



Department of Trade and Industry Annual Report and Accounts 2006-07

Including the annual Departmental Report and the
Consolidated Resource Accounts for the year ended
31 March 2007

Presented to Parliament pursuant to the Government
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Foreword



This report records both the performance and the financial situation of the Department of Trade and Industry over the twelve months to March 2007. Alistair Darling served as Secretary of State for Trade and Industry during this period.

This is the DTI's last annual report – it ceased to operate as such on 28 June when the Prime Minister made several changes in the way the Government is organised. This included the creation of a new Department for Business, Enterprise and Regulatory Reform (BERR), which has assumed much of the work of the DTI, and incorporated the work of the Better Regulation Executive, formerly in the Cabinet Office.

We live in a time of massive and rapid economic change. Change that will affect every one of us as individuals and which brings new challenges for British businesses and for our economy. The DTI had a significant role to play in this context; the new BERR will provide new leadership on the challenge of globalisation by developing Britain's world-class competitive business environment.

The DTI's successor Departments inherit from it a strong relationship with business and other groups, committed and experienced staff and a record of success in many policy areas. Achievements in 2006-07 include:

- The Energy Review and Energy White Paper which set out a long term framework for action to address the challenges of climate change and maintaining stable and affordable energy supply;
- A further rise in spending for science and technology announced in this year's Budget from £3.4 billion this year to £3.9 billion in 2010-11;
- Labour market reforms ensuring fairness through new Age Discrimination Regulations and extensions of maternity leave and the right to request flexible working; while at the same time ensuring continued flexibility, for example on the EU Working Time Directive; and
- The Companies Act, which will help ensure Britain remains one of the best places in the world to set up and run a business by simplifying and improving company law.

I am grateful to the many people in the Department and its delivery partners for achieving the outcomes set out in this report. As the first Secretary of State for Business, Enterprise and Regulatory Reform, I look forward to working with them to make the new Department a success.

A handwritten signature in black ink, appearing to read 'John Hutton'.

Rt. Hon. John Hutton MP

Secretary of State for Business, Enterprise and Regulatory Reform

Rhagair



Mae'r adroddiad hwn yn cofnodi perfformiad a sefyllfa ariannol yr Adran Masnach a Diwydiant dros y deuddeng mis hyd at Fawrth 2007. Alistair Darling oedd yr Ysgrifennydd Gwladol dros Fasnach a Diwydiant yn ystod y cyfnod hwnnw.

Dyma adroddiad blynyddol olaf y DTI – peidiodd â gweithredu o dan yr enw hwnnw ar 28 Mehefin pan wnaeth y Prif Weinidog sawl newid yn nhrefn y Llywodraeth. Roedd hyn yn cynnwys creu adran newydd sef yr Adran Busnes, Menter a Diwygio Rheoleiddio (BERR), sydd wedi ysgwyddo llawer o waith y DTI, ac wedi ymgorffori gwaith y Weithrediaeth Gwell Rheoleiddio, a oedd gynt yn Swyddfa'r Cabinet.

Rydym yn byw mewn cyfnod o newid economaidd enfawr a chyflym: newid a fydd yn effeithio ar bob un ohonom fel unigolion ac sy'n dod â heriau newydd i fusnesau Prydain ac i'n heconomi. Roedd gan y DTI ran arwyddocaol i'w chwarae yn y cyddestun hwn; bydd y BERR newydd yn rhoi arweiniad newydd ar her globaleiddio drwy feithrin yr amgylchedd busnes cystadleuol o'r radd flaenaf sydd gan Brydain.

Bydd yr Adrannau a fydd yn olynu'r DTI yn etifeddu perthynas gref â byd busnes a grwpiau eraill, staff ymroddgar a phrofiadol a hanes o lwyddiant mewn llawer o feysydd polisi. Mae cyraeddiadau 2006-07 yn cynnwys:

