Autumn Performance Report 2004
Department of Trade and Industry

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By Command of Her Majesty

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Contents

Foreword by Patricia Hewitt

Secretary of State for Trade and Industry and Minister for Women and Equality

I am pleased to introduce the Department of Trade and Industry's Autumn Performance Report 2004.

The Report covers my Department's progress towards our Public Service Agreement targets. The primary focus is the targets from the 2002 Spending Review, but it also reviews all outstanding targets from previous Spending Reviews, and sets out our new targets for the period 2005-08. It demonstrates that we have made encouraging progress in many areas since last year's report, but highlights that there are still some where further work is needed.

The Autumn Performance Report sits alongside our Departmental Report, published each spring, as an important tool for achieving accountability and transparency in the workings of the Department.

Since the publication of our last Autumn Performance Report there have been important developments at DTI. Building on our 2003 Strategy, the last year has seen the launch of the Innovation Report and 10 Year Science and Innovation Framework as well as the award of our SR2004 settlement, which includes a set of new efficiency challenges. All of these have important implications for the future of DTI. And that is why we have developed a new Five Year Programme which sets out DTI's key priorities and how we will help make Britain the most attractive place in the world for scientific research.

Our new Five Year Programme and Business Plan provide the framework which will help us meet our objectives, deliver our PSA targets and help build a modern, knowledge-based economy, high in skills, embracing innovation, science and technology.

Rt Hon Patricia Hewitt MP
Secretary of State for Trade & Industry and Minister for Women and Equality

Chapter 1: Introduction

This Report sets out DTI's progress in delivering its Public Service Agreement (PSA) targets as set out in the 1998, 2000 and 2002 Spending Reviews.

The Report focuses mainly on the targets from the 2002 Spending Review, covering the period 2003-06. There are twelve PSA targets for this period, each underpinned by a Technical Note, which gives more information on how it is to be measured. These can be found on the DTI website at *www.dti.gov.uk/about/psa/index.htm.*

Several of these targets were carried over in similar form from the 2000 Spending Review which covered the period 2001–04. There are also some targets carried over from the Comprehensive Spending Review (CSR) period, 1999-2002. Of the targets that were carried over, some have simply been rolled over in identical form, while others have been adapted, or subsumed within the new targets. In some cases there is an outstanding target from an earlier Spending Review which is associated with an SR2002 target but sufficiently different to merit separate reporting. In these cases, an update has been provided alongside the relevant SR2002 target. The table at Appendix 1 shows the links between the targets from the different Spending Review periods.

Data provided in this report covers the period from the publication of the 2004 Departmental Report (DR) to autumn 2004. In some cases there have been changes to the position reported in the DR; in others, current progress is still being monitored and will be reported in the 2005 DR.

Chapter 2 of this report sets out progress towards these targets. For the twelve targets:

- nine are assessed as "on course;"
- one is assessed as "outcomes have been mixed;" and
- two are assessed as showing "slippage."

Chapter 3 sets out the Department's new targets as agreed in the 2004 Spending Review.

Chapter 4 summarises progress against the two previous sets of PSA targets. These are from the 1998 Comprehensive Spending Review, which covered the period 1999-2002, and the 2000 Spending Review, which covered the period 2001–04.

Appendix 1 provides a table which sets out the linkages between the new PSA targets, the SR2002 targets and those from previous Spending Reviews.

Appendix 2 has contact details and links for further information.

Chapter 2: Performance against DTI's Spending Review 2002 Public Service Agreement

PSA Target 1: **Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the US, France and Germany. (Joint target with HM Treasury)**

***Assessment of Progress*: ON COURSE**

Latest Outturn

Data from the Office of National Statistics (ONS) published in autumn 2004 shows that, on the output per worker measure, the UK's productivity gap with the US, France and Germany is broadly unchanged. This is relative to a 2000 base year when all four countries were at a similar point in their economic cycles. On the output per hour worked measure, the UK has narrowed the gap with Germany since 2000 but a sizeable productivity gap with the US, France and Germany remains. These improvements are consistent with broader trends since the mid-1990s.

Short summary of progress

Two different measures are used to assess international comparisons of productivity – productivity on a per worker basis and productivity on a per hour worked basis. The charts below show that, relative to Germany, the UK is as now as productive on the output per worker measure and that the UK has seen an improvement in relative per hour productivity levels (an improvement of over six percentage points since 2000). However, the gap with the US on both measures is unchanged. And, although the gap with France appears to have narrowed, the improvements are not yet sufficiently great to be statistically significant. Taken together the data suggests the UK is heading in the right direction.

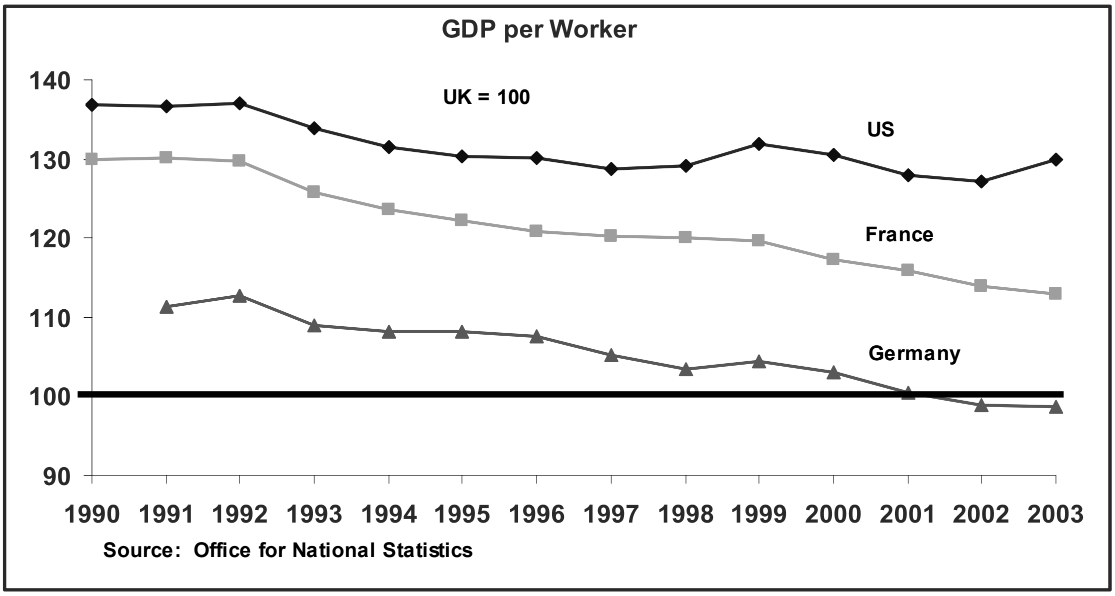
HM Treasury estimates in the Pre Budget Report 2004 that UK actual productivity (output per hour) grew at 2.50% per annum between 1997h1 and 2001q3, compared to 2.08% between 1986q2 and 1997h1. Underlying productivity growth increased from an average of 2.29% per annum in the earlier period to 2.70% per annum between 1997h1 and 2001q3.

It takes time for workers, businesses and consumers to respond to far-reaching structural reforms and to gain the confidence to invest in capital or their own skills to increase productivity further. Consequently, in assessing progress towards raising productivity, it is helpful to look for changes in the drivers of productivity alongside the productivity statistics. The Government has identified "five drivers" of productivity - investment, innovation, skills, enterprise and competition - and has monitored performance on a range of indicators underlying these drivers since 1999. Some progress has been made on all five of these "high-level" drivers. In particular, there have been improvements in the competition regime, evidence of rising skills levels across the workforce and improvements in the UK's world-class science base. However, there are areas where the UK continues to perform poorly relative to its competitors, notably with regard to levels of investment and research and development expenditure.

International Comparisons of Productivity per worker (UK=100)

	US	France	Germany
1990	136.9	130.0	
1991	136.7	130.2	111.4
1992	137.1	129.8	112.7
1993	133.9	125.7	108.9
1994	131.5	123.6	108.2
1995	130.4	122.3	108.2
1996	130.2	120.9	107.6
1997	128.7	120.3	105.2
1998	129.2	120.0	103.4
1999	131.9	119.6	104.4
2000	130.6	117.2	103.1
2001	128.0	115.9	100.5
2002	127.2	113.9	98.8
2003	129.9	112.9	98.6

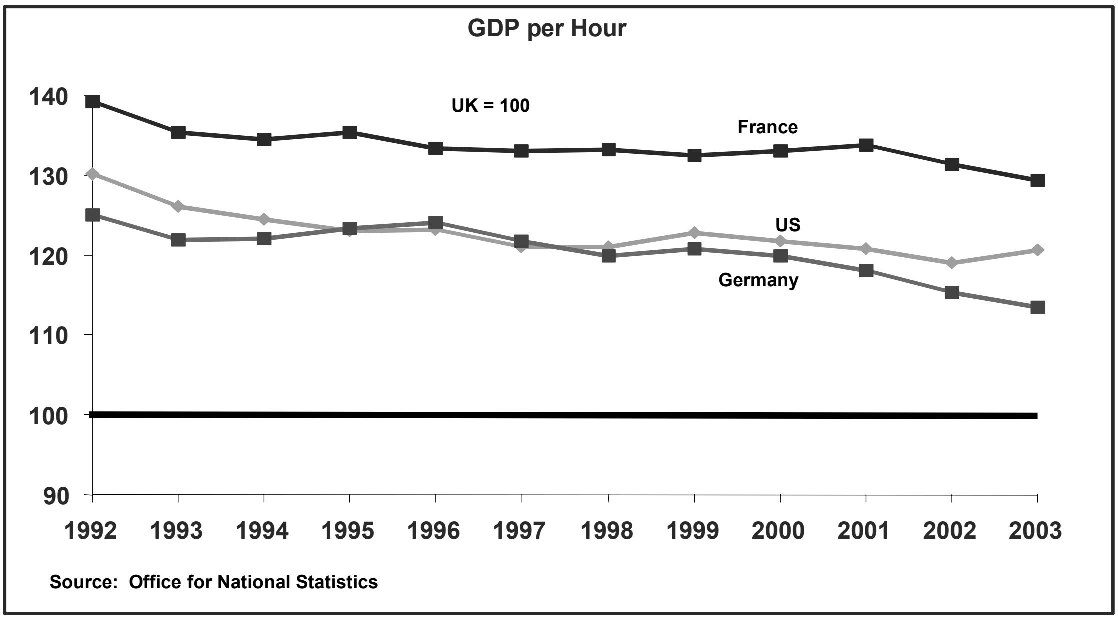
Source: Office for National Statistics



International Comparisons of Productivity per hour (UK=100)

	US	France	Germany
1992	130.2	139.3	125.1
1993	126.2	135.4	121.9
1994	124.5	134.6	122.1
1995	123.0	135.4	123.4
1996	123.3	133.4	124.1
1997	121.0	133.1	121.8
1998	121.1	133.3	119.9
1999	122.8	132.5	120.9
2000	121.7	133.0	119.9
2001	120.8	133.8	118.1
2002	119.1	131.5	115.3
2003	120.6	129.4	113.6

Source: Office for National Statistics



Factors affecting performance

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

Quality of data systems used

ONS provide the data on labour productivity. Data on labour productivity as defined in per worker terms is classified as a "National Statistic"; data on labour productivity as defined in per worker hour terms, is an "experimental series". Information on these two types of data and the difference between them can be found on the ONS website.

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

Related target:

CSR 1998 PSA 2: To secure improvements in performance against a set of competitiveness indicators to be developed and published annually from 1999.

***Final assessment*: MET - ONGOING**

Performance:

The 2003 Productivity and Competitiveness Indicators and more recent updates to the data show that the UK has been successful in generating improvements across the set of indicators. In particular the Indicators show that:

- The UK has been successful in raising prosperity
- Macroeconomic stability has been achieved
- UK unemployment is now the lowest in the G7
- There have been improvements in basic schooling and the number of people educated to a higher level
- There have been major reforms to competition law
- The UK science base remains world class.

However, there are some areas where the UK continues to under-perform relative to its competitors, notably with regard to elements of investment and innovation.

The target to secure improvements against the 1999 Indicators has been achieved and performance against these Indicators will no longer be monitored separately. However, the Indicators have recently been streamlined into a more focussed set to make it easier to present a clear picture of the UK's performance relative to its competitors. Performance relative to this focussed set of indicators will form a key component of the framework for monitoring progress on the PSA1 target to narrow the productivity gap.

