14.2.1 Operational heritage assets:

The listed building, Bushy House, including the Clock House, the Conservatory and Garden Temple, located at the National Physical Laboratory in Teddington, were transferred to the Department for Innovation, Universities and Skills. The transfer took place on 1 April 2007 as a result of a Machinery of Government change during the year. The Department no longer owns or operates any operational heritage assets.

14.2.2 Non-operational heritage assets:

The following non-operational heritage assets, located at the National Physical Laboratory in Teddington, were transferred to the Department for Innovation, Universities and Skills. The transfer took place on 1 April 2007 as a result of a Machinery of Government changes during the year. The Department no longer owns or operates any non-operational heritage assets.

- 'Newton's Apple Tree'
- National Physical Laboratory museum and archives, including some UK primary standard weights and measures, located at the National Physical Laboratory in Teddington.

15. Intangible Fixed Assets

	2007-08 £'000 Total	(restated) 2006-07 £'000 Total
Cost or Valuation		
At 1 April 2007	1,623	2,301
Additions	1,688	153
Disposals	–	–
Transfers	–	(777)
Revaluation	(29)	(54)
At 31 March 2008	**3,282**	**1,623**
Amortisation		
At 1 April 2007	1,236	1,090
Charged in year	446	171
Disposals	–	–
Transfers	–	–
Revaluation	(12)	(25)
At 31 March 2008	**1,670**	**1,236**
Net Book Value		
At 31 March 2008	**1,612**	**387**
At 31 March 2007	**387**	**1,211**

Analysis of intangible fixed assets

The net book value of intangible fixed assets, all of which relate to Agencies, comprise of software licences.

16. Fixed Asset Investments

	Coal Pension Investment Reserves £'000	Launch Investments £'000	Ordinary Shares £'000	(restated) Public Dividend Capital £'000	(restated) Other Loans and Investments £'000	Total £'000
Value at 1 April 2007	3,074,656	1,543,433	430,373	15,889	566,276	5,630,627
Additions	–	–	50	7,400	21,669	29,119
Disposals	(133,641)	–	–	–	–	(133,641)
Repayments	–	–	–	–	(5,784)	(5,784)
Income	–	(153,723)	–	–	–	(153,723)
Revaluation	(71,916)	64,248	–	–	–	(7,668)
Amortisation	–	54,020	–	(7,400)	(23,754)	22,866
Value at 31 March 2008	**2,869,099**	**1,507,978**	**430,423**	**15,889**	**558,407**	**5,381,796**

All investments are held by the Core Department.

16.1 Coal Pension Investment Reserves- BCSSS and MPS Coal Pension Investment Reserves

	Value at 1 April 2007 £'000	Additions £'000	Disposals £'000	Revaluation £'000	Value at 31 March 2008 £'000
BCSSS Investment Reserve	1,687,484	–	(100,597)	(23,065)	1,563,822
MPS Investment Reserve	1,387,172	–	(33,044)	(48,851)	1,305,277
Total	**3,074,656**	**–**	**(133,641)**	**(71,916)**	**2,869,099**

In addition to the Current Investments, detailed in Note 19.1

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 derived from the unallocated share of the surplus attributed to British Coal at the privatisation of the industry in 1994. The Investment Reserves exist as notional sub-funds and are available to maintain the benefits of Scheme members in accordance with guarantee arrangements entered into in 1994. 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 the Government Actuary.

The MPS and BCSSS are subject to triennial actuarial valuations, the latest of which, were completed in September 2006 and February 2007 respectively. Actuarial valuations are carried out by the Government Actuary after consultation with both the Trustees and the Guarantor on the actuarial assumptions to be used. The Government Actuary assesses both the market value and actuarial value of the funds' assets and liabilities. The balances disclosed in the accounts are the market value. An element of the substantial surpluses revealed at the latest valuations was used to repay Investment Reserve sums transferred to support guaranteed pensions following fund deficits in 2002-03. Changes in the value of the investment between the last actuarial valuation dates and the 31 March 2008 are management estimates of the current market value taking into account any payment made to, or for the benefit of, the Department as guarantor to the Schemes. The value of the investment is adjusted by the interim valuations undertaken by the Scheme Actuary, when these are provided.

The accounts of the two Pension Schemes can be obtained from Coal Pension Trustee Services, 1 Hussar Court, Hillsborough Barracks, Penistone Road, Sheffield, South Yorkshire, S6 2GZ.

16.2 Launch Investments

The Department provides specific support to the aerospace industry through Launch Investments. The Department regularly revises its forecasts of sales of the aircraft and engines covered by the Department's portfolio of Launch Investment contracts. These forecasts in turn determine forecasts of income and hence the value of the portfolio as a whole. The historic cost valuation of the investment portfolio at 31 March 2008 was £998 million (31 March 2007: £1,024 million). The asset value of the Launch Investment portfolio at 31 March 2008 remains considerably in excess of its historic value.

16.3 Ordinary Shares

	Value at 1 April 2007 £'000	Additions £'000	Disposals £'000	Revaluation £'000	Value at 31 March 2008 £'000
BNFL plc shares	50	–	–	–	50
Royal Mail Holdings plc shares	430,323	–	–	–	430,323
CfEL	–	50	–	–	50
Total	**430,373**	**50**	**–**	**–**	**430,423**

The Government holds 50,000 ordinary shares in BNFL plc at a nominal value of £1 each. BNFL plc was set up to hold those parts of BNFL that did not pass to the Nuclear Decommissioning Authority (NDA), including, inter alia, British Nuclear Group Sellafield Limited (formerly British Nuclear Fuels). The Secretary of State for Business, Enterprise and Regulatory Reform owns 49,999 ordinary shares and the Treasury Solicitor holds one ordinary share.

The Government owns 100% of the shares in Royal Mail Holdings plc. The Secretary of State for Business, Enterprise and Regulatory Reform owns 50,004 ordinary shares and the Treasury Solicitor holds one ordinary share.

The Secretary of State for Business, Enterprise and Regulatory Reform also owns one Special Share, relating to certain areas for which Special Shareholder's consent is required (see Note 16.6). The ordinary shares are shown at historical cost less any provision for impairment.

The Department owns 49,901 shares in Capital for Enterprise Limited (CfEL), which has been set up to manage the Department's business investment funds and the Small Firms Loan Guarantee Scheme. CfEL commenced full business activity on 1 April 2008.

16.4 Public Dividend Capital (PDC)

	(restated) Value at 1 April 2007 £'000	Additions £'000	Redemptions £'000	Revaluation £'000	Impairment £'000	Value at 31 March 2008 £'000
British Shipbuilders	–	7,400	–	–	(7,400)	–
Companies House	15,889	–	–	–	–	15,889
Total	**15,889**	**7,400**	**–**	**–**	**(7,400)**	**15,889**

The British Shipbuilders Corporation requires equity injections to maintain its solvency. The Department makes payments of Public Dividend Capital (PDC) to allow the Corporation to discharge its liabilities under the Aircraft and Shipbuilding Industries Act 1977. Consequently, the PDC has been fully impaired. The Department expects to continue to make equity injections to maintain the Corporation's solvency, in accordance with the statement to Parliament of July 1988. The historic cost of PDC payments made to 31 March 2008 is £1,610,739,000 (£1,603,339,000 at 31 March 2007)

16.5 Share of net assets and results of bodies outside the consolidation boundary

The Department is required to disclose, for each investment which represents an interest in a subsidiary undertaking, an associate or joint venture which falls outside the Departmental consolidation boundary, the Department's share of the net assets and results of those bodies. This information is summarised below.

	British Energy £m	Nuclear Liabilities Fund £m	British Shipbuilders £m	Companies House £m	British Nuclear Fuels Ltd £m	Royal Mail Holdings plc £m
Assets	4,337	3,842	1	71	1,960	6,354
Liabilities	(2,587)	(3,842)	(88)	(12)	(735)	(6,595)
Net assets/(liabilities)	1,750	–	(87)	59	1,225	(241)
Turnover	987	171	–	72	2,938	9,238
Surplus/profit (deficit/loss) for the year	118	23	(9)	3	2,225	135

Notes:

- British Energy (BE) information is from the British Energy's Group plc's audited annual results for the period to 31 March 2008. For the purposes of this Note, intra-company transactions and balances have not been cancelled. Therefore, BE liabilities include amounts for historic contracted spent fuel costs, which are also recognised in these accounts and BE assets contain receivables from the Nuclear Liabilities Fund (NLF) and the Government. The NLF is considered to be a 100% subsidiary of the Department and BE is a 35% quasi-subsidiary of the NLF and hence the Department. These percentages have been applied to the appropriate figures for each body to arrive at the disclosure above. The 2007-08 accounts were prepared in accordance with International Financial Reporting Standards (IFRS).
- NLF information is extracted from their unaudited annual accounts for the year to 31 March 2008. The accounts were prepared in accordance with UK GAAP.
- British Shipbuilders information is derived from the 2006-07 audited annual accounts, as their 2007-08 information is not available. The 2006-07 accounts were prepared in accordance with UK GAAP.

- Companies House information is derived from their audited annual accounts for 2006-07, as their 2007-08 information is not available. In the 2006-07 year their annual accounts were completed in accordance with the requirements of the Government Financial Reporting Manual (FReM).
- British Nuclear Fuels Limited (BNFL) information is derived from their 2006-07 audited annual accounts, as their 2007-08 information is not available. BNFL's accounts were prepared in accordance with UK GAAP.
- Royal Mail Holdings plc information is derived from their 2007-08 audited annual accounts. These were prepared in accordance with International Financial Reporting Standards (IFRS).
- Capital for Enterprise Limited commenced trading on 1 April 2008. As such there are no reportable results for this entity.

16.6 Special Shares

In addition, the Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body.

Body in which Share is held and type and value of Share	Terms of Shareholding
Royal Mail Holdings plc *£1 Special Rights Preference Share*	• Created in January 2001; • It may be redeemed at any time by the shareholder; • The consent of the shareholder is required for a number of decisions, including: – Appointing the Chairman of the company, and the remainder of the Board (after consulting the Chairman); – Setting (and approving any material changes in) the remuneration packages of the Directors; – Borrowing in excess of certain pre-set limits (as agreed with the HM Treasury); – Adopting and implementing the company's strategic plan; – Disposing of substantial assets of the business or any "relevant subsidiaries" or substantial parts of the business of such subsidiaries; – Voluntary winding-up of any subsidiary; and – Varying certain of the company's Articles of Association, including the rights of the special shareholder.

Body in which Share is held and type and value of Share	Terms of Shareholding
British Aerospace plc £1 Special Rights Preference Share	• Created in 1985 (but subsequently amended); • No time limit; • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company; • Requires a simple majority of the Board and the Chief Executive to be British; and • Requires any Executive Chairman to be British and, if both the Chairman and Deputy Chairman are non-executives, requires at least one of them to be British.
British Energy Group plc £1 Special Share, *British Energy Holdings plc £1 Special Share,* *British Energy Generation Ltd £1 Special Share, and* *British Energy Ltd £1 Special Share*	• British Energy Group plc and British Energy Holdings plc Special Shares created on 13 January 2005; • The Special Shares are held jointly by the Secretary of State for Business, Enterprise and Regulatory Reform and the Secretary of State for Scotland; • The consent of the Special Shareholder, which can only be refused on grounds of national security, is required for: – anyone to purchase more than 15% of British Energy issued shares; and – the disposal of a nuclear power station by British Energy. • British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Business, Enterprise and Regulatory Reform. His consent is required for the disposal of any of the nuclear power stations owned by it; and • British Energy Limited (formerly British Energy plc) Special Share created in 1996 is held by the Secretaries of State for Business, Enterprise and Regulatory Reform and for Scotland. However the company has no significant assets or liabilities as a result of the restructuring scheme, which came into effect on 14 January 2005.

Body in which Share is held and type and value of Share	Terms of Shareholding
Nuclear Liabilities Fund Ltd *£1 Special Rights Redeemable Preference Share*	• Created in 1996; • Secretary of State for Business, Enterprise and Regulatory Reform has a Special 'A' Share (there is also a 'B' Share held by British Energy); • Only with the consent of the Special Shareholder can: – any of the provisions in the Memorandum of Association or Articles of Association be changed; – the share capital or the rights attached thereto be altered; – the company create or issue share options; – the 'B' Special Shareholder or any of the Ordinary shareholders dispose or transfer any of their rights in their shares; – the company pass a members voluntary winding-up resolution; – the company recommend, declare or pay a dividend; – the company create, issue or commit to give any loan capital; – the company issue a debenture; or – the company change its accounting reference date.
Rolls Royce Group plc *£1 Special Rights Non-Voting Redeemable Preference Share*	• Created in 1987 (but subsequently amended); • No time limit; • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company; • Requires a simple majority of the Board, including the Chief Executive and any Executive Chairman, to be British; • Allows the appointment of a non-British Non-Executive Chairman; • Provides for a veto over the material disposal of assets; and • Provides for a veto of any voluntary winding up.

16.7 Other Investments and Loans

	(restated) Value at 1 April 2007 £'000	Additions £'000	Redemption £'000	Revaluation £'000	Impairment £'000	Value at 31 March 2008 £'000
Royal Mail Holdings plc NLF Loan	500,000	–	–	–	–	500,000
Other loans, including OFCOM loan	7,186	–	(5,186)	–	–	2,000
UK High Technology Fund	14,331	–	–	–	(14,331)	–
Regional Venture Capital Funds	21,497	2,850	–	–	(2,837)	21,510
Early Growth Fund Investments	13,229	4,128	–	–	(1,124)	16,233
Phoenix Fund Investments	7,666	1,036	(598)	–	–	8,104
Enterprise Capital Fund	2,367	13,655	–	–	(5,462)	10,560
Total	**566,276**	**21,669**	**(5,784)**	**–**	**(23,754)**	**558,407**

Loans to Royal Mail disclosed above are valued at historic cost.

The investments held by BERR in the UK High Technology Fund, Regional Venture Capital Fund, Early Growth Fund, Phoenix Fund and Enterprise Capital Fund are shown at market value. Where there is no readily ascertainable market value then they are shown at fair value or historic cost less impairments. Valuations are taken from the most recent set of annual accounts available for the funds and updated with interim management valuations.

17. Stocks and work in progress

		2007-08 £'000		(restated) 2006-07 £'000
	Core Department	Consolidated	Core Department	Consolidated
Stock	–	25	–	26
Total	**–**	**25**	**–**	**26**

18. Debtors

18.1 Analysis by type

		2007-08 £'000		(restated) 2006-07 £'000
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Trade debtors	36,067	117,643	34,524	87,182
Other debtors	110,182	108,100	103,761	103,930
DIUS resulting from MOG change	140,344	140,344	–	–
HM Revenue & Customs (VAT)	7,923	9,612	14,697	16,680
CFER debtors	33,372	33,372	43,571	43,571
Staff debtors	1,389	2,189	1,453	2,249
Prepayments and accrued income	220,359	225,756	103,692	106,165
Amounts due from the Consolidated Fund in respect of supply	–	–	444,701	444,701
	549,636	**637,016**	**746,399**	**804,478**
Amounts falling due after more than one year:				
Trade debtors	9,734	396	8,971	–
Total debtors	**559,370**	**637,412**	**755,370**	**804,478**

18.2 Intra-Government Balances

	Amounts falling due within one year:		Amounts falling due after more than one year:	
	2007-08 £'000	(restated) 2006-07 £'000	2007-08 £'000	(restated) 2006-07 £'000
Amounts falling due within one year:				
Balances with other central government bodies	174,150	488,467	–	–
Balances with local authorities	10,063	234	–	–
Balances with NHS Trusts	116	19	–	–
Balances with public corporations and trading funds	32,776	26,034	–	–
Subtotal: Intra-Government balances	*217,105*	*514,754*	–	–
Balances with bodies external to government	419,911	289,724	396	–
Total debtors at 31 March	**637,016**	**804,478**	**396**	**–**

19. Current Asset Investments

	Coal pension Investments		Royal Mail Holdings plc	
	BCSSS Debtors	MPS Debtors	Post Office Ltd	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2007	594,468	707,187	400,000	1,701,655
Additions	–	–	6,440,000	6,440,000
Disposals	–	–	(6,450,000)	(6,450,000)
Loan repayments	–	–	–	–
Revaluation	(2,230)	(13,132)	–	(15,362)
Release of previous revaluation gains	(140,000)	(146,000)	–	(286,000)
Balance as at 31 March 2008	**452,238**	**548,055**	**390,000**	**1,390,293**

All investments are held by the Core Department.

19.1 BCSSS and MPS Debtors

In addition to the Fixed Asset Investments in the two closed Pension Schemes of the former employees of British Coal, as referred to in detail at Note 16.1, the Department is entitled to half of any surpluses declared by the Schemes on the basis of triennial actuarial valuations by the Schemes' Actuary, the Government Actuary (GAD). The Department's share of each surplus is accounted for as a Current Asset Investment and is paid to the Department in annual instalments over 10 years. The Government Actuary completed actuarial valuations of both Schemes during 2006-07, which resulted in an addition to the Current Asset Investment related to each Scheme and an increase in the annual payments to the Department previously expected. Change in the value of the investment between the last actuarial valuation dates and the 31 March 2008 are management estimates of the current market value taking into account any releases to the Department. The value of the investment is adjusted by the interim valuations undertaken by the Scheme Actuary, when these are provided.

19.2 Royal Mail Holdings plc and Post Office Ltd

The Department has also made available to Post Office Limited (POL), through an agreement reached on 17 October 2003, a revolving loan facility based on commercial terms of up to £1.15 billion. This is to help the company fund its working capital requirements in branches. The package was agreed against the background of the migration of state benefits to a system of direct payment and the loss of pre-funding to POL from the Department of Work and Pensions, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from Post Office branches. POL began utilising this facility on 1 December 2003. The facility matures on 31 March 2011 by when any outstanding amounts will need to have been repaid. The outstanding balance on 31 March 2008 was £390 million.

20. Cash at bank and in hand

		2007-08 £'000		**(restated) 2006-07 £'000**
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
Balance as at 1 April	482,196	525,227	510,506	551,747
Net change in cash balances	617,400	599,947	(28,310)	(26,520)
Balance as at 31 March	**1,099,596**	**1,125,174**	**482,196**	**525,227**
The following balances at 31 March were held at:				
Offices of HM Paymaster General	1,097,595	1,106,519	480,564	487,138
Cash in hand and commercial banks	2,005	18,659	1,840	38,297
Balance as at 31 March 2008	**1,099,600**	**1,125,178**	**482,404**	**525,435**
Less overdraft	(4)	(4)	(208)	(208)
Total	**1,099,596**	**1,125,174**	**482,196**	**525,227**

21. Creditors

21.1 Analysis by type

			2007-08 £'000		**(restated) 2006-07 £'000**
	Note	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Amounts falling due within one year:					
Other taxation and social security		66	66	39	39
Trade creditors		16,118	16,118	29,668	29,669
Commercial bank overdraft		4	4	208	208
Other creditors		32,589	34,567	98,848	101,907
Finance leases		–	739	–	–
Accruals and deferred income		158,155	206,397	147,436	193,110
Amounts issued from the Consolidated Fund for Supply but not spent at year end		517,559	517,559	–	–
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:					
Received	27.5	607,615	607,615	969,927	969,927
Receivable		33,372	33,372	43,571	43,571
		1,365,478	**1,416,437**	**1,289,697**	**1,338,431**
Amounts falling due after more than one year:					
Trade creditors		–	666	–	–
Accruals and deferred income		38,406	38,406	40,934	41,072
Finance leases		–	1,755	–	–
NLF loans		500,000	500,000	500,000	500,000
		538,406	**540,827**	**540,934**	**541,072**
Total creditors		**1,903,884**	**1,957,264**	**1,830,631**	**1,879,503**

21.2 Intra-Government Balances

	Amounts falling due within one year:		Amounts falling due after more than one year:	
		(restated)		(restated)
	2007-08 £'000	2006-07 £'000	2007-08 £'000	2006-07 £'000
Balances with Other Central Government bodies	1,247,634	1,119,241	500,000	500,000
Balances with Local Authorities	11,253	360	–	–
Balances with NHS Trusts	45	–	–	–
Balances with Public Corporations and Trading Funds	2,013	890	–	–
Subtotal: Intra-Government balances	*1,260,945*	*1,120,491*	*500,000*	*500,000*
Balances with bodies external to Government	155,492	217,940	40,827	41,072
Total creditors at 31 March	**1,416,437**	**1,338,431**	**540,827**	**541,072**

22. Provisions for liabilities and charges – Coal

	Health-Related Provisions			Non Health Provisions		
	COPD £'000	VWF £'000	Other £'000	Concessionary Fuel £'000	Other £'000	Total £'000
At 1 April 2007	682,369	272,728	181,115	404,545	80,094	1,620,851
Amortisation of one year's discount	15,012	6,000	3,984	8,900	1,762	35,658
Increase/(decrease) in provision	(170,741)	96,373	4,559	19,259	(1,827)	(52,377)
Expenditure in year	(294,633)	(318,276)	(84,002)	(47,095)	(32,172)	(776,178)
At 31 March 2008	**232,007**	**56,825**	**105,656**	**385,609**	**47,857**	**827,954**

All Provisions for liabilities and charges relate to the Core Department.

