Section 2

Delivering the Department's Public Service Agreement Targets

Delivering the Department's Public Service Agreement Targets

Introduction

This section sets out the Department's progress on the delivery of its eleven PSA Targets from the 2004 Spending Review, (SR04), PSA targets outstanding from previous spending reviews and it's National Standard.

Overall responsibility for the delivery of the Department'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 reducing greenhouse gas emissions. The Secretary of State for International Development is jointly responsible for PSA 5 reducing barriers to trade. The Secretary of State for Foreign and Commonwealth Affairs shares responsibility for PSA 8, improving the business performance of UK Trade & Investment's international trade customers and maintaining the UK as the prime location in the EU for foreign direct 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 in the report. Where there are significant differences or the PSA remains outstanding from previous spending reviews, progress is reported on separately in the report.

Technical notes[1] detailing how each PSA target will be achieved and progress measured underpin each of the targets. Technical notes can be found on the Department's website.

SR04 PSA 1

Demonstrate further progress by 2008 on the Government 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

2.1 The latest data from the Office for National Statistics (ONS) published autumn 2005[2] suggests that the UK's productivity gap, on the output per worker measure, has narrowed in relation to the USA and France and closed with Germany. 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,

1 www.dti.gov.uk/psa_target.html
2 http://www.statistics.gov.uk/

the UK has narrowed the gap with Germany, France and the USA since 1995, but a sizable gap with each remains.

2.2 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 estimates that the trend rate of actual productivity growth (output per hour basis, adjusted for changes in the employment rate) had increased in the UK from 2.04% per year over the previous economic cycle (between 1986Q2 and 1997H1) to

Figure 2.1 **International comparisons of productivity, output per worker measure (UK=100)**

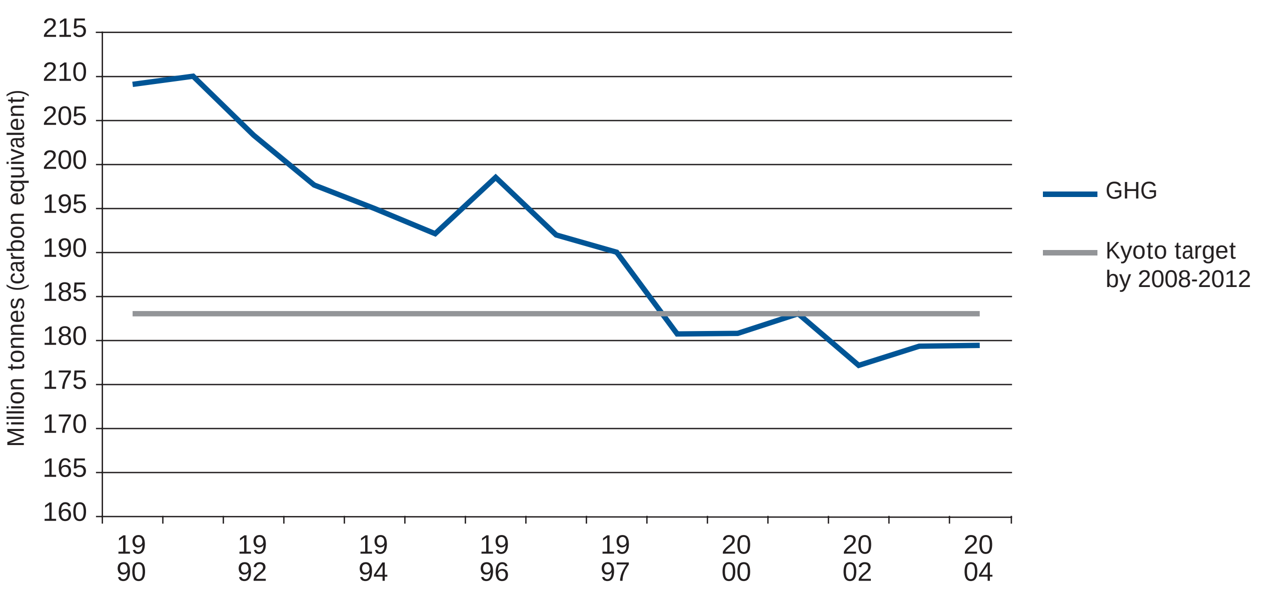
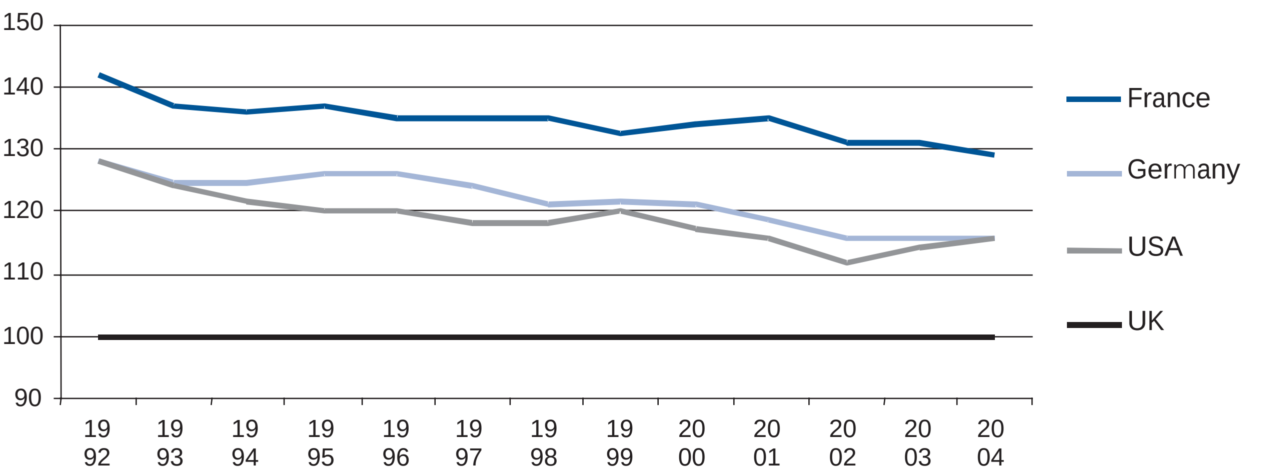


Figure 2.2 **International comparisons of productivity, output per hour worked measure (UK=100)**

GDP per hour worked

Comparison, 1992-2004
Index, UK = 100



Source: ONS

2.5% over the first half of the current cycle (between 1997H1 and 2001Q3).

2.3 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

2.4 Improving the UK's comparative productivity position is a long-term objective. The indicators of productivity performance change slowly and in the short term productivity is influenced by the economic cycle. Productivity performance is likely to be dampened by periods of strong employment growth. Historically, the UK has rarely experienced simultaneously strong employment and productivity growth. Since 1997 the UK has witnessed strong employment growth, alongside productivity growth.

Quality of data systems used

2.5 The ONS provide the data on labour productivity. The data on labour productivity, on both the output per worker and the output per hour worked bases, are classified as 'national statistics'. National statistics is a term applied by the ONS to a data series when it is deemed sufficiently reliable.

2.6 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% of the UK productivity level.

2.7 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 among universities, research institutions and business.

Assessment of Progress: ON COURSE

Current Position

2.8 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

Figure 2.3 **World Citations**

	2002	2003	2004	2006 Target
Share of world citations	11.9%	11.9%	12.2%	11.5%
Share of world citations in each of the 9 broad science disciplines	Top 3 in 7	Top 3 in 7	Top 3[6] in 7	Top 3 in 7 out of 9
Researchers per 1000 workforce	5.8	5.9	N/A	6.3
Citations per £1 of publicly performed R&D	Lead G8	Lead G8	Lead G8	Lead G8
Citations relative to GDP	Lead G8	Lead G8	Lead G8	Lead G8
Citations per researcher	Lead G8	Lead G8	Lead G8	Lead G8

range of twenty-five indicators, across five broad attributes of the science and innovation system[3]. These are set out below:

1. World-class research at the strongest centres of excellence in the UK

2.9 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 base[4]. 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 2004[5].

2. Sustainable and financially robust universities and public research institutes

2.10 These two indicators are currently under development. The Department through the Research Base Funders Forum is working with Higher Education Funding Councils to develop a set of indicators of university sustainability. These 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. The first report will be available in 2006. A parallel project is being undertaken by JM Consulting on behalf of the Department to develop a set of sustainability indicators for Public Sector Research Establishments.

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

2.11 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.

3 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.

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

5 The latest report was published March 2006.

6 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.

Figure 2.4 **Higher Education Business Community Interaction (HEBCI) Survey Indicators**

	2000-1	2001-2	2002-3
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 (£million)	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) (£million)	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

2.12 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.

Figure 2.5 **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.

2.13 In 2004, £13.5billion 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.

2.14 However, R&D, while vital, is only part of the picture. Other innovation, based on the latest innovation survey results[7] show very positive performance. In 2002-04, compared with the 1998-2000 period, business innovation has surged.

2.15 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.

- 28% of business were product (goods and services) innovators, up from 19%
- Of these, 57% had new market innovations, up from 43%
- 19% were process innovators, up from 15%
- 62% were actively investing in innovation, up from 45%
- Of the 12% of businesses who collaborate on innovation, some 35% do so with a university partner up from 34%

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

2.16 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.

