



# Department of Trade and Industry Departmental Report 2006

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

May 2006

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# FOREWORD

The Departmental Report sets out the work of the Department over the last 12 months, key achievements where real progress has been made and plans for the forthcoming year.

Alan Johnson was serving as Secretary of State for the period covered by this Report. I look forward to continuing his work with my Ministerial colleagues.

DTI's purpose is to create the conditions for business success and to help the UK respond to the challenge of globalisation. And that means operating in an evolving world where India and China are growing rapidly, where new technologies quickly appear rendering old products obsolete, and where the population is ageing in Europe whilst the developing world is getting younger.

But Britain is well placed to succeed in this changing world. If anyone is able to grow business in this shrinking world by producing high value adding goods and services that people want to buy, it is Britain. But we still face challenges with low productivity and pockets of unemployment. In addition, along with all other developed countries, we are dealing with lower growth, higher energy prices and bigger pension bills.

And so to succeed we need to embrace innovation and change, and not be stuck in the past. We need to turn outward, using our links with Europe, America and the Commonwealth, instead of retreating inward. Technological change will continue and we must move with the times.

DTI's role in this changing world is vital.

Internationally, we are leading the global debates on energy and trade, building on last year's G8 and European Presidencies. In Europe, other Member States are looking to our employment record as a model for them to follow. Domestically, we are continuing our work to create the conditions for business success.

Last year we ran a business-like, impartial presidency. DTI played a key role in achieving this, contributing to the efficient way Councils were chaired and business conducted. We made substantial progress on a number of difficult issues. For example, on better regulation, with the Commission's withdrawal of 68 proposals for legislation, its publication of its simplification programme and substantial progress on economic reform and the opening up of markets.

We produced tangible results, including achieving political agreement on the REACH chemicals regulation saving business over €600 million. And whilst the WTO Hong Kong round delivered only modest progress, on a freer and fairer trading system, we included agreement on the ending of all export subsidies in agriculture by 2013 with substantial progress due to be made by 2008.

At home, we've taken difficult decisions on contentious issues. We launched the Energy Review which will look at what measures are needed to tackle climate change and to ensure secure energy supplies in the UK for 2020 and beyond. The Review will report their

findings later this year. On better regulation, we published simplification plans to deliver £1bn of regulatory savings to business over the next five years.

We've produced practical advice and help to a record 670,000 businesses through Business Link. UK Trade & Investment has helped nearly 6,000 UK exporters move into overseas markets and the UK landed over 1,000 inward investment projects, creating 40,000 new jobs and safeguarding a further 35,000.

The introduction of the Work and Families Bill will give families real choices about how they balance work and family caring responsibilities. This will extend maternity and adoption pay and give fathers the right to take up to 26 weeks Additional Paternity Leave. The National Minimum wage increased to £5.05 in October 2005 taking more than 1 million people out of poverty. This will increase further to £5.35 in October 2006.

We've helped consumers get better advice and protection by extending the availability of Consumer Direct to all corners of Britain. And we are continuing to ensure they are protected through the Consumer Credit Bill which will improve transparency and provide consumers with redress to the Financial Ombudsman service.

The Equality Act became law and sets the foundation for the establishment of the Commission for Equality and Human Rights in 2007, bringing together the Commission for Racial Equality, the Disability Rights Commission and the Equal Opportunities Commission into a single body. And we saw Civil Partnerships come into force in December 2005, extending the legal recognition rights of married people to same-sex couples.

I am grateful to the many people in the DTI and agencies, as well as those we have worked closely with to deliver the outcomes set out in this year's report. We have met some tough challenges and will do so in the future as we continue to improve the efficiency and increase the focus and flexibility of the department. I look forward to a successful year as we deliver on our promises and bring real results to our customers and stakeholders.



Rt. Hon Alistair Darling  
Secretary of State for Trade and Industry

# RHAGAIR

Mae'r Adroddiad Adrannol yn nodi gwaith yr Adran dros y 12 mis diwethaf, cyraeddiadau allweddol lle gwnaed cynnydd go iawn, a'n cynlluniau ar gyfer y flwyddyn sy'n dod.

