National Audit Office

BRIEFING FOR THE BUSINESS, INNOVATION AND SKILLS COMMITTEE

OCTOBER 2009

Performance of the Department for Business, Enterprise and Regulatory Reform 2008-09

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Performance of the Department for Business, Enterprise and Regulatory Reform 2008-09

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OCTOBER 2009

This document provides briefing for the Select Committee on the performance of the Department for Business, Enterprise and Regulatory Reform (BERR) in the 2008-09 financial year and subsequent months.

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Summary

1 This document provides briefing for the Select Committee on the performance of the Department for Business, Enterprise and Regulatory Reform (BERR) [the Department] in the 2008-09 financial year and subsequent months. The contents of the briefing have been shared with the Department to ensure that the evidence presented is factually accurate.

2 The Department has undergone two Machinery of Government changes during the period covered in this briefing. On 3 October 2008, energy policy responsibility transferred from BERR to the newly created Department of Energy and Climate Change (DECC). On 5 June 2009, BERR and the Department for Innovation, Universities and Skills (DIUS) were merged to form the Department for Business, Innovation and Skills (BIS). The Department's Resource Accounts for 2008-09 have been restated to reflect the first Machinery of Government change such that they represent the position of BERR after the creation of DECC but prior to the creation of BIS. This report analyses the Department's performance over the same period; there is a separate briefing on the performance of DIUS. The financial reporting effects of these changes are discussed further in Part One.

3 This briefing takes as its basis the Department's activities against the Public Service Agreements (PSAs) on which it leads, and against its own Departmental Strategic Objectives (DSOs) as set out in its annual report. To provide an analysis of the Department's performance, we also draw on: relevant findings and recommendations from recent work published by the National Audit Office (outlined at Appendix Seven); other reviews of departmental performance; and evidence from a range of other sources.

4 The Department's annual report has been published at a time of worldwide economic uncertainty. Businesses and consumers are finding it more difficult to access finance, unemployment is rising and both public and private organisations are having to focus on the efficiency of their operations. The Department has emphasised its commitment to support businesses through this period of economic downturn with a range of financial stimulus schemes and support measures as well as ongoing work to ensure the regulatory environment is conducive to a productive business climate.

5 The role of BERR, and now BIS, is to lead Government efforts to help ensure business success in an increasingly competitive world. The Department aims to achieve these goals through its DSOs:

- promoting the creation and growth of business and a strong enterprise economy across all regions;
- ensuring that all government departments and agencies deliver better regulation for the private, public and third sectors;
- delivering free and fair markets with greater competition for businesses, consumers and employees;
- ensuring that Government acts as an effective and intelligent shareholder and provides a source of excellent corporate finance expertise within Government; and
- providing the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered.

6 Many of the Department's responsibilities were delivered through its two executive agencies and 26 non-departmental public bodies (including the Regional Development Agencies). A full list of these delivery partners, including the effects of Machinery of Government changes, is found at Appendix One.

7 This paper comprises three parts:

- Part One: considers the Department's financial performance;
- Part Two: reviews the Department's performance against its Public Service Agreement targets and Departmental Strategic Objectives; and
- Part Three: evaluates the capability of the Department to deliver against its objectives.

The Department's financial performance in 2008-09 – (page 10)

8 The net resource outturn for 2008-09 was £1,504 million, a decrease of £411 million on the restated outturn for 2007-08. This was mainly due to an onerous lease provision of £193 million recognised in 2007-08, which was partly reversed in 2008-09. Compared to the final Estimate the Department had an underspend of £15 million as a result of reductions in a number of provisions and some costs of the newly formed Consumer Focus being realised later than originally foreseen. (Page 11, paragraph 1.6)

9 The Small Firms Loan Guarantee Scheme was previously the Department's main instrument for supporting debt finance for small businesses. The Department includes in its accounts a provision for the expected value of loan defaults under the Scheme. This provision increased to £216 million in 2008-09 from £114 million in 2007-08. The primary reason for this increase is that worsening economic conditions have increased the chances of businesses defaulting on loans underwritten by the Scheme. (Page 13, paragraph 1.11)

10 The Comprehensive Spending Review 2007 (CSR07) challenged the Department to make annual efficiency savings of 3 per cent on its core programme budgets and 5 per cent on its administrative budget. The Department has reported savings of £69.5 million in 2008-09 against a target of £64 million. (Page 12, paragraph 1.9)

11 The Comptroller and Auditor General gave an unqualified opinion on the Department's accounts. (Page 13, paragraph 1.13)

Delivery performance – (page 15)

12 CSR07 set out the Government performance framework for 2008-11. During 2008-09, the Department was responsible for leading delivery against three PSA targets (**Figure 1**). These PSAs consist of 13 component indicators against which performance is assessed on an annual basis. Appendix Two (page 31) shows the Department's evaluation of progress against each indicator of performance. (Page 15, paragraphs 2.2 to 2.6)

Figure 1
CSR07 Public Service Agreements for which the Department is responsible

PSA 1	Raise the productivity of the UK economy – not yet assessed
PSA 6	Deliver the conditions for business success in the UK – some progress
PSA 7	Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions – some progress

13 The CSR07 framework required departments to develop a set of Departmental Strategic Objectives (DSOs) for the period 2008-11. The Department has set itself five DSOs (outlined in paragraph 5) which support delivery of the PSA targets; it reported making strong progress against all five. These DSOs consist of 24 component indicators of performance. Appendix Three (page 32) shows the Department's evaluation of progress against each indicator of performance within these DSOs.

The economy – (Page 16, paragraphs 2.7 to 2.12)

14 This year the work of the Department has been affected by, and responded to, the onset of a global recession. The recession has caused a decline of public and business confidence in the economy, increased unemployment across all English regions and created a difficult environment for businesses wishing to access finance. This contraction of the economy is not restricted to the UK. The Organisation for Economic Co-operation and Development (OECD) projections are that Gross Domestic Product (GDP) will fall in 2009 relative to 2008 across the UK, France, Germany and the US (defined by PSA 1 as the main international competitors).

Business support measures – (Page 19, paragraphs 2.13 to 2.18)

15 The Department has been active in supporting businesses during these difficult economic times. On 14 January 2009, the Secretary of State for Business announced a support package designed to leverage over £20 billion of lending. There are currently six 'emergency' support schemes for business. These schemes will be open for short periods but the liabilities will rest with the Department for many years. Appendix Five (page 35) provides further information on these, and a £2.6 billion financial support scheme offered by HMRC in response to the current financial climate. By the end of the financial year, with the exception of the Enterprise Finance Guarantee, no expenditure was made by the new BERR schemes.

Trade Support – (Page 20, paragraphs 2.19 to 2.22)

16 UK Trade & Investment (UKTI) has the lead role within Government for delivering trade development and inward investment services for business. The NAO published a report on UKTI in April 2009 evaluating support for UK exporters. We found that three years into its five-year strategy to deliver improved support to UK exporters, it is close to meeting most of its performance targets. It lacks, however, sufficiently robust measures of the costs of delivering specific services. We recommended that an improved cost model should be developed by UKTI in order to determine accurately the costs of delivering its individual services.

Regulation and regulatory reform – (Page 21, paragraphs 2.23 to 2.28)

17 The latest World Economic Forum Global Competitiveness Report (October 2008) ranks the UK as 12th on its Global Competitiveness Index; down from 9th. One thing businesses cite as reducing competitiveness is regulatory burdens. The Department continues to be committed to reducing these burdens and has reported improvement in doing so: as at December 2008, 240 measures to simplify regulation had been implemented across Government resulting in estimated net savings of £1.9 billion annually. Against its own Departmental target to deliver a net reduction of 25 per cent by 2010 in administrative burdens imposed on businesses by BERR regulations, the Department reports net savings of 17 per cent by April 2009.

18 In October 2008 the NAO reported on the Administrative Burdens Reduction Programme. We noted that the Programme had provided impetus across departments to reduce burdens and that targets had produced a stronger incentive to deliver. We found that initiatives to reduce the burdens of complying with regulations had helped improve business perceptions of the Government's approach to regulation. Of the 2,000 businesses surveyed, 46 per cent thought regulation was fair and proportionate, compared to 39 per cent in 2007. Only 1 per cent of businesses, however, believed that complying with regulation had become less time consuming, and 40 per cent said it had become more time consuming.

