Department
for Business
Innovation & Skills

Annual Report and Accounts 2013-14

Department for Business, Innovation and Skills

Annual Report and Accounts 2013-14

For the year ended 31 March 2014

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

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Overview by the Secretary of State

This April, I became the longest serving Secretary of State for Business for almost 50 years. Since being appointed, my focus has been on this country's economic recovery. At the Department for Business, Innovation and Skills our role is to drive sustainable and balanced growth across the UK. Over the past 4 years, we have laid the groundwork for the future. 2013 was an important year, as we delivered the UK's first Industrial Strategy for 30 years. We set out a strategic vision for where our future industrial capabilities should lie, and how to deliver it. The Industrial Strategy showed the best of the Department; working in partnership with the private sector and the rest of Government to offer long term stability and certainty. To bring promising technology-based ideas closer to market, we have opened seven business-focused Catapult Centres, with additional investment to open two more in 2014-15.

Ensuring the UK economy continues to grow is an essential part of BIS's role. A record number of private sector businesses were registered last year. To safeguard our future business prospects, we are establishing a British Business Bank to increase business lending via a more diverse financial service sector. A total of £782 million of new financing reached small businesses in 2013-14 as a result of British Business Bank programmes, benefitting nearly 22,000 small businesses.

We have also continued to build a fairer economic environment, creating the Competition and Markets Authority to ensure markets work well for consumers and businesses alike. We have strengthened the ability for shareholders of around 900 UK quoted companies to hold companies to account through reforms allowing clear information and a direct vote over executive pay. Finally, Lord Davies and I have continued to champion the need for a greater number of women on boards. Since 2011, the proportion of women on the boards of FTSE 100 companies has increased from 12.5 per cent to 20.7 per cent and for FTSE 250 companies the proportion has doubled.

We have taken difficult decisions this year, in the long-term interest of the country, including some high profile sales, such as the 60 per cent Government stake in Royal Mail along with the largest employee share scheme in any major UK privatisation for nearly 30 years. Whilst this sale was controversial, it was necessary to ensure long term sustainability of a key service. We also completed the sale of the remaining publicly owned 'Mortgage Style' student loans. Alongside these major sales, we have modernised over 1,500 post offices this year, bringing the total to more than 2,000 so far bringing significant benefits to customers, subpostmasters and the taxpayer.

We have seen further increases in the number of students applying for higher education and securing places. It is particularly pleasing that we have also seen record high acceptance rates in students applying to University from the least advantaged backgrounds. More than 870,000 people were on an Apprenticeship in 2012/13; work continues to put employers in the driving seat for apprenticeship design and delivery.

Over the past year, the Department has achieved an enormous amount. I would like to thank the staff for their continued effort and commitment.

Rt Hon Dr Vince Cable MP

Permanent Secretary's Review

The Department for Business, Innovation and Skills is at the heart of the Government's commitment to create sustainable and balanced growth. Our purpose is to connect people to opportunity and prosperity across the country, helping businesses succeed and ensuring the right mix of skills to deliver sustainable prosperity.

Over the past year, we have provided high quality policy analysis and advice, professional management and services, and effective commissioning and service delivery across one of the broadest portfolios of responsibility in Whitehall. This breadth allows BIS to foster connections across the economy from large enterprises to start-ups, from higher education to research, from central to local Government.

To safeguard our long term prospects for growth, we are working hard to make the most of the UK's human capital. During the year we listened to employers, who told us that Apprenticeships should be made more rigorous and responsive to their needs. In response, we developed an implementation plan that will place the purchasing power for Apprenticeships in the hands of employers and introduce an employer led system of standards and assessment. These changes will fundamentally change the relationship between employers, the Government and those who educate and train apprentices. We are also continuing to deliver the Government's higher education reforms. The 2013/14 academic year was the second year of students enrolling under new funding arrangements and we had some very encouraging results, including an all-time high in accepted applicants coming from the most disadvantaged backgrounds.

Sustainable prosperity depends on an open, fertile and fair business environment, supporting businesses to flourish. The Department has continued to spearhead the cross-Government drive for less regulation and red-tape both in the UK and in the EU. Since 2011, more than 3,000 regulations have been identified for scrapping or improving. Through these efforts to reduce regulation the net regulatory burden imposed on business by Government has been reduced by £1.19 billion per year. We have also supported some 35,000 companies to export between October 2012 and September 2013, with UKTI on track to achieve its target of 40,000 in 2013-14. The launch of the Transatlantic Trade and Investment Partnership negotiations at the G8 summit last year offers a major new opportunity to increase exports and investment and, if agreed, would be the biggest bilateral trade deal in history.

The achievements highlighted in this report take place in the context of significant organisational change. BIS is now a confident and connected Department and a leader in gender diversity at senior levels, light years from the reactive Board of Trade of the past. We continue to deliver a challenging policy agenda and high quality services while staying on track to achieve our real term reduction of £500 million in our administration budget over the Parliament. This year we have conducted a Strategic Review into the next programme of savings and efficiencies, which focuses on the vision of the Department in 2020. The implementation of this review will be taken forward over the coming year.

Against these challenging administrative efficiencies and continued rationalisation of our corporate functions, the Department has seen a continued increase in staff engagement scores in our 2013 People Survey. This represents a 2 percentage point increase in engagement since 2012, building on a 3 point increase the year before. Improvements were seen in all nine areas of the Survey. To secure further improvement in engagement, we have launched our "management matters" programme to develop management capability and a range of programmes to engage our staff in continuous improvement, which we hope to see reflected in further improvements to staff engagement in 2014.

The commitment and hard work of all staff across BIS and our Partner Organisations has allowed us to deliver a wide range of important work throughout the year, working in close partnership with our Ministers. I am proud of all that BIS colleagues have achieved this year.

Martin Donnelly

Achievements

April

* New FE Commissioner announced to address weaknesses in the sector

May

* Export Week helps firms target high growth markets

June

* G8 Summit launches EU-US trade deal negotiations
* Set out the vision for local growth after 2015, including the creation of the Local Growth Fund

October

* Round 5 of the Regional Growth Fund launched
* Launched the Competition and Markets Authority in shadow form
* Shareholders of **c.900** UK quoted companies now have a binding vote over executive pay
* Sold a **60%** stake in Royal Mail

November

* Sale of mortgage-style student loan book, reducing public sector debt by **£128m**
* Improved People Survey scores
* 10,000 start-ups helped through Start-Up Loans

December

* PM leads largest ever trade delegation to China, with deals totalling more than **£5.6bn** agreed
* Reduced the net annual cost to business of regulation by **£1.19bn**
* Launched Small Business: GREAT Ambition
* Coordinated a business case for **£270m** investment in quantum technologies, to translate fundamental physics into radical new applications in energy, defence, healthcare and the environment

* Delivered the Royal Research Ship Discovery
* 102 projects funded with **£506m** from Round 4 of the Regional Growth Fund

July

* Traineeship scheme opens for 16-19 year-olds

August

* All **11** sector strategies published
* UKTI supported **c.35,000** companies

September

* Secretary of State hosts the industrial strategy conference with **200** business leaders

* Children and Families Act received royal assent, extending the right to request flexible working to all employees from June 2014
* Approved a rise in the National Minimum Wage, benefitting more than one million people

January

* Application rates to higher education from young, disadvantaged groups rise to an all-time high in England
* Consumer Rights Bill introduced into Parliament

February

* Primary Authority scheme means **1,000** enterprises save time on regulation

March

* Women hold **20.7%** of FTSE100 board posts, up from 12.5% in 2011
* Modernised over 1,500 post offices over the course of the year

Our Purpose

We are the Department for Business, Innovation and Skills. Put simply, we believe in business as a force for good in society. It creates wealth and employment, increases living standards, fuels creativity and builds the confidence for growth.

Our purpose is to **connect people to opportunity and prosperity right across the country.** It demands a huge variety of specialist expertise and resources across a wide range of areas from skills development and investment in new business ideas, to regulation, consumer rights and building Britain's research base. We're here to help open up and modernise the UK economy.

We also believe Government has a vital part to play in helping businesses succeed. As a partner that can see the bigger picture and actively shape the economy. Seeking out the growth opportunities. Creating the open, fertile and fair market frameworks in which companies can flourish. Delivering better regulation and breaking down the barriers to success. Boosting innovation and investing in the new technologies that will transform our lives. And by inspiring the talent that will ensure the UK has a world-class skills and research base.

Our role is to make the connections that bring together the right mix of skills and resources to deliver sustainable prosperity. One of our great strengths is the wide range of talent and expertise at our disposal, from our internal teams to our network of partner bodies. This variety gives us the insight and experience to identify and grasp opportunities quickly, to connect across the economy from large enterprises to start-ups, from higher education to research, from central to local Government.

Our business model

Connecting people to opportunity and prosperity means designing and delivering services and frameworks that create value for society beyond the level of taxpayer funding for BIS. We achieve this by using our relationships, financial, human and intellectual capital to design services and frameworks, deliver these services and drive sustainable changes through effective management and governance.

What we do

We produce high quality policy advice – We draw on a variety of knowledge, experience and expertise in BIS and our Partner Organisations to identify where and how Government can connect people to prosperity and help businesses succeed. This can be through designing legislative frameworks, amending or removing burdensome regulations and designing services that deliver specific interventions like advice or financial assistance. Our analytical, legal and financial teams work together with policy experts to drive the highest value from our resources. Regional offices around the country ensure local knowledge informs effective interventions.

We commission and deliver services – Implementation and service delivery is a core part of the BIS business model. A diverse network of 46 Partner Organisations draw on a wealth of expertise and experience to deliver over 250 services to a wide range of customers including students, businesses and universities. Where the commissioning of services to external suppliers is needed commercial expertise in BIS informs the development of effective and value for money delivery models.

We implement effective management and governance – The long term sustainability and effectiveness of our frameworks and services are reliant on professional management and governance. Sponsor teams work with Partner Organisations to ensure priorities are delivered efficiently, risks are managed and that good business processes are in place. BIS draws on corporate finance expertise to manage the Government's shareholder relationships with businesses owned or part-owned by the Government working to secure best value for the taxpayer.

Our Partners

BIS provides a wide range of products and services to our customers through a network of Partner Organisations, including employers, businesses, employees, consumers, researchers, universities and students. 79 per cent of BIS funding goes through our partners and each Organisation has a specific purpose that is distinctly separate from BIS as their parent Department. The roles and responsibilities of our Partners include implementing policy decisions, giving independent assessments and advice, and providing commercial discipline to our services.

Our Partner Organisations provide a wide range of functions that contribute to BIS's overall objectives including:

Partners that provide professional advice to Ministers	Council for Science & Technology Regulatory Policy Committee Industrial Development Advisory Board	Low Pay Commission Land Registry Rule Committee
Partners that support employers on skills and employment issues	UK Commission for Employment & Skills Construction Industry Training Board Engineering Construction Industry Training Board	Film Industry Training Board Advisory, Conciliation and Arbitration Service
Partners that provide tribunal services	Copyright Tribunal Central Arbitration Committee Competition Service	Competition Appeal Tribunal Insolvency Practitioner Tribunal
Partners that regulate six different markets	Competition & Markets Authority Financial Reporting Council Office for Fair Access	National Measurement Office British Hallmarking Council Office of Manpower Economics
Partners that fund and undertake education and research	Research Councils UK Space Agency Skills Funding Agency Higher Education Funding Council for England	Technology Strategy Board UK Atomic Energy Authority Student Loans Company
Partners that provide near commercial services	Met Office Insolvency Service UK Trade & Investment Land Registry Intellectual Property Office British Business Bank	Companies House Post Office Limited UK Shared Business Services Limited Ordnance Survey Green Investment Bank Postal Services Holding Company PLC

Connect people to opportunity and prosperity right accross the country

Financial
Government funds

EU funding

Patent royalties

Investment returns

Human
A highly skilled and professional workforce

A network of partner organisations

Intellectual
Intellectual knowledge

Intellectual property

Brands

Relationships
A network of regional offices reponsive to local opportunities

Strategic links with the FCO to access world markets

BIS value adding activies

+High quality policy analysis and advice

+Professional management and governance

+Effective commissioning and service delivery

Enterprise
Make it easier to start, grow and invest in the long term

Knowledge & Innovation
Excellent universities and research and increased business innvoation

Markets
Create markets that serve businesses' and consumers' long-term interests

Skills
Promote more opportunities for individuals in realising their potential

Trade
Support UK trade overseas and inward investment

How we create value

The responsibilities of BIS and our Partner Organisations cross the lives of millions of people and businesses both in the UK and internationally on a daily basis. We're here to help open up and modernise the UK economy. We play a vital role in helping businesses succeed; breaking down barriers and offering support and investment across the economy from large enterprises to start-ups, from higher education to research, from central to local Government. Our policies, services and frameworks connect people to opportunity and prosperity creating value around our five key outcomes.

Core Department

79% of expenditure is through our Partner Organisations

Core Department

87% of our staff are in our Partner Organisations

Financial
Our financial resources fund key policies such as higher education, major infrastructure projects and the overall running costs of the Department. Of the Department's expenditure 79 per cent is through our Partner Organisations with 21 per cent from the Core Department. Resources are provided from the UK Parliament with smaller amounts from EU Funding, Patent Royalties and Investment Returns.

Human
Creating value for society is only possible through the highly skilled and knowledgeable workforce of BIS and Partner Organisations. BIS is made up of 23,981 staff including 3,011 in the core Department and UKTI and 20,970 in Partner Organisations.

Relationships
A network of relationships enriches the skills and knowledge of our staff helping deliver shared objectives. BIS Local Offices around the country build relationships with local economies to realise opportunities, strong links with Universities and the research community help drive the highest value from science investment and international coordination between the Foreign and Commonwealth Office and UKTI helps UK business access international markets more easily and helps to promote inward investment to the UK. Whole of Government working in partnership with industry is also central to the delivery of the industrial strategy.

Intellectual
Our intellectual capital has built up over many years and is a key resource for creating value. Institutional knowledge of our key policy areas is unique allowing us to identify opportunities. Strong and respected brands such as the Met Office, Ordnance Survey and Companies House inspire confidence in their customers.

How we have performed

An efficient organisational structure which aligns the skills, sector expertise and relationships with our stakeholders is at the heart of achieving our purpose. In addition to leading on cross-cutting Government agendas, the heart of which is the industrial strategy and promoting growth, BIS is structured in eight groups, all contributing to our objectives Enterprise, Skills, Knowledge and Innovation, Markets, and Trade, delivered by an effective BIS.

Much of the activity described in the following pages is set out in our Business Plan, published in May 2013. The Structural Reform Plan (SRP) section includes actions that the Department planned to undertake over the course of the year, to deliver our objectives. This plan also sets out our ambitions for delivering sustainable development and progress on how we are mainstreaming sustainability into our policies is provided in the following sections. Data is provided against each of the Department's Business Plan indicators throughout the report. Further information can be found on the performance indicator section of the Gov.UK website.

At the end of 2013-14, BIS maintained its position as one of the strongest performers across Government, against its Structural Reform Plan commitments. Of the 37 actions due for completion, 33 were completed on time and a further 4 actions were overdue in completing.

Two of the delayed actions were connected to establishing a compensation scheme for electricity intensive businesses. There has been a delay publishing guidance for the Carbon Price Floor compensation scheme due to the EU Commission considering the UK Government's state aid pre-notification, submitted in September 2012. The third delayed action has been extended to July 2014, to address individual bid circumstances within Round 4 of the Regional Growth Fund. Finally, there have been delays with the rollout of the "Employing Staff for the first time" online tool, which we are working to resolve in partnership with HMRC and the Government Digital Service.

Knowledge and Innovation

The Knowledge and Innovation Group focuses on promoting excellent Higher Education Institutions, research and increasing innovation enabling people, organisations and systems to create, disseminate and exploit knowledge for economic growth and benefit to society.

What we achieved this year:

Higher Education

- Application rates for young, disadvantaged groups have risen to an all-time high in England with the total number of accepted applicants to English institutions increasing by 7.2 per cent.
- In 2013, entries to study Science, Technology, Engineering and Maths (STEM) subjects increased at a higher rate than other subjects. Acceptances to study biological sciences increased by 12.1 per cent from 39,625 to 44,415.
- The National Strategy for Access and Student Success in Higher Education published jointly by the Higher Education Funding Council for England (HEFCE) and the Office for Fair Access (OFFA).

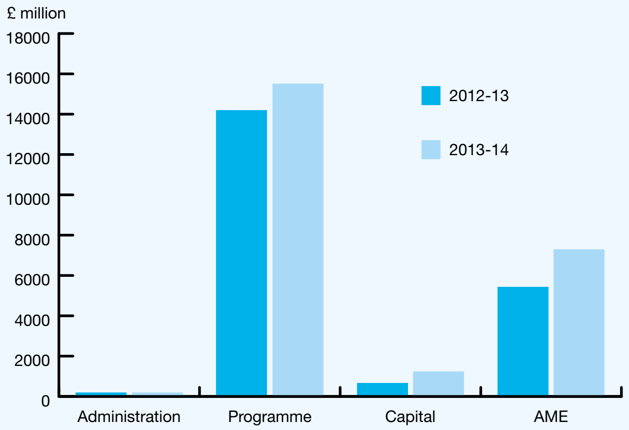
Science and Research

- Co-ordinated a business case for £270 million investment in Quantum Technologies, to translate fundamental physics into radical new applications in energy, defence, healthcare and the environment.
- £42 million investment towards the creation of the Alan Turing Institute, which will specialise in big data science.
- Delivered the Royal Research Ship Discovery, in partnership with the Natural Environment Research Council.

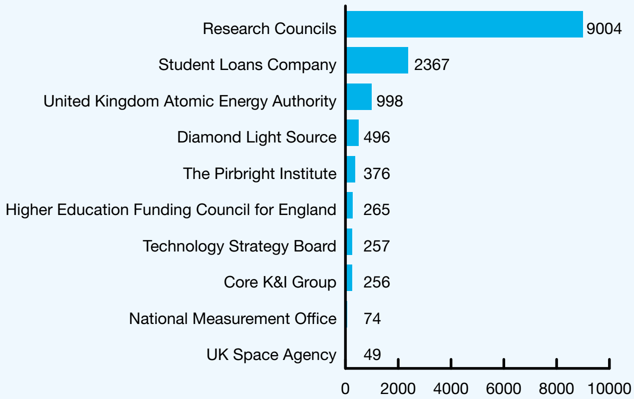
Innovation

- The Global innovation index 2013 ranks the UK 3rd, now ahead of the US and 142 other economies.
- Committed £600 million to support 8 GREAT technologies, primarily through research partners (Big Data, Satellites, Robotics, Synthetic Biology, Regenerative medicine, Agri-Science, Nanotech and Energy Storage).
- Scaling up the Technology Strategy Board (TSB) and increasing its Budget by an additional £185 million in 2015. Research shows that every £1 invested by the TSB returns £7 to the UK economy.

Expenditure



Staff



Progress against our Business Plan

SRP Actions	
Number of Actions Completed	1
Actions in Progress	1
Actions Overdue	0

Review of 2013-14

2.3 million students benefit from higher education in over 160 institutions in the UK With graduates more likely to be employed, and more likely to enjoy higher wages and better job satisfaction. The Department works closely with Higher Education Institutions and colleges so they can continue to provide high quality teaching and research and produce highly skilled graduates and post graduates. Higher education reforms are on track and in 2013 the total number of accepted applicants to English institutions increased by 7.2 per cent to over 365,000. Over the same period entry rates for disadvantaged young people in England increased by 1.4 percentage points in 2013 to reach 16.9 per cent, the highest level recorded and reducing differences by background to record lows.

To continue to ensure that everyone with the potential to benefit from higher education have equal opportunity to do so The Office for Fair Access (OFFA) and the Higher Education Funding Council for England (HEFCE) jointly prepared a new strategy for access and student success following close consultation with the higher education sector. OFFA has agreed over 160 Access Agreements for 2014/15 with plans for Higher Education Institutions and colleges to spend £700 million in 2014/15 – up from £444 million in 2011/12.

However, we still have more to do to ensure the long term financial sustainability of the higher education sector. The 2013/14 academic year was the second year where students are enrolled under new funding arrangements. To manage demands on the student support budget from the higher number of students entering alternative providers of higher education, we suspended further recruitment in 2013/14 among providers with plans for significant growth and introduced formal number controls from 2014/15.

The Department's efforts towards making Britain one of the most fertile places in the world for innovation are proving successful. The Global Innovation Index 2013 ranks the UK 3rd, now ahead of the US and 142 other economies – a substantial improvement since 2009, when we were ranked 14th. The Innovation Report, published in March 2014, showed our research base remains a world leader, producing very high quality research and a large output for our moderate size. British science produces more world leading articles per pound spent than all other leading research nations including the United States.

Public investment in research underpins the UK's competitiveness in the medium and longer terms, sustaining the UK as a knowledge-based economy in the face of growing international competition. The Government has prioritised long term investment to make the most of the UK's science base and take the lead on cutting edge technologies. This year, the Department successfully secured £270 million to invest in Quantum Technologies, to fund a programme to support translation of the UK's world leading quantum research into application and new industries – from quantum computation to secure communication.

The UK also has significant involvement with the European Science and Research programmes. In the last two years of the Framework 7 programme, the UK was the largest recipient of EU funding. In 2013-14 we continued to support the very best research, training and ways of exploiting the benefits of these investments. Our largest capital projects – the Francis Crick Institute, Diamond Synchrotron Phase III and the Pirbright Institute Development Phase 2 are all progressing to plan against budget and milestones.

Working principally through the TSB and Research Councils, support for technology has been at the heart of the industrial strategy including deploying an additional £600 million for the "eight great technologies", where the UK can lead the world. A key feature of the Technology Strategy Board's £440 million programme this year has been the delivery of a network of seven Catapult Centres which opened for business this year to help transform "high potential" ideas into new products and services to generate economic growth. Following the early success of these centres, a commitment has been made to invest in two new Catapults in 2015-16 for Precision Medicine and Energy Systems. Overall, the Technology Strategy Board remains impressively productive; research shows that every £1 invested by the Technology Strategy Board returns £7 to the UK economy.

Future Outlook

We will provide a maximum of 30,000 additional full-time student places in 2014/15 and from 2015/16 we will remove student number controls altogether for publicly funded institutions. The HEFCE grant letter for 2014/15 confirms new flexibilities in allocating these additional student places meaning popular universities and colleges will be able to expand. We will be working with HEFCE to ensure that higher education institutions maintain the quality of the student experience and that higher education remains affordable over the long term.

Focus will remain on driving the highest value from public investment in science and innovation. Work is underway to put in place a Science and Innovation strategy, including a roadmap for science and research capital investment to 2020-21. The Research Excellence Framework process is on track and in 2014-15 over 1,100 expert assessors will be reviewing submissions to inform future funding decisions. We will work to maintain the UK's leading role in the development of the Horizon 2020 Programme with a particular emphasis on increasing business participation and supporting the UK research base to access funds. We will also implement the Newton Programme with 15 partner countries around the world.

Following the announcement of £270 million investment, work will continue to put in place a network of Quantum Technology Hubs aimed at realising the potentially transformative impact of quantum technology across business, Government and society. A Strategic Advisory Board with key partners across Government, academia and industry will be set up to implement the Quantum Technologies programme.

Mainstreaming Sustainability, Equality and Diversity

Sustainable development in research, innovation and higher education is at the heart of the work of the Knowledge and Innovation group. Over 70 per cent of the Technology Strategy Board's investments contribute to innovation in green and sustainable technology. Recent activities include a £400 million industry matched funding programme dedicated to the development of Ultra-low emission vehicles technologies. To date the programme has funded around 200 collaborative Research and Development projects, involving over 800 UK business and academic partners. In partnership with the Automotive Council, we launched a £75 million competition in December 2013 to support projects for the new Advanced Propulsion Centre (APC) to help research, develop and commercialise the vehicles of the future. The projects will be expected to deliver significant reductions in vehicle CO_2 emissions compared to current best-in-class technologies.

As part of the BIS-funded STEM diversity programme, the Royal Society published "A picture of the UK Scientific Workforce" a major study of the diversity of the scientific workforce and the Royal Academy of Engineering have worked with 26 out of the 36 Professional Engineering Institutions and the Engineering Council to sign the Engineering Diversity Concordat. This represents 70 per cent of institutions representing over 90 per cent of registered engineers.

Case Study: The Francis Crick Institute

The UK has an enviable reputation for world-leading excellence in medical research. One example is the new Francis Crick Institute, a major BIS project currently under construction in central London that, once established, will be a world-leading centre of biomedical research and innovation. The institute is the product of a ground-breaking partnership between a number of leading funders, UK universities and the Medical Research Council, a high-profile BIS Partner Organisation.

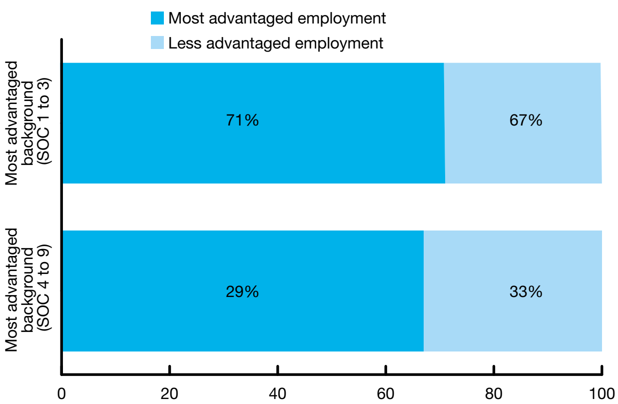
The Crick's work will help understand why disease develops and find new ways to treat, diagnose and prevent illnesses such as cancer, heart disease and stroke, infections and neurodegenerative diseases. The Crick is one of BIS' and the Government's major projects. The core funding for the Crick totals £750 million which is made up of contributions from the founding partners.

The total Government investment is £350 million. The Crick will promote connections between researchers and disciplines and between academic institutions, healthcare organisations and businesses. The institute will have the scale, vision and expertise to tackle the most challenging scientific questions underpinning health and disease. It will be world-class with a strong national role – training scientists and developing ideas for public good.

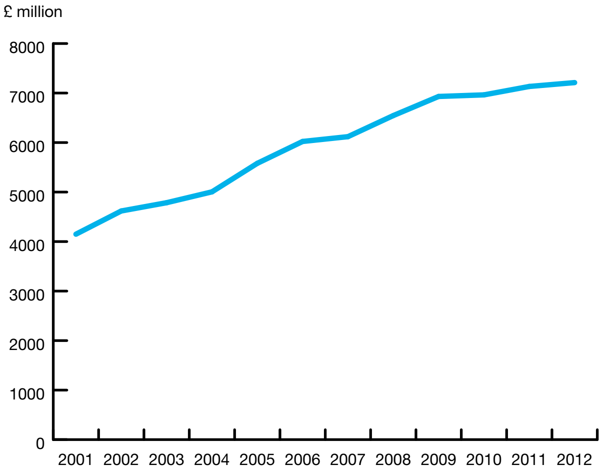
Business Plan Indicators

Latest data for 2012 shows £7.2 billion of Research and Development (R&D) was performed within the UK Higher Education Sector, an increase compared with 2011. The flow of funding for higher education is changing from the HEFCE teaching grant to increased graduate contributions. An estimated 71 per cent of those who came from the most advantaged backgrounds before Higher Education were in the most advantaged occupation groups six months after graduating in 2011-12 a gap of 4 percentage points from the least advantaged. 67 per cent of those from less advantaged backgrounds were in the most advantaged occupation groups. The proportion of firms who are innovation active increased by 8 percentage points since 2011.

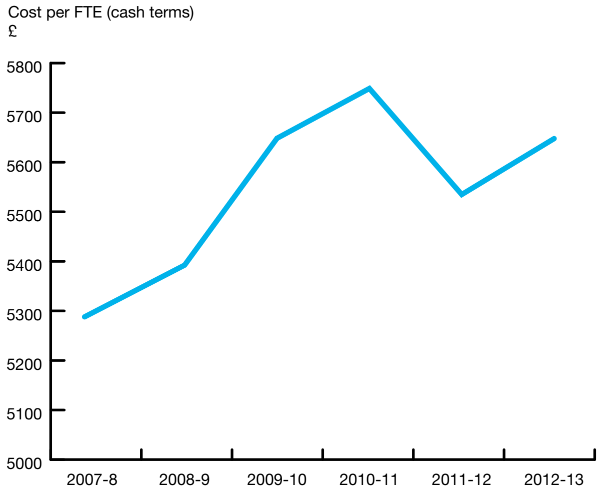
The gap between the proportion of young graduates from professional backgrounds who go on to a 'graduate job' 6 months after graduating and young graduates from non-professional backgrounds



Expenditure on research and development performed in higher education



Funding per student in higher education



		2008	2012
The UK Share of Highly Cited Papers		14.9%	15.9%
		2011	2013
The proportion of firms who are Innovation Active		37%	45%
		2005-08	2009-12
18-24 participation in education by social background	Most advantaged groups (NS-SEC 1-2)	37%	43%
	Others	18%	26%
	Gap	19%	17%
		2009-10	2010-11
The proportion of 15 year olds from low income backgrounds in English maintained schools progressing to HE by the age of 19	Free School Meals	18%	20%
	Non-Free School Meals	36%	38%
	Gap	18%	18%

Enterprise and Skills

The Enterprise and Skills group focuses on building an internationally competitive skills base, a dynamic small business sector and reducing the impact of regulation on business creating the conditions for businesses to grow and individuals to succeed.

What we achieved this year:

Vocational Education

- Strengthened the intervention process for underperforming colleges by appointing a Further Education Commissioner.
- Removed from Government funding almost 2,000 existing adult vocational qualifications that were not responsive to learner and employer needs.
- Published an Implementation Plan to put employers in the driving seat of Apprenticeship design and delivery.
- Launched Traineeships for 16-23 year olds with 500 training organisations committed to deliver Traineeships in 2013/14 including household names such as Virgin Media and Siemens.
- Round 2 of the Employer Ownership Pilots was successful in attracting a high number of bids with 34 selected for further development.
- Launched 24+ Advanced Learning Loans – placing purchasing power for training in the hands of further education learners.

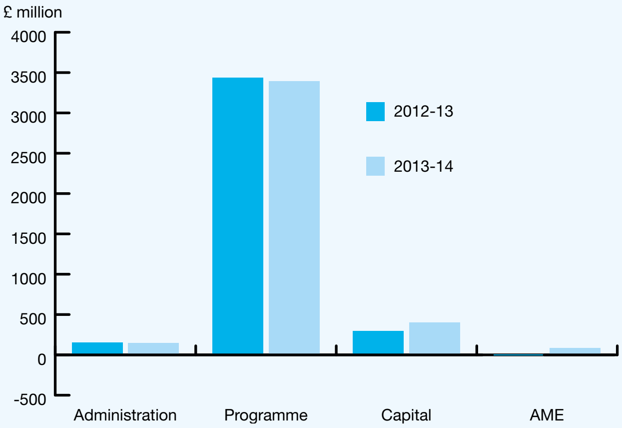
Enterprise

- Launched Small Business: GREAT Ambition making it easier for small, ambitious firms to grow.
- Growth Accelerator has cumulatively supported over 13,900 businesses with 98 per cent on track to meet their milestones. 9 in 10 of assisted companies have achieved the objectives they expected to achieve prior to accessing Growth Accelerator.
- The offer to businesses on GOV.UK has improved through launching an enhanced Business Finance and Support Finder.
- Women hold 20.7 per cent of FTSE100 Board posts, up from 12.5 per cent in 2011.

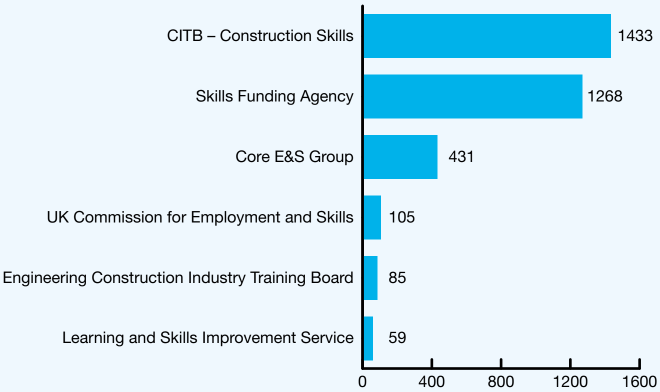
Regulation

- Through cross-Government efforts to reduce regulation the net regulatory burden imposed on business by Government has been reduced by £1.19 billion per year.
- At the end of March 2014, 1,375 businesses were receiving assured advice from one of 124 local authorities through Primary Authority Partnerships.

Expenditure



Staff



Progress against our Business Plan

SRP Actions	
Number of Actions Completed	10
Actions in Progress	10
Actions Overdue	0

Review of 2013-14

3.2 million learners were trained through over 1,000 further education providers last year. In today's global race the UK needs a highly skilled workforce. The Enterprise and Skills group is implementing a significant programme of reform to ensure we have the rigorous and continually responsive education and skills system we need.

This year we have strengthened the intervention process for underperforming colleges by appointing a Further Education Commissioner and reviewed and removed from Government funding almost 2,000 existing adult vocational qualifications that were not responsive to learner and employer needs. Success is dependent on the positive engagement of employers and the ability of the Further Education sector to adapt to meet their needs. The Apprenticeship trailblazers, Traineeships and Employer Ownership pilots clearly demonstrate a willingness of employers to engage but, if we are to achieve our overall ambitions engagement has to increase significantly.

There were an estimated 4.9 million private sector businesses in the UK at the start of 2013, an increase of 102,000 compared to the start of 2012. Small businesses make a huge contribution to the UK economy and account for around half of UK jobs. This year we published Small Business: GREAT Ambition, which responded to feedback from small businesses co-ordinating a list of cross-Government commitments where the Government could do more, less or something different. The Growth Voucher Research Programme was also launched this year, helping Government to obtain a robust assessment of the impact of different types of advice on participating businesses. £1 million of vouchers were allocated to businesses within four weeks of programme launch.

The Growth Accelerator programme targeting small businesses with high growth potential, is on track to meet its targets of £2.2 billion Growth Value Added and creating 55,000 additional jobs. Firms on the programme reported a range of improvements to their business, 97 per cent felt they are more likely to grow and 90 per cent reported improvements in business planning. Communicating what Government is doing to help small businesses grow is a challenge because of the sheer number and diversity of these businesses. During 2013-14 we have invested in developing our approaches for the most effective way of communicating opportunities. This informed the design of the Business is GREAT campaign, launched in November 2013.

We continue to lead efforts to free up markets by reducing the burden of regulation on business. For example, by moving early to implement the EU's Micro Directive, we removed unnecessary burdens on 1.4 million of the smallest businesses by allowing them to file simplified accounts. Through cross-Government efforts to reduce regulation the net regulatory burden imposed on business by Government has been reduced by £1.19 billion per year. BIS continues to set a high standard for the rest of Whitehall to follow, topping the One-In, Two-Out cross-Government league table.

In particular, we have supported the Business Taskforce of EU regulation in its work, but there is more to do to implement the recommendations of their report "Cut EU Red Tape". Primary Authority has been extended to include fire safety and age restricted sales of alcohol. At the end of March 2014, 1,375 businesses and 124 local authorities were in a Primary Authority Partnership helping businesses receive the advice they need with local authorities benefiting from greater efficiency and improved information sharing.

Future Outlook

The further education and skills programme of reform will continue with a focus on how we communicate our reforms with employers and looking closely at how changes to funding and the overall reform programme are impacting on the capacity of the further education sector to deliver. Focus will also be on developing pathways that enable young people to succeed to the highest levels whether that is through a work-based route or university. The Autumn Statement announced £40 million of additional funding over 2014-15 and 2015-16 for 20,000 Higher Apprenticeships – more than doubling current volumes. In addition, a further £20 million funding over 2014-16 has been announced to support new employer investment in Higher Apprenticeships up to postgraduate level.

Following on from Small Business: GREAT ambition our focus will be on overseeing delivery of cross-Government commitments to realise our ambitions. Working with Local Enterprise Partnerships and other local partners we will continue to encourage the establishment of local growth hubs across England, so that wherever they are located, businesses can get the support they need quickly and easily.

The focus for better regulatory delivery now lies in ensuring that key policy changes, such as the introduction of the Regulators' Code and the extension of Primary Authority, are being implemented at the front line, and the impact is being felt by businesses and regulators. For Primary Authority, the number of businesses being supported by the scheme will continue to grow to include many more small businesses through Trade Associations, with 3,000 businesses expected to have agreements in place by March 2015. Following two recent consultations, the Department will move towards legislation to remove duplication and unnecessary red tape for 2.8 million companies as well as reducing the sensitive company names list and simplifying the legislation.

Mainstreaming Sustainability, Equality and Diversity

Since 2011, the proportion of women on the boards of FTSE 100 companies has increased from 12.5 per cent to 20.7 per cent and for FTSE 250 companies the proportion has doubled, albeit from a lower base. This change is attributable to a business-led strategy in which the Secretary of State and Lord Davies have consistently championed the issue of women on boards, contributing to positive culture change at the heart of our top companies.

BIS and the Skills Funding Agency (SFA) promote a benchmarking tool to all FE colleges 'eMandate' enabling colleges to compare estates data, including energy usage, against similar colleges. This data helps facilitate best practice across the sector with regard to energy management and carbon reduction. The SFA consider sustainability impact when considering the allocation of support for capital investment that is provided to FE Colleges. They have developed an extensive set of criteria for grant support which includes two key elements relating to sustainable development. This data, information and expertise is also being offered to Local Enterprise Partnerships (LEPs) as part of a transition to LEP managed skills capital investment.

Case Study: Apprenticeships

Apprenticeships benefit business and young people. They ensure businesses achieve prosperity by having the right skills to deliver long-term growth.

They provide young people with the opportunity of a job with high quality training to enable them to succeed in their career. And they provide value for money delivering £18 of economic benefits for each £1 of Government investment.

During 2013-14, we listened to business who told us that apprenticeships needed to be more rigorous and responsive to the needs of employers. They wanted us to create an employer-led system with employer designed standards and assessment that were easy to access and understand, and better quality training tailored to their requirements.

Reforming apprenticeships will have a big impact on employers, apprentices and providers. Employer-led Trailblazers are leading the way in implementing the new Apprenticeships, collaborating to design Apprenticeship standards and assessment approaches that will make them world class. We are also planning to route funding for Apprenticeship training via employers, placing greater control and purchasing power in their hands and leading to a transformational change in the way employers engage with Apprenticeships.

We are involving key stakeholders, including the Skills Funding Agency (SFA), Department for Education and provider organisations. We are encouraging employer collaboration and the Trailblazers have been working together to ensure that the new Apprenticeships will provide a sustainable model for all employers. We have facilitated this through regular workshops with all of the Trailblazers and have provided Relationship Managers for each Trailblazer to provide a quick response to queries.

The first new apprenticeship standards were published during National Apprenticeship Week 2014 (3-7 March 2014). Phase 2 of the Trailblazer projects was announced at the same time. Our ambition is for all apprenticeship starts to be on the new standards from 2017/18. A technical consultation on the Funding Reforms has been published, asking for detailed feedback on how we can implement the changes in a way that minimizes burdens on employers.

Reducing BIS Regulation

BIS Reducing Regulation Summary	
One in Two Out	
INs	4
OUTs	7
Balance	-£77.61m
Impact Assessments	
Number	61
% fit for purpose	79%
Government Average	77%
Small Businesses	
Small and Micro Business Assessments conducted	4
Red Tape Challenge	
Regulations reviewed	800
Identified changes	500
Changes implemented	250
EU Regulations	
Instances of "Gold Plating"	1

Under One in Two Out (OITO) BIS is currently at the top of the cross-Whitehall league table. We reduced the cost of red tape from January to December 2013 by over £96 million, which translates into an OITO credit of over £77 million, more than any other Department.

Since the launch of Red Tape Challenge in Spring 2011 BIS has led on seven themes and played a key supporting role in a further two themes led by other Departments. This has delivered savings of over £100 million per year to business.

BIS submitted the third highest number of Impact Assessments across Whitehall to the Regulatory Policy Committee. Where initial BIS submissions received a RED rating subsequent iterations of those Impact Assessments were resubmitted and all received fit for purpose clearances from the committee.

Helping Small Businesses

All measures that are expected to have a substantial regulatory impact on business (i.e. non fast track) introduced after 31 March 2014 include a Small and Micro Business Assessment (SMBA). This is intended to ensure that new regulatory proposals are designed and implemented to mitigate disproportionate burdens on small and micro businesses.

In 2013 there were four domestic measures with SMBAs, The Consumer Credit Act Transfer; Consumer Contracts; Cartels and the Right to Request Flexible Working. The SMBAs concluded that small business should be included in the scope of the legislation but took into account implementation options that would avoid placing disproportionate burdens on small business. The only exceptions were Codes of Conduct and the Competition Regime for Growth where small businesses were exempted.