PSA Target 2: **Improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy.**

***Assessment of Progress*: ON COURSE**

Relative international performance of the UK's science and engineering base

Latest Outturn

- World citation share 11.9%
- Second in six out of nine of the broad scientific disciplines
- 5.8 researchers per 1000 workforce
- Lead G8 for citations per unit of expenditure on publicly performed R&D, citations relative to GDP and citations per researcher

Assessment of progress: ON COURSE

Short summary of progress

Progress against this objective is judged against a basket of six indicators including aspects of scientific excellence and productivity and development of trained researchers. These indicators are derived from Evidence Ltd's benchmarking study into the performance of the UK science and engineering base. The second report[1] (2004) continues to show the strong relative performance of the UK Research Base in terms of achievement, productivity and efficiency.

- **Share of all world citations (Thompson ISI)**
  The most recent available data is for 2003, in which the UK percentage world share measured 11.9%. The target is to attain a percentage world share of 11.5% by 2006 (1997 = 11.2%). The average share for the five-year period 1998–2002 was 11.6%.

- **Share of world citations in each of the nine broad science disciplines (Thompson ISI)**
  The most recent available data is for 2003, in which the UK is second in the G8 in six broad science disciplines; Clinical, Pre-Clinical and Health, Biological, Environmental, Social Sciences and Business, third in Mathematics and fourth in Physical Sciences and Engineering. The target is to remain in the top three in the G8 in seven of the nine Super Units of Assessment (SUoAs)[2] by 2006.

[1] Available at http://www.ost.gov.uk/research/psa_target_metrics.htm
[2] An amalgamation of 68 Research Assessment Exercise (RAE) Units of Assessment, based on commonality of journal publication submission.

- **Researchers per 1,000 workforce (OECD)**
  The most recent available data is for 2002, in which the UK has 5.8 researchers per 1000 workforce (1997 = 4.9).

- **Citations per £1 of publicly performed R&D, citations relative to GDP and citations per researcher (Thompson ISI/OECD)**
  The most recent available data is for 2002, in which the UK heads the G8 on these three efficiency measures. The aim is for the UK to maintain its leading position in the G8 in terms of efficiency, as judged by these last three indicators.

- **Sustainable and financially robust universities and public laboratories**
  DTI continues to work with other stakeholders on developing indicators to inform progress against this attribute. Milestones achieved so far in the implementation of the "Transparent Approach to Costing" (TRAC) process (OST/Research Councils) include:
  - Draft TRAC guidance (costing methodology) issued to Higher Education sector, February 2004;
  - Research Council overall requirements published September 2004.

Factors affecting performance

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

Quality of data systems used

Second international benchmarking study undertaken by Evidence Ltd (October 2004) on behalf of the DTI which compares the UK against a comparator group of 25 countries which includes the G8. Data sources for study:

- Thomson ISI, the world’s premier source of information on scientific journal outputs and their citations;
- OECD, a major source for international research and development statistical analyses.

The exploitation of the science base

Latest Outturn

Progress against this objective is judged by an increase in a basket of indicators. The most recent data for these indicators is for the academic year 2001-02. Data for 2002-03 will be available in winter 2004.

Assessment of progress: ON COURSE

Indicator	2001-02	2000-01	1999-00
Number of new patent applications filed by Higher Education Institutes (HEIs)	967	896	725
Number of UK patents granted	199	250	188
Number of licensing agreements	615[3]	757	581
Income from licensing intellectual property (£m)	33.6	18.4	23.4
Number of spin-outs	213[4]	248	203
Proportion of the membership of HEI governing bodies drawn from the business sector	36%	34%	35%
Income from business (value of consultancy contracts) (£m)	122.2	103.5	76.5
Number of full-time-equivalent staff employed in commercialisation/industrialisation liaison offices	1,836	1,538	1,268
Number of science and engineering students (undergraduates and postgraduates) receiving enterprise training	7,908	11,143[5]	1,900
Publication and patents jointly authored between science base and industry	No data currently available. Currently exploring possible sources for this data		

[3] This includes software and non-software licences. Within this total, the proportion of licences granted to UK companies increased from 72% to 74%.

[4] Although the numbers of new spin offs has declined (down from 248 to 213) there has been an increase in both the numbers of employees (up from 10,500 to 12,000) and turnover (up from £212 million to £289 million).

[5] The increase in the return for 2000-01 was partly due to a one-off initiative to provide short, computer-based training courses to all SET students in Scotland, which it was decided not to continue as it did not provide the most effective use of resources (when this initiative is excluded from the return for 2000-1 the figure would be 3,032).

Factors affecting performance

Government is providing support for scientists and business to work together to drive innovation, and is encouraging collaboration between Higher Education Institutes (HEIs) and business to ensure scientific breakthroughs are turned into commercial success through a number of schemes for UK HEIs. These support for entrepreneurship training, commercialisation and development of links between universities and business. These include: Higher Education Innovation Fund (HEIF), University Challenge (UC) and Science Enterprise Challenge (SEC). These funding streams were consolidated into HEIF round 2 and in June 2004 we announced the outcome of HEIF 2, which provided awards worth more than £185 million - the largest amount yet to be given to support knowledge transfer from universities and higher education institutions to business and the wider community.

Data from the latest “Higher Education Business Interaction” (HEBI) survey, which is listed above, indicates these initiatives are making a real impact.

Quality of data systems used

Data on university exploitation activity is carried out systematically through the HEBI survey. The survey is conducted annually by the Higher Education Funding Council for England. The third HEBI survey, covering 100% of all UK HEIs, was published in January 2004.

The survey report analyses a wide variety of knowledge transfer, including licensing of technology, regional regeneration, provision of professional training courses and consultancy. The report also looks at HEIs' policies, priorities and resourcing in business and the community activities.

Specific measures and benchmarking were developed in the survey, with an emphasis on repeatability and robustness, to give institutions and their stakeholders valuable data about their contribution to wealth creation and the social economy. This report is based on data for the academic accounting year August 2001 to July 2002.

The overall innovation performance of the UK economy

Latest Outturn

The level of business enterprise research and development expenditure (BERD) rose to 1.23% of GDP in 2002 from 1.17% in 1998.

On OECD data, there has been a decrease in the level of UK patenting in 2002 and 2003, although there has been a positive trend over the last 9 years overall.

Assessment of progress: ON COURSE

Short summary of progress

There are seven indicators for progress towards this target. Five of these are measured through the Community Innovation Survey (CIS) and there is no updated data, as the CIS is currently a four-yearly survey which will next take place in 2005. The 2001 survey provided baseline data for these targets.

However for two of the indicators data is available annually with a lag of approximately 10-12 months. For these indicators, Business R&D and Patenting, the most recent data is shown below:

Business R&D as share of GDP

Country	1988	1993	1998	1999	2000	2001	2002	2003
Canada	0.77	0.83	1.07	1.07	1.15	1.21	1.05	1.01
France	1.33	1.49	1.35	1.38	1.36	1.41	1.37	n/a
Germany	2.02	1.65	1.57	1.70	1.75	1.75	1.75	1.73
Italy	0.70	0.66	0.52	0.51	0.53	0.55	0.54	0.55
Japan	1.90	1.99	2.10	2.10	2.12	2.26	2.32	n/a
UK	1.40	1.33	1.17	1.23	1.19	1.23	1.24	1.23
US	1.92	1.78	1.94	1.98	2.04	2.00	1.87	1.81
OECD average	1.55	1.42	1.49	1.52	1.56	1.58	1.54	n/a

Source: ONS for UK, OECD for rest

Patent grants at the US Patent Office per million population[6]

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003[7]	% increase 95 - 03
US	208.6	226.0	225.6	290.0	299.7	300.5	306.6	301.5	301.8	44.7%
Germany	80.9	83.6	85.5	111.1	114.2	124.8	136.9	137.1	138.8	71.4%
France	47.4	47.0	49.6	61.5	63.5	63.4	66.8	66.0	63.0	32.8%
UK	43.1	42.7	46.5	59.9	61.6	62.9	67.4	65.0	60.1	39.4%
Italy	19.1	20.9	21.9	27.8	26.1	29.5	29.8	30.3	29.6	55.2%

Source: OECD Patent database and main science and technology indicators

Quality of data systems used

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

BERD data is collected from R&D performing companies by the ONS using an annual survey.

Patent data is routinely supplied by the Patent Offices concerned and normalised to country populations by DTI statisticians. Patents are routinely collected official statistics.

Related targets:
***CSR 1998 PSA* 5: To improve the overall international ranking of the Science and Engineering Base in terms of quality, relevance and cost-effectiveness.**

Final assessment: MET - ONGOING

***SR 2000 PSA 5*: Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.**

Assessment of Progress: ON COURSE

[6] The data are for the inventor's country of origin
[7] 2003 figures are based on estimated population figures

Latest out-turn data

- UK citation share consistently second in world rankings at 11%
- There has been an increase in the relevance of research, indicated by funding increases from the business sector
- UK remains first in the G8 for cost-effectiveness.

Short summary of progress

The baseline for this target is measured in three parts:

Quality

This is measured by the percentage, relative to the world, of the number of time that scientific papers published in the UK are cited in other papers. When new papers are published, they can refer to papers published in any previous year, resulting in the figures for that year changing. This means the baseline must be changed every year.

The most recent available figure is for 2003 where the UK had over 11% of world citations. The UK's citation share remained above 11% in both the 1998-2002 and 2003 period and the UK continues to rank as second only to the US in world share.

Relevance

A key measure of 'Relevance' is the proportion of HEI funding that comes from non-governmental organisations. The latest available figures are for 2001 and on average over the period 1997-2001 the UK has ranked first in the G8 in terms of business funded investment in publicly funded R&D.

Cost-effectiveness

Cost-effectiveness is measured by the number of scientific papers published per million pounds public expenditure invested in the Science and Engineering Base. The UK has been ranked first in the G8 for cost-effectiveness consistently in recent years.

Factors affecting performance

The use of citations for assessing the performance of the science base means that account has to be taken of the nature of this type of data. Citations accumulate over time so older papers tend to have more citations than recent work. Papers less than 8 years old are usually still accumulating citations.

Quality of data systems used

International benchmarking study undertaken by Evidence Ltd on behalf of the DTI assessing the UK against a comparator group of 25 countries and includes the full G8. Data sources for study:

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

***PSA Target 3:* Place empowered consumers at the heart of an effective competition regime, bringing UK levels of competition, consumer empowerment and protection up to the level of the best by 2006, measuring the effectiveness of the regime by peer review and other evidence, to ensure a fair deal for consumers and business working in collaboration with the relevant regulatory agencies.**

***Assessment of Progress*: ON COURSE**

Competition

Latest Outturn

The 2004 Peer Review of the UK competition regime was published in May 2004, and showed that the UK competition regime ranked third behind the US and Germany – the same result as in the 2001 review. It was felt that the UK regime now had all the tools in place but that it would take more time to realise the full benefits of the Enterprise Act 2002.

Short summary of progress

The 2004 Peer Review, carried out by KPMG, placed the UK third behind the US and Germany, but ahead of the EU and other OECD countries. The UK merger regime was seen as the strongest element, due to the capability of the staff involved and due to the presence of more established processes (despite Enterprise Act changes, a lot of the practices were already followed). The non-merger regime is rated lower, in part due to not dealing effectively with cartels.

About half of the survey respondents did not yet know how the Enterprise Act has affected the UK competition regime. However, amongst those that did express an opinion, nearly all believed it had enhanced the UK regime. There was a strong feeling that time was needed for the new legislation to bed down and that any changes should only focus on speed of decision-making and prioritisation of cases.

The Global Competition Review (GCR) enforcement survey 2004, ranked the UK joint third in the world behind the US and Germany. The UK regime was praised for the skilfulness of its analysis but it was felt that a significant result in non-merger work was needed. The UK's position in this survey has dropped since 2003; however, other countries also experienced a fall in their ratings, so the UK's relative position is unchanged apart from a lower ranking relative to Germany. The survey provides a useful secondary source to our own peer review and it was reassuring to see similar messages coming out from both surveys.

Investigations
So far in 2004, the Government has responded to Office of Fair Trading (OFT) market studies on taxis, pharmacies, doorstep selling and estate agents. OFT is undertaking studies on procurement (published in October), public subsidies, care homes and ticket agencies. OFT has also referred Store Cards and Domestic Bulk Liquid Petroleum Gas (LPG) to the Competition Commission for investigation and is consulting on whether to refer home credit. On residual Fair Trading Act 1973 issues, DTI has announced a decision on the code of practice for the newspaper distribution industry and is consulting on legislative proposals to implement the Competition Commission's report on extended warranties. The OFT is also conducting an audit of compliance with the supermarkets code of practice.

The OFT published its report on the doorstep selling market study in May 2004. The report identified a series of options for improving consumer protection. The Secretary of State responded to the report and launched a public consultation on these options in July 2004. The consultation is due to end on 15 November 2004 and the results are expected to be published in the New Year.