Figure 2.6 **Patent grants at the USA Patent Office per million population[8]**

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003[9]	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

7 http://www.dti.gov.uk/iese/Economic_Trends_628.pdf
8 The data are for the inventor's country of origin
9 2003 figures are based on estimated population figures

Figure 2.7 **Table of Indicators**

Indicator	2001	2002	2003
Number of science and engineering students receiving enterprise training	11,143[10]	7,908	N/a
PhDs awarded per 1,000 population	0.24	0.24	N/a

Factors Affecting Performance

2.17 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.

2.18 Since 1999 Government has provided scientists and business with support to work together and drive innovation. This support aims to improve the record in the UK in successfully commercialising research. Over £370million has been allocated from the science budget for knowledge transfer and university-business interaction up until March 2006. Data from the latest HEBCI survey[11], covering the academic year 2002-03 and listed above indicates that these initiatives have made a real and sustained impact.

2.19 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 Scoreboard[12], OECD review of UK[13] and the Department's economics paper no 11[14]) 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

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

- Thomson ISI[15], the world's premier source of information on scientific journal publications and their citations;
- OECD[16], a major source for international R&D statistical analyses.

2.21 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.

10 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
11 http://www.hesa.ac.uk
12 http://www.innovation.gov.uk/rd_scoreboard/index.asp
13 http://www.oecd.org/publications/html
14 http://www.dti.gov.uk/economics/papers.html
15 http://www.isinet.com/
16 http://puck.sourceoecd.org/home.htm

2.22 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 the Department.

2.23 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 Department 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 the Department is currently looking for an alternative measure for this indicator. The indicator for PhD awards comes from OECD Education databases.

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

2.24 **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 due to be carried out in 2006. Other evidence from the Global Competition Review (an external source) suggests that competition enforcement in the UK ranks second in the world, with both competition authorities, the Office of Fair Trading (OFT) and the Competition Commission, in the top five.

2.25 **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 more 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. Analysis of the first complete year of operation of Consumer Direct in Wales, Yorkshire and the Humber, and South West through a survey of Trading Standards Departments suggests that the new service has enabled between 15 and 30% more consumers to access advice compared to the previous year.

2.26 A Department 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, that report has now been published[17]. The second project

17 http://www.olis.oecd.org/olis/2005doc.nsf/43bb6130e5e86e5fc12569fa005d004c/911996b0a67a8e9cc12570dd003bd320/$FILE/JT00196254.PDF

has been commissioned and is considering what makes an effective penalty regime for breaches of consumer protection legislation. As research progresses, understanding of what makes an effective consumer regime will improve.

Factors Affecting Performance

2.27 **Competition:** The Government responded to the OFT market study of care homes for older people[18] on 18 May 2005 and to the study of the property search market[19], on 23 December 2005[20]. Details of Competition Commission investigations are available on their website.[21] Following a review of the merger fees regime, Government announced that it is increasing the fees charged in respect of the regulatory control of mergers with effect from 6 April 2006. (The Government published its response[22] to the consultation on 6 January 2006.)

2.28 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 the Department, OFT and the Competition Commission, to assess the quality of past merger decisions.

2.29 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.

2.30 **Consumers:** The consumer credit Act, which will modernise the framework of consumer credit law received Royal Assent on 30 March. The Consumer Strategy 'A Fair Deal for All[23]' was published in June 2005. This sets out the rationale for world-class consumer policy based on proportionate, risk assessed, evidence based intervention. The key points following extensive consultation, are:

- Complete the national roll out of Consumer Direct;
- Clearer legislation through the introduction of a general duty not to trade unfairly by implementing the Unfair Commercial Practices (UCP) Directive;
- Improving consumer redress by making it easier for consumers to resolve problems by promoting Alternative Dispute Resolution and making provisions to return money from overseas scams to British victims;
- Improving consumer protection by providing funding to support the piloting of specialist Trading Standards Scambuster teams at a regional level.

2.31 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 around thirty laws affected, implementation of the Directive offers potential for simplifying the existing consumer framework in the UK. This is now being examined thoroughly through full

18 http://www2.dti.gov.uk/ccp/topics2/marketreport.htm
19 http://www.oft.gov.uk/News/Press+releases/2005/174-05.htm
20 http://www2.dti.gov.uk/ccp/topics2/propsearch.htm
21 http://www.competition-commission.org.uk/
22 http://www2.dti.gov.uk/ccp/consultpdf/feesgovresponse.pdf
23 http://www.dti.gov.uk/ccp/topics1/pdf1/cstrategy.pdf

consultation. The Directive is due to be transposed by June 2007, with the Department aiming to consult on draft regulations and guidance in autumn 2006.

2.32 On 5 December 2005 the Chancellor published his Pre-Budget Report, announcing plans to set up the Local Better Regulation Office (LBRO), a single body to oversee and support local authority regulatory services within the areas of trading standards and environmental health. This follows on from initial plans to set up the Consumer and Trading Standards Agency (CTSA). The LBRO will focus on reducing the regulatory burden on businesses through promoting intelligence-led, risk-based enforcement. It will coordinate help and support from local enforcers to make compliance easier for businesses, working to minimise the burdens from form filling and inspection.

Quality of Data Systems Used

2.33 **Competition:** The 2004 peer review of competition policy, carried out on behalf of the Department 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 the Department 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 the Department's peer review remains the primary source.

2.34 **Consumer:** The Consumer Direct survey was carried out by IPSOS Public Affairs during July and 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 survey of Trading Standards covered was based on returns compiled by 40 local authorities between October and December 2005, and from case records held on the Consumer Direct database. The survey was designed and commissioned by the Department.

2.35 The OFT consumer awareness survey[24] 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 Department does not fund or input into the design of this survey.

2.36 There is currently no established methodology to compare accurately the UK consumer regime's performance to that of other countries. The Department 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.oft.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 the 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 Fuel Poverty Strategy objective. Joint with DEFRA;
- Ensure the UK remains in the top three most competitive energy markets in the EU and G7.

Assessment of Progress: SLIPPAGE

2.37 Overall the Department remains on course to deliver on the reliability of energy supplies and the competitive energy markets elements of the PSA. The Department will also meet our greenhouse gas emmisions target (which includes emissions of carbon dioxide and other gases implicated in global warming) in line with our Kyoto commitment. However there is slippage against the domestic carbon dioxide emissions target. Recent price increases will make reaching the fuel poverty target more challenging.

Greenhouse gas emissions/ carbon dioxide emissions

Current Position

2.38 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 estimates show that UK greenhouse gas emissions in 2004 have fallen to about 14.6% below 1990 levels. The 2006 climate change programme, published 28 March, took a comprehensive look at all existing abatement measures and proposed