Corporate finance expertise and advice – (Page 23, paragraphs 2.29 to 2.32)

19 The Department incorporates the work of the Shareholder Executive (the Executive) whose role it is to improve the Government's performance as a shareholder in businesses. As at September 2009 the Executive had a portfolio of 29 businesses and is responsible to 12 departments. With the nationalisation of Northern Rock and Bradford & Bingley, the work of the Executive has expanded to include an advisory role to HM Treasury in relation to some of the issues raised by the banking crisis.

Management of Royal Mail and the Post Office network – (Page 23, paragraphs 2.33 to 2.39)

20 The Department commissioned the Hooper Review of developments in the UK postal services market that was published in December 2008. This highlighted the need for significant changes to the postal market and Royal Mail in terms of regulatory reform, resolving the pension deficit and bringing in a strategic partner. The review recommended that Royal Mail should form a strategic partnership with one or more private sector companies with demonstrable experience of transforming a major business. The pension deficit, which was estimated to be £5.9 billion, was identified as a barrier to attracting external investment.

21 The NAO published a report on the Department's oversight of the Post Office Network Change Programme in June 2009. The aim of this programme was to reduce losses made by the network and place the company on a sounder financial footing by creating a sustainable network. We found that the programme had largely met its targets and complied with the undertakings given by the Department though the implementation of some of the new Outreach services, such as mobile post offices, was behind schedule. Overall the programme is forecast to be delivered £15 million under-budget, and will deliver savings of £45 million a year. At 31 March 2009, 2,383 of the 2,435 planned closures had taken place, while 433 of the planned 500 Outreach services were open.

Department Capability – (page 26)

22 In December 2008 the Cabinet Office published a follow-up Capability Review on the Department. This found that the Department had made significant progress in addressing the findings of the 2006 DTI Capability Review. Amongst the 14 Departments subject to a second stage Capability Review, BERR was ranked fifth overall. (Page 26, paragraph 3.3)

23 In 2008 the Office of Government Commerce (OGC) undertook a procurement review of the Department. Compared to other departments BERR had a relatively small procurement spend with external suppliers of some £300 million per year and a correspondingly small procurement team. The reviewers found that the Department did not take a leadership role on procurement across its delivery partners and felt significant value for money gains could be obtained from more proactive leadership. (Page 27, paragraph 3.7)

24 A staff survey was conducted in October 2008 to inform senior management of the staff's thoughts on what it is like to work for the Department, and views on leadership and management. The Department reports that the staff have a clear sense of purpose and that 43 of the 71 attitudinal questions show a statistical improvement on the 2007 survey and the results exceed central Government averages across all but two of the 34 benchmarks. (Page 28, paragraph 3.9)

Part One

Financial Performance in 2008-09

1.1 This Part examines the Department's financial management and performance in 2008-09 and the extent to which this has allowed the Department to deliver its aims.

Overview of financial performance

1.2 Chapter 4, Section 4.4 of the Annual Report provides a detailed commentary on the financial performance of the Department in the context of the Resource Accounts. The key features are noted below.

1.3 On 3 October 2008, the Department's Energy Group and associated delivery partners were transferred to the newly created Department of Energy and Climate Change (DECC). As the Department no longer had to incur expenses relating to energy policy matters, BERR's 2008-09 budget was reduced by £5.5 billion from £7.7 billion to £2.2 billion.

1.4 In order to present a like-for-like comparison the Department restated its 2007-08 net operating costs (shown in **Figure 2**) to exclude energy policy related expenses. The result was a reduction of £1.9 billion in 2007-08 net operating costs. This was primarily a result of the transfer of income and expenditure relating to the Nuclear Decommissioning Authority. The impact on the balance sheet was a reduction in net assets as at 1 April 2008 of £0.8 billion to £2.0 billion. The decrease in net assets resulted from the transfer of the investments and liabilities relating to Coal Pensions and the transfer of British Energy contractual historic fuel liabilities.

1.5 One practical implication of the Machinery of Government change is the challenge it causes the Department in determining the cash required to fund its ongoing activities. It had an Estimate for 2008-09 of £2,463 million, whereas the eventual outturn was £1,475 million. The underspend of £988 million was mainly due to:

a a decrease in debtors, rather than a forecast increase. This was caused by the Department settling transactions which were related to the work of DECC, which then repaid the Department earlier than expected; and

b a lower than estimated cash requirement for the Post Office working capital loan – the estimate was £610 million while outturns for 2008-09 meant that only £197 million of this was required at year end.

1.6 The net resource outturn for 2008-09 (as shown in the Statement of Parliamentary Supply) was £1,504 million. This represents a decrease of £411 million compared to the restated outturn for 2007-08. The decrease was primarily due to an onerous lease provision recognised in 2007-08, which added £193 million to the expenditure in that year. This lease provision arose because the Department has determined that two of its buildings are surplus to operating requirements though the leases do not expire for several years. It is sub-letting both buildings, but does not expect to recover its full costs.[1] A provision has been created equal to the Departments costs less its income from tenants. In 2008-09 a reduction in the overall level of the provision has been made to reflect: the reduction in costs arising under some of the leases due to the economic climate; an increase in income during 2009-10 due to the extension of existing tenancy arrangements; and that the Department is one year closer to lease expiry.

1.7 The consolidated Department's Operating Cost Statement shows net administration costs in 2008-09 totalled £221 million (2007-08 restated £439 million), while net programme costs were £886 million (2007-08 restated £1,144 million). The year on year reduction in the reported net administration costs was primarily due to the onerous lease provision (see paragraph 1.6) and the reduction in the net programme costs was primarily due to a higher British Nuclear Fuels plc dividend income in 2008-09.

Figure 2
Net Operating Costs by Departmental Strategic Objective

Objective	Gross costs £ 000	2008-09 Income £ 000	Net costs £ 000	2007-08 Net costs £ 000
1 Promoting the creation and growth of business	2,597,213	(1,793,623)	803,590	636,388[1]
2 Ensuring better regulation	11,385	–	11,385	9,139
3 Delivering free and fair markets	891,401	(205,546)	685,855	428,532[2]
4 Ensuring that Government acts as an effective shareholder	188,805	(684,278)	(495,473)	176,525[3]
5 Professional support, capability and infrastructure	129,320	(27,932)	101,388	332,437[4]
Net operating costs	**3,818,124**	**(2,711,379)**	**1,106,745**	**1,583,021**

Source: Department for Business, Enterprise and Regulatory Reform Annual Report and Accounts 2008-09

NOTES
The following explain the changes in net costs between 2007-08 and 2008-09
1 an increase in the Small Firms Loan Guarantee provision (see paragraph 1.11).
2 increases in Redundancy Payments Service payments. The Department is responsible for approval and processing of claims under the RPS which is financed by the National Insurance Fund. It covers statutory payments to employees where the employer has become insolvent.
3 increased British Nuclear Fuels plc (BNFL) dividend income and a higher cost of capital credit across both BNFL and Royal Mail Group.
4 a decrease in the onerous lease provision (see paragraph 1.6).

1 One of the tenants is the National Audit Office which has contracted with the Department to lease, at a market value rent, 151 Buckingham Palace Road until 2009-10.

1.8 The consolidated Department's total net assets at 31 March 2009 were £2,018 million, a decrease of £28 million compared to the restated position at 31 March 2008. The most significant assets in the Balance Sheet are the Launch Investments[2] and the loans and investment in Royal Mail, in total amounting to £2.9 billion. In terms of liabilities, creditors amount to £1.9 billion. The majority of this is a creditor of £977 million owed to the Consolidated Fund as a result of the underspend in net cash requirement explained in paragraph 1.5. There is a further liability balance of £257 million representing financial guarantees provided by the Department consisting mainly of amounts in relation to the Small Firms Loan Guarantee Scheme (see paragraph 1.10). Finally, the provisions balance is £497 million, consisting of:

a restructuring and decommissioning provisions held with United Kingdom Atomic Energy Authority (£181 million);

b the onerous lease provision (£147 million), explained in paragraph 1.6;

c the British Shipbuilders provision, which provides for liabilities arising from personal injury to former employees resulting from exposure to asbestos during the course of their work (£118 million); and

d various other smaller provisions outlined on page 134 of the Annual Report.