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

	2007-08 £m	2006-07 £m
Within 1 year	361	857
Between 2 to 5 years	247	526
Beyond 5 years	220	238
Total	**828**	**1,621**

22.1 Health-Related Provisions

Health liabilities make up 48% of the coal provision. Responsibility for the 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.

Based on the current position, 95% of the total expected liability has already been paid. The estimated outstanding liability amounts to over £394 million (with the bulk of it envisaged to be paid at the point of Scheme completion for COPD and VWF, i.e. FY 2009-10). At that point the remaining liability will comprise miscellaneous diseases and minor schemes.

Chronic Obstructive Pulmonary Disease (COPD)

These 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 2 years is £232 million, the undiscounted amount being £236 million. This Scheme closed on 31 March 2004 and no further claims are being accepted.

Vibration White Finger (VWF)

These liabilities arise from claims relating to damage caused by the prolonged use of vibratory tools. The expected claims total to a discounted amount of around £57 million over the next 2 years (2006-07: £273 million). The corresponding undiscounted amount is £58 million. This Scheme is closed to new claims.

Other Health Provisions

This provision incorporates other injury-related compensation claims such as Noise Induced Hearing Loss (NIHL), accidents and miscellaneous diseases including asbestos related conditions, dermatitis, cancer and rheumatic diseases. It also covers payments under British Coal's Pneumoconiosis Compensation Scheme and associated administration costs of managing the health claims. The undiscounted amount of these provisions has currently been calculated at £113 million (2006-07: £196 million) with an estimated end date of 2048. However, a recent actuarial assessment carried out by PricewaterhouseCoopers on future coal health related liabilities has produced central estimates that suggests liabilities could increase by a further £32 million (on undiscounted figures) with an estimated end date of 2068 for settlement of Mesothelioma claims.

22.2 Non-Health Provisions

Concessionary Fuel

The Department has a responsibility to provide either solid fuel or a cash alternative to over 102,000 beneficiaries. Over three quarters of these have opted for the cash alternative at an average of around £400 per annum, compared with the average annual solid fuel cost to the Department of around £750 per beneficiary. The number of beneficiaries is decreasing at around 7% per year and therefore the liability will continue for several decades. The provision is based on standard female mortality rates and includes an assumption of beneficiaries continuing to switch their entitlement from solid fuel to cash at a constant rate of 9% for National Concessionary Fuel Association beneficiaries and 8% for British Association of Colliery Miners beneficiaries. There is some uncertainty in the value of the provision due to fuel price increases and a new contract expected in 2009-10, and could lead to a required increase in the provision in 2008-09.

Other, including Site Restoration

The Department has inherited the liabilities from British Coal to reimburse English Partnerships with the minimum costs necessary to meet statutory environmental standards whilst restoring contaminated sites no longer required for coal purposes.

Ongoing projects are the Avenue Cokeworks and Grassmoor Lagoons, both near Chesterfield. The expected discounted liability over the next 3 years is £34.9 million (2006-07: £65.2 million). It is highly unlikely that new liabilities of this nature will arise in the future, however, existing liabilities may in some circumstances increase in value.

Also included under this heading are provisions relating to costs for the administration of non-health related liabilities and indemnities issued at privatisation.

23. Provisions for Liabilities and Charges – Nuclear

	UKAEA £'000	British Energy £'000	Consolidated Total £'000
At 1 April 2007	157,593	2,386,327	2,543,920
Amortisation of one year's discount	3,467	52,499	55,966
Increase/(decrease) in provision	5,352	86,159	91,511
Expenditure in year	–	(204,502)	(204,502)
At 31 March 2008	**166,412**	**2,320,483**	**2,486,895**

All provisions for liabilities and charges relate to the Core Department.

23.1 United Kingdom Atomic Energy Authority (UKAEA) Decommissioning Provisions

BERR retains the liability to cover the costs of the decommissioning of the UKAEA Culham site and the 31 March 2008 balance reflects the estimated and discounted future costs for this.

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

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

	2007-08 £m	2006-07 £m
Within 1 year	–	1
Between 2 to 5 years	5	32
Beyond 5 years	161	125
Total	**166**	**158**

23.2 British Energy

As a result of the restructuring of British Energy (BE) in January 2005, the Government assists BE in meeting its contractual historic fuel liabilities. The provision is based on the forecast payment schedule up to 2029 which is set out in the waste processing contracts agreed between BE, BNFL and the Department. The costs are estimated to be £210 million (undiscounted at March 2008 prices) for the next 6 years. Amounts are then expected to fall each year thereafter.

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

	2007-08 £m	2006-07 £m
Within 1 year	206	198
Between 2 to 5 years	779	751
Beyond 5 years	1,335	1,437
Total	**2,320**	**2,386**

24. Provisions for Liabilities and Charges – Other

	Core Department							Consolidated						
	SFLG	UKAEA Restructuring	Early Retirement	British Shipbuilders	Onerous Lease	Other	Total	SFLG	UKAEA Restructuring	Early Retirement	British Shipbuilders	Onerous Lease	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(restated) At 1 April 2007	133,434	32,846	53,924	79,213	–	10,036	309,453	133,434	32,846	60,379	79,213	–	13,827	319,699
Amortisation of one year's discount	2,936	723	1,184	1,743	–	12	6,598	2,936	723	1,300	1,743	–	(68)	6,634
Increase/(decrease) in provision	51,116	(671)	(8,563)	34,602	193,186	(2,289)	267,381	51,116	(671)	(8,430)	34,602	193,186	682	270,485
Expenditure in year	(73,118)	(3,572)	(16,471)	–	–	(680)	(93,841)	(73,118)	(3,572)	(17,974)	–	–	(1,962)	(96,626)
At 31 March 2008	**114,368**	**29,326**	**30,074**	**115,558**	**193,186**	**7,079**	**489,591**	**114,368**	**29,326**	**35,275**	**115,558**	**193,186**	**12,479**	**500,192**

24.1 Small Firms Loan Guarantee (SFLG)

The SFLG is the Department's main instrument for supporting debt finance for small businesses. By providing a Government backed guarantee, the Scheme exists to enable lenders to assist small business with viable business proposals to gain access to finance where they lack security or credit history.

The provision is based on the expected value of defaults of all outstanding loans and has been discounted at the HM Treasury standard rate of 2.2%. The undiscounted liability is £118 million (2006-07: £139 million), which is expected to be utilised over the next eight years.

24.2 UKAEA Restructuring

Restructuring costs cover the continuing annual payments for staff that took early retirement primarily before the privatisation of AEA Technology in 1996 will continue until they reach retirement age. In addition, where former staff are entitled to enhancements, these will be paid for the duration of the pensioner's life.

24.3 Early Retirement

The Early Retirement Provision provides for the future costs of staff departing under voluntary early retirement schemes.

The provision is required in order to meet pension enhancement and severance costs for staff departing under these Schemes, with the liabilities extending for up to 10 years.

24.4 British Shipbuilders

British Shipbuilders has liabilities arising from personal injury to former employees resulting from exposure to asbestos during the course of their work. The Department has taken responsibility for the liabilities of the British Shipbuilders Corporation to the extent that they cannot be met from the residual funds of the Corporation. The undiscounted liability is £147 million (2006-07: £98 million). The current estimate is that the liabilities will extend for up to 20 years.

In the light of significant uncertainty associated with asbestos claims, there can be no guarantee that the assumptions used to estimate the provisions for the cost of resolving asbestos claims will be an accurate prediction of the actual cost that may be incurred and, as a result, the provisions will be reviewed annually as additional information becomes available and trends change. Further information can be found in the British Shipbuilders accounts.

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

	2007-08 £m	2006-07 £m
Within 1 year	7	6
Between 2 to 5 years	26	19
Beyond 5 years	83	54
Total	**116**	**79**

24.5 Onerous Leases

The Department, under its accommodation strategy has determined that the 151 Buckingham Palace Road (BPR) and 10-18 Victoria Street (10VS) buildings are surplus to existing and future operating requirements. The lease for BPR does not expire until 2021 and the lease for 10VS does not expire until 2026. The Administration Programme Board oversaw the implementation of the strategy and also attempted to mitigate any potential losses through subletting against the existing head leases for the buildings. However, given market conditions at the time and future forecasts, neither the current nor future potential subleases recover the full costs incurred by BERR. The provision has been made for the discounted gross costs less the discounted expected income.

24.6 Other

This relates to a range of liabilities arising from the Department's normal business. It includes Agency provisions arising through consolidation and provisions for various minor other Departmental Programmes and Administration costs.

25. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

	Note	Core Department	2007-08 £'000 Consolidated	Core Department	(restated) 2006-07 £'000 Consolidated
Balance at 1 April 2007		(2,159,802)	(2,119,565)	(3,533,090)	(3,508,137)
Net parliamentary funding					
Drawn down		5,278,929	5,278,929	3,671,624	3,671,624
Deemed		–	–	–	–
Non supply expenditure funded by the National Insurance Fund		173,772	173,772	204,643	204,643
Year end adjustment					
Supply creditor/(debtor) – current year		(517,559)	(517,559)	444,701	444,701
Net transfer from operating activities					
Net operating cost	3.1	(3,445,563)	(3,434,904)	(913,678)	(906,285)
CFERs repayable to Consolidated Fund	5, 12	(488,070)	(488,070)	(1,845,538)	(1,845,538)
Increase in RPS debtors		4,837	4,837	9,968	9,968
Non cash charges					
Cost of capital	10.1	29,654	30,402	(199,272)	(198,826)
Auditors' remuneration	10.1	240	277	266	300
Transfer from revaluation reserve	26	(123)	112	574	574
Transfers of assets/liabilities		(156)	(156)	–	–
ACAS Government Grant Reserve		–	–	–	7,451
INSS asset transfer		–	–	–	(40)
Balance at 31 March 2008		**(1,123,841)**	**(1,071,925)**	**(2,159,802)**	**(2,119,565)**

26. Revaluation Reserves

					2007-08							(restated) 2006-07
					Core					Consolidated	Core	Consolidated
	Fixed Assets	Launch Investment	Coal Pensions	Phoenix Fund	Total	Fixed Assets	Launch Investment	Coal Pensions	Phoenix Fund	Total	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(restated)												
Balance at 1 April 2007	775	166,077	4,315,626	4,153	4,486,631	1,455	166,077	4,315,626	4,153	4,487,311	3,170,827	3,171,709
Arising on revaluation during the year (net)	(196)	64,248	(87,277)	–	(23,225)	40	64,248	(87,277)	–	(22,989)	2,013,064	2,012,862
CFERs realised	–	(128,114)	–	–	(128,114)	–	(128,114)	–	–	(128,114)	(117,609)	(117,609)
Transfer to the General Fund of realised element of Revaluation Reserve (see Note 25)	123	–	–	–	123	(112)	–	–	–	(112)	(574)	(574)
Coal Pensions – Surplus released and disposals	–	–	(419,640)	–	(419,640)	–	–	(419,640)	–	(419,640)	(579,077)	(579,077)
Balance at 31 March 2008	**702**	**102,211**	**3,808,709**	**4,153**	**3,915,775**	**1,383**	**102,211**	**3,808,709**	**4,153**	**3,916,456**	**4,486,631**	**4,487,311**

The Fixed Asset Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustments of Tangible Fixed Assets (see Notes 14 and 15).

The Launch Investment Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to Launch Investment (see Note 16).

The Coal Pensions revaluation reserve reflects the cumulative balance of revaluation adjustments of the Fixed and Current Asset Investments in Pension Schemes of former employees of British Coal (see Notes 16 and 19).

27. Notes to the Consolidated Cash Flow Statement

27.1 Reconciliation of operating cost to operating cash flows

	Note	2007-08 £'000	(restated) 2006-07 £'000
Net Operating Costs	3.1	(3,434,904)	(906,285)
Adjustment for non-cash transactions	10.1	441,544	204,670
(Increase)/decrease in Stock	17	1	513
(Increase)/decrease in Debtors	18	167,066	(192,360)
Less movements in Debtors relating to items not passing through the Operating Cost Statement	18	(467,550)	189,007
Increase/(decrease) in Creditors	21	77,761	(4,263,982)
Less movements in Creditors relating to items not passing through the Operating Cost Statement	21	(152,222)	4,143,351
Use of provision	4	(1,077,306)	(1,179,726)
Non-cash expenditure funded by the National Insurance Fund	3.1	173,772	204,643
Interest received from Royal Mail Holdings plc on NLF loan	3.1	(29,172)	(29,170)
Interest paid to NLF on loan to Royal Mail Holdings plc	3.1	29,172	29,170
Net Cash Inflow/(Outflow) from Operating Activities		**(4,271,838)**	**(1,800,169)**

27.2 Analysis of capital expenditure and financial investment

	Note	2007-08 £'000	(restated) 2006-07 £'000
Intangible fixed asset additions	15	(1,688)	(153)
Tangible fixed asset additions	14	(13,881)	(17,202)
Proceeds on disposal of fixed assets		–	2
Launch Investments receipts		27,396	35,965
Other Investments redeemed		5,784	8,933
Loan redeemed from Post Office Limited	19	6,450,000	8,590,000
Investments made to other bodies	16	(29,119)	(452,810)
Loan made to Post Office Limited	19	(6,440,000)	(8,590,000)
Net Cash Inflow/(Outflow) from Investing Activities		**(1,508)**	**(425,265)**

27.3 Analysis of capital expenditure and financial investment by Request for Resources (RfRs)

	Note	Capital Expenditure £'000	Loans etc £'000	A in A £'000	Net Total £'000
Request for Resources 1	4, 12, 15	(22,792)	(6,469,119)	6,481,393	(10,518)
Net movement in debtors/creditors		7,223	-	1,787	9,010
Total 2007-08		**(15,569)**	**(6,469,119)**	**6,483,180**	**(1,508)**
Total (restated) 2006-07		**(17,355)**	**(9,042,810)**	**8,634,900**	**(425,265)**

27.4 Analysis of financing

	Note	2007-08 £'000	(restated) 2006-07 £'000
From the Consolidated Fund (Supply) – current year	27.5	5,278,929	3,671,624
From the Consolidated Fund (Supply) – prior year	27.5	444,701	256,346
NLF Loans – interest received from Royal Mail Holdings plc	27.1	29,172	29,170
NLF Loans – interest paid to the NLF	27.1	(29,172)	(29,170)
From the National Insurance Fund	27.1	173,772	204,643
Redundancy payments	11	(173,772)	(204,643)
Net financing		**5,723,630**	**3,927,970**

27.5 Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2007-08 £'000	(restated) 2006-07 £'000
Net cash requirement	4	(4,761,371)	(4,114,866)
From the Consolidated Fund (Supply) – current year	27.4	5,278,929	3,671,624
From the Consolidated Fund (Supply) – prior year	27.4	444,701	256,346
Amounts due to the Consolidated Fund – received in a prior year and paid over	21.1	(969,927)	(809,551)
Amounts due to the Consolidated Fund – received and not paid over	21.1	607,615	969,927
Increase/(decrease) in cash		**599,947**	**(26,520)**

28. Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

The Consolidated Statement of Operating Costs by Departmental Aim and Objectives reports expenditure and income against each of the Department's seven Objectives. The new DSO 'Ensuring Better Regulation' reflects the work of the Better Regulation Executive transferred from the Cabinet Office during 2007-08.

The costs comprise direct Administration and Programme costs derived from those front-line Departmental Groups where activities are directly related to delivering the Department's Objectives.

Following the announcement by the Prime Minister on 28 June 2007 about the way Government is organised, the Department ceased to operate as the DTI, and the Department for Business, Enterprise and Regulatory Reform (BERR) was created. BERR assumed much of the work of the former DTI. As a consequence of this change there was a change to the Departmental Aim and Objectives as operated by the former DTI.

The 'promoting world class science and innovation' Objective was transferred to the new Department for Innovation, Universities and Skills. The former Objectives of supporting successful business, ensuring fair markets and secure, sustainable, affordable energy have been expanded into the seven BERR Objectives as disclosed in the tables below.

28.1 Programme grants and other current expenditures have been allocated by Departmental Aim and Objectives as follows:

	2007-08 £'000	(restated) 2006-07 £'000
Remove barriers to the creation and growth of business	2,444,683	2,452,546
Better regulation	2,532	–
Free and fair markets	546,608	513,403
Clean safe competitive energy	112,880	148,216
Energy liabilities	3,404,656	2,711,090
Government as an effective shareholder	362,115	(183,939)
Professional support, capability and infrastructure	(19,101)	22,078
Total	**6,854,373**	**5,663,394**

28.2 Capital employed by Departmental Aim and Objectives at 31 March 2008

	2007-08 £'000	(restated) 2006-07 £'000
Remove barriers to the creation and growth of business	1,574,610	1,414,704
Better regulation	52	–
Free and fair markets	56,833	92,376
Clean safe competitive energy	(18,918)	(15,305)
Energy liabilities	(44,322)	(31,973)
Government as an effective shareholder	1,297,606	940,311
Professional support, capability and infrastructure	(21,330)	(32,368)
Total	**2,844,531**	**2,367,745**

Where assets and liabilities relate to specific Objectives, they are attributed directly to that Objective. The Department's administrative net liabilities are attributed to Objectives in proportion to the gross expenditure for those Objectives.

29. Capital commitments

	2007-08 £'000		(restated) 2006-07 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March 2008 for which no provision has been made	2,652	10,852	1,730	1,730

30. Commitments under Operating leases

30.1 Operating leases

Commitments under operating leases to pay rentals during the 2008-09 financial year are given in the table below, analysed according to the period in which the lease expires.

	2007-08 £'000		(restated) 2006-07 £'000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
Obligations under operating leases comprise:				
Land and buildings:				
Expiry within 1 year	20	369	33	176
Expiry after 1 year but not more than 5 years	55	1,763	138	3,005
Expiry thereafter	39,444	47,817	39,367	46,868
	39,519	**49,949**	**39,538**	**50,049**
Other:				
Expiry within one year	29	73	22	68
Expiry after 1 year but not more than 5 years	216	5,872	193	412
Expiry thereafter	–	–	–	–
	245	**5,945**	**215**	**480**

30.2 Finance leases

Obligations under finance leases are as follows:

	2007-08 £'000		(restated) 2006-07 £'000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
Obligations under finance leases comprise:				
Rentals due within 1 year	–	976	–	–
Rentals due after 1 year but within 5 years	–	1,964	–	–
Rentals due thereafter	–	–	–	–
	–	**2,940**	**–**	**–**
Less interest element	–	(360)	–	–
	–	**2,580**	**–**	**–**

All obligations under finance leases are with the Department's Agencies.

31. Commitments under PFI contracts

31.1 Off-Balance Sheet contract

During the 2007-08 financial year the Department had one off-balance sheet PFI contract, the 'ELGAR Service PFI Agreement'. The contract operator is Fujitsu Services.

31.2 Charge to the Operating Cost Statement and future commitments

The total amount charged to operating costs in 2007-08 was £33 million (2006-07 £34 million); see Note 10 other Administration costs £27 million and Note 11 Programme costs £6 million. The payments to which the Department is committed during 2008-09, analysed by the period during which the commitments expire, are as follows.

		2007-08 £'000		(restated) 2006-07 £'000
	Core Department	Consolidated	Core Department	Consolidated
Expiry within 1 year	–	4,066	–	–
Expiry within 2 to 5 years	2,158	2,158	2,108	2,108
Expiry within 6 to 10 years	25,580	25,580	28,000	32,944
	27,738	**31,804**	**30,108**	**35,052**

31.3 ELGAR contract details

Description of the contract

The ELGAR contract covers the provision of a wide range of information systems and services to the Department, including infrastructure management, IT development, business process re-engineering, consultancy advice and technology refresh.

Over the six remaining years of the contract the payments are expected to amount to around £141 million for the Core Department. The Department is currently evaluating a change of the contract, and has just signed a memorandum of understanding with Fujitsu Services, which is expected to deliver lower costs over this period of time.

Estimated capital value

The estimated cumulative capital value of the contract is £27.2 million.

Contract start and end dates

The contract was awarded in November 1998 for a period of 10 years, extendable for up to a further 5 years. The contract is now set to expire on 31 March 2014.

Other obligations

BERR has a responsibility to pay termination charges should the Department exercise its break option before the agreed service end date. These amount to £34.3 million, comprising £10.4 million for the core service, £18.2 million for the Department's electronic records management system and an additional £5.7 million for other (extended) services.