Figure 2.8 **UK greenhouse gas emissions vs. the Kyoto target**

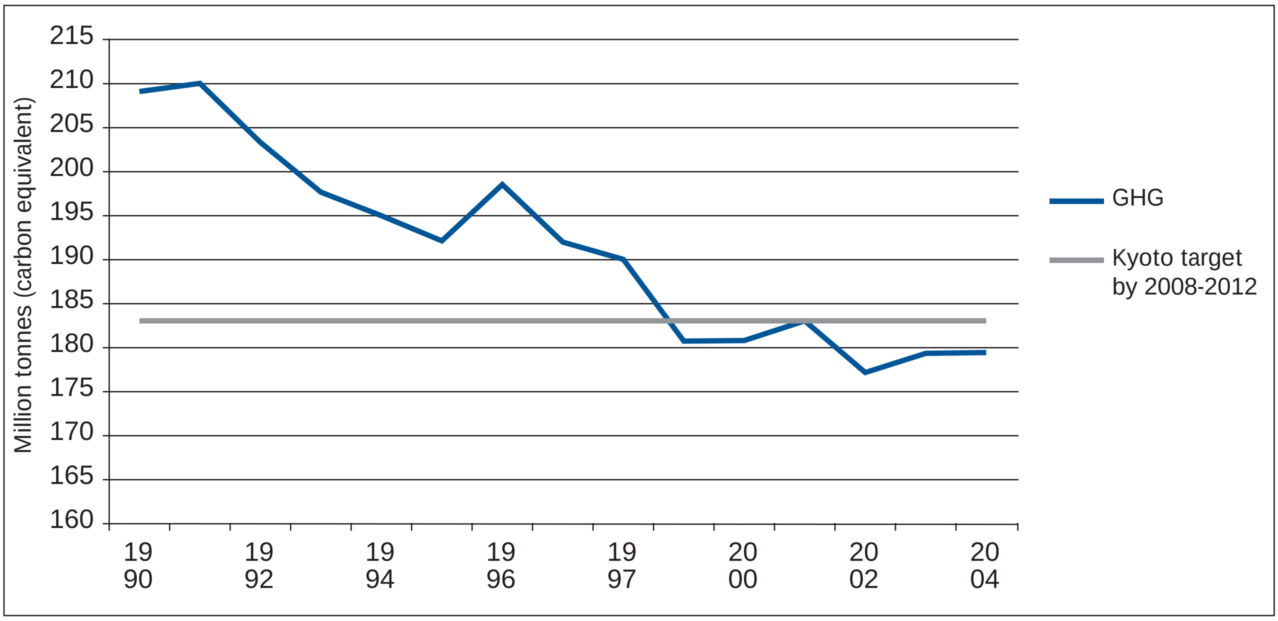
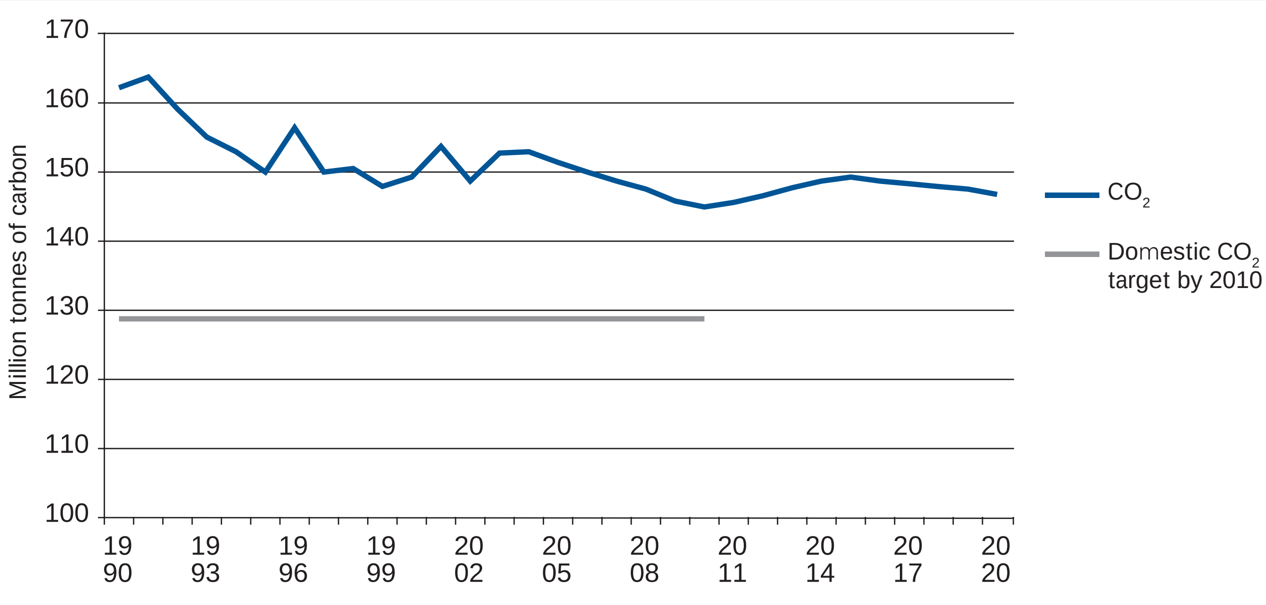


Figure 2.9 **UK carbon emmissions vs. 2010 domestic target**



a number of new measures. The projections in that document suggest greehouse gas emissions could be reduced to between 23%-25% below 1990 levels by 2010.

2.39 In addition to its Kyoto commitment, the UK also has a domestic goal of reducing its carbon dioxide emissions (as opposed to all greenhouse gases) by 20% below 1990 base levels by 2010. More action will be needed in order to meet this target 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, remains challenging. That is one of the key reasons Government is currently undertaking a wide ranging energey review.

2.40 Estimates show that carbon dioxide emissions increased by around 0.5% between 2003 and 2004, mainly due to estimated increases in industrial and transport sector emissions. The latest figures for 2005 show a similar increase since 2004, which may be as a result of fuel switching (to oil and coal) during the cold winter when gas prices were very high. Prior to the 2006 Climate Change Programme, projections, suggest that on the basis of existing policies and measures arising from the 2000 Climate Change Programme, the UK would have reduced emissions to around 10.6% lower than in 1990 by 2010. But when the new measures in the 2006 Climate Change Programme are added to existing measures, the complete package is projected to reduce carbon dioxide emissions to 15-18% below 1990 levels by 2010. The largest single contributor to reductions will be Phase 2 of the EU Emissions Trading Scheme. Details of the allocations and cap are not yet finalised, which accounts for the use of a range , rather than single figure, in the latest projection. This new package of measures (which includes policies spanning a whole range of Departments) will take us much closer to our domestic target and ensure real progress by 2020 towards our longer term goal to 2050. The revised Climate Change Programme is not the final word and there will be further opportunities ahead of 2010 to move us still closer to the target.

2.41 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. The Department is 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.

Factors Affecting Performance

2.42 Overall projections for carbon dioxide emissions have increased. Economic growth is a contributory factor, but changed expectations of fossil fuel prices going forward including for transport emissions, are also contributing. Oil and gas prices have both increased. 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.

2.43 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.

Quality of Data Systems Used

2.44 The National Environmental Technology Centre (NETCEN)[25] publishes an annual inventory on behalf of DEFRA of the historic greenhouse gas emissions in the UK, 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%. Provisional data on carbon dioxide emissions are estimated from energy data and published annually by the Department in Energy Trends in March following the end of the calendar year in question.

2.45 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

2.46 **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 the 2005-06 winter published by Ofgem for consultation. The UK gas market was tight this winter due to the decline of North Sea Gas production and insufficient utilisation of the gas interconnector to the continent. An EC investigation concluded that the lack of liberalised energy markets in Europe was a factor in supplies not reaching the UK. These factors, and higher global fossil fuel prices, have lead to higher spot gas prices.

25 http://www.netcen.co.uk/index.htm
26 http://www.dti.gov.uk/energy/publications/policy/sec_supply_first_report.pdf

2.47 Looking to the medium term 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.

2.48 **Fuel Poverty:** Progress against Government fuel poverty targets is published in an annual report (the UK Fuel Poverty Strategy Fourth Annual Progress Report[27], published April 2006). The number of households in fuel poverty in the UK as a whole fell by around 4.5million in the period 1996-2004, to a level of around 2million in 2004. In England, the number of vulnerable households in fuel poverty fell from around 5million in 1996 to 1million in 2003. 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. Analysis of the overall effects of changes in fuel prices and incomes, excluding consideration of energy efficiency improvements, suggests that the total number of vulnerable households in fuel poverty is likely to rise by around one million households in England between 2004 and 2006, with a proportional rise in figures for the Devolved Administrations.

2.49 **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 report[28] confirms the number one ranking for 2003 for the competitiveness of the UK's energy markets, and indicates preliminary ranking in both gas and electricity markets at top position. Preliminary data[29] for 2004 confirms the position as being maintained.

2.50 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.

2.51 Energy prices have increased in 2005 with domestic electricity prices, including VAT, rising by 9.4% in real terms between Q4 2004 and Q4 2005. Domestic gas prices, including VAT, rose by 14.8% in real terms over the same period. Average industrial electricity prices including the Climate Change Levy (CCL) rose in real terms by 40.3% between Q4 2004 and Q4 2005, while industrial gas prices including CCL rose by 72.1% in real terms over the same period. Indications are that in January 2006, prices in the UK were below the EU median for both domestic electricity and gas prices. For industry, indications are that prices will be above the EU median for all sizebands, except small and medium industrial electricity consumers. However, historically prices to industrial users have been below the

27 http://www.dti.gov.uk/energy/consumers/fuel_poverty/strategy_third_progress_report.pdf
28 http://www.dti.gov.uk/energy/inform/energy_prices/index.shtml
29 http://www.oxera.com/main.aspx

EU median, and right up to October 2005, prices were no higher than the EU median.

2.52 Prices are now rising mainly as a result of increasing wholesale gas prices, higher international coal prices, the recovery of wholesale electricity prices from unsustainably low levels and the introduction of the EU Emissions Trading scheme in 2005. Increases in oil prices are the main factor behind rising gas prices as the two are often contractually linked and increases in the price of gas affect electricity prices as gas is an important part of the UK generation mix. The main factors behind higher oil prices have been: strong growth in global oil demand, particularly (but not exclusively) in China; tight global production and refining capacity; market concerns about the continuity of supplies in key producing countries (e.g. Iraq, Saudi Arabia, Venezuela and Russia); and Hurricane Katrina in late August 2005 and Hurricane Rita in September 2005 forcing the shutdown of much of the Gulf of Mexico's crude output.

Factors Affecting Performance

2.53 **Security of Supply:** In the long 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 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 storage capacity in the UK 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 current Energy Review.

2.54 **Fuel Poverty:** The Department shares responsibility with Defra for this element of the PSA target. The main policy levers, such as Warm Front and the Energy Efficiency Commitment are the responsibility of Defra. While good progress has been made, recent energy price increases threaten our ability to meet Government targets on fuel poverty.

The Department is also taking forward work in the context of the Energy Review on the best way to tackle fuel poverty in light of rising energy prices. The Fuel Poverty Advisory Group in England published its fourth annual report this year, highlighting the need for consideration to be given to the resources needed to tackle fuel poverty, of ways to reduce prices to the most vulnerable households, and the importance of all Government Departments continuing to work together on the issue.

2.55 **Competitiveness/Prices:** There are a number of factors contributing to current energy prices, including the high oil price and tighter gas markets as the UK moves towards becoming a net importer. 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 major gas import projects are coming on–line over the next three years, which should help to mitigate the tightness in supply.

2.56 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.

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

Quality of Data Systems Used

2.58 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 Department's 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 review[30]. Data on competitiveness are measured using a methodology developed with an external contractor, OXERA[31], and peer reviewed by energy market experts.

