



Autumn Performance Report 2005
Department of Trade and Industry



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Department of Trade and Industry

*Presented to Parliament by the Secretary of State for Trade and Industry
By Command of Her Majesty*

December 2005

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Foreword by Alan Johnson
Secretary of State for Trade and Industry

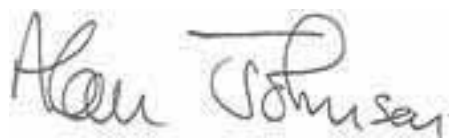
I am delighted to introduce the Department of Trade and Industry's Autumn Performance Report 2005, my first as Secretary of State for Trade and Industry.

The report covers my Department's progress towards our Public Service Agreement (PSA) Targets. The main focus of the report covers the targets from the 2004 Spending Review, but also includes information on PSA targets from previous spending reviews that are still ongoing.

Our last Autumn Performance Report described how the DTI's new Five Year Programme set the framework on which we will create the right conditions for business success. And in the last 12 months our focus has been on delivering the commitments made in this Programme. DTI has identified how it will deliver £1billion of regulatory savings, we are driving the agenda on tangible ways to address the major challenges facing the UK economy, and we are on track to meet our promises on bringing greater efficiencies within the Department.

Alongside these achievements, DTI is playing a key role in the UK's presidency of the EU and preparing the ground for the WTO trade round discussion in Hong Kong.

All this points to DTI's focus on creating the conditions for business success and helping the UK respond to the challenges of globalisation. These ambitions can only be achieved if we deliver on our PSA targets. We will continue to identify and overcome obstacles to progress and make the very best use of our finite resources.



Rt. Hon Alan Johnson
Secretary of State for Trade and Industry

INTRODUCTION

This report sets out the Department of Trade and Industry's (DTI) progress on the delivery of its Public Service Agreement (PSA) Targets, National Standard and Efficiency targets from the 2004 Spending Review (SR04), and progress against PSA targets outstanding from previous spending reviews. The report covers the period from the publication of the spring 2005 Departmental Report¹ to autumn 2005.

Overall responsibility for the delivery of the DTI's PSA targets rests with the Secretary of State for Trade and Industry. Where PSA targets are held jointly with other Government Departments, responsibility is shared with the Secretary of State for Trade and Industry as follows. The Chancellor of the Exchequer is jointly responsible for PSA 1 and together with the Deputy Prime Minister PSA 7. For PSA 4, the Secretary of State for Environment Food and Rural Affairs shares responsibility for eliminating fuel poverty and together with the Secretary of State for Transport for reducing greenhouse gas emissions. The Secretary of State for International Development is jointly responsible for PSA 5 reducing barriers to trade and the Secretary of State for Foreign and Commonwealth Affairs shares responsibility for PSA 8 improving the business performance of UK Trade and Investment.

Where PSA targets from previous spending reviews are similar or identical to those from SR04, they have been rolled over into the new targets and are not reported on separately. Where there are significant differences or the PSA remains outstanding from a previous spending review, progress is reported on separately in the report.

Technical notes, detailing how each PSA target will be achieved and progress measured, underpin each of the targets. Technical notes can be found on the DTI website² along with information on the Department's business plan³, and five-year programme⁴.

In summary, of the eleven PSA targets from SR04, seven are assessed as on course to be delivered, one is assessed as slippage and three are yet to be assessed.

- Chapter 1** Sets out in detail the progress made on delivery of the DTI's PSA targets from spring 2005 to autumn 2005.
- Chapter 2** Sets out the progress the DTI has made towards delivering its targets on making efficiency savings.
- Chapter 3** Gives a summary of the DTI's performance against previous spending review PSA targets from the 1998 Comprehensive Spending Review through to the 2002 Spending Review.
- Appendix 1** Has contact details and links for further information.

¹ www.dti.gov.uk/expenditureplan/report2005

² www.dti.gov.uk/psa_target.html

³ www.dti.gov.uk/about/businessplan.html

⁴ www.dti.gov.uk/fiveyearprogramme.html

Chapter 1: PERFORMANCE AGAINST PSA TARGETS

SR04 PSA 1 - 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

Assessment of Progress: ON COURSE

Current position

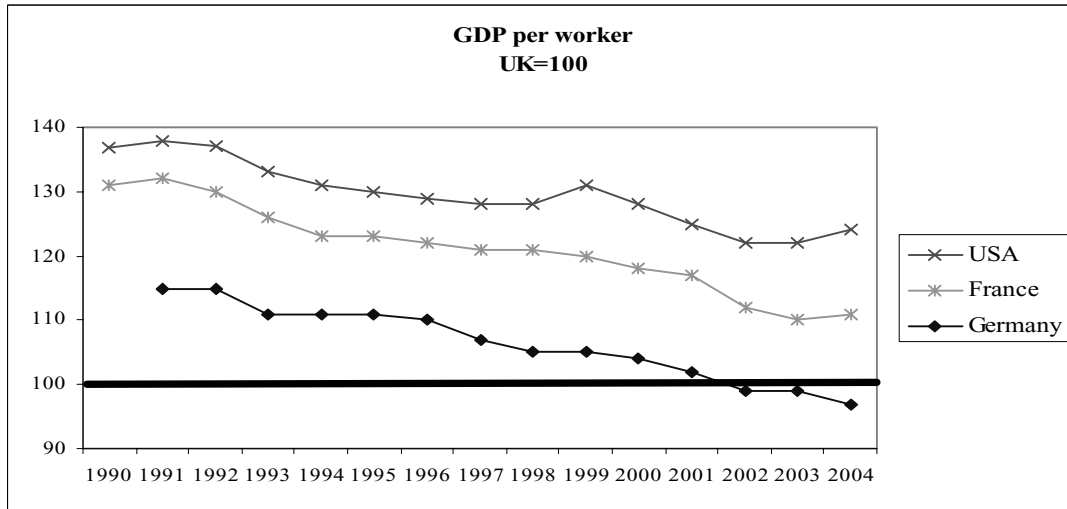
The latest data from the Office for National Statistics (ONS) published autumn 2005⁵ suggests that the UK's productivity gap, on the output per worker measure, has narrowed with France and closed with Germany, whilst the small narrowing of the gap with the USA is not statistically significant. This is relative to a 1995 base year, when the four economies were at similar points on their economic cycles. On the output per hour worked measure, the UK has narrowed the gap with Germany, France and the USA since 1995, but a sizable gap with each remains.

Together these data suggest the UK is heading in the right direction in terms of closing its productivity gap with its major competitors. The UK also appears to be making some progress in raising the rate of UK productivity growth over the economic cycle. HM Treasury estimated in the Pre-Budget Report 2004 that the trend rate of underlying productivity growth (output per worker basis, adjusted for changes in the employment rate) had increased in the UK from 2.22% p.a. between 1986 Q2 and 1997 H1 to 2.70% between 1997 H1 and 2001 Q3.

International comparisons of productivity, output per worker measure (UK=100).

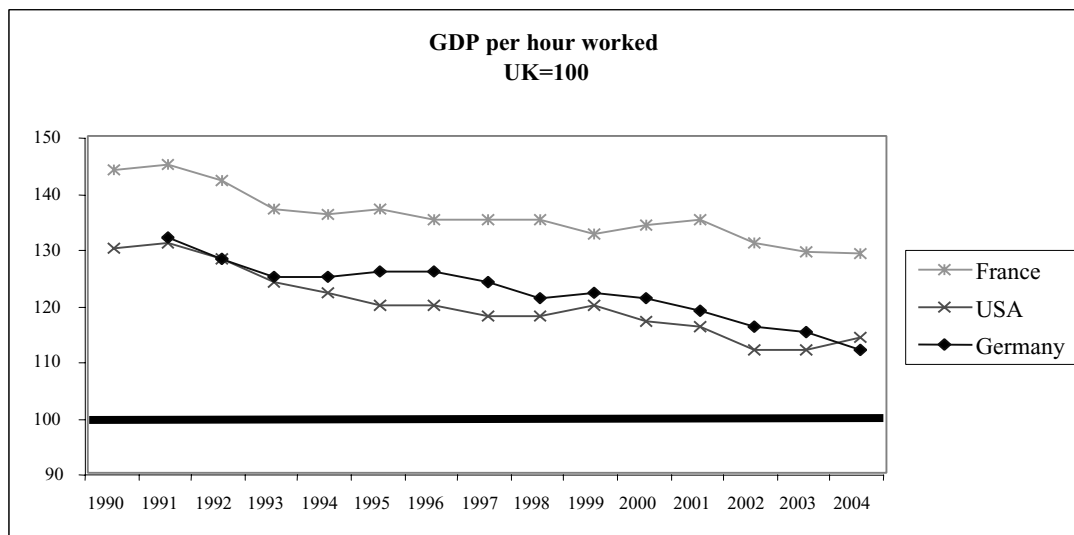
Year	France	Germany	USA
1990	131		137
1991	132	115	138
1992	130	115	137
1993	126	111	133
1994	123	111	131
1995	123	111	130
1996	122	110	129
1997	121	107	128
1998	121	105	128
1999	120	105	131
2000	118	104	128
2001	117	102	125
2002	112	99	122
2003	110	99	122
2004	111	97	124

⁵ <http://www.statistics.gov.uk/>



International comparisons of productivity, output per hour worked measure (UK=100).

Year	France	Germany	USA
1990	144		130
1991	145	132	131
1992	142	128	128
1993	137	125	124
1994	136	125	122
1995	137	126	120
1996	135	126	120
1997	135	124	118
1998	135	121	118
1999	133	122	120
2000	134	121	117
2001	135	119	116
2002	131	116	112
2003	129	115	112
2004	129	112	114



It takes time for workers, businesses and consumers to respond to far-reaching structural reforms and to gain the confidence to invest in capital or their own skills to increase productivity further. Consequently, in assessing progress towards raising productivity it is more reasonable to look for changes in the *drivers* of productivity. The Government has identified five drivers of productivity: investment, innovation, skills, enterprise and competition, and has monitored performance on a range of indicators for these drivers since 1999. Some progress has been made on all five of these 'high-level' drivers. In particular, there have been improvements in the competition regime and evidence of rising skill levels across the workforce, but with regard to levels of investment and research and development (R&D) expenditure, the UK continues to lag relative to its competitors.

Factors affecting performance

Improving the UK's comparative productivity position is a long-term objective. The indicators of productivity performance change slowly. In the short term, productivity is influenced by the economic cycle and may be affected by the performance of the labour market, whose relatively strong performance in recent years in the UK has led to the entry of initially less productive marginal workers.

Quality of data systems used

The ONS provide the data on labour productivity. Data on labour productivity as defined in per worker terms are classified as a 'National Statistic'; data on labour productivity as defined in per hour worked terms are an 'experimental series'. National statistics is a term applied by the ONS to a data series when it is deemed sufficiently reliable. The productivity data in per hour worked terms are currently undergoing a quality assurance review to assess if it meets the quality standards required for it to be classed as a National Statistic. Its current experimental status reflects the fact that one of its data sources, average annual hours worked per worker from the OECD, carries the disclaimer that it is intended for comparison of trends over time and is not totally reliable for cross-country comparisons.

Both versions of the productivity data may be subject to future revisions and are affected by the economic cycle. Therefore attempts are made to take out the effect of the economic cycle by choosing an appropriate base year for comparison, and changes are only deemed to be significant if they exceed 5%.

The sources of data used in the indicators of productivity were selected following an extensive consultation undertaken in 1999, and again following Budget 2004. The data for the indicators are derived from a variety of sources, including national statistical agencies, the OECD and the World Bank, each of which is subject to peer review processes.

SR04 PSA 2 - Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy, making continued progress to 2008, including through effective knowledge transfer amongst universities, research institutions and business.

Assessment of Progress: ON COURSE

Current position

Overall progress remains on course though significant challenges clearly remain, particularly in raising business R&D and increasing the supply of science, engineering and mathematics skills available to the economy. Progress against this target is measured, using a range of twenty-five indicators, across five broad attributes of the science and innovation system⁶. These are set out below:

1. World class research at the UK's strongest centres of excellence

Progress against this attribute is judged against a basket of six indicators including aspects of scientific excellence, productivity and development of trained researchers. These indicators are derived from Evidence Ltd's international benchmarking study into the performance of the UK science and engineering base⁷. The UK remains second in the world, only to the USA, for world citation share and continues to head the G8 on citation productivity measures. The most recent available data are for 2003⁸.

Indicator	2001	2002	2003	2006 Target
Share of world citations	11.5%	11.9%	11.9%	11.5%
Share of world citations in each of the 9 broad science disciplines	Top 3 in 7	Top 3 in 7	Top 3 in 7 ⁹	Top 3 in 7 out of 9
Researchers per 100 workforce	5.7	5.8	N/a	6.3
Citations per £1 of publicly performed R&D	1st	1st	1st	Lead G8
Citations relative to GDP	1st	1st	1st	Lead G8
Citations per researcher	1st	1st	1st	Lead G8

2. Sustainable and financially robust universities and public research institutes

The indicators in relation to these institutions are currently under development. The DTI through the Research Base Funders Forum are working with Higher Education Funding Councils to develop a set of indicators of university sustainability, which will include operating surplus/deficit, spending on equipment, repairs and maintenance and total income per staff. Data will be derived from information already provided to the Higher Education Statistics Agency (HESA). The first report will be available in 2006. A parallel project is being undertaken by JM Consulting on behalf of the DTI to

⁶ These attributes also provide indicators of progress against the measures set out in the ten year Science and Innovation Investment Framework <http://www.ost.gov.uk/policy/sif.htm>.

⁷ http://www.ost.gov.uk/research/psa_target_metrics.htm.

⁸ The next report including data to 2004 is due for publication early in 2006.

⁹ Biological 2nd, Clinical 2nd, Engineering 4th, Environmental 2nd, Maths 3rd, Physical Sciences 4th, Pre-Clinical and Health 2nd, Social Sciences 2nd and Business 2nd. The broad disciplines are an amalgamation the 68 Research Assessment Exercise (RAE) subject units of assessment

develop a set of sustainability indicators for Public Sector Research Establishments by 2006.

3. Greater responsiveness of the research base to the needs of the economy and public services

Progress against this attribute is measured by an increase in a basket of indicators from the Higher Education Business and Community Interaction Survey (HEBCI). The latest available HEBCI data (covering academic year 2002-03) indicates an upward trend in the majority of measures. Data for 2003-04 will be available late 2005/early 2006.