For domestic measures that came into force before March 2014 BIS applied the micro-business moratorium. This excluded small business from new regulatory requirements unless a specific exemption was granted by the Reducing Regulation Committee. Exemptions were only granted where there was a compelling case for the inclusion of small businesses and steps had been taken to mitigate any unnecessary costs.

Alternatives to regulation

We have had success in using alternatives to regulation, where businesses commit to voluntary action and are held to account on the results.

Women on Boards – Described on page 22, the voluntary approach is supported by targeted regulation where needed, for example since 30 September 2013 companies have been required to publish the gender balance of their board, senior management team and the workforce as a whole.

Companies House (CH) 'app' – Companies House has developed a mobile application which gives access to their data, that may be downloaded free of charge to mobile devices. This corrected a market failure as there was no third party software that was available to do this, at the time this product launched. The software allows individuals to search CH's register and gain access to information that is useful to their business, wherever they are at that time. This helps spur economic growth by ensuring that people can get the information they need, when they need it. The launch of this application has also spurred private sector providers to develop similar products, which will ensure that the ability to access CH data on a mobile device is as widely available as possible.

EU regulations

Since the EU Business Taskforce report was published in October, we have secured agreement on seven of the thirty recommendations. There is also growing recognition of the COMPETE principles for the removal of red tape among the major European business organisations and in the European Parliament. The COMPETE principles are a 'common sense filter' for all new legislative proposals to ensure that new EU legislation is rigorously assessed and pro-growth.

Since the Government's Guiding Principles for EU legislation were finalised in July 2011, there has only been one instance where the UK has imposed additional costs on business as a result of gold-plating. The Consumer Rights Directive was implemented early to ban excessive payment surcharges ahead of the June 2014 transposition deadline and Government is also planning to further extend the scope of this Directive (restricting premium rate phone lines in the passenger transport sector) to avoid increased complexity for businesses and consumers.

Implementation and Reviews

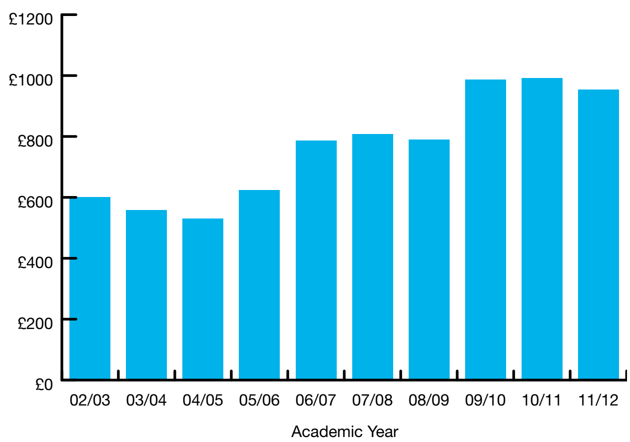
Primary Authority allows businesses to be involved in their own regulation. It enables them to form a statutory partnership with one local authority, which then provides robust and reliable advice for other councils to take into account when carrying out inspections or addressing non-compliance. This year Primary Authority was extended on 1 October 2013 under the Enterprise and Regulatory Reform Act 2013.

BIS applies review clauses to all measures that regulate business (including both domestic and EU-derived measures), except for low cost and de-regulatory measures (i.e. fast track), and time-limited measures that are subject to an existing sunset clause causing them to expire within one year of coming into force. In 2013 review clauses were applied to seven BIS measures.

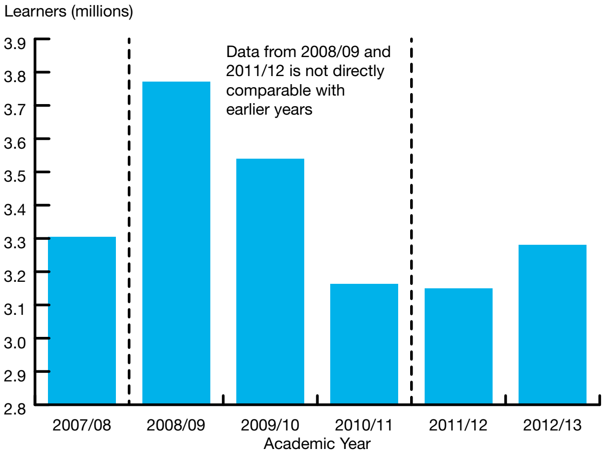
Business Plan Indicators

Over 3.2 million learners aged 19 or older participated in some form of Government-funded further education in 2012/13. The estimated unit cost in 2011/12 was £953 per learning aim, down from £991 in the 2010/11 academic year. Since 2002, the UK rate of Total early stage Entrepreneurial Activity (TEA rate) has remained relatively stable with a rise in the most recent years. There was a fall in 2013 to 7.1 per cent but the UK remains consistently higher than France and Germany. Maintaining a competitive skills base remains a primary goal of the Department. OECD evidence suggests has suggested a lack of skills can lead to an increasing productivity gap.

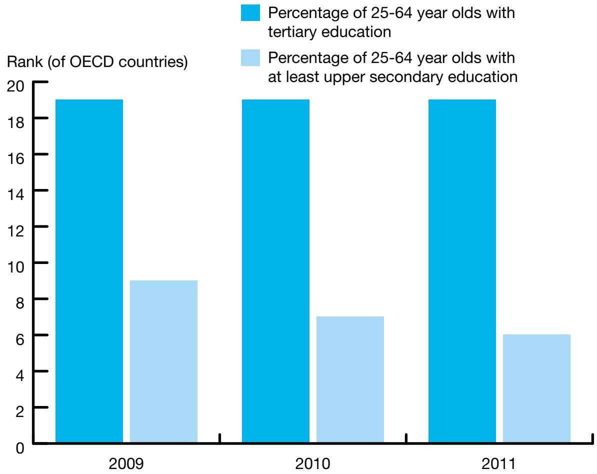
Average funding per course in BIS-funded adult further education



Number of Government-funded learnersparticipating in further education

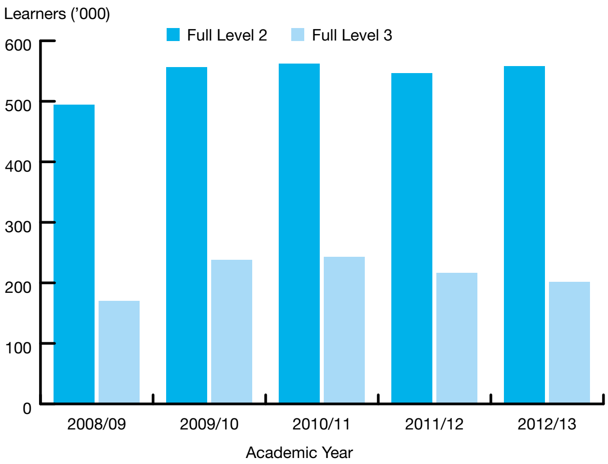


OECD comparison of the qualification levels of the working age population

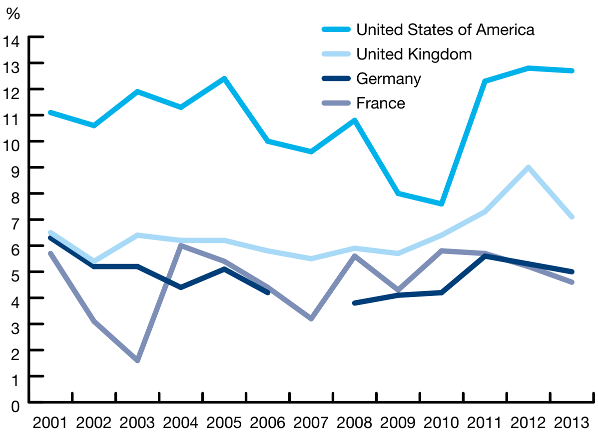


	Jan 2011 – Dec 2012	Jan 2011 – Dec 2013
Change in the net regulatory burden imposed on business by Government (£ million)	-966	-1,193
	2005-2008	2009-2012
Access to the Professions – % of 16-65 year olds who are in paid employment who are in managerial or professional positions by social background using fathers occupational group (percentage point gap)	23%	16%[1]

Total achievements in full Level 2 or 3 Further Education of people academic age 19 years and over



Total early-stage Entrepreneurial Activity



1 Figures for 2009-2012 use the UKHLS measure and are not directly comparable to figures for earlier years, which use the BHPS measure.

Business and Local Growth

The Business and Local Growth group works hand-in-hand with local businesses, local leaders and partners to create the right conditions for growth across the country.

What we achieved this year:

Industrial Strategy Business Sectors

- Successfully launched eleven sector strategies as part of the industrial strategy.
- The first £4 million awards from the Agri-Tech Catalyst. The 11 first phase projects will receive £2.8 million funding from Government with £1.4 million co-investment from industry.
- Established the Advanced Propulsion Centre Limited with an initial competition for pilot projects.
- Launched rounds 3 and 4 of the Advanced Manufacturing Supply Chain Initiative (AMSCI) attracting 79 consortia (including 269 SMEs), resulting in 14 projects securing over £244 million of joint public and private investment.
- Manufacturing Advisory Service (MAS) assisted over 8,900 manufacturing SMEs in 2013-14. Firms receiving MAS Grants have forecast up to 17,800 new jobs could be created and around £138 billion GVA generated in the 12 months following MAS support.
- Improved the cyber security of UK businesses by providing a cyber health check for FTSE350 companies, an awareness campaign for SMEs and developing partnerships with key business sectors.

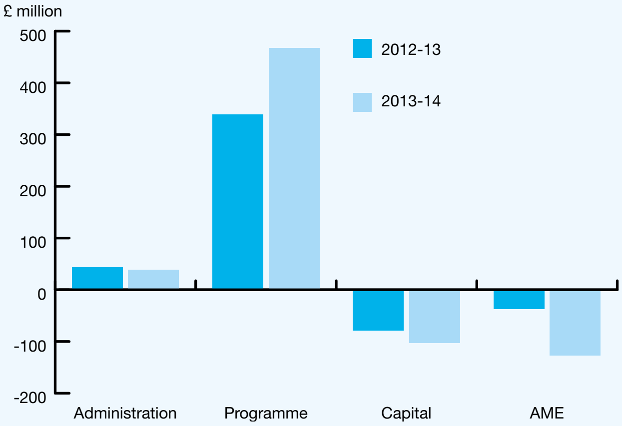
Local Growth

- Set out the vision for local growth after 2015, including the creation of the Local Growth Fund.
- The Regional Growth Fund has supported over 400 projects. Of the £2.6 billion allocation, £1.2 billion has been paid to beneficiaries, creating or safeguarding over 92,000 jobs and supporting over 3,500 SMEs.

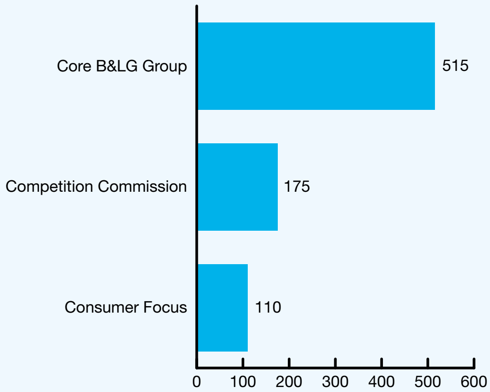
European Reform

- Led Government input into the European Commission's modernisation of the state aid framework.
- Published four Balance of Competences reports, with four more to be published shortly.

Expenditure



Staff



Progress against our Business Plan

SRP Actions	
Number of Actions Completed	12
Actions in Progress	9
Actions Overdue	3

How we have performed

Review of 2013-14

Industrial strategy is a long term approach to creating more opportunities, skilled jobs and making the UK more competitive. The main priority for industrial strategy in 2013-14 was the launch of the eleven sector strategies. These were successfully delivered this summer with an industrial strategy conference in September in partnership with the CBI at the University of Warwick. We have also established Sector Councils (where they did not already exist) bringing together representatives from across the sector and Government officials with the Councils operating in a way that best suits their individual needs. Each Council has met for the first time this year.

Realising industrial strategy as a whole of Government partnership with business has been challenging. The industrial strategy team has made a concerted effort to engage more actively with other Government Departments through speaking events, direct work on joint communications and the establishment of a cross-Whitehall group to co-ordinate involvement.

Working with business sectors we continued to support UK firms. Round three of the Advanced Manufacturing Supply Chain Initiative (AMSCI) supported 5 projects including 12 SMEs, with round four supporting a further 9 projects and 49 SMEs. The Manufacturing Advisory Service also assisted 8,906 SMEs this year, up from 8,097 in 2012-13. To support our energy intensive industries BIS secured a £7 billion package of support for energy costs to ensure that they can continue to play an important role in contributing to economic growth.

Rounds 1 to 4 of the Regional Growth Fund Rounds 1 to 4 of the Regional Growth Fund (RGF) are providing £2.6 billion of funding to over 400 projects and programmes. By the end of March 2014, £1.2 billion had been paid to beneficiaries, which has helped support over 3,500 SMEs and secured £1.7 billion in private sector matched investment. We are on target to achieve the 550,000 jobs target with over 92,300 created or safeguarded so far. This year also saw significant developments in the management of the fund; 74 per cent of Round 4 offer letters were finalised within 6 months with Round 3 and 4 contracting over 90 per cent complete by the end of the year. We have also introduced an enhanced management information system supporting improved performance management and financial forecasting with further enhancements underway.

The Group has continued working towards the vision set out for local growth: unleashing the ambition and creativity of local leaders, by devolving resource and responsibility for those places which can demonstrate credible and compelling economic leadership, in pursuit of growth. This year, we have worked closely with Local Enterprise Partnerships to help them develop Strategic Economic Plans. These multi-year Strategic Economic Plans demonstrate the Local Enterprise Partnerships commitment to the growth agenda. In return, through Growth Deals, Local Enterprise Partnerships can seek freedoms, flexibilities and influence over resources from Government; and a share of the new Local Growth Fund to target their identified growth priorities. Alongside Growth Deals, Local Enterprise Partnerships have also led the production of strategies for use of allocations to their areas of European Structural and Investment Funds (ESI Funds) for the 2014-2020 period. The total allocation to Local Enterprise Partnership areas is €6.7 billion. Innovation, SME competitiveness and skills are among the key priorities in these strategies for EU funding. We have, with the Cabinet Office, also worked with a further 20 cities in England to help them develop City Deal proposals, building on the eight City Deals agreed last year.

We have led BIS' European Reform agenda, working to promote open and fair markets by co-ordinating BIS' interest in EU policy and negotiations and leading the Government input into the European Commission's state aid modernisation. We have successfully led the UK overarching policy and negotiations for the ESI Funds for 2014 to 2020 and published four reports as part of the Government's review of the balance of competences between the EU and the UK, with four more to be published shortly. We continue to work to make the Single Market more effective, including by seeing negotiations of 12 single market product regulations directives through to a successful conclusion for the UK and championing reforms to the Single Market in services to widen opportunities for businesses and drive a better deal for consumers.

The Department has made significant progress improving business cyber security by developing partnerships with a range of key industry sectors. The first ever cyber campaign for small businesses and BIS-produced guidance are helping SMEs protect themselves online. Work with eskills UK, the Cyber Security Academy and an ongoing conversation with industry are ensuring we deliver the cyber skills the UK requires now and in the future.

Future Outlook

In the coming year focus will be on implementing the commitments of the sector strategies which will require further engagement with other Government Departments to strengthen the whole of Government approach, working in partnership with industry. Launching pilot projects for the Advanced Propulsion Centre, increasing the portfolio of projects supported by the Aerospace Technology Institute, and launching the Agritech Informatics Centre will also be key priorities.

We will continue to address the challenges of rebuilding and strengthening UK supply chains through delivery of the AMSCI programme, ensuring that opportunities such as reshoring are maximised. We will continue to work with our partners UKTI and MAS to deliver Reshore UK and wider activities to maximise reshoring's contribution to the UK economy.

There are significant opportunities for empowering local areas to drive growth and for supporting the delivery of key national priorities. The Government is on track to complete a full set of 39 Growth Deals by the end of July and work with Local Enterprise Partnerships to begin implementation of their ESI Funds Strategies later in the year. RGF Round 5 selected bidders were announced in April with contracting due to complete in autumn 2014. A particular challenge will be managing these through the changes to State Aid regulations which are due to take effect in July.

We will continue to working with allies to reform the European Union to make it more open, competitive and flexible with a particular focus on maximising competitiveness through the effective functioning of the single market.

Case Study:
Offshore Wind Turbine Production

Industrial strategy is providing support for all sectors of the economy to help increase global competitiveness, support innovation and maximise export potential. Looking through a sector lens has allowed us to identify eleven sectors that will benefit from a long-term strategic partnership and where this can make the most difference to the economy.

One of our eleven sectors is Offshore Wind. The Offshore Wind Industry Council is enabling government and industry to work together in partnership on the issues that matter to the industry. The Council brings together developers, the supply chain, UK Government, devolved administrations and The Crown Estate to collectively identify and implement solutions. The Council is working on three fronts: removing barriers to offshore wind in the UK; reducing costs; and building a competitive UK-based industry.

In a major boost for the offshore wind industry in the UK, Siemens and Associated British Ports are jointly investing £310 million in offshore wind turbine production and installation facilities in the Hull area. The investment is spread across two sites: a construction, assembly and service facility at Green Port Hull and a blade manufacturing facility in nearby Paull, East Riding. These will create up to 1,000 jobs directly, with additional jobs during construction and in the supply chain. Local Councils, the Local Enterprise Partnership, DECC, BIS and UKTI worked closely to attract these investments, which are fantastic news for the Humber and underline how attractive the UK is for overseas investors.

Mainstreaming Sustainability, Equality and Diversity

Sustainable businesses and economic growth are important considerations when promoting local growth and supporting UK Business. The Business and Local Growth group help businesses build a competitive advantage that protects the supply chain against future volatility in resource availability and price. Looking forward, BIS has asked the Green Economy Council to review the sustainability aspects of industrial strategy, understanding the sector-specific challenges and opportunities, and report back by the end of the year.

The Regional Growth Fund considers sustainability impacts when appraising the value for money of received bids, including benefits to the environment, improvements to transport networks, journey times and scientific advances. The Regional Growth Fund has also provided targeted support to businesses operating in the low carbon and renewable energy sectors in line with the Industrial Strategy.

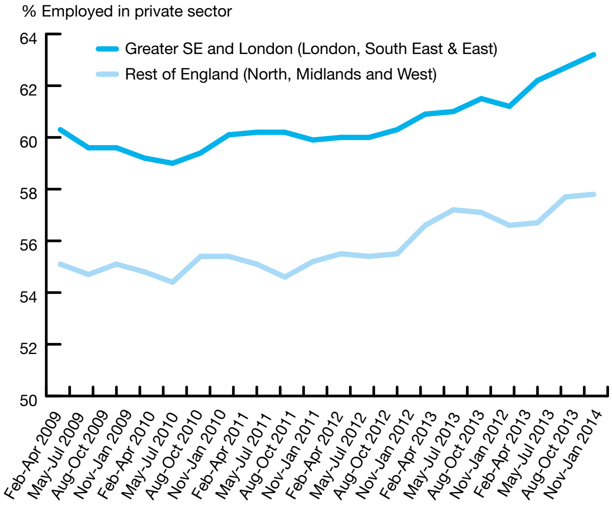
BIS has also supported a number of Local Enterprise Partnerships to work together, pursuing growth opportunities through the COREs initiative (Centres for Offshore Renewable Engineering), helping to put the country at the forefront of the offshore industry.

Equality and diversity is promoted through the Regional Growth Fund by supporting eligible projects and programmes. These programmes assist in raising private sector investment to create economic growth and sustainable employment across the UK.

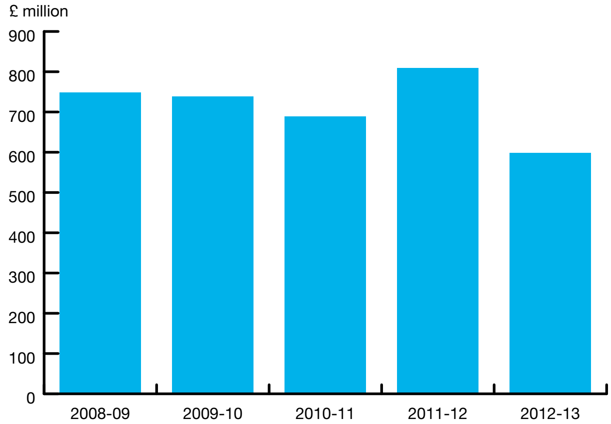
Business Plan Indicators

The Private Sector Employment Indicator for England was at its highest level since the series began in 2008. The OFT and Competition Commission estimate that the competition regime produced direct benefits to consumers of around £598 million in 2012-13 down from £810 million in 2011-12. This fall is the result of a number of high impact markets investigations from 2009/10 dropping out of the three year rolling average.

Change in private sector employment share of total population aged 16-64 and those over 64 in the labour market



The value of the consumer benefits of the competition regime



		Rounds 1-5
Offers made from the Regional Growth Fund (£ million)	London, South East, East and South West	£430
	North East, North West, Yorkshire & Humber, Midlands	£1,600
	Nationwide Programmes	£670

	Round 1	Round 2	Round 3	Round 4
Number of Regional Growth Fund contracts completed	100%	100%	98%	96%

Shareholder Executive

The Shareholder Executive manages the Government's shareholder relationships with businesses owned or part-owned by the Government and provides extensive corporate finance and commercial expertise across Government to deliver maximum value for the taxpayer.

What we achieved this year:

British Business Bank

- A total of £782 million of new financing reached small businesses in 2013-14 as a result of British Business Bank programmes, benefitting over 20,000 small businesses.

Green Investment Bank

- In 2013-14, the Green Investment Bank committed £668 million to green infrastructure meaning it has now committed a total of £1.3 billion to 26 projects, mobilising up to an additional £3.5 billion of private capital.

Royal Mail

- Delivered the sale of a 60 per cent stake in Royal Mail via a stock market flotation along with a popular retail offer, which allowed over 690,000 members of the public to purchase shares, raising £1.95 billion for the Exchequer.

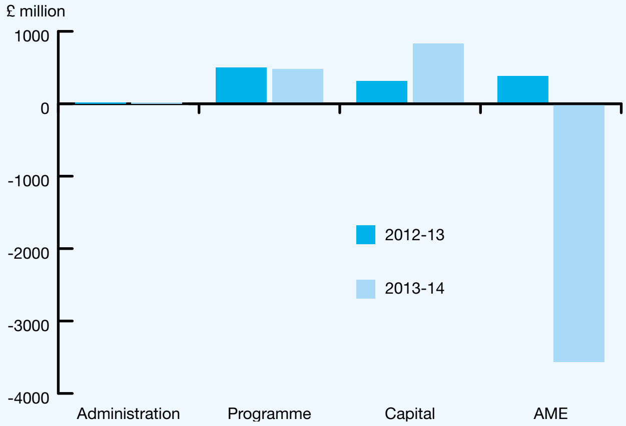
Post Office

- Over 1,500 post offices were modernised in 2013-14, bringing the total so far to more than 2,000.

Student Loan Book

- Sale of mortgage style student loan book, reducing public sector debt by £128 million.

Expenditure



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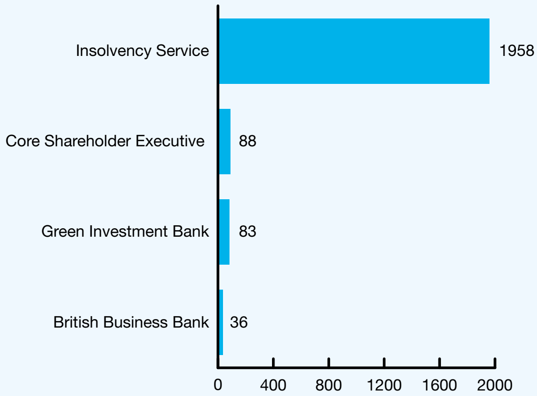


Progress against our Business Plan

SRP Actions	
Number of Actions Completed	1
Actions in Progress	1
Actions Overdue	0

Review of 2013-14

The Shareholder Executive manages a portfolio of twenty complex businesses in which Government has a shareholding. We work with a wide range of other Government Departments and management teams to help these businesses perform better. The Shareholder Executive has also developed a wider role as a corporate finance resource within Government – including advising on Government interventions, companies in distress, and commercial projects as well as advising on various Government corporate assets from the perspective of efficiency, commercialisation and alternatives to public sector ownership.

This year we have continued to support small businesses through the British Business Bank's programmes. During 2013-14, British Business Bank programmes supported £782 million of investments – more than double the amount of the previous year. The Investment Programme has performed well since launch in April 2013, awarding £145 million and unlocking up to a further £865 million of finance to smaller businesses alongside private sector investment over time. The Enterprise Finance Guarantee facilitated £348.4 million of finance in 2013-14, benefiting over 3,000 SMEs, while the Small Business Tranche of the Business Finance Partnership generated £241 million of funding for over 2,900 smaller businesses. Negotiations with the European Commission to secure State aid approval, allowing the Bank to become fully operational are ongoing. Preparation for the end-state organisation continues with the full senior management team for the Bank appointed, including the CEO Keith Morgan.

The British Business Bank provides the funding for the Start Up Loans Company, which works with delivery partners to ensure that people get their business ideas off the ground, with a typical loan of around £5,000 and additional mentoring support. Start-up loans have continued to expand, with nearly 14,000 businesses benefitting from more than £70.6 million of Start-Up Loan funding in the year 2013-14, with £19.5 million of funding provided in the first quarter of 2014 alone.

In 2013-14, the Shareholder Executive delivered the sale of a 60 per cent stake in Royal Mail via a stock market flotation. The flotation included a popular retail offer, which allowed over 690,000 members of the public to purchase shares. As part of the sale, the Shareholder Executive also put in place the largest employee share scheme of any major UK privatisation for nearly 30 years, giving 100 million shares for free to 150,000 eligible Royal Mail employees, representing a 10 per cent stake in the company. The sale raised £1.95 billion for the Exchequer whilst retaining the taxpayer as the largest shareholder, with a 30 per cent stake.

In November 2013, the Shareholder Executive completed the sale of the remaining publicly owned 'Mortgage Style' student loans to Erudio Student Loans Limited for £128 million. The sale represented good value for money for the taxpayer, achieved through an open and competitive process. From around 40 interested parties we received 10 initial bids which were assessed against a range of criteria in reaching a decision. During the transaction finance and legal advice was provided by PwC and Herbert Smith Freehills. Erudio will have to operate in accordance with the relevant regulatory requirements and industry guidance which ensures high standards of practice and includes particular protections for vulnerable borrowers and those in financial difficulty. Borrowers have exactly the same rights and obligations as they had when their loans were managed by the Student Loans Company (SLC). The sale has enabled the SLC to fully concentrate its resources on administering the payment and collection of 'Income Contingent' student loans.

The Green Investment Bank (GIB) has continued to make a significant impact during the year, committing a further £668 million in challenging market circumstances and helping to increase the scale and pace of investment in UK green infrastructure. The GIB has now committed a total of £1.3 billion to 26 projects mobilising up to an additional £3.5 billion of private capital. In June 2013 the Government announced it was allocating a further £800 million of funding to GIB for the 2015-16 year, bringing total available for investments to £3.8 billion.

A general slowdown in investment in green sectors over the past year or two has resulted in fewer transactions in which GIB can participate. Against this setting, GIB has participated in the majority (56 per cent) of all deals in its sectors by value and retains flexibility to carry forward funds within the current spending review period.

The Government is providing Post Office Limited, which remains 100 per cent publicly-owned, with funding to maintain, modernise and protect the Post Office network. There were 11,696 Post Offices at the end of March 2014, providing continued stability in the overall size of the network. The Post Office has continued to rollout its national Network Transformation programme, leading to the modernisation of 2,058 branches by March 2014, bringing significant benefits to customers, subpostmasters and the taxpayer. Over the reporting period the Post Office, in consultation with the National Federation of Subpostmasters, agreed a commercial strategy to 2020. This strategy is supported by the Government who, in November 2013, committed a further £640 million to maintain the network until 2018, and to complete the Network Transformation programme.

Future Outlook

During the next twelve months we will work towards obtaining vital State Aid approval from the European Commission for the British Business Bank. We are aiming to secure approval by autumn this year, enabling the Bank to become fully operational shortly afterwards.

Over the coming year we will provide Post Office Limited with £330 million to maintain a network of at least 11,500 branches, compliant with the access criteria. We also remain committed to supporting the continued rollout of the Post Office's Network Transformation Programme across those branches that can convert to the new operating models, and will provide community branches, those that are the last shop in their communities, with an investment fund to deliver improvements that enhance the viability of the branch. In addition, Post Office Limited will set out the milestones required for the possible future mutualisation of the business.

Mainstreaming Sustainability

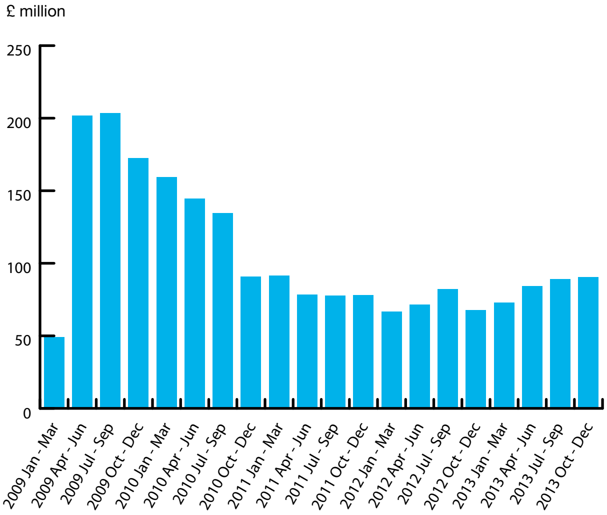
The Green Investment Bank has acted as a catalyst; using its specialist expertise to attract additional private sector financing into green projects and helping to ensure more projects proceed that support UK sustainability objectives. The Bank has five "Green Purposes" which include the reduction of green house gas emissions, efficient use of natural resources and protecting the natural environment. These three purposes indicate some of the principal environmental benefits arising from its portfolio of investments with benefits determined by comparing the environmental impact of each investment to the most likely alternative scenario had the investment not taken place.

The Shareholder Executive will continue to work with other Government Departments to improve commercial and corporate finance skills across Whitehall.

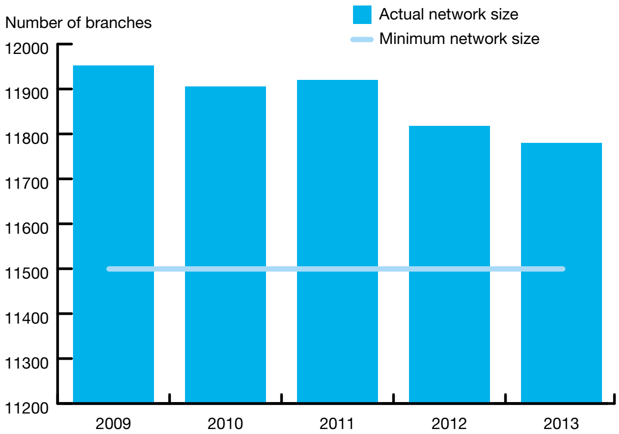
Business Plan Indicators

The British Business Bank's Enterprise Finance Guarantee (EFG) scheme supported £83.8 million of lending to businesses in the first quarter of 2014, an increase of 15 per cent compared to the same period in 2013. There were 11,780 open and trading Post Office branches at the end of March 2013.

Value Enterprise Finance Guarantee funds used by businesses



Meeting the Government's commitment to maintaining the Post Office network



UK Trade and Investment

UKTI works with UK based businesses to ensure their success in international markets through exports. We also encourage and support overseas companies to look at the UK as the best place to set up or expand their business.

What we achieved this year:

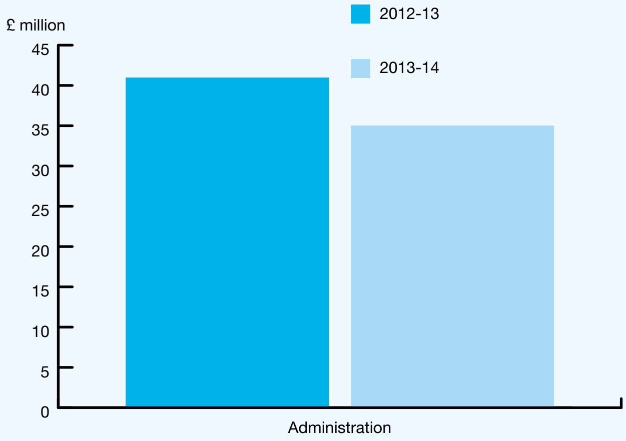
Trade

- 34,820 companies supported between October 2012 and September 2013. On track to achieve our target of 40,000 in 2013-14.
- UKTI is on track to exceed the target £20 billion of business wins this year.
- Exports to high-growth markets like China and Brazil are at an all-time high Since 2010, exports have increased by 52% to China; 24% to India; 39% to Russia; and 37% to Brazil. Over the same period, exports to established markets such as the USA and the EU have continued to increase.
- The ‘Exporting is GREAT’ integrated marketing campaign has generated a total of 2,821 International Trade Advisor (ITA) appointments to date. The campaign will help more than 3,000 additional businesses.
- During 2013-14, The Prime Minister led the largest ever trade delegation to China, which saw deals totalling over £5.6 billion signed, creating more than 1,500 jobs.
- By the end of March 2014 UKTI had engaged with 2,698 companies through our Passport to Export programme, which provides practical advice to new and inexperienced SME exporters. During the same period 1,749 companies had been engaged through the Gateway to Global Growth scheme, which provides tailored support for experienced SME exporters.

Investment

- UKTI has also supported the delivery of 1,322 inward investment projects, which are estimated to have brought with them 52,476 new and 45,091 safeguarded jobs. The UK has remained the number one destination for foreign direct investment in Europe.
- We have already reached the 2016 target of £11 billion of additional economic benefit to the UK from the Olympic Games.
- The GREAT campaign is now active in over 134 countries and is set to continue to 2016 and beyond.
- The number of companies on the Strategic Relationship Management programme has now doubled to 76, with 72 per cent of these stating an improved relationship with Government.

Expenditure



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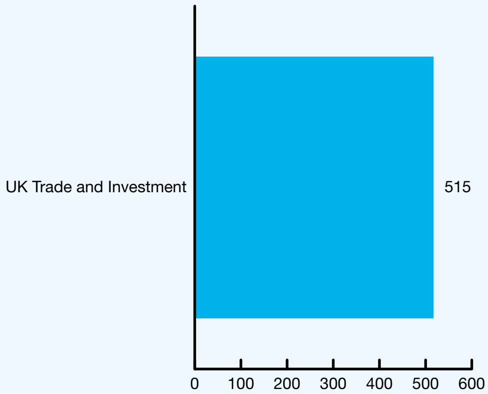


Progress against our Business Plan

SRP Actions	
Number of Actions Completed	1
Actions in Progress	1
Actions Overdue	0

Review of 2013-14

The UK is operating in a complex and challenging economic environment. Global trade has remained weak since the economic crisis of 2008-2009 and has affected many of the UK's traditional developed market partners. According to the IMF, the annual rate of growth of global trade volumes slowed from 6.2 per cent in 2011 to 2.8 per cent in 2012, remaining flat in 2013 at 3 per cent.

Against this challenging backdrop, the Government has set out to achieve ambitious trade targets. Recent success in key markets such as China and in the aerospace and automotive sectors is encouraging. However, there is some way to go to achieve targets to double the value of exports to £1 trillion and getting 100,000 more UK companies exporting by 2020. UKTI and Foreign and Commonwealth Office are developing a joint roadmap, which will map out the potential of existing policies and activities against this target and will be used to inform future planning.

UKTI has an ambition to double the number of companies we help to export each year to 50,000 by 2015. To date we have supported 34,820 businesses and are on track to assist 40,000 businesses in 2013-14, helping to generate additional sales of £51.8 billion. Increased funding for UKTI programmes since 2012 has allowed us to undertake some key activities including providing access for an additional 4,600 companies to benefit from UKTI's Tradeshow Access Programme, the establishment of an Overseas Chambers Network and increased support through the High Value Opportunities programme, bringing more sectors and markets into the programme.

By March 31st 2014 the number of companies supported through the Tradeshow Access Programme increased by 62 per cent (3,400 companies), with programme expenditure increasing by 86 per cent to £16.2 million (the average Grant provided increased by 48 per cent). Taking into account direct delivery through the Event and Missions programme and the introduction of the new Events Alliance programme, support to companies has increased by 93 per cent.

The UK maintained its long standing position as the number one destination for Foreign Direct Investment (FDI) in Europe. Against a challenging investment environment, the UK has performed well in attracting FDI, rising from 3.6 per cent in 2010 to 4.6 per cent in 2012. Foreign direct investment (FDI) in the UK is estimated to have created or safeguarded 97,567 jobs from 1,322 projects during 2012-13. Final results for 2013-14 are not available until July 2014, however initial results show an improvement from 2012-13 and UKTI are confident that the targets of attracting 750 inward investment projects into the UK in 2013-14, and creating or safeguarding 50,000 jobs will be comfortably met.

The UKTI Strategic Relationship Management (SRM) programme has improved the coherence and focus of major investors' relationships with Government. The number of companies included in the programme has now doubled to 76, with a recent survey showing 87 per cent of companies who responded stating they had an improved relationship with Government. The SRM Unit's work on Infrastructure, working with the Regeneration Investment Organisation on regeneration opportunities, has captured £3.3 billion of capital investment into the UK, exceeding its £1.5 billion target.

UKTI has continued to work in partnership with the Prime Minister's Office, which in 2013-14 has included managing the accompanying business delegations for his overseas visits to Kazakhstan, India, China, Hanover, Israel and the Palestinian Territories.

Future Outlook

Global trade values are forecast to grow, significantly driven by the world's high growth economies. As incomes rise in these economies, it will provide significant opportunities to enhance our trade and investment performance in the UK's strongest sectors. UKTI are also focussing on substantially increasing the support we provide to medium-sized businesses, providing a tailored service to all those who want our assistance. We are enhancing support to small companies wishing to export by joining forces with UK Export Finance and BIS to raise awareness of the opportunities and support available.

Overseas, we will continue to focus on high growth markets in China, India, Central America and Africa and realise the unlocked potential in Free Trade Agreements while consistently aiming to increase our impact, through links with non-Government Partners.

Mainstreaming Sustainability

UKTI is contributing to the Government's National Infrastructure Plan (NIP) to attract £375 billion of investment to help grow the UK economy through its Institutional Investment and Infrastructure team. The team attracts financial investment from Sovereign Wealth Funds and other institutional investors into the UK's energy, transport and environmental sectors. The team are on track to successfully deliver their £4.5 billion delivery target for 2012 – 2015 attracting over £1.8 billion of investment in year one and over £3 billion in year two.

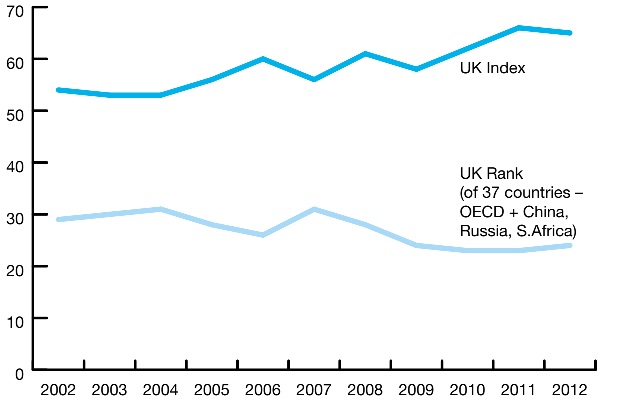
UKTI is also working with the Department of Energy and Climate Change to promote British green energy capability and working to get overseas investment into UK energy infrastructure. Our ambition is to create one of the most attractive electricity investment markets in the world, driving an increase in low-carbon technology, and delivering the modernised infrastructure that will provide energy security and cut emissions in the years to come.

Finally, we have created new Investment Organisations, including one in offshore wind and in regeneration. The Investment Organisations provide strategic leadership and leverage UKTI and partner capabilities to drive inward investment in their specialist areas.

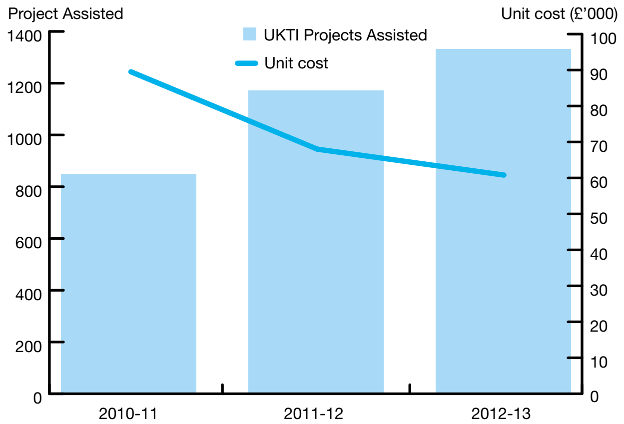
Business Plan Indicators

In 2012, the UK was the second-highest ranked G8 country behind Germany for openness to trade. In terms of comparisons with all major competitors, the UK ranked 24th (out of 37) in 2012, one position lower than in 2011, as Mexico swapped places with the UK. The UK ratio peaked at 65.7 in 2011. The UK trade to GDP ratio was 65.3 in 2012, up from 54.5 in 2002. The general trend has been that of improvement, although there have been some fluctuations from year to year. There has been little change in the UK's rank in the last 4 years.