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

2.59 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

2.60 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.

2.61 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

2.62 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. Government aims to publish a renewed strategy in the first half of 2006, setting out the Government 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

2.63 Comprehensive information on Commercial and Industrial wastes is limited. Figures have been taken from

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

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 website[32].

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

2.64 NB: This PSA target is an evolution of a 2002 Spending Review (SR02) PSA target[33] 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.

2.65 The UK cannot deliver this target alone and relies on its credibility and influence both in the EU (the Commission and other Member States) and with key WTO members. Jointly with DFID and other interested Departments, the Department works through Ministers and officials to build effective relationships with opposite numbers in the EU and internationally, as well as consulting with business and civil society. In 2005 the Department concentrated on the opportunities provided by the UK, EU and G8 Presidencies to work towards a freer and fairer global trading system – focussing on the policies set out in the 2004 White Paper on Trade and Investment, particularly the role of trade in development, and on the recommendations of the Commission for Africa.

2.66 The main lever for meeting the target is the Doha Development Agenda (DDA), being negotiated in the WTO. The WTO Ministerial Conference in Hong Kong in December 2005 delivered enough progress to keep the prospect of concluding the DDA in 2006 alive. This included:

- Agreement on an end date of 2013 for all export subsidies in agriculture;
- Agreement on some issues of interest to Least Developed Countries (LDCs), such as duty and quota free access to developed country markets, cotton and on financial assistance through aid for trade. The establishment of a taskforce on Aid for Trade was agreed at Hong Kong, and a number of countries pledged financial assistance;
- Progress on trade facilitation, with an endorsement of the need to move to focussed drafting early in 2006. This will enable timely conclusion of text-based negotiations on all aspects of the trade facilitation mandate;
- A continuing rise in the number of initial and revised offers tabled on services. Although doubts remain about their quality, the offers provide a basis on which to continue negotiations and Hong Kong provided clear guidance on the objectives for these, alongside a new plurilateral element. Revised offers are due to be tabled in July 2006.

32 http://www.environment-agency.gov.uk/subjects/waste
33 Secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for the UK and developing countries.

2.67 Although agreement on the development package was important, it is not sufficient in itself and needs to be complemented by real trade reforms. There was little discussion on either increasing market access or reducing domestic support in agriculture and there was little real progress made on Non Agricultural Market Access (NAMA). This meant a disappointing outcome overall and means a real challenge – both to conclude the round as the Department had hoped and to meet the deadlines established at Hong Kong, in particular to deliver modalities on agriculture and NAMA by the end of April.

2.68 The Department remains committed to an ambitious and pro-development outcome. With the Commission the Department is working at intensifying bilateral contact to establish parameters of any likely outcome. The Department is engaging with other Member States as well as key WTO members.

2.69 Although significant, commitment to the 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 to deliver increased market access and reduce trade barriers. Progress in these areas has been mixed.

2.70 The Department is continuing to work towards WTO accession for current applicant countries. During the Presidency, the Department worked closely and successfully with the Commission on more advanced WTO accessions, such as Saudi Arabia, to narrow differences within the EU and has been urging applicant countries to take the necessary steps in order for them to meet WTO commitments and obligations that would make accession possible. Saudi Arabia acceded to the WTO in time for them to attend the Ministerial Conference in Hong Kong.

2.71 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 should help increase transparency and improve take-up and that embeds more firmly the principle of sustainable development.

2.72 There has also been 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. The Department and DFID produced a UK position paper on EPAs in March 2005. Since then an influencing strategy has been carried out which has worked well, particularly in encouraging engagement from other Member States. The Department used the UK Presidency of the EU to ensure that there was more and better dialogue on EPAs both with other EU Member States and with the European Commission about the shape these agreements should take through both the formal business of the EU and through informal networks of experts. The Department is now focusing on the 2006 Review of EPAs and consolidating its priorities for the review. These will be used to help influence debate on the Review within the EU over the coming months.

2.73 EU reforms to sugar and bananas regimes agreed in 2005 will erode the traditional preferences enjoyed by some ACP countries. Transitional assistance has been agreed for 2006, and the

Department is working across Government to achieve adequate transitional assistance for those affected for the period 2007-13.

Factors Affecting Performance

2.74 Delivery of this target depends on the actions of the EU (the EU has competence on all European trade issues) – and others, especially WTO Members. The UK contribution depends on its 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.

2.75 The Department actively engages with all parties interested in world trade issues. In particular, its Trade Policy Consultative Forum, chaired by the Minister for Trade, Investment and Foreign Affairs, meets regularly and brings together non Government Organisations (NGOs) including development charities, business associations, trade unions and consumer groups to discuss world trade issues.

2.76 The UK played an important role at the WTO Ministerial Conference in Hong Kong. During the EU Presidency, the UK played a key role in brokering consensus between Member States and in preserving the flexibility for Commissioner Mandelson to negotiate effectively.

2.77 The Department has continued with regular meetings of the Inter-Departmental group, set up to improve planning and operations on the DDA. This includes regular review of risks and contingencies. The Department has also worked across Government through the high-level strategy group, established in 2005, comprising representatives from across Whitehall and UKREP, and covers DDA and non-DDA trade issues. Through both fora, the Department has worked to agree objectives, develop its influencing strategy and ensure targeted and consistent effort.

Quality of Data Systems Used

2.78 This performance assessment 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.

2.79 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

2.80 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

2.81 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

2.82 The Global Entrepreneurship Monitor (GEM) found that between 2001 and 2002, there was a 30% reduction in total entrepreneurial activity (TEA[34]) 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.

2.83 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

2.84 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 6,000 adults in England are interviewed via the telephone by an external 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.

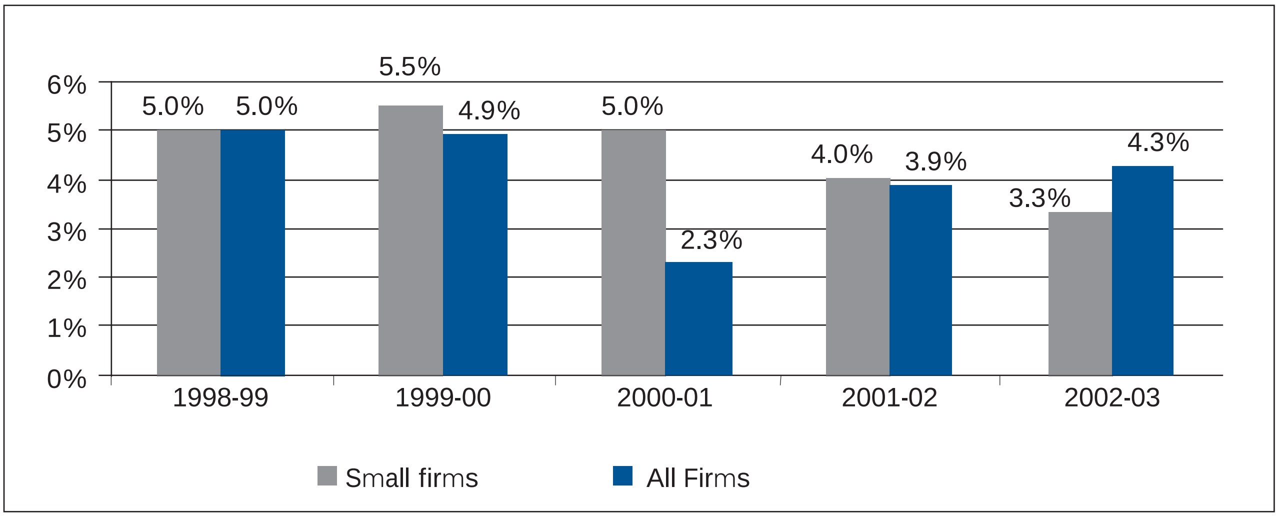
Current position

2.85 For each of the three years 1999-2002, the productivity of small firms[35] 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 summer 2006.

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.

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

Figure 2.10 **Year on year change in Productivity (gross value added per employee)**



Factors Affecting Performance

2.86 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

2.87 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 the 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 variables such as gross value added (GVA) and employees, and indeed the sample is specifically designed to achieve this.[37] As with many large-scale surveys, the processing time involved in such a large survey means that the data are not as timely as we would like. A statistical modernisation programme is currently underway at ONS, which we hope will improve the timeliness of this data.