The Competition Commission did not complete any market inquiries during the past year but, as noted above, two (Store Cards and LPG) are in progress. The Commission has completed six mergers investigations and published provisional findings on three others during this period. Four mergers investigations were cancelled and seven are currently in progress.

Further information about the work of the OFT and the Competition Commission can be found at: www.oft.gov.uk and www.competition-commission.org.uk.

Factors affecting performance
The implementation of the Enterprise Act has ensured that the weaknesses identified in the 2001 Peer Review were addressed by the time of the 2004 Review. However, as the 2004 Review was conducted less than a year after the Enterprise Act was implemented, the full benefits have yet to be realised.

The next Peer Review will take place in 2006 and we expect to see improvements as a result of the Enterprise Act bedding down. In the interim, we will monitor the results of the GCR enforcement survey, which is due in mid-2005, and we will be collecting information as part of a longer term plan to evaluate the effectiveness of both the Enterprise Act and the Competition Act 1998.

Quality of data systems used
Peer Review
The 2004 Peer Review of Competition Policy regimes, carried out by KPMG, asked 215 experts from different countries to rank the effectiveness of the UK competition regime with its peers. The Survey ensures it only captures competition "experts" through a question early on in the Survey. There were about 35 follow-up face-to-face interviews to capture more qualitative information about the performance of the competition regime.

Consumers

Latest Outturn

A survey commissioned by the OFT in 2004, revealed that 58% of consumers say they feel either very or fairly well informed of their rights, whilst 79% feel very or fairly confident about using their rights where they need to make a complaint or return goods or services.

Short summary of progress

International Comparisons

There is currently no established methodology to accurately compare our own performance to that of other countries. For this reason, we are conducting a programme of research to improve the evidence base.

The “Comparative Report on Consumer Policy Regimes” was published in October 2003. The report suggested that the UK policy framework was probably amongst the best in terms of consumer rights with regard to: sale of goods and services; access to justice through small claims court procedures; maintaining product safety; providing consumer advice; sponsoring consumer advocacy at the policy-making level; and investigating markets that were not working well for consumers.

However, it found that the UK appeared to be behind the best in respect of: its legal framework, which was not as wide reaching as some others; its enforcement arrangements, which were fragmented; the use of market intelligence; and the provision of advice about suitable traders.

In October 2004, the OECD Consumer Committee agreed UK proposals to examine best practice in consumer regimes. This stream of work should start to deliver results in 2006, against which we can further evaluate aspects of the UK’s regime and develop a clearer idea of where the UK consumer regime stands against its peers.

OFT survey

The OFT’s survey allows us to look at levels of consumer empowerment (measured by how informed and confident consumers feel) in the UK. Improvement in this can only help our international standing.

The OFT survey found that many only feel fairly well informed (49%), rather than very well informed (9%). When it comes to consumers using their rights, survey results vary. The OFT survey found that 79% of consumers interviewed claimed to be confident about using their rights (34% felt very confident and 45% fairly confident). These results are very similar to the last survey that was conducted for the OFT in 2003.

	2003	2004
Fairly well informed of their rights	50%	49%
Very well informed of their rights	7%	9%
Fairly confident about using their rights	43%	45%
Very confident about using their rights	33%	34%

Factors affecting performance

Empowered consumers have a key role to play in promoting competition. There are four strands to Government policy:

- A review of the consumer policy framework, with a view to making recommendations for its reform in the first half of 2005. The DTI issued a consultation document on a Consumer Strategy in July 2004. This consultation exercise ended on 31 October, with further analysis of all contributions progressing from November onwards with a view to publishing the Strategy in the first half of 2005;
- Reform of the legislation on consumer credit to increase transparency and empower consumers to make informed choices, and to make the framework fairer for both consumers and businesses. New legislation will be introduced as soon as Parliamentary time is available;
- Continued progress on delivering "Consumer Direct," which provides advice and information via a helpline and website that empower consumers to make the right choices and place more effective pressure on businesses to improve products and services;
- Consumer Support Networks (CSNs). These will complement Consumer Direct by taking referrals of complex cases, providing face-to-face advice and support for vulnerable consumers. 163 CSNs have been registered, covering some 91% of the GB population.

In addition, the Enterprise Act has enhanced the powers of redress for consumers and introduced a new super-complaints procedure, which gives consumer bodies a formal means of bringing consumer problems to the attention of the OFT and other regulators. So far, three organisations have been designated super-complaint status: Citizens Advice; the National Consumer Council; and the Consumers' Association. Even before designation, the OFT has received and responded to issues raised by these bodies as if they had super-complaint status, e.g. the Care Homes market study resulted from a super-complaint. Others are in the pipeline, which may lead to market investigations. In addition, Energywatch, Watervoice, CAMRA, the Consumer Council for Northern Ireland and Postwatch have applied for super-complaint status. The Statutory Instrument to designate Energywatch is being drafted. (Note: DTI's role is to consider applications for super-complaint status, and then to designate. Any subsequent complaints are made by the body to the OFT (or other regulator), it is then up to them to consider what action to take.)

Quality of the data systems used:

Consumer Empowerment survey

The OFT survey was carried out by the market research company Synovate in early 2004. It was based on a sample of 2,011 people, selected to represent the UK population as a whole. This was a larger sample than the 2003 survey, but the results are comparable.

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

***Assessment of Progress*: ON COURSE**

Ensure the UK ranks in the top 3 most competitive energy markets in the EU and G7 in each year, whilst on course to maintain energy security, to achieve fuel poverty objectives

Latest Outturn

In October 2004 DTI published a study commissioned from Oxera Consulting Ltd to determine the UK's ranking within the rest of the EU and G7 in terms of energy market competitiveness. The provisional results show that in 2003 the UK maintained its position from 2002 as having one of the most competitive energy markets in the EU and G7.

Short summary of progress

Energy market competitiveness

In order to inform the measurement of the PSA target, a methodology has been developed[8] by Oxera on behalf of DTI, based on indicators of energy market liberalisation at each stage of the supply chain (upstream, wholesale markets, network and retail) and applied to energy markets in the EU and G7. The methodology has also been reviewed by independent energy market experts. The latest report, published in October 2004[9], suggests that in 2003 the UK has maintained its position from 2001 and 2002 as having the most competitive gas and electricity market, and therefore the most competitive overall energy market in the EU and G7.

Energy prices

Effective competition is only one of the factors influencing energy price levels in a given country. The level of natural energy resources within a country, government policy, environmental targets, and taxation are only some of the additional factors that need to be taken into account to explain price levels and movements. Thus, energy prices in different countries can indicate a relative advantage of one country over another in terms of an important input factor in its economy.

[8] The final report setting out the methodology is available at:
http://www.dti.gov.uk/energy/gas_and_electricity/competitiveness_structure/oxera_report.pdf

[9] Available at:
http://www.dti.gov.uk/energy/gas_and_electricity/competitiveness_structure/psa_final.pdf

UK gas prices: In 2003, UK industrial prices were second lowest in EU both including and excluding taxes (lowest in G7 both excluding taxes and including taxes), where data is available; domestic prices are fourth lowest in EU excluding taxes and second lowest including taxes (lowest in G7 both excluding and including taxes), where data is available. It should be borne in mind, however, that industrial data for 2003 is only available for eight countries and domestic electricity data for 2003 is only available for eleven countries at this point, and therefore these statistics are subject to revision.

UK electricity prices: In 2003, UK industrial prices were second lowest in EU both excluding and including taxes (third lowest in G7 excluding taxes and second lowest including taxes), where data is available; domestic prices are seventh lowest in EU excluding taxes and third lowest including taxes (third lowest in G7 excluding taxes and lowest including taxes), where data is available. It should be borne in mind, however, that industrial data for 2003 is only available for nine countries and domestic electricity data for 2003 is only available for ten countries at this point, and therefore these statistics are subject to revision.

Secure and reliable supplies

The overall position on security of supply was covered in the Fourth Report of the Joint Ofgem/DTI Energy Security of Supply Working Group (JESS) published in May 2004. The winter of 2003-04 was generally mild (only 15% of winters are expected to be warmer) and as a result maximum demand for both gas and electricity were both significantly lower than experienced in the previous winter. The potential shortfall between generation and peak demand for winter 2003-04 did not materialise because a number of mothballed plants were returned to service thus raising the plant margin to 21.6%.

Fuel poverty

Progress against the Government's fuel poverty targets is published in an Annual Progress Report[10]. The overall target is to seek an end to the problem of fuel poverty in England by 2016 and in particular to seek an end to fuel poverty for vulnerable households in England by 2010. Recent progress is as follows:

- The number of vulnerable households in fuel poverty in England has fallen from around 3 million in 1996 to around 1.2 million in 2002;
- The number of households in fuel poverty in the UK has fallen by over 3 million since 1996, down to around 2.25 million in 2002.

The Government aims to publish its next Annual Progress Report in April 2005.

Factors affecting performance

The position in terms of energy prices in the UK compared to the other nations in the EU and G7 is likely to worsen from 2004, with UK gas and electricity prices rising faster than those in other EU countries. For gas, both UK and European wholesale prices have increased significantly due to rises in the price of oil, to which the gas price is contractually linked in Europe.

[10] The 2004 Annual Progress Report is available at http://www.defra.gov.uk/environment/energy/fuelpov/pdf/fuelpov_2nocover.pdf.

However, in the UK, prices have risen further as a result of the expected tightness of the supply/demand position in the 2004-05 gas year as the UK moves towards becoming a net importer. This tightness has led to nervousness and upward price pressure on the forward market, based on which industrial gas prices are negotiated. Moreover, in the UK, gas suppliers have limited ability or incentives to absorb wholesale price increases, which therefore tend to get directly passed through to industrial (and eventually, domestic) user prices. The combination of these drivers – higher wholesale prices and faster pass-through – will mean that UK (industrial) gas prices are less competitive than in the past.

Gas is also a substantial component of the UK fuel mix in electricity generation and therefore the gas price is probably the largest factor behind recent electricity price increases, but electricity price increases also reflect the fact that the wholesale price had reached historically low levels in 2002 leading to widespread business failures in the industry. The marginal cost of carbon dioxide emissions is also likely to be fully passed through into forward electricity prices in the UK, while forward electricity prices in other countries – for various structural and political reasons – do not appear fully to incorporate the marginal costs of carbon dioxide allowances and therefore may not increase prices in those countries to the same extent as in the UK. Some price increases in the UK are also inevitable as a market signal for the need for additional generation capacity in the future. This is the market working to ensure diversity of supplies.

The impact of higher energy prices on fuel poverty, and limited funding for energy efficiency from Spending Review 2004, is likely to make it more difficult for Government to meet its fuel poverty targets. We are currently looking at the implications of the energy price increases on the numbers in fuel poverty. Final analysis will be published in the Fuel Poverty Action Plan.

JESS envisages a tightness between gas supply and demand in winter 2005-06 based on a theoretical maximum level of demand. However, recent work had shown that there was some evidence from the previous winter of demand side response to high gas prices that arose at peak periods. Rising forward annual baseload prices in the run up to winter 2005-06 have led to no reductions in the generating capacity available for the coming winter.

Quality of data systems used

International price data is derived from the International Energy Agency (IEA) statistical publication “Energy Prices and Taxes.” Data for 2003 is not available for several countries. This analysis is based on the available data. Further details on methodology are available in “Energy Prices and Taxes.”

Fuel poverty data is provided by the English House Condition Survey (EHCS) which will be conducted on a continuous “rolling basis” from 2002. Results for 2002 are derived from projecting forward changes in energy prices, incomes and energy efficiency from the 2001 EHCS, which had a sample of 17,500 households. This is a major ODPM household survey that is undertaken to assess the condition of the stock and its improvement, and how poor conditions are distributed across different types of dwellings, households and areas.

Improve the environment and the sustainable use of natural resources, to help to reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in carbon dioxide emissions by 2010 (joint with Defra)

Assessment of progress: ON COURSE, including the 12.5% target. The UK is also making progress towards the more challenging domestic goal of a 20% cut in emissions of carbon dioxide by 2010.

Latest Outturn

Sustainable use of natural resources

The target for the UK is to reduce the amount of industrial and commercial waste going to landfill to 85% of 1998 levels by 2005, as set out in the UK Waste Strategy[11]. The Environment Agency carried out a survey which looked at the total amount of industrial and commercial waste going to landfill in 1998-99. Data for the next survey is currently being collected, to report by December 2004.

Annual data on industrial and commercial waste sent to licensed landfill sites is also available and is collected by the Environment Agency. The latest data from the landfill site returns show a reduction in industrial and commercial waste to landfill of 8%[12] between 1998-99 and 2000-01. So, tentatively, this target is on course to be met, but this is still subject to confirmation of the data.