Indicator	2000-01	2001-02	2002-03
Number of new patent applications filed by Higher Education Institutes (HEIs)	896	960	1,209
Number of Patents granted	250	198	379
Number of licensing agreements	728	615	758
Income from licensing intellectual property (£m)	18.40	47.00	37.01
Number of spin-outs	248	213	197
Proportion of members of HEI governing bodies drawn from the business sector	34%	36%	35%
Income from business (value of consultancy contracts) (£m)	103.5	122.2	168.2
Number of full time equivalent staff employed in commercialisation/industrial liaison offices	1,538	1,836	2,283

4. Increasing business investment in R&D and increased business engagement

The target for overall performance is to narrow the gap with the UK's leading international competitors. There are seven indicators for progress against this target. Two of the indicators on business enterprise research and development expenditure (BERD) and on UK patenting are available annually with a lag of approximately ten to twelve months. Five are measured through the Community Innovation Survey (CIS), which has been every four years but will be biennial from now. The 2001 survey provided baseline data for these targets. Results from the 2005 survey will be available in 2006.

Business R&D as share of GDP

Country	1988	1993	1998	1999	2000	2001	2002	2003	2004
Canada	0.77	0.90	1.08	1.08	1.16	1.27	1.09	1.03	0.98
France	1.33	1.48	1.35	1.38	1.36	1.41	1.43	1.36	-
Germany	2.02	1.65	1.57	1.70	1.75	1.75	1.75	1.78	-
Italy	0.70	0.60	0.52	0.51	0.53	0.55	0.54	0.55	0.55
Japan	1.90	1.87	2.10	2.10	2.12	2.26	2.32	2.36	-
UK	1.40	1.33	1.17	1.23	1.20	1.23	1.24	1.23	1.15
USA	1.92	1.78	1.95	1.98	2.04	1.99	1.87	1.79	-
OECD average	1.55	1.42	1.49	1.52	1.56	1.58	1.54	1.51	-

Source: ONS for UK, OECD for rest.

In 2004, £13.5 billion was spent on R&D performed in UK businesses, 3% less in real terms than 2003. Civil R&D fell by 6%, while defence R&D increased by 13% in real terms. While the 2004 figures for the UK are disappointing, the trend in the real value of BERD has been positive for several years. R&D spending by companies can be cyclical, one example is in computer and related activities that saw increases in real terms of 45% in R&D spend in 2003 but a decrease of 18% in 2004.

Patent grants at the USA Patent Office per million population¹⁰

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003 ¹¹	Increase 95-03
USA	208.6	226.0	225.6	290.0	299.7	300.5	306.6	301.5	301.8	44.7%
Germany	80.9	83.6	85.5	111.1	114.2	124.8	136.9	137.1	138.8	71.4%
France	47.4	47.0	49.6	61.5	63.5	63.4	66.8	66.0	63.0	32.8%
UK	43.1	42.7	46.5	59.9	61.6	62.9	67.4	65.0	60.1	39.4%
Italy	19.1	20.9	21.9	27.8	26.1	29.5	29.8	30.3	29.6	55.2%

Source: OECD Patent database and main science and technology indicators

The patenting rate fell for the UK in 2003, but this is an indicator that shows year-to-year variation and is influenced by relative population changes across countries. Only Germany has shown consistent annual growth since the mid 1990s.

5. A more responsive supply of science, technology, engineering and maths skills to the economy

On the two indicators for this attribute the target is (i) to increase the numbers of science students receiving enterprise training and (ii) for the UK to maintain its international ranking within the G8 countries for PhDs awarded per head of population. In 2002 the most recently available data, the UK lay second behind Germany in the G8.

Indicator	2001	2002	2003
Number of science and engineering students receiving enterprise training	11,143 ¹²	7,908	N/a
PhDs awarded per 1000 population	0.24	0.24	N/a

Factors affecting performance

The use of citations for assessing the performance of the science base means that account has to be taken of the nature of this type of data. Citations accumulate over time so older papers tend to have more citations than recent work. Papers less than eight years old are usually still accumulating citations. Citation performance peaks only at around six years after publication and it is a recognised feature that the UK attracts citations at a faster rate than other countries. Very recent data will therefore tend to exaggerate UK performance.

Since 1999 the Government has provided scientists and business with support to work together and drive innovation. This support aims to improve the UK's record in successfully commercialising research. Over £370 million has been allocated from the

¹⁰ The data are for the inventor's country of origin

¹¹ 2003 figures are based on estimated population figures

¹² Includes one-off initiative to provide short computer based courses to all SET students in Scotland, if excluded from the return the figure would be 3,032

science budget for knowledge transfer and university-business interaction up until March 2006. The data from the latest HEBCI survey¹³, covering the academic year 2002-03 and listed above indicates that these initiatives have made a real and sustained impact.

In the year 2003-04, the real value (excluding inflation) of Business R&D fell in addition to its value as a ratio of GDP. Several studies have shown (e.g. R&D Scoreboard¹⁴, OECD review of UK¹⁵ and DTI economics paper no 11¹⁶) one of the most important factors influencing a country's BERD to GDP ratio is its industrial structure. This tends to change slowly over time and the direction of that change can be hard to predict.

Quality of data systems used

Benchmarking studies, undertaken by Evidence Ltd on behalf of the DTI comparing the UK against a comparator group of 25 countries including the G8. Data sources are:

- Thomson ISI¹⁷, the world's premier source of information on scientific journal publications and their citations;
- OECD¹⁸, a major source for international research and development statistical analyses.

HESA is the official UK agency for collection, analysis and dissemination of quantitative information about higher education. Data on university exploitation activity are gathered systematically through the HEBCI survey. The Higher Education Funding Council for England has published the survey annually since 2001. The fourth HEBCI survey, covering all UK universities was published in January 2005. The survey report analyses a wide range of knowledge transfer and business interaction activities and also looks at Higher Education Institutes' policies, priorities and resourcing in business and community activities.

The CIS is a postal survey of a sample of business enterprises, which collects quantitative and qualitative information on a range of innovation-related activities as part of a survey carried out across EU countries. It is undertaken by the ONS, on behalf of DTI.

BERD data are collected from R&D performing companies by the ONS using an annual survey. Patent data are routinely supplied by the Patent Offices concerned and normalised to country populations by DTI statisticians. Patents are routinely collected official statistics. The indicator for students receiving enterprise training comes from annual HEBCI survey, collated from Science Enterprise Centre (SEC) annual reports, though we are currently looking for an alternative measure for this indicator. The indicator for PhD awards comes from OECD Education databases.

¹³ <http://www.hesa.ac.uk>

¹⁴ http://www.innovation.gov.uk/rd_scoreboard/index.asp

¹⁵ <http://www.oecd.org/publications/html>

¹⁶ <http://www.dti.gov.uk/economics/papers.html>

¹⁷ <http://www.isinet.com/>

¹⁸ <http://puck.sourceoecd.org/home.htm>

SR04 PSA 3 - 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.

Assessment of progress: ON COURSE

Current Position

Competition: The last Peer Review of Competition Policy was carried out by KPMG in 2004 and found that the UK regime was ranked third behind the USA and Germany. The next Peer Review is likely to be conducted in 2006. Other evidence from the Global Competition Review (an external source) suggests that the UK's competition enforcement ranks second in the world, with both competition authorities, the Office of Fair Trading (OFT) and the Competition Commission, in the top five.

Consumer: The latest OFT survey of consumer awareness, carried out by Synovate found that 59% of consumers say they feel fairly or very well informed about their rights and 78% of consumers say they feel fairly or very confident in using their rights. These results were very similar to those in 2003 and 2004. The latest customer satisfaction survey demonstrated that Consumer Direct is helping people to gain redress. For those who were able to put a value on how much resolving their problem had been worth, for example, through replacement, repair or refund, the most frequent response was between £150 and £200. An evaluation plan to look at Consumer Direct's impact and assess its value for money is being implemented shortly.

A DTI led OECD level research programme is now examining specific aspects of consumer regimes in participating countries under the headings of Legislative Framework, Enforcement and Consumer Empowerment, with the aim of identifying the common features of effective regimes under each heading. The first phase considered an aspect affecting consumer empowerment, namely how best to run consumer campaigns to prevent consumers falling victim to scams. The second project will consider enforcement, in particular what makes an effective penalty regime for breaches of consumer protection. As research progresses, understanding of what makes an effective consumer regime will improve.

Factors Affecting Performance

Competition: The Government responded to the OFT market study of care homes for older people¹⁹ on 18 May 2005, and is drafting a response to the study of the property search market²⁰, published on 21 September 2005. Details of Competition Commission investigations are available on their website.²¹ A review of the merger fees regime has been completed²², and the Government will publish its response to the public consultation shortly.

¹⁹ <http://www2.dti.gov.uk/ccp/topics2/marketreport.htm>

²⁰ <http://www.of.gov.uk/News/Press+releases/2005/174-05.htm>

²¹ <http://www.competition-commission.org.uk/>

²² <http://www2.dti.gov.uk/ccp/topics2/mergers.htm>

A programme of evaluation is underway covering a review of the regular management information and work to assess wider impacts. The latter included a recent independent study, jointly commissioned by DTI, OFT and the Competition Commission, to assess the quality of past merger decisions.

Research was commissioned and published on how best to implement competition or market-based approaches to achieve other public policy objectives. The study is supporting the work of the cross-Whitehall Competition Forum in improving dialogue between competition authorities and Government Departments.

Consumers: Legislation to modernise the framework of consumer credit law is now going through Parliament and is on course to receive Royal Assent in the early part of 2006.

A consumer strategy 'A Fair Deal for All'²³ was published on 21 June 2005. It sets out proposals for a consumer regime that empowers and protects consumers and was published following extensive stakeholder engagement. Implementation of the Strategy's proposals is now being taken forward, including:

- Improving consumer protection by encouraging Trading Standards Departments to join up across regions. Trading Standards will be piloting regional scam-buster teams to tackle scams with £1.5million funding support.
- Making it easier for consumers to resolve problems by promoting Alternative Dispute Resolution to avoid resorting to the courts system and making provisions to return money from overseas scams to UK victims.
- Making it easier for consumers to understand the law by considering the potential for simplification of UK consumer law during transposition of the Unfair Commercial Practices (UCP) Directive. Once the Directive is in force, we will resist attempts to introduce unnecessary legislation where the Directive provides appropriate protection.

The UCP Directive will establish a comprehensive principles-based framework dealing with unfair trading by introducing a general prohibition on traders not to treat consumers unfairly. It will also harmonise unfair trading laws in all EU Member States. With over thirty laws affected, implementation of the Directive offers potential for simplifying the UK's existing consumer framework, though this will need to be examined thoroughly through full consultation. The Directive is due to be transposed by June 2007, with the Department aiming to consult on implementation proposals towards the end of 2005.

A consultation on the structure and roles of the Consumer & Trading Standards Agency (CTSA) was published on 5 July 2005. The Consultation ended on 12 October and detailed plans will be drawn up with a view to introducing a Bill in the 2006-07 Parliamentary Session. The CTSA will be a strong proactive body focused on the needs of business and consumers, providing a more coherent enforcement network, while giving the Trading Standards Service strategic leadership. The CTSA will also have a performance management and prioritisation role for the Service.

²³ http://www.dti.gov.uk/ccp/topics1/consumer_strategy.htm

Quality of data systems used

Competition: The 2004 peer review of competition policy, carried out on behalf of the DTI by KPMG, asked 215 experts from different countries to rank the effectiveness of the UK competition regime with its peers. The survey ensures it only captures competition experts through a question early on in the survey; however respondents were not split evenly between countries, with a higher proportion of respondents from the USA and the UK. There were about 35 follow-up face-to-face interviews to capture more qualitative information about the performance of the competition regime. In addition, the Global Competition Review is an independent survey, into which DTI has no input where enforcement agencies' activities in 2004 are rated through a mixture of "editorial opinion" and a survey of 500 "users" (in other words those who have had cause to liaise with a competition authority). This represents a useful secondary source of information but DTI's peer review remains the primary source.

Consumer: The Consumer Direct survey was carried out by IPSOS Public Affairs in July/August 2005, with a sample size of 2000 people who had previously called one of the eight Consumer Direct contact centres in June 2005.

The OFT consumer awareness survey²⁴ was carried out by Synovate in early 2005. Results are based on face-to-face interviews with 2048 people and are comparable to previous surveys carried out in 2003 and 2004. The DTI does not fund or input into the design of the survey.

There is currently no established methodology to compare accurately the UK consumer regime's performance to that of other countries. The DTI is leading the OECD research programme as described above to establish best practice in consumer policy and work towards international consensus on what makes an effective regime.

²⁴ <http://www.offt.gov.uk/News/default.htm>

SR04 PSA 4 - Lead work to deliver the goals of energy policy:

- To 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 the Environment Food and Rural Affairs (DEFRA) and Department for Transport (DFT).
- Maintain the reliability of energy supplies.
- Eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy objective. Joint with the Department for the Environment Food and Rural Affairs
- Ensure the UK remains in the top three most competitive energy markets in the EU and G7.

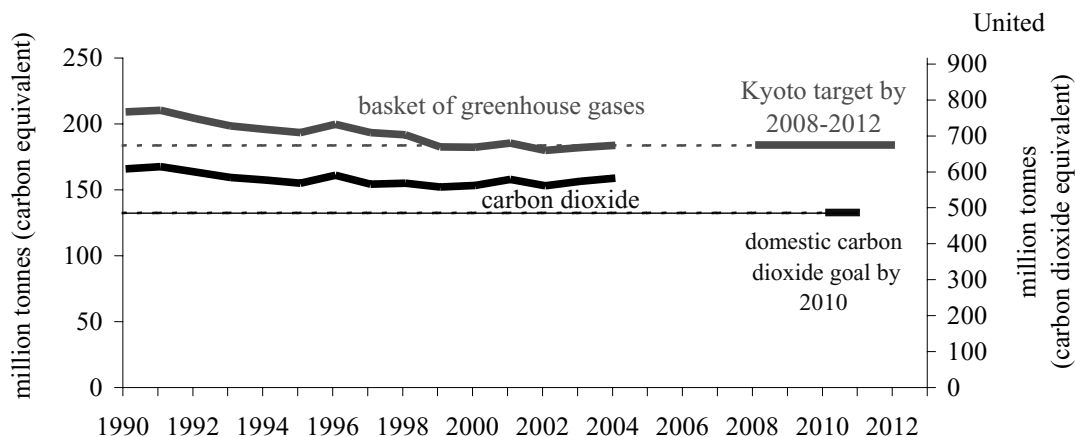
Assessment of Progress: ON COURSE

Overall the Department remains on course to deliver on the reliability of energy supplies and the competitive energy markets elements of the PSA. However there is slippage against the carbon dioxide emissions target, and recent price increases will make reaching the fuel poverty target more challenging.