Efficiency Savings

1.9 During the Comprehensive Spending Review 2007 (CSR07) covering the period to 31 March 2011, the Department was set annual efficiency targets of a 3 per cent reduction on its core programme budgets and 5 per cent on its administrative budget. The cash amount of these targets was revised to reflect the creation of DECC. In 2008-09 the Department reported efficiency savings of £69.5 million against this revised target of £64 million. Examples of reported efficiency savings are:

- £14.6 million delivered through outsourcing pensions administration, centralising back-office functions, optimising use of buildings and e-enabling research functions;
- £14.5 million saved at the Insolvency Service, of which £10 million was achieved by moving investigation work to a fee based system; and
- £9.6 million saved by exiting the Support to Implement Best Practice scheme, a business support scheme.[3]

The NAO has not verified these savings. The Department estimates it will need to deliver cumulative efficiencies of £93 million by 2009-10 and £148 million by 2010-11 (revised upwards from £121 million following an announcement in Budget 2009), in order to meet targets. The Department forecasts future savings of some £92 million by exiting business support legacy schemes; further efficiencies from delivery partners such as the Insolvency Service, ACAS and the Competition Commission; and further administration savings from the improved use of accommodation and Information and Communication Technology (ICT).

2 The Department provides support to the aerospace industry in the form of investments in the development of aerospace products covered by the Department's portfolio of Launch Investment contracts.

3 The Department's annual report provides no further information on this saving.

Support for small and medium enterprises

1.10 Between January and April 2009 the Government announced a series of six 'emergency' support schemes for business. Part Two and Appendix Five provide further information on these schemes. The Small Firms Loan Guarantee Scheme (SFLG) was previously the Department's main instrument for supporting debt finance for small businesses. It was replaced by the Enterprise Finance Guarantee (EFG). The other five schemes are referenced as post balance sheet events as no expenditure or commitments were made by the end of the financial year.[4]

1.11 The Department includes in its accounts a provision for the expected value of loan defaults under the SFLG scheme. This provision increased to £216 million in 2008-09 from £114 million in 2007-08. The primary reason for this increase is that worsening economic conditions have increased the chances of businesses defaulting on loans underwritten by the Scheme. The value of the provision is also affected by the Departments improving forecasting model which, over time, has access to more information.

Post Offices

1.12 The Government has provided support to the Post Office network through: an annual subsidy payment of £150 million which is part of up to £1.7 billion investment to support some 7,500 non-commercial branches; and additional payments of £77 million and £75 million to help cover losses as the Post Office Group implemented its transformation plan. It set Post Office Ltd a target of up to 2,500 closures. At 31 March 2009, 2,383 out of a planned 2,435 had been completed. Post Office Ltd is on target to achieve £45 million in annual cost savings as part of its overall target to deliver £298 million of annual cost savings by 2010-11.

Production of Resource Accounts

1.13 The Department's Resource Accounts are audited by the National Audit Office in accordance with International Auditing Standards, on behalf of the Comptroller and Auditor General who is appointed as the statutory auditor under the Government Resources and Accounts Act 2000. The Comptroller and Auditor General was able to give an unqualified audit opinion.

BERR Departmental Group – Other Accounts

1.14 With regard to other accounts of the Department and its agencies and NDPBs, all met the accounts preparation and audit timetables and were laid in Parliament before the summer recess deadline. With one exception the Comptroller and Auditor General was able to issue unqualified audit opinions: in July 2009 the Department's 2008-09 combined Resource Accounts for the United Kingdom Atomic Energy Authority (UKAEA) Pension Schemes were qualified on regularity grounds.

4 Note 39 to the Accounts, page 205, BERR Annual Report 2008-09.

1.15 The qualification of the UKAEA Pension Schemes accounts is the second in as many years; for 2008-09 Parliament authorised a net resource requirement of £280 million in the Appropriations Act and the actual net resource expenditure was £286 million and thus the authorised limit was exceeded by £6.4 million. This is a similar qualification to that in 2007-08, which was due to shortcomings in recording and monitoring, and resulted in an understatement of the net cash requirement by £5.78 million.

1.16 To address these issues the Department intends to further strengthen its sponsorship role of the Pension Schemes by appointing a lead in the Central Finance Team, who will liaise with all parties involved in managing the financial aspects of the Schemes.

Looking Ahead

1.17 The March 2007 Budget confirmed the Government's intention to introduce International Financial Reporting Standards (IFRS) to the public sector. The transition from UK Accounting Standards to IFRS requires changes in accounting treatments in a number of areas and represents the biggest change to UK Public Sector financial reporting since the introduction of resource accounting.

1.18 The Department is required to state 2008-09 comparative figures in their 2009-10 financial statements. As part of the preparation process, the Department produced a restated Balance Sheet as at 1 April 2008 which was presented to the NAO for audit within the required deadline. The Department based the IFRS restated Balance Sheet as at 1 April 2008 on the Balance Sheet that existed for BERR prior to the Machinery of Government changes announced on 3 October 2008 as agreed with the NAO. The new Department aims to produce Resource Accounts that present BERR and DIUS as a single organisation by 31 December 2009.

Part Two

Delivery Performance

2.1 This Part examines the Department's performance in 2008-09 against its Public Service Agreement (PSA) targets.

Performance management

2.2 The Comprehensive Spending Review 2007 (CSR07) set out the Government performance framework for 2008-11. During 2008-09, the Department was responsible for leading delivery against three PSA targets covering: productivity in the UK economy; conditions for business success; and economic performance of the regions. The Department has not yet assessed progress against its productivity PSA as the data is not yet available; it has reported making some progress against the other two targets. These PSAs consist of 13 component indicators against which performance is assessed on an annual basis. Appendix Two shows the Department's evaluation of progress against each indicator of performance within these PSAs.

2.3 The Department is still responsible for reporting progress against two PSAs from the previous spending review (SR04), which covered the period 2005-08. A final assessment has not yet been made for these PSAs due to time lags in the availability of data. Appendix Four provides a comparison of the Department's assessment of progress in 2008-09 compared to 2007-08 for the SR04 PSAs.

2.4 The CSR07 framework required departments to develop a set of Departmental Strategic Objectives (DSOs) for the period 2008-11. The Department has set itself five[5] DSOs which support delivery of the PSA targets; it reported making strong progress against all five. These DSOs consist of 24 component indicators of performance. Appendix Three shows the Department's evaluation of progress against each indicator of performance within these DSOs.

5 At the start of 2008-09 the Department had seven DSOs. On the creation of the Department of Energy and Climate Change (DECC) two of these DSOs relating to energy were transferred to DECC. In this report we do not assess progress made against these two DSOs for which the Department is no longer responsible.

2.5 For the purpose of this report we have drawn out the underlying themes of the PSAs and DSOs and present a commentary of the Department's activities against each:

- The economy
- Business support measures
- Trade support
- Regulation and regulatory reform
- Corporate finance expertise and advice
- Management of Royal Mail and the Post Office network

2.6 When assessing the performance of the Department, it is important to take into account all factors which affect its ability to deliver against its objectives, particularly the onset of a global financial downturn.