Alan Johnson oedd yn Ysgrifennydd Gwladol dros gyfnod yr Adroddiad. Edrychaf ymlaen at barhau ei waith gyda'm cyd-swyddogion Gweinidogol.

Diben y DTI yw creu'r amodau ar gyfer llwyddiant busnes a helpu'r DU i ymateb i her globaleiddio. Ac mae hyn yn golygu gweithredu mewn byd sy'n esblygu, lle mae India a Tsieina'n tyfu'n fuan, lle bydd technolegau newydd yn codi'n gyflym gan fwrw hen gynhyrchion i'r neilltu, a lle mae'r boblogaeth yn Ewrop yn heneiddio tra bo'r byd datblygol yn mynd yn iau.

Ond mae Prydain mewn safle da i lwyddo yn y byd cyfnewidiol hwn. Os gall unrhyw wlad dyfu busnes yn y byd hwn sy'n mynd yn lleilai beunydd trwy gynhyrchu nwyddau a gwasanaethau sy'n ychwanegu gwerth uchel fel y bydd pobl am eu prynu, Prydain yw'r wlad honno. Ond wynebwn heriau cynhyrchedd isel a diweithdra mewn mannau gwasgarog o hyd. At hyn, ar y cyd â phob gwlad ddatblygedig arall, rydym yn gorfod delio â thwf is, prisiau ynni uwch a billiau pensiwn mwy.

I lwyddo, felly, mae angen inni gofleidio blaengaredd a newid, a pheidio â glynu wrth y gorffennol. Mae angen inni droi'n golygon ar y byd tu allan – gan fanteisio ar ein cysylltiadau ag Ewrop, America a'r Gymanwlad – yn lle

encilio'n fewnol. Bydd newid technolegol yn bwrw rhagddo a rhaid inni symud gyda'r oes.

Mae rôl y DTI yn y byd cyfnewidiol hwn yn hollbwysig. Yn rhyngwladol, rydym yn arwain y trafodaethau bydeang ar ynni a masnach, gan adeiladu ar sail ein Llywyddiaeth y llynedd o wledydd G8 ac Ewrop. Yn Ewrop, mae Gwladwriaethau Aelodol eraill yn troi at ein record gyflogaeth fel model iddynt ei ddilyn. Yn fewnol, parhawn i weithio i greu'r amodau ar gyfer llwyddiant busnes.

Y llynedd, trefnwyd gennym lywyddiaeth bwrpasol a diduedd. Chwaraeodd y DTI ran allweddol wrth gyflawni hyn, gan gyfrannu at y ffordd effeithiol y câi Cynghorau eu cadeirio a busnes ei gynnal. Gwnaethom gynydd sylweddol ar nifer o faterion anodd: er enghraifft, ar well rheoleiddio, o gofio i'r Comisiwn dynnu'n ôl 68 cynnig ar gyfer deddfwriaeth, iddo gyhoeddi rhaglen symleiddio ac iddo wneud cryn gynydd o ran diwygio economaidd ac agor marchnadoedd.

Gwireddwyd canlyniadau go iawn gennym, gan gynnwys sicrhau cytundeb gwleidyddol ar reoli cemigion o dan drefn REACH, a arbedodd dros £600 miliwn i fyd busnes. Ac er na welwyd ond cynnydd cymedrol o ran system fasnachu decach a mwy rhydd yn sgil cyfres trafodaethau'r WTO yn Hong Kong, cytunwyd i roi terfyn ar bob cymhorthdal allforio ym maes amaethyddiaeth erbyn 2013 gan ddisgwyl cynnydd sylweddol erbyn 2008.

Gartref, cymerwyd penderfyniadau anodd ar faterion dadleuol. Lanswyd gennym yr Arolwg Ynni a fydd yn edrych ar y mesurau sydd angen i fynd i'r afael â newidiadau hinsawdd a sicrhau cyflenwadau ynni diogel yn y DU ar gyfer 2020 a'r tu hwnt. Bydd yr Arolwg yn cyhoeddi'i gasgliadau yn nes ymlaen eleni. Lle mae gwell rheoleiddio yn y cwestiwn, bu inni gyhoeddi'n cynlluniau symleiddio gyda golwg ar wireddu gwerth £1 biliwn o arbedion rheoleiddio ym myd busnes dros y pum mlynedd nesaf.