Greenhouse gas emissions/carbon dioxide emissions.

Current Position

The UK remains on course to achieve its Kyoto target to reduce greenhouse gas emissions by 12.5% below base year (1990) levels by 2008-12. Latest provisional estimates show that UK greenhouse gas emissions in 2004 are estimated to have fallen to about 12.5% below 1990 levels. Current projections show that they should fall to about 20% below by 2010.



Note: Estimates for 2004 are provisional

Source: netcen

In addition to its Kyoto commitment, the UK also has a domestic goal of reducing its carbon dioxide emissions by 20% below 1990 base levels by 2010. More action will be needed in order to meet this target, and the longer-term goal of putting ourselves on the path to reduce carbon dioxide emissions by some 60% by about 2050, with real progress by 2020.

Provisional estimates show that carbon dioxide emissions increased by around 1.5% between 2003 and 2004, mainly due to estimated increases in industrial and transport sector emissions. On the basis of current projections, and the policies in the present Climate Change Programme, it is now estimated that carbon dioxide emissions will be about 14% lower than in 1990 by 2010.

2004 was a year of strong growth for renewable energy, with all renewable sources providing 3.6% of the electricity generated in the UK in that year. We are currently on course for further substantial growth, particularly in wind power. Total electricity generation from renewables in 2004 amounted to 14,171 Gwh, an increase of 33.2% on 2003. There was a 9% increase in installed generating capacity of renewable sources in 2003, mainly as a result of a 19% increase in onshore wind capacity and a doubling of offshore wind capacity.

Information on climate change, and associated projections, will need to be substantially amended following the DEFRA publication of the Climate Change Programme Review later this year.

Factors affecting performance

Overall projections for carbon dioxide emissions have increased. Economic growth is a contributory factor, but changed expectations of fossil fuel prices going forward are also contributing. Expectations of oil price have risen and gas prices have increased as a result. This has meant that coal has therefore become more competitive and this is producing increased coal use in the generation mix. While some reduction in energy demand in response to higher prices is allowed for in projections, this is more than offset by the increased incentive to burn coal. The oil price is also encouraging installations to keep running in the North Sea, or get up and running earlier – with associated emissions from offshore use of gas.

While it is recognised that more needs to be done in order to meet the national carbon dioxide emission goals, the current review of the Climate Change Programme gives the opportunity to examine a wide range of policies that might be put in place for the future, to put the UK back on track towards the 2010 and longer term carbon dioxide goals. The revised programme is due for publication around the turn of the year. Key contributions to the revised programme will be:

- Initial plans for Phase 2 of the EU Emissions Trading Scheme (EU ETS).
- The results of the Energy Efficiency Innovation Review.
- The recently announced Renewable Transport Fuel Obligation.

Quality of data systems used

The National Environmental Technology Centre (NETCEN)²⁵ publishes an annual inventory on behalf of DEFRA of the UK's historic greenhouse gas emissions, usually within fifteen months of the end of the calendar year in question. Data are available on an annual basis back to 1990 and are subject to the requirements of national statistics. Analysis by NETCEN indicates uncertainties in carbon dioxide emissions estimates are +/- 2%, and for the 'basket' of six greenhouse gases they are about +/- 15%.

²⁵ <http://www.netcen.co.uk/index.htm>

Provisional data on carbon dioxide emissions are estimated from energy data and published annually by DTI in Energy Trends in the March following the end of the calendar year in question.

The level of projected emissions is dependent on the assumption of future economic growth. The modelling assumption for economic growth is compatible with HM Treasury current announced growth forecasts given in the last Pre-Budget Review (PBR) and Budget Statement.

Data on renewable sources are available annually in the Digest of UK Energy Statistics.

Reliability of Energy supplies, Fuel Poverty and Energy Market competitiveness

Current Position

Security of Supply: The overall position on energy supplies was covered in the first Annual Report to Parliament (Section 172 Security of Supply report was published July 2005)²⁶. This covers in detail the short and medium term outlook for the UK supply-demand balance, drawing on National Grid's preliminary outlook for next winter published by Ofgem for consultation. Ofgem published a revised version of that document, taking into account comments received, on 5 October. This indicated that if the forthcoming winter is much colder than average there will be a need for a significant level of response from the demand side of the gas market. DTI and Ofgem have been working with major users to try to encourage this response if necessary.

Since mid-November, spot prices for gas have been particularly volatile, and there have been very high increases, brought about at least in part by nervousness about the tight winter supply of gas, and exacerbated by a sudden drop in temperatures and exaggerated media reaction. This has had a major impact on some energy intensive users, particularly those who buy gas on the spot market (for example the chemicals and steel industry). However, the vast majority of industry is unaffected by this recent spike: they have contracted to buy their gas at fixed prices which, despite increases over the past year, are still lower than average in Europe.

While the winter outlook clearly indicates that there will not be a problem of supply for domestic consumers of gas, the DTI is working closely with Ofgem, National Grid, suppliers and industrial users to ensure that supply problems do not arise later in the winter if the weather is unusually cold. Looking to the medium term the Government and Ofgem continually monitor developments in the gas and electricity market through the Joint Energy Security of Supply Group (JESS). The group also looks for ways of helping the market to work effectively to secure energy supplies and provides information to market participants to help them plan investment decisions. A new National Grid website published in November provides daily updates on supply and demand levels which will help the energy industry plan and manage supply. It will also help energy buyers better understand how the market is operating.

Fuel Poverty: Progress against the Government's fuel poverty targets is published in an annual report (the UK Fuel Poverty Strategy third Annual Progress report²⁷,

²⁶ http://www.dti.gov.uk/energy/publications/policy/sec_supply_first_report.pdf

²⁷ http://www.dti.gov.uk/energy/consumers/fuel_poverty/strategy_third_progress_report.pdf

published July 2005). The number of households in fuel poverty in the UK as a whole has fallen by around 4.5million since 1996, to a level of around 2million in 2003. In England, the number of vulnerable households in fuel poverty has fallen from around 5million in 1996 to 1million in 2003. (Note: 1996 figures are based on revised methodology, see below). However between 2003-06 the number of households in fuel poverty will have increased as a result of higher prices. This will make reaching the 2010 fuel poverty target more challenging.

Competitiveness: Despite rising domestic energy prices, and the international impacts of the increase in underlying fossil fuel prices, energy markets in the UK remain amongst the most competitive in the EU on both industrial and domestic electricity and gas prices. The latest report²⁸ confirms the number one ranking for 2003, and indicates preliminary ranking in both gas and electricity markets at top position. Preliminary data²⁹ for 2004 confirms the position as being maintained.

The report suggests the UK is on course to remain within the top three most competitive markets in each year up to 2008. This has been due to early liberalisation of gas and electricity markets in the UK, and other countries' scores will improve as they implement EU market liberalisation directives.

Energy Prices: With the exception of 2002 and 2003, electricity prices for both domestic and industrial customers in 2004 were at their lowest level in real terms since 1970. In 2004:

- UK industrial gas prices were the second lowest in the EU and lowest in the G7;
- Domestic gas prices were the third lowest in the EU and third lowest in the G7;
- Industrial electricity prices were the sixth lowest in the EU and second lowest in the G7;
- Domestic electricity prices were fourth lowest in the EU and lowest in the G7.

Domestic energy prices have been rising mainly as a result of increasing wholesale gas and electricity prices and higher international coal prices. Policy measures aimed at addressing climate change – principally EU ETS – have also had some impact on prices. As noted above (under Security of Supply), particularly large increase in gas spot prices have occurred in early winter 2005 and though this has yet to impact on domestic or small industrial users, the situation is being closely monitored.

Factors Affecting Performance

Security of Supply: The National Grid Transco (NGT) winter outlook report is clear that only under an extreme weather scenario would the possibility of severe gas shortages for non-domestic users arise. Ministers are liaising with both Ofgem and NGT to ensure all possible measures are taken to anticipate potential problems with supply under such a scenario.

In the longer term, as a result of declining UK Continental Shelf (UKCS) production, the UK will move to a large and growing import requirement by the end of the decade. Existing and planned import projects, were they all to proceed, would meet the annual

²⁸ http://www.dti.gov.uk/energy/inform/energy_prices/index.shtml

²⁹ http://www.dti.gov.uk/energy/gas_and_electricity/competitiveness_structure/index.shtml

shortfall in supplies from the UKCS well into the next decade and would be likely to come from a range of sources and variety of routes. There are also commercial proposals for a number of new gas storage facilities, which would substantially increase the UK's storage capacity by 2009, providing additional flexibility in order to meet winter peak demand for gas. Security of supply over the longer term will be one of the key issues to be looked at in the recently announced Energy Review

Fuel Poverty: While good progress has been made, recent energy price increases threaten the ability to meet the government targets on fuel poverty. Departments are working with suppliers and voluntary organisations to look at ways that vulnerable consumers can best take advantage of the current assistance available, resulting in a Helpline being established by the supply industry dedicated to assisting those customers in accessing the full range of services available. The Fuel Poverty Advisory Group in England published its third annual report this year, highlighting the need for consideration to be given to the resources needed to tackle fuel poverty, and the importance of all Government Departments continuing to work together on the issue.

Competitiveness/Prices: There are a number of factors contributing to current energy prices, including the high oil price and tighter gas markets as we move towards becoming a net importer. UK gas supplies are likely to be tight over the next two winters. Gas is a major component of the UK fuel mix in electricity generation so movements in gas price are the largest factor behind electricity price increase. However there are major gas import projects coming on-line over the next three years, which should help to mitigate the tightness in supply.

The government strategy for gas markets aims to help all gas consumers by working towards full energy market liberalisation in the EU, and improving the workings of the market. As the energy market in Europe moves toward full liberalisation there will be further increases in competitive pressure in the UK and Europe.

The outlook for future oil prices remains uncertain, and the Government continues to encourage producers and consumers to work together to improve market understanding and transparency.

Quality of data systems used

JESS reports, published twice a year, contain data on gas and electricity supply margins. Consideration is currently being given to how JESS reporting in future could best supplement the new Section 172 report to Parliament on Security of Supply, and the DTI commitment to report to the European Commission under its Gas and Electricity Security of Supply Directives. Fuel poverty data are provided by the English House Condition Survey conducted on a continuous rolling basis. The 2003 figures for fuel poverty in England have been provided using an updated methodology from that previously used in progress reports following consultation and peer review³⁰.

Data on competitiveness are measured using a methodology developed with an external contractor, OXERA³¹, and peer reviewed by energy market experts.

³⁰ http://www.dti.gov.uk/energy/consumers/fuel_poverty/index.shtml

³¹ <http://www.oxera.com/main.aspx>

Related Target **SR02 PSA 4** – Ensure the UK ranks in the top 3 most competitive energy markets in the EU and G7 in each year, whilst on course to maintain energy security, to achieve fuel poverty objectives; and (joint with DEFRA) improve the environment and the sustainable use of natural resources, including through the use of energy saving technologies, to help reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in carbon dioxide emissions by 2010.

Assessment of Progress: ON COURSE

Only the Sustainable use of natural resources element of this PSA is being reported on here. The rest of the PSA was rolled over into PSA 4 in SR04 and is reported on above.

Current Position

The latest new survey shows a slight fall in the total amount of waste from business, from 75million tonnes for 1998-99 to 73million tonnes for England and Wales in 2002-03. Of that total, 29.2million tonnes of waste were land filled in 2002-03, some 84% of the total to landfill of 35.6million tonnes in 1998-99.

For the first time, recovery (recycling, reuse and land recovery) has overtaken landfill as the most common method of waste management for industrial and commercial waste, with 24million tonnes being recycled, 7.5million tonnes being re-used and over 5million tonnes being incinerated or treated.

Factors affecting performance

The Waste Strategy Review 2005, led by DEFRA, gives an opportunity to reassess assumptions that have been made about costs, growth in waste and potentially achievable recovery and recycling rates. This can be based on new data, advancements in technology and a better understanding of the environmental, economic and social impacts of dealing with waste. The Government aims to publish a renewed strategy in the first half of 2006, setting out the Government's vision and strategic direction on waste for the next fifteen years, as well as the policies and actions to deliver the strategy.

Quality of data systems used

Comprehensive information on Commercial and Industrial wastes is limited. Figures have been taken from the Environment Agency's Commercial and Industrial Waste survey 2002-03. Separate, but linked, surveys of commercial and industrial waste in England and in Wales were undertaken to obtain information on the types and quantities of waste produced in 2002-03. Further information is available on the Environment Agency website³².

³² <http://www.environment-agency.gov.uk/subjects/waste>

SR04 PSA 5 - 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)

Assessment of Progress: SLIPPAGE

Current position

NB: This PSA target is an evolution of a Spending Review 2002 (SR02) PSA target³³ that proved unachievable after the failure of the Fifth World Trade Organisation (WTO) Ministerial meeting in Cancun in 2003. This report covers both targets.

Progress is assessed qualitatively. The assessment that there is slippage is based on the cumulative impact of the factors identified below.

The UK has no direct control over delivery of this target. We rely on our credibility with and influence in the EU (the Commission and other Member States) and with key WTO members. Jointly with DFID and other interested Departments, we work through Ministers and officials to build effective relationships with opposite numbers in the EU and internationally, as well as consulting with business and non-Government Organisations (NGOs). In 2005 we have concentrated on the opportunities provided by our EU and G8 Presidencies – focussing on the policies set out in our 2004 White Paper on Trade and Investment, particularly the role of trade in development, and on the recommendations of the Commission for Africa.

The main lever for meeting the target is the Doha Development round of WTO negotiations. Progress is being made towards the Hong Kong Ministerial in December, although the July target for agreeing ‘approximations’ on the shape of the Hong Kong outcome was missed and the negotiations are challenging. We are concentrating our efforts on:

- Encouraging Commission and Member States to be flexible in negotiations and achieve the most ambitious deal possible – particularly through ensuring that Hong Kong makes sufficient progress that a deal can be concluded in 2006;
- Helping to keep leading developing countries engaged;
- Maintaining coherence between policy in the WTO negotiations and in other trade negotiations to ensure that trade negotiations remain development friendly;
- Ensuring that effective mechanisms are in place so that developing countries can agree to, and will benefit from, a WTO agreement.

Efforts have been continuing to build support for the Aid for Trade initiative – the concept that developed countries should assist developing countries to adjust to new conditions and help them capture the potential gains from trade. DFID has been instrumental in this and there is now a substantial body of support.