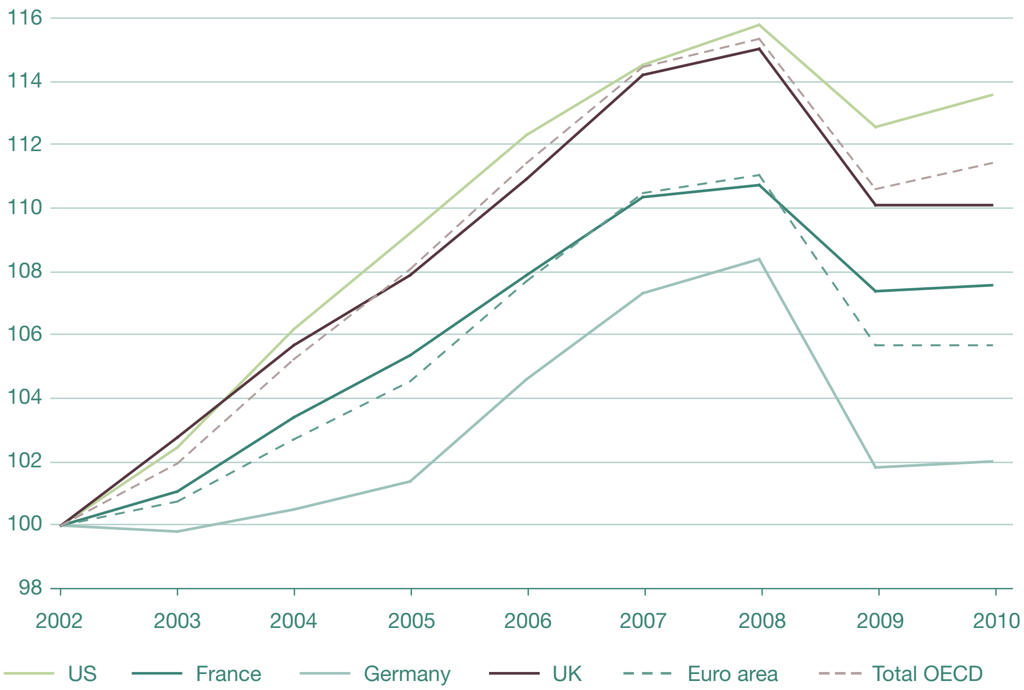
The economy

2.7 This year the Department has responded to the onset of a global recession. The recession has caused a decline of public and business confidence in the economy, increased unemployment and created a difficult environment for businesses wishing to access finance. The UK economy experienced almost 16 years of unbroken Gross Domestic Product (GDP) growth up to the second quarter of 2008.

2.8 The contraction of the economy is not restricted to the UK. OECD projections are that GDP will fall in 2009 relative to 2008 across some the UK's leading international competitors but by a lower margin in the UK than in Germany (**Figure 3**). GDP is predicted to recover for the US, Germany and France in 2010, while it will remain stable in the UK.

2.9 The long term trend for UK employment over the last three decades has been upwards, with reductions in recession periods. The employment rate for England reached a peak in the third quarter of 2000 at 75.3 per cent and fluctuated around this point until Spring 2008 before falling back to 73 per cent in the second quarter of 2009. **Figure 4** shows that for the period April to June 2009, both the level of employment and the employment rate have fallen in all English regions compared to the period January to March 2008.

Figure 3
Real Gross Domestic Product changes with year 2002 as the baseline



Source: OECD Economic Outlook Report (June 2009)

Figure 4
Change in regional employment rates for the period April – June 2009 relative to the period January – March 2008 (seasonally adjusted)

Region	Age 16+ Change in employment level (thousands)	Age 16 - 59/64 Change in employment rate[1] (percentage points)
North East	-51	-3.1
North West	-49	-1.4
Yorkshire & the Humber	-74	-2.8
East Midlands	-11	-1.2
West Midlands	-97	-3.1
East	-11	-0.9
London	-78	-2.2
South East	-73	-2.2
South West	-43	-2.4
England	**-485**	**-2.1**

Source: ONS' Labour Force Survey

NOTE
1 Calculated as percentage of women aged 16 to 59 and men aged 16 to 64 who are in employment.

2.10 An ONS Report[6] found that redundancy and employment levels were slower to react to the recession than vacancy and claimant levels. It believes that firms reacted to restricted credit and economic forecasts by scaling back recruitment. ONS statistics published for the UK in August 2009 showed that:

- the total number of people in employment for the three months to June 2009 was 28.93 million, down 573,000 over the year;
- the number of unemployed[7] for the three months to June 2009 increased by 750,000 over the year, to reach 2.43 million;
- the claimant count[8] reached 1.58 million in July 2009, up 709,000 over the year;
- the number of redundancies[9] in the three months to June 2009 was 277,000, up 150,000 over the year;
- there were 427,000 job vacancies[10] in the three months to July 2009, down 203,000 over the year; and
- the number of economically inactive[11] people of working age for the three months to June 2009 rose by 83,000 over the year to reach 7.95 million suggesting that individuals are withdrawing from the labour market.

2.11 The Department monitors regional employment rates, and has set the Regional Development Agencies (RDAs) a Tasking Framework containing five delivery targets (see **Figure 5**) including job creation. The Department has reported an improvement in regional employment rates against the baseline period of 1992-2002 and, on the broader Framework targets, a BERR commissioned report published in March 2009[12] found that between 2002-07 RDAs collectively exceeded their targets, while individual RDAs have achieved their annual targets for each of the outputs on over 90 per cent of occasions. We are not aware of any evaluation of performance based on data published since the onset of the recession.

2.12 In March 2009 the NAO reported on the progress of the Office of Fair Trading (OFT) in maintaining competition in markets.[13] We found that the OFT has improved its operations since our last report in 2005. It has better directed its work to areas that have the most impact and refocused on high priority cases. Through better project management and more flexible ways of working, the time taken to process high profile

6 The impact of the recession on the Labour Market (14 May 2009).
7 Unemployed people are:
- without a job, want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks; or
- out of work, have found a job and are waiting to start in the next two weeks.

8 The number of people claiming unemployment-related benefits.
9 The number of people, whether working or not working, who had been made redundant or had taken voluntary redundancy.
10 Positions for which employers are actively seeking recruits from outside their business or organisation.
11 People who are neither in employment nor unemployed. This includes those who want a job but have not been seeking work in the last four weeks, those who want a job and are seeking work but not available to start work, and those who do not want a job.
12 Department for Business, Enterprise & Regulatory Reform: Impact of RDA spending – National Report – Volume 1 – Main Report (March 2009).
13 NAO Report HC 127 – Progress Report on Maintaining Competition in Markets (5 March 2009).

Figure 5

Comparison of RDAs' performance against targets of the Tasking Framework 2002–07

	Targets set by DTI/BERR	Achieved RDA gross outputs reported to DTI/BERR	Number of times when targets met by RDAs
Jobs created / safeguarded	381,041	502,174	42 out of 45
Businesses created	39,852	56,785	42 out of 45
Brownfield land redeveloped (ha)	4,781	5,657	43 out of 45
People assisted in skills development	757,584	1,270,406	44 out of 45
Funding levered (£m)	3,970	5,711	34 out of 36[1]

Source: BERR: Impact of RDA spending – National Report – Volume 1 – Main Report (March 2009)

NOTE
1 Data for funding levered targets and outputs were not available for the year 2002-03.

cases has been reduced. The OFT has brought criminal charges in two cartel cases for the first time under the Enterprise Act. Investigations have also been launched into more local markets. While we found that the OFT has made a determined effort to address the weaknesses found in earlier reports, we reported that there is more to do to ensure competition enforcement remains in the public eye and businesses are left in no doubt as to what they must do to comply with the law.

Business Support Measures

2.13 On 14 January 2009, the Secretary of State for Business announced a support package designed to leverage over £20 billion of lending made up of the Working Capital Scheme (up to £20 billion), the Enterprise Finance Guarantee (£1.3 billion), and the Capital for Enterprise Fund (£75 million). In total there are currently six 'emergency' support schemes for business. These schemes will be open for short periods, but the liabilities will rest with the Department for many years. Appendix Five provides further information on these, and a £2.6 billion financial support scheme offered by HMRC in response to the current financial climate. Aside from the direct financial support measures, the Department has offered free business 'Health Checks' with a professional advisor; introduced in October 2008, by July 2009 67,000 businesses had taken up this offer.

2.14 The Department's annual report observes that its 2008 survey of 152 BERR customers offered broadly comparable results to that of 2007, but with a significant improvement in both businesses' views towards, and understanding of, BERR's role. In view of the serious difficulties that businesses are facing in the present economic climate, the Department considers it was not surprising that the same survey also showed a small reduction in their perception of the Department's ability to make a positive difference for business.