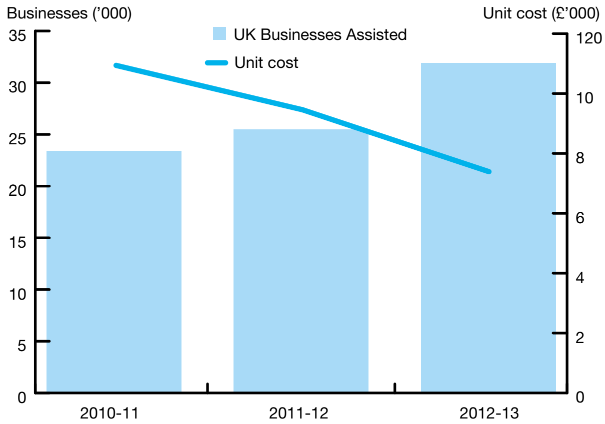
Openness to trade: exports plus imports as a share of GDP, ranked against major competitors



Number of Foreign Direct Investment projects attracted to the UK with UKTI involvement



Number of UK businesses helped to improve their performance through internationalisation



How we have performed

Economics and Markets

The Economics and Markets Group constructs the open, fertile and fair market frameworks in which companies can flourish including trade, labour markets and the wider business environment to deliver the growth agenda. We champion the use of high quality economics and analysis so that BIS' choices are based on the best available evidence.

What we achieved this year:

Labour Market

- Settlement Agreements came into effect in July 2013 providing a consensual and mutually beneficial way of ending the employment relationship between individuals and businesses.
- Reformed the TUPE regulations.
- Approved a rise in the National Minimum Wage, benefitting more than one million people.

Trade Policy

- Launched the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the USA.
- Reached major political breakthrough on EU-Canada free trade agreement, benefitting the UK by £1.3 billion a year.
- Agreement reached on the first World Trade Organisation package in twenty years.

Business Environment

- Strengthened the ability for shareholders of around 900 UK quoted companies to hold companies to account through access to clearer information and a vote over executive pay.
- BIS took forward core elements of the UK's Loch Erne G8 commitments to improve corporate transparency including consultations and stakeholder work on transparency and trust.

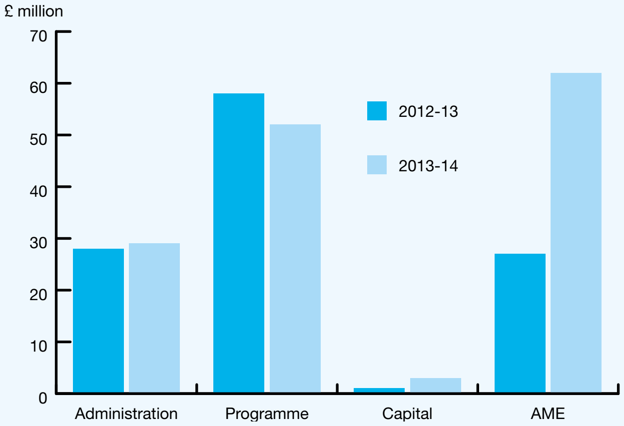
Consumer Rights & Competition

- Launched a new focused Competition and Markets Authority to ensure competition delivers benefits for UK consumers.
- Introduced the new Consumer Rights Bill to Parliament seeking enhanced easy to understand rights for consumers.
- Published Regulations implementing the EU Consumer Rights Directive giving consumers new protections and businesses greater clarity.

Analysis

- Developed an analytical evidence base ensuring value for money, securing a £7 billion package of support for Energy Intensive Industries.

Expenditure



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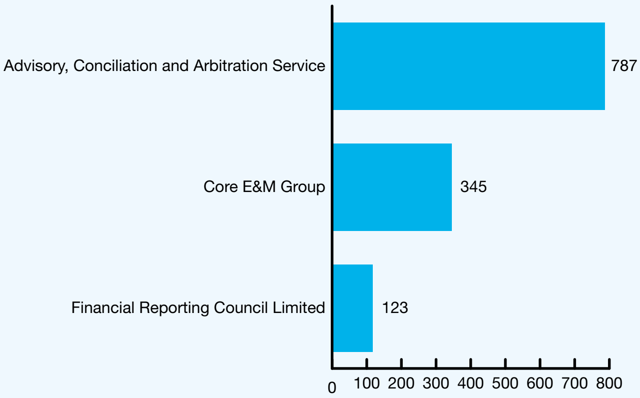


Progress against our Business Plan

SRP Actions	
Number of Actions Completed	10
Actions in Progress	9
Actions Overdue	1

Review of 2013-14

The Economics and Markets Group continues to promote effective trade that will benefit UK firms. BIS played a significant part in the Landmark trade deal between the EU and Canada that will benefit the UK economy and businesses by over £1.3 billion a year and was central to the agreement reached in Bali on the first World Trade Organisation package in twenty years. Finally, negotiations were launched over the Transatlantic Trade and Investment Partnership (TTIP). TTIP is a free trade deal in negotiation between the EU and US. If agreed, it could be worth up to £10 billion to the UK.

We have taken forward a number of reforms aimed at strengthening the effective operation of markets, building on the work that has taken place in earlier years. In 2013-14 we strengthened the ability of shareholders of around 900 UK quoted companies to hold companies to account through providing this clearer information in company's plans and through votes over executive pay.

A lack of transparency and accountability can erode trust and damages the business environment. Recognising the importance of these issues, the UK put corporate transparency on the international agenda. At the Lough Erne G8 Summit in June 2013, the Prime Minister led our G8 partners to agree to a number of core Principles. Central to this is greater clarity over who controls companies. Finally, we launched the Competition and Markets Authority in shadow form on 1st October 2013 and began operating fully on 1 April 2014, when it assumed many of the functions of the previously existing Competition Commission (CC) and Office of Fair Trading (OFT). The CMA's primary duty is to promote competition, both within and outside the UK, for the benefit of consumers. This unification builds on the work of the OFT and CC and will deliver a more focused, efficient and impactful regime for competition and markets in the UK.

2013-14 was an important year for our labour market reforms. The 1st April 2014 saw the launch of settlement agreements to provide speedy resolution of workplace disputes without the risk that the offer of such an agreement could be used to bring about an unfair dismissal claim. This year also saw amendments to the transfer of undertaking (TUPE) regulations making the process of changing business owner easier, fairer and more effective. The Enterprise and Regulatory Reform Act 2013, received Royal Assent on the 25th April 2013 and will support our commitment to delivering a flexible, effective and fair labour market. The Government also approved a rise in the National Minimum Wage to £6.50 per hour, with more than one million people set to see their pay rise by as much as £355 a year. The rise will take effect in October 2014.

Our process to control exports of goods under the export licence legislation continues to perform well. The Export Control Organisation issued 13,587 Standard Individual Export Licences (SIELs) to the value of £18.2 billion. 79.4 per cent of SIELs were issued within 20 working days (target 70 per cent), up from 71 per cent in 2012. Against a new target of 99 per cent introduced in July 2013, 98.4 per cent of SIELs were issued within 60 working days. To strengthen the control environment further BIS led work with forty overseas partners to agree international export controls on offensive cyber tools and influenced changes to legislation and policy to implement the United Nations Arms Trade Treaty (ATT).

Throughout 2013-14 analysts have underpinned all key policies within BIS, including the industrial strategy, science and research capital investment, and business finance initiatives. BIS analysts launched an Investment Gateway process, reviewing new spend proposals to improve the quality of business cases, ensuring that value for money is maximised and delivery is effective. This has helped to secure significant commitments for business, innovation and skills despite ongoing fiscal consolidation.

Future Outlook

Focussing on fairness at work we will be analysing over 36,000 responses to our consultation on the use of zero hours contracts. Building on the G8 commitments to enhance corporate transparency, the Department will also press ahead with a new public register on company ownership to track the ultimate owners of UK companies, making it more difficult for companies to evade tax or funnel corrupt funds. Building on consultations in 2013-14 we will also simplify other aspects of company law.

The Transatlantic Trade and Investment Partnership (TTIP) will continue to be a top priority for the Government and we hope to make strong progress on negotiations by the end of 2014. The coming year will also be focussed on implementation of the agreement in Bali. The challenge will be to keep up the momentum and the progress made.

We will support competition and consumers by seeking Royal Assent for the Consumer Rights Bill before the end of this Parliament, modernising and overhauling the legislative framework of consumer rights in the UK and seeking successful negotiation of a range of competition and consumer measures in Europe.

Mainstreaming Equality and Diversity

To further promote equality and diversity in the labour market we will introduce an extension to flexible working in June this year, and shared parental leave and pay and changes to the adoption leave and pay arrangements in October 2014. As part of the Children and Families Act 2014, the Department supported the development of new shared parental leave to encourage shared parenting from the earliest stages of pregnancy. The changes will allow fathers to play a greater role in raising their child; help mothers to return to work at a time that's right for them; and create more flexible workplaces to boost the economy. The shared parental leave will come into effect for babies due on or after 5 April 2015.

BIS has developed legislative measures to extend the right to request flexible working to all employees from 30 June 2014. The policy will enable all employees to discuss changes to the way they work with their employer and move the discussion away from why the employee needs to work flexibly, and onto how flexible working will work for the business. Currently approximately 9.9 million (8.1 million parents and 1.8 million carers of adults) benefit under the current right to request. Extending the right to all employees will increase the population covered under the right by 10.7 million to approximately 20.6 million.[2]

Business Plan Indicators

To date, the One-in, One-out position on employment regulation shows that there has been a net increase in regulatory burden on business of £3.3 million per annum from regulations implemented since 2010 up to December 2012.

	Jan 2012 – Jun 2012	Jul 2012 – Dec 2012
Change in the employment regulatory burden imposed on business by Government (£ million)	3.3	3.3

2 Modern Workplaces Government Response- Flexible working Impact Assessment 2012

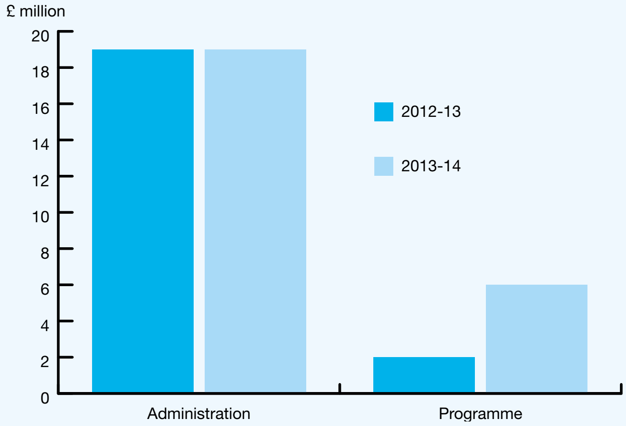
People and Strategy

People and Strategy helps build a confident and capable BIS that has maximum impact, is highly respected, and drives forward the longer term strategy and growth agenda.

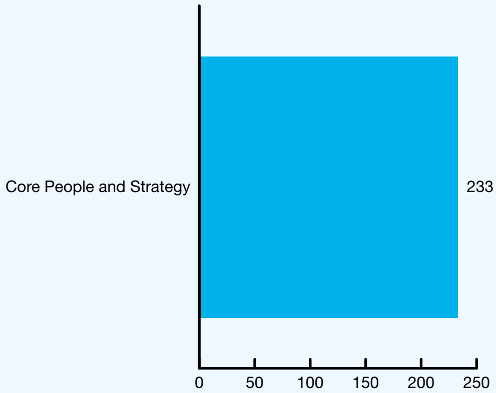
What we achieved this year:

- Challenger Businesses programme launched, to support UK businesses that are ground-breaking, dynamic applying new technologies and developing innovative products.
- 25 per cent increase in the number of small business owners agreeing that Britain is backing small businesses, following the Business in GREAT Britain campaign.
- People Survey improvements seen in Core BIS on all nine themes, plus a 2 percentage point increase in engagement.
- Clear, unifying BIS Story was created in workshops with staff and launched in August 2013.
- 92 per cent of Core BIS people transferred from legacy pay systems onto a new single BIS Pay System.
- Launched our 'Management Matters' programme to further develop our managers' capability in the core Department, including gathering input from staff to develop our Managers Charter defining what good management means in Core BIS.
- In June 2013, Core BIS received Investors in People accreditation.

Expenditure



Staff



Staff

Review of 2013-14

The People and Strategy Group vision is 'A confident and capable BIS that drives growth, is highly respected and proud of what it does. Within this we divide our work into five themes: A single story and purpose for the Department; A clear offer and ask for all staff; confident and engaging managers; transformational senior leadership; and right people, right place, right time.

Engagement

In the 2013 People Survey the core Department achieved a 2 percentage point improvement in its overall engagement score, including an increase in all nine of the themes in the survey.

People Survey Results		2013	2012	2013 Civil Service median
Engagement index (%)		54	52	58
Theme scores (%)	Leadership and managing change	43	38	42
	My work	78	74	74
	My line manager	67	66	67
	Pay and benefits	29	27	29
	Resources and workload	70	69	73
	Learning and development	52	47	48
	Organisational objectives and purpose	83	78	83
	My team	81	79	79
	Inclusion and fair treatment	77	76	75

During the next year we will be running two shorter 'pulse surveys' to monitor our progress in these areas and to ensure we are on track to continuously improve the engagement levels of our staff. The BIS internal communications strategy aims to improve the Department's People Survey scores on clarity of vision, leadership and managing change, engaging line management and giving employees a voice.

To achieve these aims we delivered a refreshed internal communications strategy which has ensured our internal messages are consistent and measurable and launched a proactive programme of face to face engagement between our senior leadership team and BIS staff. Evaluation of our series of leadership and Senior Civil Service events confirms that staff have gained greater understanding and engagement with the Department's priorities from these interventions.

A single story and purpose

The People and Strategy group has been working to create a clear and inspiring narrative to help us better articulate the whole Department's overall purpose to engage and motivate staff, influence our stakeholders and enhance our wider reputation and impact. This work culminated in "The BIS Story", created in workshops with staff and launched in August 2013.

To help support small business growth, Government launched the Business is GREAT Britain campaign. Driven by BIS, the campaign is designed to build confidence amongst small businesses by showcasing inspirational examples of similar sized companies. To support the marketing campaign, BIS published its Small Business: GREAT Ambition statement that sets out how the Government is committed to helping new businesses to thrive and existing businesses to grow. The campaign has been rigorously planned and tested with over 24 research groups and comprehensive tracking and evaluation metrics are in place to monitor impact allowing us to adjust our marketing as necessary. The campaign is an excellent example of a fully integrated communications campaign, working across advertising, marketing, digital, stakeholder and PR. Early evaluation shows that there has been a 25 per cent increase in the number of small business owners agreeing that Britain is backing small businesses.

A clear offer and ask for all staff
This year, we moved approximately 92 per cent of our people in the core Department from differing legacy pay systems onto a single new BIS Pay System for which there is no contractual pay progression. Having the majority of our people on one pay system creates a unified, simplified and fairer annual pay remit process. As part of Civil Service Reform, we have also continued to review the terms and conditions of staff – leading to reforms in annual leave entitlement.

We have continued with our 'Ways of Working' programme to engage our staff in continuously improving how we work as a Department. The programme aims to refresh the tools staff have to do their jobs, enhance the work environment to drive innovation, collaboration and efficiency; and remove the processes that get in the way of the Department working effectively.

Confident and engaging managers
This year we launched our 'Management Matters' programme to further develop our managers' capability. Management Matters is about expecting, recognising and valuing good management, providing clarity on what good management means in BIS and providing support to help line managers develop and deliver. In the course of the year we engaged across Core BIS to develop our Managers Charter, setting out what Core BIS expects of its line managers and providing a framework for feedback and self-reflection.

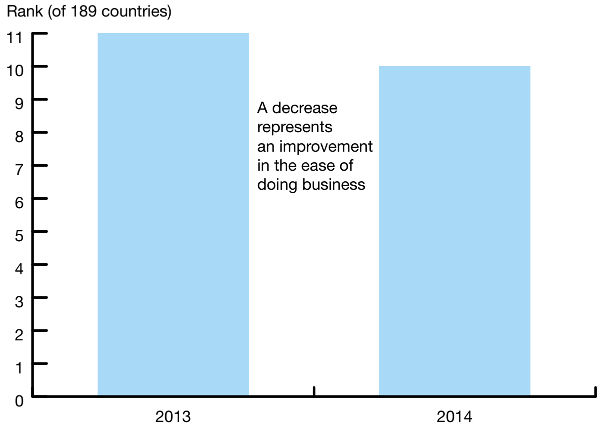
The new BIS Performance Management and Development approach was launched on 8 May 2013. The long term goal of the new approach is to change the culture in BIS, with focus on holding good quality regular conversations ensuring that all staff receive feedback so that they know the development they need to continuously improve. In particular, we are encouraging managers to identify and support staff who have specific development needs.

Our senior leaders were fully engaged in the introduction of the new performance management and development arrangements and have recently been reinforcing messages to staff about consistent performance expectations and the need for regular conversations. Much of the focus this year has been on embedding the new approach and helping our people and line managers to understand the processes and work through this change.

This year we have also continued with our 'Team Leader Conversations', hosted by the Department's Permanent Secretary and Directors General, to provide a regular opportunity for team leaders to ask questions, share their concerns and discuss matters affecting the Department.

Transformational senior leadership
The Department has increasingly used its Non-Executive Board Members to provide independent input into particular areas and to provide intensive support to developing strategic themes of work. Examples of this during 2013-14 have included Dalton Philips' work with the Department on how we can be most efficient with our spending and Dale Murray's review of the efficiency of our small business programmes. These reviews have led to ambitious plans for development, ensuring the Department is continuously improving the way it delivers.

Ease of doing business in the UK, ranking of the UK on World Bank Doing Business Report



The Strategy and Growth team are responsible for a number of discrete projects, including the Challenger Businesses Programme. The Government launched the Challenger Businesses Programme this year, providing support to enable ground-breaking and innovative UK businesses enter and grow in their target markets. The Government took this step because of the important role such businesses play in securing UK competitiveness, improving consumer standards and choice, and supporting economic growth. The programme started with financial technology (FinTech) and in late 2013, in partnership with New Finance Org (NFO), we held a workshop attended by members of the FinTech community.

We are also working to deliver the Prime Minister's commitment to make the UK one of the top 5 places in the World to do business. BIS have targeted areas for improvement identified by the two major global indices published by the World Bank and the World Economic Forum.

Our HR delivery model

Resourcing and Workforce Planning
Our resourcing and workforce planning strategy plays a key part in ensuring that we have both the capacity and capability to be a high performing and effective Department - through recruiting the right people with the right skills to deliver the Department's objectives. As part of our succession planning activity, we have continued to offer development centre and assessment centre opportunities - with a particular focus on those at Grade 7, 6 and Senior Civil Service level. Building on activity started last year, we have also launched a further internal Apprenticeships scheme, with 36 staff now undertaking an Apprenticeship within the Department up from 25 in 2013-14.

Core BIS plus Agencies*	Year ended 31st March 2013	Year ended 31st March 2014
Administrative Assistants and Administrative Officers	15.9%	15.7%
Executive Officers	19.2%	12.3%
Higher Executive Officers and Senior Executive Officers	40.1%	38.3%
Grade 7/6	20.6%	29.1%
Senior Civil Servants	4.2%	4.6%
Part Time	13.2%	13.2%

*Data covers the Core Department, UKTI, Insolvency Service, National Measurement Office, Skills Funding Agency and UK Space Agency

Performance and absence management
We have introduced a robust and consistent performance management approach with a focus on regular open conversations, development and continuous improvement for all staff. We are encouraging line managers and staff to access a wide range of internal and Civil Service Learning support and materials to improve performance management.

In the last 12 months within Core BIS, the average working days lost through recorded sickness absence was 3.6 days per employee (5.4 in 2012-13). Part of this decrease may be due to the transition and move to a new Oracle reporting system in October 2013. We have been supporting staff in familiarising themselves with the system's reporting arrangements which will continue in the coming year.

Recruitment into the Civil Service – and therefore into BIS at all levels – is regulated by the Civil Service Commission formed following the Constitutional Reform and Governance Act 2010. BIS continues to abide by the principles of the freeze on all recruitment into the Civil Service, announced in May 2010, except where posts are to support frontline delivery of services or are business critical to the Department's objectives. All exemptions require a clear business case and are authorised in line with Cabinet Office control guidelines.

BIS moved all recruitment to the Civil Service Resourcing e-recruitment system in July 2013 with plans currently underway to transfer line management recruitment support to Civil Service Resourcing in 2014. In moving to the Civil Service Resourcing e-recruitment system, the default is set to anonymity at sift stage meaning that candidates are judged on the merits of their application. BIS has also adopted the new cross Government Contingent Labour arrangements, launching the interim and contractor arrangements in January and the temporary clerical and administrative worker arrangements on 31 March 2014.

Exceptions to the Recruitment freeze made across the BIS Family	Permanent Staff	Temporary Staff
Posts requiring professional qualifications/ experience.	68	179
Posts which do not require professional qualifications	26	55
Total	94	234

In 2013-14, BIS and Agencies spent £4.5 million on consultants – a decrease from £6.3 million in 2012-13. Of this, the Core Department accounts for £4.3 million – this is a decrease from £6.2 million in 2012-13. Expenditure on temporary staff in 2013-14 was £18.8 million across BIS and Agencies – a decrease from £23.6 million in 2012-13.

Capability

The Department places a strong emphasis on developing the skills of its people, so that we continue to be a forward looking, learning organisation. We have promoted three key areas – Leadership and People, Business of BIS and Excellence in the Civil Service as the basis of our learning and development strategy. The 2013-14 learning and development offer provided an array of learning activities and interventions to accommodate different learning styles and varying work patterns with senior managers and line managers continuing to play a key role in ensuring people accessed the appropriate learning and development opportunities. During 2013-14 we have continued to develop our talent in line with the Department's talent strategy. To support our identified talent cohorts we delivered a successful programme of Action Learning Sets and talent and career conversations – now firmly embedded in the SCS as well as at Grades 6 and 7.

Equality and Diversity

BIS is fully committed to building diversity and inclusion in its workforce. Our equality objectives set out what this commitment means in practice, both for the policies we develop to support growth, and for the staff we employ. To help our staff better comply with the requirements of the public sector equality duty i.e. have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations, we have developed a new guidance and process, which will enable them to develop and deliver policies and services that are accessible to all, meet different people's needs and are efficient and effective.

As part of developing our HR policies and practices, we invited scrutiny by our staff led Diversity Networks to ensure that our policies reflected the needs of our diverse workforce. We are a recognised user of the 'Positive about Disabled People' (Two Ticks symbol) and provide reasonable adjustments and assistance required by staff with disabilities or long term health conditions. This approach helps staff perform in their jobs and access development opportunities - such as the recent development assessment gateways.

Core BIS plus Agencies

Workforce Diversity %	2013	2014
Black and minority ethnic**	12.9	8.5
Women	53.0	52.9
Disabled**	7.7	8.5

Workforce Diversity - Senior Civil Servants Only %	2013	2014
Black and minority ethnic**	3.7	2.7
Women	43.0	38.0
Disabled**	4.0	4.0
Women (top management posts*)	40.2	32.0

*Top management posts include Directors, Directors General and Permanent Secretary level posts.
**Data covers the Core Department, UKTI, Insolvency Service, National Measurement Office, Skills Funding Agency and UK Space Agency. Diversity figures do not include NMO and UKSA – as they do not collect such data

BIS are also ensuring that diversity is promoted throughout our network of Partner Organisations. The Government's aspiration is that 50 per cent of new public appointees will be women by the end of this Parliament. For the six month period ending September 2013, the Department made 37 new Office of the Commissioner for Public Appointments (OCPA) appointments of which 40.5 per cent were women, compared to 32.1 per cent as at 31st March 2013. We have now developed a new ten point plan to succeed the target and will continue to work with sponsor teams and Partner Organisations to identify and remove barriers and encourage applications from candidates from the widest range of backgrounds.

Following a "deep-dive" review of Diversity and Inclusion in BIS in December 2013, HR are currently developing a new Diversity Strategy and Action Plan for the next 3 years. We have recently secured places and funding for the positive action pathway "Levelling the Playing Field" development opportunity, enabling Black and Minority Ethnic and disabled employees to realise their potential. To date this has been offered to staff at AO and EO grades, with further programmes scheduled to run during 2014.

We have promoted equality and diversity in learning and development, available for all staff via workshops and Civil Service Learning. BIS requires all new staff to undertake an 'Equality and Diversity' e-learning package as part of their induction in to the Department, also available as a package of support for managers around "Constructive Conversations" - part of the Department's new approach to performance management. A range of further activity to address unconscious bias is also in development.

BIS has moved to a new HR delivery model during 2013-14, which is more closely integrated with Civil Service HR functions across Government. This has included moving handling of our casework to the Ministry of Justice, adopting the Civil Service Resourcing system and moving HR transaction activity to UK Shared Business Services Limited.

Finance and Commercial

Finance and Commercial operates at the heart of BIS, and extends across the whole BIS family, supporting and assuring policy delivery. Work covers a wide spectrum of areas including IT, Estates, Facilities Management, Shared Services, Information Security, Business Change, Project Management and Finance.

What we achieved this year:

Efficiency

- On track to reduce administrative spend by £500 million in real terms by the end of the Parliament with significant progress in ICT, estates and shared service programmes.
- A complete redesign of ICT systems and functionality which have radically changed ways of working, improved efficiency and flexibility for staff.
- Streamlined finance and HR functions, enabled by completion of phase 1 of our shared services strategy.
- Continued the rationalisation of our Estates, saving £85m over the Parliament, we have also entered into an innovative leasehold liability transfer programme with a commercial partner to further reduce and the estates cost base.
- Taken forward our response to the Dalton Philips report on our administration efficiency through Landscape Reform, Shared Services and placing customers at the centre of the Department's thinking.
- Created and monitored the BIS Portfolio of major projects featuring our top 50 programmes.
- Improved capabilities in financial management information, accounts preparation and governance.

Partner Organisations

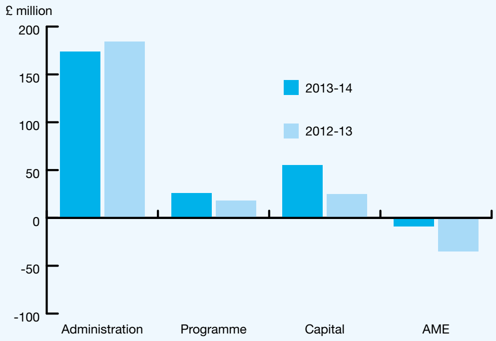
- Completed further reform of our Public Bodies, including achieving significant reforms to the consumer and competition landscape.
- Undertaken 18 Triennial Reviews of NDPBs.
- Undertaken a review of sponsorship resource across the Department, as well as raising capability.
- Embedded the tax assurance process for off-payroll appointees ensuring staff are aware of their tax assurance obligation.
- BIS made 37 new public appointments of which 40.5% were women, compared to 32.14% as at 31st March 2013.
- Exemplar digital projects in the IPO, Insolvency Service, Land Registry, SFA (National Apprenticeships Service) and SLC are building digital capability and leading the way in transforming our service delivery.

Sustainability

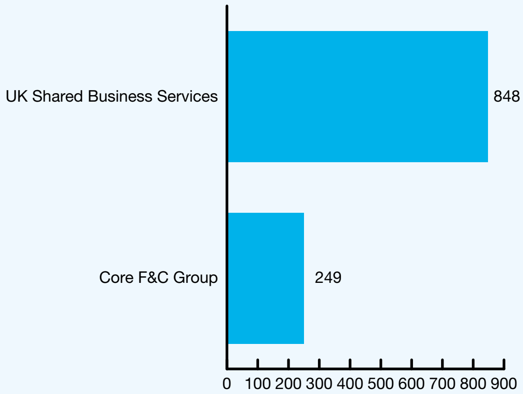
- Realised a 40% reduction in Greenhouse Gas emissions from the office estate and domestic travel;
- Reduced waste by 58%;
- Reduced water consumption by 49%; and
- Realised a 11% reduction in domestic flights.

Staff

Expenditure



Staff



How we have performed

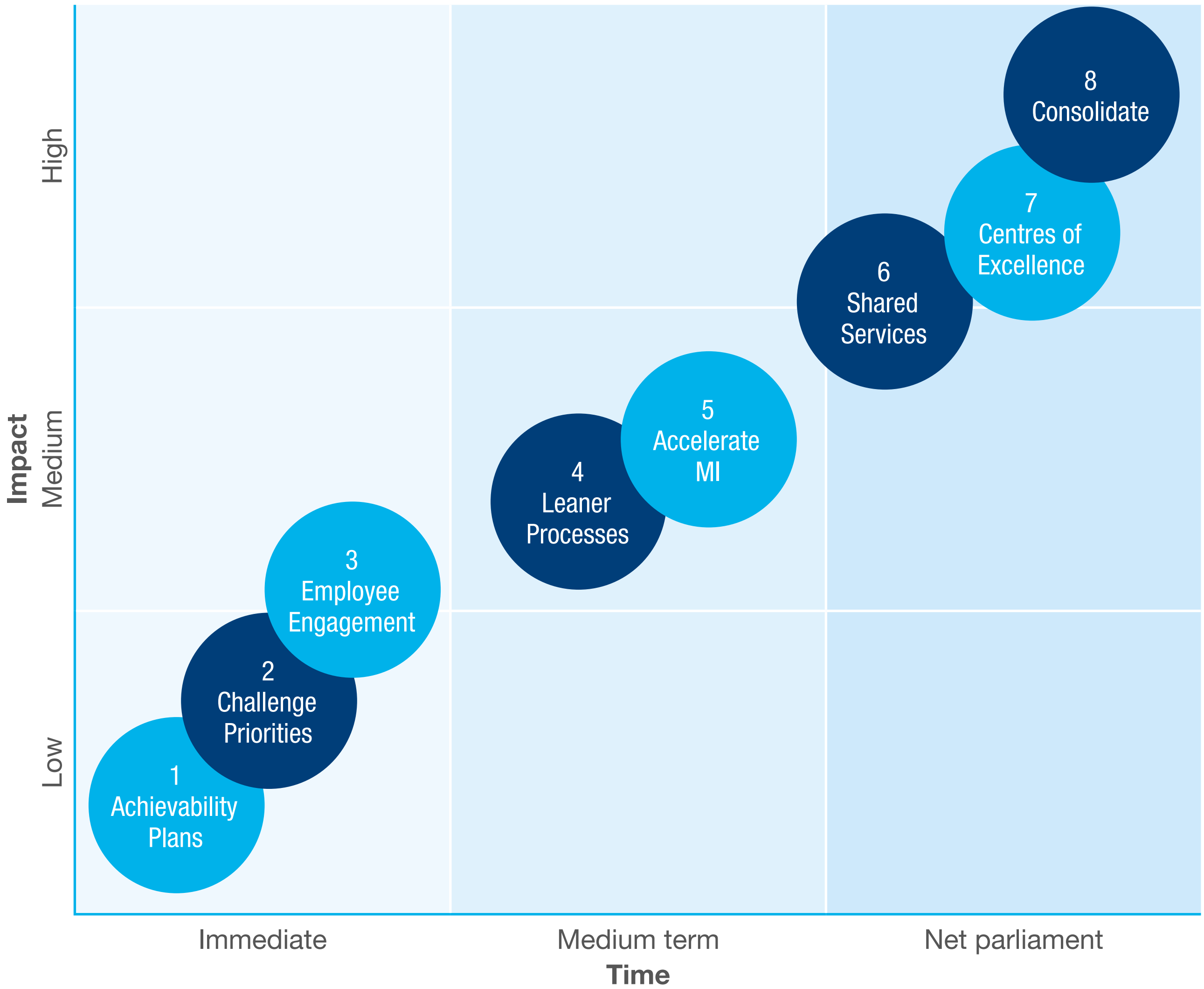
Review of 2013-14

In 2013-14 the Finance and Commercial Group have continued to improve and reform support services to BIS and increase their reach across Partner Organisations. At the start of the parliament, BIS agreed an administrative budget reduction of over £500 million (in real terms) to be delivered by the end of the Parliament. By 2013-14 90 per cent of these savings have been achieved. Significant further savings now need to come from completing ambitious restructuring of corporate services and infrastructure. Changes in how we spend our money will continue to present the Department with a financial forecasting challenge. BIS has made efforts this year to improve the quality and accuracy of its forecasting to minimise underspends, as highlighted in a recent National Audit Office report.

During 2013-14 significant progress has been made on key modernisation projects in ICT (Evolve), finance, HR (shared services phase 1 and Enterprise Performance Management system) and estates including an innovative leasehold liability transfer programme, in addition to a number of severance schemes. The estates programme will have reduced leasehold interests from 181 to 75, saving £85 million over the Parliament. £18million of additional project and other "invest to save" expenditure has been incurred in 2013-14. Substantial on-going savings will be delivered through these programmes as underlying efficiency continues to improve.

We are also reshaping BIS's procurement services now mainly focused through UK SBS Limited which has enabled over £40 million of benefits from effective procurement strategies.

Recommendation impact vs time



In June 2013, Dalton Philips, BIS Non-Executive Board Member, provided an independent and objective assessment of our efficiency plans. The report concluded that we are on track with our ambitious programme of cost reductions. Generating further efficiencies would require us to think radically about our operating model. He advised that we focus on finishing our existing programme, further planning and prioritisation, and driving up employee engagement. We should accelerate improvements in management information over the medium term. In the longer term we should extend the role of shared services, creating Centres of Excellence, and look fundamentally at our overall Partner Organisation network and operating model.

The recommendations have been taken forward in a strategic review of the way the Department and Partner Organisations work together to deliver Ministers' objectives. It has set out the full range of services the core Department and our 46 Partner Organisations deliver. Alongside much that is excellent, we are identifying opportunities for further improving efficiency and effectiveness into the next Parliament.

A key recommendation from the BIS Strategic Review is to align the Department's ICT and digital strategies to better enable us to improve both the experience of our users and the value for money of the services we deliver. This will embed the Government Digital and Technology Operating Model and the roles of Chief Technology Officer and Chief Digital Officer established in the core Department from April 2014 and build on our achievements to date.

ICT savings of £164 million have been forecast for this spending review period and the work has been completed on mandatory ICT Procurement Frameworks leveraging cross BIS economies of scale; Security Strategy covering physical, personnel, Management Information and Fraud governance and Intelligent Client Service and Major Projects Assurance.

Exemplar digital projects in the Intellectual Property Office, Insolvency Service, Land Registry, Skills Funding Agency (National Apprenticeships Service) and Student Loans Company are building digital capability and leading the way in transforming our service delivery. We plan to leverage this and other digital capability across our Partner Organisations more widely during the forthcoming year, building on the digital successes of other Partner Organisations such as Companies House and the Met Office. Within our policy teams more than 350 hours of digital support and training has been delivered in the past year.

This year has also seen important improvements in capabilities:

- In response to the Laidlaw Report, BIS undertook a review covering professional standards, project governance and accountability and culture. We have a good track record in delivering complex projects but identified a number of areas where we can improve. In response, we have enhanced proportionate reporting and risk management; have created the BIS Portfolio of major projects featuring our top 50 programmes, overseen by the Performance, Finance and Risk Committee (PFR), created an "SRO Charter" which sets out our expectations of each Senior Responsible Owner including participation in the Cabinet Office Major Project Leadership Academy, and the empowerment we offer in return; have established an Investment Gateway to advise Ministers to ensure value for money and deliverability are objectively taken into the assessment of spend proposals, with better business cases.
- Despite down-sizing we continue to focus on building finance skills and remain committed to supporting professional training for apprentices, graduates, fast streamers and open programmes. Development groups work to coach and create career opportunities at all grades. We have established two new Centres of Excellence which will share expertise and resources across BIS and Partner Organisations. BIS now hosts the new Accounts Preparation and Advice Centre, a shared centre of expertise on financial accounts preparation with the Skills Funding Agency hosting a new Business Insight Competency Centre. The Centre will manage the Enterprise Performance Management platform and develop high quality BIS wide Management Information.
- We have focused all governance advice and expertise within one central team. We have strengthened the risk assessment process

of Partner Organisations, moving this into our business-as-usual risk process to ensure senior management retain appropriate oversight. The Partner Organisations presenting the greatest risk to the Department attend a regular risk assurance panel to ensure shared understanding and provide clarity on the appropriate mitigating actions. Eight Partner Organisations have attended in 2013-14.

- We have set up a commercial programme, drawing on expertise across BIS, to drive up capability and confidence across the whole Department. Honing the cross BIS procurement model so it works better for business budget holders and accounting officers is a priority.
- The adoption of the Cabinet Office Government Digital Service target operating model is in progress. Chief Digital and Technology Officers have been appointed. Restructuring is underway to build the skills needed for our digital transformation programmes and re-in-source key system integration capability to avoid supplier lock in.
- Support for Partner Organisation sponsors is improving, drawing on Cabinet Office and cross BIS best practice. 76 per cent of sponsors are now judging they have the skills and experience to do the full role, up from 55 per cent.

The Department continues to run a Senior Remuneration Oversight Committee (SROC) to advise ministers on managing the balance between public sector pay restraint and remuneration packages that ensure the right quality of leadership and specific skills needed by our Partner Organisations. SROC has been effective in achieving this balance. For those Partner Organisations whose functions are closely aligned to BIS' and where the market for employees is similar to that of civil servants, a marked decrease in CEO salary levels has been achieved.

This year we have taken big steps in the Department's commitment to Transparency. The Core Department and seventeen Partner Organisations published inventories of unpublished datasets on data.gov.uk. The first iteration of the National Information Infrastructure was published by HM Government in October 2013. This list of the most significant datasets in Government contains over 60 datasets from BIS and many Partner Organisations. These include the British Geological Survey, Companies House, Land Registry, Met Office, Ordnance Survey and the Skills Funding Agency.

Major data releases during the year have included:

- Land Registry's second tranche of Historical Price Paid data
- Companies House Accounts Data Product
- Re-Launch of the Higher Education Unistats website
- Major Projects Data

Across the organisation we have held successful user engagement events – such as the Ordnance Survey Open Data Master Classes, Met Office Hack Days and events for both the Further and Higher Education sectors.

The Department is compliant with the corporate transparency commitments – excepting a period of disruption during the transition to a new Oracle system. We continue to exceed the £25 thousand reporting threshold by publishing all of our spend data.

The Department is funding a range of initiatives to encourage innovative approaches to exploiting data. Through the Technology Strategy Board we have contributed funding to the Open Data Institute and its Open Data Challenge series, created the Connected Digital Economy Catapult and set up the Innovation Vouchers scheme. The Breakthrough Fund has provided financial support to assist wider Government and local authorities make more data available. Through the Economic and Social Research Council we have provided funding for the Administrative Data Research Network to enable research based on Government linked data.

Future Outlook

We anticipate 2014-15 will be our most challenging year yet as we pursue project benefits realisation, look for further projects and efficiencies to deliver savings in-year, and in future years. In 2015-16, we have been set a target to reduce admin budgets by a further £80 million. The policy ask of the Department has not reduced, and is arguably increasing.

We are following Dalton Philip's advice, following through on management information, employee engagement and increasingly radical further model changes. Other emerging areas of opportunity have been identified including further savings in IT, estates, back and mid-office services as well as more radical reform to our ways of working. The rollout of the new Evolve ICT platform in Core BIS will deliver further savings and presents significant opportunities to improve the effectiveness of our working arrangements.

BIS's digital transformation programme, albeit focussed in our trading funds will be very ambitious. We will need to learn how to operate much more effectively across organisational boundaries if cost and quality targets are to be achieved.

We are also looking to streamline and refine the relationship we have with the different types of Partner Organisations. Necessary changes over the past 4 years have caused a number of misalignments that we are working to address.

Sustainability

BIS is committed to promoting sustainable economic growth. For economic growth to be sustainable in the long-term, it must support wellbeing and opportunity for all, and be achieved alongside protecting the environment, including the transition to a green, low-carbon economy. BIS's approach is to incorporate consideration of sustainable development in all that it does both in its policy shaping and how it operates.

Responsibility for sustainable policy making is embedded into policy making across the Department. Policy teams have a responsibility to consider the long term social, economic, environmental and financial impacts of their policies as well as understanding the effects on all communities and businesses.

The previous chapters show good progress in mainstreaming sustainability into our policy making. The Technology Strategy Board (p17) has invested in over 200 collaborative R&D projects with 70 per cent contributing to innovation in green and sustainable technology. The Green Investment Bank (p33) continues to leverage more private sector investment, mobilising over £3.3 billion of private capital.