The Insolvency Service (INSS), which is an Executive Agency whose results are consolidated into these accounts, also has contracts with ELGAR for the provision of IT services. Further details can be found in the separate resource accounts of this body.

32. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts), for subscriptions to international bodies. The payments to which the Department is committed during 2008-09, analysed by the period during which the commitments expire are as follows:

		2007-08 £'000		(restated) 2006-07 £'000
	Core Department	Consolidated	Core Department	Consolidated
Expiry within 1 year	–	–	–	–
Expiry within 2 to 5 years	–	–	14,677	14,677
Expiry thereafter	23,261	23,261	5,367	5,367
	23,261	**23,261**	**20,044**	**20,044**

32.1 The amounts disclosed above are for subscriptions paid to the following bodies:

Organisation	Note	Expiry within 1 Year £'000	Expiry within 2 to 5 Years £'000	Expiry over 5 years £'000	Total £'000
International Atomic Energy Agency	a	–	–	13,156	13,156
World Trade Organisation	b	–	–	4,700	4,700
Organisation for the Prohibition of Chemical Weapons	c	–	–	3,091	3,091
International Energy Agency	d	–	–	1,208	1,208
Nuclear Energy Agency	e	–	–	500	500
European Energy Charter	f	–	–	403	403
UNIDROIT	g	–	–	88	88
International Energy Forum Secretariat	h	–	–	75	75
Organisation for Economic Co-operation and Development Steel Committee	i	–	–	40	40
Total		**–**	**–**	**23,261**	**23,261**

Notes:

a) *The International Atomic Energy Agency (IAEA)* is the world's centre of co-operation in the nuclear field. It was established in 1957 as an independent international organisation under the United Nations (UN) and as of 1 January 2008 it has a membership of 144 Nation States. It is the UN's nuclear watchdog and is the verification authority for the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). In this capacity it is responsible for promoting and agreeing international nuclear safeguards with States, and for verifying that non-proliferation commitments are met. It is also charged with fostering safety and security in nuclear related activities and with contributing to goals of sustainable development in key areas of the peaceful application of nuclear science and technology.

b) BERR is responsible for the payment of the UK's annual contribution to the *World Trade Organisation (WTO)*, which deals with the global rules of trade between nations. Its main function is to ensure that international trade flows as smoothly, predictably and freely as possible. As a member of the WTO the UK, like other members, has a legal commitment to pay a contribution to the cost of running the

WTO Secretariat, which is based in Geneva. The UK's share is calculated on the basis of our international trade in relation to the total international trade of all WTO members.

c) The Chemical Weapons Convention (CWC), which came into force on 29 April 1997, is the first arms control treaty which seeks to introduce a verifiable ban on an entire class of weapons of mass destruction. It is administered by the *Organisation for the Prohibition of Chemical Weapons (OPCW)*, which is based in The Hague. As of 1 January 2008 the OPCW had 183 States Party. As part of its verification responsibilities, the OPCW undertakes inspections in States Party and the UK has received 96 inspections since 1997. BERR as the UK National Authority, is responsible for the implementation of the CWC in the UK. The powers to implement the declaration and verification provisions in the CWC are contained in the Chemical Weapons Act 1996.

d) *The International Energy Agency (IEA)* is the energy adviser arm of the OECD. It is an internationally recognised centre of excellence. As energy has risen up the political agenda so has the profile of the IEA. The Agency is one of the most important global energy organisations; it is key to overseeing, and analysing, global security of supply and is increasingly influencing the climate change agenda, playing an integral part in the Gleneagles dialogue and in delivering our G8 agenda. It also prepares member countries to take action in emergency situations, such as Hurricanes Katrina and Rita, and encourages good practice in energy policy worldwide. The UK's subscription supports these objectives.

e) BERR pays the UK's annual contribution to the *Nuclear Energy Agency (NEA)* on behalf of a number of Departments and Agencies that participate in the NEA's work. The NEA is an internationally recognised non-promotional organisation providing a forum for addressing and disseminating information on technical scientific and economic issues affecting nuclear energy globally.

f) BERR is responsible for the UK's subscription to the *European Energy Charter* Treaty, which 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 main aim of the Treaty is to liberalise energy trade, transit and investment within and between its (mainly Eurasian) signatory countries. This is an aim which the UK strongly supports. DEFRA covers 5.5% of the UK subscription in relation to work by the ECS on climate change; BERR contributes the remainder of the UK subscription.

g) BERR pays an annual contribution towards the running of the *International Institute for the Unification of Private Law (UNIDROIT)*. UNIDROIT is an independent intergovernmental organisation with its seat in Rome. Its purpose is to study needs and methods for modernising, harmonising and co-ordinating private and in particular commercial law as between States and groups of States.

h) BERR is responsible for paying the UK's contribution to the *International Energy Forum Secretariat (IEFS)*. The IEFS's role is to enhance and provide continuity to the global dialogue between energy producers and consumers. The UK became a member of the Executive Board of the Secretariat in 2006 and has been very active raising the profile of the IEF and encouraging a more strategic approach to its planning and working practices. The UK was a key participant in the group which appointed the new Secretary General in December 2007. Work is now being focused on making a significant success of the 11th IEF Ministerial Meeting which was held in Rome from 19-22 April 2008. The UK delegation to that meeting was lead by the Energy Minister, Malcolm Wicks MP.

i) The *Organisation for Economic Co-Operation and Development (OECD) Steel Committee* is the international forum established to discuss steel industry issues such as production trends, trade flows and issues, market developments and environmental issues. BERR provides funding as a contribution to the work of the Committee, which is attended by both OECD and non-OECD members.

Other – from 2007-08, due to the transfer of all science aspects to the Department for Innovation, Universities and Skills (DIUS), the Department no longer subscribes to the following bodies:

- The European Space Agency.
- The Hallmarking Convention passed to the National Weights and Measures Laboratory (NWML) an Agency of DIUS.
- The Bureau International des Poids et Mesures'.
- The International Organisation of Legal Metrology.
- EUROMET.
- The Convention on the Control and Marking of Articles of Precious Metals (Hallmarking Convention).

33. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Due to the largely non-trading nature of its activities and the way in which Government Departments are financed, the Department is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

The Department's financial instruments comprise of cash, loans, investments, public dividend capital, provisions, trade debtors and trade creditors. Details of these can be found in the relevant Notes.

33.1 Liquidity risk

Resources are voted annually by Parliament to finance the Department's net revenue resource requirements and its capital expenditure and there is therefore no exposure to significant liquidity risks.

33.2 Rate risk

The Department does not access funds from commercial sources and so is not exposed to significant interest rate risk.

33.3 Foreign Currency risk

The Department had insignificant exposure to foreign currency risk during the year. Foreign currency income was negligible and foreign currency expenditure was a very small percentage of total expenditure.

There is no material difference between the fair values and book values of the Department's financial instruments.

Short-term debtors and creditors have been excluded from the above disclosures, as allowed by FRS 13.

34. Contingent liabilities and assets disclosed under FRS 12

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; and 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 22). Over time, it is likely that a more accurate estimate of the expected costs to be borne by the Department will become available. There is a provision for site restoration of the Avenue Coke Works. However, there are also additional unquantifiable liabilities relating to further site restoration costs arising from the Memorandum of Understanding between the British Coal Corporation and English Partnerships. The amount and timing of the liabilities are not currently quantifiable.

Basis of Recognition	Description
British Energy	The Secretary of State created a constructive obligation due to her announcement in 2002 to the House regarding BE restructuring (stating that the Government would underwrite the Nuclear Liabilities Fund (NLF) in respect of BE's uncontracted and decommissioning liabilities to the extent that the assets of the Fund fall short). The restructuring was successfully completed on 14 January 2005, and as such the Department has assumed responsibility for these liabilities to the extent that the NLF is insufficient to meet liabilities as they fall due. There is a high level of uncertainty relating to possible future cash flows which the Department might need to make for an indefinite period of time. This is dependent on BE's estimates for the costs of meeting their decommissioning and uncontracted liabilities which may be revised year-on-year and on the contributions from BE. In particular, the BE cash sweep payment is difficult to forecast as it is dependent upon the performance of the company. As such, it is hard to quantify whether this represents a contingent liability or asset. On the basis of the Department's current estimate of the assets available to the NLF to meet its liabilities £7.8 billion (2007 £6.4 billion) and BE's unaudited estimate for decommissioning and uncontracted liabilities £4.4 billion (2007 £4.3 billion) there is a contingent asset of £3.4 billion (2007 £2.1 billion). The liabilities figure is subject to review by the NDA, the results of which had not been received by the time of finalising these accounts.
Nuclear	Nuclear Liabilities Fund – Secretary of State Trustee Indemnities: Indemnities have been given to the three Trustees of the NLF appointed by the Secretary of State. These indemnities are against personal liability following any legal action against the Fund. Nuclear Liabilities Fund – British Energy Trustee Back Up Indemnities: Given to the two BE appointed Trustees of the Nuclear Liabilities Fund. These indemnities are against personal liability following any legal action against the Fund. These indemnities can only be used following failed recourse to an indemnity given by BE. The Department has a range of civil nuclear liabilities arising through its association with the United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited as well as ensuring that the Government complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable.

Basis of Recognition	Description
Postal Services Act 2000	A £300 million Shareholder Loan agreed between the Department and Royal Mail was made under the terms of the Subordinated Credit Facility Deed dated 19 March 2007. This was agreed as part of the new financing framework for Royal Mail (RM) first announced by the Department in February 2007. This facility is subordinate to the main NLF facilities C1 and E (also part of the new framework) and is more a last resort headroom arrangement for the company. Funds can be applied to RM's general corporate needs, including working capital and financing costs. Funds are available for utilisation up until 19 March 2009 and if drawn would have a maturity date of 19 March 2016. Funds can be utilised piecemeal (and only 5 requests in total can ever be made). There can be no reborrowing of any repaid amounts. The Company must submit a request for utilisation a minimum of 6 weeks before the proposed utilisation date. Loan amounts will be subject to periodic interest fees which will be capitalised on to the outstanding loan balance going forward. The Department has made available to Post Office Limited, through an agreement reached on 17 October 2003, a revolving loan facility based on commercial terms of up to £1.15 billion. This is to help the company fund its working capital cash requirements in branch. The package was agreed against the background of the migration of state benefits payments to a system of direct payment, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from Post Office branches. Post Office Limited began utilising this facility on 1 December 2003. The Facility matures on the 31 March 2011 by when any outstanding loans will need to have been repaid.
Icelandic Trawlermen Compensation Scheme	Following a report in February 2007 by the Ombudsman on the Trawlermen's Compensation Scheme set up in 2000, the Department agreed to review the Scheme rules and eligibility criteria for consistency with the policy intention behind the Scheme. Following the completion of this review, Ministers were about to announce that the Scheme would not be re-run. However, the judgement in the Court of Appeal in the Bradley Case (involving DWP) has led Ministers to re-consider. They have now asked officials to explore possible options for re-running the Scheme in a way which would meet the Ombudsman's concerns at minimum cost and without creating new inconsistencies. This work has just started, and is unlikely to be concluded before laying these accounts. The current best estimate on possible costs is in the range £0 - £10 million, but the position is still very unclear.

Basis of Recognition	Description
British Shipbuilders	There are contingent liabilities that arise from the Department's assurances and guarantees to British Shipbuilders. Following a legal ruling in respect of pleural plaques claims (valued at £22.5 million) on 17 October 2007, the House of Lords announced that compensation cannot be made on pleural plaques. However, the Scottish Executive has stated that they will propose a Bill to allow pleural plaque claims in Scotland. Bridget Prentice (the Minister responsible at the Ministry of Justice) has stated in a debate at Westminster that "it would be unacceptable in such a situation for people in one part of the UK to receive compensation and others not to do so".
Industrial Development Act 1982	In the event of a confirmed downturn in the UK High Technology Investment Fund performance, the Department has a liability to pay back to the Fund redemptions of £1.12 million previously received.

35. Contingent liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability purposes

35.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote. All of these liabilities relate to the Core Department.

	1 April 2007 £'000	Increase in year £'000	Liabilities crystallised in year £'000	Obligations expired in year £'000	31 March 2008 £'000
Statutory Guarantees					
– Home Shipbuilding Credit Guarantee Scheme	37,000	–	(630)	(13,370)[1]	23,000
Statutory Indemnities					
– Local Network Indemnities	56,386	–	–	(28,935)	27,451
Other					
– Callable capital subscription for the Common Fund for Commodities	1,960	–	–	–	1,960
– Paid in capital subscription for the Common Fund for Commodities	2,240	–	–	–	2,240
Total	**97,586**	–	**(630)**	**(42,305)**	**54,651**

Note: 1 – Obligation expired in year relates to cases closed and/or completed contracts.

35.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12 since the possibility of a transfer of economic benefit in settlement is too remote.

Statutory Guarantees

- Guarantees given to meet any deficits in the funds of British Coal Corporation Pensions;
- A guarantee has been given to the Financial Reporting Council that if the amount held in the Legal Costs Fund falls below £1 million in any year, an additional grant will be made to cover legal costs subsequently incurred in that year;
- Any liabilities imposed by section 68, Telecommunications Act 1984; and
- Any liabilities imposed by section 9, British Aerospace Act 1980.

Statutory Indemnities

- Indemnities given to UKAEA by the Secretary of State to cover certain indemnities given by UKAEA to carriers and British Nuclear Fuels Plc against certain claims for damage caused by nuclear matter in the course of carriage;
- Indemnity in respect of National Grid Company's liabilities re the interconnector linking England and France;
- Indemnities equivalent to those given to civil servants under the Civil Service Management Code have been given to persons appointed to the Board of the Office of Fair Trading, including the Chairman;
- Indemnities equivalent to those given to Board members of Non-Departmental Public Bodies (NDPBs) have been given to members of the nine Regional Committees of Postwatch (the Consumer Council for Postal Services);
- Indemnities given to Bankers of the Insolvency Services against certain liabilities arising in respect of non-transferable "account payee" cheques due to insolvent estates and paid into the Insolvency Service's account[(i)]; and
- The Police Information Technology Organisation (Home Office) provides BERR with access to data from the Police National Computer (PNC). BERR has indemnified the police against any liabilities which they might incur as a result of providing that access.

Note: (i) – Only this contingent liability relates to an Agency. All other liabilities relate to the Core Department.

Letters of Comfort

- Letter of comfort to AEA Technology re joint European project for the underground gasification of coal.

Other

- Statutory liability for third party claims in excess of the operator's liability in the event of a nuclear accident in the UK;
- Further Incidents/Accidents Insurance claims for exposure to ionising radiation pursued outside the existing UKAEA insurance scheme;
- Outstanding claims under the Enemy Property Claim Scheme are still being considered; and
- There is a possibility that other liabilities exist in relation to nationalised, and former nationalised, industries that, if they crystallised, may fall to the Department.

These liabilities are unquantifiable due to the nature of the liability and the uncertainties surrounding them.

36. Losses and special payments

The disclosures in this Note are in accordance with *Managing Public Money*. The purpose of this Note is to report on losses and special payments of particular interest to Parliament.

36.1 Losses Statement

	2007-08 £'000	(restated) 2006-07 £'000
Total	**1,572**	**3,764**
	(798 cases)	(29 cases)

Details of a case over £250,000 – administrative write-off

During 2007-08, for the Insolvency Service, a decision was made to move development of the Insolvency Service Case Identification System (ISCIS) IT project to the same product acquired to implement an estate accounting solution. This solution has already been implemented, albeit on a much smaller scale, for the Official Receiver Northern Ireland and offered a number of advantages over the original product chosen for ISCIS including integration between case and estate management, an earlier delivery date and reduced overall cost taking account of the development costs already incurred. The new solution is planned to be trialled in a number of Official Receivers offices in May 2008 with a view to full implementation in October/November 2008. Additionally, a decision was taken to pause development of the Claims Handling and Making Payment (CHAMP) system. CHAMP was being developed using the same product that was being used to develop ISCIS prior to the switch of product mentioned above. The pause enabled the Service to evaluate whether the product still offered the best solution. Following an evaluation, a decision was made to stop the current CHAMP development and to tender for an alternative solution. In both cases, costs have been incurred on developments that have been treated as constructive losses in these accounts on the basis that the development is no longer of material value to the new solution. For CHAMP, it may be possible to re-use some development but this will not become clear until an alternative solution is procured and the total expenditure has therefore been treated as a constructive loss.

The total losses are:

	ISCIS £	CHAMP £
Already expensed in the 2006-07 accounts	59,598	34,134
Included in the 2007-08 accounts	712,832	516,584
Total	**772,430**	**550,718**

36.2 Special Payments

Special payments include extra-contractual, ex gratia and compensation payments.

	2007-08 £'000	(restated) 2006-07 £'000
Total	**230**	**643**
	(20 cases)	(43 cases)

No individual payments exceeded £250,000.

37. Related-party transactions

The Department is the parent of the Advisory, Conciliation and Arbitration Service (ACAS) and the Insolvency Service (INSS), and sponsor of the Non-Departmental Public Bodies as shown in Annex 4 of the Report to these Accounts, Companies House (Trading Fund) and Royal Mail Holdings plc, British Shipbuilders, BNFL plc and OFCOM. In addition, British Energy is considered to be a quasi-subsidiary of the Department. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

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 corresponding debtors, arising from surpluses in the respective funds, being shown as current asset investments. 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 Coal Pension Trustee Services Ltd, a jointly owned venture of the MPS and the BCSSS.

The Department also has had various material transactions with other Government Departments and Government bodies. The most significant of these transactions have been with the Department for Communities and Local Government, the Department for Children Schools and Families, the Department for Transport, the Department for Innovation Universities and Skills, the Office of the Paymaster General and the Department for the Environment Food and Rural Affairs.

None of the Department's Ministers, Management Board members, key managerial staff or other related parties has undertaken any material transaction with the Department during the year.

The National Audit Office (NAO) have contracted with the Department to lease, at a market value rent, 151 Buckingham Palace Road until 2009-10. Elements of the Home Office have arranged with the Department to lease, at a market value rent, 10 Victoria Street until 2010-11.

38. Post Balance Sheet events

38.1 Defence Export Service Organisation

On 25 July 2007 the Prime Minister announced changes to how defence trade should be handled, namely that:

- the Government would look to move responsibility for defence trade promotion from the Defence Export Services Organisation to UK Trade and Investment; and
- no change was envisaged to existing and planned agreements between the Ministry of Defence and other Governments which will continue to be administered by the Ministry of Defence.

With effect from 1 April 2008, the Defence Export Service Organisation was transferred to UK Trade and Investment, under the Machinery of Government change, and renamed as the Defence and Security Organisation.

38.2 Date Accounts Authorised for Issue

The Accounting Officer of the Department has authorised these accounts to be issued on 15 July 2008.

39. Third-party assets

The following are balances on accounts held in BERR's name at commercial banks but which are not BERR monies. They are held or controlled for the benefit of third parties and are not included in BERR's Resource Accounts.

	31 March 2008 £'000	(restated) 31 March 2007 £'000
Bank balances	8,510	7,267

40. Restatement of Balance Sheet and Operating Cost Statement as a result of Machinery of Government (MOG) changes

The Department had five MOG changes affecting its Estimates and Resource Accounts where functions or responsibilities are transferred to Other Government Departments (OGDs).

On 28 June 2007 the Department for Innovation, Universities and Skills (DIUS), was established to take forward the science and innovation aspects of the former Department of Trade and Industry's work.

The transfer also included the sponsorship responsibility for the following NDPBs, Agency and Trading Fund: British Hallmarking Council, Design Council, the Research Councils, Technology Strategy Board, Council for Science and Technology, Copyright Tribunal, the National Weights and Measures Laboratory and the UK Intellectual Property Office. The transfer was back dated to 1 April 2007.

On 1 April 2007, the Office of Civil and Nuclear Security, together with Nuclear Safeguards were transferred to the Health and Safety Executive.

On 28 June 2007, the Better Regulation Executive was transferred to the Department from the Cabinet Office. The transfer also included the sponsorship responsibility for the following NDPBs: the Local Better Regulation Office and the Better Regulation Commission. The transfer was back dated to 1 April 2007.

On 1 March 2008 the responsibility for the collection of construction statistics and six related surveys transferred to the Office for National Statistics. The transfer was back dated to 1 April 2007.