Greenhouse gas emissions

The target is to reduce greenhouse gas emissions in 2008–12 by 12.5% from baseline levels. The baseline is taken to be 209 million tonnes of carbon (MtC); this represents emissions of carbon dioxide, methane and nitrous oxides during 1990, together with hydrofluorocarbon, perfluorocarbon and sulphur hexafluoride emissions during 1995. These gases are converted into an equivalent amount of carbon, based on their relative impact towards global warming. In 2002, greenhouse gas emissions were 15.3% below the baseline. Provisional estimates for greenhouse gas emissions in 2003 indicate a fall of about 14% from the baseline. Thus the target is considered to be on course.

Carbon dioxide emissions

The national goal is to move towards a 20% reduction in carbon dioxide emissions by 2010. The baseline is taken from the 1990 level of carbon dioxide emissions, when emissions were 164.6 MtC. In 2002, emissions of carbon dioxide were 8.7% below 1990 levels. Provisional estimates for 2003 indicate that 152.5 MtC were emitted, 1.5% higher than in 2002, but still 7.5% below 1990 levels. This slight increase in carbon dioxide emissions between 2002 and 2003 is due to short-term factors, including greater consumption of coal relative to gas as a result of higher gas prices, a decrease in net imports of electricity and an increase in demand for electricity mainly in the commercial, public and domestic sectors. Annual variations are not expected

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[11] Available at: http://www.defra.gov.uk/environment/waste/strategy/cm4693/index.htm

[12] Industrial & commercial waste to open gate and restricted user landfill sites, excluding the North West region for which there is no breakdown between municipal and industrial & commercial waste data in 1998-99.

to change the direction of the overall downward trend in the UK's carbon dioxide emissions.

Short summary of progress

Total greenhouse gas emissions in the UK were about 15.3% below the agreed baseline levels in 2002. Since 1990:

- carbon dioxide emissions fell by 8.7%
- methane emissions fell by 42.7%
- nitrous oxide emissions fell by 39.6%.

The UK has decided to use 1995 rather than 1990 as the base year for emissions of fluorinated gases in accordance with the provisions of the Kyoto Protocol, because the data is more reliable. Between 1995 and 2002:

- hydrofluorocarbon (HFC) emissions fell by 32.7%
- perfluorocarbon (PFC) emissions fell by 16.2%
- sulphur hexafluoride (SF6) emissions increased by 23.4%.

Factors affecting performance

Some annual variation in emissions, of carbon dioxide in particular, is expected, not least because of external temperature effects and short run changes in the fuel mix in the electricity supply industry. The provisional increase in carbon dioxide emissions between 2002 and 2003 – of around 1.5% – is not expected to change the direction of the overall downward trend in the UK's carbon dioxide emissions.

DTI works closely with DEFRA to deliver this target, holding regular meetings to develop and monitor coordinated delivery plans. The UK Climate Change Programme contains a strong package of policies and measures to help achieve the greenhouse gas and carbon dioxide targets. A review of the Climate Change Programme is due to be completed in the first six months of 2005. The review will provide a comprehensive assessment of the progress made since the programme was published and determine whether we are still on track towards meeting the 2010 carbon dioxide domestic goal.

Quality of data systems used

Emissions data is calculated by the National Environmental Technology Centre (NETCEN) on behalf of DEFRA. Emissions are estimated by applying an emission factor to activity data (in many cases this can be energy consumption data, but can also be the bank of fluid held in products and equipment (in the case of HFCs, PFCs and SF6) or data supplied from industry returns).

Analysis by NETCEN indicates that uncertainties in carbon dioxide emissions estimates are +/- 2%, and for emissions of the 'basket' of six greenhouse gases weighted by global warming potential are about +/- 15%.

Although for any given year considerable uncertainties can surround the emission estimates for a given pollutant, trends over time are likely to be more reliable. UK national emission estimates are updated annually and any developments in methodology are applied retrospectively to earlier years. Adjustments in the methodology are made to accommodate new technical information and to improve international comparability.

PSA Target 5: **Secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for the UK and developing countries. (Joint target with DFID and FCO)**

***Assessment of Progress*: SLIPPAGE**

Latest outturn data
Not applicable – performance judged on qualitative assessment of progress.

Short summary of progress
After the failure of the Fifth World Trade Organisation (WTO) Ministerial meeting in Cancun in September 2003 there is no likelihood of the Doha Development Agenda (DDA) being completed by 1 January 2005, so the original target (always challenging) is unachievable. But, the conclusion of a framework agreement in Geneva in July 2004 increases the prospect of the DDA being successfully completed, albeit later than originally planned.

This framework agreement marks a significant step forward. There now needs to be considerable technical work if the next Ministerial meeting (December 2005) is to make further substantial progress towards a rapid and successful conclusion of the Doha Round.

Factors affecting performance
The UK cannot deliver this target alone. It has to make its contribution through effective influencing within the EU and WTO. As part of this process, the UK published a White Paper in July 2004, which sets out a vision of a world trading system which is fair as well as free, and lays down a series of challenges which the UK, the EU and the international community must rise to if that vision is to be translated into reality. The rejection of the mercantilist approach to trade negotiations, the recognition of the opportunities that trade represents, the need for properly sequenced reform and supply side capacity building in developing countries, as well as transitional assistance to support these countries are all elements of that challenge.

The UK gave strong encouragement to the European Commission to show leadership after the failure of the Cancun Ministerial, and with some other WTO Members worked hard to reinvigorate the negotiating process. A joint letter from Commissioners Lamy and Fischler, spelling out in more detail how much further the EU was prepared to move on agriculture if others did, and what exceptions should be made for weak and vulnerable countries did much to improve the atmosphere.

DFID funded meetings of the so-called G90 – the emerging group of Least Developed Countries, the African Union, and the African, Caribbean and Pacific grouping – to help them refine their negotiating position and explore their negotiating flexibilities. Intensive behind the scenes discussions prior to and during the General Council meeting in July, where DTI and DEFRA in particular worked hard to support the Commission and ensure some other Member States did not row back on the Commission's proffered commitment, were a key factor in ensuring the framework agreement.

The DTI established a new regular inter-departmental group after Cancun to improve planning and operations. This has resulted in an improved inter-departmental influencing strategy to ensure each department builds on its comparative advantage to maximise the UK's impact in influencing key actors. DFID's International Trade Department has re-prioritised its activities to focus on the issues that could threaten a positive development to the WTO round. This includes a more proactive approach to disseminating quality research and analysis early enough for the UK to influence policy formulation in Brussels and more widely. The FCO is increasing its analytical resources on trade, and works in close co-operation with other Departments on their Delivery Plans.

Trade will remain a key DTI objective for 2005, when the UK will hold both EU and G8 Presidencies. DFID and DTI are embarking on a joint exercise to improve the planning, focus and outcomes of their respective Delivery Plans.

Quality of data systems used

See above – qualitative assessment of performance.

***PSA Target 6:* Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.**

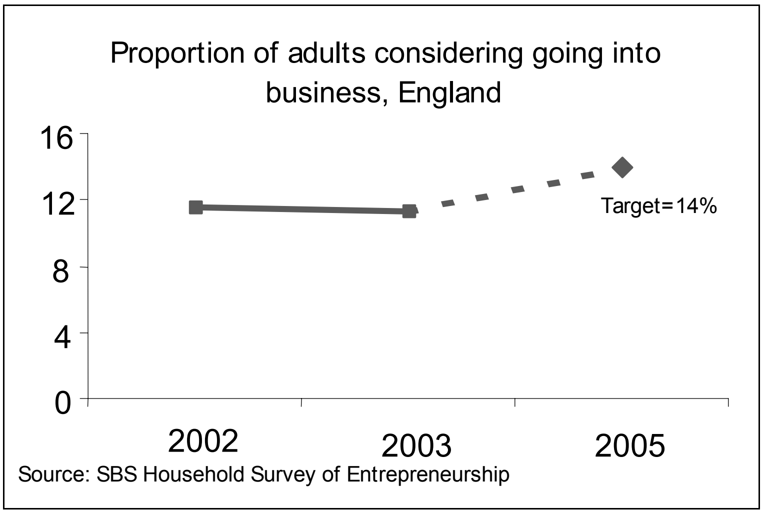
***Assessment of Progress*: SLIPPAGE**

(i) An increase in the number of people considering going into business

Latest Outturn

In 2003, 11.3% of adults in England were considering going into business.

Assessment of Progress - SLIPPAGE



Short summary of progress

The percentage of adults considering going into business was 11.6% in 2001 and 11.3% in 2003, with no improvement towards the 14% target level set for 2005.[13]

Factors affecting performance

Supporting information from the Global Entrepreneurship Monitor (GEM) found that between 2001 and 2002, there was a 30% reduction in total entrepreneurial activity (TEA[14]) across the world, arguably the effects of the World Trade Center disaster and subsequent global recession. The UK is one

[13] Although the slight fall seen between 2001 and 2003 is not statistically significant, and therefore the proportion may actually be unchanged, there is no evidence of an improvement towards the 2005 target level.
[14] TEA measures the proportion of the adult population involved in nascent (start-up) businesses and in new businesses which have been operating for up to 42 months.

of the few countries to see an increase in TEA between 2002 and 2003, but the UK's TEA rate in 2003 is still below the 2001 level, indicating an overall fall in business confidence and activity over the period. However, recent evidence is more encouraging. Estimates of business start-ups (Barclays Bank) for the first six months of 2004 are 23% higher than the same period in 2003. Evidence from Business Link Management Information returns shows there are more people using the Business Link Network in England for advice and support on starting up in business (known as "pre-starts")[15]. The latest official business survival rates also show survival is on the increase, with more than 9 in 10 new VAT registered businesses still in existence 12 months after registering[16].

Quality of data systems used

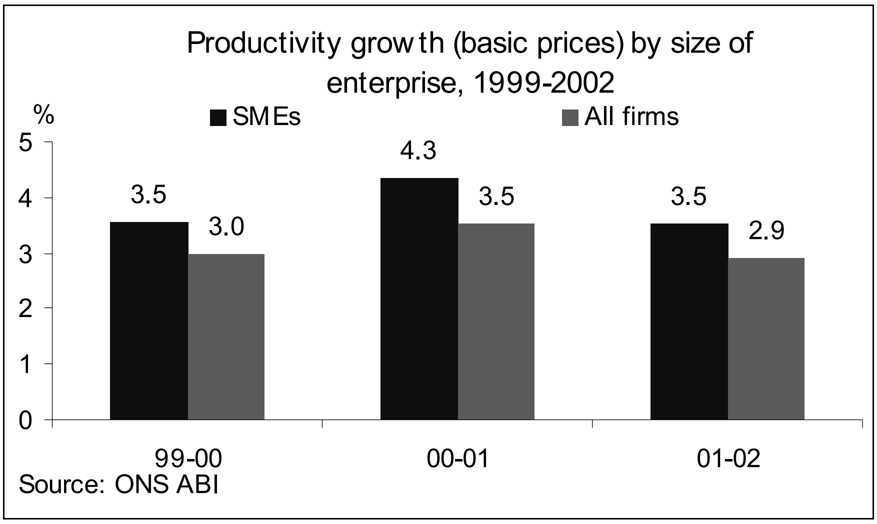
The data for this PSA measure comes from the Small Business Service (SBS) Household Survey of Entrepreneurship, managed by the SBS Analytical Unit. In 2001, 6,000 adults in England were interviewed via the telephone by an external research organisation (IFF research). In 2003, the research was conducted by NOP, and the sample was expanded to 10,000 adults in England. Results are weighted to reflect the adult population in England, using Census data. It is not a National Statistics product. Since the survey is a sample survey, results are subject to margins of error. Therefore, the target level for 2005 has been set at 14% – a level, which if achieved, would reflect a statistically significant increase in the proportion of adults considering going into business.

(ii) An improvement in the overall productivity of small firms

Latest Outturn

Small firms' productivity (gross value added per employee) increased by 3.5% between 2001 and 2002 in the UK. All firms' productivity increased by 2.9%.

Assessment of Progress – ON COURSE



[15] In April-June 2001, there were fewer than 20,000 pre-starts helped by the network. By April-June 2002, this had risen to 30,000, and in every quarter since January-March 2003, there have been at least 40,000 pre-starts helped.
[16] www.sbs.gov.uk/analytical/statistics

Short summary of progress

This is the third year running that small firms' productivity growth has exceeded all firms' productivity growth, although the rate of growth has slowed down, and the gap between small and all firms has narrowed since the previous year. In 1999, small firms were 93% as productive as large firms, and this figure has increased over time to 96% as productive in 2002.

Factors affecting performance

In 2002, there was a slowing down of UK productivity growth (output per worker), which has impacted on both small firms and large firms.