Sustainable development is a key consideration when allocating our resources; the Regional Growth Fund (p30) considers the sustainable impacts when appraising the value for money of bids. In addition we have worked closely with DEFRA and other Government Departments in the assessment of Local Enterprise Partnership strategic economic plans to ensure that sustainability is a key part of local economic growth.

Many BIS policies impact upon rural communities, the ongoing Post Office Network Transformation Programme is giving subpostmasters, including those in rural communities, the opportunity to modernise their stores and increase opening hours. In November 2013 BIS announced a dedicated £20 million to million fund to help improve community branches – those that are the last shop in the community. These Post Offices – numbering around 3,000 branches – are at the heart of often deprived or isolated communities with the investment enabling the improvement and modernisation to strengthen their long term sustainability.

A wide range of national level policies and initiatives have been introduced to promote businesses, to raise skills levels and particularly to support start-up and expanding small and medium sized businesses. These businesses are of particular relevance to rural areas given that SMEs represent 70 per cent of rural employment and so play an important part in the rural economy. Research conducted with the Institute for Employment Studies found that that rural businesses are no less likely to be aware of, or participate in, national mainstream employer skills and Government business support programmes than businesses from urban areas.

Sustainability Summary 2013-14		Core BIS		Core + Partners*	
Area		2012-13	2013-14	2012-13	2013-14
Total Greenhouse gas emissions (scopes 1, 2 and 3) ('000 tCO_2e)		7.72	7.16	208.28	206.53
Estate Energy	Consumption (million kWh)	11.12	10.25	359.38	385.76
	Expenditure (£ million)	0.92	1.01	27.04	28.41
Estate Waste	Consumption (tonnes)	774.08	398.1	5,610.38	4,488.99
	Expenditure (£ thousand)	121.88	67.09	752.94	1,065.08
Estate Water	Consumption ('000 m^3)	18.27	18.24	244.50	188.24
	Expenditure (£ million)	43.44	41.66	337.99	315.17

*Data covers the Core Department, Skills Funding Agency, HEFCE, Insolvency Service, NERC, UK Atomic Energy Authority, SLC, Acas, STFC, NMO and MRC

Governance
The Sustainability Committee and Sustainability Champion support the Executive Board in providing leadership, co-ordination and guidance to BIS in fulfilling the Department's sustainability commitments, Greening Government commitments and embedding sustainability principles in BIS policy making. The establishment of these arrangements has facilitated greater oversight of sustainability issues and provided visible leadership particularly on policy making. Looking forward the Sustainability Committee will be ensuring there is improved transparency in reporting through the business planning process and sustainable procurement.

Operations
Responsibility for monitoring performance against sustainability is with each Partner Organisation with data being reported to BIS on a regular basis. Examples of sustainable practice within our Partner Organisations can be found within each organisation's Annual Report and Accounts.

The Department continuously works to ensure that its estate is run in a sustainable way. The main focus is on working towards the successful achievement of all targets set by the Greening Government Commitments (GGCs)[3]. Against these commitments in 2013-14 BIS has:

- Realised a 40 per cent reduction in Greenhouse Gas emissions from the office estate and domestic travel;
- Reduced waste by 58 per cent;
- Reduced water consumption by 49 per cent; and
- Realised an 11 per cent reduction in domestic flights.

The summary table above illustrates that the core Department realised reductions and savings across most of areas of its operation when compared to 2012-13. Water consumption in the Core Department was slightly lower than the previous year due to improvements implemented since 2009 which have successfully influenced the way the Department operates. The Department realised a significant reduction in waste generation and waste disposal expenditure, a trend that can also be seen in our Partner Organisations.

3 Three organisations (STFC, UK Atomic Energy Authority and MRC) also report performance in this report but are exempted from the Greening Government Commitments (GGC) targets due to their specialist nature. The data and performance for GGC will not reconcile with the Annual Report and Accounts figures.

Overall the Department generated over 1,100 tonnes less waste when compared to the previous year, contrasting with a slight increase in disposal expenditure over the year due to improved data capture across the Department. More detailed sustainability data is available in Annex C.

Greenhouse gas emissions
The Department has seen a major reduction in natural gas usage across all major London sites. London based buildings on average used 20 per cent less gas than in the previous year.

The Department's headquarters building located at 1 Victoria Street, London used over 640,000 kWh of gas less than previous year – this equates to over 117 tonnes of CO_2.

Overall Core BIS energy consumption has improved compared to previous years, with gross emissions being reduced to their lowest since 2010-11. Although electricity usage has increased slightly the gas consumption has sharply reduced.

Waste and recycling
During 2013-14 the core Department changed its main waste contractor. Since the change, the Department's waste generation has dropped – this is accredited to more accurate weighting measures being used by the new waste contractor.

During the third quarter of 2012-13 the Department introduced the pan Government closed loop paper recycling. Although various Partner Organisations already fed into the closed loop system, they weren't necessary procuring the recycled paper back. This new arrangement will aim to influence this, by encouraging individual organisations to buy closed loop paper thus fully implementing a closed loop system.

During 2013-14 Core BIS realised a significant improvement in its waste generation and management. Changes outlined above have resulted in an overall decrease in waste generation together with a significant drop in the amount of waste we send to landfill and an increase in composted waste. The Core Department have also significantly reduced our waste costs in 2013-14.

The wider Partner Organisation network has also seen an overall reduction in waste generation, although the total amount of hazardous waste generated has increased since last year. This increase in hazardous waste was driven by new systems put in place at the Medical Research Council, which meant more accurate recording of hazardous waste data.

Water
Water consumption in the Core Department has remained at similar levels to 2012-13. Facilities upgrades and changes, such as refurbishment of toilets facilities at 1 Victoria Street, have resulted in a long term change.

Procurement
The Department is committed to sustainable procurement and has focused effort over the last 12 months on creating the appropriate conditions for improving performance and transparency. The centralisation of the Department's procurement activity through UK SBS Limited was the first step.

For its part UK SBS Limited has taken action to strengthen its approach to sustainable procurement using the Flexible Framework as the platform. Key activities underway include:

- Review of the UK SBS Limited Sustainable Procurement Policy to ensure that Departmental obligations are properly reflected
- Implementation of the DEFRA Sustainable Procurement Prioritisation tool to support decision making
- Addition of sustainable procurement provision to an internal procurement gateway process to support the commercial assurance of all sourcing activities
- Sustainable procurement training for all UK SBS Limited Procurement staff
- Where appropriate sustainability obligations are included within contracts to enable performance to be monitored throughout the life of the contract.

Climate Week 2014

Climate Week is a national campaign to inspire action on climate change. This year BIS supported climate week through a series of talks, activities, articles and information in Sheffield and London.

In London our core event was a panel debate on what business was doing to tackle climate change. Bernadette Kelly chaired the event with speakers from Lafarge Tarmac, Shell, Marks and Spencer and the Centre for European Reform. Over 40 people from BIS, DECC and FCO attended what was an interactive and thought provoking discussion. There was also a talk from Sir David King on climate science, hosted by the FCO and attended by BIS and FCO staff.

We also organised for Eco Action Games to come into the Department and present interactive games aimed at increasing understanding of an individual's impact on the climate and feedback from attendees was very positive.

We held a sustainable transport day with free bike repairs and a bike maintenance course, as well as a smoothie bike and free cycle maps and advice. The mechanics from Cycle Confident said it was the busiest session that they had had at BIS and estimated they had repaired 50 bikes. The bike maintenance course was fully booked with 20 people attending over the 2 sessions.

Throughout the week relevant information was provided via the intranet and displays in the lift lobby. This included a stand run by Prospect Union with info on the 'Be Climate Ready' campaign, and a display of water saving devices (such as water saving shower heads and tap fittings) with information on how Thames Water customers could claim their own. The Climate Week intranet article, which included links to the climate week website and further online resources, was in the top 10 most viewed articles that week.

There was also a full programme of events in Sheffield with a Climate Fair at the start of the week with Eco Action Games, information on BIS climate change work (both policy work and estates management), a seed swap and cycle maps and other info. There was also a visit to Heeley City Farm and South Yorkshire Energy Centre, which is based in an eco-refurbished terraced house originally built around 1880 and demonstrates renewable energy and sustainable building materials and techniques and provides advice and training. Finally there was a popular talk from Yorkshire Water on how Yorkshire's weather is already changing and how water and sewage companies are adapting to these changes.

The use of SMEs for the supply of goods and services across the BIS family continues to exceed the Government's 25 per cent target. During the first 11 months of 2013-14 the BIS family achieved a total of 38.4 per cent (28.7 per cent 2012-13). Action continues to be taken to develop SME engagement further both through active encouragement of SME participation in procurement activity and by analysing and recording second and third tier SME involvement in supply chains.

Changing culture and behaviours in the Department

Alongside the focus on estates, procurement and policy, the Department also has a "Green Guardians" network who promote sustainability in a variety of ways. The Green Guardians are a voluntary network of BIS staff with a passion for environmental issues. They continued to find it a challenge to make time to promote sustainability issues in the new, smaller BIS – although members led by example in terms of behaviours and they maintained a lively community on the social networking site Yammer. The Green Guardians Network is represented on the Department's Sustainability Committee and individual Green Guardians led efforts to promote cycling and walking and supported Departmental activity in Climate Week.

BIS's Sheffield headquarters at 2 St Paul's Place was awarded the Chartered Institution of Building Services Engineers (CIBSE) Operational Building of the Year, recognised by the organisation for its high energy performance. The Sheffield Green Guardians were particularly active, organising seed swaps, supporting a local community allotment through compostable waste (substantially increasing the amount to over a tonne and a half collected per quarter), encouraging staff to save energy by using the stairs instead of the lifts and turning off PC's and monitors, and a partnership with South Yorkshire Passenger Transport in June/July, arranging free bus and tram passes to be available to BIS and Department for Education staff to encourage people to swap from their cars.

We have continued to maintain an active cyclists' community with an email list, Yammer group, intranet pages and various events, focussing on promoting and supporting walking, running and cycling to work. These have included:

- A list of volunteer 'buddies' who can give tips, talk through suitable routes and even accompany new cyclists on their first walk, run or ride in to work.
- Support for Walk to Work Week in May.
- The annual BIS Bike Breakfast was again held in National Bike Week on 19th June – a free breakfast for everyone who cycled to work that day, free Dr. Bike checks, security marking of bikes by the Metropolitan Police, and an information stall with free cycle maps and other information, and a display of bikes available to buy through the Department's salary sacrifice scheme. The theme this year was 'Why I love cycling'.

This year we introduced monthly visits from cycle mechanics who provide free cycle checks and paid-for servicing on site. This has proved very popular with cyclists.

The Departmental beehive was productive during 2013-14, including providing jars of honey for sale at the Christmas Fayre, in aid of charity. A team of volunteer beekeepers, with the generous support of the Victoria Business Improvement District, work to maintain the colony all year round. According to the British Beekeepers Association, the economic value of honey bees and bumble bees as pollinators of commercially grown insect pollinated crops in the UK has been estimated at over £200 million per year.

Accountability

Report from the lead Non-executive Board Member

This year has been another extremely busy and productive one for the Department for Business Innovation and Skills. I am pleased to have joined the organisation as Lead Non-Executive Board Member in February 2014 and to be part of a Department that is at the heart of the economic recovery.

The organisation has now evolved into a leaner and more effective structure under the leadership of the Permanent Secretary and in the course of my induction over the past two months I have been very impressed with the commitment and expertise I have found within the Department. It is vitally important that the progress made in this area will be continued over the next 12 months, which of course will lead us into the general election in 2015.

During the course of the year the Department has continued to focus on a number of significant projects designed to support key industrial sectors across the UK and helping businesses to develop their expertise in the competitive export market. Industrial strategy is at the core of this important aspect of Government policy and is progressing strongly and starting to have a real impact on business decisions. This is reflected in recent announcements to invest in the UK made by companies such as Airbus, Siemens, Hitachi and Rolls Royce.

Meanwhile, the ongoing Future Shape of BIS programme has taken the work of last year's Philips' Review to the next level, exploring how the Department can take transformational actions to ensure that the BIS of the future delivers on its commitments efficiently and effectively. Within the wider Department the Permanent Secretary has launched "Management Matters." The initial results of this initiative, designed to encourage staff to be the best managers they can be, have been very encouraging.

This year has seen several changes to the Department's team of Non-Executive Board Members. I would like to pay tribute to the work of my predecessor Sir Andrew Witty whose term came to an end in December 2013. Even in my short time at BIS, I have seen first-hand the positive influence he has had throughout the Department. Under his guidance and direction, the Witty Review of Universities and Local Growth was released at the end of 2013. Many of the report's recommendations prompted almost immediate changes and it seems likely to retain its influence over policy and practice for some years.

I would also like to thank Dame Julia King for her contribution to the Department over the last three years. Dame Julia stepped down in July 2013 having completed her full-term and has been ably succeeded by Professor Wendy Purcell, who has made a significant contribution to BIS, most notably in providing significant input into the Departmental Improvement Plan. I am also very pleased to welcome Professor Dame Ann Dowling to the Board, who joined along with me in February this year.

The Departmental Board structures are now in their third year and along with the Cross-Departmental Internal Audit Service, I recently completed this year's Board Effectiveness Evaluation. While the evaluation process highlighted some areas where we can still improve, overall we found a positive perception of the Board, with a good level of interaction in particular from the Non-Executive Board Members.

Finally, as we look ahead to the coming year, the Board will continue to focus on effective delivery of Departmental priorities including local growth, industrial strategy and maximising the opportunities for further improving the efficiency and effectiveness of the Department and its network of Partner Organisations.

Allan Cook
Lead non-executive board member

Ministers and Departmental Board

Ministers

Rt Hon Dr Vince Cable MP
Secretary of State for Business, Innovation and Skills, and President of the Board of Trade

Rt Hon David Willetts MP
Minister of State for Universities and Science (attends Cabinet)

Rt Hon Michael Fallon MP
Minister of State for Business and Energy (jointly with the Department of Energy and Climate Change)

Matthew Hancock MP
Minister of State for Skills and Enterprise (jointly with Department for Education)

Lord Livingston
Minister of State for Trade and Investment (jointly with the Foreign and Commonwealth Office)
(Since 10/12/2013)

Viscount Younger of Leckie
Parliamentary Under-Secretary of State for Intellectual Property

Jo Swinson MP (on maternity leave)
Parliamentary Under-Secretary of State for Employment Relations and Consumer Affairs (jointly with the Department for Culture, Media and Sport)

Jenny Willott MP
Parliamentary Under-Secretary of State for Employment Relations and Consumer Affairs (jointly with the Department for Culture, Media and Sport)

Non-executive board members

Allan Cook
Lead non-executive board member
Chair of WS Atkins
(Since 01/02/2014)

Alan Aubrey
Non-executive board member
CEO of IP Group

Professor Ann Dowling
Non-executive board member
Deputy Vice-chancellor of University of Cambridge
(Since 01/02/2014)

Dale Murray CBE
Non-executive board member
Technology entrepreneur and angel investor

Departmental board members

Martin Donnelly
Permanent Secretary

Sam Beckett
Director General Economics and Markets
(Since 11/11/2013)

Bernadette Kelly
Director General Business and Local Growth

Howard Orme
Director General Finance and Commercial

Philippa Lloyd
Director General People and Strategy

Mark Russell
Chief Executive Shareholder Executive

Rachel Sandby-Thomas
Director General Legal, Enterprise and Skills

Sir John O'Reilly
Director General Knowledge and Innovation

Crispin Simon
Acting Chief Executive UK Trade & Investment
(Since 16/12/2013)

Dalton Philips
Non-executive board member
CEO of WM Morrison Supermarkets plc

Professor Wendy Purcell
Non-executive board member
Vice-chancellor of Plymouth University
(Since 23/07/2013)

Notes

Lord Green, Minister of State for Trade and Investment (jointly with Foreign and Commonwealth Office) – until 09/12/2013
Tera Allas, Director General, Strategy & Better Regulation – until 01/07/2014
Nick Baird, Chief Executive, UK Trade & Investment – until 15/12/2013
Sir Andrew Witty, Lead non-executive board member – until 31/01/2014
Professor Dame Julia King, non-executive board member – until 23/07/2013
In 2013-14 Viscount Younger, Matthew Hancock MP and Jenny Willott MP did not sit on the Departmental Board.

Governance Statement

Introduction

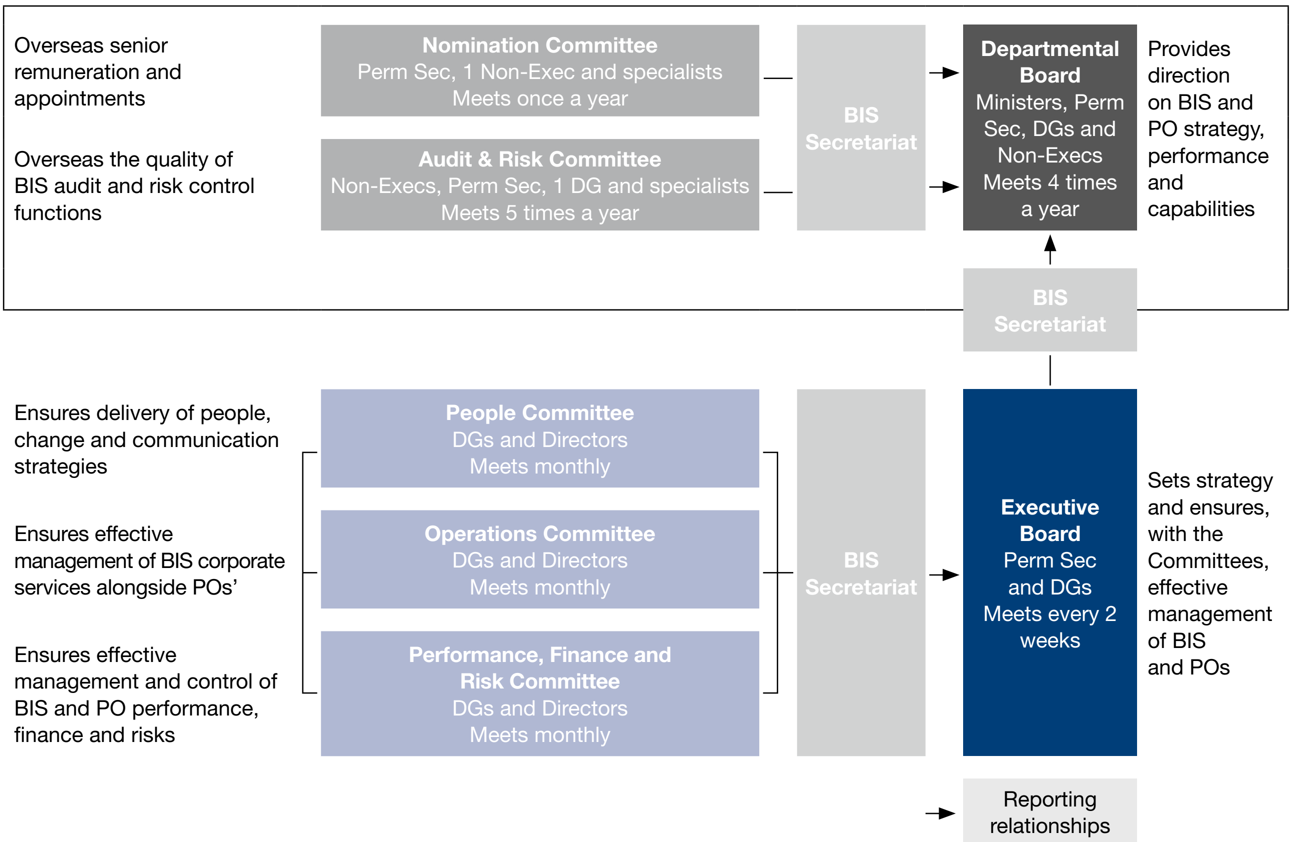
This Governance Statement sets out the governance structures, risk management and internal control procedures that have operated within BIS[1] during the financial year 2013-14 and up to the date of the approval of the Annual Report and Accounts.

BIS operates in a fast moving policy environment and is at the heart of the government's commitment to sustainable and balanced growth. Our operating model is such that the bulk of our delivery and expenditure is carried out in our portfolio of Partner Organisations (POs). This means that ensuring good governance and clear accountability between BIS and our Partner Organisations is a continuing priority, which is reflected throughout this statement.

How we have managed BIS

The Department's current board and committee structures are shown in the diagram below. Clear remits have maintained clarity and accountability, allowing me and other board and committee members to make decisions, monitor performance and manage resources and risk. Membership of our boards and committees is diverse, from Ministers to Directors, ensuring that decisions are made on a sufficiently broad basis. An observer programme ensures visibility and transparency of the decisions we make in managing the Department.

BIS Governance Structures



1 It also integrates information about our Partner Organisations that are included in the Department's Consolidated Accounts for 2013-14.

The **Departmental Board's** membership during 2013-14 including biographies is located at the bottom of the page available at: https://www.gov.uk/government/organisations/department-for-business-innovation-skills/about.

The **Departmental Board** brings together the expertise of officials, Ministers and Non-Executive Board Members to provide support and challenge on our delivery of the Department's key operational and policy objectives. The Board met four times in 2013-14 and provided collective strategic leadership of the Department, with particular focus on performance, risk management and the delivery of key programmes, including appropriate oversight of our Partner Organisations. During the year, the Board considered aspects of economic growth, the Industrial Strategy, higher education, business planning and strategy, trade, small business support, and local growth. Growth and the Industrial Strategy will continue to be key areas of focus for the Departmental Board in 2014-15.

The Board gave more prominence to the consideration of risks and their key mitigating factors this year. In addition to regular updates on the Department's finances and risks, the Board received reports from the Performance, Finance and Risk Committee on 'deep dives' (intensive in-depth reviews of a particular policy or issue) that have been undertaken into key policy areas including energy intensive industries, further education loans, the Student Loan Company and higher education. The Board provided support and challenge in these key areas.

Outside of formal meetings, the Board has met three times, including an away day on local growth and apprenticeships. The Department has increasingly utilised **Non-Executive Board Members'** expertise to provide independent input into particular topics such as such as producing and implementing a Departmental Improvement Plan. In 2013-14, the Non-Executives have also conducted influential reviews of small business support, BIS efficiency and the links between universities & local growth.

The Departmental Board has been supported by both the Audit and Risk and Nominations and Governance Committees in its work.

During the financial year, the **Audit and Risk Committee** provided assurance on the quality of the Department's consolidated accounts, audit arrangements, governance structures and risk management arrangements. The Committee's meetings were attended by the Head of Internal Audit and representatives of the National Audit Office. The Committee had five meetings during the year and their discussions covered the BIS annual report and accounts and the external audit thereof, the Internal Audit annual report, fraud and whistle blowing policy and the quality of the Department's financial management.

The Audit and Risk Committee also conducted two accounting judgements surgeries. These surgeries are used to review key accounting issues and developments including accounting judgements being made by management in relation to student loans valuations, the Royal Mail sale and valuation, the establishment of the Business Bank, and the new Enterprise Performance Management system. The surgeries provided assurance to the Departmental Board and me that appropriate accounting judgements are being made by the Department.

The Board decided in November 2013 that the Nominations and Governance Committee should be reconstituted as a Nominations Committee only with the Governance aspects of the Committees brief being transferred to the Audit and Risk Committee. The **Nominations Committee** ensured that senior appointments and remuneration arrangements are transparent, fair and support departmental objectives. The Committee has met once during the financial year, and discussed SCS appointments, Board Appointments, Senior Pay and the Senior Remuneration Oversight Committee. It also approved the compliance statement with the Governance Code for Central Government Departments for the financial year 2012-13.

The Departmental Board delegated some responsibilities to the **Executive Board** whose remit was ensuring effective management of BIS and Partner Organisations, and shaping the strategic direction of the Department. The Executive Board sub-delegated some decision-making to the following three Committees, which were chaired by Directors General, and drew their membership from BIS directors who are closer to the day to day running of the Department.

- The **People Committee** ensured the delivery of people, communications and change strategies;
- The **Operations Committee** ensured the smooth running of operations in BIS and across our Partner Organisations; and
- The **Performance, Finance and Risk Committee** ensured effective management and control of BIS and Partner Organisations' performance, finance and risks.

Underneath this high-level corporate governance structure, there are additional governance arrangements that operate at a more operational level, and which cover specific policy areas, programmes and projects. These report ultimately into the above Committees. Examples include: the Higher Education Programme Board, Corporate Services Executive, Corporate Services Portfolio Board, Transparency Board, Data Strategy Board, Social Mobility Transparency Board, Research Sector Transparency Board and Equality and Diversity Board.

Board appointments

Civil service members of the Board are appointed in accordance with the Civil Service Management Code, and Non-Executive Board Members are recruited through fair and open competition. The current Departmental Board membership is 38 per cent female. Upon appointment, each board member is required to declare any conflicts of interest which are recorded in the Register of Interests. Where a board member raises a potential conflict at meetings, it is recorded in the minutes and the board member absents himself or herself from that item of discussion. Throughout this financial year, board members raised no conflicts of interest.

Appointments to the Boards of Partner Organisations are made by Ministers, in accordance with the Commissioner for Public Appointments Code of Practice for Ministerial Appointments to Public Bodies: http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-20121.pdf. Non-Executive Directors receive an induction on joining and have access to additional information and training where they consider it necessary in the discharge of their duties. Some of our Partner Organisations which operate on a commercial or quasi-commercial basis such as the Met Office, Ordnance Survey, and Technology Strategy Board often require specialised technical and commercial skills. These bodies are facing challenges in terms of recruitment and retention of the required skills at board level in light of the continued pay restraint across government and we are working with them to develop flexible resourcing solutions.

BIS's compliance with the Corporate Governance Code

We carried out an assessment of the Department's compliance with the Corporate Governance Code for Central Government Departments (2011) and the effectiveness of its corporate governance structures. The Audit and Risk Committee reviewed the results of the assessment in June 2014 and concluded that BIS is compliant with the spirit and principles of the Code.

The Committee noted that responsibility for governance transfered from the Nominations and Governance Committee to the Audit and Risk Committee during the year. The Nominations Committee and the People Committee of the Executive Board consider the issues of talented people. In general, the Executive Board and its Committees provide detailed scrutiny of operational aspects of BIS performance on behalf of the Departmental Board.

Board and Committee Attendance for the Financial Year 1 April 2013 to 31 March 2014

	Meeting attendance per board member of meetings eligible to attend						
Name of Board Member	**Departmental Board**	**Executive Board**	**Nominations and Governance Committee**	**Audit and risk Committee**	**Operations Committee**	**Performance, finance and risk Committee**	**People Committee**
Rt Hon Vince Cable	4/4						
Rt Hon Michael Fallon	0/4						
Lord Green	1/2						
Lord Livingston	1/2						
Jo Swinson	1/3						
Rt Hon David Willetts	3/4						
Alan Aubrey	3/4			5/5			
Allan Cook	1/1						
Professor Dame Ann Dowling	1/1						
Professor Dame Julia King	2/2		1/1				
Dale Murray CBE	4/4						
Dalton Philips	1/4						
Professor Wendy Purcell	2/2						
Sir Andrew Witty	3/3						
Grenville Hodge				5/5			
Nigel Johnson				5/5			
Tera Allas	2/2	5/6				0/2	
Nick Baird	1/3	7/14					
Sam Beckett	2/2	9/9					
Martin Donnelly	4/4	18/21	1/1	5/5*			
Bernadette Kelly	4/4	18/21					10/13
Philippa Lloyd	4/4	19/21			15/15		11/13
Howard Orme	4/4	17/21		4/5*	12/15*	13/13	
Sir John O'Reilly	4/4	19/21				7/13	
Amanda Rowlatt		5/6				9/13	
Mark Russell	3/4	17/21			7/15	2/2	
Rachel Sandby - Thomas	4/4	19/21			9/14		
Crispin Simon	1/1	4/6					
Joanna Donaldson			1/1				3/3
Jonathan Whitfield			1/1				

Key

Ministers	
Non-Executive Directors BIS	
Non-Executive Directors Audit & Risk	
Management	

* Standing Attendee

Note: Changes to Board membership throughout 2013-14 are indicated on page 58 of the Annual Report.

Board performance and effectiveness

In April 2014, the Secretary of State commissioned Allan Cook, the Department's lead Non-Executive Board Member, to carry out an evaluation of the Departmental Board's effectiveness, in line with the Corporate Governance in Central Government Departments: Code of Good Practice (July 2011). In line with this Code of Good Practice, independent input was provided by the Cross-Departmental Internal Audit Service (XDIAS.) Allan and XDIAS noted a positive perception of the Departmental Board and its sustainability and a strong sense of team work and engagement by the Non-Executive Board Members. While the Board had continued to improve on the previous year, the evaluation highlighted some areas where effectiveness could be strengthened further which will be taken forward in the year ahead, including:

- Papers will be even more concise while meeting agendas will be more focused;
- The Board will continue to increase the level of understanding and transparency of Partner Organisations; and
- The Non-Executive Board Members will be involved earlier in discussions on key departmental issues.

The Board will continue to look for ways to improve the efficiency and effectiveness in its duties.

Risk Management

Approach to risk

Our risk management approach is based on devolved accountability across the Departmental Groups and our Partner Organisation network so that risks are assigned to those best placed to manage them, whilst maintaining clear accountability. Risks that can and should be managed at Group or Partner Organisation level remain within those entities and are subject to their own risk assurance and scrutiny processes in line with the overall risk management process set by the Department.

A corporate Performance and Risk team acts as a central point for advice and guidance on effective risk management. The team coordinates the Departmental Top Level Risk Register, which is the route by which our most significant risks are escalated to the Departmental Board and Committees. Risks for escalation to the Top Level Risk Register are proposed at all working levels of the Department – principally through monthly reports from groups across the Department – but only those risks that could have a significant, cross-cutting impact on the Department are included.

Following a risk management review by our Internal Audit in 2012-13, we have continued to focus on building skills and capacity within our approach to risk management during the current financial year. This has further enhanced consistency across the Department and our Partner Organisations. A continued emphasis on sharing good practice in risk management, supported by training and development for our staff has improved our agreed processes to risk management.

Over the year the Performance, Finance and Risk (PFR) Committee has provided the Executive Board with an overview of our top level risks. The Committee regularly scrutinised the risks escalated to the Top Level Risk Register and further escalated our most significant risks for Executive Board management and action. The PFR Committee have been supported by the Corporate Performance and Risk Challenge Panel, a panel made up of directors and deputy directors from across the Department, which met monthly to challenge the risks proposed for escalation to the Top Level Risk Register and to identify cross cutting and emerging risks. The PFR Committee had oversight of the key issues and commissioned a number of deep dives to further understand particular subjects.

The risk management process has continued to work well in BIS with risks escalated throughout the Department and scrutiny provided by our Boards, Committees and Non-Executive Board Members. Work over the next 12 months will focus on further building skills and capacity to fully embed the BIS risk management processes ensuring a comprehensive understanding amongst the Department and our Partner Organisations.

Significant risks 2013-14 and key mitigating factors

The section below indicates the key movements on the Top Level Risk Register during this financial year. BIS has dealt with a number of risks, some of which, subject to the Boards' scrutiny have been managed down and removed from the Top Level Risk Register. However, there are a number of risks that are being carried forward to the new financial year. These are either of an ongoing nature and require continued vigilance or have yet to be managed down sufficiently.

Higher Education (HE)

Higher Education is demand-led and therefore can be volatile. It is also exposed to other macroeconomic factors leading to risk of significant fluctuations within our HE Budgets. Risks are grouped into four main categories.

- Recruitment at publicly-funded and alternative providers varies significantly from planning assumptions, resulting in significant budget variance.
- Student number and quality controls for alternative providers prove ineffective, resulting in lower value for money.
- Increased unit costs and write-downs relating to student grants or loans. Including movements above Spending Review assumptions. The risk on loan repayments is driven by two factors; changes in forecasts of earnings growth, and changes in the modelling assumptions made by BIS to estimate the likely irrecoverable amount of loans (the RAB charge). Lower earnings growth means there will be a lower overall level of loan repayments and higher economic costs.. We continue to update the model to better estimate the RAB charge, but further modelling fluctuations are quite possible.
- There is a potential loss of support to students due to risks around the Student Loans Company transformation programme.

The risks are reviewed by the HE Delivery and Assurance and HE Funding Boards. Following this updates are sent to the Performance Finance and Risk Committee, Executive Board and the Departmental Board. These risks are factored into Spending Review discussions.

Apprenticeships

There is a risk that the scale of the reforms being made to Apprenticeships to give employers more control and purchasing power to develop the skills of their workforce, could lead to employers disengaging from the programme if they find the new approach too burdensome. To mitigate this, BIS is consulting widely on all aspects of the reforms and closely involving employers and experts in work to deliver them.

Royal Mail

In October 2013, BIS implemented an Initial Public Offering (IPO) of Royal Mail shares with 60% of the shares sold to institutional and retail investors. There were a number of risks related to the implementation of the IPO, including microeconomic factors such as being able to sell, opposition from the Communications Workers' Union (CWU), Royal Mail's short track record of profitability and the macroeconomic risk of the threat of US Government default. To mitigate these risks, Royal Mail management, supported by our advisers, undertook a comprehensive investor engagement and marketing exercise to explain the business, its financial performance and future opportunities. This gave the market greater insight into the company to enable potential investors to reach informed investment decisions.

The Royal Mail share price after the IPO increased significantly and this has led to on-going criticism concerning the pricing of the IPO. BIS took independent advice when setting the price range and deciding the ultimate share price which was at the very top of the range. The prevailing market circumstances at the time of the IPO were difficult and there were multiple risks; moreover, there was no evidence of sufficient demand for shares at a price materially higher than 330p at the time immediately leading up to the launch of the IPO. The inherent risk of IPO pricing and predicting share market behaviour nevertheless materialised. Following the IPO, the Department reviewed the decision making process regarding the IPO and was satisfied that there were no significant deficiencies in the process followed.

British Business Bank

BIS is setting up the British Business Bank (BBB) which will be tasked with boosting access to finance for small and medium-sized enterprises. The aim is for the BBB to become fully operational by December 2014 following state aid approval. There is a risk that state aid approval is delayed or is not sufficiently broad to enable the BBB to operate as intended and in a way that delivers an impact to SMEs. BIS has developed detailed and evidenced market analysis to support its notification and has an ongoing dialogue with the European Commission with a view to securing state aid approval in 2014.

Risks to delivering local growth

As the Department for Growth, BIS provides leadership and coordination across Whitehall to drive pro-growth policies and respond to economic shocks when they occur. BIS has been working with Local Enterprise Partnerships (LEPs) to ensure that they have the capacity and capability to meet the challenge of Growth Deals, and in particular to develop robust local strategic economic plans by March 2014. The mitigating actions have included putting in place LEP core funding, issuing guidance to LEPs on Growth Deals, ensuring effective support and feedback from BIS Local teams and senior Whitehall sponsors and holding Ministerial challenge sessions with LEPs.

Energy intensive industries

Climate change and energy policy costs are creating a cost differential between the UK and other countries in particular on electricity prices. This increases the risk of carbon leakage in that multi-national companies will make their investment in a more competitive country location than the UK. BIS engaged with the European Commission to secure the required state aid approval. As a result, Government is now implementing measures to reduce the impact of policy on the costs of electricity for the most electricity-intensive industries in order to reduce the risk of carbon leakage.

Risks on a new Information Technology System

BIS is currently in the process of introducing a new Information Technology (IT) system, moving from the an obsolete Elgar IT system delivered by Fujitsu to the new “Evolve” IT system delivered through Government Cloud facilitated contract ‘towers’, aligned with Cabinet Office strategy. The intended rollout of Evolve by the end of March was not possible due to increased risks caused by the technical complexity of the project and potential time pressures. The Board agreed to extend the rollout time for Evolve to the end of May and to extend the Elgar contract to that date. The roll out has now been completed, moving the Department significantly forward in its ambitions to provide an optimally flexible, creative and collaborative working environment for BIS employees. Given the nature of large scale IT change, some operational disruption was experienced and for a period of weeks, the business was constrained. Nevertheless, a difficult transition was planned for, and mitigations included very active risk management and a focus on mission critical systems. The same approach was taken during the change to the Department’s financial management systems, which took place during the financial year. Workarounds were implemented to reduce the impact on the robustness of financial data, and it was agreed that the new system had been a good move overall with potential long term benefits.

The UK Green Investment Bank

BIS continues to monitor the reputational and financial risk that the UK Green Investment Bank (GIB) fails to deploy the £3billion funding allocated to it, and to deliver the intended policy outcomes. Further reputational risks would be if we deployed the funding but invested in low value investments. GIB have made a successful start by committing £1.3billion to date to green projects in their first year of operation, mobilising over £3.5billion of private capital. To mitigate the likelihood of the risks occurring, BIS is monitoring GIB’s spend and pipeline to assist the organisation in meeting challenging investment deadlines and targets.

Risks that have been removed from the Top Level Risk Register during FY 13-14

The Eurozone Crisis

During 2013-14 the Executive Board considered how the threat of a financial crisis in the Eurozone would affect the Department's ability to deliver key policies and support UK businesses. In late 2013 this risk was fully reassessed by the Department. It was agreed that it posed a decreased level of risk as stability had been restored in the region. This continues to be monitored by teams throughout BIS and the central team in the Cabinet Office who manage the Government's overall response.

Advanced 24+ Learning Loans

Over the course of 2013-14, the Board have carefully monitored a concern that the repayment charge on loans to individuals aged 24 and over in Further Education may rise higher than forecast. BIS reduced the likelihood of this risk materialising through working with the Further Education sector to help prepare for the introduction of loans. This has been through a series of provider and stakeholder events and development of materials and guidance. The uptake of loans is continually monitored and the RAB charge model updated accordingly.

24+ Advance Learning Loans effect on Apprenticeships

With the induction of 24+ Advance Learning Loans in 2013-14, we monitored the risk this would pose to the recruitment of apprentices. Regular performance monitoring on apprenticeships starts data concluded the risk was materialising. The risk was escalated to the Board and reviewed through a deep dive. Action was taken on options for removing Apprenticeships from Further Education Loans and this took effect through the Further Education Loans (Amendment) Regulations, 2014 which came into force on the 7 March 2014.

Counter fraud and error analysis

We have worked increasingly closely with our Partner Organisations that deliver services and incur expenditure on behalf of the Department, to help the relevant Accounting Officers prevent, detect and recover losses from fraud and error. We have established a BIS Group Counter Fraud network through which we work with our Partner Organisations and those outside BIS with expertise in counter fraud to improve our collective capacity to manage the risks of both internal and external fraud and error. The network meets regularly to discuss current and emerging fraud trends and to identify and share best practice and data across BIS and our Partner Organisations. Departmental action plans have been presented to the cross-government Fraud, Error and Debt Taskforce for review and the Cabinet Office has endorsed the BIS approach that seeks to work across organisational boundaries.

Fraud does however remain a real and complex challenge. A number of our Partner Organisations have reported internal control issues involving fraud in their end of year assurance statements to BIS, including the UK Space Agency, HEFCE, Skills Funding Agency, Natural Environment Research Council, National Measurement Office, Medical Research Council and Technology Strategy Board. Immediate action has been taken to ensure that these failures of internal control do not re-occur, and the financial impact of the fraud was not material to the financial positions of these organisations. The Counter Fraud Network has been integral to ensuring the learning from these instances can be swiftly cascaded to the rest of the BIS group. It is taking on additional functions to provide independent support and challenge on the fraud risks that may arise from new policies and processes.

Within BIS, the highest risk area continues to be student financial support, where there are inherent risks in any strategy to increase student participation. We continue to work with Partner Organisations such as the Student Loans Company to seek to reduce the percentage of support lost to fraud and error year on year. We have mitigated those aspects of student support policy and implementation that have created a high risk of fraud by developing bespoke controls alongside new policy. We are committed to building our capacity to work flexibly across organisations and to learning lessons where there is scope for improvement.

Information Security

The Department's security risk management procedures continue to be assessed against Cabinet Office requirements. Our Internal Audit team who challenge and test our assertions validates these regular reviews. A number of areas for improvement have been identified, and are being worked on. This year's results show that we have made particular improvements in business continuity and physical security arrangements, areas which have been highlighted as needing improvement in previous reports.

Lapse of Data Security

There have been no significant lapses of data security, within the core Department or Partner Organisations within the accounting boundary, during the 2013-14 financial year that are required to be reported in this statement.

Other Key Governance Activities during the year

The BIS Strategic Review

In June 2013, BIS asked Dalton Philips, BIS Non-Executive Board Member, to provide an independent and objective assessment of the Department's efficiency plans. In response to recommendation 8 of Dalton's report, the Strategic Review was launched in July 2013 to examine the way the Department and our Partner Organisations work together to deliver ministers' objectives, setting out the full range of services the Department and our Partner Organisations deliver. The review has identified opportunities for further improving our efficiency and effectiveness and the results were presented to the BIS Executive Board in December 2013. The vision is a BIS group that is simpler and more efficient, with strengthened alignment between the Department and our Partner Organisations, greater sharing of systems and services and streamlined group governance. In the final quarter of 2013-14, the review team has been focused on initiating a delivery programme that will involve a substantial transformation programme across the core Department and our Partner Organisations. Sustaining the momentum for this change programme over several years presents substantial challenges. Key to success will be building and retaining a team that is skilled in managing change and which has a strong understanding of the Department and our wide network of partner organisations.