Machinery of Government changes which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. This requires the restatement of the opening Balance Sheet and prior year's Operating Cost Statement, Cash Flow Statement, Statement of Operating Costs by Departmental Aim and Objectives and associated Notes to the Accounts. The Balance Sheet and the Operating Cost Statement were restated as follows:

Balance Sheet

	Published 2006-07 £'000	Transfers £'000	Restated balance 31 March 2007 £'000
Fixed assets:			
Tangible assets	209,210	(140,099)	69,111
Intangible assets	448	(61)	387
Investments	5,638,781	(8,154)	5,630,627
Current assets:			
Stocks	2,158	(2,132)	26
Debtors	835,033	(30,555)	804,478
Investments	1,701,655	-	1,701,655
Cash	527,329	(1,894)	525,435
Creditors (amounts falling due within one year)	(1,471,085)	132,654	(1,338,431)
Creditors (amounts falling due after more than one year)	(541,072)	-	(541,072)
Provisions	(4,495,281)	10,811	(4,484,470)
	2,407,176	**(39,430)**	**2,367,746**
Taxpayers' equity:			
General fund	(2,097,172)	(22,393)	(2,119,565)
Revaluation reserve	4,504,348	(17,037)	4,487,311
	2,407,176	**(39,430)**	**2,367,746**

Operating Cost Statement

	Published 2006-07 £'000	Movements arising on transfers £'000	Restated 2006-07 £'000
Administration costs:			
Staff costs	175,721	(15,815)	159,906
Other administration costs	151,717	(394)	151,323
Income	(22,154)	(2,022)	(24,176)
Programme costs:			
Request for Resources 1			
Staff costs	95,214	(565)	94,649
Programme costs	5,843,515	(274,769)	5,568,746
Income	(3,287,815)	43,616	(3,244,199)
Special dividend (BNFL plc)	(1,799,964)	–	(1,799,964)
Request for Resources 2			
Staff costs	–	–	–
Programme costs	3,116,447	(3,116,447)	–
Income	(6,597)	6,597	–
Net Operating Cost	**4,266,084**	**(3,359,799)**	**906,285**

41. Additional Entities

Information about the principal activities undertaken by the Insolvency Service and ACAS, together with a list of those bodies within the Departmental boundary can be found in Annex 4 of the Report to these Accounts.

Other bodies covered by these accounts by way of including in the reported results, funds paid to them as grant or expenses are also listed in Annex 4 of the Report to these Accounts.

Annex 1
Quality of PSA data systems

A.1 Chapter 2 sets out the latest position on the delivery of BERR's SR04 PSA targets. This annex provides some commentary on the quality of the data systems used to measure progress. The National Audit Office (NAO) reviewed the quality of the former DTI's SR04 PSA data systems, as part of a programme to review all the Government's PSA targets. Its findings were published in December 2007 in the NAO's Fourth Validation Compendium Report[153].

SR04 PSA 1: Productivity

UK productivity growth over the cycle: HM Treasury outline their methodology for measuring this indicator in Trend Growth: New Evidence and Prospects[154]. Data is from the National Accounts Blue Book data set[155] and the Office for National Statistics (ONS) Labour Force Survey[156]. This indicator is reported biannually, however the UK's productivity growth is assessed at the end of the economic cycle, due to the cyclical nature of productivity.

International Comparisons of Productivity: Productivity data are expressed in a common currency using OECD Purchasing Power Parities[157] (PPP) data and an annual indicator is reported biannually. Trends in productivity gaps are assessed over the longer term, due to business cycle effects and measurement error. Performance will be measured between two years in which the UK, Germany, France and the US[158] are considered to be at similar points in their economic cycle[159].

Supplementary Intermediate Indicators: There is no formal overarching baseline for the five drivers of productivity. The intention is to give an overview of performance relative to the US, France and Germany on each of the drivers to inform the monitoring of productivity and provide early warning of where more policy action may be needed.

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[153] NAO Fourth Validation Compendium Report Volume 2 (December 2007): www.nao.org.uk/publications/nao_reports/07-08/070822ii.pdf

[154] Trend growth: New Evidence and Prospects (December 2006): www.hm-treasury.gov.uk/media/3/1/pbr06_trendgrowth_345.pdf

[155] For further details on the National Accounts Blue Book see: www.statistics.gov.uk/statbase/Product.asp?vlnk=1143

[156] For further details on the ONS Labour Force Survey see: www.statistics.gov.uk/CCI/nscl.asp?ID=6621

[157] PPPs are currency conversion rates that convert to a common currency and equalise the purchasing power of different currencies by eliminating differences in price levels between countries when converting.

[158] OECD provides data biannually in their Economic Outlook reports. For further details see: www.oecd.org/department/0,3355,en_2649_34109_1_1_1_1_1,00.html

[159] Current HM Treasury analysis suggests that 1995, 2000 and 2002 are appropriate years for baseline comparison. This could be changed in the light of further analysis or revisions to data.

SR04 PSA 2: Better Regulation

Reducing the overall administrative burden: The December 2007 Simplification Plans include targets for reducing administrative burdens, which are measured using the internationally recognised standard cost model[160] (SCM). The plans also outline how these reductions will be achieved and focus on how departments will improve the way they make and implement policy.

Maintaining the UK's international standing on better regulation: The OECD Economic Survey of the United Kingdom is published every one and a half to two years. The primary audiences are the member governments, as represented in a range of committees and working parties. The World Bank's Doing Business Survey 2008 provides objective measures of business regulations and their enforcement across 178 countries and selected cities at sub-national regional levels.

Improving the perception of regulation: The NAO annual Survey on Business Perception of Regulation evaluates Government efforts in better regulation and involves around 2000 businesses. The 2007 survey carried out 1,882 interviews.

SR04 PSA 3: Competition and consumers

Competition Regime: The Peer Review of Competition Policy 2006-07[161] asked 301 experts from different countries to rank the effectiveness of the UK competition regime with its peers. There was a higher response from the US and the UK, but also a good response from other countries. There were 25 follow up face-to-face interviews to capture qualitative information about the performance of the competition regime.

The Global Competition Review[162] is an independent survey where enforcement agencies' activities are rated through a mixture of "editorial opinion" and a survey of 500 "users" i.e. those who had cause to liaise with a competition authority. This is a useful secondary source of information, however the Peer Review remains the primary source.

Consumer Regime: BERR has commissioned a project to benchmark the performance of the UK consumer empowerment regime against six other developed consumer regimes, which will allow it to assess progress. The project is due to complete in summer 2008. To track interim performance, the Department has a balanced scorecard to capture the latest evidence on performance of the UK consumer regime.

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[160] For further details on the Standard Cost Model see: www.berr.gov.uk/bre/policy/simplifying-existing-regulation/administrative-burdens/page44061.html

[161] Peer Review of Competition Policy 2006-07: www.berr.gov.uk/files/file32812.pdf

[162] For further details on the Global Competition Review see: www.globalcompetitionreview.com/bookstore/bookstore.cfm?section=38&site=gcr&logo=lbr

SR04 PSA 4: Energy

(i) Greenhouse gas emissions: The National Environmental Technology Centre (NETCEN) publishes an annual inventory for Defra on historic greenhouse gas emissions in the UK. Data are available on an annual basis from 1990 and are subject to requirements of national statistics. Analysis by NETCEN indicates uncertainties in CO_2 emissions are +/-2% and for the "basket" of six greenhouse gases they are about +/-15%. Provisional data on CO_2 emissions are estimated from energy data and published annually every March in the BERR publication Energy Trends[163].

(ii) Reliability of energy supplies: BERR's Energy Markets Outlook, launched in October 2007, provides forward looking energy market information relating to security of supply. It consists of a main report and a website[164] with raw data, background analysis and links to other sources, enabling BERR to provide regularly updated information.

(iii) Fuel poverty: Fuel poverty data are provided by the English House Condition Survey[165] conducted on a continuous rolling basis.

(iv) Competitive energy markets: A methodology, developed by OXERA[166] on behalf of BERR, is based on indicators of energy market liberalisation at each stage of the energy supply chain and applied to energy markets in the EU and G7. This has been reviewed by independent energy market experts. Application of the methodology is repeated annually to inform the PSA target. Annual reports produced so far suggest the UK is the most competitive energy market in the EU and the G7.

SR04 PSA 5: Trade barriers

Ensure that the EU secures significant reductions in EU and world trade barriers by 2008: BERR's performance report on PSA 5 is based on a qualitative assessment of progress. Performance is regularly reviewed and discussed with other Government departments, including HM Treasury. Quantitative assessment of changes in tariffs and changes in the level of EU imports from least developed countries has not been possible at this stage due to the time lag between policies being agreed and them taking effect.

[163] Energy Trends (March 2008) www.berr.gov.uk/files/file45397.pdf

[164] Energy Markets Outlook website: www.berr.gov.uk/energy/energymarketsoutlook/page41839.html

[165] 2005 English House Conditions Survey (June 2007): www.communities.gov.uk/publications/housing/englishhousesurveyannual

[166] Energy Market Competition in the EU and G7: Final 2005 Rankings (October 2007): www.berr.gov.uk/energy/markets/competitiveness/page28432.html

SR04 PSA 6: Enterprise

(i) Increase the number of people considering going into business: The data for this PSA measure comes from the BERR Household Survey of Entrepreneurship, managed by the BERR Enterprise Directorate Analytical Unit. Each survey comprises telephone interviews in England by an external research organisation, with 6,000 adults in 2001 and at least 10,000 in later years. It is not a National Statistics product but results are weighted to reflect the adult population in England, using Census of Population 2001 data.

(ii) An improvement in the overall productivity of small firms: Productivity is measured using data from the ONS Annual Business Inquiry (ABI), a survey of around 70,000 registered businesses in the UK conducted in two parts: financial and employment. Businesses with more than 250 employees are surveyed annually, with smaller businesses surveyed less frequently to reduce administrative burden. As with any sample survey, there will be sampling errors around any estimates from the ABI, however, sampling errors are small for the aggregates of the main variables such as gross value added (GVA) and total employees. The ONS published revised 2004 and 2005 ABI data in June 2007[167].

(iii) More enterprise in disadvantaged communities: The ONS Labour Force Survey[168] is a quarterly sample survey involving over 120,000 people. The sample sizes are large enough to provide data for all the most deprived wards in England collectively, which are identified using the 2000 indices of deprivation[169], held by the Department for Communities and Local Government (CLG). CLG have since published the 2004 indices of deprivation which give a deprivation measure for each Super Output Area (SOA) rather than for each ward. As the Labour Force Survey has only recently added data for SOAs consideration will be given to redefining disadvantaged areas using the 2004 indices. Ward level data for December 2002 to February 2003, December 2003 to February 2004 and June 2004 to August 2004 is not currently available, so data for these quarters have been estimated using adjacent quarters.

[167] ONS Annual Business Inquiry 2005 Revised Results (June 2007): www.statistics.gov.uk/pdfdir/abi0607.pdf

[168] For further details on the quarterly ONS Labour Force Survey see: www.statistics.gov.uk/StatBase/Source.asp?vlnk=358&More=Y

[169] Indices of Deprivation (August 2000): www.communities.gov.uk/archived/general-content/communities/indicesofdeprivation/indicesofdeprivation/

SR02 PSA 6 (iii): Enterprise

More enterprise in disadvantaged communities: Three data sources are used to produce this measure including estimates produced from the ONS Inter-Departmental Business Register[170] (IDBR) for VAT registrations; estimates produced by the ONS from the 2001 Census of Population[171] for the size of the adult population; and data from the Index of Deprivation 2004[172]. The original target was set using the Index of Deprivation 2000, based upon 1998 wards, which are no longer held on the IDBR. The target now uses the Index of Deprivation 2004, which is based upon Super Output Areas (SOAs), now held on the IDBR.

SR04 PSA 7: Regional economic performance

Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in the growth rate between the regions: The NAO Fourth Compendium Report in 2007[173] assessed the data systems for the PSA as broadly appropriate but noted that the methodology to produce real growth rates by region was still under development by ONS. The report reflected on the findings of the Allsopp Review in 2004, which outlined limitations in the current production of GVA data, however GVA per head growth rates remain the best overall measure of economic output in each region.

The key to measuring this PSA target accurately is to capture as wide a range of economic activities occurring within the regions as possible. GVA, by definition, encapsulates a diverse range of outputs. To improve and develop regional estimates, the ONS is involved in an ongoing quality assurance process of the input data used to calculate estimates of regional GVA.

ONS now has a regional presence in all the RDAs, which acts to quality assure regional GVA statistics. Work is proceeding to strengthen regional GVA data, including production of a real regional GVA series by December 2009. In addition to GVA, over 20 supporting indicators on employment and the five drivers of productivity are used to assess progress and inform action needed in support of the target.

[170] For further details on the ONS Inter-Departmental Business Register see: www.statistics.gov.uk/cci/nugget.asp?id=195

[171] For further details on the ONS Census 2001 see: www.statistics.gov.uk/census2001/access_results.asp

[172] Indices of Deprivation (June 2004): www.communities.gov.uk/archived/general-content/communities/indicesofdeprivation/216309/

[173] NAO Fourth Validation Compendium Report (December 2007): www.nao.org.uk/publications/nao_reports/07-08/070822es.htm

SR04 PSA 8: UK Trade & Investment

- **Proportion of UKTI trade development resources focused on new-to-export firms:** Data for indicator (i) is tracked by monitoring the resources budgets that support UKTI's trade development work.

- **New-to-export firms assisted by UKTI to improve their business performance/established exporters assisted by UKTI to improve their business performance:** Data for indicators (ii) and (iii) is obtained through UKTI's Performance and Impacts Monitoring Survey[174] (PIMS), a quarterly independent monitoring survey conducted by OMB Research. It covers some 3,000 companies annually and gathers a range of performance and evaluation data, using a sample of companies that have used UKTI's principle trade services. It includes questions on improvements in company performance following UKTI interventions, and on the quality of service. More details on PIMS can be found in UKTI's Annual Report and Accounts 2007-08, which is due to be published July 2008.

- **Improve the UK's ranking within Europe in terms of GDP-adjusted stock of EU foreign direct investment:** Data for indicator (iv) is taken from the United Nations Conference on Trade and Development (UNCTAD) World Investment Report, October 2007. UNCTAD's assessment of inward investment stocks as a percentage of GDP is a composite indicator and its movement are influenced by factors in addition to foreign investment into a country. These factors are broadly the US dollar exchange rates used to calculate Foreign Direct Investment (FDI) stock (at year end exchange rates) and GDP (at average for the year exchange rates), and the relative size of GDP between countries. This limitations can influence the ratio of FDI to GDP and significantly alter the rankings, hence the rankings reported are provisional and are subject to further review.

- **Successful inward investment projects secured by UKTI:** Data for indicator (v) was reported in the UKTI Inward Investment Annual Review 2005-06[175] and the UKTI Inward Investment Annual Review 2006-07. The data was based on an electronic tracking system using definitions of success agreed by the Committee on Overseas Promotion (COP), a joint UKTI, RDA and Devolved Administration committee. The COP was superseded in 2007 by the UK-wide International Business Development Forum which agrees definitions of success. BERR's Internal Audit team and the NAO validate results.

SR04 PSA 9: Nuclear Decommissioning Authority

The Office of Government Commerce has confirmed that it is content with the NDA methodology for measuring the efficiency gains data.

[174] For further details on UKTI's Performance and Impacts Monitoring Survey (PIMS) see: www.ombresearch.co.uk/expertise/ukti-performance-impact-monitoring-surveys-pims/

[175] UKTI Inward Investment Annual Review 2005-06 (July 2006): www.ukinvest.gov.uk/Publications/10355/en-GB.pdf

SR04 PSA 10: Maximising potential in the workplace

(i) Self employment rate of under represented ethnic minorities: This is measured through a rolling average of data, based on four-quarters, from the ONS Labour Force Survey. The Labour Force Survey is a UK-wide survey covering around 120,000 individuals in each quarter, providing robust sample sizes for micro-data analysis. It is also a National Statistics product, and therefore subject to the quality assurance systems put in place by the ONS.

(ii) Reducing the incidence of racial discrimination at work: With regard to the indicator for reducing the incidence of racial discrimination at work reported by ethnic minority employees, the NAO considered that the sampling method used in the Fair Treatment at Work Survey[176] meant that it would not be possible to calculate a confidence interval. Therefore, the results of the next survey in 2008 could not be compared properly to those of the 2005 survey in order to determine if there had been a statistically significant reduction.

(iii) UK labour market flexibility: This is measured through an Index of Labour Market Adaptability (ILMA), which itelf is constructed from a series of variables originating mainly from the ONS Labour Force Survey. A report presenting a preliminary mesure of ILMA over the period 1992 to 2005 was published in November 2007[177]. An updated ILMA measure will be available in autumn 2008.

(iv) Number of employees who have access to information and consultation procedures: The measure is the percentage of employees in workplaces with 25 or more employees who have a formal joint consultation committee that meets at least twice a year. The baseline was provided using the 2004 Workplace Employment Relations Survey (WERS) and the next measure will be made using the 2010 WERS survey. The data collection mechanism was assessed as being fit for purpose by NAO.

(v) Number of economically active people who are well informed about their rights at work: The Department has measured the number of employees of working age who feel well, or very well, informed about their rights at work. Baseline data was set using the 2005 Employment Rights at Work Survey and a subsequent measure will be provided using the 2008 Fair Treatment at Work Survey. The data collection mechanism was asssessed as being fit for purpose by NAO.

[176] The First Fair Treatment at Work Survey (March 2007): www.berr.gov.uk/files/file38386.pdf

[177] Developing an Index of Labour Market Adaptability for the UK (November 2007): http://www.berr.gov.uk/files/file42223.pdf

SR04 National Standard: Online Business

Maintaining the UK's standing as one of the best places in the world for online business: For the measurement of the SR04 National Standard, BERR has developed a new National Standard Index (NSI). In summary, the NSI contains five sub-indices, each comprised of 13 indicators. The NSI measures ICT usage, broadband, e-commerce, user environment and ICT investment. Annex A of the technical note has a full description of the NSI, including details on the data sources[178].

The NSI is not a direct replacement for the BERR sponsored International Benchmarking Study[179] (IBS). However, there is sufficient commonality, particularly in the economic elements of the data, to enable the NSI to act as a successor to the IBS for the purposes of assessing progress in relation to the SR04 National Standard.

[178] National Standard Technical note: www.berr.gov.uk/files/file14303.pdf

[179] Business in the Information Age: The International Benchmarking Study (DTI, 2004): www.2.bah.com/dti2004/index.htm

Annex 2

PSAs from previous Spending Reviews

A.2 As the successor Department to the DTI, BERR is responsible for reporting on outstanding DTI PSA targets from previous spending reviews. Several PSAs from previous spending reviews were carried forward into the SR04 PSA suite. There is one outstanding Spending Review 2002 (SR02) PSA, reported on below. The BERR Autumn Performance Report 2007[180] had the final overview of the SR02 PSAs and provided links to details of final assessments of PSAs from earlier spending reviews.

SR02 PSA 6 (iii): Enterprise

More enterprise in disadvantaged communities.

Summary assessment of progress: NOT MET
This is the *final assessment* of this target.

Final position:

In 2006, there were 27 VAT registrations per 10,000 resident adults in the 20 percent most deprived areas in England, compared to 43 VAT registrations per 10,000 resident adults in the 20 percent least deprived areas. This is a gap of 37 per cent. Overall, there has been a 4.3 percentage point narrowing of the gap in VAT registration rates between the most and least deprived areas, between 2000 and 2006, which is less than the 6 percentage points target set for this stage, (since the target was for a one percentage point narrowing of the gap per year). Therefore, this target has not been met.

VAT registration rates (registrations per 10,000 resident adults) in the most and least deprived areas in England, 2000 to 2006[180]

Year	Rate – most deprived	Rate – least deprived	Gap in rates (%)	Annual change in gap (% points)	Cumulative change in gap (% points)
2000	25	43	41		
2001	25	40	38	-3.2	-3.2
2002	26	43	40	2.0	-1.2
2003	28	46	39	-1.2	-2.4
2004	28	43	36	-2.9	-5.3
2005	27	43	36	0.1	-5.3
2006	27	43	37	0.9	-4.3

Because businesses are not compelled to register for VAT until their turnover reaches the VAT threshold (which rose to £61,000 on 1 April 2006), this measure does not capture all enterprise activity. While some businesses will register for VAT as soon as they start, others may not register for several years. This is why SR04 used a different measure (SR04 PSA 6 (iii) discussed in Chapter 2) for enterprise in disadvantaged communities.

[180] BERR Autumn Performance Report 2007 (December 2007): www.berr.gov.uk/files/file42875.doc

[181] Source: ONS Inter-departmental Business Register 2006 for VAT registrations, ONS Census 2001 for size of adult population and DCLG Indices of Multiple Deprivation 2004.

Annex 3

Comprehensive Spending Review 2007: Performance framework

Public Service Agreements and Departmental Strategic Objectives

A.3 On 9 October 2007, the Government published the results of the Comprehensive Spending Review (CSR) 2007. As well as spending settlements for all departments, it contains a new set of cross-Government priorities or Public Service Agreements (PSAs) to replace those agreed in the previous Spending Review (SR04). These will be key priorities for the Government for the period from April 2008 until March 2011.