Cynigiwyd gennym gyngor a chymorth ymarferol i'r nifer uchaf erioed o 670,000 o fusnesau trwy Business Link. Mae UK Trade and Investment wedi helpu bron 6,000 o allforwyr y DU i fudo i farchnadoedd tramor a sicrhodd y DU dros 1,000 o brosiectau buddsoddi mewnlol, i greu 40,000 o swyddi newydd a diogelu 35,000 pellach.

Bydd cyflwyniad y Mesur Gwaith a Theuluoedd yn rhoi i deuluoedd ddewisiadau go iawn o ran sut i gydbwysu gwaith a chyfrifoldebau teuluol. Bydd hwn yn estyn tâl mamolaeth a thâl mabwysiadu ac yn rhoi i dadau'r hawl i gymryd hyd at 26 wythnos o Dâl Tadolaeth Ychwanegol. Cododd y Lleiafswm Cyflog Cenedlaethol i £5.05 yn Hydref 2005, gan gipio mwy na miliwn o bobl o grafangau cyni. Bydd yn codi ymhellach i £5.35 yn Hydref 2006.

Rydym wedi helpu defnyddwyr i gael gwell cyngor a diogelwch trwy estyn argaeledd Cyswllt Defnyddwyr i bob rhan o Brydain. A pharhawn i sicrhau eu bod wedi'u gwarchod trwy'r Mesur Credyd Defnyddwyr a fydd yn hybu tryloywder ac yn darparu eu bod yn gallu troi at wasanaethau'r Ombwdsman Ariannol.

Daeth y Ddeddf Cydraddoldeb yn gyfraith, gan osod y sail ar gyfer sefydlu'r Comisiwn Cydraddoldeb a Hawliau Dynol yn 2007, trwy ddod ynghyd â'r Comisiwn Cydraddoldeb Hiliol, y Comisiwn Hawliau Anabledd a'r Comisiwn Cyfle Cyfartal o dan un corff. A daeth Partneriaethau Sifil i rym yn Rhagfyr 2005, gan estyn hawliau cydnabyddiaeth gyfreithiol parau priod i barau o'r un rhyw.

Rwy'n ddiolchgar i'r bobl niferus yn y DTI a'i hasiantaethau, ac i'r rhai y buom yn cydweithio'n agos â nhw i wireddu'r canlyniadau a nodir yn adroddiad eleni. Wynebwyd sawl her galed gennym a byddwn yn parhau i wneud yn y dyfodol wrth inni ddal i wella effeithiolrwydd a hybu ffocws ac ystwythder yr Adran. Edrychaf ymlaen at flwyddyn lwyddiannus wrth inni gywiro'n haddewidion, gan wireddu canlyniadau go iawn i'n cwsmeriaid a'n budd-ddeiliaid.



Y Gwir Anrh. Alistair Darling  
Ysgrifennydd Gwladol dros Fasnach  
a Diwydiant

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# INTRODUCTION

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- Ministerial Responsibilities
- Structure of the Department
- Structure of the Report

## Introduction

This report sets out Government expenditure plans for the Department of Trade and Industry (DTI) for 2005-08. It also assesses performance against the delivery of the Department's Public Service Agreement (PSA) targets and its business objectives and provides a summary of significant developments against these targets during the 2005-06 period. In the main the report covers the Department, including UK Trade & Investment, but also contains information on its Executive Agencies and Non-Departmental Public Bodies (NDPB's).

The Department's expenditure and budgeting are managed on a full resource basis and this is reflected in the tables at Annex A. The audited consolidated resource accounts for the financial year 2004-05 were published in December 2005.

They provide details of the Department's activities during the 2004-05 financial year and its Balance Sheet at 31 March 2005.

The Department also issued audited resource accounts for the United Kingdom Atomic Energy Authority (UKAEA) Combined Pension Schemes for 2004-05. The National Audit Office (NAO) issued unqualified audit opinions on both sets of accounts.

During the period covered by this report Responsibility for fashion design and the arts market was transferred to the Department for Culture, Media and Sport (DCMS). New arrangements were put in place for DCMS to jointly sponsor with the Department, the Design Council, advertising, computer games and publishing. The consent role under the Coastal Protection Act was transferred from the Department of Transport to the Department.