Major Projects Assurance (MPA)

The Laidlaw Report into the Department for Transport's franchising of the west coast mainline highlighted the critical role played by Senior Responsible Owners (SROs) in the delivery of major government projects. In response to that report, BIS has identified a portfolio of over 50 projects that are important to the delivery of its objectives. An MPA Team has been established to oversee Departmental programme and project assurance; provide guidance and support for SROs; programme and project management (PPM) help and guidance and up-to-date PPM templates. This has actively promoted best practice in governance, PPM principles, and provided an oversight role of the BIS corporate services transition programme. The MPA Team has overseen all substantial projects the Department and Partner Organisations are working on that are delivering BIS' strategic objectives.

Ministerial directions

There were no Ministerial directions given in 2013-14.

Governance of Partner Organisations

Our objectives continue to be delivered through our network of Partner Organisations[2]. To ensure effective delivery, BIS has continued to strengthen its links and co-ordination with Partner Organisations, providing support and exercising an increased level of scrutiny to ensure that their governance structures and accountabilities are appropriate to support the achievement of BIS's overall objectives.

The Department ensures that its Partner Organisations have robust governance structures and that there is clear accountability for finance, risk and performance. This involves regular reporting of performance against delivery plans, and regular dialogue on emerging policies, carried out through formal and informal meetings, and attendance at board discussions. The BIS Strategic Review aims to refine how we work with our Partner Organisations, including the nature and application of the control framework.

We set up a number of forums to ensure information flows across and between the Department and our Partner Organisations, and between different Partner Organisations work. Our Partners Engagement Group is made up of eight partners and BIS officials. Its role is to provide strategic direction for the collective relationships between BIS and Partner Organisations and to provide a channel for partners' feedback.

2 See list of Partner Organisations at page 11 of the Annual Report.

Partner Organisation assessments

We undertook a full refresh of all Partner Organisation risk assessments in early 2013 which were agreed by the Performance, Finance and Risk Committee on 23 March 2013. We have subsequently embedded a quarterly refresh of these assessments within the Department's performance and risk framework.

We continue to operate an Assurance Panel for reviewing Partner Organisations' risks. The panel works with Partner Organisations to identify and review significant risks to the finances or reputation of BIS, ensuring transparent and collaborative risk management across the organisation. The panel looks at the latest risk review assessment of the Partner Organisation by its sponsor team in BIS along with its Risk Register. The panel discusses these with the senior management of the Partner Organisation, and the Chair of their Audit Committee, to identify and agree how they can work together to minimise any identified risks and their potential impact. The panel consists of the Director General for Finance and Commercial, the Head of Internal Audit and the Deputy Chief Executive of the Shareholder Executive. There have been eight panels in the financial year 2013-14, with three more already planned.

Triennial Reviews

The Department has continued to undertake detailed reviews of Partner Organisations. It has reviewed seventeen Non-Departmental public bodies through eight reviews as part of the Government's Triennial Review programme. The reviews of the Advisory, Conciliation and Arbitration Service (ACAS) and the Technology Strategy Board were both completed in October 2013, and the review of the seven Research Councils was completed in April 2014. The reviews all concluded that the organisations are still fulfilling a necessary function for which the NDPB model is the best way to deliver. The reviews of the Industry Training Boards, the British Hallmarking Council, the UK Commission for Employment & Skills and the Council for Science & Technology, are on-going. The review of Capital for Enterprise Limited which was due for this year was not taken forward, as its operations and staff were brought into BIS to be part of the Business Bank programme.

Senior Remuneration Oversight Committee

Additional governance controls such as the Senior Remuneration Oversight Committee (SROC) are in place to advise on Partner Organisation issues across the BIS family. The Chief Secretary to the Treasury (CST) is required to approve any senior appointments that attract remuneration above the Prime Minister's salary. The Committee advises Ministers and senior management on cases that require CST approval, and ensures that there is a consistent and defensible framework for remuneration across the BIS family. SROC aims to help Partner Organisations manage an increasingly difficult remuneration environment, with parts of the public sector becoming increasingly uncompetitive for vital skills needs. The committee meets monthly and is chaired by the Director General for Finance and Commercial.

Financial Reporting for the BIS Family

We continue to engage with our Partner Organisations more broadly than ever, to ensure that accurate information can flow across the BIS family to meet statutory and internal reporting requirements. A range of positive outcomes have arisen from this including the development of a common reporting framework across BIS, adoption of specific technology to facilitate data sharing and closer informal relationships to consider financial reporting challenges. This framework will continue to be strengthened as the processes develop and become more embedded across the family.

Review of effectiveness

An annual review of the effectiveness of the Department's governance structures, risk management and internal control has been conducted, informed by management officials, BIS's internal audit team, external auditors, and other governance reports from which I have received robust assurances.

Group statements on governance, risk management and internal control

Each of my Directors General conducted a review in-year, completed action plans and provided me with a statement on governance, risk management and internal control for their areas of responsibility. This has provided an opportunity for my Directors General to improve the control environment within their Groups before the end of the financial year and for those improvements to be recognised in this governance statement. The Head of Internal Audit and Audit Committee Chair discussed key findings with relevant Directors General and common themes arising have been discussed with me.

Assurance statements from Partner Organisations

Our Partner Organisations were commissioned to conduct a review of their governance, risk management and internal control taking into account their specific nature and size of operations. They have each prepared and submitted a copy of their Governance Statements to BIS which allowed me to prepare this Departmental Governance Statement taking into account the overall assurance on governance, risk management and the internal control environment of the entire BIS family.

Managing Risk of Financial Loss

We have further embedded the Managing Risk of Financial Loss toolkit across the Department and those Partner Organisations which account for the majority of our funding, and those handling more than £20 million, to embed a systematic approach to assessing the risk of financial loss arising from financial operations. This focussed on the transfer of money out of the Department particularly regarding financial systems and aimed to identify any weaknesses or risks that needed to be addressed. The relevant Partner Organisations have reported good progress on their action plans. This has ensured that our resources are more likely to be properly protected, provided additional re-assurance for the Accounting Officers and reformed the control environment across BIS and Partner Organisations.

Shared corporate services assurance

BIS is continuing to lead major transformation to shared business services across the BIS family. BIS along with a number of Partner Organisations have moved their existing financial processing and pay services to UK Shared Business Services Ltd (UK SBS). The Chief Executive Officer of UK SBS has provided me with an assurance statement with a detailed commentary of ten specific areas, highlighting the improvements in the systems controls. The assurance statement acknowledges that significant challenges remain as reflected in some of our Partner Organisations' statements. UK SBS have however concluded that risks have generally been managed to an acceptable level and I welcome this as a source of assurance for this financial year.

Quality assurance of analytical models in BIS

To ensure the quality assurance of BIS analytical models is appropriate, BIS has taken forward the recommendations of its modelling review which reported in March 2013. Model quality assurance guidance has been provided for use in BIS and Partner Organisations (with adaptations, if necessary). We are also ensuring that the guidance is being followed for our business critical models. We have identified 11 models which are critical to BIS, and a list of these models is available on the gov.uk website. We have also assigned a senior responsible owner to each of these models. Each model SRO has reported on the quality assurance that has been applied to their model and has confirmed that, in their opinion, the quality assurance applied is appropriate and the model is either fit for purpose or will be when its development is complete.

Accountability systems

BIS continues to review and develop its accountability systems, particularly in the move to a shared services platform across many of our functions, and also in response to the issues raised by the Laidlaw review of major projects and the Lord Browne review of Higher Education Funding and Student Finance. BIS is developing an Accountability Systems Statement for the current year which provides clarity on how resources are distributed and how assurance is sought that the resources are used to ensure value for money.

Tax assurance for off-payroll appointees

In response to the Government's review of the tax arrangements of public sector appointees, which highlighted the possibility for artificial arrangements to enable tax avoidance, we took a zero tolerance approach and produced a BIS tax assurance policy that was promulgated and implemented across the BIS family. Tax assurance evidence has been sought and scrutinised to ensure it's sufficient from all off-payroll appointees. Our Partner Organisations have also provided assurance of compliance with this tax policy within their annual governance statements. Land Registry has reported a breach of this policy, following a board level off-payroll appointment for more than six months and we are marking appropriate representations to HM Treasury. A summary of the BIS tax assurance data is available at https://www.gov.uk/government/publications/bis-tax-arrangements-for-off-payroll-appointees-april-2013-to-march-2014

Internal Audit Annual Report

The Director of Internal Audit has provided me with an Annual Report that incorporates his opinion on the Department's system of governance, risk management and internal control. This opinion takes account of the residual risk carried by the Department during 2013-14 and has been informed by a range of internal and external reviews of the activities and management of the Department. Of three possible opinion ratings – 'Satisfactory', 'Improvement Required' and 'Unsatisfactory' - the rating given by the Director of Internal Audit for BIS in 2013-14 is Improvement Required.

Areas of particular challenge for BIS over the past year, highlighted by the Director of Internal Audit included:

- Issues associated with the transfer of the Department's finance to Oracle and EPM and the need to continue to improve the quality of robust financial information;
- Potential for additional risks of fraud or error as we implement significant changes in how we deliver and fund services and develop our disaggregated delivery model, with 79% of our expenditure managed by 40 partner organisations (excluding trading funds);

- Significant risks associated with the implementation of new ICT capability necessary to support the Department's key business and users, with new systems and hardware to be rolled out early in 2014-15;
- A specific increase in allegations of fraud or financial mismanagement in particular FE colleges and alternative Further Education providers; and
- Staffing and resourcing challenges during the period of transfer of HR and finance services to the shared service partners, and risks to the ability to maintain "business as usual" as the new processes and culture become established.

I accept this assessment and we have either implemented or are working to implement the suggested improvements.

National Audit Office reports

The National Audit Office produced a number of reports in 2013-14 relating to the Department's work including the BIS data systems review, Progress report on the Regional Growth Fund, Funding Structures for Local Economic Growth, Improving Access to Finance for SMEs, Student Loans Repayment and the Sale of Royal Mail. BIS is making improvements in light of the recommendations from these reports.

In response to the **BIS Data Systems review**, we made revisions to our data indicators to improve overall coverage, as recommended by the NAO. Subsequently, the NAO carried out a review and in their Data Assurance report finalised in March 2013, reported positively on the progress we have made and found no problems with the integrity of the data used by BIS. In Q4 of 2013-14, the NAO will commence its third round of work looking at the systems supporting the data that a range of government departments use to report their performance. They will focus at just two indicators in BIS, which are: number of jobs created/safeguarded and the net cost to business of regulations and the benefit cost ratio of regulations.

The **Progress report on the Regional Growth Fund**, published 25 February 2014, assesses the progress made against the Public Accounts Committee's recommendations in its September 2012 report. The NAO report noted the improvements made to the fund's governance and made three recommendations: introduction of more sophisticated targets; improvements to management information systems; and processes for evaluating previous performance of repeat bidders to the fund. These do not present any issues for BIS to implement.

The report on **Funding Structures for Local Economic Growth** published 6 December 2013 focuses on the government's progress in implementing structures and funding to support a shift in responsibility for local economic growth to local bodies. BIS and DCLG led jointly on this report. The report concludes that without sufficient transparency or comparable performance information the new structures have not yet demonstrated that they are capable of delivering value for money. The report makes a number of recommendations around planning such reorganisations, ensuring that sufficient capacity is in place and that accountability is clear and points to the need to address how departments intend to evaluate performance and monitor outcomes. In response BIS and DCLG have changed the governance of local growth initiatives cross-government to improve coordination and decision-making more broadly and have begun work on how to evaluate the growth initiatives.

The report on **Improving Access to Finance for SMEs** was published 1 November 2013. BIS and HMT jointly led on this report, which deals with understanding some of the financial challenges facing SMEs. On the basis of the NAO Report, the Public Accounts Committee took evidence, on 11 November 2013, from the Department for Business, Innovation and Skills and HM Treasury on improving access to finance for small and medium-sized enterprises. Both BIS and HM Treasury have taken on board the recommendations and are exploring plans to address them through the establishment of the British Business Bank, which is due to become fully operational by December 2014.

The report on the **Student Loans Repayment** examines whether the approach for collecting student loans provides value for money and if departments are ready for future challenges. The student loan book is the largest item on the BIS balance sheet and is growing. The Department has accepted the four recommendations from the NAO report and the recommendations of the Public Accounts Committee which focused around; forecasting; performance targets; and better understanding the circumstances of borrowers. The Student Loans Company has now developed a repayments strategy to address these recommendations and to drive increased yield on the loan book while improving the wider repayments service.

The report on the **Privatisation of Royal Mail** looks at whether the Government achieved its sales objectives, while protecting the taxpayers' interests. The NAO concluded that" The NAO concluded that:

"by floating Royal Mail on the Stock Exchange the Department achieved its key objectives of introducing private capital and commercial disciplines. Given Royal Mail's prospects and prudent initial capital structure it is now less likely that the taxpayer will have to provide public support for the universal postal service. [The NAO considers] that in order to achieve its main objective, the Department took a cautious approach to a number of issues which, taken together, resulted in the shares being priced at a level which was substantially below that at which they started trading. The Department conceded price tension for certainty that the transaction would be completed by setting a low end of the price range (260 pence) to reflect short-term market uncertainty, a risk of industrial action and the views of a small group of priority investors whose participation was seen as vital, alongside indications derived from a broader community of over 500 potential investors. When the Department approached the wider market through a 'book-building' exercise to test demand further, it encountered the inherent limitations of a standard process that is not effective at revealing demand for shares at prices above the high end of the range it set (330 pence) and lacks flexibility for a price increase when demand exceeds expectations."

The NAO also concluded that:

"the strong share price increase of 38 per cent on the first day of trading and the trading range throughout the first five months indicates that Royal Mail's shares are worth much more than this process was able to extract. Industrial relations have settled down and there have been generally positive developments on the stock market and in the broader economy. The company has headroom to borrow more money, sell surplus assets and pay additional dividends to its shareholders in future. Several of the priority investors have made a substantial profit by selling their shares shortly after the initial public offering, while others have increased their stakes at higher prices. The government has participated in the price increase via a 30 per cent residual stake."

The NAO finally concluded that:

"although the Department achieved its primary objective of delivering a sale of shares within this Parliament, it could have achieved better value for the taxpayer."

Conclusion

I have considered the evidence provided with regards to the production of the Annual Governance Statement and the independent advice and assurance provided by the Audit and Risk Committee. I conclude that the Department has satisfactory governance and risk management systems with effective plans to ensure continuous improvement.

Martin Donnelly

Principal Accounting Officer and Permanent Secretary

1 July 2014

Remuneration Report

Remuneration Policy

The remuneration arrangements for Senior Civil Servants are set by the Prime Minister following independent advice from the Senior Salaries Review Body.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com.

Performance and Reward

The Senior Civil Service (SCS) pay system consists of relative performance assessments. The highest performing individuals in BIS were awarded a non-consolidated performance reward for their performance against objectives in 2012-13 which was paid in 2013-14. These awards varied in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government. Consolidated base pay awards were limited to a 1% increase to the Department's SCS pay bill. No base pay increases were paid to those assessed to be the lowest 10% of performers or receiving a salary in the upper quartile of their pay band.

Further information about the performance and reward arrangement for Senior Civil Servants can be found at www.civilservice.gov.uk/recruitment/working/pay-and-reward/scs-pay.

The following table shows the number of SCS staff in the Core Department by pay range as at 31 March 2014. Bonuses are not included and salary ranges represent full-time equivalent rates. These pay ranges cover those staff employed on open-ended and fixed term contracts.

Pay Range	No of SCS staff within range as at 31 March 2014	No of SCS staff within range as at 31 March 2013
Below £55,000	-	-
£55,000 - £59,999	-	14
£60,000 - £64,999	39	34
£65,000 - £69,999	39	38
£70,000 - £74,999	31	32
£75,000 - £79,999	14	14
£80,000 - £84,999	15	18
£85,000 - £89,999	15	11
£90,000 - £94,999	10	9
£95,000 - £99,999	6	5
£100,000 - £104,999	11	7
£105,000 - £109,999	4	4
£110,000 - £114,999	6	3
£115,000 - £119,999	7	7
£120,000 - £124,999	1	-
£125,000 - £129,999	1	1
£130,000 - £134,999	2	2
£135,000 - £139,999	3	5
£140,000 - £144,999	6	2
£145,000 - £149,999	-	-
£150,000 - £154,999	-	-
£155,000 - £159,999	-	1
£160,000 - £164,999	3	2
£165,000 - £169,999	-	1
£170,000 - £174,999	2	1
£175,000 - £179,999	-	-
£180,000 - £184,999	-	-
£185,000 - £189,999	-	-
£190,000 - £194,999	-	-
£195,000 - £199,999	-	-
£200,000 - £204,999	-	-
£205,000 - £209,999	-	-
Total	215	211

The Chair designate of the new Competition and Markets Authority (CMA) is not included in the number of SCS staff above.

Accountability

The remuneration of the Senior Civil Servants who are not members of the Management Board is determined by the Departmental Performance and Development Committee. The Members of the Committee for 2013-14 were:

Martin Donnelly	BIS Permanent Secretary
Howard Orme	Director General, Finance and Commercial
Rachel Sandby – Thomas	The Solicitor and Director General, Business and Skills
Tera Allas	Director General, Strategy, Analysis and Better Regulation (to 30 June 2013)
Amanda Rowlatt	Acting Director General, Economics and Markets (from 1 July 2013 to 8 November 2013)
Sam Beckett	Director General, Economics and Markets (from 11 November 2013)
Mark Russell	Chief Executive, Shareholder Executive
Bernadette Kelly	Director General, Business and Local Growth
Nick Baird	Chief Executive, UK Trade & Investment (to 13 December 2013)
Crispin Simon	Acting Chief Executive, UK Trade & Investment (from 14 December 2013)
Philippa Lloyd	Director General, People and Strategy
Professor Sir John O'Reilly	Director General, Knowledge and Innovation

The Committee's Terms of Reference are to:

- ensure the SCS are rewarded fairly and differentially according to their contribution to the Core Department;
- authorise decisions on individual pay awards;
- ensure the average cost increases are within centrally determined budgets;
- monitor pay outcomes and identify SCS members needing extra help and support to improve performance;
- comment on the quality of managers' evidence and recommendations; and
- report to the Cabinet Office.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommission.org.uk

- Professor Sir John O'Reilly was appointed on a three year contract commencing 4 February 2013. The notice period for the employee is three months. For the employer the notice period is six months or a period, if less, equal to the unexpired part of the fixed term contract.
- Crispin Simon was appointed on a three year contract commencing 2 February 2012. The notice period for the employee is three months. For the employer the notice period is six months or a period, if less, equal to the unexpired part of the fixed term contract.

Salary and Pension entitlements for Ministers of the Core Department

The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department for Business, Innovation and Skills for the year ending 31 March 2014 were as follows:

Single total figure of remuneration						
Ministers	Salary (£)		Pension benefits (to nearest £1000)[1]		Total (to nearest £1,000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Secretary of State						
Rt Hon Dr Vince Cable	68,169	68,827	25,000	25,000	93,000	94,000
Ministers of State						
Rt Hon David Willetts MP	32,344	33,002	8,000	10,000	40,000	43,000
Rt Hon Michael Fallon MP	32,344	18,632 [2]	12,000	7,000	44,000	26,000
Matthew Hancock MP	27,541	13,560 [3]	-	-	28,000	14,000
Lord Livingston (from 10 December 2013)[4]	-	-	-	-	-	-
Lord Green of Hurstpierpoint (to 9 December 2013)[4]	-	-	-	-	-	-
Parliamentary Under-Secretaries of State						
Jo Swinson MP	23,039	13,560 [5]	9,000	5,000	32,000	19,000
Viscount Younger of Leckie	105,076	23,966 [6]	26,000	2,000	131,000	26,000
Jenny Willott (from 20 December 2013)[7]	-	-	-	-	-	-

Note:
None of the Ministers of the Department received any benefits-in-kind during the year

1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
2 The full year equivalent is £33,002 in 2012-13.
3 The full year equivalent is £23,697 in 2012-13, and is not a member of the Parliamentary Contribution Pension fund.
4 Elected not to draw a Ministerial salary.
5 On paid maternity leave and remains an Office Holder.
6 The full year equivalent is £105,076 in 2012-13.
7 Unpaid, providing maternity cover.

Audited information

Pension benefits

	Accrued pension at age 65 at 31 March 2014	Real Increase in pension at age 65	CETV at 31 March 2014	CETV at 31 March 2013	Real increase in CETV
Ministers	£'000	£'000	£'000	£'000	£'000
Secretary of State					
Rt Hon Dr Vince Cable	5-10	0-2.5	107	80	19
Ministers of State					
Rt Hon David Willetts MP	0-5	0-2.5	68	57 [8]	6
Rt Hon Michael Fallon MP	0-5	0-2.5	66	51 [8]	10
Matthew Hancock MP [9]	-	-	-	-	-
Lord Livingston (from 10 December 2013)[9]	-	-	-	-	-
Lord Green of Hurstpeirpoint (to 9 December 2013)[9]	-	-	-	-	-
Parliamentary Under-Secretaries of State					
Jo Swinson MP	0-5	0-2.5	8	3	2
Viscount Younger of Leckie	0-5	0-2.5	48	20	19
Jenny Willott (from 20 December 2013)[10]	-	-	-	-	-

Note:

None of the Ministers of the Department received any benefits-in-kind during the year
8 Revised in accordance with applicable rule.
9 Not a member of the Parliamentary Contribution Pension fund.
10 Unpaid, providing maternity cover.

Salary and Pension entitlements for the senior managers of the Department

The salary and pension entitlements of the most senior managers of the Department for Business, Innovation and Skills are set out in the table below. As well as the current members of the BIS Management Board, this table also includes the former members who either left the Department during the year or ceased to be a member.

Disclosure of salary, pension and compensation information for 2013-14

Single total figure of remuneration								
Officials	Salary (£'000)		Bonus payments (£'000)		Pension benefits (to nearest £1,000)[11]		Total (to nearest £1,000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Martin Donnelly	160-165	160-165	-	-	13,000	12,000	175-180	170-175
Howard Orme	160-165	160-165	10-15	10-15	35,000	48,000	205-210	220-225
Rachel Sandby-Thomas	130 -135	130 -135	-	10-15	29,000	23,000	160-165	165-170
Bernadette Kelly	120-125	110-115	10-15	10-15	13,000	14,000	145-150	135-140
Philippa Lloyd	110-115	60-65 (100-105 full year equivalent)	-	-	44,000	55,000	155-160	115-120
Professor Sir John O'Reilly	140-145	20-25 (140-145 full year equivalent)	-	-	-	-	140-145	20-25
Mark Russell	160-165	25-30 (155-160 full year equivalent)	-	-	38,000	50,000	200-205	75-80
Sam Beckett (from 11 November 2013)	35-40 (110-115 full year equivalent)	-	-	-	24,000 [12]	-	60-65	-
Crispin Simon (from 14 December 2013)	40-45 (135-140 full year equivalent)	-	-	-	- [17]	-	40-45	-
Amanda Rowlatt (from 1 July 2013 to 8 November 2013)	40-45 (105-110 full year equivalent)	-	-	-	-9,000 [13]	-	30-35	-
Tera Allas (until 30 June 2013)	25-30 (115-120 full year equivalent)	115-120	-	10-15	3,000 [14]	25,000	30-35	150-155
Nick Baird (until 13 December 2013)[15]	-	-	-	-	-	-	-	-
Band of highest paid director's Total Remuneration (£'000)	170-175	170-175	-	-	-	-	-	-
Median Total Remuneration	32,866	32,452	-	-	-	-	-	-
Ratio	5.25	5.32	-	-	-	-	-	-

Note:

None of the Officials of the Department received any benefits-in-kind during the year.

11 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

12 Pension benefits for the period 11 November 2013 to 31 March 2014.

13 Pension benefits for the period 1 July 2013 to 8 November 2014.

14 Pension benefits for the period 1 April 2013 to 30 June 2013.

15 Salary and pension benefits details can be found in the 2013-14 Foreign and Commonwealth Office's Accounts.

Audited Information

Pension Benefits

Officials	Accrued pension at pension age as at 31 March 2014 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Martin Donnelly	65-70 plus lump sum of 200-205	0-2.5 plus lump sum of 2.5-5	1,354	1,264	10	-
Howard Orme	15-20	0-2.5	318	264	27	-
Rachel Sandby-Thomas	40-45 plus lump sum of 45-50	0-2.5 plus lump sum nil	654	591	19	-
Bernadette Kelly	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 0-2.5	696	646	9	-
Philippa Lloyd	30-35 plus lump sum of 40-45	2.5-5 plus lump sum of 0-2.5	553	484	33	-
Professor Sir John O'Reilly[16]	-	-	-	-	-	-
Mark Russell	20-25	2.5-5	394	322	25	-
Sam Beckett (from 11 November 2013)	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 2.5 -5	456	422	16	-
Crispin Simon (from 14 December 2013)[17]	–	–	–	–	–	-
Amanda Rowlatt (from 1 July 2013 to 8 November 2013)	40-45 plus lump sum of 130-135	0-2.5 plus lump sum of 0-2.5	756 [18]	746	1	-
Tera Allas (until 30 June 2013)	15-20	0-2.5	225 [19]	214	5	-
Nick Baird until 13 December 2013)[20]	-	-	-	-	-	-

16 Not a member of PCSPS.
17 Member of partnership pension scheme. Pension details can be found in the 2013-14 UK Trade and Investment's Accounts.
18 CETV as at 8 November 2013.
19 CETV as at 30 June 2013.
20 Pension details can be found in the 2013-14 Foreign and Commonwealth Office's Accounts.

Unaudited Information

Notes:

- The information relates only to the Management Board members of the Core Department. Similar information relating to the Chief Executives and most senior managers of the executive agencies and other bodies of the BIS family is given in the separate accounts of those bodies.
- 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Core Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010, £66,396 from 1 April 2013) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Core Department and is therefore shown in full in the figures above.
- Bonuses are non-consolidated performance award payments, based on performance levels attained and are made as part of the appraisal process and are currently limited to the top 25% of performers. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2013-14 relate to performance in 2012-13 and the comparative bonuses reported for 2012-13 relate to the performance in 2011-12.
- None of the most senior managers of the Core Department received any benefits-in-kind during the year.
- Where senior managers left during the course of the year, their CETV closing balance will be as at their leaving date.
- There have been no salary increases in 2013-14, other than where senior managers have changed their responsibilities.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2013 members pay contributions between 7.9% and 16.7% of their Ministerial salary depending on their level of seniority and chosen accrual rate. The contribution rates will increase from April 2014.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

In line with reforms to other public sector pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

The Cash Equivalent Transfer Value (CETV) for Ministerial Pensions

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and between 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/pensions.

Cash Equivalent Transfer Values for Civil Service Pensions

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

No senior managers have received compensation for loss of office.

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's permanent workforce. Total remuneration includes full year equivalent salary, non-consolidated performance related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest paid director in the Department for Business, Innovation and Skills in the financial year 2013-14 was £170,000 - £175,000 (2012-13: £170,000 - £175,000).

In 2013-14 one person (2012-13: three people) received remuneration in excess of the highest paid director. Remuneration ranged from £16,909 to £316,900 (2012-13: £12,531 to £307,500). This includes Lord Currie, Chair designate of the new Competition and Markets Authority (CMA). The Chair's appointment was subject to the Enterprise and Regulatory Reform Bill (which received Royal Assent on 25 April 2013) and to scrutiny by the Business Innovation and Skills Select Committee. The CMA Chair attracts a remuneration package of £185,070 (full year equivalent of £316,900 per annum) for a time commitment of three days per week.

Audited Information

Fees paid to Non-Executive Board Members

Below are the fees paid to the Non-Executive Board members for their role on the Core Department's Management Board. The total payments for the year to each person were in the following ranges:

Non-executive member	Fees for 2013-14 £000	Fees for 2012-13 £000
Allan Cook [21]	-	-
Dalton Philips[22]	-	-
Alan Aubrey[23]	-	0-5
Dale Murray CBE	10-15	-
Professor Wendy Purcell	5-10	-
Professor Dame Ann Dowling[24]	-	-
Professor Dame Julia King DBE[25]	5-10	10-15
Sir Andrew Witty[26]	-	-

21 Allan Cook was appointed as lead Non-Executive Board Member on 1 February 2014.
22 Dalton Phillips has chosen not to be remunerated.
23 Alan Aubrey has chosen not to be remunerated.
24 Professor Dame Ann Dowling was appointed as a Non-Executive Board Member on 1 February 2014.
25 Professor Dame Julia King DBE, stood down on completion of her term on 23 July 2013.
26 Sir Andrew Witty stood down on 31 December 2013, on completion of his term, and chose not to be remunerated.

Martin Donnelly
Principal Accounting Officer and Permanent Secretary

1 July 2014

Consolidated Accounts

Strategic Report

The Department has worked to deliver policies which promote long-term, sustainable growth throughout the course of this Parliament. During the Spending Review we have continued to prioritise spending on what matters most. This has been achieved through reductions in our running costs, increasing capital investment and overseeing significant policy reforms in Higher Education, consumer protection and a sale of 60% of the Government's holding in Royal Mail. Detailed information on the Department's financial position can be found in the Director General's Financial Review in the following pages. Information on the causes for variances in outturn against estimate, commentary on contingent liabilities and a range of other in depth financial information can be found in the Statement of Parliamentary Supply.

Information on how the Department has performed against its key performance indicators has been provided throughout the performance report. A full disclosure of performance, including additional commentary on each metric, can be found at https://www.gov.uk/government/collections/bis-performance-indicators.

The Department has continued to prioritise sustainability in the running of the estate and ensured it remains at the heart of policy making. This year we have achieved a significant reduction in Greenhouse Gas Emissions, water usage, waste and domestic flights leading to the successful completion of all the Department's Greening Government Commitments. Information on sustainable policy making has been provided throughout the report, with detailed data on page 232. The Department is committed to good practice in respect to human rights, social and community issues. We ensure that suppliers are selected on an ethically sound basis and consider the effect on the wider population during the implementation of policy – such our investment in smaller community Post Office branches. Our Green Guardians network is also active within the local community, promoting events, and supporting a local community allotment. Further references to the information mentioned in the Strategic Report can be found below:

Strategic Report Index			
Topic	**Key Information**	**Chapter**	**Page No.**
Financial Management	The financing implications of significant changes in the department's objectives and activities, its investment strategy and our long term liabilities	(4) Consolidated Accounts	86
Financial Performance	A comparison of outturn against Estimate, a reconciliation of net resource expenditure between Estimates, budgets and accounts and commentary on the Department's significant remote contingent liabilities.	(4) Consolidated Accounts	98
Our Reporting Boundary	A description of the reporting entities within the Departmental accounting boundary.	(4) Consolidated Accounts	210
Sustainability	Information on environmental matters, social, community and human rights issues	(2) How we have performed	51
Performance	Progress against our key performance indicators	(2) How we have performed	Progress against our business plan is reported for each group, and is included in the wider group review information starting on page 14

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
1 July 2014

Director General's Financial Review

Introduction

Over the course of this Parliament, BIS is delivering policies to support long-term, sustainable growth in the UK economy, while reforming its delivery model and financial strategy to meet the challenges of fiscal consolidation.

Four main factors are driving changes to our spending compared with previous years. These are:

- The Government's programme of fiscal consolidation, to which we are contributing through reforming our delivery model and reducing our running costs and programme cash expenditure throughout the Parliament;
- Continuing to work with partners such as HEFCE and the Student Loans Company to implement reforms to higher education funding, reducing teaching grant payments and increasing funding provided through income contingent student loans. This trend is reflected in increased provisions this year in non-cash and Annually Managed Expenditure budgets;
- New banking interventions with the establishment of the Green Investment Bank and an increase in the scale of activities to be undertaken by the British Business Bank, which have contributed to increases this year in our resource and capital DEL spending;
- The sale of the majority shareholding and refinancing of Royal Mail and its pension fund.

The Department's total outturn in 2013-14 was £27,098 million. The combination of the factors above have led to an overall increase of £851 million (3%) on the previous year's outturn of £26,247 million which also increased by 4% over 2011-12.

The table below summarises the trends in the Department's spending this year compared to the previous two years. All figures are presented as reported in that year's accounts:

Type of Spend	2011-12 outturn (£m)	2012-13 outturn (£m)	2013-14 outturn (£m)
DEL cash total	17,373	16,684	17,029
o/w Resource DEL programme cash	*15,482*	*14,819*	*14,245*
o/w Resource DEL admin cash	*738*	*625*	*628*
o/w Capital DEL	*1,153*	*1,240*	*2,156*
Resource DEL programme non-cash	*3,719*	*3,725*	5,688
Resource DEL admin non-cash	69	61	54
AME resource	(1,420)	(356)	(348)
AME capital	5,469	6,129	4,675
Total	25,188	26,247	27,098

Trends in DEL Cash Programmes

Excluding non-cash costs, the 2013-14 total DEL outturn of £17,029 million is an increase of 2% on the previous year's outturn of £16,684 million, and close to the 2011-12 level of £17,373 million.

Over the three year period, resource DEL budgets (programme plus administration) have continued to fall year-on-year. This reflects the continued delivery of savings agreed at Spending Review 2010, including the reduction of grant funding for Higher Education (HE) and Further Education (FE), streamlining the Department's administrative budgets, and delivering additional savings required by HM Treasury at consecutive fiscal events. Within this, the Department has delivered a number of high-priority policy reform initiatives.

In contrast to these reductions to resource DEL is the significant additional capital investment awarded to the Department at Autumn Statement 2012 and Budget 2013 to deliver new priority programmes in support of the Government's growth agenda and Industrial Strategy. These programmes include funding to:

- Launch and upscale the Green Investment Bank and British Business Bank, helping ensure businesses, particularly small and medium sized, can access finance and support, and foster green investments;
- Scale up capital investment in science and research, such as on Research Council infrastructure;
- Increase capital investment in Further Education colleges and Higher Education institutions.

Administration Costs and Reform

The net DEL resource outturn in 2013-14 includes administration costs of £682 million compared with £686 million in 2012-13 (decrease of £4 million), £813 million in 2011-12 (decrease of £131 million, 17%), and £903 million in 2010-11 (decrease of £221 million, 25% all in nominal terms).

Across this Parliament the Department is reducing its administration budget by about half (around £0.5 billion in real terms versus 2009-10). At the end of 2013-14 we had completed 90% of this reduction, with total administration outturn falling slightly from £686 million to £682 million. We continued to streamline the complexity of our organisation and deliver key efficiency and reform projects that will reduce the cost base in future years.

The year saw significant progress made on the Corporate Services Portfolio, a four-year savings programme focused on reform and modernisation of corporate services. This is the third year of the programme and the year in which a number of ambitious change projects are being landed. Within the overall numbers £18 million has been invested in 2013-14 which is expected to yield substantial future savings each year. Projects achieving significant progress include:

- A complete redesign of the functionality of the Department's ICT system which, once bedded in, will radically change our ways of working, significantly lower costs and raise staff productivity (£7 million);
- Streamlining of Finance and HR functions, enabled by completion of phase one of our shared services strategy and implementation of an Enterprise Performance Management Information System (£8 million); and
- Continued rationalisation of Estates across the BIS family that will reduce leasehold interests from 181 to 75, saving £85 million over the Parliament (£2 million). Additionally, an innovative leasehold liability transfer programme has been taken forward with a commercial partner to further reduce residual estates liabilities into the next spending period.

Higher Education Reform and Implications for the Accounts

Last year's Annual Report and Accounts described changes which continue to increase the net value of assets on the balance sheet. This trend has continued in 2013-14, and is largely a result of reforms reducing grants to higher education providers and increasing income-contingent HE student loans (increase of £2,734 million, 9%).

Higher education reforms have also led to increased provisions this year in non-cash Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) budgets, in order to compensate for increases in impairment charges of loans to students. These movements are explained below.

HE Student Loan Valuation Model

The Department uses the student loan valuation model to estimate the likely future cash flows relating to student loans, and therefore the provisions required in the current year. Impairments made on loans issued in the year is known as the Resource and Accounting Budget (RAB) charge. Adjustments made to previously issued loans, to ensure the carrying value of these loans is not greater than the value of estimated future cash flows, is known as the stock charge. The Department anticipates a significant proportion of the face value of loans not to be repaid as graduates may not reach and exceed the repayment earnings threshold sufficiently to repay the loan over the period of the loan.

The RAB and stock charges are volatile and sensitive to changes in macroeconomic forecasts of earnings growth and inflation made by the Office for Budgetary Responsibility, and modelling of graduate earnings paths. The value of loans and estimated impairment charges are also affected by the continuous refinement of the student loans modelling process as more actual repayment experience is gained.

The accuracy of modelling has improved through better use of historical repayment and earnings data. The RAB charge for post-2012 HE reform loans is now estimated to be around 45%. Total impairments of new and existing loans in 2013-14 were £6,141 million (2012-13 £3,919 million). Impairments on pre-2012 HE reform loans, including the costs of the cap on interest rates operating for a further period, were £3,165 million (2012-13: £3,183 million).

When setting budgets, the Department must anticipate the outcome of the forecasts and modelling changes and agree cover with HM Treasury to ensure the required Parliamentary approval is in place for a range of eventual scenarios. In 2013-14, the Department received £6.7 billion from HM Treasury in DEL non-cash and AME budgets to cover the impact of the changes above, of which £3.4 billion was utilised as follows:

Budget type	Received	Utilised	Not utilised
DEL non-cash	£5.5bn	£2.6bn	£2.9bn
AME	£1.2bn	£0.8bn	£0.4bn
Total	**£6.7bn**	**£3.4bn**	**£3.3bn**

Budget cover was set to reflect a reasonable maximum requirement, rather than a central estimate forecast. The 2013-14 impairment turned out to be lower than this maximum for two main reasons. Firstly, the value of impairments (RAB and stock charges) of student loans arising from the modelling changes was lower than maximum anticipated at the time of the supplementary estimate (£1.5 billion of the variance). Secondly, macroeconomic forecasts produced by the Office of Budget Responsibility did not reflect the reasonable worst-case scenario anticipated in our impairment contingency planning (£1.3 billion of the variance).

Annually Managed Expenditure (AME)

HM Treasury defines AME budgets as ones covering costs that are demand-led, potentially volatile, and so large that departments could not be expected to absorb costs within DEL budgets. The Department's ability to manage AME budgets is limited particularly in the short term. As a result they are estimated to cover a reasonable maximum requirement.

As shown in the Statement of Parliamentary Supply, our 2013-14 net AME outturn this year was £4,327 million, an decrease compared with the prior year's outturn of £5,773 million.

There were increased AME costs this year arising from increased student loan outlays and impairments as the higher value post-2012 reform loans are incurred (£9,047 million compared with £7,133 million in the previous year), and the introduction of a new HE budget risk-sharing arrangement with HM Treasury that spreads additional costs over 30 years for BIS.

However, these were offset by one-off income streams arising from the sale of the Government's controlling stake in Royal Mail plc (£1.95 billion). Capital AME income also emerged this year from further one off disposals of Royal Mail Pension Scheme legacy assets (£1.27 billion, compared with nil in 2012-13).

Variance Against Supplementary Estimate

The Department has a variance against the Estimate of £6.2 billion.

Driver of unutilised resource	£bn
Student loans impairments charges	3.3
Unbudgeted receipts	1.2
Unutilised contingencies	0.8
Repayment of Post Office Limited working capital loan	0.3
Underspends in other activities	0.6
Total	**6.2**

- *Student Loans Impairments (RAB & Stock) charges*
  £3.3 billion of the budget for student loan impairments was not utilised in the year. This is explained in more detail under the heading 'HE Student Loan Valuation Model' above.

- *Unbudgeted receipts*
  £1.1 billion of income was received from disposals of Royal Mail Pension Scheme legacy assets not forecast at the time of the Supplementary Estimate, BIS also recognised dividend payments (£0.1 billion) due from its holding in URENCO in 2013-14.

- *Contingencies*
  Contingencies were agreed with HM Treasury that were not utilised in the year, as there were no unforeseen shocks or fluctuations.

- *Post Office Limited Working Capital Loan*
  BIS provides short-term loans to Post Office Limited (POL), to support the daily working capital needs of its branches. At the year-end the POL did not utilise any of the available facility.

- *Underspends in other activities*
  Combined residual underspends across all budget types, including volatile and unpredictable AME expenditure.

Balance Sheet and Cash

The extract shows some of the trends that contribute to the changing shape of the Department's balance sheet.