- Yr Adolygiad Ynni a'r Papur Gwyn ar Ynni a nododd fframwaith hirdymor ar gyfer gweithredu i fynd i'r afael â heriau newid hinsawdd a chynnal cyflenwad ynni sefydlog a fforddiadwy;
- Cynnydd arall yn y gwariant ar wyddoniaeth a thechnoleg a gyhoeddwyd yn y Gyllideb eleni, o £3.4 biliwn eleni i £3.9 biliwn yn 2010-11;
- Diwygio'r farchnad lafur gan sicrhau tegwch drwy Reoliadau newydd ar Wahaniaethu ar Sail Oedran ac estyn absenoldeb mamolaeth a'r hawl i ofyn am weithio'n hyblyg; gan sicrhau hyblygrwydd parhaol ar yr un pryd, er enghraifft ynglŷn â Chyfarwyddeb Amser Gweithio yr Undeb Ewropeaidd; a'r
- Ddeddf Cwmnïau, a fydd yn helpu i sicrhau bod Prydain yn parhau'n un o'r lleoedd gorau yn y byd i sefydlu a rhedeg busnes a hynny drwy symleiddio a gwella'r gyfraith ar gwmnïau.

Rwy'n ddiolchgar i'r nifer fawr o bobl yn yr Adran ac i'w phartneriaid gweithredol am sicrhau'r deilliannau sydd wedi'u nodi yn yr adroddiad hwn. Fel yr Ysgrifennydd Gwladol cyntaf dros Fusnes, Menter a Diwygio Rheoleiddio, rwy'n edrych ymlaen at weithio gyda nhw i sicrhau bod yr Adran newydd yn llwyddiant.



Y Gwir Anrh. John Hutton AS

Yr Ysgrifennydd Gwladol dros Fusnes, Menter a Diwygio Rheoleiddio

About this report

What is this publication about?

1. This document is the last annual report of the Department of Trade and Industry. The Department was succeeded by the new Departments for Business, Enterprise and Regulatory Reform (BERR), and Innovation, Universities and Skills (DIUS) in June 2007. This Report summarises the Department's performance over the year from April 2006 to March 2007, both in terms of achievements against objectives and financial results.
2. Many of the projects and programmes described in this Report are part of a longer-term effort that extends beyond 2006-07. Where this Report describes initiatives or plans extending beyond June 2007, such work is likely to be taken forward by the DTI's successor Departments, and they will report on it in future performance reports.

How is this Report structured?

3. In previous years, central Government Departments published separate Departmental Reports – covering the Department's work over the year – and Resource Accounts – containing the Department's financial accounts. The Report in front of you is a combined publication of both.
4. The structure of the Report reflects the split between performance information and financial information.
5. On performance:
 - **Chapter 1 (Strategic overview)** explains the Department's strategy during the reporting year, as well as the transition from the DTI to its successor departments DIUS and BERR from June 2007.
 - **Chapter 2 (Performance report)** describes performance during 2006-07 against the Department's targets and objectives.
 - **Chapter 3 (The Department)** provides details on how the Department works and how it is organised, as well as information on the agencies and other bodies that form the wider Departmental family.
6. As regards financial information:
 - **Chapter 4 (Introduction to the Department's finances)** explains the difference between the two sets of financials in chapters 5 and 6, and provides a financial review and commentary of the most relevant financial data.

- **Chapter 5 (Resource accounts)** contains the audited accounts 2006-07 for DTI and a number of bodies consolidated with DTI.
- **Chapter 6 (Budgetary spend of the Departmental family)** contains (unaudited) budgetary spend figures for the whole DTI “family” of delivery partners and other associated bodies over a number of years (including looking ahead).

What should you know to help you read this Report?

- 7.** A tabulator bar on the right-hand side of the page facilitates moving from chapter to chapter. The report on the Department’s performance in chapter 2 is kept concise where possible, with notes throughout the text linking to annex B.4 which sets out further reading, source materials and relevant websites. Annex B.1 contains a list of acronyms used throughout the Report, such as “PSAs” (public service agreements).
- 8.** This Report integrates the Department’s performance report and annual accounts, and as a result the structure is somewhat different compared to the separate publications of previous years. Annex B.2 contains a table translating the structure of last year’s reports into this year’s, and may be helpful when comparing the documents.
- 9.** This Report covers the financial year running from April 2006 to March 2007. However, where possible significant events since the end of the financial year up to the beginning of July 2007 are reflected. In particular, section 2.7 (energy) has been updated to cover events up to and including the publication of the Energy White Paper in May 2007.

How can you obtain copies of this Report?