Although significant, commitment to the Doha Development Agenda (DDA) is not the only element in the trade policy mix to achieve delivery of the target. Other levers include a range of European bilateral and regional measures where the UK is working

³³ Secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for the UK and developing countries.

to deliver increased market access and reduce trade barriers. Progress in these areas has been mixed.

We are continuing to work towards WTO accession for current applicant countries. During the Presidency, we have been working closely and successfully with the Commission on more advanced WTO accessions, such as Saudi Arabia, to narrow differences within the EU and have been urging applicant countries to take the necessary steps in order for them to meet WTO commitments and obligations that would make accession possible.

Agreement was reached in July/August to a new Generalised Scheme of Preferences (GSP) for 2006-15 intended to improve the preferential market access for developing country exports to the EU. On balance, the agreement was a good outcome that embeds more firmly the principle of sustainable development.

We have also seen increased EU engagement on Economic Partnership Agreements (EPAs) between the EU and developing countries. EPAs are being negotiated between the EU and the African, Caribbean and Pacific states (ACP) to replace the existing preferences, which operate under a WTO waiver that expires at the end of 2007. Jointly, DTI and DFID produced a UK position paper on EPAs in March. This took a strong public position on the development principles that should form the framework for negotiations – in particular, that we should not force trade liberalisation on developing countries either through trade negotiations or aid conditionality. An influencing strategy has now been agreed, focussing on promoting the principles by facilitating more and better dialogue between developing countries, the European Commission and Member States.

EU reforms to sugar and bananas regimes will erode the traditional preferences enjoyed by ACP countries and progress is slow on achieving adequate transitional assistance for those affected. In addition, there has been bilateral EU/China agreement to moderate political pressure for widespread restrictions against EU imports of Chinese textiles and clothing products as a result of the end of the Multi-Fibre Agreement. This raises questions about the EU's willingness to liberalise its own markets in sensitive product areas.

Factors affecting performance

Delivery of this target depends on the actions of the EU – the EU has competence on all European trade issues – and others, especially the WTO. The UK contribution depends on our ability to influence these organisations. The WTO negotiations on the DDA have the potential to make the greatest contribution to achieving the target, although there are other non DDA issues that contribute.

We actively engage with all parties interested in world trade issues. In particular, our Trade Policy Consultative Forum, chaired by the Minister for Trade, Investment and Foreign Affairs, meets regularly and brings together NGOs such as development charities, business associations, trade unions and consumer groups to discuss world trade issues.

We are stepping up the drive towards a successful outcome at the WTO Ministerial meeting in Hong Kong in December, but disappointing progress over the summer at a

mini-Ministerial meeting in China has left us contemplating the real possibility that the outcome is unlikely to fulfil our ambitions. We have continued to work to engage key WTO members and keep up the pressure for an ambitious, pro-development outcome, which was a fundamental component of our approach on trade as part of the G8 Presidency. Working with the Foreign and Commonwealth Office (FCO), DFID and others we emphasised the urgent need for a high level political push and a real commitment to Hong Kong if we were to secure agreement on the DDA. The G8 confirmed the DDA as their highest common priority in trade policy, pledged to increase momentum on the Round and committed to concluding the Round in 2006. Efforts are continuing, both at official and political level, to build on this commitment.

The G8 also committed to helping developing countries to build the capacity to trade. DFID has been leading efforts to build support and momentum for the concept and to identify delivery mechanisms and secure financial commitments.

During the reporting period we have continued with regular meetings of the Inter-Departmental group that was set up by DTI to improve planning and operations on the DDA. This includes regular review of risks and contingencies. We have also established a high level strategy group comprising representatives from across Whitehall and UKREP, which covers DDA and non DDA trade issues. Through both fora, we have worked to agree our objectives, develop our influencing strategy and ensure targeted and consistent effort.

As part of the EU Presidency we held an informal meeting of the EU trade committee that advises the European Commission on its trade negotiations. We discussed the consequences for trade policy of the changing global economic landscape and the links between trade policy and EU competitiveness. This was well received and regarded as the first step in a longer term debate. This opportunity to take a wider view was particularly welcome after the considerable tension Europe has experienced as the Multi-Fibre Agreement has come to an end.

DTI and DFID also hosted an event for trade and development Directors General from the 25 EU members to explore ideas to ensure that the final DDA outcome is pro-development and unlock progress towards Hong Kong. This event will also promote Aid for Trade and progress on EPAs. This was the first time this has been done. It was well received and we will seek to build on this.

Quality of data systems used

This performance assessment has been made by the DTI and is based on a qualitative assessment of progress. Performance is regularly reviewed and discussed with other Government Departments including HM Treasury, and this assessment has been agreed with them.

Quantitative assessment of changes in tariff and changes in the level of EU imports from least developed countries have not been made at this stage as they would not provide any useful guide to performance because of the time lag between policies being agreed and them taking effect.

SR04 PSA 6 - 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.

Assessment of Progress: ON COURSE

The overall assessment of progress is based on SR02 PSA 6, which was carried forward into SR04. It is too early to make an assessment of progress in the SR04 period.

SR04 PSA 6(i): An increase in the number of people considering going into business.

Current position

In 2003, 11.3% of adults in England were considering going into business. This is not a statistically significant change on 2001 (11.6%). The target level is 14% by 2005, so there is slippage against this target.

The target level for SR04 PSA 6 is for a statistically significant increase in the proportion considering going into business, which will be approximately 1%, depending upon survey sample sizes.

Factors affecting performance

The Global Entrepreneurship Monitor (GEM) found that between 2001 and 2002, there was a 30% reduction in total entrepreneurial activity (TEA³⁴) across the world, arguably the effect of the World Trade Centre disaster and subsequent global recession. The drop affected the UK's business confidence, with the TEA index falling from 7.7 in 2001 to 5.4 in 2002.

The UK has since recovered well, and the UK TEA index increased to 6.4 in 2003 and 6.3 in 2004 and is now the third highest in the G8, whilst in 2001 it was fifth. However, this is still below the 2001 level, mirroring the overall fall in business confidence and activity between 2001 and 2003.

Government has developed a range of interventions to increase interest in entrepreneurship, particularly amongst young people. These include the provision of enterprise education for all 14-16 year olds, the organisation of annual "enterprise weeks", and steps to interest students in enterprise as a career option. These are expected to help progress towards the SR04 target.

Quality of data systems used

The data for this PSA measure comes from the Small Business Service (SBS) Household Survey of Entrepreneurship, managed by the SBS Analytical Unit. For each survey at least 6000 adults in England are interviewed via the telephone by an external

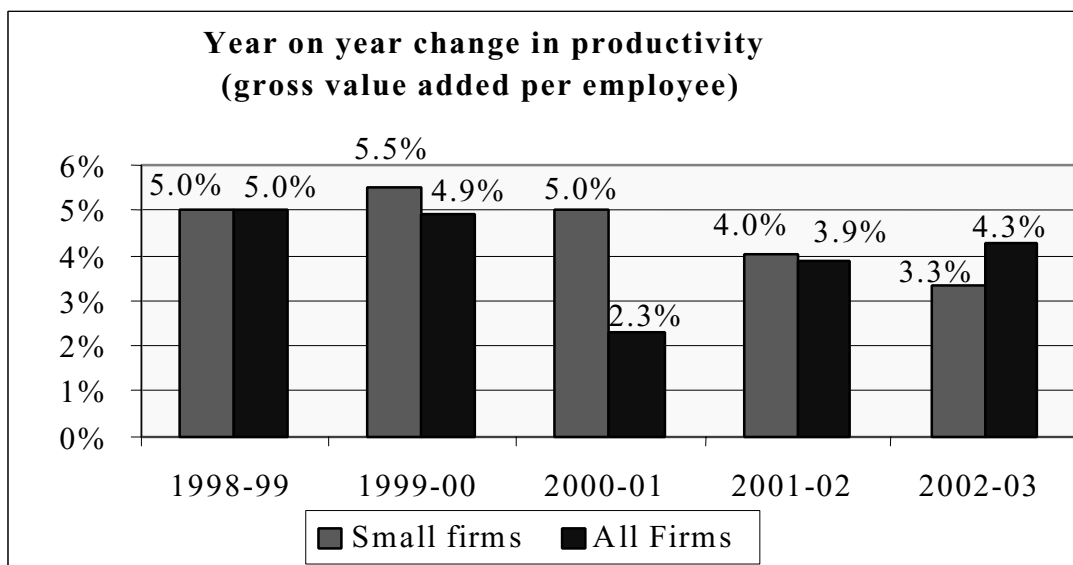
³⁴ TEA measures the proportion of the adult population involved (i) in nascent (start-up) businesses and (ii) in new businesses which have been operating for up to 42 months.

research organisation. It is not a National Statistics product but results are weighted to reflect the adult population in England, using Census of Population 2001 data.

SR04 PSA 6 (ii): An improvement in the overall productivity of small firms.

Current position

For each of the three years 1999-2002, the productivity of small firms³⁵ grew more than the productivity of all firms. For 2002-03, although the productivity of small firms grew again (by 3.3%), it did not grow as much as productivity in all firms (4.3%). However, overall, for the period 1998-2003, the productivity of small firms grew more than it did for all firms, so this measure is on course. Further data will be available in summer 2006



Factors Affecting Performance

The stronger improvement in all firms’ productivity in 2002-03 relative to small firms was driven largely by performances in the business services sector, where large firm productivity growth was particularly high, at 14%, compared with 3% for small firms.

Quality of Data Systems Used

Productivity is measured using data from the ONS Annual Business Inquiry (ABI)³⁶. This is a National Statistics product. The ABI is a large-scale annual 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 every year, with smaller businesses surveyed less frequently to reduce administrative burden on small firms. 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 ABI

³⁵ Here, “small firms” means registered enterprises with 0 to 249 employees.

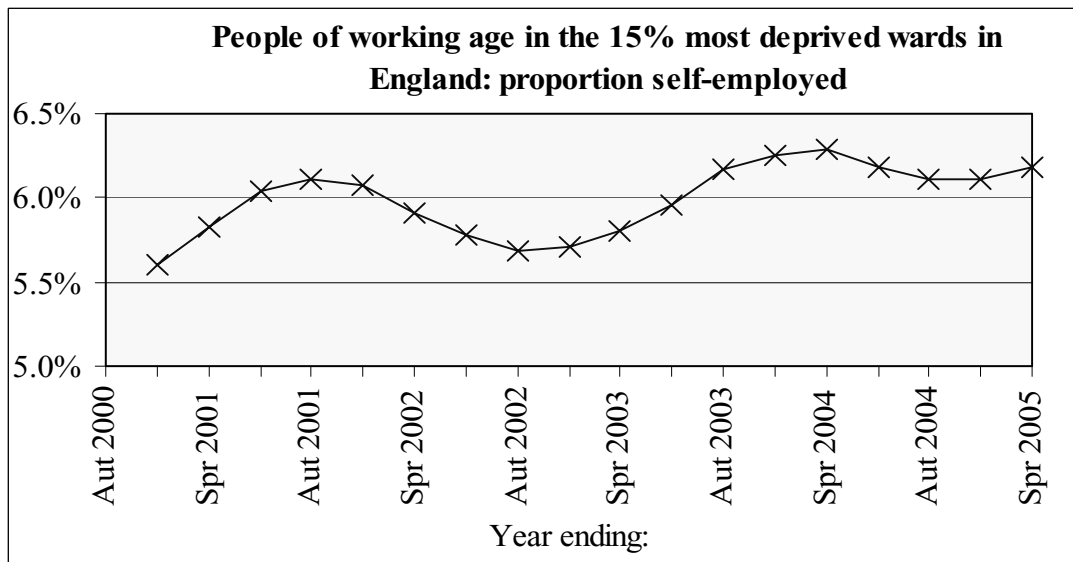
³⁶ <http://www.statistics.gov.uk/abi>

variables such as GVA and employees, and indeed the sample is specifically designed to achieve this.³⁷

SR04 PSA 6 (iii): More enterprise in disadvantaged communities:

Current position

Data for the whole of 2005 are not yet available and it is therefore not possible to assess progress in the PSA period. However, data up to spring 2005 are encouraging. In the year ending spring 2005, of all the people of working age living in the 15% most deprived wards in England, 6.2% were self-employed. This was higher than the average position over the previous four years, although the increase is close to the sampling error for the data, and the measure is not quite as high as the peak of 6.3% for the year ending spring 2004.



Factors affecting performance

The reason for improvements in self employment rates in disadvantaged areas are not clear, although a number of recent initiatives at the national level aimed at stimulating enterprise in disadvantaged communities, such as the Phoenix Development Fund, Enterprise Areas and City Growth Strategies, may have played a role. There has also been an increased recognition of the potential role of enterprise in area-based regeneration by a range of bodies at the regional and local level. It should be noted however, that the rise in self-employment in disadvantaged communities has also been accompanied by a rise in self-employment in the other 85% of wards from 8.7% (year ending spring 2001) to 9.4% (year ending spring 2001). This suggests that one of the main reasons for the improvement is an increasing interest in self-employment across the country as a whole.

³⁷ The financial inquiry covers around two thirds of the UK economy. The coverage of the employment inquiry is wider. Therefore the productivity measure, which combines data from the two inquiries, excludes some sectors such as financial intermediation, health and education, where a GVA per employee measure is not available. Around a quarter of the businesses covered by the measure are in the primary, production and construction sectors, and the remaining three-quarters are in services (based on 2002 data). Since exactly the same sectors are excluded from the measure for both small and large businesses, the conclusions about relative changes in productivity over time are unaffected.

Quality of data systems used

The Office for National Statistics Labour Force Survey (LFS) is a sample of over 120,000 people in each three-month period, and is a National Statistics product. The sample sizes are not large enough to provide data for individual wards, but they are large enough to provide data for all the most deprived wards in England. The deprived wards are identified using the indices of deprivation from 2000, produced by the then Department for the Environment, Transport and the Regions (DETR) and now held by the Office of the Deputy Prime Minister (ODPM). The website³⁸ describes how these were created for every ward in England and how DETR consulted users over their suitability.

ODPM have since published the 2004 indices of deprivation, but these give a deprivation measure for each Super Output Area (SOA), rather than for each ward, and the LFS data does not contain SOAs for before 2005. If SOAs are added to LFS data, then consideration will be given to re-defining disadvantaged areas with the 2004 indices. LFS data for winter 2003, summer 2004 and winter 2004 does not currently contain the required wards either, so data for these quarters have been estimated using adjacent quarters. If these data become available, they will be used, and the above graph data for years ending winter 2003 onwards will be revised.