Balance sheet item	2012-13 value (£billion)	2013-14 value (£billion)	2012-13 percentage of net assets (%)	2013-14 percentage of net assets (%)
Student loan book	30.7	33.3	71	76
Fixed assets (land, IT) and working capital	4.4	3.5	10	8
Launch investments	1.8	1.6	4	4
Green Investment Bank investments	0.1	0.4	-	1
Royal Mail Group shareholding and financing	2.4 (100% holding)	1.6 (30% holding)	5	4
Shares in public bodies such as Post Office Limited	0.8 (excl. Royal Mail)	0.8	2	2
Provisions and financial guarantees	(1.3)	(1.3)	(3)	(3)
Other financial assets	4.6	3.8	11	8
Total	**£43.5**	**£43.7**	**100%**	**100%**

Assets

The value of student loan assets, and their share of the balance sheet, has increased year-on-year as expected.

Other assets comprise a range of loans and investments such as launch investments and investments made by the Green Investment Bank. The Department also holds shares in a range of public bodies, and retains a 30% stake in Royal Mail Group.

Balances relating to fixed assets such as buildings and IT, and working capital, have reduced year-on-year, as the Department continues to rationalise its estate.

Liabilities

Liabilities have remained constant year-on-year. Provisions and financial guarantees represent the largest proportion of total liabilities, and cover a range of activities. Further details can be found in the notes to the financial statements.

Cash

BIS's cash outlay increased by £1.1 billion, from £22.3 billion in 2012-13 to £23.4 billion in 2013-14. This is primarily due to increased cash invested in student loans, but also reflects additional funds for new market interventions from the Green Investment Bank and activities to be undertaken by the British Business Bank.

Outturn against the Net Cash Requirement was £2.8 billion lower than Estimate due to proceeds from the disposal of the 70% holding in Royal Mail plc (£1.6 billion), and £1 billion receipt from an early disposal of pension assets held for sale.

Looking Forward

Over the next two years, the Department will need to continue delivering significant savings agreed as part of the fiscal consolidation programme, while ensuring delivery of challenging and ambitious Government reforms. Pressure on the Department's budgets means that there is very little flexibility to manage new demands or unexpected costs.

The Department will need to maintain focus on a wide ranging and complex reform agenda, including:

- Continuing to deliver the Government's reform agenda across Further Education and Higher Education, including lifting the cap on HE student numbers announced at Autumn Statement 2013 and managing the increased cost volatility associated with this;

- Ensuring that the Green Investment Bank and British Business Bank continue to scale up effectively;
- Scaling up investment in innovation and science programmes, to maintain the Government's push to support the commercialisation of cutting edge research;
- Ensuring that administration budgets continue to deliver cost savings while maintaining the reliability of the architecture underpinning the Department's complex reform agenda, and;
- Stabilising our operational functions across the BIS family in order to deliver programmes and fully realise the benefits from our IT and Shared Services reforms.

On administration, we anticipate that 2014-15 will be an even more challenging year requiring further savings in order for BIS to live within our administration control total. To achieve this we must complete and embed the final stages of the reform programme including further organisational restructuring in partner bodies.

We are additionally committed to a further £80 million reduction to the administration budget in 2015-16, as part of the 2013 Spending Review settlement. We will create a new 'Invest to Save' fund in 2014-15 and take forward the next wave of savings and efficiencies projects.

Howard Orme
Director General, Finance and Commercial

Other information

Pension liabilities

The Department's staff can become members of one of the Principal Civil Service Pension Schemes (PCSPS). The Department's employer's contributions into the Schemes are reflected in the Accounts within Staff Costs. The PCSPS are unfunded multi-employer defined benefit schemes and the Department is consequently unable to identify its share of the underlying assets and liabilities. There is, therefore, no reflection of the Schemes on the Department's Statement of Financial Position although some smaller funded and unfunded schemes are recognised. Further details can be found in Note 1.14 to the Accounts.

Payment of suppliers

The Department's policy is to comply with the Institute of Credit Management's Prompt Payment Code, of which the Department is an approved signatory. Whilst the Department's standard terms and conditions for the supply of goods or services specify payment within 30 days of receipt of a valid invoice the Department aims to pay all valid invoices within five working days of receipt. In 2013-14 99.1% (2012-13 99.6%) of undisputed invoices were paid within the 30 day target and 97.7% of undisputed invoices were paid within five working days (94.8% paid in five working days in 2012-13).

The proportion of the aggregate amount owed to Trade Creditors at the year-end compared with the aggregate amount invoiced by suppliers during the financial year in terms of days equalled nine days.

Charging Policy

The Core Department provides only a limited number of services for which it charges fees. Any such fees are set to comply with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

The Insolvency Service sets its fees to recover costs. It has a range of fees covering three areas: case administration, where fees reflect the average costs of administering bankruptcy cases and compulsory company liquidation cases and also the average cost of completing debt relief orders; insolvency practitioner regulation, where fees include the cost of authorising and monitoring insolvency practitioners and registering individual voluntary arrangements; and estate accounting where fees reflect the cost of financial transactions on insolvency cases using the Insolvency Services Account.

Details of charging policies relating to Partner Organisations may be found in their published accounts.

Charitable Donations

BIS did not make any charitable donations. Details of charitable donations made by Partner Organisations may be found in their published accounts.

As part of the transaction to sell shares in Royal Mail plc, a donation of £70,421 was made by Equinity (on behalf of the Secretary of State) to the British Postal Museum and Archives (BPMA). This donation was taken from the cash proceeds generated through the sale of shares in Royal Mail Group.

Events after the Reporting Period

Please see Note 27 of the Consolidated Accounts for information on events after the reporting period.

Auditors

These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. His certificate and report is included in the accounts on page 94. The external audit cost of the Departmental Group was £2,659,621 comprising £1,042,500 notional and £1,617,121 cash. The external audit costs of the UK Atomic Energy Authority Pension Scheme Accounts was a further £14,000 notional.

Disclosure of Audit Information

As Accounting Officer, as far as I am aware there is no relevant audit information of which the Department's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
1 July 2014

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Business, Innovation and Skills to prepare, for each financial year, consolidated accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its executive agencies) and its sponsored non-departmental and other arms length public bodies designated by order made under the GRAA by Statutory Instrument 2013 no 488, as amended by Statutory Instrument 2013 no 3187 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed in Note 30 to the accounts).

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and the Departmental Group and of the net resource outturn, changes in taxpayers' equity and cash flows of the Departmental Group for the financial year.

In preparing the accounts, the Accounting Officer of the Department is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the Department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other arms length public bodies;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department for Business, Innovation and Skills. The Accounting Officer of the Department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arms length public bodies as Accounting Officers of those bodies.

The Accounting Officer of the Department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the Department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation, within the accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Department for Business, Innovation and Skills or non-departmental or other arms length public body for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

The Certificate and Report of The Comptroller and Auditor General to The House Of Commons

The Certificate of The Comptroller and Auditor General to The House Of Commons

I certify that I have audited the financial statements of the Department for Business, Innovation and Skills and of its Departmental Group for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2014 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matter – uncertainties inherent in the valuation of student loans

Without qualifying my opinion, I draw attention to the disclosures made in notes 1.23 and 14.1 to the financial statements concerning the uncertainties inherent in the valuation of student loans. As set out in these notes, given the long term nature for the recovery of loans and the number and volatility of the assumptions underpinning their valuation, a considerable degree of uncertainty remains over the recoverable amounts of the loans issued. Significant changes to the valuation could occur as a result of subsequent information and events which are different from the current assumptions adopted by the Department. My report on pages 96 to 97 provides further details.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the sections entitled How we have performed, Ministers and Departmental Board, Strategic Report and Director General's Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse
7 July 2014
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
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London SW1W 9SP

Report on accounts

Introduction

1. The Department for Business, Innovation and Skills (BIS) is the department responsible for encouraging economic growth. The Department invests in skills and education to promote trade, boost innovation and help people to start and grow a business. The Department also protects consumers and acts to reduce the impact of regulation.

2. The main cash flows of the Department relate to grants to the Higher Education and Further Education providers, grant-in-aid to Arm's Length Bodies and internal administrative expenditure. The Department's main source of receipts is funding from other government departments and the EU.

3. The Department prepares its financial statements in accordance with the Government Financial Reporting Manual (FReM) and HM Treasury directions issued under the Government Resources and Accounts Act 2000. Under the FReM, the Department is required to apply International Financial Reporting Standards as adapted or interpreted for the public sector.

Purpose of Report

4. I have produced this report to draw attention to two events which have had a significant impact on the financial statements in 2013-14. These are revisions to management's estimate for the carrying value of the student loan book and the privatisation of Royal Mail.

5. The valuation of student loan book is a complex process, which is subject to inherent uncertainties. The Department introduced a new model to value the loan book in 2014. This report briefly describes the conclusions of my November 2013 report Student loan repayments[1], and explains the impact that the Department's new model has had on the financial statements and our audit.

6. Without qualifying my audit opinion, I have modified my audit certificate to include an Emphasis of Matter paragraph which highlights management's disclosures about the uncertainty inherent in the estimation of the carrying value of student loans.

7. In October 2013, the Department sold the majority of its holding share in Royal Mail. This report also sets out the conclusions of my April 2014 report The Privatisation of Royal Mail[2], and describes the impact this sale has had on the Department's financial statements.

Student loans valuation

8. In my report, *Student loan repayments*, I examined whether the Department's approach for collecting student loans is maximising the value of the loan book for the taxpayer.

9. I concluded that the use of HM Revenue & Customs' existing tax system brings clear benefits for efficient collection from borrowers who work and pay tax in the UK. The Department, the Student Loans Company and HMRC work together in a joined-up way but the Department needs to make better use of data to drive its collection strategy and better understand where it could invest to maximise the value of the loan book. Differences between actual and forecast loan repayments indicated that the loan book was not performing as BIS expected.

10. I also concluded that, given the expanding size of the loan book, the Department needs to take a more energetic and thought through approach to maximising its value to the taxpayer, irrespective of whether it chooses to retain the whole loan book or sell tranches to investors. Until the Department has a robust strategy for maximising collection, improves its information on borrowers, and can more accurately forecast how much should be collected each year, it is not well placed to secure value for money.

1 Comptroller and Auditor General, *Student loan repayments*, Session 2013-14, HC 818, National Audit Office, November 2013
2 Comptroller and Auditor General, *The Privatisation of Royal Mail*, Session 2013-14, HC 1182, National Audit Office, April 2014.

11. In the Department's financial statements at 31 March 2014, the student loan book has a face value of £54 billion, impaired to a carrying value of £33 billion. The Department developed and introduced a new model to value the loan book in the 2013-14 financial statements, as part of its process of continually updating its estimate. The new approach has reduced the Department's valuation, creating an additional impairment of the existing stock of loans of nearly £2 billion. It has also increased the Resource and Budgeting (RAB) charge (the impairment of loans paid out during the year) from under 40 per cent to around 45 per cent, an additional cost of around £800 million per year.

12. The Department has provided an explanation of the new model and the impact it has had on the valuation of the loans in Note 14.1 of the financial statements. Further information on the model, including on the assumptions used in the forecasting, can be found on the Department's website. My audit of the Department's 2013-14 financial statements has included extensive testing of this new model, including testing of the integrity, structure and logic of the model, as well as the assumptions which underpin it. I have concluded that the new model is able to forecast repayments with more precision than the previous approach, and has been introduced to make greater use of the data that now exists as the loan book matures. Testing of the model's accuracy against historic repayments shows it to be substantially more accurate in its short term forecasts.

13. Following recent reforms to student funding, the value of the loan book will rise at a rapid pace. Matters that are not material now are therefore likely to become more significant in future, and the model will need to keep pace as the total value of the loans increases.

The Privatisation of Royal Mail

14. In my Report, *The Privatisation of Royal Mail*, I examined whether the Department achieved its sale objectives, while protecting the taxpayers' interests. The findings of my Report are considered in the Department's Governance Statement found on pages 60 to 73.

15. There are a number of impacts of privatisation on these financial statements, including a retrospective reclassification by the Office for National Statistics (ONS) of the holding company, Postal Services Holding Company Limited (POSH), into central government and therefore within the Departmental accounting boundary. As a result, the prior period figures have been adjusted to account for this restatement. Details can be found in Note 29.

16. The proceeds of the sale of £1.98 billion are recognised as a Special Dividend in the Core Department's Statement of Comprehensive Net Expenditure, alongside the balance of cash in the Escrow Account (£1.2 billion). Details of the net gain on disposal of £281 million can be found in Note 14.5.

Sir Amyas C E Morse
Comptroller and Auditor General

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7 July 2014

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires BIS to prepare a Statement of Parliamentary Supply and supporting notes to show resource and capital outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

Summary of Resource and Capital Outturn 2013-14

£'000								2013-14	2012-13 restated
				Estimate			Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
	SoPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Departmental Expenditure Limit									
– Resource	2.1	23,543,621	(250)	23,543,371	20,614,963	(250)	20,614,713	2,928,658	19,004,981
– Capital	2.2	2,508,781	-	2,508,781	2,156,605	-	2,156,605	352,176	261,924
Annually Managed Expenditure									
– Resource	2.1	292,297	478,145	770,442	(741,790)	393,412	(348,378)	1,034,087	(356,320)
– Capital	2.2	8,965,247	(2,442,995)	6,522,252	6,654,716	(1,979,829)	4,674,887	2,310,531	6,128,724
Total Budget		35,309,946	(1,965,100)	33,344,846	28,684,494	(1,586,667)	27,097,827	6,625,452	25,039,309
Non-Budget									
– Resource	2.1	-	-	-	-	-	-	-	3,635
Total		**35,309,946**	**(1,965,100)**	**33,344,846**	**28,684,494**	**(1,586,667)**	**27,097,827**	**6,625,452**	**25,042,944**
Total Resource	2.1	23,835,918	477,895	24,313,813	19,873,173	393,162	20,266,335	3,962,745	18,652,296
Total Capital	2.2	11,474,028	(2,442,995)	9,031,033	8,811,321	(1,979,829)	6,831,492	2,662,707	6,390,648
Total		**35,309,946**	**(1,965,100)**	**33,344,846**	**28,684,494**	**(1,586,667)**	**27,097,827**	**6,625,452**	**25,042,944**

Net Cash Requirement 2013-14

£'000		2013-14		2013-14	2012-13 restated
	SoPS Note	Estimate	Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	4	**26,258,251**	**23,425,462**	2,832,789	**22,305,034**

Administration Costs 2013-14

£'000	2013-14	2013-14	2012-13 restated
	Estimate	Outturn	Outturn
Total Administration costs	713,574	681,867	685,829

Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Prior year outturn has been restated to reflect the Machinery of Government change to transfer the outturn associated with the Royal Mail Statutory Pension Scheme out of the Department, and the retrospective reclassification of three entities by the Office for National Statistics as Central Government bodies.

Explanations of variances between Estimate and outturn are given in SoPS Note 2.

The Notes on pages 100 to 111 form part of these Accounts.

Statement of Parliamentary Supply Notes

SoPS 1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual at

https://www.gov.uk/government/publications/consolidated-budgeting-guidance and

https://www.gov.uk/government/publications/supply-estimates-guidance-manual

1.1 Accounting convention

The Statement of Parliamentary Supply (SoPS) and related notes reflect HM Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility at https://www.gov.uk/government/publications/charter-for-budget-responsibility.

These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

1.2 Restatement of outturn

Prior year outturn is restated where a function has transferred to (or from) the department from (or to) another during the year, or where entities have been retrospectively reclassified in or out of the boundary by the Office for National Statistics. This ensures that outturn for that function or entity is presented consistently from year to year.

1.3 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences.

- **PFI and other Service Concession arrangements**

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concession arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment.

- **Capital Grants**

Grant expenditure used for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE). Payments in settlement of financial guarantees are classified as capital grants for budgeting purposes. In financial accounting these are treated as balance sheet movements and do not impact on the performance statement.

- **Equity Withdrawals**

Dividends received from investments will always be recorded as resource income in IFRS-based accounts, but they will occasionally be recorded as capital equity withdrawals (repayment of capital from an investee to the department) in the SoPS where the dividend is greater than the investee profits for the current reporting period and previous two periods.

- **Prior Period Adjustments (PPAs)**

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.

- **Receipts in excess of HM Treasury agreement**

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the SoPS. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

- **Provisions – Administration and Programme expenditure**

Provisions recognised in IFRS-based accounts are not recognised as expenditure for National Accounts purposes until the actual payment of cash is recognised. To meet the requirements of both accounting and National Accounts, additional data entries are made in the SoPS across AME and DEL control totals, which do not affect the CSoCNE. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply will differ from that reported in the IFRS-based accounts.

A reconciliation between the IFRS-based accounts and the SoPS is provided in SoPS Notes 3.1 and 3.2.

1.4 Reconciliation between Estimates and accounts

The following reconciling items are included in Note 3.1:

- Capital Grants – these are grants paid out by members of the group for capital purposes and score to the capital budget. These are accounted for as resource items in financial accounts.
- Utilisation of Financial Guarantees – financial guarantees are capital items, and movements in valuation are accounted for through the balance sheet. The release of these guarantees scores to the resource budget, but not as an expense in financial accounts.
- Share of profit/loss of joint ventures and associates – the share of profit or loss from joint ventures is accounted for as resource income in the financial accounts, but is recognised as non-budget for budgeting purposes.
- Minority Interest – the recognition of the minority interest share in organisations is treated as non-budget for budgeting purposes.

- Adjustments for components with different reporting dates – where an entity has a different reporting date from the core department, financial accounting data is consolidated at that date. Budgeting data is collected up to the core department's reporting date, giving rise to timing differences between the financial and budgeting outturn data.
- Amortisation of financial guarantees – amortisation of financial guarantees is treated as resource in financial accounts, but is treated as a capital movement in budgets.
- Launch investments realised – income realised in respect of launch investments is accounted for as income in the financial accounts, but is treated as a capital receipt for budgeting purposes when cash is received.
- Clawback Income – this is treated as resource income in financial accounts, but as capital income for budgeting purposes.
- Non-budget, non-voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited – certain activities of the BIS (Postal Services Act 2011) Company Limited and B Company Limited are accounted for as income and expense in the financial accounts. There is an agreement with HM Treasury that these activities should be classified as non-budget for budgeting purposes.
- Adjustment for components not consolidated – for those entities not consolidated on the grounds of materiality, there are slight differences arising on the activities included in the budget outturn, and that consolidated in to the financial statements. These differences are treated as reconciling items.
- Prior year adjustment – PPAs are recognised in the year identified for budgeting purposes, but are treated as changes to the prior year outturn in the financial accounts.
- Capital gains on disposal – Gains or losses on disposal are recognised in resource expenditure in the financial accounts. In particular circumstances, such as privatisation, these gains or losses should score to the capital budget.
- Impact of intra-group transactions – in financial accounts all intra-group transactions are eliminated. For budgeting purposes the Estimates manual requires intra-group transactions to eliminate only if those transactions are within the same budget class. Consequently items that eliminate in financial accounts do not necessarily eliminate for budgeting purposes, giving rise to reconciling differences.

SoPS 2. Net Outturn

SoPS 2.1 Analysis of net resource outturn by section

		2013-14 £'000										2012-13 restated £'000
		Outturn							Estimate			Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Total
Spending in Departmental Expenditure Limit by section												
Voted												
A	Science and Research	3,144	-	3,144	431,041	-	431,041	434,185	491,139	56,954	14,782	469,370
B	Innovation, Enterprise and Business	2,682	(20)	2,662	317,081	(27,385)	289,696	292,358	512,747	220,389	19,220	213,516
C	Market Frameworks	13,805	(10,871)	2,934	191,982	(70,013)	121,969	124,903	89,208	(35,695)	-	109,165
D	Higher Education	-	-	-	7,372,666	(148,358)	7,224,308	7,224,308	10,191,298	2,966,990	2,784,597	5,130,778
E	Further Education	-	-	-	114,306	(732,242)	(617,936)	(617,936)	(585,344)	32,592	40,570	(631,748)
F	Capability	331,435	(53,254)	278,181	30,863	(3,675)	27,188	305,369	395,041	89,672	20,825	312,363
G	Government as Shareholder	-	-	-	383,927	(33,681)	350,246	350,246	426,057	75,811	39,590	340,228
H	Science and Research (NDPB) net	93,640	-	93,640	4,515,131	-	4,515,131	4,608,771	4,575,015	(33,756)	-	4,605,003
I	Innovation, Enterprise and Business (NDPB) net	20,313	-	20,313	418,047	-	418,047	438,360	329,869	(108,491)	1,160	377,345
J	Market Frameworks (NDPB) net	19,215	-	19,215	66,050	-	66,050	85,265	95,781	10,516	334	85,478
K	Higher Education (NDPB) net	69,128	-	69,128	3,124,361	-	3,124,361	3,193,489	3,004,309	(189,180)	-	3,978,430
L	Further Education (NDPB) net	120,004	-	120,004	3,918,249	-	3,918,249	4,038,253	3,984,760	(53,493)	3,815	4,137,092
M	Capability (NDPB) net	68,595	-	68,595	-	-	-	68,595	-	(68,595)	983	-
N	Government as Shareholder (NDPB) net	4,301	-	4,301	64,496	-	64,496	68,797	33,741	(35,056)	2,782	(122,208)
	Total Voted	*746,262*	*(64,145)*	*682,117*	*20,948,200*	*(1,015,354)*	*19,932,846*	*20,614,963*	*23,543,621*	*2,928,658*	*2,928,658*	*19,004,812*
Non voted												
O	Capability (Contingency Fund Advance)	-	(250)	(250)	-	-	-	(250)	(250)	-	-	**169**
	Total Non Voted	*-*	*(250)*	*(250)*	*-*	*-*	*-*	*(250)*	*(250)*	*-*	*-*	*169*
Total spending in Departmental Expenditure Limit		**746,262**	**(64,395)**	**681,867**	**20,948,200**	**(1,015,354)**	**19,932,846**	**20,614,713**	**23,543,371**	**2,928,658**	**2,928,658**	**19,004,981**

											2013-14 £'000	2012-13 restated £'000
								Outturn	Estimate			Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Total
Annually Managed Expenditure by section												
Voted												
P	Science and Research	-	-	-	33,807	-	33,807	33,807	41,405	7,598	5,989	82,127
Q	Innovation, Enterprise and Business	-	-	-	(95,613)	(65,175)	(160,788)	(160,788)	(142,437)	18,351	18,351	(35,666)
R	Market Frameworks	-	-	-	65,297	-	65,297	65,297	107,532	42,235	937	38,773
S	Higher Education	-	-	-	792,352	(1,326,948)	(534,596)	(534,596)	361,272	895,868	873,770	(904,330)
T	Further Education	-	-	-	(25)	(677)	(702)	(702)	20	722	722	(18)
U	Capability	-	-	-	(34,760)	(6)	(34,766)	(34,766)	(31,242)	3,524	107	(9,346)
V	Government as Shareholder	-	-	-	109	(193)	(84)	(84)	(106,224)	(106,140)	21,770	52,012
W	Science and Research (NDPB) net	-	-	-	(24,689)	-	(24,689)	(24,689)	(8,230)	16,459	16,459	43,373
X	Innovation, Business and Enterprise (NDPB) net	-	-	-	2,417	-	2,417	2,417	1,198	(1,219)	62	-
Y	Market Frameworks (NDPB) net	-	-	-	(825)	-	(825)	(825)	(2,410)	(1,585)	328	(11,740)
Z	Higher Education (NDPB) net	-	-	-	33,209	-	33,209	33,209	11,522	(21,687)	1	(13,441)
AA	Further Education (NDPB) net	-	-	-	10,715	-	10,715	10,715	19,868	9,153	9,153	(13,321)
AB	Government as Shareholder (NDPB) net	-	-	-	(130,672)	-	(130,672)	(130,672)	39,923	170,595	86,225	-
AC	Capability (NDPB) Net	-	-	-	(113)	-	(113)	(113)	100	213	213	-
	Total Voted	-	-	-	*651,209*	*(1,392,999)*	*(741,790)*	*(741,790)*	*292,297*	*1,034,087*	*1,034,087*	*(771,577)*
Non voted												
AD	Market Frameworks	-	-	-	316,071	-	316,071	316,071	370,200	54,129	54,129	415,257
AE	Government as Shareholder	-	-	-	125,871	(48,530)	77,341	77,341	107,945	30,604	30,604	-
	Total Non Voted	-	-	-	*441,942*	*(48,530)*	*393,412*	*393,412*	*478,145*	*84,733*	*84,733*	*415,257*
Total spending in Annually Managed Expenditure		**-**	**-**	**-**	**1,093,151**	**(1,441,529)**	**(348,378)**	**(348,378)**	**770,442**	**1,118,820**	**1,118,820**	**(356,320)**
Non-budget												
Voted												
AF	Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-	3,635
Total		**746,262**	**(64,395)**	**681,867**	**22,041,351**	**(2,456,883)**	**19,584,468**	**20,266,335**	**24,313,813**	**4,047,478**	**4,047,478**	**18,652,296**

The non-cash elements of budgets are ring-fenced and the budgetary rule is outturn cannot be vired from non-cash to near cash budget lines; this can give rise to nominal underspends after virement.

A contingencies fund advance of £1.6 million was paid to the department in the year in respect of the establishment of the Competition and Markets Authority. This advance was subsequently repaid in the year.

Net resource outturn

The Department had a net resource outturn (voted DEL and AME spend less income) of £19,873 million, which represents 83% of the final Estimate allocation of £23,836 million and an underspend of £3,963 million. The main factor (£3,300 million) contributing to the underspend was lower than anticipated impairments arising from updated modelling of repayments and macro-economic forecasts provided by the Office for Budget Responsibility being applied to the Student Loan Book later in the year. The Department agreed a significant Reserve Claim with HM Treasury at the Supplementary Estimate to ensure it was covered for a maximum reasonable level of exposure to impairment costs.

Variance between resource DEL outturn and Estimate

The net voted resource DEL outturn of £20,615 million represents 88% of the final Estimate allocation of £23,544 million. The most significant reasons for the net resource DEL underspend are given below.

- Science and Research (Estimate lines A and H)

The key components of Science and Research are the activities of the seven Research Councils, research activities of the Higher Education Funding Council for England (HEFCE), the UK Space Agency and the United Kingdom Atomic Energy Authority.

The outturn on Lines A and H was £23.2 million (0.5%) less than Estimate. This was driven by naturally occurring small underspends across a range of Science programmes.

- Innovation, Enterprise and Business (Estimate lines B and I)

The key components of Innovation, Enterprise and Business are the activities of the Technology Strategy Board and the Core Department's Launch Investments and Financial Guarantees.

The outturn in Lines B and I was £112 million (13%) less than Estimate. £38 million of the underspend is attributable to funds allocated to pay compensation to Energy Intensive Industries disproportionately affected by Carbon Price Floor. Delays in receipt of State Aid clearance from the European Commission prevented compensation being paid in 2013-14. A further £25 million was allocated to an MoD/Industry development programme proposal which is no longer being taken forward and £27 million was attributable to Industrial Strategy programmes. The remainder of underspend is attributable to a range of different Business Support programmes, many of which are demand-driven, or support research and development, and are consequently subject to some forecasting uncertainty.

- Market Frameworks (Estimate lines C and J)

The key components of Market Frameworks are the activities of the Insolvency Service, the Competition Commission and the Advisory, Conciliation and Arbitration Service.

The outturn on Lines C and J was £25 million (14%) more than Estimate. Budgets were re-aligned with BIS priorities in-year and not reflected in the Supplementary Estimate.

- Higher Education (Estimate lines D and K)

The key components of Higher Education are teaching and learning grants of HEFCE and the student support system of loans and grants, including the activities of the Student Loans Company.

The outturn on Lines D and K was £2,778 million (21%) less than Estimate. The main factor (£2,783 million) contributing to the underspend was lower than anticipated impairments (RAB & Stock charges) arising from updated modelling of repayments and macro-economic forecasts provided by the Office of Budget Responsibility being applied to the value of student loans. BIS agreed a significant Reserve Claim at Supplementary Estimate to ensure it was covered for the maximum reasonable level of exposure to these impairment costs. A small overspend on Student Support programmes will be covered by underspends elsewhere in the Department.

- Further Education (Estimate lines E and L)

The key components of Further Education are the activities of the Skills Funding Agency and UK Commission for Employment and Skills.

The outturn on Lines E and L was £21 million (0.6%) more than the Estimate of £3,399 million. The overspend in Resource DEL is matched by a corresponding underspend in Capital DEL. This has arisen because of a legacy budgeting issue which has been corrected this year.

- Capability (Estimate lines F and M)

The largest contributor to Capability is the Core Department.

The outturn on Lines F and M was £21 million (5%) less than Estimate, due to unutilised Department's Core Admin Non-cash Budget. A £69 million difference exists between Lines F and M due to a mismatch in the classification of funds paid to our Shared Service Provider. The budget appears in Line F and the corresponding expenditure appears in Line M.

- Government as Shareholder (Estimate lines G and N)

The key elements of Government as Shareholder are the activities of the Green Investment Bank, BIS (Postal Services Act 2011) Company Limited and BIS (Postal Services Act 2011) B Company Limited.

The outturn at year end was £41 million (9%) less than Estimate. Underspends against Royal Mail transaction costs were partially offset by an overspend on Post Office Network Reform payments.

Variance between voted resource AME outturn and Estimate

AME budgets are volatile and are therefore challenging to forecast accurately.

The £1,034 million underspend was primarily driven by changes to student loan outlay; there are two large programme lines relating to student loans of around £1,200 million, the impairment charges for the HE Reform income contingent loans (expenditure) and the unwinding of effective interest (income). The notional income forecast was higher than budget due to increases in loans paid to students at alternative providers.

SoPS 2.2 Analysis of net capital outturn by section

		2013-14 £'000						2012-13 restated £'000
		Outturn			Estimate			Outturn
		Gross	Income	Net	Net	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Net
Spending in Departmental Expenditure Limit by section								
Voted								
A	Science and Research	143,746	(112,000)	31,746	65,831	34,085	1	(22,547)
B	Innovation, Enterprise and Business	283,588	(276,251)	7,337	522,115	514,778	57,562	(60,650)
C	Market Frameworks	42,048	257	42,305	45,240	2,935	2,935	57,721
D	Higher Education	147	(1,647)	(1,500)	25,000	26,500	1,646	(517)
E	Further Education	250	-	250	8,000	7,750	1,493	4,732
F	Capability	18,048	(9)	18,039	4,900	(13,139)	10	15,113
G	Government as Shareholder	76,903	-	76,903	362,545	285,642	45,123	113,263
H	Science and Research (NDPB) net	821,173	-	821,173	573,479	(247,694)	125,174	603,386
I	Innovation, Enterprise and Business (NDPB) net	138,374	-	138,374	61,985	(76,389)	1	37,334
J	Market Frameworks (NDPB) net	2,553	-	2,553	7,340	4,787	4,787	1,195
K	Higher Education (NDPB) net	115,869	-	115,869	69,346	(46,523)	-	80,995
L	Further Education (NDPB) net	397,083	-	397,083	442,000	44,917	10,098	290,608
M	Capability (NDPB) net	7,256	-	7,256	1,000	(6,256)	1	-
N	Government as Shareholder (NDPB) net	499,217	-	499,217	320,000	(179,217)	103,345	(858,709)
Total spending in Departmental Expenditure Limit		**2,546,255**	**(389,650)**	**2,156,605**	**2,508,781**	**352,176**	**352,176**	**261,924**
Annually Managed Expenditure by section								
Voted								
P	Science and Research	-	-	-	-	-	-	-
Q	Innovation, Enterprise and Business	-	-	-	-	-	-	-
R	Market Frameworks	-	-	-	-	-	-	-
S	Higher Education	10,001,564	(1,594,728)	8,406,836	8,795,678	388,842	132,182	6,243,384
T	Further Education	72,737	(5)	72,732	-	(72,732)	5	-
U	Capability	-	-	-	-	-	-	-
V	Government as Shareholder	1,142,000	(1,905,521)	(763,521)	66,285	829,806	829,806	(61,368)
W	Science and Research (NDPB) net	(1,108)	-	(1,108)	-	1,108	1,108	(57,492)
X	Innovation, Enterprise and Business (NDPB) net	-	-	-	-	-	-	-
Y	Market Frameworks (NDPB) net	-	-	-	-	-	-	-
Z	Higher Education (NDPB) net	-	-	-	103,284	103,284	-	(2,133)
AA	Further Education (NDPB) net	3,197	-	3,197	-	(3,197)	100,088	6,333
AB	Government as Shareholder (NDPB) net	(1,063,420)	-	(1,063,420)	-	1,063,420	1,247,342	-
AC	Capability (NDPB) net	-	-	-	-	-	-	-
	Total Voted	*10,154,970*	*(3,500,254)*	*6,654,716*	*8,965,247*	*2,310,531*	*2,310,531*	*6,128,724*
Non voted								
AD	Market Frameworks	-	-	-	-	-	-	-
AE	Government as Shareholder	(1,479,829)	(500,000)	(1,979,829)	(2,442,995)	(463,166)	(463,166)	-
	Total Non voted	*(1,479,829)*	*(500,000)*	*(1,979,829)*	*(2,442,995)*	*(463,166)*	*(463,166)*	-
Total spending in Annually Managed Expenditure		**8,675,141**	**(4,000,254)**	**4,674,887**	**6,522,252**	**1,847,365**	**1,847,365**	**6,128,724**
Total		**11,221,396**	**(4,389,904)**	**6,831,492**	**9,031,033**	**2,199,541**	**2,199,541**	**6,390,648**

Variance between voted capital DEL outturn and Estimate

The net voted capital DEL outturn represents 86% of the final Estimate allocation of £2,508 million. The most significant reasons for the net capital DEL underspend are given below.

- Science and Research (Estimate lines A and H)

The outturn on Lines A and H was £214 million (33%) more than Estimate. This was due to an increase in the Science Capital Budget which was not vired at the Supplementary Estimate. This overspend is covered by significant underspends against the unvired budget elsewhere in the Department.

- Innovation, Enterprise and Business (Estimate lines B and I)

The outturn on Lines B and I was £438 million (75%) less than Estimate. This includes the unvired Science and Research Budget not vired at Spring Supplementary, above.

- Market Frameworks (Estimate lines C and J)

The outturn on Lines C and J was £8 million (15%) less than Estimate. This was due to underspends on the Regional Growth programme.

- Higher Education (Estimate lines D and K)

The outturn on Lines D and K was £20 million (21%) more than Estimate. This is due to a reallocation of resources, late in the financial year to cover pressures in the budget. This was not reflected in the Supplementary Estimate due to timing.

- Further Education (Estimate lines E and L)

The outturn on Lines E and L was £53 million (12%) less than Estimate. This is, in part, due to a reduction in Skills Funding Agency Capital Grants budget which was not reflected fully in the Supplementary. An underspend in Skills Funding Agency Capital DEL is matched by a corresponding overspend in Resource DEL. This has arisen because of a legacy budgeting issue which has been corrected this year.

- Capability (Estimate lines F and M)

The outturn on Lines F and M was £19 million (329%) more than Estimate, due to increased expenditure on the Department's Infrastructure, including improving our IT across the Department and implementing an Enterprise Performance Management system to improve financial reporting. This reallocation of resources has been covered by underspends elsewhere in the Department.

- Government as Shareholder (Estimate lines G and N)

The outturn on Lines G and N was £106 million (16%) less than Estimate. This is due to other investments that were initially expected to be treated as acquisitions. Following the change in accounting policy the investments did not incur any budgetary impact.

Variance between voted capital AME outturn and Estimate

The outturn on voted capital AME was £2,311 million (26%) less than Estimate. Of this, £291 million relates to the accounting for Post Office Loans. This is the provision of working capital to the Post Office network and is very difficult to forecast. £472 million relates to the repayment of the Royal Mail Shareholder Loan. An additional £1,270 million relates to disposals of BIS (Postal Services Act 2011) Company Limited assets, which HM Treasury clarified scored as AME Capital. The Company's activities continue to be volatile and hard to forecast given the funds and investments which are managed by a number of private sector entities.

SoPS 3. Reconciliation of outturn to net operating cost and against Administration Budget

SoPS 3.1 Reconciliation of net resource outturn to net operating cost

		Note	2013-14 £'000 Outturn	2012-13 restated £'000 Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget	SoPS 2.1	20,266,335	18,648,661
	Non-Budget	SoPS 2.1	-	3,635
			20,266,335	**18,652,296**
Add:	Capital grants		1,463,524	808,414
	Other:			
	Utilisation of financial guarantees	22	36,194	56,157
	Share of profit/loss of joint ventures and associates		-	8,214
	Share of minority interest		(455)	-
	Adjustments for components with different reporting dates		-	2,753
Less:	Amortisation of Financial Guarantees	22	(29,294)	(26,536)
	Launch investments realised and Venture Capital income	7	(123,346)	(108,984)
	Clawback income		-	(2,486)
	Non-budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited		(292,327)	(383,041)
	Postal Services Holdings net profit on disposal of Royal Mail		(303,821)	-
	Other:			
	Impact of intra group transactions		(2,486)	(1,139)
	Adjustments for components not consolidated		-	(19)
	Prior year adjustment		-	(3,635)
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**21,014,324**	**19,001,994**

The prior year comparatives present the Net Operating Cost as reported at 31 March 2013. This has been restated following a series of changes in accounting policy, machinery of government change, and reclassifications within the boundary.

SoPS 3.2 Outturn against final Administration Budget and Administration net operating costs

	SoPS Note	2013-14 £'000	2012-13 restated £'000
Estimate – Administration costs limit		713,574	685,829
Outturn – Gross Administration Costs	2.1	746,262	736,806
Outturn – Gross Income relating to administration costs	2.1	(64,395)	(50,977)
Outturn – Net administration costs		**681,867**	**685,829**
Reconciliation to operating costs:			
Add:			
Contingencies Fund Advance Expenditure		-	169
Less:			
Provisions utilised		(28,731)	(33,397)
Impact of intra group transactions		(857)	(604)
Share of profit/loss of joint ventures and associates		-	(97)
Adjustments for components not consolidated		-	(974)
Other differences		(124)	(55)
Administration Net Operating Costs		**652,155**	**650,871**

SoPS 4. Reconciliation of Net Resource Outturn to Net Cash Requirement

				2013-14
	SoPS	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)
	Note	£'000	£'000	£'000
Resource Outturn	2.1	24,313,813	20,266,335	4,047,478
Capital Outturn	2.2	9,031,033	6,831,492	2,199,541
		33,344,846	27,097,827	6,247,019
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(8,404,729)	(31,746)	(8,372,983)
New provisions and adjustments to previous provisions		(1,204,903)	27,554	(1,232,457)
Prior Period Adjustments		-	-	-
Other non-cash items		(500)	(5,777,470)	5,776,970
Adjustments for NDPBs:				
Remove voted resource and capital		(13,663,680)	(14,533,632)	869,952
Add cash grant-in-aid		13,893,156	13,612,202	280,954
Green Investment Bank share purchase		-	156,000	(156,000)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		-	266,051	(266,051)
(Increase)/decrease in payables		225,000	(371,863)	596,863
Use of provisions		103,961	53,167	50,794
Financial guarantees called in		-	29,357	(29,357)
Financial liabilities realised		-	8,043	(8,043)
		24,293,151	20,535,490	3,757,661
Removal of non-budget voted items		-	(316,071)	316,071
Consolidated Fund Standing Services		300,000	-	300,000
Other adjustments:				
Payments to Consolidated Fund		1,665,100	3,205,793	(1,540,693)
Advances from Contingencies Fund		-	250	(250)
Net cash requirement		**26,258,251**	**23,425,462**	**2,832,789**

A Contingencies Fund advance of £1.6 million was paid to the Department in the year in respect of the establishment of the Competition and Markets Authority. This advance was subsequently repaid in the year.

SoPS 5. Income payable to the Consolidated Fund

SoPS 5.1 Analysis of income payable to the Consolidated Fund

In addition to income retained, the following income is payable to the Consolidated Fund (cash receipts being shown in italics):

	Outturn 2013-14 £'000		Outturn 2012-13 £'000	
	Income	*Receipts*	Income	*Receipts*
Operating income outside the ambit of the Estimate	4,477,738	*4,477,925*	14,330,696	*14,330,668*
Total income payable to the Consolidated Fund	**4,477,738**	***4,477,925***	**14,330,696**	***14,330,668***

During 2013-14, £1.2 billion (2012-13: £14 billion) was paid to the Core Department by BIS (Postal Services Act 2011) Company Limited in respect of investment income received and the proceeds from asset sales.

£3.2 billion was paid to the Consolidated Fund arising from the sale of shares in Royal Mail plc. Of this, £1.95 billion represented disposal proceeds received by Postal Services Holding Company Limited (PSH), formerly Royal Mail Holdings plc, and the remaining £1.25 billion represented retained earnings held by PSH in a custodian account at the start of the year. The income and receipts are payable to the Consolidated Fund.