## Ministerial Responsibilities



**Secretary of State for Trade and Industry**

*The Rt. Hon Alistair Darling MP*

» Overall responsibility for the Department of Trade and Industry



### Minister of State for Energy

*Malcolm Wicks MP*

- » Portfolio: Overall responsibility for Energy issues; Sustainability and the Environment; Security of Energy Supply; Fuel Poverty; Nuclear Security and Export Control; Shareholder Executive energy portfolio; Corporate Social Responsibility.



### Minister of State For Trade, Investment and Foreign Affairs (Joint with Foreign and Commonwealth Office)

*Rt. Hon Ian McCartney MP*

- » Portfolio: Overall responsibility for Europe and World Trade Policy; UK Trade & Investment (UKTI); Export Credit Guarantee Department (ECGD); Extending Competitive Markets; Consumer Affairs; Corporate and Insolvency Activity; Insolvency Service



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

*Lord David Sainsbury of Turville*

- » Portfolio: Science and Engineering; 10 year investment framework for science and innovation; Office of Science and Innovation (OSI); Research Councils; Knowledge Transfer and Innovation; Technology Strategy; Patent Office; National Weights and Measures Laboratory (NWML); Bioscience (excluding GM);



### Minister of State for Industry and the Regions

*Rt. Hon Margaret Hodge MBE MP*

- » Portfolio: Enterprise Growth and Business Investment; Strengthening Regional Economies; Effective Channels with Business; Small Business Service; E-Commerce; Communications and Information Industries; Companies Bill; Companies House; Shareholder Executive Industrial Development Unit portfolio.



### Parliamentary Under Secretary of State for Employment Relations

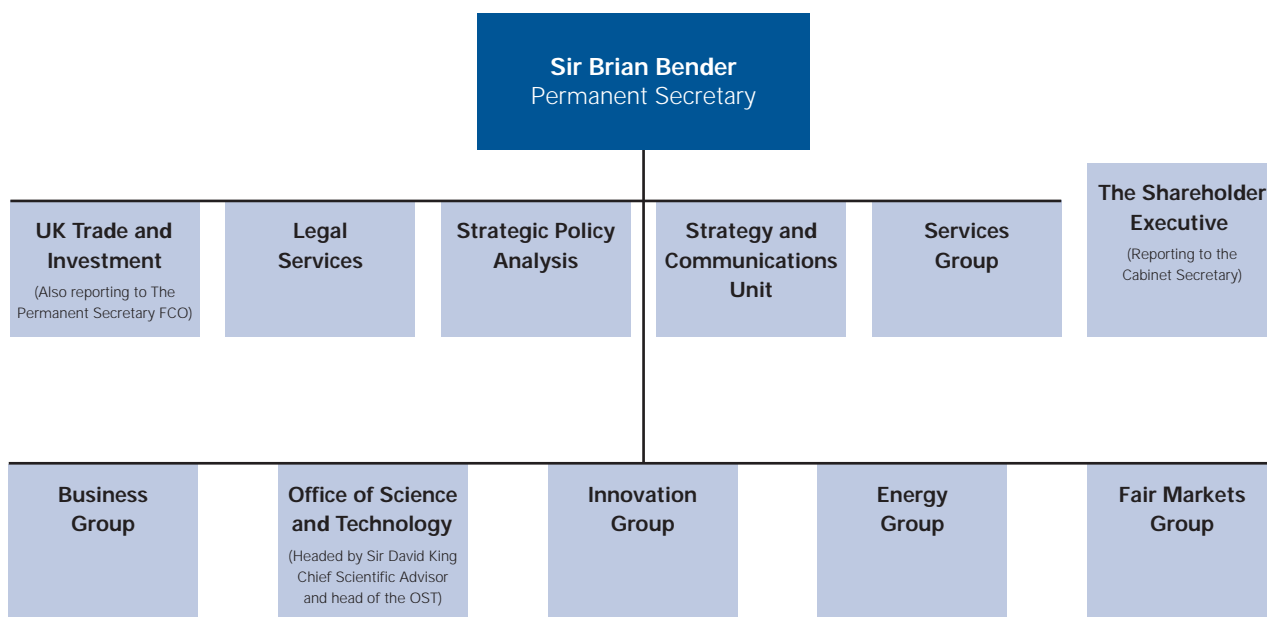
*Jim Fitzpatrick MP*

- » Portfolio; Maximising Potential in the Workplace; Better Regulation; ACAS; Shareholder Executive oversight (including Royal Mail); Also Minister for London.