Related Target: **SR02 PSA 6 (iii)** – More enterprise in disadvantaged communities.

Assessment of Progress: ON COURSE

Current Position

In 2004, there were 28 VAT registrations per 10,000 resident adults in the 20% most deprived areas in England, compared to 42 VAT registrations per 10,000 resident adults in the 20% least deprived areas. This is a gap of 35%.

In every year since 2000, with the exception of between 2001-02, the gap in VAT registration rates has narrowed between the most and least deprived areas. Overall, there has been a 5.2% narrowing of the gap, which is more than the 4% target set for this stage, since the target is for a 1% narrowing of the gap per year.

VAT registration rates (registrations per 10,000 resident adults) in the most and least deprived areas in England, 2000-04.					
Year	Rate - most deprived	Rate - least deprived	Gap in rates (%)	Annual change in gap (%)	Cumulative change in gap (%)
2000	25	42	40		
2001	25	40	36	-3.8	-3.8
2002	26	43	38	2.2	-1.7
2003	29	45	37	-1.3	-3.0
2004	28	42	35	-2.2	-5.2

³⁸ www.odpm.gov.uk/indices

Factors affecting performance

The widening of the gap between 2001-02 occurred even though there was more enterprise in deprived areas, since VAT registration rates increased more in the least deprived areas. Over the period 2000-04, VAT registration rates in the most deprived areas have increased from 25 to 28 VAT registrations per 10,000 resident adults whilst rates in the least deprived areas have fluctuated but have returned to the original starting position of 42 per 10,000 adults.

Because businesses are not compelled to register for VAT until their turnover reaches the VAT threshold (which rose to £60,000 on 1 April 2005), 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 uses a different measure (SR04 PSA 6 (iii) above) for enterprise in disadvantaged communities.

Quality of data systems used

Three data sources are used to produce this measure:

- VAT registrations. Estimates produced from the ONS Inter-Departmental Business Register (IDBR)³⁹, a National Statistics product;
- Adult population, all people aged sixteen and over. Estimates produced by the ONS (mid-1998 estimates), a National Statistics product;
- The ODPM Index of Multiple Deprivation 2004, described in SR04 PSA 6 (iii) above.

The original target was set using the Index of Multiple Deprivation 2000. This Index is based upon 1998 wards, which are no longer held on the IDBR. The target now uses the Index of Multiple Deprivation 2004. This Index is based upon SOAs, which are held on the IDBR.

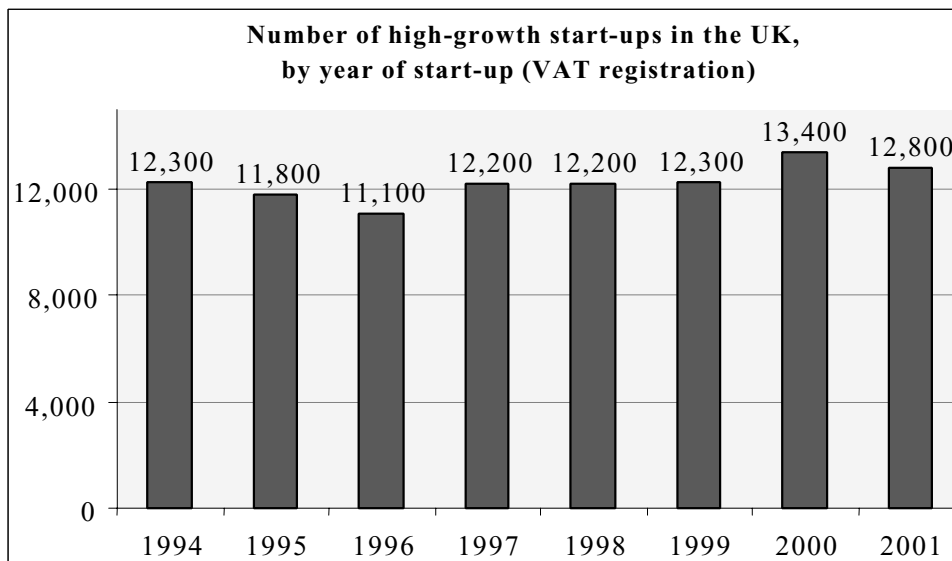
³⁹ <http://www.statistics.gov.uk/idbr>

Related Target: **CSR98 PSA 4** – To secure an increase in the number of high growth business start-ups.

Assessment of Progress: ON COURSE

Current position

After a decline in the number of high-growth start-ups over the period 1994-96, the number of high-growth start-ups increased to a peak of 13,400 in 2000. Provisional data for 2001 shows 12,800 high-growth start-ups, slightly down on 2000. Final data for 2001 will be available in autumn 2006 when the final assessment will be made regarding progress between 1994-2001 registrations.



Factors affecting performance

Progress towards this target is assessed by estimating the number of VAT registered firms with a turnover of over £1million and/or ten or more employees four years after registering for VAT. Over the whole period, around 7% of all new VAT registrations became high-growth start-ups. Although the provisional 2001 is lower than the 2000 figure, 7.6% of all VAT registrations were high-growth compared to 7.5% in 2000. This proportion is the highest in the series, and a sign that slightly more registrations are growing faster.

The increase in high-growth start-ups over the period has been focussed in just one sector, business services, which accounted for 32% of high-growth start-ups in 2001, an increase from 22% of all high-growth start-ups in 1994. Decreasing levels of high-growth start-ups have been seen in manufacturing and wholesale, retail and repairs. These two sectors collectively accounted for 38% of high-growth start-ups in 1994 and 29% in 2001. Other sectors have seen little change since 1994.

SR04 PSA 7 - 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 ODPM.

Assessment of Progress: ON COURSE

Current position

A full assessment of trends in regional economic activity and disparities cannot be fully determined until the current economic cycle is complete. However, the evidence so far is encouraging:

- In 2003 (the last year we have GVA data) the six under performing regions had nominal GVA growth rates between 5.3% and 5.5%;
- All regions of the UK grew in 2003 (between 2.4% and 5.5%).

The next GVA data are due around December 2005 to January 2006.

More information on the targets and baselines used to measure performance of this PSA are available in the technical note⁴⁰.

Factors affecting performance

The achievement of this PSA is subject to the performance of the UK economy as a whole, and the overall position is not necessarily a direct result of the measures which are being put in place. The reasons for the gaps in regional performance are long-term and structural, and action taken now to improve, for example, the environment for innovation and enterprise (both DTI areas of responsibility) will not necessarily have an impact on regional performance until some time in the future. Nevertheless, the Inter-Departmental PSA team is developing links with the other relevant DTI PSA activities (PSA 2 and PSA 6), as well as other Departments and the RDAs, and identifying joint programmes of work.

Quality of data systems used

There are 21 PSA indicators, coming from a variety of sources and drawing as far as possible from relevant indicators in other PSAs, which contribute to regional economic performance. The PSA Steering Group keeps this list of indicators under review, and supplements and amends it where necessary. The indicators are necessarily limited by problems with the coverage and timeliness of regional economic data. In the long-term, this should be mitigated by the measures identified in the Alsop⁴¹ review, although this will not be for some years.

⁴⁰ http://www.dti.gov.uk/pdfs/psa_7.pdf

⁴¹ http://www.hm-treasury.gov.uk/consultations_and_legislation/alltop_review/consult_alltopp

SR04 PSA 8 - 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 FCO.

Assessment of Progress: ON COURSE

It is important to note that responsibility for PSA target 8 lies with UK Trade & Investment. For more detailed information on this target and performance against the following indicators, please see UK Trade & Investment's Autumn Performance Report, to be published in line with this document.

Current position

Indicator (i) At least a 30% increase by 2007-08 in the proportion of UK Trade & Investment trade development resources focused on new-to-export firms (on course)

Focus continues on shifting resources to new-to-export firms. (Note that this increase is against a backdrop of declining trade-side expenditure, as resources are switched to inward investment. The net effect is that funding to new-to-export companies will remain broadly unchanged in real terms.)

Indicator (ii) At least 40% of new-to-export firms assisted by UK Trade & Investment improve their business performance within two years (on course)⁴²

2002 Annual Result	2003 Annual Result	2004 Annual Result	Qtrs 1 – 3 2005 (cumulative)
30%	35%	30%	36%

Indicator (iii) At least 50% of established exporters assisted by UK Trade & Investment improve their business performance within two years (on course)⁴³

2002 Annual Result	2003 Annual Result	2004 Annual Result	Qtrs 1 – 3 2005 (cumulative)
52%	43%	43%	48%

Indicator (iv) At least 70% of firms receiving assistance with major overseas projects reporting that our help was a significant factor (on course)

2002 Annual Result (January 2003 survey)	2003 Annual Result (January 2004 survey)	2004 Results (Survey carried out quarterly during 2004)	Qtrs 1 – 2 2005
58%	61%	Q1 36% Q2 80% Q3 76% Q4 68%	Q1 76% Q2 64%

⁴² For the SR04 period, reports will be for financial rather than calendar years. For Q1 and 2 financial year 2005-06, an initial assessment suggests that 40% of companies surveyed had improved performance, hence performance in the SR04 period is 'on course'.

⁴³ For the SR04 period, reports will be for financial rather than calendar years. For Q1 and 2 financial year 2005-06, an initial assessment suggests that 50% of companies surveyed had improved performance, hence performance in the SR04 period is 'on course'.

Factors affecting performance

The target for shifting trade development resources to new-to-export firms, indicator (i), is new for 2005. New-to-export companies are less likely to succeed than those with a degree of export experience. However, feedback from UK Trade & Investment's network of International Trade Advisers across the English Regions has revealed that new-to-export companies require six times the resources needed by established exporters.

The new exporter target, indicator (ii), was raised from 30% to 40% in SR04. As described above, a greater proportion of trade development resources are being directed at this group.

The issue of the balance of resources between trade and investment will be considered further in the light of the outcome of an economic study into the relative benefits of UK Trade & Investment's trade and investment activities, which was set up under the terms of its SR04 settlement.

There was again some slippage against indicator (iii) the established exporter target in 2004, 43% against the target of 50%, the same as for 2003. Over the past two years respondents to the quarterly monitoring surveys that provide data for this indicator have cited the decline of the dollar against sterling as impacting on the competitiveness of UK based firms attempting to do business in markets where they are competing against USA based firms. Prioritising the use of UK Trade & Investment's resources means shifting focus towards companies higher up the value chain. Here, business success may be less affected by currency movements.

The target related to overseas projects showed significant improvement in the last three quarters of 2004, delivering an aggregate 74% against a 70% target, and the latest available figures (to Q2 2005) show performance is currently on target.

Quality of data systems used

Data for indicators (ii), (iii) and (iv) are collected and monitored through performance measurement survey and analysis carried out by external consultants (the Reading Business Group, Reading University, for (ii) and (iii); Casson & Crispe Consulting for (iv)). The survey is based on telephone interviews with a sample of users of UK Trade & Investment's principal services. The questions contain crosschecks, including data about actual performance, to enable the consultant to identify inconsistent responses. There are also follow-up interviews to provide a further check on the accuracy of firms' initial responses.

Foreign Direct Investment

Current position

Indicator (v) Improve the UK's ranking within Europe in terms of the GDP-adjusted stock of EU foreign direct investment based on the United Nations Conference on Trade and Development (UNCTAD) World Investment Report (on course)

Indicator (vi) 374 (in 2005-06), 440 (in 2006-07) and 524 (in 2007-08) successful inward investment projects secured by UK Trade & Investment in each year of the spending review of which 75% are knowledge driven (on course)

Factors affecting performance

On indicator (v), The UNCTAD World Investment Report, September 2005, confirms the UK remains the number one inward investment destination in Europe. The UK's GDP-adjusted ranking has increased from a revised ranking of thirteenth in 2003 to eleventh in 2004.

Between 2003 and 2004 the total inward Foreign Direct Investment (FDI) stock in the world increased by 11.5%, whereas the UK inward FDI stock increased by 26.7%.

The increase in inward FDI stock for the EU was 11.6% similar to the increase for the world as a whole; for France, Germany and the Netherlands the percentages were 4.8%, minus 10.0% and minus 1.1% respectively; and for the USA the increase was 7.0%.

On indicator (vi) 230 successes, ahead of target, were reported in Q2 2005-06 by overseas posts, 74% of the successes were knowledge driven (71% in Q1 2005-06), against a target of 75%.

Inward Investment overseas teams are actively pursuing new knowledge driven projects with the aim of securing the overall target of 1338 successes by 2007-08.

Macroeconomic policy and the performance of the UK economy are critical to inward investment success.

Quality of data systems used

Data on indicator (v) are taken from the UNCTAD World Investment Report and online FDI database. Rankings exclude Belgium and Luxembourg because of recent issues with FDI data for these countries.

Data on Indicator (vi) are based on the electronic project tracking system, using definitions of success agreed by the Committee on Overseas Promotion (COP), a joint UK Trade & Investment Inward Investment and RDA committee. The DTI Internal Audit team and the National Audit Office validate results.

SR04 PSA 9 - By 2008, working with other Departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.

Assessment of Progress: NOT YET ASSESSED

This is a crosscutting target for which much of the delivery rests with other Government Departments. The role of the Department is to influence successful performance and to provide targeted interventions where risks are identified and assessed as remediable.

As work is just underway, a full assessment has yet to be made of progress towards achievement of the new indicators. Where indicators simply continue from SR02, assessments are available. For those indicators, outcomes are mixed and range from exceeded to slippage.

Current Position

There are nineteen measurable indicators for this PSA target (building on the original twelve under the Gender Equality PSA SR02). Some of the sub-indicators have been rolled over from SR02 with increased targets, but many are new targets reflecting the Minister for Women's priorities.

This target has 11 sub-targets, grouped under three headings. The tables below show the current position for each sub-target. A more detailed explanation of the baselines and targets for the indicators is available in the technical note⁴⁴.