2.15 The Department has reported delivering significant improvements to guidance for business on employment law. Through introducing and promoting online tools aimed at helping firms reduce the time required to meet their employment obligations, the Department estimates it has delivered over £400 million of savings to businesses.

2.16 In order to increase the ability of employees to successfully seek new job opportunities, they must have transferable skills valued by prospective employers. In July 2009 the NAO published a report which examined the Train to Gain programme for which the Department for Business, Innovation and Skills has overall policy responsibility.[14] By March 2009 expenditure on the programme had supported employer-focused training for over one million learners, improving work skills at a basic level, with some 555,000 learners achieving a qualification. Expenditure totalled £1.47 billion and there was a danger of demand exceeding budget.

2.17 We found that over the full lifetime of the programme, good value for money had not been achieved due to over-ambitious initial targets and inconsistent implementation. In 2006-07, learners' success rates ranged from 8 to 99 per cent for the largest 100 training providers, with one quarter of these providers performing below the minimum standard. Half of employers whose employees received training would have arranged similar training without public subsidy. The report concluded that the now strong demand for training should be used as an opportunity to focus resources on the areas of greatest need and on training with the highest quality providers.

2.18 To help small and medium size enterprises the Department signed up to the Prompt Payment initiative, in line with the commitment made by the Prime Minister on 8 October 2008. This brings forward the target for payments to suppliers to 10 working days from 30. The Department's annual report states that since November 2008 the core Department paid 96.1 per cent of undisputed invoices within ten working days. In addition, the Department has signed the Prompt Payment Code, committing to pay suppliers on time and according to agreed payment terms.

Trade Support

2.19 In order to trade successfully businesses require a marketplace which is free from barriers and is attractive to potential inwards investors. The UK remained sixth in the country rankings for ease of doing business in the World Bank survey conducted for 2009.[15]

2.20 UK Trade & Investment (UKTI) has the lead role within Government for delivering trade development and inward investment services for business. It is jointly supported by the Department and the Foreign and Commonwealth Office. Based on a survey of its business customers, it estimates that more than 10,500 businesses of the 20,700 supported improved their performance. It also reports that the UK's position as the number one inward investment destination in Europe has been maintained with more than 1,700 inward investments. UKTI produces its own departmental report and resource accounts which provide more detail of its performance.

14 NAO Report HC 879 – Train to Gain: Developing the skills of the workforce (21 July 2009).
15 World Bank survey – Doing Business 2009 (September 2008).

2.21 The NAO published a report on UKTI in April 2009.[16] We found that three years into its five-year strategy to deliver improved support to UK exporters, it is close to meeting most of its performance targets. It lacks, however, sufficiently robust measures of the costs of delivering specific services. While UKTI estimated its benefits to costs ratio at 15:1, the underlying survey data shows that 29 per cent of users either did not know, or declined to provide an estimate, 30 per cent forecast some financial benefit and 40 per cent forecast no financial benefit as a result of support received. Annex A of UKTI's Departmental Report outlines the calculation of this ratio which it now estimates stands at 16:1. We made seven recommendations including that an improved cost model should be developed by UKTI in order to determine accurately the costs of delivering its individual services; page 58 of UKTI's Departmental Report sets out its reaction to these recommendations.

2.22 In addition to the work of UKTI, the UK has an objective to improve EU competitiveness and promote development and poverty reduction in poorer countries. In this area the Department reports a number of achievements in 2008-09:

- The Mutual Recognition Regulation came into effect across all EU Member States in May 2009 making it easier to trade goods across Member States.
- The UK worked to secure the G20's commitment to resist protectionist trade measures.
- The adoption of the Cariforum Economic Partnership Agreement, which links into the EU Aid for Trade Strategy in providing support to partner countries' efforts to develop the capacity to expand their international trade and reduce poverty.

Regulation and regulatory reform

2.23 The latest World Economic Forum Global Competitiveness Report (October 2008) ranks the UK as 12th on its Global Competitiveness Index; down from 9th. One thing businesses cite as reducing competitiveness is regulatory burdens. The Department continues to be committed to reducing these burdens and has reported improvement in doing so: as at December 2008, 240 measures to simplify regulation had been implemented across Government resulting in estimated net savings of £1.9 billion annually. These changes are indicative rather than statistically robust estimates. An external panel of business leaders validated gross savings of around £1.7 billion as at December 2008. The Department is confident that Government will achieve the remaining £1.5 billion net savings required to meet its target of a 25 per cent reduction in administrative burdens by 2010. The Department reported its own net savings of 17 per cent at April 2009.

16 NAO Report HC 297 – UK Trade & Investment: Trade support (3 April 2009).

2.24 In October 2008 the NAO reported on the Administrative Burdens Reduction Programme.[17] We noted that the programme had provided impetus across departments to reduce burdens, and that targets had produced a stronger incentive to deliver. We found that initiatives to reduce the burdens of complying with regulations had helped improve business perceptions of the Government's approach to regulation. Of the 2,000 businesses surveyed, 46 per cent thought regulation was fair and proportionate, compared to 39 per cent in 2007.

2.25 Only 1 per cent of businesses[18], however, believed that complying with regulation had become less time consuming and 40 per cent said it had become more time consuming. We noted that estimates of savings delivered should be treated with caution until independently validated. We found there was limited evidence of the link between reducing administrative burdens and improving business performance and recommended that, in order to deliver tangible benefits to business, departments need to engage more directly with businesses to focus on changes that will really help.

2.26 In 2005 Sir Philip Hampton conducted a review of regulators entitled "Reducing administrative burdens: effective inspection and enforcement". He considered how to reduce unnecessary administration for businesses, without compromising the UK's regulatory regime, making a series of recommendations and setting out some key principles that should be consistently applied throughout the regulatory system. The Better Regulation Executive and the NAO, working with regulators and businesses, have developed an assessment framework that evaluates whether regulators are performing in line with the principles set out in the Hampton Review.

2.27 Of the 36 regulators identified to take part in this process, to date 12 reviews are published.[19] In July 2008 we published a summary of the reviews of the five largest regulators: the Environment Agency; Financial Services Authority; Food Standards Agency; Health and Safety Executive; and the Office of Fair Trading. We found no lack of commitment to the principles of better regulation amongst the regulators evaluated. Indeed, the reviews concluded that the regulators were, on the whole, outcome-focused, risk-based, proportionate and seeking to engage effectively with business to promote compliance. The reviews identified issues for each regulator to address, which are set out in the individual assessment reports.

2.28 In January 2009 the NAO produced a report which examined the quality of Impact Assessments across Government.[20] We found that scrutiny of proposed legislation is strengthening and that the standard is better than it was, but that one fifth of assessments still did not include any quantified data to assess costs or benefits. We found a wide variation between the best and worst impact assessments. The best assessments included a clear statement of the policy problem, made good use of consultation and had clear recommendations. Only 20 per cent of impact assessments presented the results of an evaluation of a range of regulatory options and many did not pay enough attention to compliance and enforcement issues such as the cost of enforcement.

17 NAO Report HC 944 – The Administrative Burdens Reduction Programme, 2008 (8 October 2008).
18 Based on the results of the NAO/Ipsos MORI 2008 business perception survey of 2,000 businesses across Great Britain.
19 For published reports: http://www.berr.gov.uk/whatwedo/bre/inspection-enforcement/implementing-principles/reviewing-regulators/HIR%20Reports/page52313.html
20 NAO Report HC 128 – Delivering High Quality Impact Assessments (30 January 2009).

Corporate finance expertise and advice

2.29 The Department incorporates the work of the Shareholder Executive (the Executive) whose role it is to improve the Government's performance as a shareholder in businesses. As at September 2009 the Executive had a portfolio of 29 businesses and is responsible to 12 departments. The work of the Executive also includes providing corporate finance advice on major initiatives for example large procurement programmes, financial support mechanisms such as the Automotive Assistance Programme, or specific interventions such as Launch Investment for GKN.

2.30 The Department has reported an improvement in expanding the Executive's interaction with a greater number of government institutions. With the nationalisation of Northern Rock and Bradford & Bingley, the work of the Executive has expanded to include an advisory role to HM Treasury in relation to the banking sector. Direct oversight of the taxpayer's financial interest in the financial institutions will rest with UK Financial Investment Ltd, a Treasury-sponsored company.