Quality of data systems used

Productivity is measured using data from the ONS Annual Business Inquiry (ABI)[17]. This is a National Statistics product. The ABI is a large-scale annual survey of around 70,000 registered businesses in the UK, conducted in two parts - financial and employment. Businesses with more than 250 employees are surveyed every year, with smaller businesses surveyed less frequently to reduce administrative burden on small firms. As with any sample survey, there will be sampling errors around any estimates from the ABI. However, sampling errors are small for the aggregates of the main ABI variables such as GVA and employees, and indeed the sample is specifically designed to achieve this.[18]

(iii) More enterprise in disadvantaged communities

Latest Outturn

In 2002, there were 29 VAT registrations per 10,000 resident adults in the 20% most deprived wards in England, compared to 46 VAT registrations per 10,000 resident adults in the 20% least deprived wards. This is a gap of 37%.

Assessment of Progress - SLIPPAGE

VAT registration rates (registrations per 10,000 adults)

Year	Most deprived	Least deprived	Gap in rates	Annual change in gap	Total change in gap
2000	29.8	47.6	37.4%		
2001	28.9	44.1	34.4%	-3.0% points	
2002	28.7	45.7	37.2%	+2.8% points	0.2% points

[17] http://www.statistics.gov.uk/abi

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

Short summary of progress

Although some progress was seen between 2000 and 2001, when the gap between VAT registration rates in the most and least deprived wards narrowed by 3.0 percentage points, the gap widened between 2001 and 2002 by 2.8 percentage points, so there has only been a slight improvement overall.

Factors affecting performance

The widening of the gap between 2001 and 2002 was due to an increase in VAT registration rates in the least deprived areas. There was actually very little change in VAT registration rates in the most deprived areas. Although overall, VAT registration rates in the most deprived quintile have fallen slightly since 2000, nearly half of these wards have seen an increase in total VAT registrations between 2000 and 2002.

Because businesses are not compelled to register for VAT until their turnover reaches the VAT threshold (currently £58,000), this measure does not capture all enterprise activity. Data from the ONS Labour Force Survey does include self-employed individuals operating below the VAT threshold, and shows that self-employment rates in Enterprise Areas in England (the 15% most deprived wards) dipped slightly in 2002, but have since recovered, with over 400 thousand self-employed people living in Enterprise Areas. The gap with other areas in England is unchanged over recent years.

Quality of data systems used

Three data sources are used to produce this measure:

- VAT registrations – estimates produced by the SBS[19] based on the ONS Inter-Departmental Business Register (IDBR)[20], released as National Statistics
- Adult population – all people aged 16 and over - estimates produced by the ONS (mid-1998 estimates), as National Statistics
- The ODPM Index of Multiple Deprivation 2000[21] – used to identify the most and least deprived wards in England.

[19] http://www.sbs.gov.uk/analytical/statistics/vatstats.php
[20] http://www.statistics.gov.uk/idbr
[21] http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=9421&Pos=&ColRank=2&Rank=272

Related targets

CSR 1998 PSA 3: To increase the productivity and profitability of SMEs assisted by Business Link partnerships and to show year-by-year improvements in the quality of services delivered under the Business Link brand.

***Final assessment*: PARTLY MET**

(i) To increase the productivity and profitability of SMEs assisted by Business Link partnerships

***Final assessment*: NOT KNOWN**

Latest out-turn

Evidence from an Impact Assessment study shows that businesses receiving significant Business Link Operator (BLO) assistance during 1999-2000 achieved better business performance over the majority of indicators than their peers post-intervention, including profitability indicators. However clients helped by BLOs failed to outperform their peers on productivity. It is probable that any likely increase in productivity would only become apparent after more than one year post-intervention and clients are only tracked for the first year.

The target was to be assessed using data for clients receiving assistance in 2001-02. However, no further data on a comparable basis are available, so the target assessment is "not known".

Short summary of progress

It was felt that the methodology used for this target was limited, and pilots for new methods were tested in 2002-03 in a sample of Business Link areas. One approach piloted was known as "GVA", and this was adopted as part of a new Performance Management Framework for BLOs in 2003-04. However, as a result of this change in approach, there is no data available to measure the performance of BLO clients helped between 1999-2000 and 2003-04, so there is a gap in the data for the year (2001-02) in which the target would have been assessed.

"GVA", which measures the Gross Value Added of clients intensively assisted by BLOs, was piloted across the whole BLO network in 2003-04. Although all intensively assisted clients are intended to be measured for GVA during 2004-05 it is taking BLOs longer than originally expected to develop their knowledge and understanding of the GVA measure and fully embed the data collection requirement within their adviser/client operations.

Additional coaching and other support arrangements are being developed by the BLU to increase the levels of knowledge and understanding across both the BLO network and other parts of the value chain. This should lead to more consistent and robust GVA information being available later in 2004-05. Pilot data for the 12 months ending June 2004 shows that the average GVA per employee of clients intensively assisted by Business Link operators was £28,819 (unweighted).

(ii) To show year-by-year improvements in the quality of services delivered under the Business Link brand.

***Final assessment*: MET**

The final assessment of this sub-target was given in last year's report.

CSR 1998 PSA 4: To secure an increase in the number of high growth business start-ups.

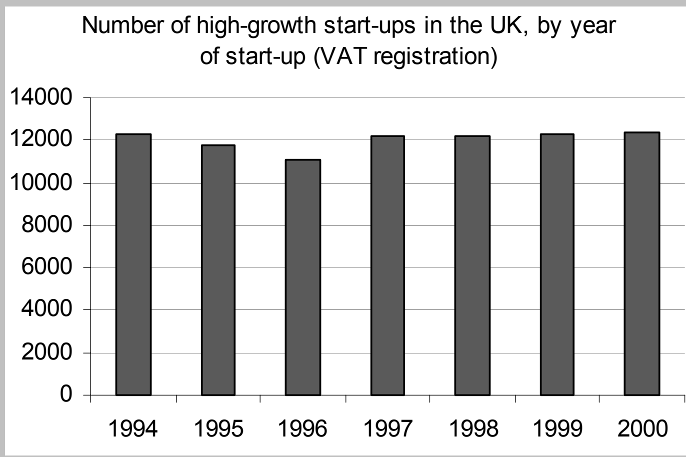
Assessment of progress: ON COURSE

Latest out-turn

Provisional data for 2000 shows that of the businesses which registered in 2000, 12,400 can be defined as high-growth start-ups.

Short summary of progress

After a decline in the number of high-growth start-ups over the period 1994 to 1996, the number of high-growth start-ups has increased again, and provisional figures for 2000 show a slight increase on 1999 levels.



Year of VAT registration	Number of businesses defined as high-growth start-up
1994	12,300
1995	11,800
1996	11,100
1997	12,200
1998	12,200
1999	12,300
2000	12,400 (provisional)

Factors affecting performance

Progress towards this target is assessed by estimating the number of VAT registered firms with a turnover of over £1 million and/or 10 or more employees four years after registering for VAT. Over the whole period, around 7% of all new VAT registrations become high-growth start-ups. There has been little change in this proportion over time.

The increase in high-growth start-ups over the period has been focussed in just one sector - business services - which accounted for over 3 in 10 high-growth start-ups in 2000. Decreasing levels of high-growth start-ups have been seen in Manufacturing and Wholesale, Retail and Repairs, two sectors which collectively accounted for 4 in 10 high-growth start-ups in 1994, and are therefore key contributors. All other sectors have seen very little change since 1994.

Quality of data systems used

Data is from the Inter-Departmental Business Register (IDBR), which is maintained by the Office for National Statistics.

***PSA Target 7:* To make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006. (Joint with HM Treasury and ODPM)**

***Assessment of progress:* ON COURSE**

Latest Outturn

In general, it is too early and there is too little data on the GVA or key drivers of economic growth to draw conclusions on movements or trends. However, early indications are that:

- unemployment is decreasing and employment rates are up in the North;
- the North, Midlands and South West all saw increases in business start up rates, and general entrepreneurial activity has risen;
- northern service sector firms have increased their operating rate; and
- the number of pupils with 5+ A*-C GCSEs has increased in all regions.

Short summary of progress

Significant progress has been made with delivery of this PSA over the past year, with:

- the identification of key measures to improve regional economic performance, based around the key drivers of economic growth - employment, skills, innovation, enterprise, investment and competition[22];
- the publication of a summary of the background research by Frontier Economics that underpinned the work to develop these measures, which can be viewed on the regional overview section of the ODPM website;
- the publication, in March 2004, of "Productivity in the UK 5: Benchmarking UK productivity performance" which set out proposals for the publication of a suite of national and regional productivity indicators to be used to keep track of delivery of the PSA;
- although following the consultation, some changes are proposed to the suite of indicators, the initial set proposed in Productivity in the UK 5 are available at www.rcu.gov.uk/reppsa.

[22] These measures were published in the Technical Note for the PSA in July 2004, see http://www.dti.gov.uk/pdfs/psa_7.pdf

Quality of data systems used

The following data sources are used:

- The headline measure for this PSA target is the trend rate of growth in Gross Value Added (GVA) per head. To measure performance against the regional economic performance target, the trend rate of growth in GVA per head in each region will be estimated for the period 2003-08. The gap in growth rates will be measured by comparing the average growth rate of regions that currently have above average GVA per head with the average growth rate of regions that currently have below average GVA per head. Annual GVA per head data for each region is only available after a 12-month lag so performance against this target will be reported in 2010.
- Supporting indicators, including business surveys, employment statistics, unemployment rates, earnings growth, VAT registrations, and other indicators of the performance of the five drivers of productivity, are available to monitor performance, and will inform updates of performance, at six-monthly intervals. Improvements in the majority of these indicators (taking into account cyclical influences) will be considered as evidence that progress is on track. An overall assessment of progress will also be made in 2006 with the latest data for GVA and other indicators then available. Where the indicators are not National Statistics, the indicators will be checked internally and agreed between the three Departments.

Christopher Allsopp was commissioned to carry out an independent review of the regional information and statistical framework needed to support the Government's objective of promoting economic growth in all the regions and reducing the persistent gap in growth rates between the regions. The Allsopp Review issued its final report in March 2004 and made a number of recommendations accepted by the Government. In response, the Office for National Statistics will, beginning with new surveys in 2006, deliver reliable baseline GVA estimates by region, a framework that better reflects economic diversity and change, and put statisticians in every region by March 2007 to strengthen links with devolved administrations and regional bodies.

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

Assessment of progress: **ON COURSE**

ICT Take-up and Use

Latest Outturn
The UK is placed 3rd for its take up and use by business, as measured by the Sophistication Index of the International Benchmarking Study (IBS) 2004. UK is almost level with second-placed Ireland and close behind the leaders Sweden.

Short summary of progress
The IBS 2004 shows relatively strong trends of increasing ICT sophistication across many indicators. More businesses have connected to the internet through broadband; there is greater use of external e-mail; the UK is amongst the leaders in the adoption of new technologies, such as Voice over IP and desktop video conferencing; and businesses are paying for goods and services online more often. UK businesses continue to have a positive attitude towards technology adoption and are among the most likely to have a written business plan and documented IT strategy.

The digital divide affecting micro and small businesses, which had opened up in previous years, appears to have now closed considerably, according to latest IBS findings.

Challenges remain, however, with the UK performing less well than other countries in a number of aspects of trading online. Businesses in other countries also appear to believe that they achieve more benefits from their use of ICT than UK businesses.

Factors affecting performance
In the UK, and globally too, some new trends in ICT take-up and use appear to be emerging. Businesses are becoming increasingly selective in their deployment of ICT. The IBS shows that the proportion of businesses that measure the benefits of ICT has risen significantly, with the focus now being placed on those areas that affect the bottom line. It no longer appears to be ICT for ICT's sake; the discriminating application of ICT has become the dominant theme.

Broadband has clearly become an attractive technology to business through its wider availability and more competitive pricing. The proportion of businesses connected to xDSL technology has almost doubled since last year and, overall, almost 70% of businesses now have a broadband connection.

Businesses therefore seem to be approaching their ICT adoption and deployment more maturely. Set up and running costs, though, remain the major barriers to implementing ICT, while the biggest drivers are increased efficiency and customer communication.

As in other countries, more UK businesses place orders online than accept them. While there has been an increase in both placing and accepting orders online according to the IBS, it is clear that businesses continue to believe that trading online benefits buyers rather than suppliers.

Quality of data systems used

For the second year running, the IBS has been a collaboration between Booz Allen Hamilton, HI Europe and the DTI. The study's Sophistication Index has been further developed this year in an attempt to capture better the deeper, more integrated ways that businesses are using ICT. The index is based on a matrix which measures activity relating to two established measurement approaches - the 'Technology Innovation Lifecycle Approach', covering Awareness, Adoption, Deployment and Impact, and the 'Three Pillars Approach' which looks at People, Process and Technology (and additionally, Environment). The index comprises a sub-set of the indicators tracked by the survey (50 in the sub-set), selected on the basis that they illustrate some aspect of ICT sophistication.