## Structure of the Department

Figure 0.1

The Department's Structure Pre-April 2006



In late 2005 the Department reviewed the organisational and working methods in the areas of Science, Innovation and Support for Business, with the aim of achieving effective integration and ensuring that the strategic focus of DTI appropriately addresses the enterprise, innovation and knowledge economy agenda to meet the challenge of globalisation.

As a result of the review it was decided to merge the Innovation Group into the Office of Science and Technology (OST), creating a new Office of Science and Innovation. This will build on both the strong brand of OST and the achievements of OST and Innovation Group, including the success so far in delivering the 10-year Science and Innovation Investment Framework and putting innovation at the heart of the Government agenda.

The Department also decided to build on the success of its Business Group, and the credibility it has achieved with key stakeholders, by carrying out a further change programme aimed at enabling it to focus on identifying the conditions for business success and promoting enterprise by influencing DTI and wider Government policy. The Group will continue

to be outward looking and high-powered. To reflect its revised role, the Group will be renamed Enterprise and Business Group.

In response to a separate review of finance within the Department a new Group is being created to bring together the work on Finance and on Strategy under a single Director General (who has professional finance qualifications). The new Group will ensure that the Department is able to allocate its resources and manage its finance more effectively with strong links between its Finance and Strategy functions. The Finance and Strategy Group will also enable the Department to implement the requirement for all Departments to have a professionally qualified finance director by December 2006.

The Department's other central functions, Human Resources, Information and Workplace Services and its Operations Directorate have become part of an Operations Group led by a Chief Operating Officer. The Group will focus on ensuring that the Department's corporate services are efficient, effective, capable and modernised while supporting business needs.

The changes to the Department's central functions are designed to enable the Department to better deliver its priorities and refocused purpose in a more professional way – with greater focus on both effectiveness and efficiency.

### Enterprise and Business Group

Enterprise and Business Group contributes to three of the Department's strategic objectives (supporting successful business, promoting world-class science and innovation and ensuring fair markets) and brings together strongly business-focussed parts of the Department – Business Relations, Regions and the Small Business Service. Business Relations builds partnerships with business through face-to-face contact and sector analysis. Their expertise is invaluable in policy development throughout the Department and across Whitehall; Regions aims to improve the economic performance of each English region and narrow the gap in growth rates, working in partnership with England's Regional Development Agencies (RDAs) and other Government Departments; and the Small Business Service (SBS) is the Department's agency dedicated to supporting small business and enterprise – working across Government and the regions and driving improvements in the performance of the Department's business support products.

### UK Trade & Investment

UK Trade & Investment has the lead responsibility within Government for overseas trade and inward investment services. It brings together the work of the Foreign & Commonwealth Office (FCO) and the Department in supporting companies in the UK doing business internationally, and overseas enterprises seeking to locate in the UK. It draws staff and associated administration funding from both parent Departments. It also has its own stream of programme funding, voted directly by Parliament.

### Office of Science and Innovation

The Office of Science and Innovation, headed by the Government's Chief Scientific Advisor, Sir David King, has the twin purpose of investing to develop further the excellence of the UK's research base; and promoting technological and other business innovation. Its objectives are to sustain and improve the science and engineering base through administration of the £3 billion Science Budget; improve performance in knowledge transfer and commercialisation from universities and Research Council Institutes; improve the performance of Government Departments using S&T; optimise the benefits to UK science from EU and international activities; improve the flow of people and ideas between the science and engineering base and users; improve engagement between science and the rest of society; and ensure sound advice is given to Ministers across Government on science issues.