- 10.** This Report is available both as a printed publication, and online on the Department’s website at: {www.dti.gov.uk/about/strategy-objectives/annual-spending/page25111.html}
- 11.** Hardcopies can be obtained from TSO, see contact details on the back cover of this Report. Please quote House of Commons paper number HC 584.
- 12.** This Report can be made available in alternative formats on request.

CHAPTER 1

Strategic overview

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Section 1.1

The DTI and its successor departments

1.1 Britain is a major player in the global economy. Over the years the DTI played a big part in keeping it there, with a wide-ranging portfolio: 2006-07 alone brought the Energy Review (page 88), working for more open and fairer trade through the Doha Development Agenda (page 72), the Companies Act 2006 (page 84) and deciding the future of the Post Office network (page 107). These are issues that impact on everyone's lives – from the price of their gas bills to the future of a nearby post office, from the level of the minimum wage to advice to a budding entrepreneur.

1.2 The global economy is changing at an unprecedented rate presenting profound challenges to all national economies. The twin trends of globalisation and technological change are continually reshaping the environment in which businesses operate, generating ever more intense competition across increasingly global markets.

1.3 But alongside these challenges are significant new opportunities, with the greatest rewards for those nations with the highest levels of innovation and skills and the most dynamic and enterprising business sectors. Ensuring that Britain seizes these new opportunities is key to the future prosperity of us all. To rise to the new global challenges, Britain must continue to develop its world-class competitive business environment as the key to being a dynamic, flexible and competitive economy.

Department for Business, Enterprise and Regulatory Reform (BERR)

1.4 To lead this work, the new Department for Business, Enterprise and Regulatory Reform (BERR) was created on 28 June 2007. The new BERR takes over much of the work of the DTI, and will be responsible for:

- creating the conditions for business success, developing deeper and more effective engagement with business, with the ability to promote the competitiveness agenda across critical areas of Government policy;
- promoting choice and quality for consumers through competition policy and for ensuring an improved quality of life for employees;
- promoting productivity and enterprise across Government and within the EU – a key priority will be its cross-Government role in promoting better regulation across the business, public and voluntary sectors. The Better Regulation Executive has moved to the new BERR to lead that work.

1.5 The Government will be assisted by a new Business Council for Britain in putting in place the right strategy to promote the long-term health of the UK economy. The Council will comprise senior business leaders from a range of sectors, able to provide clear, independent advice on the reform priorities to enable business to compete in the global economy.

1.6 In addition, the new Department has assumed from the DTI policy responsibility for energy, corporate law, and, working closely with the Department for Communities and Local Government, making sustainable improvements in the economic performance of all English regions. BERR will have joint responsibility with the Department for International Development on trade policy, and with the Foreign and Commonwealth Office on trade promotion.

Department for Innovation, Universities and Skills (DIUS)

1.7 In the years ahead, countries will increasingly derive their competitive edge from the speed with which they are able to innovate, building on a world-class research base, creating new products and markets and driving enterprise and efficiency. Seizing these new opportunities will also require a world-class skills base – both through the expansion of high-end graduate skills, but also by raising the skills of the wider adult workforce, including those currently unskilled.

1.8 To ensure that Britain is equipped to meet these challenges a new Department for Innovation, Universities and Skills (DIUS) was formed on 28 June as well. The new DIUS will be responsible for driving forward delivery of the Government’s long-term vision to make Britain one of the best places in the world for science, research and innovation, and to deliver the ambition of a world-class skills base.

1.9 It has therefore assumed responsibility from the DTI for science and innovation – including ensuring world-class research and increased business innovation.

1.10 DIUS has also been given responsibility for ensuring that the UK has the skilled workforce it needs to compete in a global economy. The Department will, therefore, be responsible for the development, funding and performance management of higher education (both teaching and research) and further education, working closely with the Department for Children, Schools and Families. The DIUS will also be responsible for taking forward the Government’s wider skills agenda – including the implementation of Lord Leitch’s “Review of Skills”, published last year.

Section 1.2

The Department's strategy

1.11 This section describes the Department's strategy during the reporting year. Where the DTI's successor departments (BERR and DIUS, see section 1.1) have assumed responsibility from the DTI, they will build on this to develop their strategy on business, enterprise, regulatory reform, innovation, universities and skills.