A.4 The new framework also requires departments to develop a set of Departmental Strategic Objectives (DSOs). Between them, these DSOs cover the full breadth of a department's work, and are no less important than PSAs. Like the PSAs, the DSOs will last for the period of the CSR until 2011.

BERR led Public Service Agreements

A.5 BERR will lead three of the 30 new cross-Government PSAs. These are listed below, together with the performance indicators that will be used to measure progress:

PSA 1: Raise the productivity of the UK economy

1.1 Labour productivity (per worker, per hour worked) over the economic cycle.

1.2 International comparisons of labour productivity (per worker, per hour worked).

1.3 Set of supplementary indicators looking at each of the five drivers of productivity (skills, innovation, investment, enterprise, competition).

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

6.1 Peer review of competition regimes.

6.2 Effectiveness of the Corporate Governance Regime.

6.3 Index of UK labour market flexibility.

6.4 UK energy price competitiveness.

6.5 Flow of new regulation, measured by benefit/cost ratio.

6.6 25% reduction in administrative burdens across 18 Government departments; plus 10% reduction in administrative burdens of HMRC.

PSA 7: Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions	
7.1	Regional GVA per head growth rates.
7.2	Regional GDP as a share of the EU15 average.
7.3	Regional productivity measured by GVA per hour worked indices.
7.4	Regional employment rates.

Public Service Agreements led by other Government departments

A.6 BERR is also a key delivery partner for the PSAs below, with the lead department shown in brackets. The full delivery agreements for all the new PSAs can be found on the HM Treasury website[182].

- PSA 2 Improve the skills of the population, on the way to ensuring a world class skills base by 2020 (led by the Department for Innovation, Universities and Skills)
- PSA 8 Maximise employment opportunity for all (led by the Department for Work and Pensions)
- PSA 27 Lead the global effort to avoid dangerous climate change (led by the Department for Environment, Food and Rural Affairs)

BERR's Departmental Strategic Objectives

A.7 BERR will have seven DSOs, each underpinned by a number of performance indicators that will be used to assess progress towards delivering these objectives. Below is the full list of BERR's DSOs, together with a summary of the performance indicators.

DSO 1: Promote the creation and growth of business and a strong enterprise economy across all regions	
1.1	Stakeholder perceptions of BERR's understanding of, influence over and performance in improving the business and enterprise environment.
1.2	Delivery of RDA outcomes taken from new sponsorship framework.
1.3	RDA organisational capability: to be drawn from Independent Performance Assessment or successor.
1.4	Delivery of publicly funded business support simplification.
1.5	Delivery of UKTI's CSR07 performance management framework.

[182] Delivery agreements for new CSR07 PSAs: www.hm-treasury.gov.uk/pbr_csr/pbr_csr07_index.cfm

DSO 2: Ensure that all Government Departments and agencies deliver better regulation for the private, public and third sectors

2.1 Administrative burdens reduction across 19 Government departments, consisting of a 25% reduction for the majority of departments by 2010. Includes BERR target to deliver 25% reduction in measured admin burdens by 2010.

2.2 Proportion of businesses (and voluntary sector organisations) who believe that "most regulation is fair and proportionate" in five policy areas: employment law, tax law, health and safety, planning law and company law.

2.3 Flow of regulation: total benefit/cost ratio of regulations coming forward over time.

2.4 Performance of local authority regulatory services as measured by the national indicator, to be agreed in 2008.

2.5 Overall performance in the World Bank Doing Business Survey and OECD surveys of the policy environment.

2.6 Proportion of bureaucracy which the public sector front line believes to be unnecessary.

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

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

3.1 Progress on market opening in the EU and internationally in line with UK objectives of improving EU competitiveness and promoting development and poverty reduction in poorer countries.

3.2 UK framework for competition at level of world's best.

3.3 UK corporate governance environment at level of world's best.

3.4 Regulatory environment for business fully reflecting the Government's better regulation principles.

3.5 Labour market flexibility.

3.6 Awareness and enforcement of employment rights.

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

DSO 4: Ensure the reliable supply and efficient use of clean, safe and competitively-priced energy

4.1 CO_2 emissions: 60% reduction from 1990 by 2050

- UK CO_2 emissions
- CO_2 intensity of UK economy

4.2 Secure and reliable supply

- de-rated peak capacity margin for electricity and gas
- customer minutes lost on GB distribution networks for gas and electricity

4.3 Competitively-priced energy

- industrial gas and electricity prices compared to EU15 median
- number of households needing to spend more than 10% of income on fuel to keep warm

4.4 Safe energy supply

- absence of significant safety-related incidents

DSO 5: Manage energy liabilities effectively and responsibly

To establish a safe, affordable, innovative and dynamic market for clean up and decommissioning and to ensure progress in tackling the civil nuclear liability in line with agreed end states for the Nuclear Commissioning Authority's (NDA) sites and delivering value for money, through:

5.1 A reduction in UK civil nuclear liabilities at least in line with agreed and published NDA business plans.

5.2 Delivering minimum value for money savings on costs equivalent to 3% per annum averaged over the 3 year CSR07 period from 2008-09.

5.3 A reduction of the risk associated with high hazards by progressively mitigating hazards and ensuring radioactive waste continues to be put into a passively safe form.

Effective and responsible management of coal health schemes:

5.4 Achievement of the Aspirational Scheme End Date (ASED) for completion of the COPD Coal Health Compensation scheme.

DSO 6: Ensure that Government acts as an effective and intelligent shareholder, and provide a source of excellent corporate finance expertise within Government

6.1 Aggregate value for portfolio businesses.

6.2 Dividend payments from relevant portfolio businesses.

6.3 Stakeholder satisfaction with the discharge of the Shareholder Executive's responsibilities.

6.4 Expand the Shareholder Executive's offer to greater proportion of HMG businesses and corporate finance situations.

DSO 7: Provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered

7.1 Progress in building the capability of the Department to meet future challenges.

Relationship between BERR's SR04 PSAs and CSR07 PSAs and DSOs

A.8 The new CSR07 performance framework represents a significant reduction in the overall number of performance indicators. The table on the following page sets out which of the SR04 indicators will be carried forward into the CSR07 period.

SR04 PSA indicator		Related CSR07 PSA/DSO indicator
1	Productivity	PSA 1
2.1	Administration burdens	PSA 6/DSO 2.1
2.2	International standing	Not rolled forward
2.3	Business perceptions	DSO 2.2
3.1	Competition regime	PSA 6/DSO 3.2
3.2	Consumer regime	DSO 3.7
4.1	Emissions	PSA 27/DSO 4.1
4.2	Security of supply	DSO 4.2 (modified)
4.3	Fuel poverty	DSO 4.3
4.4	Competitive energy markets	PSA 6/DSO 4.3 (modified)
5	Reduce trade barriers	DSO 3.1 (modified)
6.1	Adults considering going into business	Not rolled forward
6.2	SME productivity	Not rolled forward
6.3	Enterprise in disadvantaged areas	Not rolled forward
7	Regional economic performance	CSR PSA 7
8.1	Resources to new to export firms	Not rolled forward. However, UKTI's new performance framework for the CSR07 period is covered in DSO 1.5
8.2	Performance of new to export firms	
8.3	Performance of established exporters	
8.4	UK ranking on FDI	
8.5	Securing inward investment	
9.1	Reduce liability by 10%	Not rolled forward
9.2	2% efficiency savings	DSO 5.2
9.3	Competitions for NDA sites	Not rolled forward
10.1	Self employment rate of under-represented groups	Not rolled forward
10.2	Racial discrimination in the workplace	Not rolled forward
10.3	Labour market flexibility	PSA 6/DSO 3.5
10.4	Access to information and consultation procedures	Not rolled forward
10.5	Awareness of rights at work	DSO 3.6 (modified)
National Standard		Not rolled forward

Annex 4
Delivery partners

A.9 BERR delivers a wide range of products and services to diverse groups by working with a network of organisations, or parts of organisations, and delivery partners. This section provides an overview of all bodies sponsored by the Department during the reporting year, which form the "Departmental family". BERR's Departmental family consists of a number of executive agencies and non-departmental public bodies (NDPBs) which employed around 10,000 people and spent about 82% (£3.3 billion) collectively of BERR's total budget in 2007-08. Around 80 people, full-time equivalent, within BERR have been involved in managing the relationship with these delivery partners.

Executive Agencies

A.10 Executive agencies are delivery bodies closely connected with the sponsoring department. Although there is no typical agency model, common features of agencies usually include a certain level of financial and human resource flexibility to get the job done and operating performance targets that are agreed with the parent department and Minister. During 2007-08, BERR had the following agencies:

Executive Agency	Website
Companies House (a Trading Fund)	www.companieshouse.gov.uk
Insolvency Service	www.insolvency.gov.uk

Non-Departmental Public Bodies

A.11 Non-Departmental Public Bodies (NDPBs) are delivery bodies that operate at arm's length from Ministers and departments. In the reporting year, BERR had 35, including the Regional Development Agencies (RDAs), the Nuclear Decommissioning Authority (NDA) and the Low Pay Commission. Advisory NDPBs differ from other NDPBs in that they are usually set up as ad-hoc organisations and any resources they require are provided directly by the Department. During 2007-08, BERR had the following NDPBs:

Executive NDPBs	Website
Advisory Conciliation and Arbitration Service (Acas)	www.acas.org.uk
Civil Nuclear Police Authority	www.cnpa.police.uk
Coal Authority	www.coal.gov.uk
Competition Commission	www.competition-commission.org.uk
Competition Service	www.catribunal.org.uk/about/services.asp

Executive NDPBs	Website
Consumer Council for Postal Services (Postwatch)	www.postwatch.co.uk
Gas and Electricity Consumer Council (Energywatch)	www.energywatch.org.uk
Hearing Aid Council	www.thehearingaidcouncil.org.uk
Local Better Regulation Office	www.lbro.org.uk/
National Consumer Council	www.ncc.org.uk
Nuclear Decommissioning Authority	www.nda.gov.uk
Simpler Trade Procedures Board (SITPRO)	www.sitpro.org.uk
United Kingdom Atomic Energy Authority	www.ukaea.org.uk

Regional Development Agencies	Website
Advantage West Midlands	www.advantagewm.co.uk
East Midlands Regional Development Agency	www.emda.org.uk
East of England Development Agency	www.eeda.org.uk
North West Development Agency	www.nwda.co.uk
One North East	www.onenortheast.co.uk
South East England Development Agency	www.seeda.co.uk
South West of England Development Agency	www.southwestrda.org.uk
Yorkshire Forward	www.yorkshire-forward.com

Advisory NDPBs	Website
Advisory Committee on Carbon Abatement Technologies	www.berr.gov.uk/energy/sources/sustainable/carbon-abatement-tech/advisory-committee/page40400.html
Better Regulation Commission	http://archive.cabinetoffice.gov.uk/brc/
Fuel Poverty Advisory Group	www.berr.gov.uk/energy/fuel-poverty
Industrial Development Advisory Board	www.berr.gov.uk/regional/regional-development/indus-dev-advis-board/page19309.html
Low Pay Commission	www.lowpay.gov.uk

Advisory NDPBs	Website
Regional Industrial Development Boards	Not available
Renewables Advisory Board	www.berr.gov.uk/energy/sources/renewables/policy/renewables-advisory-board
UK Chemicals Weapons Convention National Authority Advisory Committee	www.berr.gov.uk/energy/non-proliferation/cbw/national-authority/naac/page40772.html
Union Modernisation Fund Supervisory Board	www.berr.gov.uk/employment/trade-union-rights/modernisation/supervisory-board/page20780.html

Tribunal NDPBs	Website
Central Arbitration Committee	www.cac.gov.uk
Competition Appeal Tribunal	www.catribunal.org.uk
Insolvency Practioners Tribunal	www.insolvency.gov.uk
Persons Hearing Consumer Credit Licensing Appeals	Not available
Persons Hearing Estate Agents Appeals	www.berr.gov.uk/consumers/business/estate-agents/appeals/index.html

Other Bodies

A.12 During 2007-08, BERR was also associated with a number of other bodies:

Public Corporations	Website
British Energy Group plc	www.british-energy.com
British Nuclear Fuel plc (BNFL)	www.bnfl.com
British Shipbuilders	Not available
Ofcom	www.ofcom.org.uk
Royal Mail Holdings plc	www.royalmailgroup.com

Central Government Organisations	Website
Nuclear Liabilities Fund	www.ngdf.info

Non-Ministerial Departments	Website
Office of Fair Trading	www.oft.gov.uk
Ofgem	www.ofgem.gov.uk

Non-Ministerial Departments	Website
Postcomm	www.psc.gov.uk

Independent Statutory Office Holders	Website
Community Interest Companies Regulator	www.cicregulator.gov.uk

Ad-hoc Advisory Groups	Website
Advisory Forum on the Impact of Employment Policy	www.berr.gov.uk/employment/research-evaluation/dti-advisory-forum/index.html
Advisory Panel on Management & Leadership	www.berr.gov.uk/regional/regional-dev-agencies/leadership%20and%20skills/management-and-leadership/page10947.html
Aerospace Innovation & Growth Leadership Council	www.sbac.co.uk/pages/41880434.asp
Capital for Enterprise Advisory Group	www.berr.gov.uk/bbf/enterprise-smes/info-business-owners/access-to-finance/enterprise-capital-funds/page37667.html
Electronics Leadership Council	www.electronicsleadershipcouncil.org
Environmental Innovations Advisory Group	www.berr.gov.uk/sectors/environmental/EIAG/page10066.html
Ethnic Minority Business Task Force	Not available
Manufacturing Forum	www.berr.gov.uk/sectors/manufacturing/manufacturingforum/page17685.html
Motorsport Development UK Advisory Board	www.motorsportdevelopment.co.uk
Pilot Task Force for Oil and Gas	www.pilottaskforce.co.uk
UK Energy Research Practitioners' Panel	Not available
Vulnerable Workers Pilot Practitioners' Panel	Not available
Women's Enterprise Task Force	www.womensenterprise.co.uk

Other Bodies	Website
Citizens Advice	www.citizensadvice.org.uk
Financial Reporting Council (FRC)	www.frc.org.uk

A.13 The following units are part of the core Department rather than the wider Departmental family: UK Trade & Investment; the Export Control Organisation; and the Shareholder Executive.

Changes during 2007-08

A.14 With effect from 28 June 2007, the sponsoring role for the following bodies moved from the former DTI to DIUS:

Executive Agencies	Website
National Weights and Measures Laboratory	www.nwml.gov.uk
UK Intellectual Property Office	www.ipo.go.uk

Executive NDPBs	Website
British Hallmarking Council	www.britishhallmarkingcouncil.gov.uk
Design Council	www.designcouncil.org.uk

Advisory NDPBs	Website
Council for Science and Technology	www.cst.gov.uk
Technology Strategy Board	www.innovateuk.org

Tribunal NDPBs	Website
Copyright Tribunal	www.ipo.gov.uk/ctribunal.htm

Research Councils (Executive NDPBs)	Website
Arts & Humanities Research Council	www.ahrc.ac.uk
Biotechnology & Biological Sciences Research Council	www.bbsrc.ac.uk
Economic & Social Research Council	www.esrc.ac.uk
Engineering & Physical Sciences Research Council	www.epsrc.ac.uk
Medical Research Council	www.mrc.ac.uk
Natural Environment Research Council	www.nerc.ac.uk
Science & Technology Facilities Council	www.stfc.ac.uk

A.15 Also on 28 June 2007, the Local Better Regulation Office (an executive NDPB) and the Better Regulation Commission (an advisory NDPB) were transferred from the Cabinet Office to BERR. The Better Regulation Commission subsequently wound up on 31 January 2008. The only other body that wound up was the Small Business Investment Taskforce on 30 April 2007.

Performance reporting on agencies and NDPBs

A.16 The performance report in chapter 2 also covers the contribution of delivery partners. All agencies and most NDPBs, other than advisory and tribunal NDPBs, also publish their own annual report and accounts, which provide full information on targets and performance of the organisation, as well as financial information. These can be obtained from their websites or The Stationery Office.

Entities consolidated and not consolidated

A.17 BERR's audited Resource Accounts 2007-08 in chapter 5 are consolidated to include the Insolvency Service; the Advisory, Conciliation and Arbitration Service (Acas); and BERR elements of administration expenditure for UKTI, which is also sponsored by the FCO. With the exception of Acas, the financial results of NDPBs are not consolidated in the Resource Accounts.

A.18 The Resource Accounts also show the money BERR has provided to NDPBs as "grants-in-aid", detailed in Note 11, section 5.4. Unaudited expenditure information for the Departmental family, including NDPBs, can be found in Section 4.5.

Relationship between the Department and delivery partners

A.19 Each NDPB is overseen by a sponsor team within BERR, which agrees the NDPBs remit and monitors performance. The sponsor teams work with the NDPBs, providing support for their high level aims and challenge to ensure adherence to rules of regularity and propriety and for the purpose of budgetary control.

Annex 5
Environmental sustainability

A.20 BERR is committed to integrating sustainability across its policy agenda to support the UK Government Sustainable Development Strategy[183]. The Department is also committed to contribute to a low carbon, resource efficient public sector by seeking to further reduce the environmental impact of the BERR estate.

Sustainable development

A.21 Sustainable development enables people throughout the world to satisfy their basic needs and enjoy a better quality of life without compromising the quality of life of future generations. Details of the Department's achievements on sustainable development are published in the BERR Sustainable Development Action Plan Progress Report 2007-08[184]. Key successes during 2007-08 are outlined below.

- *Building Capacity:* Launch and implementation of a programme to quantify and raise awareness levels of sustainable development within BERR as a key building block to integrating it into policy making.
- *Identifying Business Opportunities:* Publication of the Report by the Commission for Environmental Markets and Economic Performance[185] represents a new way of thinking across traditional boundaries, bringing together environmental, competitiveness and innovation policy.
- *Promoting a low carbon economy:* the Energy White Paper[186] promoted positive and sustainable environmental behaviours such as the development and deployment of low carbon technologies and strengthened our commitment to renewable energy.
- *Waste:* The UK's infrastructure for the collection of a wide range of waste electrical and electronic equipment (WEEE) was formally established by the WEEE Directive Regulations fully coming into force on 1 July 2007. This infrastructure now places the financial obligation for the recycling and sound disposal of WEEE on those that put the products into the market.

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[183] UK Government Sustainable Development Strategy (March 2005): www.sustainable-development.gov.uk

[184] BERR Sustainable Development Action Plan: Progress Report 2007-08: http://www.berr.gov.uk/sectors/sustainability/index.html

[185] Commission on Environmental Markets and Economic Performance Report (November 2007): www.defra.gov.uk/environment/business/commission/pdf/cemep-report.pdf

[186] Energy White Paper: Meeting the Energy Challenge (May 2007): www.berr.gov.uk/energy/whitepaper/page39534.html

A.22 BERR's Sustainable Development Action Plan 2008-09[187] sets out our priorities for the year ahead. Key commitments include:

- *Energy:* The Energy Bill will implement Energy White Paper measures that require primary legislation, these include providing adequate protection for the environment.
- *Working with business:* Development of initiatives with key sectors including construction, retail and biotechnology to deliver improved environmental performance
- *Corporate Responsibility:* Implementation of a refreshed strategy designed to facilitate further engagement between Government and business and to promote the value of effective corporate responsibility
- *Leadership:* To embed sustainable development principles throughout the Department using the business planning process as a key driver

Environmental report[188]

A.23 *Resource consumption:* BERR has continued to rationalise its estate and has now vacated the building it occupied in 151 Buckingham Palace Road (London). The remaining staff moved into 1 Victoria Street (London) and Kingsgate House (66-74 Victoria Street, London). As expected, this increased electricity and gas consumption at both sites, due to increased thermal and electrical loads. Water usage increased at Kingsgate House but dropped slightly at 1 Victoria Street.

A.24 Westfield House (London) and Atholl House (Aberdeen) have both seen increases in electricity and water consumption but a decrease in gas consumption. This decrease is thought to be due to the milder than normal weather. St Mary's House (Sheffield) has seen reductions in all utilities.

A.25 Overall, the entire estate has seen significant reductions in gas and water consumption and a small increase in electricity consumption. Gas and water monitoring is to be upgraded to a "Half Hourly" system as with electricity, to allow accurate consumption monitoring and to highlight out of hours use and possible water leaks. Electricity contracts have been renewed and 100% of the supply is "green" and from renewable sources

A.26 *Energy efficiency:* Energy efficient and alternative technologies are constantly being identified for viable implementation. LED lighting is currently being piloted in 1 Victoria Street. Energy audits have been undertaken to highlight any plant equipment that can be upgraded or replaced to increase energy efficiency.