Women's Economic Participation and Advancement

Target	Baseline	Latest out-turn	Assessment
1(i) Flexible Working – Employee awareness			
60%	52% (2003)	65% (April 2005)	Ahead
1 (ii) Flexible working – Employee provision			
54%	44% (2003-04)	68% 5–10 employees 76% >10 employees (2004)	Ahead
2 Employers provision of childcare			
16%	8% (2003 work life balance survey)	First data expected late 2006 early 2007	Not yet assessed
3 Equal pay reviews			
45%	18% (2003)	40% of large employers have either completed or are in the process of conducting an EPR (2004)	On course
4 (i) Under-represented sectors – Women in Science Engineering and Technology (SET)			
40%	23% (2003)	Latest out-turn: 26.5% (See note below)	Slippage

⁴⁴ http://www.dti.gov.uk/pdfs/psa_9.pdf

4 (ii) Under-represented sectors – Women who are newly self-employed			
Significant increase	32% (2003-04)	Initial data are being assessed - latest out-turn figure available early 2006	Not yet assessed.
4 (iii) Under-represented sectors – Women in Information, Technology, Electronics and Communications (ITEC)			
Reverse decline	23% (2002)	21% (See note below)	Slippage.
Modern apprenticeships – Increase boys and girls at NVQ levels 2 & 3 where underrepresented			
(i) Family care/personal development/ personal care			
Increase from Baseline	20,100 girls awarded an NVQ Level 2 and 5,400 level 3. Compared with 1,700 boys awarded an NVQ at any level in these subjects.	First data expected spring 2006	Not yet assessed
(ii) Health care/medicine/health and safety			
Increase from Baseline	28,200 girls awarded an NVQ level 2 and 24,300 were awarded a Level 3 compared with 3,400 and 5,300 boys respectively.	First data expected spring 2006	Not yet assessed
(iii) Construction and property (built environment)			
Increase from Baseline	less than 1,000 girls awarded an NVQ at any level in construction and property compared with 20,600 boys at level 2 and 11,500 at level 3.	First data expected spring 2006	Not yet assessed

Women's Social and Civic Inclusion

Target	Baseline	Latest out-turn	Assessment
6 Proportion of women on public bodies			
40%	34% (2002)	37% (March 2004)	On Course
7 (i) Senior civil service (SCS) – Women in SCS			
37%	26.4% (April 2003)	29.1% (April 2005)	On Course
7 (ii) Senior civil service – Women in top management posts			
30%	22.9% (April 2003)	25.5% (April 2005)	On Course

Women's access to and experience of public service delivery

Target	Baseline	Latest out-turn	Assessment
Reducing proportion of children in households where no-one is working			
8 (i) Increase stock of Ofsted registered childcare			
Increase by 10%	250,00 new places in 2003. Places for 1.8million children by April 2004	Recent Ofsted figures show that strong sustained progress has been made.	On Course
8 (ii) Increase take up of formal childcare by lower income families.			
Increase by 50%	To be agreed and based on Households Below Average Income (HBAI) data drawn from DWP's Family Resources Survey	First data expected spring 2006.	Not yet assessed.

8 (iii) Introduce by April 2005 a successful light touch childcare approval scheme.			
To introduce the scheme.	N/A	Scheme established April 2005.	Met
9. Domestic violence - Increase % of reported incidents, power of arrest/arrests made			
Increase from baseline	58%	First data expected spring 2006	Not yet assessed.
10. Coverage of second tier pensions for woman			
Increase from baseline.	26% of males and 24% of females.	End 2006 (for financial year 2004-05)	Not yet assessed.
11. Improve accessibility, punctuality and reliability of local public transport (bus and light rail).			
Increase from baseline.	Increase use for men and women by more than 12% by 2010 from 2000 levels	It has proved too early in the reporting cycle to make an assessment of progress.	Not yet assessed.

Factors affecting performance

Launched in September 2004 the UK Resource Centre for Women in SET (Science, Engineering and Technology) (UKRC) is the principal tool in helping to achieve this target. UKRC is compiling a database of female SET experts, which will serve as a two-way tool, enabling SET boards to actively seek female expertise, and increasing women's awareness of the opportunities available. This is due to be launched in December 2005. The UKRC will also work with Public SET Boards to ensure that they do not inadvertently prevent women from applying to become Board Members.

The SR02 out-turn shows that although women continue to be under-represented in ITEC jobs, the percentage decline in the UK since 2002 has stabilised in the last two years. After falling from 23% in 2002 to 20% in 2003, there has been a slight recovery to 21% in both 2004 and 2005 (ONS Labour Force Survey/e-skills UK figures). However this is against a background of a general percentage decline in many countries, for example a recent USA IT Association study estimated that women working in IT in the USA fell by 8% from 1996 (40%) to 2004 (32%). DTI is tackling slippage by working with key partners to develop the evidence base and influence the ITEC industry by promoting the business case for diversity.

The domestic violence sub-target is measured by the following indicator which uses the proportion of arrests as a proxy for the response to domestic violence '*the percentage of domestic violence incidents with a power of arrest where an arrest was made related to the incident*'. The target is to increase the number of arrests from a 2003-04 baseline figure of 58%, which was agreed in March 2005 with the Home Office. The SR02 out-turn shows that we are currently awaiting data from four police forces in order to provide a 2004-05 progress update.

Discussions with the Home Office have revealed that although limitations exist with current provision of data on domestic violence, there may be scope to improve reporting systems for individual police forces, which would have a direct impact on the successful delivery of the PSA. This year's Steering Group event will focus on improving the domestic violence indicator, where there is room for measurable improvement, particularly in terms of data collection. It will also highlight the

requirements of the forthcoming gender duty, which will help strengthen the case for high quality data provision across the public sector. This focus will build on other cross-government domestic violence initiatives including the Domestic Violence National Report and Delivery Plan launched in March and the current roll out of specialist courts, the pilots of which have shown an increase in successful prosecutions.

Quality of data systems used

A number of different data systems are used to measure this target's indicators. These include surveys carried out by independent bodies on behalf of DTI, such as the Work-Life Balance Survey, and statistics collected by other Government Departments, such as the Cabinet Office. Work is underway to improve monitoring of external data systems by developing more effective stakeholder management with other Departments, in order to identify and remedy limitations in, or changes to, data sources.

Related Target: **SR02 PSA9** – By 2006, working with all Departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Governments objectives on equality and social inclusion.

Assessment of Progress: Slippage

Current Position

The majority of indicators and measures for this target were rolled into SR04 PSA 9 with increased targets and are reported on in detail above. There have been real improvements since the last review with six of the twelve indicators ahead or on course, and consistent improvement in the senior civil service indicator. A more detailed explanation of the baselines, targets and measures is available in the technical note⁴⁵. The chart below gives a brief summary of performance.

Sub-target	Baseline	Target	Assessment
1. Flexible working <i>Employee awareness</i>	52% (2003)	56%	Ahead
2. Flexible working <i>Employer provision</i>	44% (2003)	50%	Ahead
3. Equal pay reviews	18% (2003)	35%	Ahead
4. Under-represented sectors <i>Women in SET</i>	23% (2003)	40%	Slippage (See note on page 35)
5. Under-represented sectors <i>Business Link users</i>	25.8% (2002-03)	40%	Slippage (See note below)
6. Under-represented sectors <i>Women in ITEC</i>	23% (2002)	Increase from baseline	Slippage (See note on page 35)
7. Public bodies	34% (2002)	40%	On course
8. Senior civil service <i>Women in SCS</i>	26.4% (2003)	35%	Slippage

⁴⁵ http://www.dti.gov.uk/about/psa/psa_target_9.htm

9. Senior civil service <i>Women in top management posts</i>	22.9% (2003)	25%	Ahead
10. Judicial Appointments	34% (2001-02)	Increase from baseline.	Slippage (See note below)
11. Childcare	185,374 (2002)	250,000 new places	Exceeded
12. Domestic violence	58% (2003-04)	Increase from baseline	Slippage (See note below)

Factors affecting Performance

Target 5 is that by 2006, women will account for 40% of customers using Government sponsored business support services, as there is evidence that women are more likely than men to seek business support and advice. For women owned businesses in 2004-05, 31.7% of Business Link customers were women owned businesses up from 29.6% in 2003-04. The upward trend is continuing due to a number of positive developments including:

- All Business Link Operators have specific delivery plans to support women entrepreneurs;
- All nine English regions are developing women's enterprise;
- SBS launched the 'Case for Women's Enterprise'⁴⁶ in November 2004. A set of practical guidelines, case studies and advice for customer facing business support staff in any organisation providing support for women's enterprise.

The figures for the appointment of women to the judiciary have improved during 2003-04. The figure now stands at 32%, up from 30.7% in 2002-03. During 2003 and 2004, efforts were made to increase awareness about the judicial appointments process including a number of initiatives aimed at improving procedures and encouraging applications from a wider pool of applicants. For example a judicial work-shadowing scheme was re-launched in March 2004 and the Department is continuing to organise awareness raising events, to encourage under-represented groups to apply.

Improvements to the appointments system have served to increase the professionalism and transparency of the appointments process. Following last year's pilot, assessment centres have now been introduced for all deputy district judge competitions. It is envisaged that this system will increase the diverse make-up of the judiciary, as more areas can be explored than by interview alone. The creation of the new Judicial Appointments Commission will be an important milestone, which should increase accountability and transparency.

On the domestic violence measure current findings for 2004-05 show minor slippage, though not one of statistical significance (57.4% for 2004-05, a 0.4% drop from the baseline figure of 57.8% which was rounded up to 58%). However the 2004-05 data have a greater number of estimates than 2003-04 and we are setting up discussions with the Home Office to examine the quality of the data and its reliability as an indicator.

Statistics show that women studying SET disciplines at Higher Education level are still under-represented, resulting in a lack of senior women eligible to sit on SET boards.

⁴⁶ http://www.sbs.gov.uk/SBS_Gov_files/services/wibprowesssbsleaflet.pdf

There are also barriers to women reaching senior SET positions even in areas in which at graduate level they are over-represented. This is generally due to caring responsibilities and the criteria for career progression. Within biosciences for example, when women take time off to raise children, their publication rates go down and there is a view that they have lost touch with the science. Most therefore, do not return to jobs commensurate with their skills and qualifications, because they are unavailable. As a result, the pool of women who do reach senior positions is small, and female board members are invariably overused, sitting on several boards as the female representation.

Launched in September 2004 the UK Resource Centre for Women in Science, Engineering and Technology (UKRC) is the principal tool in helping to achieve this target. UKRC has initially concentrated on 'the supply side', recruiting female SET experts to a database and increasing awareness of opportunities available. This has resulted in seven requests for appropriate women for Public Body Recruitment Panels. The completed mapping of fifty-nine identified SET boards is a precursor to 'demand side' working with Government bodies and a detailed strategy is being formulated. This will involve changing the culture to improve recruitment and encouraging and enabling women to apply for public positions. An increase in female SET graduates to 30.2% in June/August 2005 from 26.3% in 2003 indicates a growing pool of potential candidates.

Quality of data systems used

A number of different data systems are used to measure this target's indicators. These include surveys carried out by independent bodies on behalf of DTI, such as the Work Life Balance Survey, and statistics collected by other Government Departments, such as the Cabinet Office and the Home Office. We have identified limitations in data sources and are actively working with other Government Departments to tackle this. In particular we are consulting with the Home Office to address the quality of data provided by police forces.

SR04 PSA 10 - By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible labour market.

Assessment of Progress: NOT YET ASSESSED

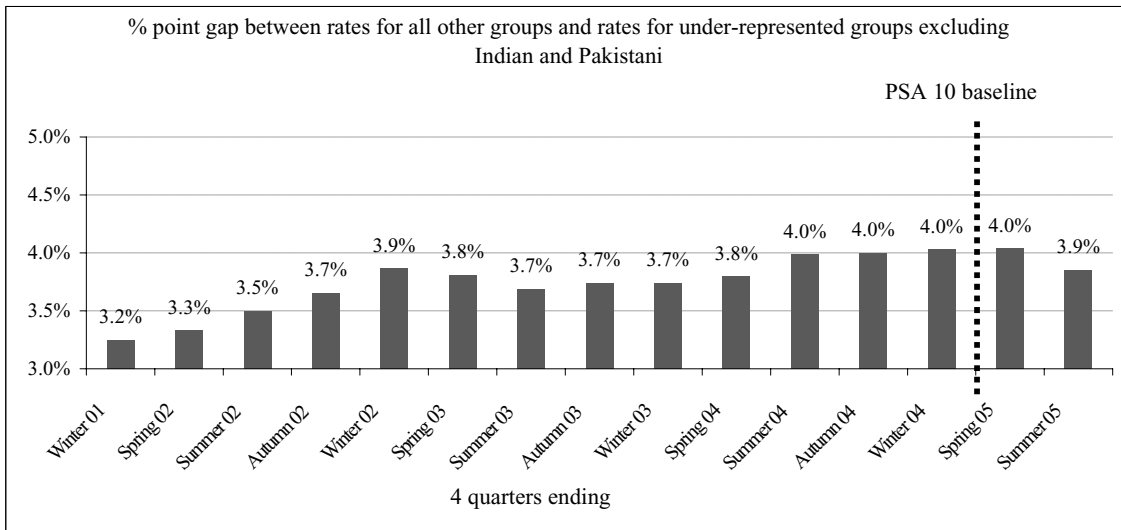
Current Position

This is a new PSA target that only came into effect in April 2005 and it has proved too early in the reporting cycle to make an assessment of progress on delivery. The target reflects the Department’s desire to promote good employment relations and fairness in the workplace. Further information on the targets and measures that underpin the PSA are available in the technical note.⁴⁷

Five sub-targets underpin the PSA:

Raising the self-employment rate of under-represented ethnic minorities, relative to that of other groups.

The data to monitor ethnic minority enterprise comes from the Labour Force Survey. Spring data are available in July, summer in October, autumn in January and winter in April. The baseline for the percentage point gap between the rate for all other groups and the rates for under-represented groups excluding Indian and Pakistani is 4% (winter 2004). By summer 2005 the gap had fallen to 3.9% (see graph below).



Reducing the incidence of racial discrimination at work reported by ethnic minority employees.

No data are yet available to make an assessment of progress against delivery of this measure. The baseline will be drawn from the DTI Fair Treatment at Work pilot survey. Fieldwork will be carried out in December 2005 and January 2006, with preliminary results expected by March 2006. Provided the survey is successful it will be carried out every two to three years.

⁴⁷ http://www.dti.gov.uk/pdfs/psa_10.pdf

Maintain and improve the overall level of UK labour market flexibility.

An Index of Labour Market Adaptability (ILMA) is under development by DTI's Employment Market Analysis and Research team (EMAR). The index will have three elements, (i) production function flexibility, which will include labour-input flexibility, (ii) labour cost flexibility which will include wage flexibility, unemployment flexibility and union flexibility, (iii) supply side flexibility including indicators of labour mobility. A proposed methodology and national time series will be available in early 2006 for discussion with HM Treasury. Once agreed, this index series will be updated annually.