Broadband

Latest Outturn

No new data since spring 2004, currently re-tendering contract for metrics. Last report showed 3rd on both competitiveness and extensiveness measures, and predicted UK on course to be joint 1st for extensiveness and 3rd (close to 2nd) for competitiveness by 2005.

Short summary of progress

Both availability and take-up continue to grow. More than 90% of households have access to at least one affordable broadband service, prices are continuing to fall and there are now more than 5 million subscribers (consumer and business). Levels of market growth in many other markets internationally are also high but indications are that UK entry-level market is at least keeping pace.

Factors affecting performance

The strong lead shown by the DTI, RDAs and devolved administrations, as well as a wide range of community groups and local authorities, coupled with a rapid growth in take-up have resulted in BT becoming convinced that demand is sufficient to ensure broadband coverage can be extended to some 99.6% of population by 2005.

Meanwhile there is stiff competition at the retail level which has driven down prices and increased choice for consumers. Ofcom’s work on the wholesale broadband markets and the apparent willingness of operators to invest in local loop unbundling or wireless services indicate increased competition that the wholesale market. Similarly the prospect of new broadband voice and video services point to a more sophisticated market developing.

Quality of data systems used

We have now completed a competitive re-tender process for the contract for broadband market metrics. Quality of data were a key consideration in awarding the contract. The tender board included a DTI statistician and Ofcom representation.

Related Target

***SR 2000 PSA 3:* Make and keep the UK the best place in the world to trade electronically, as measured by the cost of Internet access and the extent of business-to-business and business to consumer transactions carried out over e-commerce networks.**

Assessment of progress: **SLIPPAGE**

Latest out-turn

According to various findings of the IBS 2004, the UK roughly ranks 3rd of the countries surveyed for trading electronically.

Short summary of progress

The IBS 2004 shows that internet connection for UK businesses has reached saturation point at close to 95%. There have been improvements in the method and speed of connection, with broadband connections now accounting for almost 70% of the total. Growth this year in the number of micro and small businesses with a website has seen the overall proportion of businesses with a website increase to 85%.

This year has also seen a steady growth in the proportion of businesses that place and accept orders online: 59% of businesses place orders online, up 5 percentage points; 37% of businesses accept orders online, also up 5 percentage points.

UK businesses are among the most likely to publish information online for customers.

Factors affecting performance

UK businesses are stronger in making and paying for orders online, rather than accepting orders and payment online. This reflects what appears to be the view of business that trading online benefits buyers rather than suppliers. UK businesses are increasingly looking for benefits from ICT other than those that come from trading online.

Quality of data systems used

The International Benchmarking Study (IBS) looks closely at ICT process and deployment, including a number of aspects of trading online. The study measures businesses placing orders online, accepting orders online, making payments online and accepting payments online. It also looks at the type of information businesses provide to their customers online. The IBS is a collaboration between Booz Allen Hamilton, HI Europe and DTI.

***PSA Target 9:* By 2006, working with all departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.**

***Assessment of progress:* OUTCOMES HAVE BEEN MIXED**

Latest Outturn

This is a cross cutting target for which much of the delivery rests with other government departments.

There are eight measurable indicators for this target. According to most recent data five of the indicators are **on course** to be met, two are showing **slippage** and one is **not yet assessed**.

Short summary of progress

See summary table.

Factors affecting Performance

Sub-target 1: Flexible working

There has been improvement in the awareness of employees as to the right to request flexible working arrangements. There were 800,000 requests granted in the first year, which suggests the legislation is working for employers and eligible parents.

Roundtables across the country regarding work life balance, and citizen's jury have taken place. Recommendations, costs and benefits gathered from them will help DTI consider possible options that work for families and business.

Sub-target 2: Equal Pay Reviews

In October 2003, the Equal Opportunities Commission (EOC) commissioned Incomes Data Services (IDS) to examine the extent of equal pay review (EPR) activity across the British economy. The findings, published in the EOC's report "Monitoring Progress on Equal Pay Reviews" in spring 2004, showed that by November 2003, 15% of large employers had carried out an EPR, 10% were in the process of conducting one, and a further 26% were planning to do one. Of these, 10% planned to start the process within the next six months and a further 10% to do so between six months and a year from the time of the survey. If these employers actually do so, it will mean that around 45% of large employers should either have completed an EPR, or be in the process of conducting one, by the end of 2004. These findings suggest that the Government's target for 35% of large organisations to have done an EPR by 2006 will be achieved.

PSA 9 Gender Equality indicators – progress summary table

SUB-TARGET	TARGET	BASELINE	LATEST OUT-TURN	ASSESSMENT
1 Flexible working (a) Employee awareness	56%	52% (2003)	53% (April 2004)	**On course**
(b) Employer provision	50%	44% (2003)	First findings to be published in March 2005	
2 Equal pay reviews	35%	18% (2003)	45% of large employers should have completed/ be in the process of conducting an EPR by end 2004 (November 2003 survey)	**On course**
3 Under-represented sectors (i) women in SET	40%	23% (2003)	Not expected to be met by 2005, target rolled forward to 2008	**Slippage**
(ii) Business Link users	40%	25.8% (2002-03)	29.7% (2003-04)	
(iii) women in ITEC	increase from baseline	23% (2002)	20% (2003)	
4 Public bodies	40%	34% (2002)	35.7% (2003)	**On course**
5 Senior Civil Service (i) women in SCS	35%	26.4% (April 2003)	27.8% (April 2004)	**On course**
(ii) women in top management posts	25%	22.9% (April 2003)	24.4% (April 2004)	
6 Judicial appointments		34% (2001-02)	32% (2003-04) (NB this represents an increase on the 30.7% out-turn in 2002-03)	**Slippage**
7 Childcare	250,000 new places p.a.	185,374 (2002)	1997-2004 – 1 million places created	**On course**
8 Domestic violence	Increase from baseline	N/A	N/A	**Not yet assessed**

Sub-target 3: Women in Under-represented Sectors

(i) Women on Science, Engineering and Technology (SET) related bodies

The Target of 40% female representation by 2005 has been rolled forward to 2008. This was done on the basis of the statistical information DTI received from Non-Departmental Public Bodies.

An initiative being undertaken by the Government which will help to meet the 2008 target is the setting up of a new UK Resource Centre for Women in SET. It aims to raise the profile of women in SET through a range of initiatives for example: a comprehensive database of women experts, speakers and role models in SET; publications; and practical help and support to employers and academia seeking to develop gender equality practices.

(ii) Women entrepreneurs

The target is that by 2006, women will account for 40% of customers using Government-sponsored business support services. There is evidence that women are more likely than men to seek business support and advice. It is encouraging to see that 54% of women-owned businesses sought external advice and information in the last 12 months (from autumn 2003), compared to 49% for all businesses. To continue to improve the upward trend the following action is being taken:

- The Government is implementing a new Strategic Framework for Women's Enterprise, which aims to increase the number of women entrepreneurs to the number in comparable countries such as the US;
- RDAs have been encouraged to take a lead in implementing the Framework objectives by forming inclusive strategic partnerships and women's enterprise action plans at regional level;
- Encouraging more women into business is a key delivery theme for the Business Link network in England. The SBS Phoenix Development Fund has funded a number of targeted women's enterprise initiatives in each of its funding rounds.

(iii) Women in Information, Technology, Electronics and Communications (ITEC) jobs.

2003 data showed a significant fall on the 2002 baseline. Good examples of actions being taken by DTI, who are also working with DfES to mitigate this slippage, include:

- DTI produced a DVD profiling case studies of business women successful in the IT sector – this makes a positive statement;
- DTI and DfES are taking forward a joint strategy, which is a new approach to follow women through education and employment in the ITEC sector. The purpose is to counter negative perception of ITEC by girls.
- DTI's Women and Equality Unit (WEU) to develop an action plan to look at ways of mitigating the downward trend in the number of women entering the ITEC sector.

Sub-target 4 Public Appointments
The Government's objective is that boards of public bodies should have overall balance of men and women, and this sub-targets aims for women to comprise over 40% of appointments to public bodies by 2005. Latest outturn for 2003 was 35.7%, as contained in the Cabinet Office publication "Delivering Diversity in Public Appointments 2004."

Over the coming months, departments will continue to build on the progress that they have so far made. This will be done in a number of ways, including: ensuring clearer job descriptions and person qualifications, which do not contain unnecessary requirements; raising awareness of the existence of individual databases; and holding seminars and events where sponsor teams can develop contacts with diversity specialists.

Sub-target 5: Senior Civil Service
The civil service is making good progress to meet its target to double the numbers of staff from under-represented groups in the Senior Civil Service (SCS) by 2005. In particular good progress is being made to employ women in top management positions.

Civil Service staffing figures for April 2004 and Cabinet Office data (April 2004) indicate that 24.4% of those in the very top management positions are women; 27.8% of the SCS are women.

Sub-target 6: Judicial Appointments
The figures for the appointment of women to the judiciary have improved during 2003-04. The figure now stands at 32% - up from 30.7% in 2002-03. During 2003 and 2004, continued efforts have been made to increase awareness about the judicial appointments process. The scheme was re-launched in March 2004. The department is continuing to organise awareness-raising events, to encourage under-represented groups to apply.

Improvements to the appointments system have served to increase the professionalism and transparency of the appointments process. Following last years' pilot, Assessment Centres have now been introduced for all deputy district judge competitions. It is envisaged that this system will increase the diverse make-up of the judiciary, as more areas can be explored than by interview alone.

The creation of the new Judicial Appointments Commission will be an important milestone, and it is envisaged that there will be an increase in accountability and transparency. The WEU participated in a series of stakeholder roundtables during 2004, and contributed a wide range of diversity issues as part of the development of a consultation document on increasing judicial diversity. Following a high level meeting with officials in the Departmental for Constitutional Affairs, WEU are inputting into the project to take the results of the consultation forward, providing expertise gained on public appointments in the City and Corporate sectors, and participating in awareness-raising roadshows. WEU will also provide assistance on developing diversity related guidance for the new Commission.

Sub-target 7: Childcare
By 2006 the Government is committed to create 250,000 new childcare places for at least 450,000 children in addition to the new places for 1.6 million children to be created between 1997 and 2004. As at June 2004 more than 1 million new registered childcare places since 1997, benefiting well over 1.9 million children.

To help meet this target WEU has been able to contribute to high-level cross-Government committees such as the Sure Start Programme Board, in order to ensure issues relating to the delivery of the Gender PSA are actively considered. This includes a monthly scrutiny of the Sure Start Delivery Plan, which monitors progress on key areas of the PSA such as childcare places and childcare workforce targets.

Sub-target 8: Domestic Violence
A baseline for this target has not yet been agreed. WEU is working with the Home Office to drive this agenda forward. Domestic violence currently accounts for 18% of violent crime. The data source for this figure is the British Crime Survey 2002-03. The 2003-04 figure has not yet been published.

Meanwhile, WEU has been taken the following action on this target:

- WEU has taken the lead in ensuring that domestic violence is being considered as part of the Public Health White Paper, which could bring about changes that may impact on the domestic violence indicators in the Gender PSA;
- WEU has commissioned research on the costs of domestic violence which shows some significant trends.

Quality of data systems used

A number of different data systems are used to measure this target's indicators. This include surveys carried out by independent bodies on behalf of DTI, such as the Work-Life Balance Survey, and statistics collected by other Government Departments, such as the Cabinet Office.