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

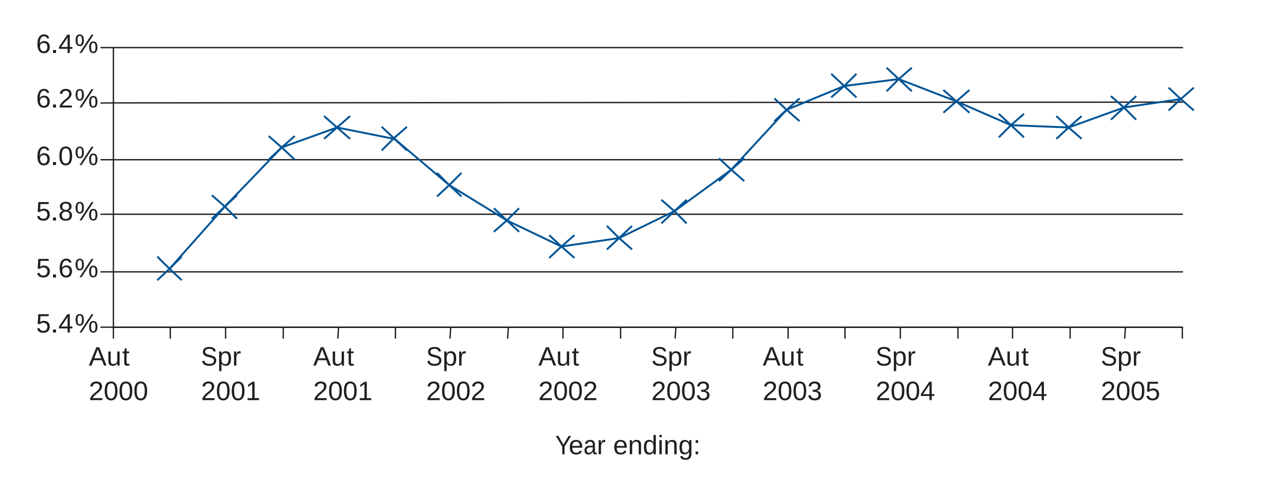
Current Position

2.88 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 summer 2005 are encouraging. In the year ending summer 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.

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

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).

Figure 2.11 **People of working age in the 15% most deprived wards in England: proportion self-employed**



Factors Affecting Performance

2.89 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. Efforts to enable self-employment in deprived areas are underpinned by evidence that self-employment can improve employability however successfully attempted. More significantly, however, it is important in the longer term to stimulate economic development, providing more employment for local people. There has been an increased recognition of the potential role of enterprise in deprived areas 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 8.8% (year ending summer 2001) to 9.4% (year ending summer 2005). This suggests that one of the main reasons for the improvement is an increasing interest in self-employment across the country as a whole.

Quality of Data Systems Used

2.90 The ONS 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 ODPM website[38] describes how these were created for every ward in England and how DETR consulted users over their suitability.

2.91 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

38 www.odpm.gov.uk/indices

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

2.92 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%.

2.93 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.

Factors Affecting Performance

2.94 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.

2.95 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.

Figure 2.12 **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

Quality of Data Systems Used

2.96 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.

Related Target: **CSR98 PSA 4**

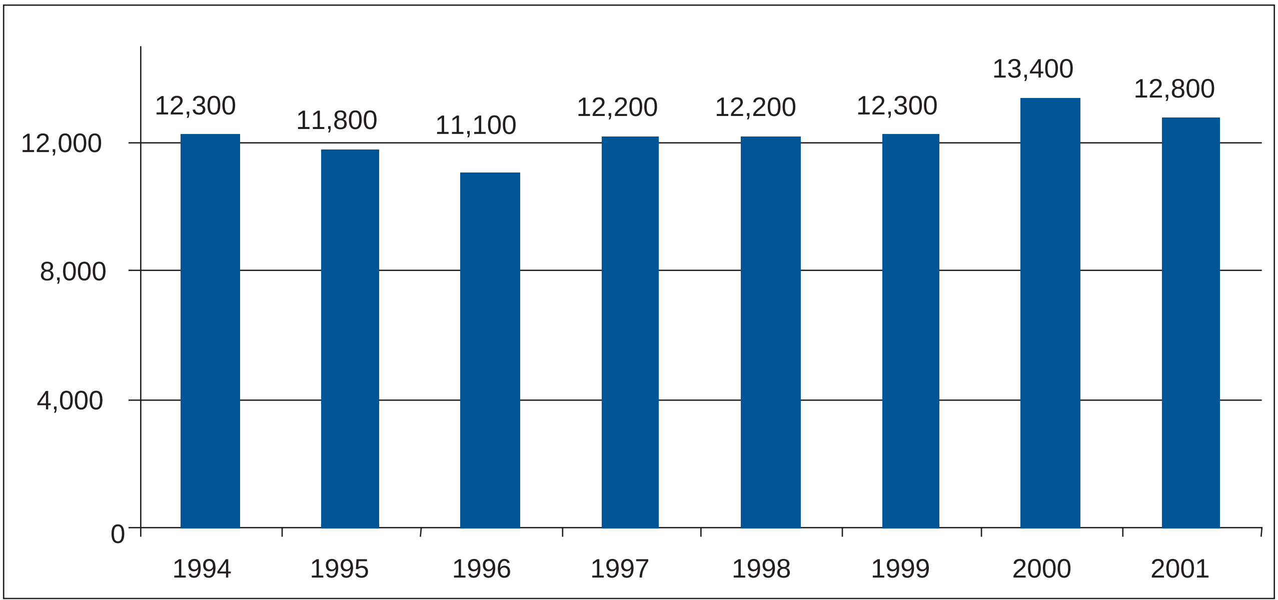
To secure an increase in the number of high growth business start-ups.

Assessment of Progress: ON COURSE

Current Position

2.97 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 1994-01 registrations.

Figure 2.13 **Number of high growth start-ups in the UK by year of Start-up (VAT registration)**



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

Factors Affecting Performance

2.98 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.

2.99 Over the whole period, around 7% of all new VAT registrations became high-growth start-ups. Although the provisional 2001 figure 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.

2.100 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 the Office of the Deputy Prime Minister (ODPM)

Assessment of Progress: ON COURSE

Current Position

2.101 There is emerging evidence of encouraging progress on enhancing regional economic performance and reducing the persistent gap in growth rates between the regions. Regional Gross Value Added (GVA) per capita data show that all English regions grew in 2003 and 2004 and that the poorer performing regions narrowed the gap in growth rates with London, the South East and East. A full assessment of trends in regional economic performance and disparities will be fully determined when the current economic cycle is complete.

2.102 In 2004, the average GVA growth rate per capita for the top three regions was 3.5 per cent compared to 4.6 per cent for the bottom six regions.

2.103 This progress is underpinned by two broad strands. Firstly, the Government has put in place a macroeconomic framework designed to maintain long-term economic stability and help businesses and individuals plan for the future, and secondly, the Government has introduced microeconomic reforms to address the five drivers of productivity (skills, investment, innovation, enterprise and competition) and to encourage people into work by making work pay.

2.104 Progress on narrowing the gap in growth rates between regions has been partly due to strong employment growth in the North. By 2005, the average employment rate for the North, Midlands and South West regions had risen to within 0.5 per cent of the average employment rate for London, South East and East. This compares with a gap of over 2 per cent in 2001. The skills gap between the top three regions and bottom six regions – as measured by the percentage of the working age population trained to National Vocational Qualification Level 2 or above – has also narrowed from 4 per cent in 2001 to 2.7 per cent in 2005.

2.105 As set out in HM Treasury's 2004 Technical Note, the Government will report on performance against the regional economic performance target this year[40].

2.106 The Government has announced a review to feed into the 2007 Comprehensive Spending Review to explore the opportunities for further releasing the economic potential of English regions, cities and localities, and to respond more effectively to the ongoing challenge of tackling pockets of deprivation.

2.107 More information on the targets and baselines used to measure performance of this PSA are available in the technical note[41].

Factors Affecting Performance

2.108 Important measures in 2005-06 to deliver the target by stimulating regional economic performance, improving the regional evidence base that informs policy and increasing regional input into national policy, include:

- reviews by six of the nine English regions, which have refocused their Regional Economic Strategies. The RDAs have worked with regional and local partners to ensure that the reviews result in robust, realistic and evidence based strategies that will help each region make the most of their particular opportunities and respond to their particular challenges;
- indicative regional funding allocations across the inter-related areas of transport, housing and economic development to enable regions to align better their strategies and enhance their input into public spending decisions that affect the regions;
- a programme of transformation for the regional Government Office network, though the *The Review of Government Offices*, which provides for more strategic, streamlined Government Offices to support and challenge regional strategies;[42]
- next steps to strengthen devolution, performance management and accountability in the RDAs, including an independent assessment conducted by the National Audit Office and based on the Initial Performance Assessment (IPA) of the London Development Agency. This will be rolled out from 2005-06;
- publication of *Devolving decision making: 3 – Meeting the regional economic challenge: The importance of cities to regional growth*, which analyses the contribution that cities make to regional economic performance;[43]
- next steps to take forward the Northern Way growth strategy, including new science research centres, skills pilots and transport interventions, and a business plan to implement the £100 million Growth Fund;
- an agreement between the RDAs and the Office for National Statistics to work in partnership to deliver a full regional statistical presence by March 2007, an

40 *Technical Note for the HM Treasury Public Service Agreement (PSA) 2005-2008*, HM Treasury, 2004.
41 http://www.dti.gov.uk/pdfs/psa_7.pdf
42 *Review of Government Offices*, HM Treasury, Office of Deputy Prime Minister, March 2006.
43 *Devolving decision making: 3 – Meeting the regional economic challenge: The importance of cities to regional growth*, HM Treasury, Department for Trade and Industry and Office of Deputy Prime Minister, March 2006.

important step towards implementing Christopher Allsopp's recommendations on improving statistics for regional economic policy; and

- continued input from the RDAs on central Government policy decisions. The RDAs gave advice on rationalising business support; creating links between national and regional frameworks on innovation; and increasing private investment in economic regeneration. Budget 2006 responded in full to this advice, including by announcing that the Government will work with the RDAs and other local and national bodies to reduce the number of business support services from around 3,000 now to no more than 100 by 2010.