Significantly increase the number of employees that have information and consultation procedures.

No data are yet available to make an assessment of progress against delivery of this measure. The original baseline for this target came from the 1998 Workforce Employee Relations Survey (WERS). Work is underway to update this baseline with data from the 2004 WERS, and to review the proposed trajectory.

Significantly increase the number of economically active people of working age who feel well or very well informed of their rights at work.

The initial baseline for this target came from a DTI commissioned survey in 2000 of 1000 individuals who were economically active. EMAR has recently conducted a second survey, the results of which will be used to revise the baseline and to establish a trajectory for this sub-target. It is anticipated that a third survey will be carried out in 2008.

Factors affecting performance

The ethnic minority enterprise data (above) does indicate an extremely slight improvement in the position over the last quarter. But this is unlikely to be statistically significant. The target is a challenging one; the self-employment rates of under-represented groups will need to rise significantly more than that for the white population to decrease the gap. In addition, the age profile of the two groups is a factor with under-represented groups having a greater proportion of young people.

Quality of data systems used

As this PSA is new and baseline data are not yet available, a clear trajectory for each sub-target has yet to be plotted with targets being set for the key measures. Systems are still being put in place to effectively measure progress and set the trajectory. These include:

Fieldwork for the second Information, Awareness and Knowledge of Employment Rights Survey has been completed, with preliminary results due by end 2005. Fieldwork for the 2004 WERS has been completed. The full dataset and technical report will be lodged with the UK Data Archive in November 2005, with the sourcebook due for publication in July 2006.

EMAR have designed and commissioned a new Fair Treatment at Work pilot survey. This survey will for the first time provide benchmarks for employees' experience of discrimination at work across all the equality strands. Fieldwork should be completed by January 2006, with preliminary results expected by March 2006.

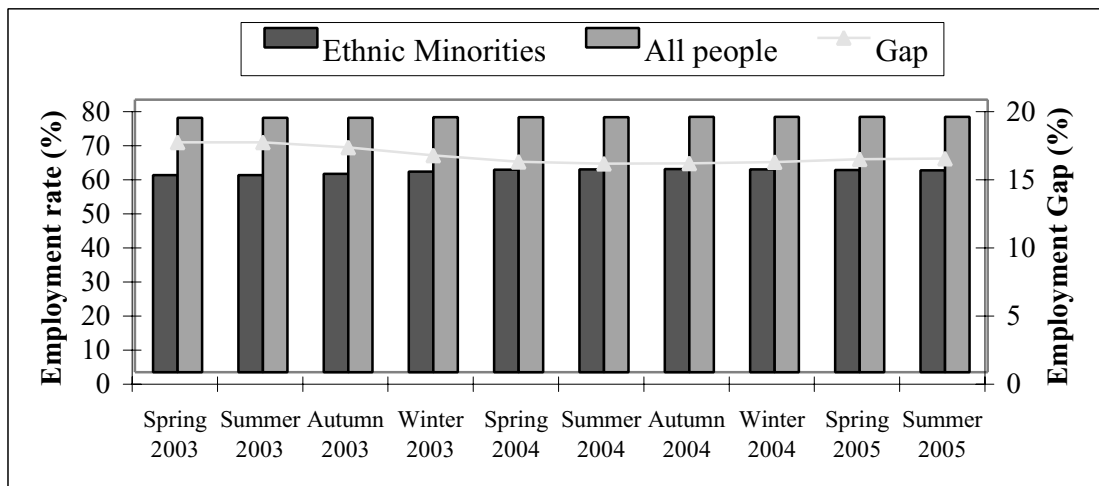
Related Target: **SR02 PSA10** – In the three years to 2006, taking account of the economic cycle, increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities.
Assessment of Progress: ON COURSE

Current position

Latest estimates (the four quarter average to spring 2005) show an ethnic minority employment rate of 59.3% and a gap against the overall employment rate of 15.6%. In relation to the target’s baseline (four quarter average to spring 2003) of 57.8% and 16.9% respectively, this represents a 1.5% increase in the employment rate and a 1.3% decrease in the gap with the overall population.

The figure below shows the progress against this target over the two years to spring 2005. All figures are four-quarter averages.

Ethnic minority employment rates and gap with overall GB rates



Factors affecting performance

It is hard at this stage to say whether this improvement has been due to Government policy or to other factors, as the improvement in labour market performance is somewhat higher than predicted. Joint working across Whitehall, including with the DWP who share responsibility for delivering the PSA and provide the secretariat for the Ethnic Minority Employment Task Force (EMETF) is effective and will continue. DTI’s contribution to the Task Force is critical, particularly in engaging with business in looking at ways to tackle systemic discrimination and promote equality and diversity in the workplace.

Quality of data systems used

The dataset used to measure progress is the Labour Force Survey, a quarterly survey of 60,000 households in the UK. In order to reduce sampling errors to a minimum, four-quarterly averages of the employment rates are used.

SR04 PSA 11 - 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.

Assessment of Progress: NOT YET ASSESSED

Current Position

Not yet assessed.

Factors Affecting Performance

The Nuclear Decommissioning Authority (NDA) came into existence on 1 April 2005. In reality there are no PSA deliverables until the end of 2006-07. More information on the targets, measures and baselines for this PSA can be found in the technical note⁴⁸.

Though the efficiency gains target does not take effect until 2006-07 the NDA has asked incumbents, British Nuclear Group (BNG) and United Kingdom Atomic Energy Authority (UKAEA) to make 7% savings (in the context of either doing the same decommissioning for less or by doing more decommissioning for the same money) in financial year 2005-06, and this is on track to be achieved.

In due course from 2006-07 efficiencies will be identified by comparing actual progress and costs at sites against their Near Term Work Plans, which set out work at the site over the year and its budgeted cost. For its part, reductions in civil nuclear liabilities will be measured against the Life Cycle Baseline (LCBL) for each site (which sets out the long term plan for end site decommissioning and clean up). The LCBLs will be aggregated to produce a UK wide figure that will be updated and published annually on the DTI web site and in Annual Report and Accounts.

The NDA has set out its timetable and proposals for competing its sites in its first Strategy currently subject to public consultation that closes on 11 November. In light of comments received the NDA will finalise its proposals and the Strategy will be submitted to Ministers by the end of the year, with the intention that Ministers consider and approve the strategy early in 2006.

Quality of data systems used

As mentioned above the NDA is a new organisation and as a consequence baseline data are still being refined and defined. In the run up to 1 April 2006, the NDA is refining and analysing baseline data supplied by the incumbents – particularly their assessment of the totality of UK civil nuclear liabilities – and will subject that data to independent verification to ensure its accuracy. The incumbents' data are analysed by the NDA each month, and the NDA has pressed for, and obtained, improvements.

⁴⁸ http://www.dti.gov.uk/pdfs/psa_11.pdf

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

Related Target: **SR02 PSA 8** – Make the UK the best place in the world for e-business, with an extensive and competitive broadband market, judged using international comparative measures of business uptake and use of information and communication techniques.

Assessment of Progress: ON COURSE

From a low start, the UK has now established itself against this target and maintained its position as third in the world as previously measured by the International Benchmarking Survey (IBS) 2004.

The UK has one of the fastest growing broadband markets in Europe and is first in the G7 for extensiveness, a position likely to be maintained. Extensiveness is a combined measure of broadband availability with a market context factor, which estimates market demand for broadband. The UK leads on this measure from Japan and the USA.

The UK remains, and is likely to remain, in third place in the G7 for competitiveness. Competitiveness is a measure of choice, price and competition. Japan and Canada remain in first and second place respectively with the UK now sharing third with the USA.

The level of Information and Computer Technology (ICT) use varies considerably between businesses of different size and different economic activity. As an overview, more businesses are more actively using the technology available. More employees have access to the Internet from their work place; more is being bought and sold on-line, by more businesses; more businesses have a website and saturation is being reached by some business groups in areas such as internet access and use of broadband. However, for more established ICTs the gap between large and small businesses is reducing. After an initial period when the adoption and use of ICTs was very strongly led by the largest businesses, smaller businesses are now reporting a larger take-up, slowly closing the gap on the early adopters of ICTs. It remains the case, however, that the largest businesses are first to adopt new technology; for example, businesses with 1000 or more employees reported much higher use of wireless network technologies.

- The value of Internet sales rose by 81% between 2003-04, from £39.3billion to £71.1billion, while the proportion of businesses selling on-line rose by 24% from 5.4% of businesses to 6.7% of businesses.
- In the same period, Internet purchases rose by 65% from £37.9billion to £62.4billion, while the proportion of businesses purchasing on-line rose by 20% from 29.4% of businesses to 35.3% of businesses. The value of Internet sales to households rose by 68%, from £10.8billion in 2003 to £18.1billion in 2004.
- Sales over other ICTs, for example, via non-internet Electronic Data Interchange (EDI), automated telephone systems and e-mail, fell slightly from £200.6billion in 2003 to £198.1billion in 2004.
- Sales over ICTs other than the Internet were still nearly three times the value of sales over the Internet.

- Internet sales represented just under 3.4% of the total sales of non-financial sector businesses in 2004, compared with just under 2% in 2003 and marginally over 1% in 2002.
- Internet purchases represented nearly 4.4% of the total purchases of non-financial businesses compared with just under 2.8% in 2003 and just over 1.3% in 2002.
- Just over 42% of businesses reported using broadband for their Internet connection, a rise of 65% on 2003.
- Nearly 34% of businesses had a website in 2004, up by 10%.
- The number of businesses using the Internet to interact with public authorities rose from 19.4% to 20.9% between 2003-04.

Latest take-up figures show that the percentage of households in the UK with broadband now stands at over 29%. Broadband take-up now exceeds dial-up for the first time. More than 97% of homes are now connected to a broadband enabled exchange and this is expected to rise to over 99% by the end of the year.

There are over 7.5million broadband connections in the UK.

DTI has commissioned Ovum⁴⁹ to provide a series of reports on the current state of the UK broadband market and we will continue to monitor higher bandwidth availability and a sophisticated use.

DTI does not lead but is responsible for the regulatory framework and has an influence over OFCOM's review process, which will stimulate market activity even faster.

There is a growing link between the use of ICT and productivity, which will drive further business up-take. The drivers are good management techniques, use of ICT and corporate practices. To realise the benefits in investing in e-business, businesses must focus fully on people and processes as well as technology

In the 2005 e-readiness survey by the Economist Intelligence Unit, the UK is ranked 5th out of the 65 countries surveyed.

⁴⁹ <http://www.ovum.com>

Chapter 2: PERFORMANCE AGAINST EFFICIENCY TARGETS.

DTI's SR04 Efficiency target as in the Gershon Report: To achieve annual efficiencies of at least 2.5% a year, equivalent to at least £380million by 2007-08. At least half of these efficiencies will be cash releasing, allowing resources to be recycled to priority programmes.

As part of this programme the DTI plans, by 2007-08, to:

- Achieve a total reduction in civil service posts of 1010 in core DTI, 200 in UK Trade & Investment and 270 in other bodies, and be on course to have relocated at least 685 posts out of London and the South East by 2010;
- Deliver around 80% of total efficiency gains, principally by increasing the effectiveness of DTI's business support products and securing efficiency gains within the science budget. DTI will also secure recyclable savings from its agencies and non-Departmental public bodies;
- Rationalise back office functions, saving £20million to deliver around 5% of efficiencies through consolidation of finance and human resources functions;
- Deliver around £20million of savings through improved procurement, particularly through more effective procurement of external consultancy and information technology, and rationalisation of the DTI estate;
- Work with the RDA's to ensure the efficient devolution of business support products and to minimise overlaps in service provision.

Current position

- Overall delivery of efficiency gains broadly on course after two quarterly assessments of delivery.
- Relocation target ahead of schedule for SR04 period (194 against a target of 84).
- 750 staff reductions delivered against the 1010 target.
- Published measurement methodologies agreed with OGC.
- Internal programme of culture change including – Project Pool of project management expertise, central Response Centre, and hot desking accommodation strategy.
- Positive assessment of programme by Gateway '0' Review and of initial delivery by OGC.

Descriptions of each major workstream, including measurement metrics and methodologies, data sources and quality assurance measures are included in the Department's SR04 Efficiency Technical Note⁵⁰. In summary the financial targets (for entire period, and by Quarter 2 of 2005-06) and gains made to date are as outlined in the following table.

⁵⁰ www.dti.gov.uk/efficiency_technicalnote.html

SR04 Efficiency Work stream	Overall target		Q2 target⁵¹		Q2 actual delivery	
Workforce targets						
Staff reductions ⁵²	1010		782		720	
Relocations	685		85		194	
Financial efficiency gains	N/C⁵³	C⁵⁴	N/C	C	N/C	C
	£m	£m	£m	£m	£m	£m
Staff reductions	0.00	39.25	0.00	9.50	0.00	12.28
Internal Operations	20.29	14.03	2.36	8.15	0.00	9.04
Value for money in programme spend	12.40	20.10	0.00	0.99	0.00	2.61
Business Support	0.00	41.35	0.00	9.28	0.00	8.10
Science (Research Councils)	79.79	115.38	10.50	20.25	13.30	11.96
Nuclear Decommissioning Authority	0.000	13.72	0.00	0.00	0.00	0.00
RDA's (total)⁵⁵	73.59	73.59	5.05	6.06	6.26	8.34
RDA's (DTI)	8.80	14.08	0.64	0.77	0.80	1.06
Trading Funds (Companies House & Patent Office)	10.55	0.00	1.20	0.00	0.50	0.00
Other Agencies & NDPBs	7.22	10.85	0.19	1.19	0.19	2.08
Exceptional items ⁵⁶	N/A	N/A	N/A	N/A	0.24	12.91
Total (DTI)⁵⁷	139.05	268.76	14.89	50.13	15.03	60.04
Total (DTI)⁵⁸	139.05	268.76	14.89	50.13	14.79	45.49

⁵¹In line with existing reporting mechanisms for DTI's arm's-length bodies, the RDAs report delivery a quarter behind actual delivery and quarter 1 targets and actual delivery are therefore reported here for the RDA work stream. All other work streams are reported as quarter 2.

⁵²Staff reductions. The reductions reported here include 640 in core DTI and 80 in Government Offices. Agency headcount reductions. The target for agency headcount reductions is 270 over the three-year SR04 period. The profile for the reductions is being finalised with HM Treasury and as such no actual reductions have been reported, although they are being pursued. An update will be contained in the next Departmental Report.

⁵³ 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.

⁵⁴ 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.