***PSA Target 10:* In the three years to 2006, taking account of the economic cycle, increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities. (Joint target with DWP)**

***Assessment of progress:* ON COURSE**

Latest Outturn

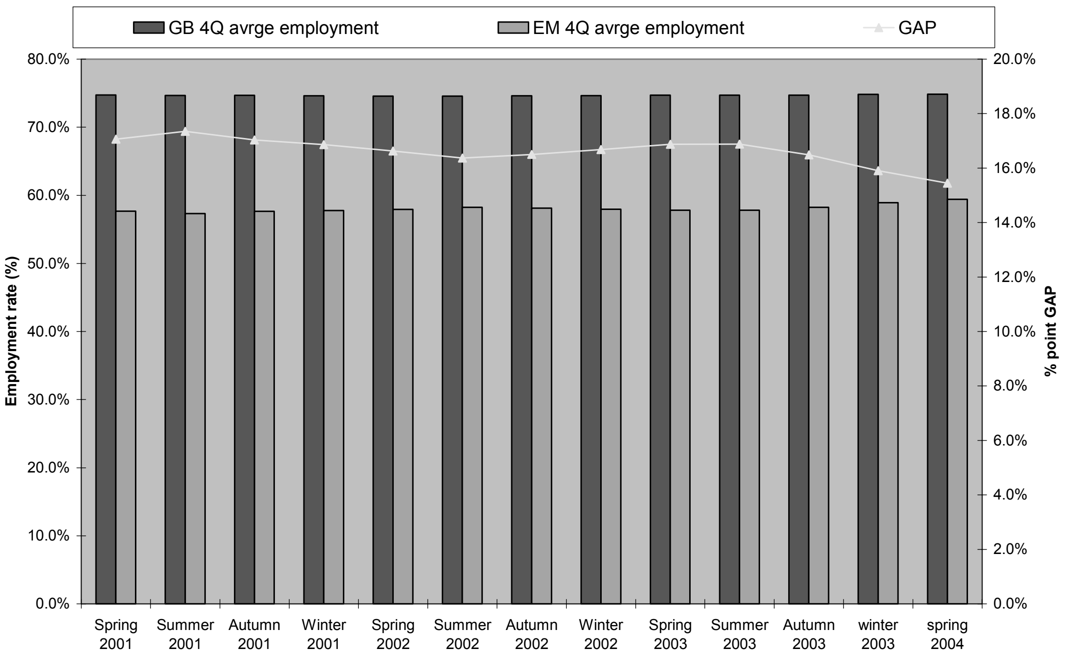
Latest data for 2004 shows that there has been a significant increase in the employment rate of ethnic minorities and that the employment rate gap is narrowing.

Short summary of progress

The baseline ethnic minority employment rate is the average of the four quarters from summer 2002 to spring 2003, 57.8%[23]. The baseline figure for the gap between this ethnic minority employment rate and the overall employment rate for Great Britain is 16.9 percentage points.

One year into the target, the ethnic minority employment rate has increased by 1.6 percentage points, and the gap with the overall rate has reduced by around 1.4 percentage points. These changes are of sufficient magnitude to meet the success criteria. This represents a promising start towards meeting the PSA target, and the Department continues to monitor progress closely.

Figure 1: Ethnic minority employment rate



[23] Labour Force Survey data has been re-weighted to take account of updated population estimates. As a result, baseline figures may be different from those quoted in earlier publications.

Factors affecting performance

It is hard at this stage to say whether this improvement has been due Government policy or to other factors, as the improvement in labour market performance is somewhat higher than predicted. DWP remain major players in this target through the work of Jobcentre Plus. DTI has contributed through a number of policy initiatives including:

- guidance about anti-discrimination legislation on the Business Link website[24];
- the role of Acas in promoting diversity and equality in the workplace;
- the work of the Ethnic Minority Business Forum e.g. promoting Sharia compliant finance arrangements;
- the development of Regional Ethnic Minority Business Forums;
- increased outreach by UK Trade & Investment to black and minority ethnic businesses to raise awareness of their services and increase their take up of the service;
- joint working across Whitehall on the Ethnic Minorities and the Labour Market Task Force.

Quality of data systems used

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

In addition work is underway to pilot a new survey in 2005 which will look in depth at perceptions of discrimination in the workplace.

[24] http://www.businesslink.gov.uk

PSA Target 11: **Deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers; and maintain the UK as the prime location in the EU for foreign direct investment. (Joint target with FCO)**

Assessment of progress: **ON COURSE**

It is important to note that responsibility for PSA target 11 lies with UK Trade & Investment (formerly British Trade International). For more detailed information on this target, please see UK Trade & Investment's Autumn Performance Report.

Performance of UKTI's customers

Latest Outturn

Indicator (i) At least 30% of new-to-export firms assisted by UK Trade & Investment improve their business performance within 2 years

2002 Annual Result	Qtr1 2003	Qtr 2 2003	Qtr 3 2003	2003 Annual Result	Qtr 1 2004	Qtr 2 2004
32%	38%	35%	37%	35%	30%	31%

Assessment of progress: ON COURSE

Indicator (ii) At least 50% of established exporters assisted by UK Trade & Investment improve their business performance within 2 years

2002 Annual Result	Qtr1 2003	Qtr 2 2003	Qtr 3 2003	2003 Annual Result	Qtr 1 2004	Qtr 2 2004
52%	45%	44%	42%	43%	41%	49%

Assessment of progress: ON COURSE

Indicator (iii) At least 70% firms receiving assistance to win major overseas projects reporting that UK Trade & Investment's help was a significant factor.

2002 Annual Result (2003 survey)	2003 Annual Result (2004 survey)
58%	61%

Assessment of progress: SLIPPAGE

Short summary of progress

The new exporter target - indicator (i) - was achieved for 2003 (35% against the target of 30%). It combines both entirely new exporters and inexperienced exporters. The 2002 survey concluded that entirely new exporters showed significantly fewer signs of improvement to their performance compared with inexperienced exporters. The 30% figure was intended to provide a challenging target. It was calculated on the basis that the survey would be including increasing numbers of entirely new export firms as more funding was directed towards this group.

There was some slippage in 2003 in the results against the established exporter target – indicator (ii) - (43% against the target of 50%), but there are indications of improvement in the current year. Analysis of the information gathered through the survey process to date is being undertaken to establish any commonality between the firms who have failed to report sustainable improvements to their business performance.

The target relating to major projects overseas – indicator (iii) - fell short of the required target (61% against a target of 70%), although this did constitute a small improvement on the previous result (58% in 2003 on 2002 activities).

Factors affecting performance

UK Trade & Investment is refocusing the trade services available to its customers to respond more effectively to their needs. A review of its existing services has been completed. In future, trade services will be directed primarily where they will enhance customers' competitiveness by improving their productivity. There will be a coherent and simplified portfolio of flexible products which are easily understood and accessible to customers, and which add significant value to their businesses. This should improve results against the PSA indicators. The new customer portfolio will be available from autumn 2004, and be designed around:

- Enhancing firms' capabilities and skills to operate internationally;
- Provision of sector knowledge and market research;
- Customised contacts and opportunities.

The assistance given covers a wide range of activities with many of the projects taking lengthy periods to come to fruition.

Quality of data systems used

The first two indicators are currently measured by external consultants (the Reading Business Group, part of Reading University) who carry out a survey of 800 firms each year to gather information on the overall performance of UK Trade & Investment.

The survey is based on telephone interviews of a sample of users of UK Trade & Investment's principal services. Two thirds of the interviews are with firms who have used UK Trade & Investment's services in the past 6-12 months. These interviews provide an initial assessment of the impact of the services on the firms concerned. The remaining third of the interviews are follow-ups with firms who were sampled the previous year, and these take place 18-24 months after the services in question were first used. These later interviews are designed to assess the longer-term impact of UK Trade & Investment services.

The third indicator relating to major projects overseas is measured by a separate annual survey. An independent consultancy (Casson & Crispe) is used to carry out a number of interviews with firms (80 in January 2003, 100 in February 2004) who have received assistance from UK Trade & Investment's Sector Teams or Posts overseas in connection with major business projects.

Foreign Direct Investment

Latest Outturn

Indicator (iv) - The UK's share of the stock of EU foreign direct investment as recorded in the United Nations Conference Trade (UNCTAD) World Investment Report to be the best in Europe on a year-by-year basis.

Assessment of progress: ON COURSE

Short summary of progress

The UNCTAD World Investment Report published in September 2004 endorses the UK's position as Europe's top inward investment location. The UK has both maintained the highest total stock and increased its share of European investment stock by $104 billion in 2003 to a total of $672 billion, accounting for more than 20% of inward investment stocks in Europe.

The 2004 report contains inward investment figures for the calendar year 2003 and revisions to previous years.

Quality of data systems used

The UNCTAD World Investment Report is an annual publication which provides an independent form of measurement of the stocks of foreign direct investment throughout the EU.

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

***Assessment of Progress*: ON COURSE (where data is available)**

Latest Outturn and short summary of progress

This target is measured using 12 indicators, covering DTI programme expenditure, HQ administration costs and expenditure by DTI's agencies. Between them, they cover the majority of DTI's programme and administration cost expenditure within the Departmental Expenditure Limit (DEL).

We are not yet able to report on all indicators, but most indicators for which data is available are on course to be met. We should be in a position to give a fuller assessment of progress in the Departmental Report 2005. The indicators are as follows, with latest out-turn data for 2003-04 where available.

Programme and capital expenditure indicators

Indicator A Science and engineering base

Measuring efficiency in this area is particularly challenging, because a "unit of science" is difficult to define and hence to assess its value. Many potential indicators, for example using international comparisons of citations against science expenditure, are subject to lengthy data lags. However, we are approaching final agreement on a basket of indicators which will provide more timely evidence of progress against our value for money target for the science budget. Further detail will be set out in the Departmental Report 2005.

Indicator B, Business Link Operators

Value for money will be assessed on the basis of Small Business Service Business Link Operators' (SBS BLOs) Core Services Budget per business user. The baseline performance was SBS BLOs Core Services Budget costs of £457 per business user in 2002-03. The target is that costs per business user on the same basis should be less than £330 by 2005-06. Preliminary data for 2003-04 indicates that this target has been met for the first year.

Indicator C Business Support

Between 2003 and 2005 DTI has reviewed and rationalised its Business Support products in order to improve value for money. This indicator has been provisionally agreed, which will compare the Net Present Value (NPV) of expenditure of the 10 new Business Support products to an estimated equivalent for the former portfolio. Initial indications are that this indicator will demonstrate that the new products are on course to provide greater value for money. Further detail will be set out in the Departmental Report 2005.

Indicator D Business.gov

This is a cross-Government programme aimed at joining up and improving government e-services for business. The project is on course to achieve the target £15 million saving on its original budget of £65 million.

Indicator E Other programme efficiencies/economies

We are on course to achieve total cashable programme savings of £14m over 2004-06.

Indicator F Consultancy.

The Department spends some £90m a year on consultancy, virtually all as programme expenditure. A Review of how this expenditure is procured and managed, undertaken in autumn 2003, identified a package of recommendations aimed at improving how the Department decides whether to buy in consultancy and how consultancy services are procured and managed. New arrangements were introduced on 1 April 2004. These measures are already having some positive effects and the early indications are that the Department is on course to achieve, or better, its target of reducing its net consultancy programme expenditure by £5m a year from 2005-06 onwards.

Administration cost expenditure indicators

Indicator G Pay and Workforce support cost savings

Total staff costs for 2003-04, covering DTI headquarters and SBS staff, were £165 million in 2003-04, against the 2002-03 baseline of £171 million. For the financial year 2004-05 the Department has a target of reducing its core staff numbers by 300 (approximately 7% of the total) and is on course to deliver this target, with savings of £4m in this financial year.

Indicator H Accommodation and office support costs of DTI HQ

DTI is on course to reduce the number of its central London buildings from six to three by September 2005, and will have restacked its main building to achieve a ratio of eight desks to ten people by the March 2005.

Agency value for money targets

Indicator I Companies House

In 2003-04 Companies House delivered a 4.9% unit cost in document registration (target 3%).[25]

Indicator J Patent Office

In 2003-04 Patent Office increased output in relation to current expenditure by 2.6% (target 2% over a rolling three year period).[26]

Indicator K Insolvency Service

In 2003-04 Insolvency Service unit cost of case administration fell by 6.2% (target no more than + 1%), unit cost of investigations rose 3.9% (target no more than + 10%).[27]

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[25] For more information see Companies House Annual Report 2003-04 at http://www.companies-house.gov.uk/about/pdf/annrep.pdf

[26] For more information see Patent Office Annual Report 2003-04 at http://www.patent.gov.uk/about/reports/anrep2004/index.htm

[27] For more information see the Insolvency Service Annual Report 2003-04 at http://www.insolvency.gov.uk/pdfs/annual2003-04web.pdf

Indicator L Employment Tribunals Service (ETS)

In 2003-04 ETS administrative unit costs rose 7% in real terms (target is a 3% real terms reduction). This target has continued to prove problematic in terms of giving a misleading result when the numbers of applications and resources fluctuate. ETS completed fewer cases, with more effort (due to their complexity) while costs, especially judicial salaries and the employer's contribution to judicial pensions increased considerably. This target is being reviewed by ETS with a view to agreeing with DTI and DCA a more robust and meaningful indicator of ETS's efficiency. [28]

Factors affecting performance

DTI's five-year Strategy[29] and Business Plan[30] set out how we will strengthen our focus on delivery and improve value-for-money. An Efficiency Programme has developed a new business model for the Department to enable us to deliver the DTI Strategy efficiently and effectively. Our vision is of a smaller, simpler and more responsive core Department focused on its national policymaking and influencing role. DTI services to customers will be delivered by contractors, partners or agencies – and those delivered by DTI will be from regional locations.