Quality of Data Systems Used

2.109 Performance against this target is measured through estimates of the trend rate of growth in GVA per head in each region for the period 2003-08. The gap in growth rates is measured by comparing the average growth rate of regions that currently have above average GVA per head with the average growth rate of regions that currently have below average GVA per head. The regional GVA series is produced by ONS and meets all National Statistics quality criteria. There are 21 PSA indicators, coming from a variety of sources and drawing as far as possible from relevant indicators in other PSA targets, which contribute to regional economic performance. The PSA Steering Group keeps this list of indicators under review, and supplements and amends it where necessary.

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 Foreign and Commonwealth Office (FCO).

Assessment of Progress: ON COURSE

2.110 Responsibility for delivering 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 2006 Annual Report.

Current Position

2.111 **Indicator (i)** At least 40% of new-to-export firms assisted by UK Trade & Investment improve their business performance within two years (on course).[44]

2.112 **Indicator (iii)** At least 50% of established exporters assisted by UK Trade & Investment improve their business performance within two years (on course).[45]

2002 Annual Result	2003 Annual Result	2004 Annual Result	Qtrs 1 – 3 2005-06 (cumulative)
30%	35%	30%	35%

44 This indicator was preciously 30% in the SR02 period. For the SR04 period, reports will be for financial rather than calendar years.
45 This indicator carries over from the SR02 period. For the SR04 period, reports will be for financial rather than calendar years.

2002 Annual Result	2003 Annual Result	2004 Annual Result	Qtrs 1 – 3 2005-06 (cumulative)
52%	43%	43%	57%

2.113 **Indicator (iii)** 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.[46]

2.114 **Indicator (iv)** 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). The UNCTAD World Investment Report, September 2005, confirmed the UK remained the number one inward investment destination in Europe. The UK GDP-adjusted ranking increased from a revised ranking of thirteenth in 2003 to eleventh in 2004.

2.115 **Indicator (v)** 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). 325 successes, ahead of target, were reported at Q3 2005-06 by Posts; final figures will be validated for publication in the July 2006 'UK Inward Investment 2006-07' report. Currently 74% of these are knowledge-driven.

2.116 **SR2002 major overseas project indicator** At least 70% of firms receiving assistance with major overseas projects reporting that the Department's help was a significant factor (on course). Note that this indicator loses its PSA indicator status in April 2006.

46 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.

2002 Annual Result (January 2003 survey)	2003 Annual Result (January 2004 survey)	2004 Results (Survey carried out quarterly during 2004)	2005 Results
58%	61%	Q1 36% Q2 80% Q4 76% Q3 68%	Q1 76% Q3 64% Q2 72% Q4 72%
	Annual result	65%	71%

2.117 Information on factors affecting performance and the quality of data systems used in tracking these indicators, can be found in UK Trade & Investment's Annual Report.

SR04 PSA 9

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

Assessment of Progress: NOT YET ASSESSED

2.118 While the Department has responsibility for the PSA, this is a crosscutting target for which much of the delivery rests with other Government Department's. The role of the Department is to influence successful performance and to provide targeted interventions where risks are identified.

2.119 In moving forward from SR02 to the SR04 delivery period of the Gender Equality PSA, the Department has recognised the need to exert greater leverage in Departments with responsibility for individual targets, which is reflected in the move to a cross-Government Delivery Board. The aims are to develop greater accountability for the targets, to foster a shared understanding of the common goal of the gender equality PSA, and to continue to drive delivery; particularly where there are competing priorities within Departments.

2.120 The Department is working to consolidate its position through Whitehall, and extending its remit beyond (where appropriate to the delivery of targets) such as working with Police Forces to increase reporting of domestic violence incidents. Greater effort has also been made to identify strategic links across the Department through existing business delivery mechanisms, and to influence potential delivery agents such as RDAs.

2.121 The Department will continue to work through the high-level SR04 Delivery Group, particularly over the next six months, to increase its scope across Whitehall, and beyond, as an influencing agent for PSA delivery.

Current Position

2.122 There are nineteen measurable indicators for this PSA target (building on the original twelve under the Gender Equality PSA SR02). Many are new targets reflecting the Minister for Women's priorities. The target has 11 sub-targets, grouped under three headings and 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 note[47].

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

Figure 2.14 **Measures and Outcomes used to assess delivery of SR04 PSA 9 Women's Economoc Participation and Advancment**

Target in 2008	Baseline	Latest out-turn	Assessment
1(i) Flexible Working – Employee awareness			
60%	52% (2003)	65% (April 2005). 2008 target already exceeded.	Ahead
1 (ii) Flexible working – Employer provision			
54%	44% (2003-04)	68% of employers with > 5 employees	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)	34% of large employers have completed (2005). Slower than hoped for.	Still on course
4 (i) Under-represented sectors – Women in Science Engineering and Technology (SET)			
40%	23% (2003)	Latest out-turn: 26% (March 2005). Target rolled over from SR02.	Slippage
4 (ii) Under-represented sectors – Women who are newly self-employed			
Significant increase	32% (2003-04)	34% of all newly self-employed people in the year ending November 2005 were women. The number of self-employed women continues to rise and in autumn 2005, it was 3% higher than a year earlier compared to 0.5% higher for men.	Progress
4 (iii) Under-represented sectors – Women in Information, Technology, Electronics and Communications (ITEC)			
UK matches the best of our competitors	To be agreed when comparable international data is obtained.	First international bench-marking data expected spring 2006. There is a low percentage of women in ITEC internationally and UK share is at a similar level to European competitors	Not yet assessed
5 Apprenticeships – Increase boys and girls at NVQ levels 2 and 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 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

Figure 2.14 Measures and Outcomes used to assess delivery of SR04 PSA 9 Women's Social and Civic Inclusion

Target in 2008	Baseline	Latest out-turn	Assessment
6 Proportion of women on public bodies			
40%	34% (2002)	35% (March 2005)	Slippage
7 (i) Senior civil service (SCS) – Women in SCS			
37%	26.4% (April 2003)	29.1% (April 2005). Remains a significant challenge although percentage of women in the SCS has been rising steadily over last 18 months	On Course
7 (ii) Senior civil service – Women in top management posts			
30%	22.9% (April 2003)	25.5% (April 2005) This includes three women at Perm Sec level. CS well positioned to meet 2008 target.	On Course

Figure 2.14 Measures and Outcomes used to assess delivery of SR04 PSA 9 Women's access to and experience of public service delivery

Target in 2008	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 for July-September 2005 show a 10.7% increase on the March 2004 baseline. PSA target reached.	Ahead
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.	On Course
9. Domestic violence – Increase % of reported incidents, power of arrest/arrests made			
Increase from baseline	58%	First data expected spring 2006. Rolled over from SR02. This indicator is affected by legislative changes. The Department is exploring options with the Home Office.	Not yet assessed.
10. Coverage of second tier pensions for women			
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 public transport use in England for men and women by more than 12% by 2010 from 2000 levels with growth in every English region.	2000-01 – 2004-05 patronage figures show growth of 8%. Six of nine regions are still experiencing decline.	12% target is likely to be achieved, growth in every region looks more doubtful.

Factors Affecting Performance

2.123 There has been a percentage decline of women in ITEC in recent years in many countries. For example a recent USA IT Association study estimated that women working in IT in the USA fell from 40% in 1996 to 32% in 2004. The Department is undertaking up to date international research to benchmark the UK's indicators against competitors. In addition, the Department continues to work with key partners to develop the evidence base and influence the ITEC industry in the UK by promoting the business case for diversity.

2.124 The 2005 Gender Equality Steering Group Event focused on improving the domestic violence indicator through raising awareness of the need for robust reporting systems for individual police forces, as scope exists for real improvements in this area. It also highlighted the requirements of the forthcoming gender duty, which strengthen the case for high quality data provision across the public sector. Although legislative changes have since affected the proxy measure for this target, the need for consistent good quality data remains.

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

2.125 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. Currently five of the twelve indicators are ahead or on course and seven are showing slippage. Targeted interventions have been undertaken in many areas where there is a risk to delivery to stimulate activity. A more detailed explanation of the baselines, targets and measures is available in the technical note[48]. The chart below gives a brief summary of performance.

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

Figure 2.15 **SR02 PSA 9 Performance against targets**

Sub-target	Target	Assessment
1. **Flexible working** *Employee awareness*	56%	Ahead
2. **Flexible working** *Employer provision*	50%	Ahead
3. **Equal pay reviews**	35%	On course
4. **Under-represented sectors** *Women in SET*	40%	Slippage
5. **Under-represented sectors** *Business Link users*	40%	Slippage
6. **Under-represented sectors** *Women in ITEC*	Increase from baseline	Slippage
7. **Public bodies**	40%	Slippage
8. **Senior civil service** *Women in SCS*	35%	Slippage
9. **Senior civil service** *Women in top management posts*	25%	Ahead
10. **Judicial Appointments**	Increase from baseline.	Slippage
11. **Childcare**	250,000 new places	Exceeded
12. **Domestic violence**	Increase from baseline	Slippage

Factors Affecting Performance

2.126 Target 5 is that by 2006, women will account for 40% of customers using Government sponsored business support services. In 2004-05, 31.7% of Business Link customers were women owned businesses up from 29.6% in 2003-04.