To ensure that UK business leads the field in the exploitation of science and technology, innovation, and the transfer of technology and knowledge, the Office of Science and Innovation provides strategic direction on innovation policy; ensures that the UK has world-class standards and technical regulation; challenges technical barriers to trade; maximises the opportunities arising from space exploration; identifies and where possible removes financial barriers to investment in innovation; and focuses on the critical role of skills and education in successful business. Within the Office of Science and Innovation are the Patent Office, British National Space Centre and the National Weights & Measures Laboratory.

## Fair Markets Group

The Group's role is to deliver a competitive framework for the growth of successful business and jobs, and a fair deal for employees and consumers. It does this by creating open and dynamic markets – through economic reform in Europe, free and fair world trade and an effective competition regime. Also by creating confident participants – including reducing the regulatory burden on business, dynamic businesses, empowered employees and active consumers and investors who are assured by the fairness and integrity of the market framework, well informed about rights and responsibilities, and embrace the benefits of diversity.

## Energy Group

Energy Group's aim is to deliver a fundamental cornerstone for business success – secure, sustainable, affordable energy. The Group works with others to ensure competitive energy markets, while achieving safe, secure and sustainable energy supplies. It also aims to deliver safe, economic and efficient management of Departmental assets and liabilities; to ensure safety and security in the civil nuclear industry; and to provide an effective and efficient Departmental contribution to preventing proliferation of arms and other strategic goods.

## The Shareholder Executive

The Government is owner of, or shareholder in, a large and diverse portfolio of businesses. The Shareholder Executive's mission is to ensure that Government shareholdings deliver sustained, positive returns and return their cost of capital over time within the policy, regulatory and customer parameters set by Government, by acting as an effective and intelligent shareholder. It is closely aligned with the Department's objective of raising UK productivity. The Shareholder Executive is located in the Department but works across Government by directly fulfilling the ownership role on behalf of shareholding Department's or advising Department's on their ownership role.

## Finance and Strategy Group

The Finance and Strategy Group is responsible for supporting the Accounting Officer, helping the Secretary of State and the Board to obtain, allocate and manage financial resources, leading on business planning and performance reporting in the Department and ensuring that the Department has satisfactory systems of financial control.

The Group also supports the Secretary of State and the Department's senior management team in creating a Departmental strategy for driving up UK productivity and competitiveness and ensuring that this strategy is clearly communicated and delivered effectively. It does this by:

- ▼ Creating a strategy that gives the Department a shared and coherent sense of purpose, direction and priorities, providing a framework for business planning and performance management;
- ▼ Improving the Department's ability to create and protect a strong reputation and influencing role amongst our stakeholders, including other Government Departments and international organisations;
- ▼ Ensuring that the Department's strategic messages are communicated effectively;

## Operations Group

Operations Group is the spine of the Department. Its vision is to enable change within the Department and to deliver excellent corporate services. It enables the rest of the Department to function through providing internal core services like personnel, accommodation, IT, and operations, and delivers services to external customers through a number of individual Agencies (Companies House, The Insolvency Service and (until April 2006) The Employment Tribunals Service).

## Strategic Policy Analysis

The Strategic Policy Analysis Unit undertakes analytical work in support of the Department's policy and strategy and gives a professional lead to the work of economists, statisticians and operational researchers across the Department. The group is responsible for developing the Department's evidence base and its analysis of globalisation and the UK productivity and competitiveness agenda.