A.27 *Waste and recycling:* Compared to the same period in 2006-07, waste arisings have reduced and recycling has increased. This is thought to be due to the reduction in the size of the estate and the increased facilities for recycling that are being introduced across the estate. Recycling facilities at BERR's headquarters estate (1 Victoria

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[187] BERR Sustainable Development Action Plan 2008-09: http://www.berr.gov.uk/sectors/sustainability/index.html

[188] The Environmental Report is based on data from April 2007 to January 2008.

Street, Kingsgate House, Westfield House, St Mary's House and Atholl House) are available for paper, cardboard, plastic, cans, and toners. Additionally batteries are recycled at 1 Victoria Street, Kingsgate House and Atholl House. Glass recycling has recently been added to 1 Victoria Street. A "binless" office has been trialled and is expected to be implemented across the estate.

A.28 *Distributed energy:* Microgeneration and renewable technologies are being investigated for possible installation on the estate.

Figure A5.1: Electricity consumption per BERR building 2007-08

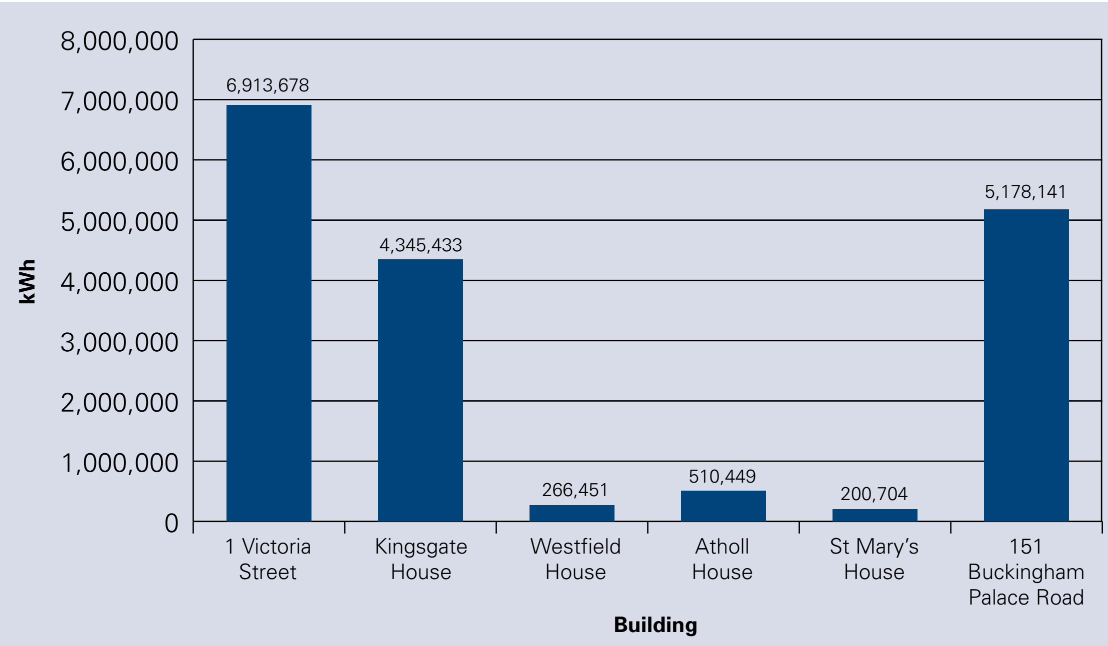


Figure A5.2: Total gas consumption per BERR building 2007-08

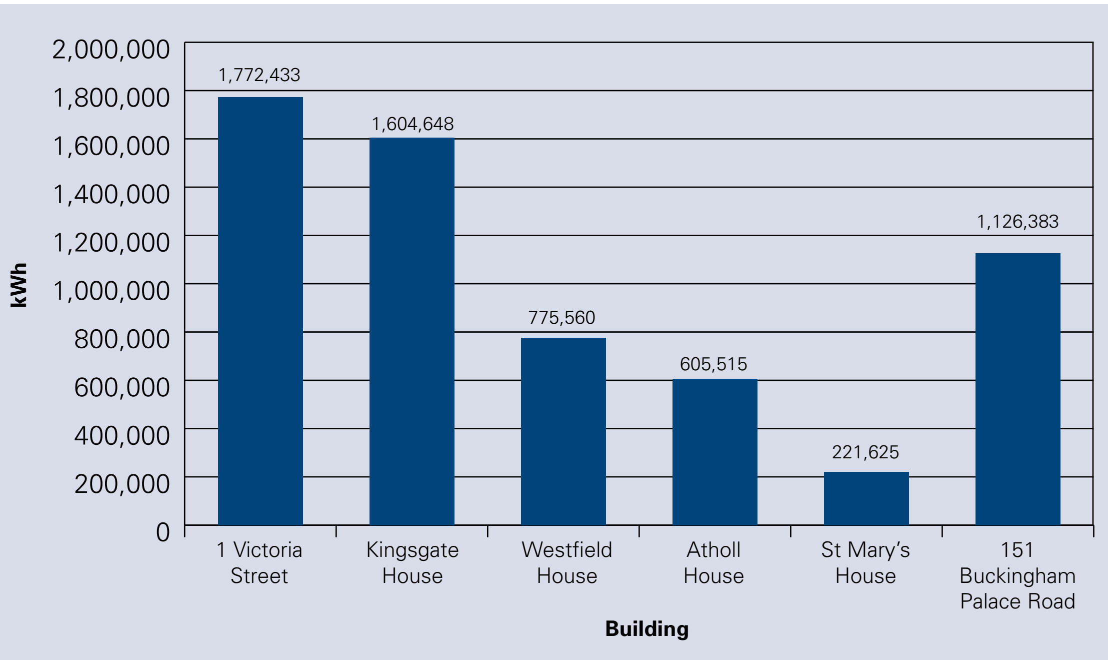


Figure A5.3: Total water consumption per BERR building 2007-08

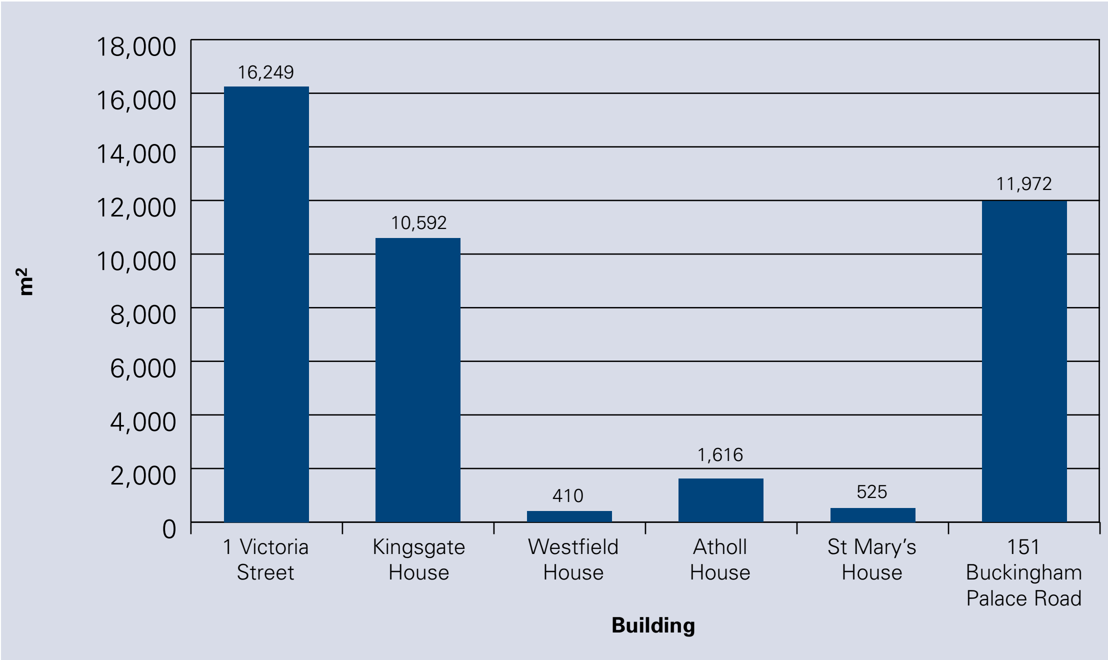
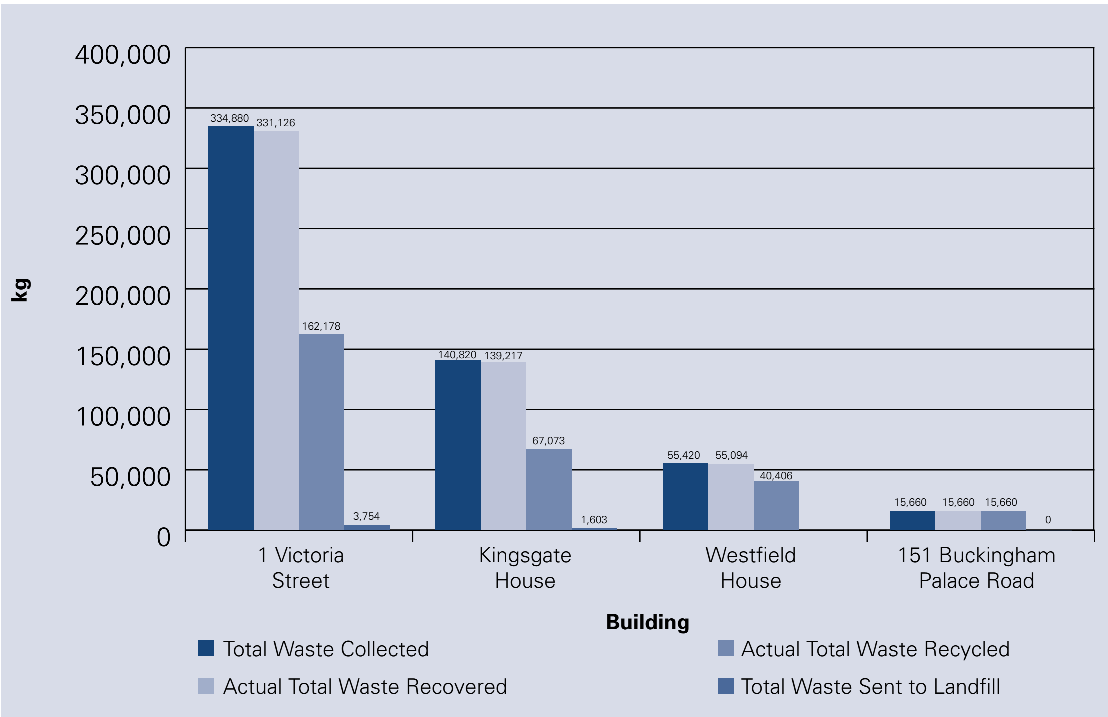


Figure A5.4: Total waste arisings per BERR building April 2007 to January 2008[189]



[189] "Total waste recovered" refers to waste sent to an energy from waste (EfW) facility. EfW technology produces electricity through combustion of the burnable element of the residual waste stream.

Annex 6
Health and safety report

A.29 BERR is committed to being an exemplar of best practice and considers health and safety objectives to be of equal importance to other business objectives. We recognise that effective management of health and safety is essential in order to deliver an efficient Government service which minimises unnecessary losses and liabilities.

A.30 BERR staff are mainly office based, so the main risks arise from the workplaces that we provide and staff working practices. We have in place procedures to ensure a safe working environment is maintained and operate an online assessment service to identify and manage the risks from use of computer workstations. This year we have undertaken some significant refurbishment projects and so effective selection and management of contractors has also played an important role in ensuring our risk exposures are well managed. Over the past year BERR has:

- completed a review of our policy and procedures;
- formalised and improved our monitoring regime;
- reviewed and revised our fire risk assessments; and
- delivered health and safety training to key estates staff so they can better manage their responsibilities.

A.31 Next year we will improve our safety management system, benchmark our performance against HSE best practice and benchmarking partners and offer training to senior managers throughout the Department so that they are better equipped to discharge their responsibilities. In consultation with the trade unions, we will look at ways to raise awareness of health and safety issues amongst staff and secure greater involvement from staff where relevant.

A.32 As shown by Figure A6.1, our safety performance was again good, with our reportable accident rate[190] being zero compared with 1382 for the public sector, with no enforcement action taken, no major injuries to contractors and no time lost by staff as a result of accidents. Improved reporting resulted in an increase in the number of minor incidents[191] being reported.

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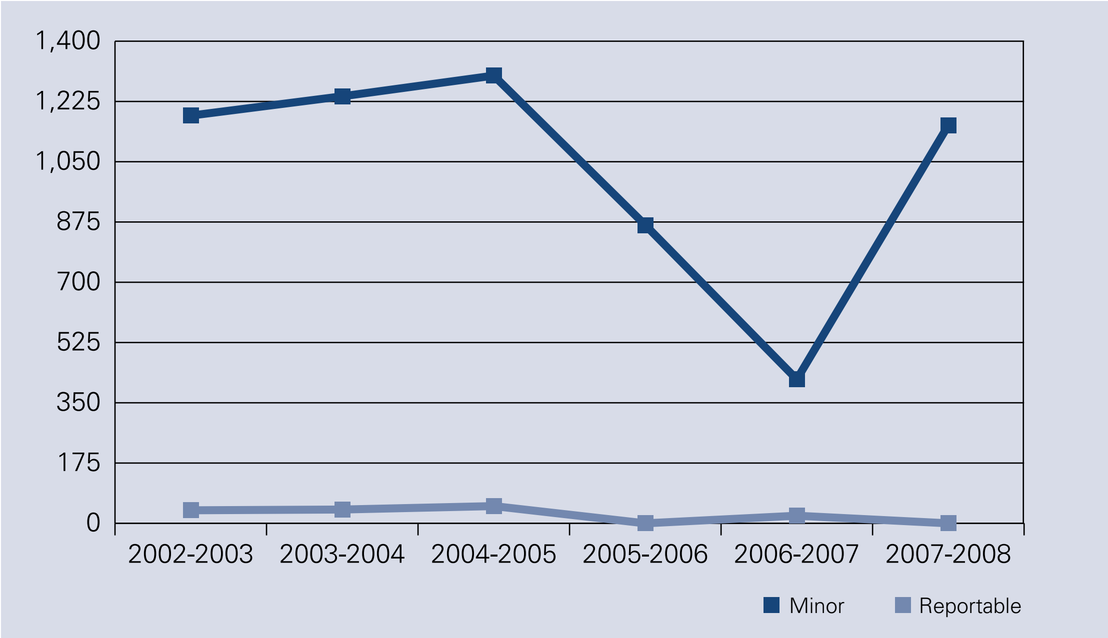
[190] The number of "major" and "over 3 day" injuries to employees that must be reported to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 1995, divided by the average number of employees in the previous year, multiplied by 100,000. For further information see: www.hse.gov.uk/riddor/riddor.htm

[191] Minor incidents do not have to be reported to the HSE and include those which do not result in serious injury or staff absence.

Figure A6.1: Accident rates per 100,000 employees, 2002-08 (BERR and the former DTI)



Annex 7
Public Accounts Committee (PAC) reports

A.33 The Public Accounts Committee is appointed by the House of Commons to examine accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure and of such other accounts laid before Parliament as the Committee may think fit[192]. The PAC focuses on value for money criteria, which are based on economy, effectiveness and efficiency.

42nd Report of 2006-07: The Shareholder Executive and Public Sector Businesses[193] (HC409) 20th September 2007

A.34 The report examined the Shareholder Executive's management of the Government's shareholdings and the barriers to more effective performance. The Committee concluded that the Shareholder Executive has delivered value for the taxpayer and had improved the way in which the Government shareholdings were managed.

A.35 The Government response to the report[194] accepted there were a number of ways the Shareholder Executive's status and profile in Government could be strengthened, so that it is in a position to provide independent advice on shareholder issues. A non-Executive Chair, Philip Remnant, was appointed in June 2007 and a number of changes are being implemented. For example, the Shareholder Executive is improving its visibility across departments via Permanent Secretaries and has provided shareholding departments with information on expertise and advice it can offer. One result of this is that the Shareholder Executive has moved from an advisory to executive role in relation to the Ordnance Survey and advises Ministers directly on the exercise of the shareholder levers.

43rd Report of 2006-07: The Restructuring of British Energy[195] (HC 892) 19th July 2007

A.36 The PAC report highlighted liabilities that Government agreed to underwrite as part of the restructuring, and emphasised the need to keep estimates of liabilities regularly updated and to ensure that British Energy (BE) was incentivised to minimise them. The Government response[196] provided an update on estimates of the liabilities and funds available in the Nuclear Liabilities Fund to discharge them. It also set out

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[192] For further details on the Committee of Public Accounts see: www.parliament.uk/parliamentary_committees/committee_of_public_accounts.cfm

[193] The Shareholder Executive and Public Sector Businesses (HC409) (September 2007): www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/409/409.pdf

[194] Government Response to "The Shareholder Executive and Public Sector Businesses" (November 2007): www.official-documents.gov.uk/document/cm72/7275/7275.pdf

[195] The Restructuring of British Energy (HC 892) (July 2007): www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/892/892.pdf

[196] Government Response to "The Restructuring of British Energy" (December 2007): www.official-documents.gov.uk/document/cm72/7276/7276.pdf

arrangements in place to ensure the efficient management by BE of its liabilities. In response to the suggestion that BE's creditors did disproportionately well out of the restructuring, the Government noted that financial stakeholders made a significant contribution as part of the restructuring, and while they are benefiting from BE's improved performance now, that was by no means certain during the restructuring and in the future.

A.37 The report also recommended that BERR considered a range of scenarios in financial modelling, such as the effect of any high electricity prices following the restructuring. The Government noted this recommendation, but pointed out that the focus at the time of the restructuring was on the future viability of BE, and therefore on the risk to the company of continuing low electricity prices. The Government noted the recommendation that BERR should take prompt action to decide whether to put in place a special administration regime for companies such as BE, but responded that it considered current arrangements sufficient, though it would review them periodically. The Government agreed that external advisers should be appointed competitively, and provided examples of the competitive appointments of independent financial advisers for the sale of part of Government's stake in BE in summer 2007.

11th Report of 2007-08: The Compensation Scheme for former Icelandic Water Trawlermen[197] (HC71) 26th February 2008

A.38 The report found that BERR had made a number of similar mistakes in administering this scheme and the Coal Compensation Scheme. BERR accepted that the design and launch of the scheme was not up to the standard expected in a number of respects. The period of consultation with the fishing industry before the scheme was launched was insufficient and a number of difficulties arose after the scheme was launched, for example in establishing the full list of Icelandic fishing vessels. BERR should have considered a pilot of the scheme rules before launching the scheme. In some cases, there was insufficient evidence to say whether payments had been correctly made and future schemes needed to be designed in a way that better related to the evidence available, or put clear criteria and procedures in place wherever discretion was needed.

A.39 BERR is determined that those running future schemes should learn the lessons from previous schemes. HM Treasury published revised guidance for departments running ex-gratia schemes in October 2007. BERR has also established a project pool to provide a group of people trained and experienced in programme project management who can be deployed flexibly to meet BERR's changing priorities.

[197] The Compensation Scheme for former Icelandic Water Trawlermen (HC71) (February 2008): www.publications.parliament.uk/pa/cm200708/cmselect/cmpubacc/71/71.pdf

12th Report of 2007-08: Coal Health Compensation Schemes[198]
(HC 350) 4th March 2008

A.40 The report's main conclusions were that BERR was initially ill prepared to handle coal health liabilities; its early negotiations with the solicitors on their tariffs for representing claimants were weak; that the schemes were more costly to administer than they might have been, and that some solicitors have made unfair deductions from their clients' compensation. BERR accepted these conclusions and also fully accepted that some claimants have had to wait too long for their compensation awards.

A.41 BERR expects the Vibration White Finger (VWF) scheme to be substantially complete (less than 300 claims remaining) by autumn 2008 and on the Chronic Obstructive Pulmonary Disease (COPD) scheme BERR anticipates having approximately 500 claims outstanding by summer 2009, although this is dependent on the progress of co-defended claims.

A.42 The report also acknowledged that the schemes posed a formidable challenge, especially in their early years, and are the biggest of their kind. BERR will endeavour to apply lessons learned regarding administration of current schemes, completing the compensation process and planning to manage future health related liabilities arising from the former British Coal Corporation.

[198] Coal Health Compensation Schemes (HC 350) (March 2008) www.publications.parliament.uk/pa/cm200708/cmselect/cmpubacc/350/350.pdf

Annex 8
Expendіture Tables

Introduction

A.43 These Tables present actual expenditure by the Department for the years 2002-03 to 2007-08, and planned expenditure for the years 2008-09 to 2010-11. The data relates to the Department's expenditure within the budgeting boundary (see chapter 4 section 4.1 for an explanation).

A.44 The format of the Tables is determined by HM Treasury, and the disclosure in tables 1 to 3 follows that of the Supply Estimate Functions, rather than the analysis into Departmental Strategic Objectives (DSOs). In future years, the Supply Estimate Functions will be changed to reflect the DSOs.