2.127 The 2004-05 figure for the appointment of women to the judiciary shows slippage at 31%, however this is still an improvement on the 2002-03 dip to 30.7%. The figure for the six-month period from April 2004 to September 2005 stands at an encouraging 46%. 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.

2.128 Improvements to the appointments system have served to increase the professionalism and transparency of the appointments process. Following last years 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.

2.129 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 Serious and Organised Crime Act, which came into force on the 1 January 2006 affects the proxy indicator used to measure this target.

2.130 Data for 2005-06 and beyond will not be directly comparable to that already collected. Until data from January and February 2006 are analysed, it is unclear exactly how the figures will be affected. The Department is exploring options with the Home Office.

2.131 Statistics show that women studying SET disciplines at Higher Education level are still under-represented in certain disciplines, resulting in a lack of senior women eligible to sit on SET boards. There are also barriers to women reaching senior SET positions even in areas in which at graduate level they are over-represented. This is sometimes 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. As a result, the pool of women who do reach senior positions is small, and the available female board members are invariably overused, sitting on several boards as the female representation.

2.132 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. In January 2006, the UKRC launched their new database, 'Get set Women'. They plan to recruit 2000 women to the database within 18 months. The completed mapping of identified SET boards is a precursor to 'demand side' working with Government bodies and a detailed strategy is being formulated. An increase in female SET graduates to 30.2% in June to August 2005 from 26.3% in 2003 indicates a growing pool of potential candidates. UKRC launched the Return campaign in April 2005 to help women with the full range of experience return to a career in SET.

2.133 As part of this the Returners Package offers high quality information, support and services to skilled women who want to resume careers in SET or the built environment after a break. A feature of the package is the Open University T160 course which is designed to help women regain important SET workplace skills, develop their CVs and have special access to scientific journals via the OU library. Mentoring and networking are also included. in f this package. Links to work experience schemes and direct matching with employer vacancies are the next phase, along with support for employers to create more flexible employment options for returners. Employers can benefit from the campaign by taking up advice on good practice.

2.134 For the women in public bodies indicator, the recently published figures on the Public Bodies Database indicate that some slippage has occurred on this target with the latest out turn being 35%.[49] This suggests that it is unlikely that the majority of Departments will have 40% women appointees this year. For both "Ministerial" and "All" appointments, only four Departments have a percentage of women appointees above 40%. These are the Department for Education and Skills (DFES), the Department for Work and Pensions (DWP) the Home Office and the Department of Health.

2.135 The Cabinet Office will no longer be publishing individual Departmental plans in *Delivering Diversity in Public Appointments*. The Government response to the Tenth Report of the Committee on Standards in Public Life, published in December 2005, accepted in part the recommendation that Departments should publish annual public appointment plans.

49 Cabinet office reported an error with the previous 2004 data submitted by departments, which resulted in an incorrect figure of 37.5% being published. The correct figure for 2004 is 35.9%.

Quality of Data Systems Used

2.136 A number of different data systems are used to measure this target's indicators (both SR02 and SR04). These include surveys carried out by independent bodies on behalf of the Department, such as the Work Life Balance Survey, and statistics collected by other Government Departments, such as the Cabinet Office and the Home Office. The Department has identified limitations in data sources and are actively working with other Government Departments to tackle this through a series of bi-laterals. In particular the Department is consulting with the Home Office to address the impact of legislative changes on meaningful measurement of its domestic violence indicator.

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

2.137 This is a new PSA target that came into effect in April 2005. 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.[50]

Five sub-targets underpin the PSA:

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

2.138 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 autumn 2005 the gap had fallen to 3.7% (see graph opposite). This is encouraging but it is too early to assess whether this is part of a long-term trend. The cause of the fall is a rise in the self-employment rate of under-represented groups (by 0.2%) while the self-employment rate of other groups has remained static.

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

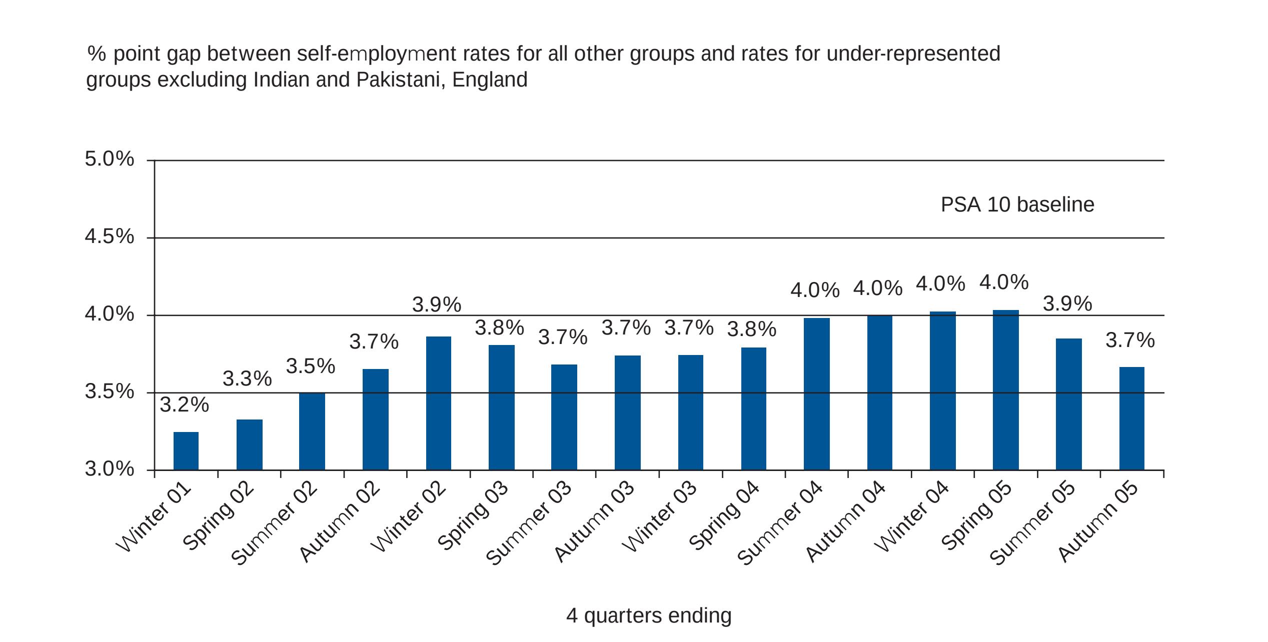
2.139 The baseline will be drawn from the Department's Fair Treatment at Work Survey. Fieldwork completed in in January 2006, with final results published in May 2006. The survey will be carried out every two to three years.

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

2.140 An Index of Labour Market Adaptability (ILMA) is under development by the Department'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

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

Figure 2.16 **% point gap between rates for all groups and rates for under-represented groups excluding Indian and Pakistani**



union flexibility, (iii) supply side flexibility including indicators of labour mobility. A proposed methodology and national time series will be available in the first half of 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.

2.141 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.

2.142 The initial baseline for this target came from a Department 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 2009.

Factors Affecting Performance

2.143 The ethnic minority enterprise data (above) does indicate a 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

2.144 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:

2.145 Fieldwork for the second Information, Awareness and Knowledge of Employment Rights Survey has been completed, and results are due to be published in April 2006. 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.

2.146 EMAR have designed and commissioned a new Fair Treatment at Work Survey. This survey will for the first time provide benchmarks for employees' experience of discrimination at work across all the equality strands. Fieldwork was completed in January 2006, with final results due to be published in May 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.