1.12 The Departmental statement of purpose during the reporting year was:

to create the conditions for business success and help the UK respond to the challenge of globalisation.

Background

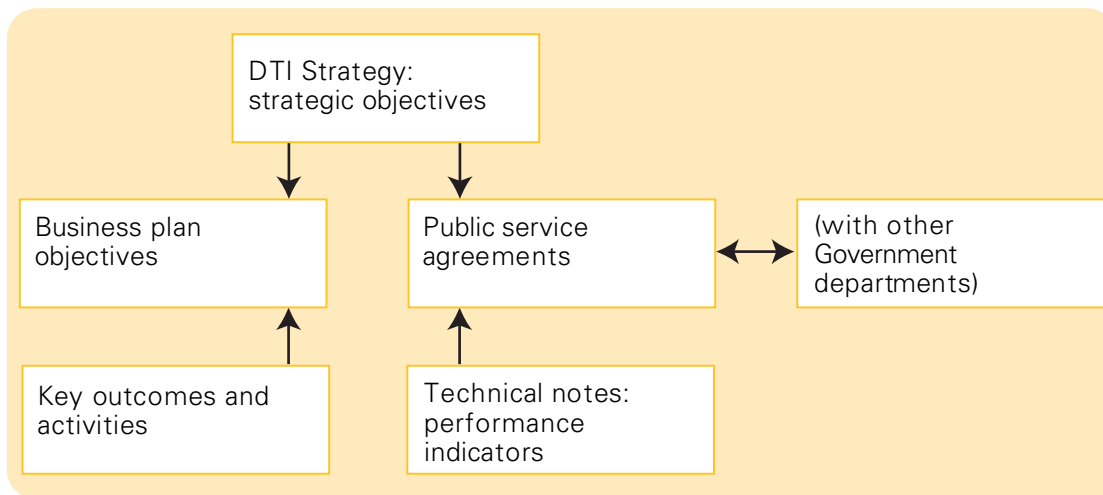
1.13 The UK's domestic policy framework has delivered a recent period of unprecedented growth and stability which, combined with the UK's free and fair markets, has resulted in the UK becoming a magnet for foreign direct investment in both manufacturing and services, and the City occupying a key position in the global financial system. Internationally, the UK is leading work to maximise the gains from globalisation, while at the same time leading the thinking on how best to mitigate the potential transitional costs associated with the changes globalisation brings to patterns of employment and consumption.

1.14 The challenge is to maintain a successful economy against a background of increasing competition, not only from Europe and the US, but particularly from China and India. The UK has made steady progress in reducing the productivity gap with its competitors, against a backdrop of rising employment since 1997 (see page 20). To go further the Government has identified five key drivers – investment, enterprise, innovation, skills and competition – all of which are closely linked to the Department's policies and activities.

1.15 The Department pursued its statement of purpose by focusing on the following strategic objectives:

- promoting world-class science and innovation (see section 2.4);
- supporting successful business (see section 2.5);
- ensuring fair markets (see section 2.6);
- secure and sustainable energy (see section 2.7).

1.16 In addition, the Department managed a portfolio of Government assets and liabilities (see section 2.8).



Implementing the Department's strategy through targets and objectives

1.17 Strategic objectives are turned into specific and, as far as possible, measurable outcomes, through “public service agreements” and “business plan objectives”. See chapter 2 for the substance of the annual report on performance both against public service agreements and business plan objectives for each strategic objective as well as the Department's work on managing assets and liabilities.

1.18 Public service agreements are targets that are agreed across Whitehall for each spending review. The current PSAs are the ones agreed for 2005 to 2008 in the Spending Review 2004. A range of data indicators underpins each PSA and allows performance to be measured. Details on these indicators can be found in technical notes to the PSAs, available on the Department's website.¹

1.19 Business plan objectives are objectives set by the Department to give focus to each of the Department's strategic objectives, as identified above. The set of business plan objectives covered in this Report was formulated in 2005; each year the Department draws up a Business Plan that sets out specific key outcomes and activities to be pursued against each business plan objective. The 2006 Business Plan covers the current reporting year.²

1.20 Public service agreement targets define the key improvements that the public can expect from Departments; the business plan objectives cover the Department's work more comprehensively.