Primary Statements

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

		2013-14 £'000			2012-13 restated £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Administration costs							
Staff costs	3	178,160	188,662	404,571	173,875	183,523	408,095
Other costs	4	194,402	202,852	320,929	150,439	158,435	317,257
Income	7	(55,299)	(62,805)	(73,345)	(46,125)	(53,236)	(74,481)
Total administration costs		*317,263*	*328,709*	*652,155*	*278,189*	*288,722*	*650,871*
Programme expenditure							
Staff costs	3	4,865	73,550	712,941	4,224	73,169	685,683
Other costs	5	9,953,930	10,355,469	23,551,774	7,067,980	7,431,147	21,283,569
Income	7	(2,684,931)	(2,763,834)	(3,862,684)	(2,178,507)	(2,263,710)	(3,579,591)
Special dividends	7	(3,205,793)	(3,205,793)	-	-	-	-
Public Dividend Capital dividends	7	(39,407)	(39,407)	(39,407)	(35,591)	(35,591)	(35,591)
less minority interest	5	-	-	(455)	-	-	(2,947)
Grant in aid to NDPBs	5	13,612,202	13,612,202	-	14,003,179	14,003,179	-
Total programme costs		*17,640,866*	*18,032,187*	*20,362,169*	*18,861,285*	*19,208,194*	*18,351,123*
Net operating costs for the period		**17,958,129**	**18,360,896**	**21,014,324**	**19,139,474**	**19,496,916**	**19,001,994**
Total expenditure		23,943,559	24,432,735	24,989,760	21,399,697	21,849,453	22,691,657
Total income		(5,985,430)	(6,071,839)	(3,975,436)	(2,260,223)	(2,352,537)	(3,689,663)
Net operating costs for the period		**17,958,129**	**18,360,896**	**21,014,324**	**19,139,474**	**19,496,916**	**19,001,994**
Non operating activities							
Loss/(gain) on net assets transferred	6	45,645	45,645	46,077	(16,554)	(16,378)	(28,639,325)
Loss arising from the cancellation of gilts		-	-	-	-	-	10,974,865
Loss arising from the cancellation of accrued income		-	-	-	-	-	35,580
Non operating (gains)/losses		**45,645**	**45,645**	**46,077**	**(16,554)**	**(16,378)**	**(17,628,880)**
Net expenditure for the period		**18,003,774**	**18,406,541**	**21,060,401**	**19,122,920**	**19,480,538**	**1,373,114**
Other Comprehensive Net Income and Expenditure							
Items that will not be reclassified to net operating costs:							
Net (gain)/loss on:							
– revaluation of property, plant and equipment		(4,573)	(12,352)	(83,996)	(18,404)	(24,722)	(96,334)
– revaluation of intangible assets		-	-	5,627	-	(15)	40,770
Items that may be reclassified subsequently to net operating costs:							
Net (gain)/loss on:							
– revaluation of investments		246,891	246,891	(1,811,599)	(58,632)	(58,632)	(906,721)
– actuarial (gains)/losses		-	-	(98,265)	-	-	72,462
– other movements in fair value		-	2,381	6,831	14	(1,555)	5,790
Total other comprehensive net income and expenditure		**242,318**	**236,920**	**(1,981,402)**	**(77,022)**	**(84,924)**	**(884,033)**
Total comprehensive expenditure for the period		**18,246,092**	**18,643,461**	**19,078,999**	**19,045,898**	**19,395,614**	**489,081**

The Notes on pages 121 to 212 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2014

	Note	31 March 2014 £'000			31 March 2013 restated £'000			1 April 2012 restated £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Non-current assets:										
Property, plant and equipment	8	97,042	294,441	2,772,969	140,341	330,182	2,762,528	112,865	297,414	2,677,642
Investment properties	9	-	-	317,631	-	-	366,614	-	-	41,287
Intangible assets	10	3,526	9,561	171,140	3,237	11,676	193,003	2,511	11,267	275,784
Investment and loans in public bodies	13	1,212,247	1,212,247	857,375	2,032,449	2,032,449	3,114,288	2,418,831	2,418,831	2,841,690
Other financial assets	14	33,190,216	33,190,216	38,246,812	31,022,373	31,022,373	34,557,407	28,339,375	28,339,375	30,486,114
Derivative financial instruments		-	-	4,314	-	176	611	-	(538)	4,184
Trade and other receivables	15	271,880	254,068	275,077	220,396	182,264	206,907	214,892	131,760	170,392
Total non-current assets		***34,774,911***	***34,960,533***	***42,645,318***	***33,418,796***	***33,579,120***	***41,201,358***	***31,088,474***	***31,198,109***	***36,497,093***
Current assets:										
Inventories		-	-	1,807	-	-	1,319	258	258	1,498
Non current assets held for sale	16	-	-	29,540	-	-	4,726	-	-	4,661
Trade and other receivables	15	813,111	847,612	1,479,280	596,650	647,756	1,180,267	1,366,363	1,449,990	1,915,364
Investments and loans in public bodies	17	1,222	1,222	1,222	291,166	291,166	291,166	499,166	499,166	499,166
Other financial assets	14	2,146,000	2,146,000	2,334,275	1,806,000	1,806,000	2,472,346	1,713,000	1,713,000	1,841,443
Derivative financial instruments		-	(1,875)	(9,577)	-	331	6,389	14	(510)	4,856
Cash and cash equivalents	18	730,129	800,588	1,567,050	610,348	660,082	2,833,333	415,657	482,533	1,146,765
Total current assets		***3,690,462***	***3,793,547***	***5,403,597***	***3,304,164***	***3,405,335***	***6,789,546***	***3,994,458***	***4,144,437***	***5,413,753***
Total assets		**38,465,373**	**38,754,080**	**48,048,915**	**36,722,960**	**36,984,455**	**47,990,904**	**35,082,932**	**35,342,546**	**41,910,846**
Current liabilities:										
Trade and other payables	19	(1,470,248)	(1,577,591)	(2,835,454)	(994,757)	(1,067,202)	(2,270,576)	(2,137,543)	(2,234,290)	(3,624,196)
Provisions	20	(59,589)	(63,665)	(122,039)	(45,323)	(49,921)	(98,687)	(53,154)	(56,603)	(102,706)
Financial guarantees	22	(38,556)	(38,556)	(46,508)	(47,547)	(47,547)	(48,707)	(82,762)	(82,762)	(84,044)
Other financial liabilities	23	(10,278)	(10,278)	(10,278)	(9,295)	(9,295)	(9,295)	(4,809)	(4,809)	(4,809)
Total current liabilities		***(1,578,671)***	***(1,690,090)***	***(3,014,279)***	***(1,096,922)***	***(1,173,965)***	***(2,427,265)***	***(2,278,268)***	***(2,378,464)***	***(3,815,755)***
Non-current assets plus/ less net current assets/ liabilities		**36,886,702**	**37,063,990**	**45,034,636**	**35,626,038**	**35,810,490**	**45,563,639**	**32,804,664**	**32,964,082**	**38,095,091**
Non-current Liabilities:										
Trade and other payables	19	(3,239)	(3,252)	(88,609)	(501,289)	(501,289)	(573,396)	(1,100,090)	(1,100,090)	(1,167,241)
Provisions	20	(578,322)	(612,877)	(938,372)	(666,099)	(717,253)	(1,016,356)	(587,444)	(634,698)	(961,233)
Financial guarantees	22	(127,426)	(127,426)	(148,476)	(151,512)	(151,512)	(183,089)	(153,166)	(153,166)	(183,289)

	Note	31 March 2014 £'000			31 March 2013 restated £'000			1 April 2012 restated £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Retirement benefit obligations	21	-	-	54,732	-	-	(50,868)	-	-	6,375
Other financial liabilities	23	(233,187)	(233,187)	(233,187)	(242,726)	(242,726)	(242,726)	(212,781)	(212,781)	(212,781)
Total non-current liabilities		***(942,174)***	***(976,742)***	***(1,353,912)***	***(1,561,626)***	***(1,612,780)***	***(2,066,435)***	***(2,053,481)***	***(2,100,735)***	***(2,518,169)***
Total assets less liabilities		**35,944,528**	**36,087,248**	**43,680,724**	**34,064,412**	**34,197,710**	**43,497,204**	**30,751,183**	**30,863,347**	**35,576,922**
Taxpayers' equity and other reserves:										
General fund		35,602,684	35,699,680	37,528,361	33,480,005	33,571,020	39,140,226	30,243,798	30,318,107	32,545,331
Revaluation reserve		341,844	387,568	5,553,102	584,407	626,690	3,756,018	507,385	545,240	2,802,981
Charitable funds		-	-	555,117	-	-	556,118	-	-	184,158
Minority interest		-	-	44,144	-	-	44,842	-	-	44,452
Total equity		**35,944,528**	**36,087,248**	**43,680,724**	**34,064,412**	**34,197,710**	**43,497,204**	**30,751,183**	**30,863,347**	**35,576,922**

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
1 July 2014

The Notes on pages 121 to 212 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2014

		2013-14 £'000		2012-13 restated £'000	
	Note	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Cash flows from operating activities					
Net operating cost		(18,360,896)	(21,014,324)	(19,496,916)	(19,001,994)
Adjustments for non-cash admin expenditure	4	24,405	54,403	16,313	60,792
Adjustments for non-cash programme expenditure	5	6,197,683	6,054,465	3,715,799	3,996,165
Adjustment for non-cash programme income	7	(1,576,291)	(1,581,781)	(1,217,802)	(1,220,305)
Adjustment for other non-cash transactions		-	(280)	-	-
Adjustment for non-cash pension costs		-	22,770	-	3,122
(Increase)/Decrease in inventories		-	(488)	258	(1,021)
Less movements in inventories relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		-	(1)	(258)	942
(Increase)/decrease in trade and other receivables	15	(271,660)	(367,183)	751,730	684,257
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		303,081	299,695	827,297	909,162
Increase/(decrease) in trade and other payables	19	12,352	80,091	(1,765,889)	(1,939,523)
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		350,102	365,352	427,786	420,515
Adjustment for proceeds from Royal Mail shareholding disposal		(1,957,538)	(1,957,538)	-	-
Adjustment for retained earnings received from Postal Services Holding Company Limited		(1,248,255)	-	-	-
Excess of dividend receipts over share of profit recognised in income		-	345	-	-
Use of provisions	20	(53,167)	(104,593)	(49,864)	(96,573)
Financial guarantees called in	22	(29,357)	(36,194)	(49,206)	(56,157)
Financial liabilities realised	23	(8,043)	(8,043)	(3,427)	(3,427)
Expenditure funded by the National Insurance Fund (RPS)	5	316,071	316,071	415,257	415,257
Payments for funded and unfunded pensions	21	-	230	-	(180)
Employers contributions for funded pensions		-	(27,899)	-	-
Net cash outflow from operating activities		***(16,301,513)***	***(17,904,902)***	***(16,428,922)***	***(15,828,968)***
Cash flows from investing activities					
Purchase of property, plant and equipment		(24,342)	(249,840)	(33,483)	(221,795)
Purchase of investment property	9	-	(3,311)	-	(4,768)
Purchase of intangible assets		(1,826)	(51,227)	(3,261)	(26,345)
Proceeds of disposal of property, plant and equipment		2,386	35,302	-	2,815
Proceeds of disposal of investment property		-	131,204	-	361,235
Proceeds of disposal of intangible assets		-	12	-	53
Proceeds of disposal of assets held for sale		-	5,773	-	156
Loan redeemed from Post Office Limited	17	1,433,000	1,433,000	5,286,000	5,286,000
Repayments of other current loans and investments	17	166	166	166	166
Repayments of other non current loans and investments		472,738	469,076	8,607	8,607
Repayment of HE loans		1,353,656	1,353,656	1,593,995	1,593,995
Proceeds from disposal of student loans		127,738	127,738	-	-
Repayment of FE loans	14	5	5	-	-
Launch investment receipts		131,364	131,364	104,268	104,268
Venture Capital Fund redemption		26,031	26,031	17,299	17,299
Repayments of other loans and investments		30,904	3,795,285	6,824	14,121,095
Launch investments loans issued		(36,742)	(36,742)	(69,598)	(69,598)
Venture capital fund investments		(69,267)	(69,267)	(46,829)	(46,829)

	Note	2013-14 £'000		2012-13 restated £'000	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
HE loans issued		(9,131,222)	(9,131,222)	(7,415,243)	(7,415,243)
FE loans issued		(72,737)	(72,737)	-	-
Public Dividend Capital issued	13	-	-	(6,700)	(6,700)
Proceeds from disposal of Royal Mail shareholding		1,957,538	1,957,538	-	-
Retained earnings from Postal Services Holding Company Limited		1,248,255	-	-	-
Loans made to Post Office Limited	17	(1,142,000)	(1,142,000)	(5,078,000)	(5,078,000)
Investment in shares		(156,000)	-	(184,091)	-
Other investments and loans made		(62,840)	(1,153,146)	(63,100)	(1,142,521)
Net cash outflow from investing activities		***(3,913,195)***	***(2,443,342)***	***(5,883,146)***	***7,483,890***
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		23,570,927	23,570,927	22,530,095	22,530,095
Advances from the Contingencies Fund		1,658	1,658	250	250
Repayments to the Contingencies Fund		(1,908)	(1,908)	-	-
From the National Insurance Fund		316,071	316,071	415,257	415,257
Payments to the National Insurance Fund		(316,071)	(316,071)	(415,257)	(415,257)
Grant received in Charitable Reserve		-	(68)	-	-
Repayment of loans from the National Loans Fund (including interest and commitment fees)		(519,913)	(519,913)	(634,627)	(634,627)
Repayment of National Loans Fund loans by Royal Mail (including interest and commitment fees)		519,913	519,913	634,627	634,627
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(4,711)	(6,091)	(581)	(2,116)
Capital contributions from non-controlling interests		-	(243)	-	3,337
Inflows from third party interest in Consolidated Funds		-	375	-	-
Disposal of shares		-	(10)	-	-
Net Financing		***23,565,966***	***23,564,640***	***22,529,764***	***22,531,566***
Effects of exchange rates on foreign currency cash and cash equivalents		-	(868)	-	663
Cash transfers in the year		-	-	7,365	1,869,929
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**3,351,258**	**3,215,528**	**225,061**	**16,057,080**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		1,271,982	923	14,330,668	7,668
Payments of amounts due to the Consolidated Fund		(4,482,734)	(4,482,734)	(14,378,180)	(14,378,180)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**140,506**	**(1,266,283)**	**177,549**	**1,686,568**
Cash and cash equivalents at the beginning of the period (restated)	18	**660,082**	**2,833,333**	**482,533**	**1,146,765**
Cash and cash equivalents at the end of the period	18	**800,588**	**1,567,050**	**660,082**	**2,833,333**

The Notes on pages 121 to 212 form part of these Accounts.

Statement of Changes in Taxpayers' Equity (Core Department)

for the year ended 31 March 2014

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' equity £'000	Charitable Funds – Restricted/ Endowment £'000	Charitable Funds – unrestricted £'000	Total Reserves £'000
Balance at 1 April 2012 (restated)		**30,243,798**	**507,385**	**30,751,183**	-	-	**30,751,183**
Net parliamentary funding – drawn down		22,530,093	-	22,530,093	-	-	22,530,093
Agency funding		(353,567)	-	(353,567)	-	-	(353,567)
Net parliamentary funding – deemed		362,736	-	362,736	-	-	362,736
National Insurance Fund – RPS	5	415,257	-	415,257	-	-	415,257
Supply (payable)/receivable adjustment	19	(604,938)	-	(604,938)	-	-	(604,938)
Increase in RPS receivables	15	8,864	-	8,864	-	-	8,864
Net costs for the year		(19,122,920)	-	(19,122,920)	-	-	(19,122,920)
Non-Cash Adjustments:							
Auditors' remuneration	4	714	-	714	-	-	714
Movements in Reserves:							
Other Comprehensive Net Income for the year		-	77,022	77,022	-	-	77,022
Other movements		(32)	-	(32)	-	-	(32)
Balance at 31 March 2013 (restated)		**33,480,005**	**584,407**	**34,064,412**	-	-	**34,064,412**
Net parliamentary funding – drawn down		23,570,927	-	23,570,927	-	-	23,570,927
Agency funding		(427,373)	-	(427,373)	-	-	(427,373)
Net parliamentary funding – deemed		604,938	-	604,938	-	-	604,938
National Insurance Fund – RPS	5	316,071	-	316,071	-	-	316,071
Supply (payable)/receivable adjustment	19	(729,678)	-	(729,678)	-	-	(729,678)
Operating income payable to the Consolidated Fund		(3,205,793)	-	(3,205,793)	-	-	(3,205,793)
Decrease in RPS receivables	15	(3,644)	-	(3,644)	-	-	(3,644)
Net costs for the year		(18,003,774)	-	(18,003,774)	-	-	(18,003,774)
Non-Cash Adjustments:							
Auditors' remuneration	4	764	-	764	-	-	764
Movements in Reserves:							
Other Comprehensive Net Income for the year		-	(242,318)	(242,318)	-	-	(242,318)
Transfers between reserves		245	(245)	-	-	-	-
Other movements		(4)	-	(4)	-	-	(4)
Balance at 31 March 2014		**35,602,684**	**341,844**	**35,944,528**	-	-	**35,944,528**

The balances at 1 April 2012 and 31 March 2013 have been re-presented to reflect Machinery of Government changes and to reflect the revaluation of investments following changes in the Departmental boundary.

The Notes on pages 121 to 212 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity (Core Department and Agencies)

for the year ended 31 March 2014

	Note	General Fund	Revaluation Reserve	Taxpayers' equity	Charitable Funds – Restricted/ Endowment	Charitable Funds – unrestricted	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012 (restated)		**30,318,107**	**545,240**	**30,863,347**	**-**	**-**	**30,863,347**
Net parliamentary funding – drawn down		22,530,095	-	22,530,095	-	-	22,530,095
Net parliamentary funding – deemed		429,612	-	429,612	-	-	429,612
National Insurance Fund – RPS	5	415,257	-	415,257	-	-	415,257
Supply (payable)/receivable adjustment	19	(654,672)	-	(654,672)	-	-	(654,672)
Increase in RPS receivables	15	8,864	-	8,864	-	-	8,864
Net costs for the year		(19,480,538)	-	(19,480,538)	-	-	(19,480,538)
Non-Cash Adjustments:							
Auditors' remuneration	4	853	-	853	-	-	853
Movements in Reserves:							
Other Comprehensive Net Income for the year		-	84,924	84,924	-	-	84,924
Transfers between reserves		3,474	(3,474)	-	-	-	-
Other movements		(32)	-	(32)	-	-	(32)
Balance at 31 March 2013 (restated)		**33,571,020**	**626,690**	**34,197,710**	**-**	**-**	**34,197,710**
Net parliamentary funding – drawn down		23,570,927	-	23,570,927	-	-	23,570,927
Net parliamentary funding – deemed		654,672	-	654,672	-	-	654,672
National Insurance Fund – RPS	5	316,071	-	316,071	-	-	316,071
Supply (payable)/receivable adjustment	19	(800,137)	-	(800,137)	-	-	(800,137)
Operating income payable to the Consolidated Fund		(3,205,793)	-	(3,205,793)	-	-	(3,205,793)
Increase/(decrease) in RPS receivables	15	(3,644)	-	(3,644)	-	-	(3,644)
Net costs for the year		(18,406,541)	-	(18,406,541)	-	-	(18,406,541)
Non-Cash Adjustments:							
Auditors' remuneration	4	907	-	907	-	-	907
Movements in Reserves:							
Other Comprehensive Net Income for the year		-	(236,920)	(236,920)	-	-	(236,920)
Transfers between reserves		2,200	(2,200)	-	-	-	-
Other movements		(2)	(2)	(4)	-	-	(4)
Balance at 31 March 2014		**35,699,680**	**387,568**	**36,087,248**	**-**	**-**	**36,087,248**

The balances at 1 April 2012 and 31 March 2013 have been re-presented to reflect Machinery of Government changes and to reflect the revaluation of investments following changes in the Departmental boundary.

The Notes on pages 121 to 212 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity (Departmental Group)

for the year ended 31 March 2014

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' equity £'000	Charitable Funds – Restricted/ Endowment £'000	Charitable Funds – unrestricted £'000	Minority interest £'000	Total Reserves £'000
Balance at 31 March 2012 (restated)		**32,545,331**	**2,802,865**	**35,348,196**	**3,704**	**136,860**	**44,452**	**35,533,212**
Transfers in/out of boundary		-	116	116	43,594	-	-	43,710
Balance at 1 April 2012 (restated)		**32,545,331**	**2,802,981**	**35,348,312**	**47,298**	**136,860**	**44,452**	**35,576,922**
Net parliamentary funding – drawn down		22,530,095	-	22,530,095	-	-	-	22,530,095
Net parliamentary funding – deemed		429,612	-	429,612	-	-	-	429,612
National Insurance Fund – RPS	5	415,257	-	415,257	-	-	-	415,257
Supply (payable)/receivable adjustment	19	(654,672)	-	(654,672)	-	-	-	(654,672)
Increase in RPS receivables	15	8,864	-	8,864	-	-	-	8,864
Net costs for the year		(1,373,114)	-	(1,373,114)	-	-	-	(1,373,114)
Amounts paid from distributable reserves		(14,323,000)	-	(14,323,000)				(14,323,000)
Non-Cash Adjustments:								
Auditors' remuneration	4	1,013	-	1,013	-	-	-	1,013
Movements in Reserves:								
Other Comprehensive Net Income for the year		(72,462)	956,495	884,033	-	-	-	884,033
Transfers between reserves		(368,331)	(3,459)	(371,790)	1,560	370,229	-	(1)
Minority interest		-	-	-	-	-	390	390
Transfer to Statement of Comprehensive Net Expenditure		-	-	-	171	-	-	171
Other movements		1,633	1	1,634	-	-	-	1,634
Balance at 31 March 2013 (restated)		**39,140,226**	**3,756,018**	**42,896,244**	**49,029**	**507,089**	**44,842**	**43,497,204**
Net parliamentary funding – drawn down		23,570,927	-	23,570,927	-	-	-	23,570,927
Net parliamentary funding – deemed		654,672	-	654,672	-	-	-	654,672
National Insurance Fund – RPS	5	316,071	-	316,071	-	-	-	316,071
Supply (payable)/receivable adjustment	19	(800,137)	-	(800,137)	-	-	-	(800,137)
Income payable to the Consolidated Fund		(3,205,793)	-	(3,205,793)	-	-	-	(3,205,793)
Increase/(decrease) in RPS receivables	15	(3,644)	-	(3,644)	-	-	-	(3,644)
Net income for the year		(21,060,401)	-	(21,060,401)	-	-	-	(21,060,401)
Amounts paid from distributable reserves		(1,271,059)	-	(1,271,059)	-	-	-	(1,271,059)

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' equity £'000	Charitable Funds – Restricted/ Endowment £'000	Charitable Funds – unrestricted £'000	Minority interest £'000	Total Reserves £'000
Non-Cash Adjustments:								
Auditors' remuneration	4	1,057	-	1,057	-	-	-	1,057
Movements in Reserves:								
Other Comprehensive Net Income for the year		98,265	1,883,137	1,981,402	-	-	-	1,981,402
Transfers between reserves		85,851	(86,006)	(155)	(49,982)	50,137	-	-
Minority interest		-	-	-	-	-	(698)	(698)
Charitable reserve other movements		-	-	-	(68)	-	-	(68)
Transfer to Statement of Comprehensive Net Expenditure		(302)	-	(302)	(1,088)	-	-	(1,390)
Other movements		2,628	(47)	2,581	-	-	-	2,581
Balance at 31 March 2014		**37,528,361**	**5,553,102**	**43,081,463**	**(2,109)**	**557,226**	**44,144**	**43,680,724**

The balances at 1 April 2012 and 31 March 2013 have been re-presented to reflect changes in the departmental boundary where ONS has given a retrospective reclassification and to reflect Machinery of Government changes.

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items. The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, investment properties, intangible assets, investments and loans in other public sector bodies and financial assets (see Notes 8, 9, 10, 13, 14 and 16). The balance on the Revaluation Reserve for the Core Department at 31 March 2014 is solely in respect of revaluations to investments. Restricted charitable funds can only be used for the purposes for which they were given. Unrestricted charitable funds available to an individual charity can be used at the discretion of the trustees or management in accordance with the stated objectives of the charity.

The Notes on pages 121 to 212 form part of these Accounts.

Notes

1. Statement of accounting policies

1.1 Basis of accounting

These Accounts have been prepared in accordance with the 2013-14 *Government Financial Reporting Manual (FReM)* issued by HM Treasury, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the Government Resources and Accounts Act 2000. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Business, Innovation and Skills for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Departmental Group are described below and unless indicated otherwise apply to the Departmental Group as a whole. They have been applied consistently in dealing with items that are considered material to the Accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Departmental Group to prepare an additional primary statement. The *Statement of Parliamentary Supply (SoPS)* and supporting notes show Outturn against Estimate in terms of the Resource and Capital budgets and non budget expenditure and the Net Cash Requirement.

1.2 Accounting convention

These Accounts have been prepared under the historical cost convention modified to include the fair valuation of property, plant and equipment, intangible assets, investment properties and financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies. Public Dividend Capital and shares in bodies within the Departmental Group are carried at historical cost in accordance with the *FReM*.

1.3 Presentational currency

The Accounts are presented in pounds sterling, the functional currency of the Departmental Group, and all values are rounded to the nearest thousand pounds (£'000).

1.4 Basis of consolidation

These Accounts comprise a consolidation of the Core Department, Departmental Agencies and Non-Departmental Public Bodies (NDPBs) and other designated bodies, which fall within the departmental boundary as defined in the *FReM* and make up the 'Departmental Group'. Transactions between bodies included in the consolidation are eliminated.

The Accounts include NDPBs and other designated bodies preparing accounts in accordance with the *FReM*, limited companies preparing accounts in accordance with the Companies Act 2006 and charitable institutions preparing accounts in accordance with the "Statement of Recommended Practice: Accounting for Charities" ('the consolidated bodies'). For those bodies that do not prepare accounts on an IFRS basis adjustments are made to consolidate their accounts on an IFRS basis where differences in accounting policies would have a significant effect on these Accounts.

Where a body is designated for consolidation by order of HM Treasury under statutory instrument, then the body will be consolidated within the Departmental Group on a line by line basis where material. The results of these bodies are included in the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) from the date of acquisition, or in the case of disposals, up to the effective date of disposal. Where the Office of National Statistics (ONS) designates a body for consolidation retrospectively, the accounts are restated as if the body had been included from the date of classification.

Investments by the Core Department in the bodies consolidated are valued at historical cost in accordance with the *FReM*.

The reporting period for these Accounts is the financial year ended 31 March 2014. There are three bodies within the Departmental Group preparing accounts to a different reporting date. The Construction Industry Training Board (CITB) and the Engineering Construction Training Board prepare accounts as at 31 December. Where material, the financial information for these bodies has been adjusted for any transactions or events that have occurred since their most recent financial year end and that are significant for the Department's Consolidated Accounts. Postal Services Holding Company Limited prepares accounts to the last Sunday in March. In 2013-14 this was 30 March 2014. There was no material difference arising from the difference in reporting period.

A list of all those bodies included within the Departmental Group, together with details of their status, is given at Note 30.

1.5 Tangible Non Current Assets

Property, plant and equipment

Property, plant and equipment is carried at fair value or depreciated historical cost which is used as a proxy for fair value. Freehold land and buildings are revalued on an existing use basis or on a depreciated replacement cost basis for specialist properties using professional valuations. Some bodies within the Departmental Group determine fair value in the intervening years based on indices.

Capitalisation thresholds for property, plant and equipment range from £100 to £10,000 across the group. The cost of IT hardware assets are pooled and capitalised by the Core Department when they fall within these limits.

Revaluation

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in taxpayers' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve unless there is a clear consumption of economic benefit. All other decreases are charged to the CSoCNE.

Depreciation

Assets under Construction (AuC) are not depreciated until the asset is brought into use.

Property, plant and equipment is depreciated at rates calculated to write it down to the estimated residual value on a straight line basis over the estimated useful lives.

For furniture, fixtures and fittings, where an asset pool is maintained replacements on a one-to-one basis are charged directly to the CSoCNE in the year of replacement. Major enhancements or additions to the pool are capitalised as assets.

Freehold land is not depreciated and other assets across the Departmental Group are normally depreciated over the following periods:

Leasehold land	20 – 60 years
Freehold buildings	19 – 60 years
Agricultural buildings	Up to 60 years
Dwellings	Up to 60 years
Leasehold improvements	Shorter of estimated remaining useful life or outstanding term of lease
Computer equipment	2 – 10 years
Plant and machinery	2 – 30 years
Furniture, fixtures and fittings	2 – 10 years
Transport equipment	2 – 10 years
Ships *(included in transport equipment)*	Minimum of 20 years
Aircraft *(included in transport equipment)*	Minimum of 15 years

1.6 Intangible Non-Current Assets

Intangible assets are carried at fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment loss. Where no active market exists and the asset is income generating, it is revalued to the lower of depreciated replacement cost and value in use, using a valuation technique. Where there is no value in use depreciated replacement cost is used.

Software licences

Computer software licences with a useful life in excess of one year are capitalised as intangible assets. The licences are revalued each year using indices and are amortised on a straight line basis over the shorter of the term of the licence and the useful economic life (usually between three to ten years).

Internally developed software

Internally developed software is capitalised when it is not an integral part of computer hardware, it is separately identifiable and the cost can be measured reliably. Software is amortised on a straight line basis from the date it is brought into use.

Website development costs

Where website development costs are capitalised, they are amortised on a straight line basis over the useful life of the asset.

Patents, licences and royalties

Patents, licences and royalties are capitalised based on their expected income streams. Income is generated from agreements between companies engaged in the commercial exploitation of these inventions. The values of these intangible assets are amortised over the period these agreements are in force, including a full year's amortisation charge in the year of valuation. This period is usually between seven and fifteen years. These assets are not capitalised until income streams are reasonably certain. Income streams are reviewed each year. Any surplus or deficit is recognised in the CSoCNE.

1.7 Impairments of non-current assets

If any indication of impairment exists in any property, plant and equipment or intangible assets, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell, and value in use. Value in use is assumed to equal the cost of replacing the service potential provided by the asset. Impairment losses are charged to the CSoCNE.

Any reversal of an impairment charge is recognised in the CSoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the revaluation reserve.

1.8 Investment Properties

In accordance with IAS 40 *Investment Properties*, any investment property recognised is held only for the purpose of earning rental income or for capital appreciation. In accordance with the *FReM,* investment properties are carried at fair value which is determined annually by external professional valuers. Changes in fair values are recognised in the CSoCNE.

1.9 Financial instruments

The Departmental Group recognises and measures financial instruments in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* as interpreted by the *FReM.*

Financial assets and liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through profit or loss, in which case transaction costs are charged to operating costs.

The fair value of financial instruments is determined by reference to quoted market prices where an active market exists for the trade of these instruments. The fair value of financial instruments which are not traded in an active market is determined using generally accepted valuation techniques, including estimated discounted cash flows.

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the Departmental Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

1.9.1 Financial assets

The Departmental Group's financial assets have been classified into the following four categories, which are determined at initial recognition:

- Held-to-maturity investments
- Loans and receivables
- Available-for-sale assets
- Held at fair value through profit or loss

1.9.1.1 Held-to-maturity investments

These are non derivative financial assets with fixed or determinable payments and fixed maturity that the Departmental Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost in accordance with IAS 39.

1.9.1.2 Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments, originated or acquired, that are not traded in an active market. They are included in current assets, except for maturities greater than 12 months after the CSoFP date. These are classified as non-current assets.

Loans and receivables comprise cash and cash equivalents, receivables and loans, including student loans. After initial recognition, they are carried at amortised cost using the effective interest method, in accordance with IAS 39. Gains and losses are recognised in the CSoCNE through the amortisation process. Gains and losses are also recognised upon derecognition or impairment of loans and receivables.

Loans and receivables relating to other central Government bodies within the Departmental Group are carried at historical cost in accordance with the *FReM*. All other loans and receivables are carried at amortised cost.

Recognition of student loans issued and repayments

An addition to the student loan book is recognised once the Student Loans Company (SLC) has issued the loan to the student.

Student loan repayments are collected by the SLC and Her Majesty's Revenue and Customs (HMRC). For repayments made via the SLC, the Core Department recognises the repayment when the SLC has received the cash. For repayments collected via the tax system, the Core Department recognises the amounts which HMRC estimate as being due to the Core Department for the financial year.

More information about the measurement techniques used to determine the carrying value of student loans is provided in Note 14.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. Bank overdraft amounts are included within trade and other payables in the CSoFP.

Amounts due to the Core Department and payable to the Consolidated Fund are carried at historical cost in accordance with the *FReM*.

1.9.1.3 Available-for-sale assets

Available-for-sale assets are non derivative financial assets designated as such or not classified in any of the other three categories of financial assets. After initial recognition, these financial assets are carried at fair value.

Gains and losses in fair value are recognised directly in Taxpayers' Equity except for impairment losses. Impairment losses are recognised in the CSoCNE. On derecognition, the cumulative gain or loss previously recognised in equity is recognised in the CSoCNE.

Public Dividend Capital

Public Dividend Capital (PDC) is reported at historical cost, less impairment in accordance with the *FReM*. PDC is not a financial instrument within the meaning of IAS 32 *Financial Instruments: Presentation.*

1.9.1.4 Held at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL where the financial asset is either held for trading or if it is designated as such on initial recognition. They are initially recognised at fair value. Transaction costs and any subsequent movement in the valuation of the investment are recognised in the CSoCNE.

1.9.1.5 Impairments of financial assets

The Departmental Group assesses at the end of each reporting period whether there is objective evidence that loans and receivables, or available for sale assets, are impaired. Evidence of impairment arises where there is observable data indicating that there is a measurable decrease in the estimated future cash flows from holding financial assets. For loans and receivables, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate method. The loss is recognised in the CSoCNE.

Gains and losses on available for sale assets are recognised as a separate component of Taxpayers' Equity until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in equity is included in the CSoCNE. The impairment is measured as the difference between the carrying amount and the new fair value.

1.9.2 Financial liabilities

The Departmental Group's financial liabilities were classified as other financial liabilities on initial recognition.

The Departmental Group carries payables with other public bodies, including amounts payable to the Consolidated Fund at historical cost, in accordance with the *FReM*. Since these balances are expected to be settled within twelve months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. All other financial liabilities are measured at amortised cost, after initial recognition using the effective interest rate method.

1.9.3 Derivative financial instruments

Derivative financial instruments comprise forward contracts held to hedge the Departmental Group's exposure to foreign currency risk. They are designated as cash flow hedges. The effective portion of change in the fair value is recognised in equity. The gain or loss relating to the ineffective portion is recognised in the CSoCNE. Amounts accumulated in equity are recycled to the CSoCNE in the periods when the hedged item affects the CSoCNE.

1.9.4 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the Accounts at fair value on the date that the guarantee was given in accordance with IAS 39: *Financial Instruments: Recognition and Measurement*. At each CSoFP date, they are subsequently re-measured at the higher of the amount determined in accordance with IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, and the amount initially recognised, less when appropriate, cumulative amortisation.

1.10 Provisions

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Departmental Group makes provision for liabilities and charges where, at the CSoFP date, a present legal or constructive obligation exists (i.e. a present obligation arising from past events), the outflow of resources that will be required to settle the obligation is probable and a reasonable estimate of the obligation can be made.

Where the time value of money is material, provisions are discounted to present value using HM Treasury's real discount rates.

1.11 Operating income

Operating income is income that relates directly to the operating activities of the Departmental Group and is measured at the fair value of consideration received or receivable. It is recorded net of trade discounts, value added tax and other taxes.

Levy income is collected under statute by the Construction Industry Training Board (CITB), the Engineering Construction Industry Training Board (ECITB) and the Financial Reporting Council (FRC). The Chief Secretary to HM Treasury has approved these bodies to retain this levy income to offset against their expenditure; therefore the Exchequer has no right of access to these funds. These arrangements are subject to periodic review. Levy income is recognised in the year in which it is raised. Where doubts arise over its collectability either through ageing, past experience, or other known factors, a provision for doubtful debts is recognised in the accounts.

Special dividends represent payments from bodies that the department holds an interest in, and which are to be repaid to the consolidated fund. These are accounted for as income in the financial accounts, and are recognised at the fair value of the consideration received or receivable.

1.12 Grants payable and receivable

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to grant.

Grants for Higher Education

Funding to Higher Education Institutions (HEIs) is recognised as grants at payment dates agreed with the organisations concerned. HEFCE grants are paid on agreed profiles and as such no accruals are recognised at the reporting date. The exception to this is the holdback of institutional basic grant where a debt arises at the point where there is sufficient certainty over the value of the resulting funding adjustment. These adjustments could result in a net receivable or payable balance at year end. The period over which a holdback recovery is made can be up to five years.

HEFCE's recoverable grants are classified as loans and recognised as receivables. They are funds provided to institutions on an individual basis to support the initial costs of a specific project and are recovered through an adjustment to future funding.

Grants for Further Education

Grants to Further Education Institutions (FEIs) are for Recurrent Programmes and Capital Programmes. Recurrent Programmes include Teaching and Learning elements (incorporating the Adult Skills Budget) and are accounted for in line with agreed profiles, or as the training is delivered.

Capital programmes are recognised in the financial year that the funding is fully approved.

Student grants

Student grants are recognised when the entitlement to grants is met, students are in attendance at the HEI for the relevant term, and have applied for the grant. The entitlement is based on a set of eligibility criteria. Factors, including changes to household income, can lead to adjustments in the level of grant students are entitled to. Where overpayments are made, action is taken to deduct overpayments from future grant payments, or obtain repayments of the amounts overpaid. Grant overpayments are recorded as receivables and the Core Department creates a doubtful debt provision for the amount of overpayments which it estimates may not be recovered.

European Funding Grants

European Funding Grants in respect of revenue and capital expenditure are recognised as income in the CSoCNE when there is reasonable assurance that there are no conditions attached, or that any such conditions have been complied with and it is certain that the grants will be received.

1.13 Foreign exchange

The Departmental Group applies IAS 21 *The Effects of Changes in Foreign Exchange Rates* and transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Monetary assets and liabilities denominated in foreign currencies at the CSoFP date are retranslated at the rates of exchange ruling at that date. These translation differences are recognised in the CSoCNE.

1.14 Pensions

- Funded pension schemes

The net obligation in respect of these defined benefit pensions plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value, and the fair values of plan assets (at bid price) are deducted. The liability discount rate is the yield at the CSoFP date on AA credit rated bonds. The calculations are performed by qualified actuaries using the projected unit credit method. When the calculation results in a benefit the recognised asset is limited to the present value of the benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements. Actuarial gains and losses that arise are recognised in the period they occur through Other Comprehensive Net Expenditure.

- Unfunded pension schemes

Principal Civil Service Pension Schemes (PCSPS)

A number of employees within the Departmental Group are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) as described in Note 3.

Other unfunded defined benefit pension schemes

- The employees of some of the consolidated bodies are members of other unfunded defined benefit pension schemes, but the participating employers are unable to identify their share of the underlying liability. Employer contributions to the defined benefit schemes are charged to the CSoCNE in the period to which they relate.

Other defined benefit schemes

- The ITB Pension Fund is a defined benefit scheme. The actuarial value of the scheme assets and liabilities are based on FRS 17 methodologies. As ITB is unable to identify its share of the underlying liability, the Scheme has been accounted for as a defined contribution scheme.

Further details of these pension schemes can be found in the accounts of the pension schemes.

1.15 Early departure costs

The Departmental Group is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. In accordance with IAS 19 *Employee Benefits*, the Departmental Group provides in full for this cost when an early retirement programme has been announced and is binding. Early departure costs provisions are discounted using HM Treasury's current pension rate. Where the Department extinguishes its future liability by making a payment to the Cabinet Office the cost is charged to the CSoCNE.

1.16 Employee benefits

In accordance with IAS 19 *Employee benefits*, a body is required to recognise short term employee benefits when an employee has rendered service in exchange for those benefits.

1.17 Taxation

The Core Department and its Agencies are exempt from income and corporation tax by way of their Crown exemption.

Some of the consolidated bodies are subject to Corporation Tax on their interest receivable and analogous income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Statement of Financial Position date, and any adjustment to the tax payable in respect of previous years.

Deferred tax, where applicable, is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date. Deferred tax assets are recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax liabilities are not discounted.

Value Added Tax (VAT) is accounted for in the Accounts, in that amounts are shown net of VAT except:

- Irrecoverable VAT is charged to the CSoCNE, and included under the relevant expenditure heading
- Irrecoverable VAT on the purchase of an asset is included in additions.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within payables and receivables on the CSoFP.

1.18 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals due under operating leases are charged to the CSoCNE over the lease term on a straight-line basis unless another systematic basis is more appropriate, in accordance with IAS 17 *Leases*.

Lease incentives are accounted for over the life of the lease agreement.

1.19 Finance leases

Where assets are financed by leasing agreements that transfer substantially all of the risks and rewards incidental to ownership, the assets are treated as if they had been purchased outright at the present value of the total rentals payable during the primary period of the lease. The corresponding leasing commitments are shown as obligations to the lessor. Charges are made to the CSoCNE in respect of:

- Depreciation, which is charged on a straight line basis over the useful economic life of the asset
- The total finance charge, which is allocated over the primary period of the lease using the sum of digits method.