The 2004 Spending Review White Paper sets DTI a target to achieve annual efficiencies of at least 2.5% a year, equivalent to some £380 million by 2007-08. At least half of these efficiencies will be cash-releasing, allowing resources to be recycled to priority programmes. DTI has published a Technical Note which sets out how this target will be met.[31]

Quality of data systems used

The 12 indicators to measure this target use a variety of different data systems, mostly derived from the annual reporting systems used by the Department and its Agencies.

Related target

SR 2000 PSA 12: Achieve value for money improvements of 2.5% a year across the department.

Assessment of Progress: ON COURSE

Provisional results for value for money improvement across Departmental operations under this target amounted to 4.5% in 2002-03. The main improvements came from efficiencies in the Department's procurement practices and from improving the use of the Department's accommodation to lower costs per head. Performance against the target for 2003-04 is yet to be assessed, but will be reported in the Departmental Report 2005, which is due to be published in spring 2005.

[28] For more information see the Employment Tribunals Service Annual Report 2003-04 at http://www.ets.gov.uk/annualreport2004.pdf

[29] http://www.dti.gov.uk/about/strategy2003.html

[30] http://www.dti.gov.uk/about/businessplan.html

[31] http://www.dti.gov.uk/efficiency_technicalnote.html

Chapter 3 – DTI's new Public Service Agreement Targets as published in Spending Review 2004

AIM

Deliver prosperity for all by driving up productivity and competitiveness through world-class science and innovation, successful enterprise and business, and fair, competitive markets.

OBJECTIVES AND PERFORMANCE TARGETS

Objective I: Raising the rate of sustainable productivity growth

1. Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors. **Joint with HM Treasury**

Objective II: Promoting world class science and innovation

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

Objective III: Ensuring fair, competitive markets and empowering consumers

3. Promote fair competitive markets by ensuring that the UK framework for competition and for consumer empowerment and support is at the level of the best by 2008, measuring the effectiveness of the regime through international comparisons, supported by a broader evidence base.

4. Lead work to deliver the goals of energy policy:
    - To reduce greenhouse gas emissions by 12.5% from 1990 levels in line with our Kyoto commitment and to move towards a 20% reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables. **Joint with the Department for the Environment Food and Rural Affairs and Department for Transport;**
    - Maintain the reliability of energy supplies;
    - Eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy objective. **Joint with the Department for the Environment Food and Rural Affairs;**
    - Ensure the UK remains in the top three most competitive energy markets in the EU and G7.

5. Ensure that the EU secures significant reductions in EU and world trade barriers by 2008 leading to improved opportunities for developing countries and a more competitive Europe. **Joint with the Department for International Development.**

Objective IV: Enabling successful enterprise and business

6. Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.
7. Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. **Joint with HM Treasury and the Office of the Deputy Prime Minister.**
8. By 2008 deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers, with an emphasis on new to export firms; and maintain the UK as the prime location in the EU for foreign direct investment. **Joint with the Foreign and Commonwealth Office.**

Objective V: Working to deliver equality and to maximise potential in the workplace

9. By 2008, working with other departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.
10. By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible labour market.

Objective VI: safe, secure, cost-effective and environmentally friendly nuclear clean-up.

11. Reduce the civil nuclear liability by 10% by 2010, and establish a safe, innovative and dynamic market for nuclear cleanup by delivering annual 2% efficiency gains from 2006-07; and ensuring successful competitions have been completed for the management of at least 50% of UK nuclear sites by end 2008.

STANDARDS

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

WHO IS RESPONSIBLE FOR DELIVERY?

The Secretary of State for Trade and Industry is responsible for the delivery of this PSA. The Chancellor of the Exchequer is jointly responsible for delivering target 1 and, together with the Deputy Prime Minister, target 7. The Secretary of State for the Environment, Food and Rural Affairs is jointly responsible for delivery of the fuel poverty part of target 4, and with the Secretary of State for Transport, the environmental part of target 4. The Secretary of State for International Development is jointly responsible for delivering target 5. The Secretary of State for Foreign and Commonwealth Affairs is jointly responsible for delivering target 8.

Chapter 4: Summary Performance against previous Spending Review's Public Service Agreements

Chapter 2 sets out progress against all DTI's outstanding PSA targets. For ease of reference, progress on the targets contained in the 1998 and 2000 Spending Reviews is summarised in the tables below.

Comprehensive Spending Review 1998

CSR Target	Performance
1. To put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle.	**Partially met – outside period** The final assessment was set out in APR 2002. This target is carried forward in similar terms in SR 2002 PSA Target 1.
2. To secure improvements in performance against a set of competitiveness indicators to be developed and published annually from 1999.	**Met - ongoing** Final assessment on page 7.
3. To increase the productivity and profitability of SMEs assisted by Business Link partnerships and to show year-by-year improvements in the quality of services delivered under the Business Link brand.	**Partly met** Final assessment on page 30.
4. To secure an increase in the number of high growth business start-ups.	**On course** There is a four-year time lag in the measurement of this target. For latest progress see page 31.
5. To improve the overall international ranking of the Science and Engineering Base in terms of quality, relevance and cost-effectiveness.	**Met - ongoing** Final assessment on page 13. This target is carried forward in similar terms in SR 2002 PSA Target 2.
6. To increase by 50% the 1997-8 number of companies spun out from universities by 2001-02.	**Met** The final assessment was set out in APR 2002.

CSR Target	Performance
7. To increase from 350,000 to 1.5m the number of UK SMEs wired up to the digital market place by 2002.	**Met** The final assessment was set out in APR 2002.
8. To make the UK the best place in the world to trade electronically by the end of the Parliament.	**Not met** The final assessment was set out in APR 2002. This target is carried forward in SR 2002 PSA Target 8.
9. To improve support for exporters, raise the quality of service, generate additional exports and enhance the business image of the UK.	**Met** The final assessment was set out in APR 2002. This target is carried forward in SR 2002 PSA Target 11.
10. To maintain the UK as the prime location in the EU for foreign direct investment.	**Met** The final assessment was set out in APR 2002. This target is carried forward in SR 2002 PSA Target 11.
11. To maintain or improve levels of energy security, diversity, sustainability and competitive energy prices.	**Met - ongoing** Data for all elements of this target for 1999-2002 are now available and have been published. This target is carried forward in SR 2002 PSA Target 4.
12. To improve UK performance in transposition of EU Single Market measures to enable 98% of measures to have been transposed into UK law by end 2000.	**Not met** The final assessment was set out in APR 2002.

Spending Review 2000

SR 2000 Target	Performance
1. Improve UK competitiveness by narrowing the productivity gap with the US, France, Germany and Japan over the economic cycle. (Joint target with HM Treasury)	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 1.
2. Help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities.	**Slippage** This target is carried forward in similar terms in SR 2002 PSA Target 6.
3. Make and keep the UK the best place in the world to trade electronically, as measured by the cost of Internet access and the extent of business-to-business and business to consumer transactions carried out over e-commerce networks.	**Slippage** This target is carried forward in similar terms in SR 2002 PSA Target 8. For a progress report on this target see page 36.
4. Improve the economic performance of all regions measured by the trend in growth of each region's GDP per capita. (Joint target with DETR [ODPM])	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 7.
5. Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 2. For a progress report on this target see page 13.
6. Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 2.

SR 2000 Target	Performance
7. Have the most effective competition regime in the OECD, as measured by peer review, and achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 3.
8. Ensure competitive gas and electricity prices in the lower half of the EU/G7 basket, while achieving security of supply and social and environmental objectives.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 4.
9. Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in CO2 emissions by 2010. (Joint target with DETR [DEFRA])	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 4.
10. Deliver a measurable improvement in the business performance of Trade Partners UK customers. (Joint target with FCO)	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 11.
11. Maintain the UK as the prime location in the EU for foreign direct investment. (Joint target with FCO)	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 11.
12. Achieve value for money improvements of 2.5% a year across the Department as measured by a set of indicators.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 12. For a progress report on this target see page 49.

Appendix 1:
The links between SR 2004 targets and previous PSA targets

SR 2004 targets for 2005-08	SR 2002 targets for 2003-06	Earlier PSA targets
1. Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors. (Joint with HM Treasury)	**1.** Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the US, France and Germany. (Joint with HM Treasury)	**SR 2000** PSA 1 **CSR 1998** PSA 1 PSA 2
2. Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy, making continued progress to 2008, including through effective knowledge transfer amongst universities, research institutions and business	**2.** Improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy.	**SR 2000** PSA 5 PSA 6 **CSR 1998** PSA 5 PSA 6
3. Promote fair competitive markets by ensuring that the UK framework for competition and for consumer empowerment and support is at the level of the best by 2008, measuring the effectiveness of the regime through international comparisons, supported by a broader evidence base	**3.** Place empowered consumers at the heart of an effective competition regime, bringing UK levels of competition, consumer empowerment and protection up to the level of the best by 2006, measuring the effectiveness of the regime by peer review and other evidence, to ensure a fair deal for consumers and business working in collaboration with the relevant regulatory agencies.	**SR 2000** PSA 7

SR 2004 targets for 2005-08	**SR 2002 targets for 2003-06**	**Earlier PSA targets**
4. Lead work to deliver the goals of energy policy: • To reduce greenhouse gas emissions by 12.5% from 1990 levels in line with our Kyoto commitment and to move towards a 20% reduction in carbon dioxide emissions below 1990 levels by 2010, through measures including energy efficiency and renewables. (Joint with DEFRA and DfT.) • Maintain the reliability of energy supplies. • Eliminate fuel poverty in vulnerable households in England by 2010 in line with the Government's Fuel Poverty Strategy objective. (Joint with DEFRA.) • Ensure the UK remains in the top three most competitive energy markets in the EU and G7.	**4.** Ensure the UK ranks in the top 3 most competitive energy markets in the EU and G7 in each year, whilst on course to maintain energy security, to achieve fuel poverty objectives; and (Joint target with DEFRA) improve the environment and the sustainable use of natural resources, including through the use of energy saving technologies, to help to reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in carbon dioxide emissions by 2010.	**SR 2000** PSA 8 PSA 9 **CSR1998** PSA 11
5. Ensure that the EU secures significant reductions in EU and world trade barriers by 2008 leading to improved opportunities for developing countries and a more competitive Europe. (Joint with DfID)	**5** Secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for the UK and developing countries. (Joint target with DfID and FCO)	

SR 2004 targets for 2005-08	SR 2002 targets for 2003-06	Earlier PSA targets
6. Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.	**6.** Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.	**SR 2000** PSA 2 **CSR 1998** PSA 3 PSA 4
7. Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. (Joint target with ODPM and HM Treasury)	**7.** Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006. (Joint target with ODPM and HM Treasury)	**SR 2000** PSA 4
8. By 2008 deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers, with an emphasis on new to export firms; and maintain the UK as the prime location in the EU for foreign direct investment. (Joint target with FCO)	**11.** Deliver a measurable improvement in the business performance of UK Trade & Investment's customers; and maintain the UK as the prime location in the EU for foreign direct investment. (Joint target with FCO)	**SR 2000** PSA 10 PSA 11

SR 2004 targets for 2005-08	SR2002 targets for 2003-06	Earlier PSA targets
9. By 2008, working with other departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion.	**9.** By 2006, working with all departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion	
10. By 2008, promote ethnic diversity, cooperative employment relations and greater choice and commitment in the workplace, while maintaining a flexible labour market.	**10.** In the three years to 2006, taking account of the economic cycle, increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities. (Joint target with DWP)	
11. Reduce the civil nuclear liability by 10% by 2010, and establish a safe, innovative and dynamic market for nuclear cleanup by delivering annual 2% efficiency gains from 2006-07; and ensuring successful competitions have been completed for the management of at least 50% of UK nuclear sites by end 2008		
Standard Maintaining the UK's standing as one of the best places in the world for online business	**8.** Make the UK the best place in the world for e-business, with an extensive and competitive broadband market, judged using international comparative measures of business uptake and use of information and communication techniques.	**SR 2000** PSA 3 **CSR 1998** PSA 7 PSA 8

Appendix 2: Additional Information

Useful links

DTI website

www.dti.gov.uk

DTI Departmental Report 2004 and Reports for previous years

http://www.dti.gov.uk/expenditureplan/

DTI 5-Year Programme

http://www.dti.gov.uk/fiveyearprogramme.html

DTI Business Plan 2004-7

http://www.dti.gov.uk/about/businessplan.html

DTI Strategy

http://www.dti.gov.uk/about/strategy2003.html

Technical Notes to the SR2002 PSA targets

http://www.dti.gov.uk/about/psa/index.htm

Technical Notes to the SR2004 PSA targets

http://www.dti.gov.uk/psa_target.html

HM Treasury Public Services Performance Index

http://www.hm-treasury.gov.uk/performance/index.cfm

How to Contact DTI

If you have a general enquiry about DTI, please call the helpline on **020 7215 5000** or visit the DTI website.

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