A.45 The data in the Tables has been restated, compared to equivalent data in the Department of Trade and Industry Annual Report 2006-07, for the Machinery of Government changes including the transfer of Science and Innovation activities to the Department for Innovation, Universities and Skills, the transfer of Better Regulation activities from the Cabinet Office, and the transfer of the Defence Export Services Organisation from the Ministry of Defence. The exception is Table 4 Total Capital Employed, where only the 2006-07 outturns have been restated, consistent with the Department's Resource Accounts.

Table 1: Total Departmental Spending

A.46 Table 1 summarises expenditure on functions now administered by the Department, covering the period from 2002-03 to 2010-11. Consumption of Resources includes programme and administration costs. Total Departmental expenditure is analysed by Departmental Supply Estimates, and any unallocated provision. Where there are significant changes from year to year, explanations are included in the more detailed analyses in Tables 2 and 3.

Table 2: Resource Budget

A.47 Table 2 provides a more detailed analysis of the Resource Budget information summarised in Table 1 and shows expenditure by the functions within the Supply Estimates. The Table separates the DEL and AME elements of the Departmental Resource spend, and illustrates the expenditure trends across the years under review.

A.48 Explanatory notes provide further information as appropriate, including where expenditure varies substantially from year to year. 2007-08 outturns are those used for the 2008 Public Expenditure Outturn White Paper.

Table 3: Capital Budget

A.49 Table 3 provides a more detailed analysis of the Capital Budget information summarised in Table 1. It shows expenditure by the functions within the Supply Estimates. The Table separates the DEL and AME elements of the Departmental Capital spend, and illustrates the expenditure trends across the years under review.

A.50 Explanatory notes provide further information as appropriate, including where expenditure varies substantially from year to year. 2007-08 outturns are those used for the 2008 Public Expenditure Outturn White Paper.

Table 4: Capital Employed

A.51 Table 4 shows capital employed by the Department in balance sheet format as disclosed in the Department's Resource Accounts. It also shows as a separate line the net capital employed by Non Departmental Public Bodies, which are not included in the Department's Resource Accounts, to give a total figure for capital employed by the Departmental Family.

Table 5: Administration Costs

A.52 Table 5 provides a more detailed analysis of the administration costs of the Department. It retains the high level functional analysis used in Table 1.

Table 6: Staff Numbers

A.53 Table 6 shows staff numbers employed by the main Department and its Agencies, including the Trading Funds.

Tables 7, 8 and 9: Country and Regional Analysis Tables

A.54 Tables 7, 8 and 9 show analyses of the Department's spending by country and region, and by function. The data presented in these Tables is consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of the PESA 2007. The figures were taken from the HM Treasury public spending database in December 2007 and the regional distributions were completed in January and February 2008. Therefore, the Tables may not show the latest position and are not consistent with other tables in this document.

A.55 The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.

A.56 TES is a near cash measure of public spending. The Tables do not include depreciation, cost of capital charges, or movements in provisions that are in the Department's budget. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises.

A.57 The data is based on a subset of spending, identifiable expenditure on services, which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is for the benefit of the UK as a whole is excluded.

A.58 Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. Therefore, the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

A.59 The Department's expenditure encompasses a wide range of programmes, and the method of allocation by region will vary according to the nature of each programme. Transfer payments to individuals are generally allocated to the region of the residence of the recipient. Transfer payments to institutions are normally allocated on the basis of the location of the recipient institution, as a proxy for the location that benefits from the spending. Where directly measured data is unavailable, suitable formulae determined in consultation with Departmental statisticians have been used.

Table 7: Expenditure by Country and Region

A.60 Table 7 shows identifiable expenditure on services, i.e. expenditure which can be shown as being for the benefit of specific countries and regions. It also includes, for completeness, a line for non identifiable expenditure i.e. that which is deemed to be on behalf of the United Kingdom as a whole. Notes to theTable provide further information about specific regional spending.

Table 8: Expenditure per Head by Country and Region

A.61 Table 8 analyses the data identifiable expenditure underlying Table 6, per head of population. The explanatory notes at the foot of Table 7 are also relevant to the regional analysis shown in Table 8.

Table 9: Expenditure by Function/Programme by Country and Region for 2006-07

A.62 Table 9 shows the outturns for 2006-07 in Table 6 analysed into functional categories. These categories are the standard United Nations Functions of Government (COFOG) categories, the international standard. The presentation of spending by function is consistent with that used in chapter 9 of Public Expenditure Statistical Analysis (PESA) 2008. These are not the same as Estimate Functions used in other Tables in this report.

Department for Business, Enterprise and Regulatory Reform

Table 1 Total Departmental Spending

£'000

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource Budget									
Resource DEL									
Increasing UK Competitiveness [1]	1,451,790	1,523,055	1,816,597	1,697,404	2,001,484	2,105,290	2,135,467	2,057,946	2,125,012
Unallocated Provision[2]	–	–	–	–	–	–	15,584	47,600	–25,042
Total Resource Budget DEL	**1,451,790**	**1,523,055**	**1,816,597**	**1,697,404**	**2,001,484**	**2,105,290**	**2,151,051**	**2,105,546**	**2,099,970**
of which: Near-cash	1,457,399	1,564,364	1,634,321	1,487,695	1,800,985	1,882,022	2,041,674	1,998,865	2,003,423
Resource AME									
Increasing UK Competitiveness	3,458,940	1,258,012	–567,645	5,680,158	5,808,967	6,229,065	–29,105	19,261	19,936
UKAEA Pension Schemes 3	211,631	237,090	246,036	267,013	238,533	288,878	228,885	182,978	178,595
Total Resource Budget AME	**3,670,571**	**1,495,102**	**-321,609**	**5,947,171**	**6,047,500**	**6,517,943**	**199,780**	**202,239**	**198,531**
of which: Near-cash	1,283,436	1,324,330	1,224,349	1,486,276	1,082,013	913,832	668,957	453,319	406,898
Total Resource Budget	**5,122,361**	**3,018,157**	**1,494,988**	**7,644,575**	**8,048,984**	**8,623,233**	**2,350,831**	**2,307,785**	**2,298,501**
of which: depreciation	55,914	97,676	75,701	1,428,017	544,494	741,615	449,882	451,738	444,732
Capital Budget									
Capital DEL									
Increasing UK Competitiveness	264,488	441,701	218,128	1,123,115	1,149,396	1,107,724	1,341,974	1,321,398	1,248,959
Unallocated Provision	–	–	–	–	–	–	–113,955	–92,639	–16,880
Total Capital Budget DEL	264,488	441,701	218,128	1,123,115	1,149,396	1,107,724	1,228,019	1,228,759	1,232,079
Capital AME									
Increasing UK Competitiveness	–412,002	–341,000	192,000	–560,280	–688,880	–689,000	–689,000	–379,000	–35,000
Total Capital Budget AME	**-412,002**	**-341,000**	**192,000**	**-560,280**	**-688,880**	**-689,000**	**-689,000**	**-379,000**	**-35,000**
Total Capital Budget	**-147,514**	**100,701**	**410,128**	**562,835**	**460,516**	**418,724**	**539,019**	**849,759**	**1,197,079**
Total Departmental Spending†									
Increasing UK Competitiveness	4,707,302	2,784,092	1,583,379	6,512,380	7,726,473	8,011,464	2,320,781	2,579,194	2,925,502
Unallocated Provision	–	–	–	–	–	–	–109,698	–56,366	–53,249
UKAEA Pension Schemes	211,631	237,090	246,036	267,013	238,533	288,878	228,885	182,978	178,595
Total Departmental Spending†	**4,918,933**	**3,021,182**	**1,829,415**	**6,779,393**	**7,965,006**	**8,300,342**	**2,439,968**	**2,705,806**	**3,050,848**
of which:									
Total DEL	1,701,164	1,902,080	1,994,024	2,780,331	3,118,885	3,186,206	3,305,606	3,258,863	3,257,370
Total AME	3,217,769	1,119,102	–164,609	3,999,062	4,846,121	5,114,136	–865,638	–553,057	–206,522

† Total Departmental Spending is the sum of the Resource Budget and the Capital Budget less depreciation. Similarly, total DEL is the sum of the Resource Budget DEL and Capital Budget DEL less depreciation in DEL, and total AME is the sum of Resource Budget AME and Capital Budget AME less depreciation in AME.

Spending by local authorities on functions relevant to the department									
Current Spending	**247,668**	**278,277**	**288,359**	**316,096**	**322,420**	**342,745**			
of which:									
financed by grants from budgets above	386,809	346,492	384,026	387,395	383,052	348,079			
Capital Spending	**825**	**1,128**	**-496**	**3,553**	**412**	**496**			
of which:									
financed by grants from budgets above††	408,668	506,979	550,643	547,256	578,043	567,319			

†† This includes loans written off by mutual consent that score within non-cash Resource Budgets and aren't included in the capital support to local authorities line in Table 3.

Notes

1 This reflects the classification into "Requests for Resources" in Supply Estimates

2 This refers to budgets agreed as part of the Comprehensive Spending Review 2007, but not allocated to specific activities

3 The UKAEA Pension Scheme has a separate Estimate and Resource Account

Table 2 Resource Budget DEL and AME

£'000

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource DEL									
Increasing UK Competitiveness	**1,451,790**	**1,523,055**	**1,816,597**	**1,697,404**	**2,001,484**	**2,105,290**	**2,135,467**	**2,057,946**	**2,125,012**
of which:									
Knowledge Transfer and Innovation	2,197	2,604	3,275	3,041	32,777	10,660	–	–	–
Extending Competitive Markets	67,552	71,936	113,302	86,395	76,447	97,710	106,024	107,790	108,222
Security of Energy Supply	-1,157	8,498	7,176	6,313	5,337	4,556	6,938	7,028	7,116
Sustainability and the Environment	21,758	25,855	31,572	27,214	18,079	15,963	9,136	9,173	9,207
Enterprise Growth and Business Investment	467,476	391,286	267,543	178,965	75,723	91,328	108,413	104,856	104,952
Regional Economies[1]	188,632	147,525	202,645	423,761	483,259	390,237	442,318	432,961	423,831
Trade and Investment[2]	48,827	51,894	51,674	49,034	46,837	46,014	47,909	46,868	45,087
Maximising Potential in the Workplace[3]	69,599	65,856	64,703	73,118	61,168	55,440	71,236	84,090	82,846
Corporate Activity and Insolvency Framework[4]	26,671	15,548	12,829	30,904	43,565	46,680	56,580	57,992	59,863
Assets and Liabilities[5]	262,189	435,932	716,841	486,055	808,879	873,010	925,417	873,466	955,099
Nuclear Security and Export Control	29,131	60,579	54,572	60,136	50,294	60,154	58,542	59,646	60,440
Activities in Support of all Objectives[6]	268,915	245,542	290,465	272,468	299,119	413,538	302,954	274,076	268,349
Unallocated Provision[7]	**–**	**–**	**–**	**–**	**–**	**–**	**15,584**	**47,600**	**–25,042**
of which:									
Increasing UK Competitiveness	–	–	–	–	–	–	15,584	47,600	–25,042
Total Resource Budget DEL	**1,451,790**	**1,523,055**	**1,816,597**	**1,697,404**	**2,001,484**	**2,105,290**	**2,151,051**	**2,105,546**	**2,099,970**
of which:									
Near-cash	1,457,399	1,564,364	1,634,321	1,487,695	1,800,985	1,882,022	2,041,674	1,998,865	2,003,423
of which:†									
Pay	294,873	275,680	291,351	435,407	338,302	319,286	303,322	288,156	273,748
Procurement	787,385	939,595	1,034,631	645,855	1,043,263	678,802	918,078	1,003,441	1,122,610
Current grants and subsidies to the private sector and abroad	677,429	812,128	785,490	824,408	846,963	850,242	894,841	900,421	879,438
Current grants to local authorities	385,597	346,269	380,047	385,248	379,598	345,816	398,416	398,001	393,499
Depreciation	15,114	62,676	40,701	40,188	31,995	26,808	73,464	75,442	74,679

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Resource AME									
Increasing UK Competitiveness	**3,458,940**	**1,258,012**	**-567,645**	**5,680,158**	**5,808,967**	**6,229,065**	**-29,105**	**19,261**	**19,936**
of which:									
Extending Competitive Markets	–	-100	–	–	–	–	–	–	–
Enterprise Growth and Business Investment	-6,286	-1,940	-479	–	–	–	–	–	–
Regional Economies	36,212	35,223	38,979	37,147	70,018	31,075	38,985	38,863	32,620
Maximising Potential in the Workplace	–	20,000	37,800	50,000	6,692	42,800	35,000	60,000	60,000
Corporate Activity and Insolvency Framework	289,183	248,600	186,436	252,733	204,643	173,772	248,812	257,812	257,812
Assets and Liabilities[8]	3,132,814	956,229	-830,381	5,331,212	5,527,614	5,981,418	-351,902	-337,414	-330,496
Activities in Support of all Objectives	7,017	–	–	9,066	–	–	–	–	–
UKAEA Pension Schemes	**211,631**	**237,090**	**246,036**	**267,013**	**238,533**	**288,878**	**228,885**	**182,978**	**178,595**
of which:									
UKAEA Pension Schemes	211,631	237,090	246,036	267,013	238,533	288,878	228,885	182,978	178,595
Total Resource Budget AME	**3,670,571**	**1,495,102**	**–321,609**	**5,947,171**	**6,047,500**	**6,517,943**	**199,780**	**202,239**	**198,531**
of which:									
Near-cash	1,283,436	1,324,330	1,224,349	1,486,276	1,082,013	913,832	668,957	453,319	406,898
of which:†									
Pay	8,782	8,528	–	–	–	–	–	–	–
Procurement	18,481	10,719	10,872	3,014	1,960	–70,149	32,400	3,000	–
Current grants and subsidies to the private sector and abroad[9]	1,140,639	1,186,192	1,097,456	1,339,406	1,034,829	913,483	545,943	361,336	317,614
Current grants to local authorities	1,212	223	3,979	2,147	3,454	2,263	2,567	2,567	2,567
Depreciation	40,800	35,000	35,000	1,387,829	512,499	714,807	376,418	376,296	370,053
Total Resource Budget	**5,122,361**	**3,018,157**	**1,494,988**	**7,644,575**	**8,048,984**	**8,623,233**	**2,350,831**	**2,307,785**	**2,298,501**

† The breakdown of near-cash in Resource DEL by economic category may exceed the total near-cash Resource DEL reported above because of other income and receipts that score in near-cash Resource DEL but aren't included as pay, procurement, or current grants and subsidies to the private sector, abroad and local authorities.

Notes

1 Includes the Regional Development Agencies
2 This refers to the administration costs of UK Trade and Investment (UKTI). Programme expenditure by UKTI is shown on a separate Estimate
3 Includes the Advisory, Conciliation and Arbitration Service (ACAS)
4 Includes the Insolvency Service Executive Agency
5 From 2005-06 this includes expenditure by the Nuclear Decommissioning Authority; the further increase in expenditure from 2006-07 reflects additional support for the Royal Mail
6 Includes administration costs of the core Department; the increased expenditure in 2007-08 is the result of the recognition of the liability for the onerous property lease on part of the Departmental Estate
7 This refers to budgets agreed as part of the Comprehensive Spending Review 2007, but not allocated to specific activities
8 The increase in expenditure from 2005-06 reflects the recognition of nuclear decommissioning provisions by the NDA; estimates of future changes in these provisions are not available at the time of publication.
9 This includes payments to ex-mineworkers under the coal health related provisions. These are expected to reduce over future years as liabilities are discharged.

Table 3 Capital Budget DEL and AME

£'000

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Capital DEL									
Increasing UK Competitiveness	**264,488**	**441,701**	**218,128**	**1,123,115**	**1,149,396**	**1,107,724**	**1,341,974**	**1,321,398**	**1,248,959**
of which:									
Extending Competitive Markets	20,575	94,036	-11,508	-16,588	-4,469	-4,616	806	806	806
Security of Energy Supply	983	644	29,307	18,038	4,116	1,521	–	–	–
Sustainability and the Environment	4,202	5,029	24,455	38,763	51,694	26,619	65,200	52,900	49,200
Enterprise Growth and Business Investment	142,329	342,944	38,887	-116,043	-139,195	-125,602	-69,800	-66,600	-128,500
Regional Economies[1]	86,692	-2,708	105,631	189,321	171,669	111,427	122,462	120,182	117,957
Trade and Investment	–	-69	-161	-6	16	2	20	–	20
Maximising Potential in the Workplace[2]	2,758	2,564	1,918	1,608	1,013	1,691	1,035	3,035	1,035
Corporate Activity and Insolvency Framework[3]	-385	-1,590	292	1,116	-160	6,015	14,700	-1,500	4,000
Assets and Liabilities[4]	2,958	-12,877	10,844	994,322	1,050,908	1,074,926	1,192,701	1,198,325	1,191,691
Nuclear Security and Export Control	–	–	–	1,073	–	956	3,000	3,000	3,000
Activities in Support of all Objectives	4,376	13,728	18,463	11,511	13,804	14,785	11,850	11,250	9,750
Unallocated Provision[5]	**–**	**–**	**–**	**–**	**–**	**–**	**-113,955**	**-92,639**	**-16,880**
of which:									
Increasing UK Competitiveness	–	–	–	–	–	–	-113,955	-92,639	-16,880
Total Capital Budget DEL	**264,488**	**441,701**	**218,128**	**1,123,115**	**1,149,396**	**1,107,724**	**1,228,019**	**1,228,759**	**1,232,079**
of which:									
Capital expenditure on fixed assets net of sales†	162,585	224,645	188,787	1,101,750	967,718	1,173,972	1,271,394	1,264,337	1,239,050
Capital grants to the private sector and abroad	466,812	325,523	436,047	586,752	763,539	539,922	655,957	622,008	597,185
Net lending to private sector	128,978	322,787	19,593	-124,782	-145,198	-155,464	-70,800	-67,500	-128,500
Capital support to public corporations	-385	35,507	-17,746	-18,195	-780	15,447	6,500	-3,500	2,000
Capital support to local authorities††	408,668	506,979	550,643	547,256	578,043	567,319	530,258	525,625	521,105

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Capital AME									
Increasing UK Competitiveness	**-412,002**	**-341,000**	**192,000**	**-560,280**	**-688,880**	**-689,000**	**-689,000**	**-379,000**	**-35,000**
of which:									
Assets and Liabilities[6]	-412,002	-341,000	192,000	-560,280	-688,880	-689,000	-689,000	-379,000	-35,000
Total Capital Budget AME	**-412,002**	**-341,000**	**192,000**	**-560,280**	**-688,880**	**-689,000**	**-689,000**	**-379,000**	**-35,000**
Total Capital Budget	**-147,514**	**100,701**	**410,128**	**562,835**	**460,516**	**418,724**	**539,019**	**849,759**	**1,197,079**
Of which:									
Capital expenditure on fixed assets net of sales†	162,585	224,645	188,787	1,101,750	967,718	1,173,972	1,271,394	1,264,337	1,239,050
Less depreciation†††	55,914	97,676	75,701	1,428,017	544,494	741,615	449,882	451,738	444,732
Net capital expenditure on tangible fixed assets	106,671	126,969	113,086	-326,267	423,224	432,357	821,512	812,599	794,318

† Expenditure by the Department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.
†† This does not include loans written off by mutual consent that score within non-cash Resource Budgets.
††† Included in Resource Budget.