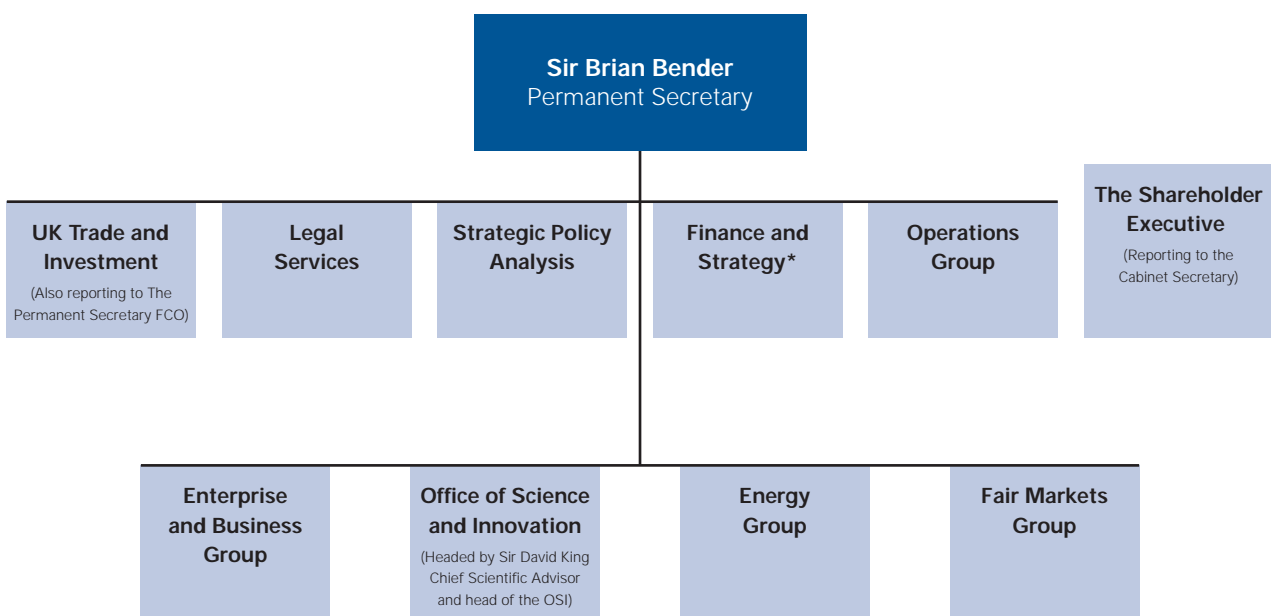
In doing this, the unit aims to ensure that, across the Department, strategy, policy-making and resource allocation are driven by sound evidence and analysis and that there are robust systems for the monitoring and evaluation of the delivery of the Department's targets and objectives.

## Legal Services Group

The aim of Legal Services Group is to ensure that Ministers and officials in the Department and its Executive Agencies receive the highest quality legal services they need to deliver Departmental objectives. The Group supports the Department's legislative programme and provides advice on aspects of Departmental policy. It investigates and prosecutes criminal offences uncovered by other parts of the Department, principally the Insolvency Service and Companies Investigation Branch (CIB) and advises the Department on any issues involving criminal law and policy. Legal Services Group also has an influencing role in Whitehall, representing the Department's interests on Government-wide legal issues, for example, relating to EU employment policy through e.g. chairing the Whitehall-wide Discrimination Law Working Group and, in the criminal justice field, through chairing the Whitehall Prosecutors Group.

Figure 0.2

The Department's Structure post April 2006



\*Communications Unit reports direct to the Permanent Secretary

## Structure of the Report

The Report is structured around the Department's four strategic objectives for 2005-08, Supporting Successful Business, Promoting World Class Science and Innovation, Ensuring Fair Markets and Secure Sustainable Affordable Energy.

**Section 1** – The Department's Purpose and Objectives details how the Department's Strategy, Business Objectives and Public Service Agreement targets (PSA) feed into and in turn, deliver the strategic purpose of 'Creating the conditions for business success; and helping the UK respond to the challenge of Globalisation'.

**Section 2** – Sets out the Department's progress on the delivery of its eleven PSA Targets from the 2004 Spending Review, its National Standard and progress against PSA targets outstanding from previous spending reviews. The section includes the current position and an overall assessment of delivery for each PSA target, any factors affecting the Department's progress and the quality of the data systems used to assess performance.

**Section 3** – Details the Department's progress on the delivery of its four strategic objectives, as detailed above. The four Strategic Objectives are underpinned by Business Objectives and progress against delivery of each is reported on in this section.

**Section 4** – Covers the Department's management of Government assets and liabilities. The section includes details of the various assets and liabilities, and how and who manages them.

**Section 5** – Gives details of the Department's Executive Agencies and their performance against targets during the year.

**Section 6** – Sets out how the Department is managed. It covers the Department's corporate services, processes and activities and how these support the delivery of the strategic purpose, PSA targets and Strategic objectives.

Finally the report contains three annexes: Annex A contains core financial tables, Annex B contains supplementary tables such as public appointments and senior civil service salaries, Annex C has information on managing the Department including tables on health and safety and environmental performance.