2.31 The final report on the Operational Efficiency Programme published in April 2009 included a recommendation that an ongoing six-monthly review exercise be carried out across Government to identify new assets to be examined by the Executive, together with relevant Departmental and organisational stakeholders. This is not a programme with the sole objective of disposing of Government assets, rather to challenge departments on the efficient management of the assets they hold. To date, 20 assets have been identified for examination, only five of which were previously within the scope of the Executive's work.

2.32 The Executive plays a major role in monitoring the financial performance of the Royal Mail and Post Office Ltd, both of which are 100 per cent Government owned. It is directly accountable to ministers for this.

Management of Royal Mail and the Post Office network

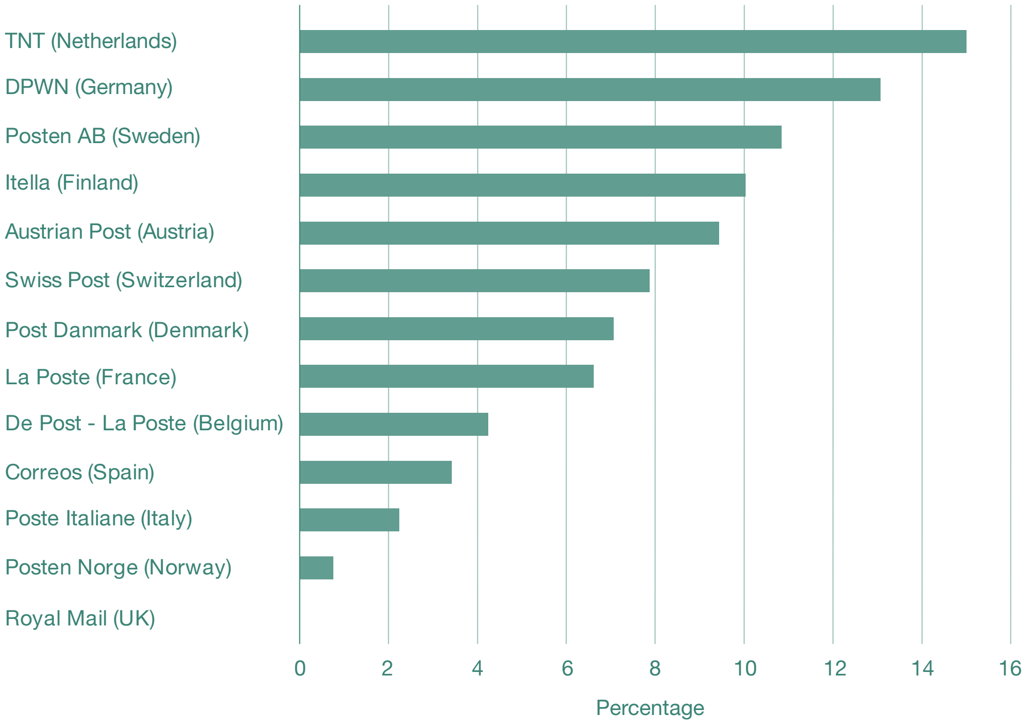
Postal Service[21] (Royal Mail)

2.33 While all other postal companies across Western Europe made an operating profit in 2007, the Royal Mail made an operating loss (see **Figure 6** overleaf), largely due to inefficiencies in the network, such as a higher number of sorting offices compared to its European counterparts.

2.34 The Government, therefore, continues to provide financial support to the Royal Mail Group via: £300 million debt financing, part of a £1.2 billion loan facility announced in March 2007 to support the modernisation of its operations; a £430 million equity injection; £500 million National Loans Fund loan facility taken out in February 2001 which attracts £29 million in annual interest payments and matures in tranches between 2021 and 2025; and a revolving loan facility of up to £1.15 billion made available from 17 October 2003 the outstanding balance of which at 31 March 2009 was £197 million and which matures in March 2011.

21 The postal service is the collection, sorting, transportation and delivery of mail. The Royal Mail is the largest postal company in the UK. Post Office Ltd is the network of 12,000 outlets across the country. Post Office Ltd is a subsidiary company of Royal Mail Group Ltd.

Figure 6
Operating profit margins of Western European postal companies, 2007 (%)



Source: The Hooper Review: Modernise or decline – Policies to maintain the universal postal service in the United Kingdom (16 December 2008)

2.35 The Department commissioned the Hooper Review of developments in the UK postal services market, that was published in December 2008.[22] This highlighted the need for significant changes to the postal market and Royal Mail in terms of regulatory reform, resolving the pension deficit and bringing in a strategic partner. The review recommended that Royal Mail should form a strategic partnership with one or more private sector companies with demonstrable experience of transforming a major business. The pension deficit, which was estimated to be £5.9 billion, was identified as a barrier to attracting external investment.

2.36 On 1 July 2009 the Secretary of State made the following statement concerning the Postal Services Bill in the House of Lords:

"Market conditions have made it impossible to conclude the process to identify a partner for the Royal Mail on terms that we can be confident would secure value for the taxpayer. There is therefore no prospect in current circumstances of achieving the objectives of the Postal Services Bill. When market conditions change we will return to the issue. We remain convinced that Hooper's combined package offers the best chance of securing the universal postal service while protecting Royal Mail pensions."

22 The Hooper Review: Modernise or decline – Policies to maintain the universal postal service in the United Kingdom (16 December 2008).

Post Office (Post Office Ltd)

2.37 The post office network is being supported by a subsidy from the taxpayer of £150 million a year, which is part of a wider £1.7 billion package of support over five years. Despite this Post Office Ltd continues to make operating losses. The Hooper review recommended that the Post Office network should remain wholly within public sector ownership. The Department accepted this recommendation.

2.38 The NAO published a report on the Department's oversight of the Post Office Network Change Programme in June 2009.[23] The aim of this programme was to reduce losses made by the network and place the company on a sounder financial footing by creating a sustainable network. This was to be achieved through the closure of up to 2,500 conventional post offices. The social value of the post office network was recognised and the programme put in place protections for consumers which set out maximum distances that people should have to travel to their nearest post office. In order to meet these accessibility requirements, 500 Outreach services, such as mobile post offices, were to be put in place.

2.39 We found that the programme had largely met its targets and complied with the undertakings given by the Department though the implementation of some of the new Outreach services was behind schedule. Overall the programme is forecast to be delivered £15 million under-budget, and will deliver savings of £45 million a year. At 31 March 2009, 2,383 of the 2,435 planned closures had taken place, while 433 of the planned 500 Outreach services were open. The rollout of Outreach services is now virtually complete.

23 NAO Report HC 558 – Oversight of the Post Office Network Change Programme (5 June 2009).

Part Three

Department Capability

3.1 This Part examines the Department's capability to deliver against its objectives.

3.2 Since October 2005 the Cabinet Office has carried out departmental capability reviews. The purpose of these external reviews is to identify the specific steps that departments must take to match their capability to future challenges. In December 2006 the Cabinet Office published its Capability Review of the former Department of Trade and Industry.

3.3 In December 2008 the Capability Review team published a follow-up report on the Department. This found that the Department had made significant progress in addressing the findings of the 2006 DTI Capability Review. The progress achieved by the Department between the initial and follow-up capability reviews is presented in **Figure 7**. Amongst the 14 Departments subject to a second stage Capability Review, BERR was marked fifth overall. For the three component categories it was rated fourth on leadership, fifth on strategy and third on delivery.

3.4 The December 2008 Capability Review set the Department four areas for ongoing development:

- to develop effective and influential relationships across Whitehall;
- to articulate the outcomes it is seeking to achieve;
- to ensure that its partners are well aligned in delivering those outcomes; and
- to ensure that its people have the capability to fulfil its new mandate.

3.5 In response to the findings, the Department welcomed the recognition of the significant progress made since the initial review, especially given the two major Machinery of Government changes in the interim period. The Department acknowledged the areas where further progress was needed and reaffirmed the commitment of the senior team and staff to address these.

3.6 The Department has reported an improvement in Regional Development Agency (RDA) organisational capability based on the results of Independent Performance Assessments performed on each RDA by the NAO over 2006-07.