⁵⁵ DTI is the lead sponsor Department for the RDAs and as such has overall responsibility for the achievement of its efficiency delivery gains. All Departments that contribute to the RDA Single Pot claim from the total savings achieved on a pro rata basis. We have therefore presented above both total savings (as grey text line) and DTI's share of those savings (presented underneath).

⁵⁶ Exceptional items include areas of savings that were not part of the original targets but score against Gershon criteria and provide contingency. This relates to procurement savings reported to OGC in 2004/05 as part of our central procurement return.

⁵⁷ The total represents DTI savings only, including DTI's share of RDA savings. The full RDA savings also presented in the table are for information only, and are excluded from the total.

Where slippage against a target has been identified, this is mainly due to the current unavailability of certain qualifying data sets required to claim actual savings. There is nothing to suggest that the Department will be unable to meet its target in the longer-term.

Savings in 2004-05

In total we have achieved £24.19million efficiency savings in 2004-05, of which £23.95million are cashable. These savings have been generated by procurement savings from direct negotiation with suppliers, improved contract management and reduced process costs; pay bill savings resulting from early achievement against our staff reduction target; and reduced spend on consultants operating instead through up-skilled staff.

Quality measures

Quality measures for the main work streams are defined within the Department's SR04 Efficiency Technical Note.

DTI's performance management framework demonstrates through quarterly scorecard reporting to the Executive Board the Department's progress towards the achievement of its PSA targets and other Business Planning Objectives, including the impact of efficiency on delivery. Each of the Department's seventeen Objective Delivery Scorecards include relevant efficiency targets, requiring a balanced examination of specific budget lines against performance management targets.

The Efficiency Scorecard

All Efficiency Traffic Lights and savings trajectories are summarised in one Efficiency Scorecard, both by Business Plan Objective and by DTI Efficiency work stream. This scorecard also includes a summary of workforce reduction numbers and commentary on performance, risks and milestones achieved.

It is presented via the Efficiency Delivery Programme Board to the Executive Board, and the Minister for Efficiency, and externally to Office of Government Commerce and HM Treasury to report our performance at a high level against our Gershon targets. Quarterly scorecard assessments include customer analysis of traffic light assessments and Independent Board Members provide external scrutiny of our performance.

DTI's Internal Audit Unit has also commissioned periodic reviews of our financial and quality efficiency measures and monitoring systems, involving independent assessment. Our major efficiency delivery work streams (Science, RDAs and Business Support) include within their delivery plans and measurement methodologies details of data sources for both financial and qualitative data, which are auditable.

Changes in the way we work – highlights of Efficiency Delivery achievements

Some DTI Human Resources functions have been transferred to Cardiff and Finance processing work has been transferred to Billingham as part of back office efficiencies.

⁵⁸ The total represents DTI savings only, including DTI's share of RDA savings. The full RDA savings also presented in the table are for information only, and are excluded from the total.

The ongoing rationalisation of the DTI's London estate is due to be substantially completed by April 2006. One of the major HQ buildings in the estate (1 Victoria Street) has been restacked to introduce flexible workspace. The current focus is on the second major building in the estate (151 Buckingham Palace Road), and is due to complete in March 2006.

Delivery of Business Link was delegated to RDAs on 1 April 2005 to minimise overlaps in service provision, this is forecast to save the Department £5million in 2006-07.

Efficiency in the Research Councils is predominantly being driven by: reducing the proportion of expenditure on administration costs; rigorously re-prioritising programme expenditure in favour of areas of the highest scientific promise or which address public policy imperatives (e.g. energy, clinical research); increasing the efficiency of Research Council Institutes, and growing co-funding of research and post-graduate training.

DTI has replaced a complex array of over 100 business support schemes with a package of nine strategically focussed, better-managed and marketed products. These new products are designed to have a higher economic impact than the legacy schemes, delivering efficiency gains of at least £25million.

Project Pool

DTI has established a pool of internally generated project management expertise to resource the Department's priority work more effectively, while increasing the number of professionally qualified staff in the Department. The Pool has so far been successful at providing quick responses to urgent need for resources on priority projects without disruption to core business. Also, more expert project management is beginning to improve the delivery of projects across DTI.

DTI's Response Centre

In May DTI launched a Response Centre, which receives all centrally directed correspondence, e-mails and telephone enquiries (approximately 50,000 letters, 200,000 emails and 300,000 phone calls a year). Our aim is to enable DTI to provide high quality and timely replies to correspondence from members of the public, Members of Parliament and others, while allowing policy staff to use their time more effectively. We are currently reviewing the first six months of the Response Centre operation to determine its effectiveness.

Other future actions

DTI has agreed with its agencies a methodology for reporting their staff reductions targets in year. This has been outlined in the refreshed Efficiency Technical Note and will be implemented going forward to ensure accurate reporting. The Department also plans to establish a relocations project board in early 2006 to ensure accurate reporting against its relocations target and early resolution of issues and risks to delivery.

DTI established the NDA on 1 April 2005, to take responsibility for the management and discharge of civil public sector nuclear liabilities. Efficiency savings are due during the course of the next financial year. For an updated position of progress on the NDA please see the report on PSA 11 on page 42.

Related Target: **SR02 PSA 12** – Achieve value for money improvements of 2.5% a year across the Department as measured by a basket of indicators.

Assessment of Progress: AHEAD

Current position

Against an annual target of £125.1million, DTI achieved an estimated £217million value for money savings. £69.8million of these savings require qualification in early 2006 as set out below. £45.7million of these savings were reported by an OGC central return on procurement spend.

Delivery of value for money savings is based on a basket of indicators, which when viewed in total demonstrate that the Department is ahead of target. Specifically:

- The Science and Engineering Base value for money savings are slightly ahead of target.
- For the second year, Business Link Operator savings have surpassed the target set and Business Link responsibility has now been devolved to the RDA's.
- Our actual Pay & Workforce strategy saving is higher than target as the Department pushed further on staff reductions in 2004-05 to prepare to meet its SR04 commitment.
- Companies House savings are below target (see below).

Factors affecting performance

Companies House has been subject to a shift in filing patterns and increase in business costs to invest in their IT system in order to yield longer-term savings through SR04 Efficiency Delivery. In the short-term this has impacted negatively on their value for money savings, but will mean that they are more able to deliver efficiency gains through staff reductions going forward.

While representing a slippage against the individual value for money target, contingency from other activities (notably the central procurement savings return from OGC) mean that the overall PSA12 target will not be missed as a result.

Quality of data systems used

All data systems used are subject to audit – in most cases based on the Departmental Report figures and Agency Annual Reports and Accounts. Procurement data are based on a central return with data supplied by OGC.

Business Support over-achievement – the 2004-05 figure was calculated using an estimate of quantified impact of business support and legacy spend. These data will be validated against the Business Support Monitoring Surveys outturn when available in January 2006, therefore the figure is subject to revision.

Chapter 3: SUMMARY OF PERFORMANCE AGAINST PREVIOUS SPENDING REVIEW PSA TARGETS

Comprehensive Spending Review 1998

CSR Target	Performance
1. To put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle.	Partially Met – Outside period – Final assessment of the target was set out in the 2002 APR. Related to SR04 PSA 1
2. To secure improvements in performance against a set of competitiveness indicators to be developed and published annually from 1999.	Met Ongoing – Final assessment of the target was set out in the 2004 APR.
3. To increase the productivity and profitability of SMEs assisted by Business Link partnerships and to show year-by-year improvements in the quality of services delivered by the Business Link brand.	Partly Met – Final assessment of the target was set out in the 2004 APR.
4. To secure an increase in the number of high-growth business start-ups.	On Course – See page 27 for an assessment of progress.
5. To improve the overall international ranking of the Science and Engineering Base in terms of quality, relevance and cost-effectiveness.	Met – Ongoing – Final assessment of the target was set out in the 2004 APR. Related to SR04 PSA 2.
6. To increase by 50% the 1997-98 number of companies spun out from universities by 2001-02.	Met – Final assessment of the target was set out in the 2002 APR.
7. To increase from 350,000 to 1.5million the number of UK SMEs wired up to the digital market place by 2002.	Met – Final assessment of the target was set out in the 2002 APR.
8. To make the UK the best place in the world to trade electronically by the end of the Parliament.	Not Met – Final assessment of the target was set out in the 2002 APR. Related to SR04 National Standard.
9. To improve support for exporters, raise the quality of service, generate additional exports and enhance the business image of the UK.	Met – Final assessment of the target was set out in the 2002 APR. Related to SR04 PSA 11.
10. To maintain the UK as the prime location in the EU for foreign direct investment.	Met – Final assessment of the target was set out in the 2002 APR. Related to SR04 PSA 11.
11. To maintain or improve levels of energy security, diversity, sustainability and competitive energy prices.	Met Ongoing – Final assessment the target was set out in the 2004 APR. Related to SR04 PSA 8.
12. To improve UK performance in transposition of EU Single Market measures to enable 98% of measures to have been transposed into UK law by 2000.	Not Met – The final assessment of the target was set out in APR 2002.

Spending Review 2000

Spending Review Target	Performance
1. Improve UK competitiveness by narrowing the productivity gap with the USA, France, Germany and Japan over the economic cycle. (Joint target with HM Treasury)	On Course - This target was carried forward in similar terms in SR04 PSA 1.

2. Help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms. And more enterprise in disadvantaged communities.	Slippage - This target is carried forward in similar terms in SR04 PSA 6.
3. Make and keep the UK the best place in the world to trade electronically, as measured by the cost of internet access and the extent of business-to-business and business to consumer transactions carried out over e-commerce networks.	Not Met – Final assessment of the target was set out in the 2005 Departmental Report. Related to the SR04 National Standard.
4. Improve the economic performance of all regions measured by the trend in growth of each regions GDP per capita. (Joint target with ODPM)	On Course - This target is carried forward in similar terms in SR04 PSA 7
5. Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.	On Course - This target is carried forward in similar terms in SR04 PSA 2.
6. Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources.	On Course - This target is carried forward in similar terms in SR04 PSA 2.
7. Have the most effective competition regime in the OECD, as measured by peer review, and achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information.	On Course - This target is carried forward in similar terms in SR04 PSA 4.
8. Ensure competitive gas and electricity prices in the lower half of the EU/G7 basket, while achieving security of supply and social and environmental objectives.	On Course - This target is carried forward in similar terms in SR04 PSA 4.
9. Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in CO2 emissions by 2010. (Joint target with DEFRA)	On Course - This target is carried forward in similar terms in SR04 PSA 4
10. Deliver a measurable improvement in the business performance of Trade Partners UK customers. (Joint target with FCO)	Partly Met – Final assessment of target was set out in the 2005 Departmental Report. Related to SR04 PSA 11.
11. Maintain the UK as the prime location in the EU for foreign direct investment. (Joint target with FCO)	Met – Final assessment of the target was set out in the 2005 Departmental Report. Related to SR04 PSA 11.

12. Achieve value for money improvements of 2.5% a year across the Department as measured by a set of indicators.	Met – Final assessment of the target was set out in the 2005 Departmental Report. The current position on the DTI efficiency programme is reported in Chapter 2 of this report.
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Spending Review 2002

Spending Review Target	Performance
1. Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the USA, France and Germany. (Joint target with HM Treasury)	On Course - This target is carried forward in similar terms in SR2004 PSA 1.
2. Improve the relative international performance of the UK's science and engineering base, the exploitation of the science base and the overall innovation performance of the UK economy.	On Course - This target is carried forward in similar terms in SR04 PSA 2.
3. Place empowered consumers at the heart of an effective competition regime, bringing UK levels of competition, consumer empowerment and protection up to the level of the best by 2006, measuring the effectiveness of the regime by peer review and other evidence, to ensure a fair deal for consumers and business working in collaboration with the relevant regulatory agencies.	On Course - This target is carried forward in similar terms in SR04 PSA 3.
4. Ensure the UK ranks in the top 3 most competitive energy markets in the EU and G7 in each year, whilst on course to maintain energy security, to achieve fuel poverty objectives; and (joint with DEFRA) improve the environment and sustainable use of natural resources, including through the use of energy saving technologies, to help reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in carbon dioxide emissions by 2010.	On Course – This target is carried forward in similar terms in SR04 PSA 4 except sustainable use of natural resources which is reported on separately on page 19.
5. Secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for the UK and developing countries. (Joint target with DFID and FCO)	Slippage - This target is carried forward in similar terms in SR04 PSA 5.
6. Help to 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.	On Course - The majority of this target is carried forward in similar terms in SR04 PSA 6. Part (iii) is reported on separately on page 26.

7. To make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006. (Joint target with HM Treasury and ODPM)	On Course - This target was carried forward in similar terms in SR04 PSA 7.
8. Make the UK the best place in the world for e-business, with an extensive and competitive broadband market, judged using international comparative measures of business uptake and use of information and communication techniques.	On Course - This PSA was replaced by a National Standard which is reported on separately on page 43.
9. By 2006, working with all Departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.	Slippage - This PSA is reported on in greater detail on page 36.
10. In the three years to 2006, taking account of the economic cycle, increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities. (Joint target with DWP)	On Course - This PSA is reported on in greater detail on page 41.
11. Deliver a measurable improvement in the business performance of UK Trade and Investment's international trade customers; and maintain the UK as the prime location in the EU for foreign direct investment, (Joint target with FCO)	On Course - This PSA was carried forward in similar terms in SR04 PSA 8.
12. Achieve value for money improvements of 2.5% a year across the Department as measured by a basket of indicators.	On Course - The current position on the DTI efficiency programme is reported on in Chapter 2 of the report.

For further information on the links between the various spending reviews and PSA targets please see the 2004 Autumn Performance Report⁵⁹.

⁵⁹ http://www.dti.gov.uk/autumn_performance.html

Appendix 1:**Further Information**

DTI Website	www.dti.gov.uk
DTI 2005 Departmental Report	www.dti.gov.uk/expenditureplan
DTI Five-Year Programme	www.dti.gov.uk/fiveyearprogramme.html
DTI Business Plan 2005-08	www.dti.gov.uk/about/businessplan.html
DTI Strategy	http://www.dti.gov.uk/about/strategy.html
Technical Notes for SR2004 PSA Targets	www.dti.gov.uk/psa_target.html
Efficiency Technical Note	http://www.dti.gov.uk/efficiency_technicalnote.html
HM Treasury Public Service Performance Index	www.hm-treasury.gov.uk/performance/index.cfm
Previous DTI Autumn Performance Reports	http://www.dti.gov.uk/autumn_performance.html



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