Notes
1 Includes the Regional Development Agencies
2 Includes the Advisory, Conciliation and Arbitration Service (ACAS)
3 Includes the Insolvency Service Executive Agency
4 From 2005-06 this includes expenditure by the Nuclear Decommissioning Authority
5 This refers to budgets agreed as part of the Comprehensive Spending Review 2007, but not allocated to specific activities
6 Includes releases of surpluses on Coal Pension Schemes, and receipts of special dividends from BNFL plc

Table 4 Capital employed

£'000

Assets on Balance Sheet at end of year[1]	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Projected
Fixed Assets						
Intangible	747	698	1,293	387	1,612	1,644
Tangible	147,314	176,630	195,824	69,111	80,520	82,130
of which						
Land and Buildings	120,711	138,830	153,801	26,290	35,786	36,502
Transport Equipment	15	7	7	0	0	0
Plant and Machinery	1,748	1,643	808	865	982	1,002
Information Technology[2]	3,612	3,425	9,905	7,362	6,853	6,990
Furniture and Fititngs	9,802	8,126	7,065	4,242	2,850	2,907
Assets under Construction	11,426	24,599	24,238	30,352	34,049	34,730
Investments[3]	4,030,209	3,682,323	4,536,733	5,630,627	5,381,796	5,489,432
Current Assets[4,5]	2,290,486	2,815,591	6,485,881	3,031,594	3,152,908	3,215,966
Creditors < 1 year[5]	-881,707	-977,045	-5,052,970	-1,338,431	-1,416,437	-1,444,766
Creditors > 1 year	-601,111	-574,159	-1,095,402	-541,072	-540,827	-551,644
Provisions[6]	-18,917,240	-17,838,964	-5,264,636	-4,484,470	-3,815,041	-3,265,041
Capital Employed within the Consolidated Department's Resource Accounts	**-13,931,302**	**-12,714,926**	**-193,277**	**2,367,746**	**2,844,531**	**3,527,722**
NDPB Net assets/liabilities	2,120,050	2,123,113	-28,666,294	-36,224,441	-29,131,572	-29,714,203
Total Capital Employed in Departmental Family	**-11,811,252**	**-10,591,813**	**-28,859,571**	**-33,856,695**	**-26,287,041**	**-26,186,481**

Notes
1 Outturns from 2003-04 to 2005-06 include capital relating to the activities under Science and Innovation objectives, transferred to the Department of Innovation, Universities and Skills in 2007-08
2 The Department's IT infrastructure is supplied and managed by Fujitsu Services Ltd under an off balance sheet PFI contract
3 The Department's investment in the Investment Reserves of the British Coal Pension Scheme is subject to triennial actuarial revaluations.
4 The Department also has a current asset investment in respect of the British Coal Pension Scheme, also subject to actuarial revaluation.
5 2005-06 current assets and creditors include the recognition of the transfer of the Nuclear Liabilities Investment Portfolio (NLIP) to the Department from BNFL plc; proceeds from the liquidation of the portfolio were payable to the Consolidated Fund
6 In 2005-06 most of the Department's nuclear decommissioning provisions were transferred to the Nuclear Decommissioning Authority, disclosed here under NDPB Net assets/liabilities

Table 5 Administration Costs

£'000

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Plans	2009-10 Plans	2010-11 Plans
Administration Expenditure									
Paybill	204,360	179,832	168,224	170,147	172,652	168,490	166,214	157,903	150,008
Other[1]	278,178	292,608	207,136	184,936	195,306	361,228	203,949	200,000	191,565
Total Administration Expenditure	482,538	472,440	375,360	355,083	367,958	529,718	370,163	357,903	341,573
Administration Income[2]	-139,940	-120,879	-13,845	-2,928	-29,429	-44,548	-37,990	-33,690	-25,890
Total Administration Costs	**342,598**	**351,561**	**361,515**	**352,155**	**338,529**	**485,170**	**332,173**	**324,213**	**315,683**
Analysis by activity[3]									
Increasing UK Competitiveness	342,598	351,561	361,515	352,155	338,529	485,170	332,173	324,213	315,683
Total Administration Costs	**342,598**	**351,561**	**361,515**	**352,155**	**338,529**	**485,170**	**332,173**	**324,213**	**315,683**

Notes
1 The increased expenditure in 2007-08 is the result of the recognition of the liability for the onerous property lease on part of the Departmental Estate
2 Includes income from minor occupiers of the Departmental Estate, from other Government Department users of Departmental central services, and income of the Insolvency Service
3 This refers to the classification into "Requests for Resources" in Supply Estimates

Table 6 Staff in post

	2005-06 Actual	2006-07 Actual	2007-08 Actual
Department for Business Enterprise and Regulatory Reform (BERR) (Gross Control Area)			
CS FTEs	2,750.0	2,687.6	2,449.2
Others	130.0	128.0	100.0
Total	**2,880.0**	**2,815.6**	**2,549.2**

UK Trade & Investment

	2005-06 Actual	2006-07 Actual	2007-08 Actual
UK Trade & Investment (Gross Control Area)			
CS FTEs	565.1	513.3	423.1
Others	65.9	39.3	40.2
Total	**631.0**	**552.6**	**463.3**

The Department's Executive Agencies

	2005-06 Actual	2006-07 Actual	2007-08 Actual
The Insolvency Service (Gross Control Area)			
CS FTEs	1,825	2,146	2,384
Others	355	418	579
Total	**2,180**	**2,564**	**2,963**
Companies House (Gross Control Area)			
CS FTEs	1,174	1,132	1,068
Others	–	–	–
Total	**1,174**	**1,132**	**1,068**
Advisory, Conciliation and Arbitration Service (Gross Control Area)			
CS FTEs	848	738	761
Others	34	51	50
Total	**882**	**789**	**811**

Table 7: Expenditure by country and region

£ million

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Plans	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	137.3	281.6	196.4	225.7	227.3	219.7	117.1	58.0	47.5
North West	598.9	427.7	589.8	588.1	1620.7	1452.5	1479.6	1507.0	1359.3
Yorkshire and Humberside	351.9	375.9	381.1	377.1	341.7	341.8	202.6	103.1	91.4
East Midlands	237.2	146.8	217.3	273.4	261.6	264.7	161.4	79.9	68.9
West Midlands	139.7	102.8	221.7	253.5	150.2	263.5	218.8	183.8	173.1
Eastern	139.4	115.7	122.7	83.5	146.9	153.5	129.9	111.8	104.7
London	213.0	193.6	248.0	203.3	166.4	197.4	140.4	128.8	117.9
South East	270.5	228.6	322.6	525.5	321.1	364.4	345.8	336.3	313.2
South West	170.5	150.8	174.4	175.1	95.2	136.9	107.9	85.0	68.2
Total England	**2258.4**	**2023.5**	**2474.0**	**2705.2**	**3331.1**	**3394.4**	**2903.5**	**2593.7**	**2344.2**
Scotland	353.2	336.3	388.5	749.5	443.7	487.7	431.2	392.5	394.1
Wales	265.3	256.6	220.4	248.2	337.6	405.7	324.0	265.2	266.1
Northern Ireland	20.0	19.5	27.7	26.5	34.9	77.3	55.6	37.9	29.1
Total UK identifiable expenditure	**2896.9**	**2635.9**	**3110.6**	**3729.4**	**4147.3**	**4365.1**	**3714.3**	**3289.3**	**3033.5**
Outside UK	49.6	83.9	84.0	94.9	120.7	235.9	191.3	147.7	126.2
Total identifiable expenditure	**2946.5**	**2719.8**	**3194.6**	**3824.3**	**4268.0**	**4601.0**	**3905.6**	**3437.0**	**3159.7**
Non-identifiable expenditure	14.3	40.6	19.0	26.3	17.9	36.8	32.9	24.9	25.0
Total expenditure on services	**2960.8**	**2760.4**	**3213.6**	**3850.6**	**4285.9**	**4637.8**	**3938.5**	**3461.9**	**3184.7**

Notes
The location of nuclear decommissioning activity, which is the largest single component of the Department's budget, produces comparatively high proportional expenditure in North West England, particularly, and also South East England and Scotland

Table 8: Expenditure per head of population by country and region

£'s per **head**

	2002-03 Outturn	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Plans	2008-09 Plans	2009-10 Plans	2010-11 Plans
North East	54.0	110.8	77.3	88.5	88.9	86.2	45.8	22.6	18.5
North West	88.4	62.9	86.5	86.0	236.5	210.6	213.3	216.0	193.7
Yorkshire and Humberside	70.4	74.8	75.3	73.8	66.4	66.2	38.9	19.6	17.3
East Midlands	56.2	34.5	50.6	63.2	59.9	60.2	36.4	17.9	15.3
West Midlands	26.4	19.4	41.6	47.4	28.0	48.9	40.4	33.7	31.6
Eastern	25.7	21.1	22.3	15.0	26.2	27.1	22.7	19.4	18.0
London	28.9	26.3	33.6	27.3	22.2	26.1	18.4	16.7	15.2
South East	33.6	28.3	39.7	64.2	39.0	43.9	41.4	39.9	36.9
South West	34.3	30.1	34.6	34.4	18.6	26.5	20.7	16.1	12.8
Total England	**45.5**	**40.6**	**49.4**	**53.6**	**65.6**	**66.4**	**56.4**	**50.0**	**44.8**
Scotland	69.9	66.5	76.5	147.1	86.7	94.9	83.6	75.9	75.9
Wales	90.9	87.5	74.8	84.0	113.8	136.2	108.2	88.2	88.0
Northern Ireland	11.8	11.5	16.2	15.4	20.0	43.9	31.3	21.2	16.2
Total UK identifiable expenditure	**48.8**	**44.3**	**52.0**	**61.9**	**68.5**	**71.6**	**60.5**	**53.2**	**48.7**

Table 9: Identifiable expenditure on services by function, country and region, for 2006-07

Identifiable expenditure on services by function, country and region, for 2006-07	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	£'s Millions Totals
General public services																		
Executive and legislative organs, financial and fiscal affairs, external affairs	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	5.0	0.0	0.6	0.0	5.6	49.8	55.4	0.0	55.4
Foreign economic aid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.0	0.7
General services	-0.0	-0.1	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.2	-0.0	-0.0	0.0	-0.2	0.0	-0.2	0.0	-0.2
Total General public services	0.6	0.5	0.5	0.6	0.6	0.5	0.5	0.5	0.6	4.9	-0.0	0.6	0.0	5.4	50.5	55.9	0.0	55.9
Public order and safety																		
Police services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Public order and safety	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic affairs																		
General economic, commercial and labour affairs	11.6	36.7	19.6	9.8	6.9	19.0	53.2	23.5	14.2	194.4	24.0	10.8	4.0	233.3	4.4	237.7	7.0	244.7
Fuel and energy	160.5	471.9	229.1	169.7	62.5	14.2	18.4	27.5	14.1	1167.8	105.7	139.4	0.4	1413.3	3.5	1416.8	4.5	1421.4
Mining, manufacturing and construction	0.2	0.7	0.5	0.5	0.5	0.7	1.3	1.2	0.5	6.0	0.6	0.3	0.2	7.0	0.0	7.0	0.0	7.0
Transport	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.4	0.0	0.0	0.0	0.5	0.0	0.5	0.0	0.5
Communication	24.4	29.4	27.4	26.9	27.9	29.3	35.3	34.0	27.9	262.6	28.0	24.7	23.6	338.9	53.0	391.9	0.0	391.9
R&D Economic affairs	4.4	12.5	9.2	8.4	10.0	11.2	24.5	18.9	10.1	109.1	10.3	4.8	3.0	127.2	0.0	127.2	0.0	127.2
Economic affairs n.e.c.	15.2	108.6	22.9	17.5	10.0	9.8	11.1	21.5	6.2	222.8	29.7	22.6	2.3	277.4	8.1	285.5	0.0	285.5
Total Enterprise and economic development	216.4	659.9	308.7	232.7	117.9	84.2	143.8	126.5	73.0	1963.1	198.3	202.7	33.5	2397.5	69.0	2466.5	11.5	2478.0

Identifiable expenditure on services by function, country and region, for 2006-07	North East	North West	Yorkshire and Humberside	East Midlands	West Midlands	Eastern	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	£'s Millions Totals
Environment protection																		
Waste management	0.0	907.5	0.0	0.0	0.0	44.8	0.0	150.0	1.4	1103.7	219.7	123.2	0.0	1446.6	0.0	1446.6	0.0	1446.6
Protection of biodiversity and landscape	0.4	0.2	7.3	7.2	4.5	0.2	0.3	0.3	0.2	20.6	0.2	2.0	0.1	22.8	0.0	22.8	0.0	22.8
Total Environment protection	0.4	907.7	7.3	7.2	4.5	45.0	0.3	150.3	1.5	1124.3	219.9	125.2	0.1	1469.4	0.0	1469.4	0.0	1469.4
Recreation, culture and religion																		
Broadcasting and publishing services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.4	6.4
Total Recreation, culture and religion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.4	6.4
Social protection																		
Old age	0.3	28.6	0.6	0.5	0.8	1.7	0.7	17.7	6.8	57.7	5.0	0.9	0.0	63.6	1.2	64.8	0.0	64.8
Family and children	0.2	0.7	0.5	0.5	0.5	0.7	1.2	1.1	0.5	5.9	0.6	0.3	0.0	6.7	0.0	6.7	0.0	6.7
Unemployment	9.4	23.3	24.0	20.3	25.9	14.9	19.8	25.0	12.8	175.3	20.0	8.0	1.3	204.6	0.0	204.6	0.0	204.6
Total Social protection	**10.0**	**52.6**	**25.1**	**21.2**	**27.3**	**17.2**	**21.7**	**43.7**	**20.1**	**238.8**	**25.5**	**9.2**	**1.4**	**274.9**	**1.2**	**276.2**	**0.0**	**276.2**
TOTAL BUSINESS, ENTERPRISE AND REGULATORY REFORM	**227.3**	**1620.7**	**341.7**	**261.6**	**150.2**	**147.0**	**166.4**	**321.1**	**95.2**	**3331.1**	**443.7**	**337.6**	**34.9**	**4147.2**	**120.7**	**4267.9**	**17.9**	**4285.9**

Acronyms

Acas: Advisory, Conciliation and Arbitration Service
ACP: African Caribbean and Pacific
AHRC: Arts and Humanities Research Council
AME: Annually Managed Expenditure
APR: Autumn Performance Report
BBSRC: Biotechnology and Biological Sciences Research Council
BERR: Department for Business, Enterprise and Regulatory Reform
BME: Black and Minority Ethnic
BNFL: British Nuclear Fuels Limited
BRE: Better Regulation Executive
BSC: British Shipbuilders Corporation
BSSP: Business Support Simplification Programme
CCS: Carbon Capture and Storage
CBI: Confederation of British Industry
CCL: Climate Change Levy
CETV: Cash Equivalent Transfer Value
CLG: Communities and Local Government
COPD: Chronic Obstructive Pulmonary Disease
CSR: Comprehensive Spending Review
DCMS: Department for Culture Media and Sport
DDA: Doha Development Agenda
Defra: Department for Environment Food and Rural Affairs
DEL: Departmental Expenditure Limit
DfES: Department for Education and Skills
DfID: Department for International Development
DfT: Department for Transport
DIUS: Department for Innovation, Universities and Skills
DSO: Departmental Strategic Objective
DTI: Department of Trade and Industry
DWP: Department for Work and Pensions
EC: European Commission
ECGD: Export Credit Guarantee Department
EIA: Equality Impact Assessments
EPSRC: Engineering and Physical Sciences Research Council
EQIA: Equality Impact Assessments
ESRC: Economic and Social Research Council
ETS: Emissions Trading Scheme
FCO: Foreign and Commonwealth Office
FEC: Full Economic Cost
FRC: Financial Reporting Council
FReM: Government Financial Reporting Manual
FTE: Full Time Equivalent
GAD: Government Actuary's Department
GCHQ: Government Communications Headquarters
GDP: Gross Domestic Product
GO: Government Offices
GVA: Gross Value Added
GW: Gigawatts
HMRC: HM Revenue and Customs
HSE: Health and Safety Executive
IA: Impact Assessment
IAEA: International Atomic Energy Agency

IDBR: Inter-Departmental Business Register
ILMA: Index of Labour Market Adaptability
IPA: Independent Performance Assessments
JESS: Joint Energy Security of Supply Working Group
LBRO: Local Better Regulation Office
LFS: Labour Force Survey
MoD: Ministry of Defence
MoG: Machinery of Government change
MtCe: million tonnes of carbon equivalent
MW: Megawatts
NAO: National Audit Office
NATS: National Air Traffic Control Service
NDA: Nuclear Decommissioning Authority
NDPB: Non-Departmental Public Body
NEBM: BERR Non-Executive Board member
NERC: Natural Environment Research Council
NETCEN: National Environmental Technology Centre
NMW: National Minimum Wage
NSI: National Standard Index
NWML: National Weights and Measures Laboratory
OCPA: Office of the Commissioner for Public Appointments
OECD: Organisation for Economic Cooperation and Development
OFT: Office of Fair Trading
OGC: Office of Government Commerce
ONS: Office of National Statistics
PAC: Public Accounts Committee
PCPF: Parliamentary Contributory Pension Fund
PSA: Public Service Agreement
PSG: Professional Skills for Government
RCUK: Research Councils UK
RDA: Regional Development Agency
RfR: Request for Resources
RIA: Regulatory Impact Assessment
RIDDOR: Reporting of injuries, Diseases and Dangerous Occurrences Regulations 1996
SCS: Senior Civil Service
SDC: Sustainable Development Commission
SEEDA: South East England Development Agency
SET: Science Engineering and Technology
SFIE: Selective Finance for Investment in England
SITPRO: Simpler Trade Procedures Board
SME: Small and Medium Enterprises
SOA: Super Output Area
SR: Spending Review
SSC: Sector Skills Council
STFC: Science and Technology Facilities Council
TUC: Trades Union Congress
UCPD: Unfair Commercial Practices Directive
UKAEA: United Kingdom Atomic Energy Authority
UKIPO: UK Intellectual Property Office
UKTI: UK Trade & Investment
UNCTAD: United Nations Conference on Trade and Development
UCPD: Unfair Commercial Practices Directive
VfM: Value for money
VWF: Vibration White Finger
W3C: Worldwide Web Consortium
WAI: Web Accessibility Initiative
WEEE: Waste Electrical and Electronic Equipment
WERS: Workforce Employee Relations Survey
WETF: Women's Enterprise Task Force
WTO: World Trade Organisation

Glossary

Annually Managed Expenditure (AME): Includes expenditure which is generally less predictable and/or controllable than expenditure within Departmental Expenditure Limits (DEL). BERR's AME expenditure is mainly concerned with nuclear decommissioning liabilities and payments to former mineworkers for health claims.

Appropriations in Aid: Income received by a department which it is authorised to retain (rather than surrender to the Consolidated Fund) to finance related expenditure. Such income is voted by Parliament and accounted for in departmental resource accounts.

Capital: Expenditure on tangible fixed assets (net of disposals and profit/loss on disposal), new investments and capital grants.

(Comprehensive) spending review: a process carried out by HM Treasury to set firm and fixed three-year Departmental Expenditure Limits (DEL) and Public Service Agreements (PSAs). Spending Reviews typically focus upon one or several aspects of public spending while Comprehensive Spending Reviews focus upon each Government department's spending requirements from a zero base, without reference to past plans or current expenditure.

Core Department: This term includes BERR and the following units: UKTI; the Export Control Organisation; and the Shareholder Executive.

Departmental Expenditure Limits (DEL): The Department's three year budget, divided into current and capital budgets, set as part of the Spending Review process.

Departmental Family: This term includes the Core Department (see above) and its delivery partners outlined in annex 4.

Gross Domestic Product (GDP): Economic indicator measuring the value of all goods and services produced by an economy within a specific period, usually a year.

Grant in aid: Cash payments made to bodies (normally NDPBs) to fund their activities. Grant in aid is paid where the Government has decided, subject to parliamentary controls, that the recipient body should operate at arm's length from the sponsoring Department.

Near cash: Transactions measured on an accruals basis which result in real cash flows in the near future e.g. expenditure on pay, purchases and current grants, subsidies and payments against provisions.

Non-Budget Expenditure: Expenditure approved in the Supply Estimates and included in the Department's Resource Accounts which does not score against the Department's DEL or AME budgets. Most commonly refers to the cash funding of NDPBs by grant in aid. The actual expenditure by the NDPBs scores in budgets.

Non-cash: Transactions which are included to reflect the full economic cost of activities and the usage of long-term assets e.g. depreciation, profit or loss on disposal of balance sheet assets, cost of capital and movements in provisions.

Non-Departmental Public Bodies: A list of NDPBs for which the Department acts as sponsor is included in annex A4.

Real Terms: Amounts adjusted for the effect of general price inflation relative to a base year, as measured by the Gross Domestic Product (GDP) market price deflator.

Resource Accounting: The accounting methodology used to record expenditure in BERR's accounts. It applies HM Treasury's Financial Reporting Manual (FReM), itself based on UK Generally Accepted Accounting Practice (UK GAAP) used in private industry and other Government departments. Spending is measured on an accruals basis.

Resource Budgeting: The budgeting regime adopted for spending plans set out in Spending Reviews and Comprehensive Spending Reviews. A Resource Budget is the sum of a department's resource Departmental Expenditure Limit (DEL) and resource Annually Managed Expenditure (AME). It is the budget for current expenditure on an accruals basis.

Supply Estimates: The means by which Parliament grants formal approval for the Department's annual expenditure plans. An Estimate can comprise one or more Request for Resources (RfR). Requests for additional funds in-year are made in Supplementary Estimates (normally in winter and spring).

Unallocated provision: The element of the total DEL settlement not initially allocated to specific functions or objectives.

Voted and Non-voted Expenditure: Voted expenditure comprises expenditure by the main Department and its executive agencies, as approved in the Supply Estimates. Non-voted expenditure comprises expenditure by the NDPBs sponsored by the Department. Supply Estimates authorise the issue of cash to NDPBs in the form of grant in aid.

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