3.7 In 2008 the Office of Government Commerce (OGC) undertook a procurement review of the Department.[24] It found that it has a relatively small spend with external suppliers of some £300 million per year and a correspondingly small procurement team. At the time of the review the Department did not perceive its role as providing commercial leadership across its portfolio of delivery partners (outlined at Appendix One). The review team felt significant value for money gains could be obtained from a more proactive leadership role across the wider Department family.

3.8 In February 2009 the Department, with OGC, agreed a Procurement Improvement Plan containing 12 recommendations including: the nomination of a Head of Profession for procurement to provide functional leadership across the core Department and delivery partners; and the development of a Departmental family procurement strategy.

Figure 7
Assessment of the Department's capability for future delivery

	Initial assessment of DTI December 2006	Progress assessment of BERR December 2008	Development shown
Leadership			
Set direction	Development area	Well placed	Improvement
Ignite passion, pace and drive	Development area	Well placed	Improvement
Take responsibility for leading delivery and change	Urgent development area	Well placed	Improvement
Build capability	Development area	Development area	Consistent
Strategy			
Focus on outcomes	Urgent development area	Development area	Improvement
Base choices on evidence	Well placed	Strong	Improvement
Build common purpose	Well placed	Development area	Deterioration
Delivery			
Plan, resource and prioritise	Well placed	Well placed	Consistent
Develop clear roles, responsibilities and delivery models	Development area	Development area	Consistent
Manage performance	Well placed	Well placed	Consistent

Source: NAO Report HC 123 – Assessment of the Capability Review Programme (5 February 2009)

24 OGC Report – Procurement Capability Review Programme, the Department for Business, Enterprise and Regulatory Reform, Delivering World Class Procurement Operations (September to October 2008).

3.9 A staff survey was conducted in October 2008 to inform senior management of the staff's thoughts on: what it is like to work for the Department; and views on leadership and management. The Department provides the following summary:

- The results showed that staff have a clear sense of purpose and that their understanding of BERR's role as the voice for business across Government had increased significantly. There was an increased overall satisfaction and pride in working for BERR and improved perceptions of leadership.
- The results for 43 of the 71 attitudinal questions show a statistical improvement on those for BERR in 2007 across a range of issues. The results exceed central Government averages for all but two of the 34 benchmarks.
- In response to concerns from the survey, the Department will continue to consult with staff on ways to build pride in the new Department, manage increasing workloads and further improve the working environment.

Appendix One

BERR Delivery Partners[25]

Executive Agencies

- Companies House
- Insolvency Service

Executive NDPBs

- Advisory, Conciliation and Arbitration Services (ACAS)
- Capital for Enterprise Ltd
- Competition Commission
- Competition Service
- Consumer Focus (established 1 October 2008)
- Hearing Aid Council
- Local Better Regulation Office (LBRO)
- Simpler Trade Procedures Board (SITPRO)
- United Kingdom Atomic Energy Authority

Regional Development Agencies[26]

- Advantage West Midlands
- East Midlands Development Agency
- East of England Development Agency
- North West Regional Development Agency
- One North East
- South East England Development Agency
- South West of England Regional Development Agency
- Yorkshire Forward

Advisory NDPBs

- Industrial Development Advisory Board
- Low Pay Commission
- Regional Industrial Development Boards
- Union Modernisation Fund Supervisory Board
- Waste Electrical & Electronic Equipment Advisory Board

25 This appendix only includes delivery partners sponsored by BERR in 2008-09 which transferred to BIS, but not delivery partners of DIUS.

26 The Department classifies the London Development Agency within "Other Bodies".

Tribunal NDPBs

- Central Arbitration Committee
- Competition Appeal Tribunal
- Insolvency Practioners' Tribunal

Other Bodies

- UK Trade & Investment
- London Development Agency
- Citizens Advice
- Citizens Advice Scotland
- Financial Reporting Council (FRC)
- Regulator of Community Interest Companies
- Electronics Leadership Council

Public Corporations

- British Nuclear Fuels plc (BNFL)
- British Shipbuilders
- Ofcom
- Royal Mail

Non-Ministerial Government Departments

- Office of Fair Trading
- Postcomm

Changes during 2008-09

With effect from 3 October 2008, the sponsoring role for the following bodies moved from BERR to DECC:

Executive Agencies

- Civil Nuclear Police Authority
- Coal Authority
- Nuclear Decommissioning Authority

Advisory NDPBs

- Advisory Committee on Carbon Abatement Technologies
- Fuel Poverty Advisory Group
- Renewables Advisory Board
- UK Chemical Weapons Convention National Authority Advisory Committee (Office of Nuclear Development)

Non-Ministerial Departments

- Ofgem

Public Corporations

- British Energy
- Nuclear Trust/Nuclear Liabilities Fund (NLF)

Appendix Two

Departmental assessment of performance against Comprehensive Spending Review 2007 Public Service Agreements

PSA Target	Performance in 2008-09
PSA 1 – Raise the productivity of the UK economy	**Not yet assessed**
1 Raise the rate of the UK's productivity growth over the economic cycle	Not yet assessed
2 Narrow the productivity gap with our major industrial competitors	Not yet assessed
PSA 6 – Deliver the conditions for business success in the UK	**Some progress**
1 UK framework for competition at the level of the best	Position maintained
2 Effective corporate governance regime	Not yet assessed
3 UK labour market flexibility	Not yet assessed
4 Maintenance of competitively-priced energy markets (see Appendix Six)	Position maintained
5 Deliver better regulation that works for everyone (benefit exceeds costs)	Not yet assessed
6a Deliver commitments to administrative burdens reductions – Better Regulation Executive	Improvement shown
6b Deliver commitments to administrative burdens reductions – HMRC delivered	Improvement shown
PSA 7 – Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions	**Some progress**
1 Regional Gross Value Added (GVA) per head growth rates	Improvement shown
2 Regional Gross Domestic Product per head levels indexed to the EU-15 average	Improvement shown
3 Regional productivity as measured by GVA per hour worked indices	Improvement shown
4 Regional employment rates	Improvement shown

Appendix Three

Departmental assessment of performance against Departmental Strategic Objectives

DSO Target	Performance in 2008-09
DSO 1 – Promote the creation and growth of business and a strong enterprise economy across all regions	**Strong progress**
1 Stakeholder perceptions of BERR's understanding of, influence over and performance in improving the business and enterprise environment	No improvement shown
2 Delivery of RDA outcomes taken from new sponsorship framework	Improvement shown
3 RDA organisational capability – to be drawn from Independent Performance Assessment or successor	Improvement shown
4 Delivery of publicly-funded business support simplification	Not yet assessed
5 Delivery of UKTI's performance management framework	Improvement shown
DSO 2 – Ensure that all government departments and agencies deliver better regulation for the private, public and third sectors	**Strong progress**
1 Administrative burdens reduction across 19 government departments, consisting of a 25 per cent reduction for the majority of departments by 2010. Includes BERR target to deliver 25 per cent reduction in measured administrative burdens by 2010	Improvement shown
2 Proportion of businesses (and voluntary sector organisations) who believe that 'most regulation is fair and proportionate' in five policy areas – employment law, tax law, health and safety, planning law and company law	Improvement shown
3 Flow of regulation: total benefit/cost ratio of regulations coming forward over time	Not yet assessed
4 Performance of local authority regulatory services as measured by the national indicator	Not yet assessed
5 Overall performance in the World Bank Doing Business survey and OECD surveys of the policy environment	Position maintained
6 Proportion of bureaucracy which the public sector front line believes to be unnecessary	Not yet assessed
7 Reduction in data stream requirements from central government to the public sector front line by 2010. Includes 30 per cent cross Government target to reduce burdens on front line public sector staff	Improvement shown