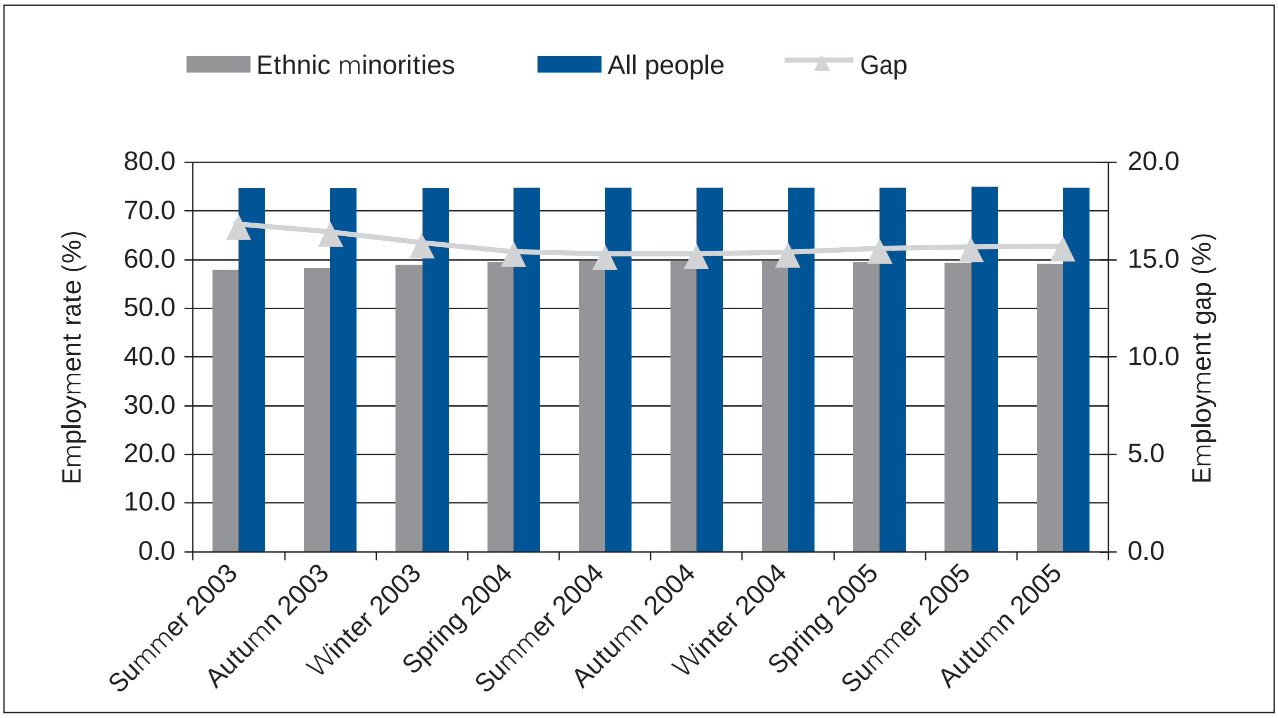
Assessment of Progress: ON COURSE

Current Position

2.147 Latest estimates (the four quarter average to autumn 2005) show an ethnic minority employment rate of 59.1% and a gap against the overall employment rate of 15.7%. 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 employment gap with the overall workforce.

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

Figure 2.17 **Ethnic minoirty employment rates and gap with overall UK rates**



Factors Affecting Performance

2.148 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. The Department'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

2.149 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.

51 http://www.dti.gov.uk/pdfs/psa_11.pdf
52 www.nda.gov.uk

Factors Affecting Performance

2.150 The Nuclear Decommissioning Authority (NDA) came in to 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 note[51].

2.151 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.

2.152 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. 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 are aggregated to produce a UK wide figure that will be updated and published annually on both the Department's and NDA web sites and in respective Annual Reports and Accounts.

2.153 The NDA has set out its timetable and proposals for competing its sites in its draft first Strategy, which is available on its website[52].

Quality of Data Systems Used

2.154 As mentioned above the NDA is a new organisation and as a consequence baseline data is still being refined and defined. Incumbents' data are analysed by the NDA each month, and the NDA has pressed for, and obtained, improvements. If judged appropriate the NDA will subject data to independent audit and verification.

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

2.155 The UK has maintained its position as third in the world as previously measured by the International Benchmarking Survey (IBS) 2004. Overall it is performing very well against the other G8 countries.

2.156 The UK still has one of the fastest growing broadband markets in Europe and has extended its position of first in the G8 for extensiveness, primarily due to the much-improved coverage of DSL across the country which has reached 99.6% of households, with cable and fixed-wireless access bringing the total reach to 99.7%. The UK is anticipated to keep this position over the course of the next year. 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[53].

2.157 The UK maintains its third position overall in the G8 for competitiveness, behind Japan and Canada – pulling away slightly from the USA as prices fall further and has overtaken France as the biggest user of broadband in Europe[54]. Competitiveness is a measure of choice, price and competition.

2.158 A number of operators have announced trials or launches of higher-speed broadband services over the last few months and this suggests that the availability of higher speed services in the UK is set to increase rapidly over the next six months.

2.159 The UK performs well in terms of the availability of 1 and 2Mbit/s services, but is currently not matching the performance of other countries included in Analysis's study in terms of 4 and 8Mbit/s availability. The level of Information and Computer Technology (ICT) use varies considerably between businesses of different size and different economic activity in the UK.

Selling over e-networks

2.160 Sales over other electronic networks by all sizebands are increasing, large, small and micros. In all the proportion selling over other e-networks is higher than the proportion selling over the Internet, with the differences biggest among medium businesses and those with 250-999 employees. The Internet represents a

53 Ovum report 'International Broadband Market Comparisons' Update January 2006
54 Point Topic, Internet Consultancy report. December 2005

growing proportion of sales over electronic networks and this is true for all size bands. All sizebands saw growth in the proportion of businesses selling over the Internet between 2003 and 2004, with micros (from 5% to 6%) and small businesses (from 9% to 12%) showing the smallest percentage point rises. The proportion of medium businesses selling over the Internet rose to 18% (up 6 percentage points), while for businesses with 250-999 employees it reached 23% (up 7 percentage points). Among the largest businesses there was a rise of 4 percentage points to 32%. Although the value of sales over the Internet rose to 81% to £71.1billion in 2004, sales over other electronic networks £198.1billion still remain way ahead.

Purchasing over e-networks

2.161 The value of purchases by UK businesses over the Internet rose to £62.4billion in 2004, up by £24.5billion (64%) from the 2003 level of £37.9billion. Internet purchases accounted for nearly 4.4% of the total purchases by UK businesses in 2004.

e-commerce sales to households

2.162 Internet sales to households not surprisingly dominate, accounting for three-quarters of the value of total e-commerce sales to households in 2003. In 2004, Internet sales to households reached £18.1billion, up from £10.8billion in 2003. This represented a quarter of the total value of Internet sales by UK businesses, down from 27% in 2003 and 30% in 2002.

2.163 The Department 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 further.

2.164 The Department is responsible for laying down the regulatory framework for electronic communications networks and services. The detailed rules, and their implementation and enforcement, are the responsibility of the Office of Communications (OFCOM) – the independent, converged regulator for the communication sector. The Department continues to keep the framework under review, working closely with Ofcom and other stakeholders, and making adjustments as required. Towards the end of 2005 the Department began preparations for the UK's input to the EC Commission's review of the Directives, which lay down the framework for regulation of the electronic networks and services industry, and of radio spectrum, across the EU.

2.165 OECD's Technology and Industry Scoreboard 2005 reported that the UK has strong uptake of ICT and is a leading investor in ICT. In 2003 the share of ICT investment in GDP was almost 3%, compared with less than 2% of GDP in France and Germany. The UK also received a considerable boost to GDP growth from ICT capital over 1995-03, of about 0.65%, which is considerably higher compared to 0.4% or less for France and Germany.

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

2.166 Against a target of £125.1million, the Department achieved an estimated £217million value for money savings in 2004-05. As reported in the 2005 Autumn Performance Report, £69.8million of these savings still require qualification as set out below. This qualifying data are now expected in March 2006. £45.7million of these savings were reported by an OGC central return on procurement spend.

2.167 Against a target of £135.2million for 2005-06, the Department is forecast to achieve value for money savings of at least £145million in-year. The final savings total will not be known until summer 2006 as much of the information is collated from year-end results, some of which comes from the Department's arm's-length bodies. The final in-year results will therefore be reported in the Department's 2006 Autumn Performance Report.

2.168 Due to strong delivery in the first two years of this PSA target the cumulative estimated savings are already ahead of the overall cumulative target. On this basis progress is assessed as being ahead of target. Delivery of value for money savings is based on a basket of indicators. Specifically:

- The Science and Engineering Base value for money savings are slightly ahead of target;
- For the third year, Business Link Operator savings are forecast to have surpassed the target set. Business Link responsibility is now devolved to the RDAs;
- The actual Pay and 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 were below target in 2004-05 (see below).

Factors Affecting Performance

2.169 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

2.170 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.

2.171 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, which is now forecast to be available in March 2006; therefore the figure is subject to revision.

Figure 2.18 **Summery of Performance Against Previous Spending Review Targets Comprehensive Spending Review 1998**

Spending Review 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 paragraph 2.97 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 of 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 end 2000.	**Not Met** – The final assessment of the target was set out in APR 2002.

Figure 2.18 **Summery of Performance Against Previous Spending Review Targets 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 person. (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 CO_2 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 the 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 Department's efficiency programme can be found starting at paragraph 6.26.

Figure 2.18 **Summery of Performance Against Previous Spending Review Targets Spending Review 2002**

Spending Review Target	Performance
1. Demonstrate progress by 2006 on the Government 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 was carried forward in similar terms in SR04 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.	**Slippage** – This target is carried forward in similar terms in SR04 PSA 6.
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.	**Not Met** – Final assessment of the target was set out in the 2005 Departmental Report. Related to the SR04 National Standard.
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.	**On Course** – This target is carried forward in similar terms in SR04 PSA 7
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)	**On Course** – This target is carried forward in similar terms in SR04 PSA 2.
6. Help to build an enterprise society in which small firms of all kinds thrive and achieve theirpotential 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** – This target is carried forward in similar terms in SR04 PSA 2.
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 is carried forward in similar terms in SR04 PSA 4.
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 target is carried forward in similar terms in SR04 PSA 4.

Figure 2.18 **Summery of Performance Against Previous Spending Review Targets Spending Review 2002**

Spending Review Target	Performance
9. By 2006, working with all Departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government objectives on equality and social inclusion.	**On Course** – This target is carried forward in similar terms in SR04 PSA 4
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)	**Partly Met** – Final assessment of the target was set out in the 2005 Departmental Report. Related to SR04 PSA 11.
11. Deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers; and 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 basket of indicators.	**Met** – Final assessment of the target was set out in the 2005 Departmental Report. The current position on the Department's efficiency programme can be found starting at paragraph 6.26.