DSO Target	Performance in 2008-09
DSO 3 – Deliver free and fair markets, with greater competition, for businesses, consumers and employees	**Strong progress**
1 Progress on market opening in the EU and internationally in line with UK objectives of improving EU competitiveness and promoting development and poverty reduction in poorer countries	Improvement shown
2 UK framework for competition at level of world's best	Position maintained
3 UK corporate governance environment at level of world's best	Not yet assessed
4 Regulatory environment for business fully reflecting the Government's better regulation principles	Improvement shown
5 Labour market flexibility	Not yet assessed
6 Awareness and enforcement of employment rights	Not yet assessed
7 UK framework for consumer empowerment and support at level of world's best	Position maintained
DSO 4 – Ensure that Government acts as an effective and intelligent shareholder, and provide a source of excellent corporate finance expertise within Government	**Strong progress**
1 Individual company targets aimed at increasing value	Improvement shown
2 Dividend payments from portfolio businesses or agreed Dividend policies	Improvement shown
3 Stakeholder satisfaction with the discharge of the Shareholder Executive's responsibilities	Improvement shown
4 Expand the Shareholder Executive's offer to greater proportion of HMG businesses and corporate finance situations	Improvement shown
DSO 5 – Provide the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered	**Strong progress**
1 Progress in building the capability of the department to meet future challenges	Improvement shown

Appendix Four

Department performance reported in 2008-09 against Spending Review 2004 Public Service Agreement targets compared to performance reported in 2007-08

PSA Target	Performance reported in 2007-08	Performance reported in 2008-09
PSA 6 – Enterprise:		
Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with:		
i an increase in the number of people considering going into business;	Slippage	Not met
ii an improvement in the overall productivity of small firms; and	On course	On course
iii more enterprise in disadvantaged communities.	Not yet assessed	Met
PSA 10 – Maximising potential in the workplace:		
i raising the self-employment rate of under-represented ethnic minorities, relative to that of other groups;	On course	Met
ii reduction in the number of incidents of racial discrimination at work;	Not yet assessed	Slippage
iii maintain a flexible labour market;	On course	Not yet assessed[1]
iv increase in number of employees who have access to information and consultation procedures; and	On course	On course
v number of economically active people who are aware of their rights at work	Not yet assessed	On course

NOTE

1 The 2007-08 assessment of progress as "on course" was based on data from 1992-2001, which showed increasing labour market flexibility while data from after 2001 showed a stabilisation. The Department has not made an assessment of progress in 2008-09.

Appendix Five

Financial support schemes offered by the Government in response to the current financial climate

BERR led

Name of Scheme	Financial support available
Enterprise Finance Guarantee (replacing the Small Firms Loan Guarantee Scheme)	A guarantee to participating institutions on their lending to viable businesses with turnover of up to £25 million (viability determined by a commercial assessment of the proposition). In the event of an individual EFG loan defaulting, the lender may claim 75 per cent of the outstanding amounts subject to limits.
Capital for Enterprise Fund	Provides equity investment to viable businesses with turnover of up to €50 million which have exhausted their 'normal' borrowing capacity. This can be used to pay off existing debts.
Working Capital Guarantee Scheme	Offers guarantees to banks on working capital loans. This will free up capital enabling new lending to businesses with a turnover of up to £500 million.
Trade Credit Insurance Scheme (to be delivered as part of the Working Capital Scheme)	Provides top-up trade credit insurance to businesses which have suffered partial reductions in their level of cover.
Automotive Assistance Programme	Guarantees to unlock loans to Britain's automotive manufacturers and large suppliers with turnover of over £25 million, primarily to support investment in low carbon plant and research and development.
Vehicle Scrappage Scheme	Scheme offering consumers a £2,000 discount on the purchase of new cars when trading in a vehicle over ten years old that the customer has owned for a minimum of 12 months.

HMRC led

Time To Pay – Deferred tax payments	Delivered by HMRC, businesses have been given the opportunity to defer their tax payments based on an assessment of: their current ability to pay; the reasonableness of their proposal; their future viability; their payment and compliance history and the enforcement options available.

Duration of scheme	Total value of support available	Support awarded by end of June 2009
14 January 2009 – 31 March 2010 with loans over terms between 3 months and 10 years.	Up to £1.3 billion of guarantees on loans of between £1,000 and £1 million. (£1 billion of this was previously available under the Small Firms Loan Guarantee Scheme).	• Over £546 million of eligible applications from over 4,850 firms were granted, being processed, or assessed. • Over 3,500 businesses were offered loans totalling £346 million.
14 January 2009 – 31 March 2010.	Up to £75 million, of which £50 million Government funded. Individual investments of £200,000 to £2 million.	• Fund managers made offers totalling approximately £13 million to nine businesses. • Six businesses accepted the terms of the offer issued with a value of £7.9 million.
1 March 2009 – 31 March 2011.	Up to £10 billion of guarantees to provide access to £20 billion of new lending.	Under £5 million.
1 May 2009 – 31 December 2009.	Up to £5 billion of top-ups from £20,000 to £1 million.	0
January 2009 – 31 December 2010.	Will unlock £2.3 billion of lending offering 50 per cent guarantees against £1.3 billion of European Investment Bank (EIB) loans and 75 per cent guarantees against £1 billion of loans not eligible for EIB support.	0
18 May 2009 – March 2010 or until the funding is exhausted.	Up to £300 million giving £2,000 discounts co-funded; £1,000 from Government and £1,000 from the manufacturer.	60,000 orders for new cars were placed.
No set end date.	No specified limit.	157,000 businesses gained agreement to defer tax worth nearly £2.7 billion.

Appendix Six

Industrial Gas and Electricity Prices for PSA 6, Indicator 4

Industrial gas prices in the EU including taxes

	UK price relative to EU-15 median (%)	
Size of consumer	**July – December 2007**	**July – December 2008**
Small	-17.6	-24.1
Medium	-14.9	-19.1
Large	-13.4	-10.6

Source: Quarterly Energy Prices June 2009 published by the Office for National Statistics and the Department of Energy and Climate Change

Industrial electricity prices in the EU including taxes

	UK price relative to EU-15 median (%)	
Size of consumer	**July – December 2007**	**July – December 2008**
Small	+6.4	-1.3
Medium	+13.5	+5.1
Large	+21.4	+14.9

Source: Quarterly Energy Prices June 2009 published by the Office for National Statistics and the Department of Energy and Climate Change

Appendix Seven

NAO reports regarding the Department

Since the last performance report, the NAO has published a number of studies examining the work of the Department.

Progress Report on Maintaining Competition in Markets – examined progress made by the Office of Fair Trading (OFT) in maintaining competition in markets since our report in 2005. We found that through better project management the OFT had improved its operations. The report concluded that the OFT had made determined efforts to address the weaknesses of our earlier report, but that more was still to be done to ensure competition enforcement remains in the public eye, and businesses are in no doubt as to what they must do to comply with the law.

Train to Gain: Developing the skills of the workforce – examined this BIS-led programme of providing employer focused training. By March 2009 the programme had delivered training to over one million learners at a cost of £1.47 billion. The report concluded that the strong demand for training should be used as an opportunity to focus resources on the areas of greatest need, and on training with the highest quality providers.

Delivering High Quality Impact Assessments – examined the quality of Impact Assessments across departments. This is a key issue for the Department in trying to deliver better regulation across Government. The report concluded that while the analysis of costs and benefits of proposed regulation solutions has improved, there was a wide variation in the level of evidence provided and insufficient analysis in the weaker impact assessments reviewed.

The Administrative Burdens Reduction Programme – examined the progress in reducing the administrative burdens placed on businesses as a result of regulations. We found that the programme had provided impetus across Government to reduce burdens, but that there was limited evidence of the link between reducing administrative burdens and improving business performance. The report concluded that departments need to engage more directly with businesses to focus on changes that will deliver tangible benefits.

UK Trade & Investment: Trade support – evaluated the progress of UKTI in improving support for UK exporters. We found that UKTI is on course to meet the targets of its five-year strategy, which is adding value to a large number of those businesses who have received support. We recommended that an improved cost model should be developed by UKTI in order to determine accurately the costs of delivering individual services.

Oversight of the Post Office Network Change Programme – examined the effectiveness of the Department's oversight of this programme, which is aimed at reducing losses being made by the network and creating a sustainable network for the future. We found that the programme had largely met its targets and complied with the undertakings given by the Department. While the majority of planned closures had been completed, the roll out of the Outreach services was behind schedule.