Finance leases are recognised at inception at the lower of fair value or the present value of the minimum lease payments, each determined at the inception of the lease.

1.20 Service concessions (PPP/PFI)

PFI transactions that meet the definition of a service concession arrangement are accounted for in accordance with the *FReM* and IFRIC 12. To be within the scope of IFRIC 12, the service concession arrangement must contractually oblige the private sector operator to provide the services related to the infrastructure to the public on behalf of the grantor.

1.21 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Core Department discloses for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Managing Public Money*. These comprise:

- Items over £300,000, (or lower where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement
- All items (whether or not they arise in the normal course of business) over £300,000 (or lower where required by specific statute or where material in the context of the Accounts), which are required by the *FReM* to be noted in the Accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.22 Reporting by operating segment

The Core Department reports income and expenditure by segment, in accordance with IFRS 8 *Operating Segments.* Operating segments are components about which separate financial information is available and is evaluated regularly by the chief operating decision maker. The BIS Executive Board is the Department's chief operating decision maker and the separate business groups responsible for delivering the Department's objectives are reportable segments.

Assets and liabilities are not segmented for management information purposes.

1.23 Estimation techniques used and key judgements

The preparation of the Departmental Group's consolidated accounts requires management to make judgements, estimates and assumptions that affect assets and liabilities, income and expenditure, based on experience and expected events. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying value of the asset or liability. Where applicable these uncertainties are disclosed in the Notes to the Accounts.

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The estimates and assumptions that risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Volatility resulting from fluctuations in the macroeconomic indicators used in models, for example, Office for Budget Responsibility (OBR) short-term and long-term Retail Price Index forecasts, base rates and average earnings growth for HE and FE student loans (Note 14 refers).
- The value of the HE student loan book is derived using a modelling technique. This forecasting model was revised in 2013-14 and details of the key assumptions and changes can be found in note 14.1. The Department considers this to be a change in accounting estimate.

- Fluctuations in the fair values of available for sale assets, such as corporate bonds, where quoted prices are used; Launch Investments, where an econometric model is used to determine estimated future cash flows and includes a number of other assumptions including economic growth indicators; and private equity, where a range of valuation techniques, including discounted cash flows and net asset values, are used (Note 14 refers).
- Management's judgements with regard to the impairment of assets (Notes 4, 5, 8, 10, 13 and 14 refer).
- The estimated useful lives of non-current assets, which are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of an asset.
- Management's assumptions about the number of debtor employers with saleable assets and the degree of difficulty in realising these assets and therefore in calculating the Redundancy Payments Service receivable (Note 15 refers).
- The uncertainty surrounding HEFCE's inherited staff liabilities as the value of the provision is derived from an actuarial valuation of a sample of the underlying population, and is updated periodically to include movements in mortality and discount rates (Note 20.5 refers).
- The calculation of the UK Atomic Energy Authority decommissioning costs which are based on estimates of the current cost of the work to be undertaken, assumptions regarding inflation rates, VAT changes and the timing of the decommissioning. These estimates and assumptions are reviewed annually (Note 20.3 refers).
- Fluctuations in the fair value of financial liabilities/ guarantees measured using modelling techniques (Notes 22 and 23 refer).
- Where provisions reflect long term cash flows in excess of ten years, changes in HM Treasury's discount rates between 30 November, when rates based on market data are published by HM Treasury, and the reporting date.

1.24 Changes in accounting policy

There was one change in accounting policy in the reporting period and in accordance with IAS 8 this change has been accounted for as a Prior Period Adjustment (PPA).

Following the implementation of changes to IAS 19, the interest on pension liabilities and the expected return on pension scheme assets were combined to create a new net interest line in expenditure in the accounts. The net impact on the CSoCNE in 2012-13 is nil (2013-14: nil), with a reduction in expenditure of £43 million and a corresponding reduction in income of £43 million. The impact on Taxpayers' Equity in 2012-13 is nil (2013-14: nil).

1.25 Joint Ventures and Associates

The FReM modifies the applicability of IAS 28, so that where a department has a formal investment in another public sector entity, that does not meet the criteria for consolidation, it should be reported following the requirements of IAS 39.

All investments previously shown as joint ventures and associates have now been classified in non current other loans and investments. The figures and the notes to the accounts reflect this change.

1.26 Changes to IFRS and the FReM

1.26.1 Changes to IFRS

In accordance with the FReM, these accounts apply EU adopted IFRS and Interpretations in place as at 1 January 2013. The Department has reviewed the potential effects of new accounting standards on its financial statements and no material impact is expected.

The standards to which changes are likely to have a significant impact in the Departmental Group would be IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* which will change the accounting boundary for our Partner Organisations.

A full list of new accounting standards can be found at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/278897/hm_treasury_review_of_new_ifrs_2013_to_2014.pdf.

1.26.2 Changes to the FReM

Changes have been made to the presentation of the SoPS and related notes, including the requirement for a statement of SoPS accounting policies.

In addition to the change in accounting policy above, the following changes in IFRS were adopted by the FReM during 2013-14:

The application of the IAS 1 amendments interpreted for terminology and adapted (requiring a single Statement of Comprehensive Net Expenditure rather than separate Other Comprehensive Expenditure), was effective from 1 April 2013.

An amendment to IAS 16 was applied in full. It requires items such as spare parts, stand-by equipment and servicing equipment to be recognised under IAS 16 when they meet the definition of property, plant or equipment. They are otherwise classified as inventory under IAS 2.

1.26.3 Changes to the Designation Order for inclusion of bodies in the Departmental Group

In 2013-14 the following bodies were added to the Designation Order:

- ONS classified Enrichment Holdings Limited and its subsidiary, Enrichment Investments Limited, as central Government bodies retrospectively. The prior year figures have therefore been restated to reflect this.
- Avrico Limited, a subsidiary of the Pirbright Institute
- British Business Bank plc
- Harwell Science and Innovation Campus Public Sector Limited Partnership, jointly owned by UK Atomic Energy Authority and Science and Technology Facilities Council
- Green Investment Bank subsidiaries – Aviva Investors Realm Energy Centres Limited Partnership, UK GIB Financial Services Limited, UK GIB Rhyl Flats Investment Limited, UK GIB 1 Limited, UK GIB 2 Limited, UK GIB 3 Limited
- Groceries Code Adjudicator
- ONS reclassified Postal Services Holding Company Limited as a central Government body retrospectively. The prior year figures have therefore been restated to reflect this.
- Regulatory Policy Committee
- UK SBS Limited

In 2013-14 the following bodies were removed from the Designation Order:

- Eight Regional Development Agencies, which were closed on 30 June 2012:
  - Advantage West Midlands
  - East Midlands Development Authority
  - East of England Development Agency
  - North West Development Agency
  - ONE North East

– South East England Development Agency

– South West of England Regional Development Agency

– Yorkshire Forward

- British Shipbuilders and its subsidiaries as they were abolished on 21 March 2013:

– British Shipbuilders

– British Shipbuilders (Southwick) Limited

– BS Benton House Limited

– BS (ETS) Limited

– George Clark & NEM Limited

– Govan Shipbuilders Limited

– Henry Robb Limited

– North East Shipbuilders Limited

– Smith's Dock Limited

– Sunderland Shipbuilders Limited

- Directions Finningley

The following changes to the Designation Order are expected in 2014-15:

Removal of the following bodies:

- Accountancy and Actuarial Discipline Board Limited, the subsidiary of the Financial Reporting Council. The subsidiary was dissolved on 30 July 2013.
- Consumer Futures transferred into Citizens' Advice from 1 April 2014.
- Competition Commission, transferred into the Competition and Markets Authority (CMA) from 1 April 2014.
- Learning Skills Improvement Service which ceased operations in 2013.
- The Pirbright Insititute, which was reclassified out of the Central Government sector by the Office for National Statistics.

2. Reporting by operating segment

BIS reports its expenditure by operating segment in accordance with IFRS 8 *Operating Segments.*

The Departmental Group's operations are organised and managed separately according to the nature of its business with each reportable segment representing a business or corporate unit providing funding for different programmes. The main reportable segments combine outturn information of Core Department and Partner Organisations for each segment. No operating segments have been aggregated.

Information is presented to Management using a presentational currency of £millions. This is different from the presentational currency of the financial statements of £'000, but is presented here to ensure consistency with the information presented to management, in the management accounts.

The information is different from the outturn data presented in the Statement of Parliamentary Supply (SoPS). This is due to the exclusion of the impacts of the change in accounting policy for the treatment of associates and joint ventures. The timing of this accounting adjustment prevented information being included in the final management accounts. The management accounts show £7 million less RDEL expenditure and £228 million higher CDEL expenditure compared with the SoPS.

During the year BIS reorganised the way it manages its activities and the information is presented based on that reorganisation. Management has received information reporting on the previous structure during the year, and at 31 March received information that reports on the updated structure.

BIS has organised its activities under the following business and management groups:

- Knowledge and Innovation Group, reporting expenditure on:
  - Activities undertaken by the Core Department (Knowledge and Information)
  - Science and Research including the Government Office for Science and the Research Councils
  - Activities included against Knowledge and Innovation Partner Organisations include:
  - Science and Research undertaken by the Research Councils
  - Innovation including the Technology Strategy Board and National Measurement Office
  - Higher Education including the Higher Education Funding Council for England
  - UK Space Agency
  - UK Atomic Energy Authority
- Enterprise and Skills Group, reporting expenditure on enterprise and adult skills including:
  - Enterprise programmes including Growth Accelerator and Growth Vouchers
  - Better Regulation
  - Activities included against Enterprise and Skills Partner Organisations include:
  - Skills Funding Agency including Further Education participation through the Adult Skills Budget
  - UK Commission for Employment and Skills
- Legal Services Group, providing a high quality legal service and a focal point for legal policy.
- Business and Local Growth Group, reporting expenditure on initiatives to assist business and support rebalancing of the economy in UK regions, including:
  - Industrial Strategies
  - Automotive Assistance Programme
  - Launch investments
  - Local economic growth activity
  - Energy Intensive Industry compensation
  - European reform
  - Consumer Support and Competition policy and bodies
  - Insolvency Service (transferred to Shareholder Executive in November 2013)
  - Office of Life Sciences
  - Public Data Corporations customer function

- Economics and Markets Group, reporting expenditure on ensuring markets both at home and internationally are fair and efficient in serving businesses' and consumers' long-term interests, including:

  – Labour market policy

  – International trade policy and export control

  – Departmental economic evidence and advice

  – Activities included against Economics and Markets Partner Organisation includes:

  – Acas

  – Frameworks for corporate reporting, governance and responsibility

- Shareholder Executive, reporting expenditure on:

  – Post Office and Royal Mail

  – Public Data Corporations

  – British Business Bank

  – Activities included against Shareholder Executive Partner Organisation include:

  – Insolvency service (transferred from Business and Local Growth during November 2013)

  – Green Investment Bank

- Office of Manpower Economics, providing an independent secretariat to the public sector Pay Review Bodies and pay negotiating bodies.

- UK Trade & Investment (UKTI) administration expenditure. UKTI works with UK-based businesses to ensure their success in international markets, and encourages the best overseas companies to look to the UK as their global partner of choice.

- Ministerial and Parliamentary Support Team (MPST), directly supporting Ministers and the Permanent Secretary.

- People and Strategy Group, reporting expenditure on Human Resources, strategy, external communications, the Department's Secretariat, corporate effectiveness and change programmes and internal communications.

- Finance and Commercial Group, reporting expenditure on finance programmes and corporate services including BIS's accommodation, facilities management, ICT costs and depreciation

  – Activities reported against Finance and Commercial Partner Organisation include the activities of UK SBS Limited. This information was reported against the Knowledge and Innovation Partner Organisations in 2012-13.

This segmental presentation is consistent with the information provided to the BIS Board, where decisions with regard to resource allocation and financial performance are made. The Consolidated Statement of Financial Position is not reported to the Board by operating segment.

Changes in reportable segments

The income, expenditure and capital reported against reportable segments for 2012-13 has been restated to reflect changes in responsibilities, including those arising from the Machinery of Government changes and changes to the Departmental Group boundary as detailed in Note 29.

Net expenditure reported to the Board as at 31 March 2014

Expenditure by segment is reported to the Board using separate tables for Administration, Programme, Capital and Annually Managed Expenditure (AME), in the formats shown below. A summary combining the administration, programme and capital expenditure by segment has also been included below.

(a) Administration

Administration resource outturn by Group for the period ending 31 March 2014

Group	2013-14 Net expenditure £m	2012-13 restated Net expenditure £m
Knowledge & Innovation	8	12
Knowledge & Innovation Partner Organisations	188	182
Enterprise & Skills	24	26
Enterprise & Skills Partner Organisations	121	129
Legal Services	10	9
Business & Local Growth	30	29
Business & Local Growth Partner Organisations	9	14
Economics & Markets	20	21
Economics & Markets Partner Organisations	9	7
Shareholder Executive	10	10
Shareholder Executive Partner Organisations	8	5
Office of Manpower Economics	2	2
Ministerial and Parliamentary Support Team	6	6
People & Strategy	19	19
Finance & Commercial	115	118
Finance & Commercial Partner Organisations	68	56
UKTI	35	41
Total	**682**	**686**
Of which:		
Core Department	279	293
Agencies, NDPBs and other designated bodies	403	393
Total	**682**	**686**

(b) Programme

Programme DEL resource outturn by Group for the period ending 31 March 2014

Group	2013-14			2012-13 restated		
	Near cash £m	Non cash £m	Net expenditure £m	Near cash £m	Non cash £m	Net expenditure £m
Knowledge & Innovation	9,916	5,591	15,507	10,546	3,641	14,187
Enterprise & Skills	3,351	44	3,395	3,420	14	3,434
Legal Services	2	-	2	1	-	1
Business & Local Growth	426	41	467	332	7	339
Economics & Markets	52	-	52	55	3	58
Shareholder Executive	473	4	477	437	60	497
People & Strategy	6	-	6	2	-	2
Finance & Commercial	20	-	20	26	-	26
Total	**14,246**	**5,680**	**19,926**	**14,819**	**3,725**	**18,544**

(c) Capital

Capital DEL outturn by Group for the period ending 31 March 2014

Group	2013-14 Net expenditure £m	2012-13 restated Net expenditure £m
Knowledge & Innovation	1,234	654
Enterprise & Skills	398	296
Business & Local Growth	(103)	(79)
Economics & Markets	3	1
Shareholder Executive	828	313
Finance & Commercial	25	55
Total	**2,385**	**1,240**

(d) Annually Managed Expenditure (AME)

Annually managed expenditure outturn by Group for the period ending 31 March 2014

Group	2013-14			2012-13 restated		
	AME Programme £m	AME Capital £m	Total AME expenditure £m	AME Programme £m	AME Capital £m	Total AME expenditure £m
Knowledge & Innovation	(500)	8,406	7,906	(769)	6,184	5,415
Enterprise & Skills	10	76	86	(13)	6	(7)
Business & Local Growth	(127)	-	(127)	(37)	-	(37)
Economics & Markets	62	-	62	27	-	27
Shareholder Executive	242	(3,807)	(3,565)	445	(61)	384
Finance & Commercial	(35)	-	(35)	(9)	-	(9)
Total	**(348)**	**4,675**	**4,327**	**(356)**	**6,129**	**5,773**

(e) Summary

Summary of outturn by Group for the period ending 31 March 2014

Group	2013-14 Net expenditure £m	2012-13 restated Net expenditure £m
Knowledge & Innovation	24,843	20,450
Enterprise & Skills	4,024	3,878
Legal Services	12	10
Business & Local Growth	276	266
Economics & Markets	146	114
Shareholder Executive	(2,242)	1,209
Office of Manpower Economics	2	2
Ministerial and Parliamentary Support Team	6	6
People & Strategy	25	21
Finance & Commercial	193	246
UKTI	35	41
Total	**27,320**	**26,243**

2.1 Reconciliation between Operating Segments and the Consolidated Statement of Comprehensive Net Expenditure

	Knowledge & Innovation £m	Enterprise & Skills £m	Business & Local Growth £m	Economics & Markets £m	Shareholder Executive £m	Office of Manpower Economics £m	People & Strategy £m	Legal Services £m	Finance & Commercial £m	UKTI £m	MPST £m	Total £m
2013-14												
Total net expenditure per summary of operating cost by reporting segment	24,843	4,024	276	146	(2,242)	2	25	12	193	35	6	**27,320**
Less Capital DEL and AME expenditure	(9,640)	(474)	103	(3)	2,979	-	-	-	(25)	-	-	**(7,060)**
Total net operating costs by reporting segment	**15,203**	**3,550**	**379**	**143**	**737**	**2**	**25**	**12**	**168**	**35**	**6**	**20,260**
Reconciling items:												
Income												
Amortisation of Financial Guarantees	-	-	(9)	-	(20)	-	-	-	-	-	-	**(29)**
Launch investments realised and Venture Capital income	-	-	(107)	-	(17)	-	-	-	-	-	-	**(124)**
Postal Services Holdings net profit on disposal of Royal Mail plc	-	-	-	-	(304)	-	-	-	-	-	-	**(304)**
Non budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited	-	-	-	-	(292)	-	-	-	-	-	-	**(292)**
Expenditure												
Capital grants	917	364	59	-	123	-	-	-	-	-	-	**1,463**
Utilisation of Financial Guarantees	-	7	-	-	29	-	-	-	-	-	-	**36**
Impact of intra-Group transactions	-	-	-	-	-	-	-	-	(3)	-	-	**(3)**
Prior year adjustment	27	-	(20)	-	-	-	-	-	-	-	-	**7**
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure	**16,147**	**3,921**	**302**	**143**	**256**	**2**	**25**	**12**	**165**	**35**	**6**	**21,014**

	Total net expenditure per summary of operating cost by reporting segment £m	Less Capital DEL and AME expenditure £m	Total net operating cost by segment £m
2012-13 (restated)			
Knowledge & Innovation	20,450	(6,838)	**13,612**
Enterprise & Skills	3,878	(302)	**3,576**
Business & Local Growth	266	79	**345**
Economics & Markets	114	(1)	**113**
Shareholder Executive	1,209	(252)	**957**
Finance & Commercial	246	(55)	**191**
Others	80		**80**
Total net operating cost	**26,243**	**(7,369)**	**18,874**
Reconciling items:			
Income			
Amortisation of Financial Guarantees			**(27)**
Launch investments realised			**(109)**
Clawback income			**(2)**
Non budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited			**(383)**
Expenditure			
Capital grants			**808**
Utilisation of Financial Guarantees			**56**
Current grants			**1**
Impact of intra-Group transactions			**(1)**
Adjustments for bodies not consolidated			**(1)**
Adjustments for bodies with different reporting dates			**3**
Share of profit/loss of joint ventures & associates			**8**
Prior year adjustments			**(225)**
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure			**19,002**

3. Staff numbers and related costs

Staff costs comprise:

					2013-14	2012-13 restated
					£'000	£'000
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total
Wages and salaries	802,719	87,396	237	133	890,485	882,638
Social security costs	67,774	238	24	14	68,050	66,911
Other pension costs	160,209	212	1	-	160,422	145,919
Sub total	**1,030,702**	**87,846**	**262**	**147**	**1,118,957**	**1,095,468**
Less recoveries in respect of outward secondments	(1,445)	-	-	-	(1,445)	(1,690)
Total net costs	**1,029,257**	**87,846**	**262**	**147**	**1,117,512**	**1,093,778**
Of which:						
Core Department	**176,753**	**5,863**	**262**	**147**	**183,025**	**178,099**
Agencies	**73,817**	**5,370**	**-**	**-**	**79,187**	**78,593**
NDPBs and other designated bodies	**778,687**	**76,613**	**-**	**-**	**855,300**	**837,086**
Total net costs	**1,029,257**	**87,846**	**262**	**147**	**1,117,512**	**1,093,778**
Of which:			2013-14			2012-13 restated
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Admin	**178,160**	**188,662**	**404,571**	**173,875**	**183,523**	**408,095**
Programme	**4,865**	**73,550**	**712,941**	**4,224**	**73,169**	**685,683**
Total net costs	**183,025**	**262,212**	**1,117,512**	**178,099**	**256,692**	**1,093,778**

During the year, £8,373,441 of staff costs were capitalised (2012-13: £7,000,325) and 200 employees (2012-13: 167 employees) in the Departmental Group were engaged on capital projects during the reporting period.

Staff costs include an accrual for holiday pay in accordance with IAS 19.

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit Scheme, but the participating employers within the Departmental Group are unable to identify their share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013-14, employer contributions of £56,603,362 were payable to the PCSPS (2012-13: £56,584,321) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (2012-13: 16.7% to 24.3%). The employer contributions payable to the PCSPS were split across the Group as follows:

	2013-14	2012-13
	£	£
Core Department	25,963,472	25,093,755
Agencies	10,894,290	11,449,118
NDPBs and other designated bodies	19,745,600	20,041,448
Total	**56,603,362**	**56,584,321**

The Scheme's Actuary reviews employer contributions usually every four years following a full Scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £748,644 (2012-13: £647,470) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £9,097, 0.8% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at 31 March 2014 were £11,944. Contributions prepaid at that date were £38,874.

In 2013-14, 4 (2012-13: 3) individuals across the Departmental Group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £62,990 (2012-13: £1,635).

Across the Departmental Group, 7,812 persons (2012-13: 8,285 persons) contributed to the PCSPS.

Other Pension Schemes

Employer contributions to other pension schemes in the year amounted to £106,704,005 (2012-13: £88,760,198). Employer contributions include employers' contributions, current service costs and where appropriate past service costs of funded pension schemes. Further details can be found in the accounts of the Department's NDPBs and other designated bodies. A list of these bodies is provided in Note 30.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as shown in the table below.

Number of staff by Group					2013-14	2012-13 restated
	Permanent employed staff	Others	Ministers	Special Advisers	Total	Total
Knowledge & Innovation	12,752	1,404	-	-	**14,156**	**14,376**
Government Office for Science	60	5	-	-	**65**	**81**
Business & Local Growth	704	96	-	-	**800**	**1,095**
Legal	159	3	-	-	**162**	**162**
Economics & Markets	1,199	56	-	-	**1,255**	**1,862**
Enterprise & Skills	3,272	109	-	-	**3,381**	**5,083**
Shareholder Executive	1,982	183	-	-	**2,165**	**192**
Office of Manpower Economics	30	1	-	-	**31**	**27**
UKTI	500	17	-	-	**517**	**587**
Ministerial and Parliamentary Support Team	106	3	6	4	**119**	**127**
People & Strategy	218	15	-	-	**233**	**233**
Finance & Commercial	1,036	61	-	-	**1,097**	**295**
Total	**22,018**	**1,953**	**6**	**4**	**23,981**	**24,120**
Of which:						
Core Department	2,825	176	6	4	**3,011**	**3,279**
Agencies	1,926	155	-	-	**2,081**	**2,224**
NDPBs and other designated bodies	17,267	1,622	-	-	**18,889**	**18,617**
Total	**22,018**	**1,953**	**6**	**4**	**23,981**	**24,120**

During the year a reorganisation of groups took place, which resulted in responsibilities for partner organisations being reassigned. The key components of this reorganisation were the movement of the Insolvency Service (1,958 staff) from Enterprise and Skills to the Shareholder Executive, and of UK SBS (848 staff) from Knowledge and Innovation to Finance and Commercial.

3.1 Reporting of Civil Service and other compensation schemes – exit packages

Exit packages: Departmental Group

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2013-14	2012-13 restated	2013-14	2012-13 restated	2013-14	2012-13 restated
Less than £10,000	13	65	59	74	72	139
£10,000 – £25,000	19	81	198	155	217	236
£25,000 – £50,000	14	53	219	214	233	267
£50,000 – £100,000	7	14	153	130	160	144
£100,000 – £150,000	-	2	40	38	40	40
£150,000 – £200,000	-	-	4	9	4	9
More than £200,000	1	1	2	4	3	5
Total number of exit packages	**54**	**216**	**675**	**624**	**729**	**840**
Of which:						
Core Department	-	1	36	98	36	99
Agencies	1	-	169	91	170	91
NDPBs and other designated bodies	53	215	470	435	523	650
Total number of exit packages	**54**	**216**	**675**	**624**	**729**	**840**
Total cost (£)	**1,662,535**	**5,067,042**	**27,937,993**	**28,065,471**	**29,600,528**	**33,132,513**
Of which:						
Core Department	-	11,500	1,390,261	5,331,452	1,390,261	5,342,952
Agencies	12,831	-	6,149,864	4,033,030	6,162,695	4,033,030
NDPBs and other designated bodies	1,649,704	5,055,542	20,397,868	18,700,989	22,047,572	23,756,531
Total	**1,662,535**	**5,067,042**	**27,937,993**	**28,065,471**	**29,600,528**	**33,132,513**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure: based on expected payments in that financial year. Where the Departmental Group has agreed early retirements, the additional costs are met by the Departmental Group and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

4. Other Administration Costs

	2013-14 £'000			2012-13 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Rentals under operating leases:						
Plant and machinery	594	644	1,099	739	821	1,380
Other	19,053	19,621	22,915	17,282	18,315	27,396
PFI service charges	-	929	929	-	937	937
Accommodation	33,474	34,140	46,882	33,321	34,513	51,383
Interest charges	-	-	-	1	1	59
Bank charges	17	25	589	19	24	521
Professional services	3,842	4,124	8,708	7,124	7,295	11,088
Consultancy	11,816	13,138	22,568	9,828	10,020	22,828
Finance and HR services	56,830	56,854	4,927	15,112	15,561	1,788
IT support	24,364	25,883	66,373	27,811	28,969	65,212
Training and other staff costs	5,986	6,123	14,111	4,710	4,893	16,506
Severance payments	750	749	14,999	3,503	3,503	5,604
Travel and subsistence	7,055	7,698	17,681	7,188	7,854	17,198
Telecommunications services	1,547	1,723	11,829	1,651	1,834	10,021
Advertising and publicity	1,010	1,100	3,781	896	937	4,199
Research and development	223	223	594	407	407	451
Auditors' remuneration and expenses	-	-	1,292	-	-	1,480
Other	4,813	5,473	27,249	5,781	6,238	18,414
	171,374	**178,447**	**266,526**	**135,373**	**142,122**	**256,465**
Non-cash expenditure	23,028	24,405	54,403	15,066	16,313	60,792
Total other administration costs	**194,402**	**202,852**	**320,929**	**150,439**	**158,435**	**317,257**

Non-cash expenditure is analysed as follows:

		2013-14 £'000			2012-13 restated £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Depreciation	8	11,224	11,526	18,056	10,521	11,084	16,836
Amortisation	10	1,037	1,969	33,305	1,091	1,636	28,880
Impairment of property plant and equipment		-	-	(41)	1,189	1,189	1,146
Impairment of investments		9,867	9,867	2	1,071	1,071	-
Impairment of intangible assets		-	-	2,720	-	-	3,966
Impairment of inventories		-	-	3	-	-	-
Revaluation of property, plant and equipment		-	-	(278)	-	-	346
Revaluation of intangible assets		-	-	(10)	-	-	-
Revaluation of other investments & financial assets		-	-	-	-	-	(24)
Profit on disposal of property, plant and equipment		-	-	-	-	-	(1)
Loss on disposal of property, plant and equipment		-	-	81	445	445	602
Loss on disposal of intangibles		136	136	136	-	-	7,999
Loss on disposal of assets held for sale		-	-	-	-	-	4
Loss on sale of investments		-	-	(10)	-	-	-
Share of profit/loss of joint ventures and associates		-	-	-	-	-	(97)
Auditors' remuneration and expenses		764	907	1,057	714	853	1,013
Specific bad debt write off		-	-	(105)	35	35	122
Movement in provision for bad debts		-	-	(61)	-	-	-
Provisions:							
Provided for/(released) in year		-	-	(452)	-	-	-
Total non-cash expenditure		**23,028**	**24,405**	**54,403**	**15,066**	**16,313**	**60,792**

Administration costs reflect the costs of running the Departmental Group, as defined under the Administration Cost Control Regime.

Auditors' remuneration

Core Department

During the year the Core Department did not purchase any non-audit services from its auditor, the National Audit Office. The non-cash auditors' remuneration of £764,000 (2012-13 restated: £714,000) comprises £750,000 (2012-13: £700,000) for the cost of the audit of the Departmental Group accounts and £14,000 (2012-13: £14,000) for the audit of the UK Atomic Energy Authority Pension Scheme Accounts.

Agencies

During the year the Agencies did not purchase any non-audit services from their auditor, the National Audit Office. Details of the non-cash auditors' remuneration of £142,500 (2012-13: £139,000) can be found in the accounts of the individual agencies.

NDPBs and other designated bodies

The non-cash auditors' remuneration of £150,000 (2012-13: £160,000) relates to the statutory audit of the Skills Funding Agency.

The cash remuneration of £1,292,274 (2012-13 restated: £1,480,345) relates to the statutory audit of NDPBs and other designated bodies. Of this amount, £1,179,332 (2012-13: £1,325,943) was payable to the NAO and £112,942 (2012-13 restated: £154,402) was payable to auditors other than the NAO. In 2013-14 no amount was payable to the NAO (2012-13: £3,000) and £78,696 was payable to auditors other than the NAO (2012-13: £74,954) for non-audit services. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

5. Programme Costs

	Note	2013-14 £'000			2012-13 restated £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Grant in aid		13,612,202	13,612,202	-	14,003,179	14,003,179	-
EU grant expenditure		-	-	136,114	-	-	134,748
Other grants		2,519,329	2,661,354	15,009,921	2,247,661	2,287,249	14,812,048
Redundancy Payments Service		316,071	316,071	316,071	415,257	415,257	415,257
Subsidies to other bodies		349,798	349,798	349,798	350,200	350,200	350,200
Equipment support for Public Weather service and Polar satellite		83,948	83,948	83,948	75,870	75,870	75,870
CITB training costs		-	-	36,519	-	-	31,451
Outsourced Programme Management		23,023	23,028	23,505	34,937	35,161	35,361
Paternity and adoption pay		62,000	62,000	62,000	38,807	38,807	38,807
Investigation costs		-	9,956	10,151	-	11,579	11,973
Purchase of geographic and mapping information		75,055	75,055	75,055	79,224	79,224	79,224
International subscriptions		10,012	183,953	331,798	9,158	199,676	343,082
Interest on NLF loans on-lent to Royal Mail Holdings plc	7	15,659	15,659	15,659	29,958	29,958	29,958
Commitment fees on NLF loan on-lent to Royal Mail Holdings plc	7	2,267	2,267	2,267	4,822	4,822	4,822
Research and development		11,348	66,820	161,963	7,874	63,608	153,499
Severance payments		376	6,519	15,093	1,740	5,638	20,591
IT costs		6,419	9,256	74,523	6,061	8,521	88,775
PFI service charges		-	3,782	3,782	-	3,798	3,798
Advertising and publicity		8,774	8,993	22,646	1,541	1,812	14,101
Consultancy		9,459	10,678	41,347	3,586	4,004	48,658
Accommodation		4,877	17,809	114,768	3,890	13,836	137,655
Net (gain)/loss on foreign exchange		(55)	(1,224)	8,134	198	241	34,161
Losses and compensation		109,002	110,408	110,436	351	493	608
Charges under finance leases		-	-	728	-	-	824
Auditors' remuneration		-	-	325	-	-	273
Rental under operating leases – plant and machinery		-	288	2,081	-	315	1,798
Rental under operating leases – other		3,470	8,799	29,392	(11)	4,893	4,893
Sponsorship		25,970	26,133	28,987	12,184	12,251	15,539
Enforcement		8,594	7,994	8,692	8,949	8,399	8,407
Administration of grants and awards		42,717	42,717	43,660	28,312	28,312	32,416
Contributions to other programmes		37,421	37,666	37,676	14,935	15,168	14,998
Project management costs		958	958	21,228	1,523	1,523	21,547
Fund management fees		132	132	36,380	49	49	44,441
Purchase of scientific equipment		35	1,255	6,312	-	896	28,231
Travel and subsistence		578	1,790	36,032	543	1,692	42,752
Other		12,559	13,924	239,863	9,324	12,096	203,691
		17,351,998	**17,769,988**	**17,496,854**	**17,390,122**	**17,718,527**	**17,284,457**
Non-cash expenditure		6,214,134	6,197,683	6,054,465	3,681,037	3,715,799	3,996,165
Total other programme costs		**23,566,132**	**23,967,671**	**23,551,319**	**21,071,159**	**21,434,326**	**21,280,622**

Programme costs reflect non-administration costs, including payment of grant-in-aid, grants and other disbursements in support of policy initiatives.

Core Department

Redundancy Payments Scheme

The Core Department is responsible for the approval and processing of claims under the Redundancy Payment Scheme (RPS), which is financed from the National Insurance Fund. Redundancy payments are made from the National Insurance Fund to employees whose employers have failed to make payments due or who were insolvent. The scheme is administered by the Insolvency Service who have a service level agreement with HM Revenue and Customs. Claims processed under the Scheme fall into two categories: RP1 (which covers redundancy pay, holiday pay and arrears of pay) and RP2 (pay in lieu of notice). The average payment for RP1 during 2013-14 was £3,410 (2012-13: £1,529). An average amount of £1,334 was paid during 2013-14 for RP2 (2012-13: £1,301).

There is associated income related to this Scheme arising from two sources:

- Solvent Recovery – where monies are recovered over a period of up to three years from companies, setting up a standing order, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time; and
- Insolvent Recovery – the Core Department becomes a creditor receiving a dividend if there are sufficient funds on the winding up of the company.

Expenditure in respect of RPS in 2013-14 totalled £355 million (2012-13: £453 million) against income of £39 million (2012-13: £38 million), the net of which is disclosed in this note. The net amount totalled £316 million (2012-13: £415 million).

NDPBs and other designated bodies

Auditors' remuneration

The cash remuneration of £324,847 (2012-13: £272,749) relates to the statutory audit of NDPBs and other designated bodies. £229,211 (2012-13: £212,127) was payable to the NAO and £95,636 (2012-13: £60,622) was payable to auditors other than the NAO.

During the reporting period £1,000 (2012-13: £2,261) was payable to the NAO and £21,300 (2012-13: £26,571) was payable to auditors other than the NAO, in respect of non-audit work. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

Non-cash expenditure is analysed as follows:

				2013-14 £'000			2012-13 restated £'000
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Depreciation	8	6,240	17,145	188,753	6,745	15,651	180,868
Amortisation	10	-	1,106	27,221	-	1,535	24,317
Revaluation of assets:							
Property, plant and equipment		-	-	2,051	-	-	(6,328)
Intangible assets		-	-	32	-	-	-
Investment properties	9	-	-	(59,152)	-	-	(9,741)
Assets held for sale		-	-	-	-	-	48
Other investments and financial assets		(19,289)	(19,289)	15,199	8,311	8,311	215,564
Unrealised net loss/(gain) on foreign exchange		-	-	82,458	-	-	(5,162)
Profits on disposal of assets:							
Property, plant and equipment		(448)	(446)	(3,358)	-	-	(557)
Investment property		-	-	(19,758)	-	-	-
Other investments		(11,725)	(11,725)	(731,833)	(63)	(63)	(350,287)
Losses on disposal of assets:							
Property, plant and equipment		-	-	1,188	-	5,197	8,253
Investment property		-	-	-	-	-	1,724

	Note			2013-14 £'000			2012-13 restated £'000
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Other investments		-	-	239,887	3,881	3,881	176,648
Impairment of assets:							
Property, plant and equipment		-	1,432	4,859	375	1,864	39,151
Investments		55,186	55,186	56,610	14,778	14,778	17,424
Assets held for sale		-	-	45	-	-	-
Inventories		-	-	-	258	258	258
Interest on pension liabilities		-	-	2,364	-	-	(16,309)
Bad debt write off/(write back)		2,562	(15,616)	(4,694)	244	4,832	17,229
Movement in bad debt provision		(21,134)	(20,610)	(27,980)	7,224	7,602	24,001
Movement in bad debt provision for student grants		36,688	36,688	36,688	27,971	27,971	27,971
Movement in minority interest		-	-	(455)	-	-	(2,947)
Student loans:							
Policy write-off impairment charge for year	14	4,270,366	4,270,366	4,270,366	2,380,448	2,380,448	2,380,448
Amortisation of loans issued	14	1,902,308	1,902,308	1,902,308	1,538,845	1,538,845	1,538,845
Tuition fee loan accrual adjustment		-	-	-	(486,135)	(486,135)	(486,135)
HMRC employer recoveries written off	25	406	406	406	310	310	310
FE loans:							
Amortisation of loans issued	14	5,107	5,107	5,107	-	-	-
Financial guarantee premium income:							
Movement in bad debt provision		3,692	3,692	3,692	4,148	4,148	4,148
Student loan debt sale subsidy:							
Unwinding of discount	23	5,545	5,545	5,545	4,787	4,787	4,787
Provided for/(released)	23	(6,058)	(6,058)	(6,058)	33,071	33,071	33,071
Provisions:							
Unwinding of discount	20	2,313	4,188	10,139	14,341	15,735	23,692
Changes in price level	20	(4,489)	(4,489)	922	79,005	80,803	74,811
Provided for/(released)	20	(23,047)	(37,164)	38,900	19,697	29,174	48,984
Financial guarantees:							
Provided for/(released)		9,911	9,911	13,013	22,796	22,796	31,079
Total non-cash expenditure		**6,214,134**	**6,197,683**	**6,054,465**	**3,681,037**	**3,715,799**	**3,996,165**

6. Non-operating gains and losses

Core Department

At 31 March 2014 the Core Department transferred its interest in the EUMETSAT Polar satellite to the Met Office. Further explanation is provided in note 8.

The following assets were transferred into the Department in the prior year:

- The lease on 21 Bloomsbury Street, from INSS, together with their capital leasehold improvements. The transfer was eliminated on consolidation.
- Three development park assets comprising land and buildings were transferred to BIS from the Homes and Communities Agency (HCA).

NDPBs and other designated bodies

In the prior year, under the provision of the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "Assets Transfer Order"), £29 billion of RMPP assets transferred into BIS (Postal Services Act 2011) Company Limited and BIS (Postal Services Act 2011) B Company Limited.

7. Income

	Note	2013-14 £'000			2012-13 restated £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Administration Income:							
Fees and charges from external customers:							
Recoveries of conference and catering costs		1,542	1,456	1,241	1,360	1,352	1,401
Fee income		721	10,380	10,984	445	9,304	9,706
Receipts for legal services		2,110	2,106	2,106	2,946	2,879	2,879
Other recoveries		5,921	5,906	7,268	1,860	1,750	8,739
Other fees and charges receivable from central Government organisations		32,419	30,378	30,093	29,453	27,952	29,621
Sale of goods and services		22	22	5,766	-	-	4,805
Admin grant funding from devolved administrations		10,384	10,384	10,386	7,724	7,724	7,724
Bank interest		-	-	396	9	9	871
Other administration income		135	128	3,060	2,328	2,266	8,735
Levy income		2,045	2,045	2,045	-	-	-
Total Administration income		***55,299***	***62,805***	***73,345***	***46,125***	***53,236***	***74,481***
Programme Income:							
Funding from other Government Departments for:							
UKCES		936	936	936	1,037	1,037	1,037
European Union funding		114	114	187,020	6,643	6,643	173,137
Skills Funding Agency		728,565	728,565	728,565	683,805	683,805	683,805
Other income from other Government Departments		195,661	195,381	263,097	107,270	107,270	107,270
Programme fee income		-	-	15,497	-	-	117,324
Recovery of grants		4,380	4,380	5,158	340	340	4,363
Pension contributions		-	-	96	-	-	-
Investment property rental income		33	33	20,703	28	28	40,771
Sales of goods and services		1	1	258,550	-	-	228,432
Levy income		-	-	196,599	-	-	191,252
CITB awarding body Income		-	-	35,377	-	-	32,919
Voluntary income (donations)		-	-	-	-	-	1,065
Grants recorded as income (from the public sector)		-	-	1,500	-	-	10,041
Grants recorded as income (from the private sector):		116	116	38,382	-	-	64,501
EHL dividend		76,006	76,006	-	51,052	51,052	-
Public Dividend Capital dividends		39,407	39,407	39,407	35,591	35,591	35,591
Special dividends		3,205,793	3,205,793	-	-	-	-
Other dividend income		-	-	179,409	-	-	61,549
Bank interest		-	-	1,008	-	-	223,310
Interest received on loans		191	191	191	816	816	816
Interest received from private and voluntary sector		2,016	2,016	89,485	836	836	197,098
Other interest receivable		2	2	2	-	-	-
INSS receipts		-	61,426	61,426	-	68,915	68,915
NPL rental income		-	12,168	12,168	-	11,746	11,746
Other rental income		-	-	2,206	-	-	3,859
Student grant recoveries		66,501	66,501	66,505	48,811	48,811	48,811

	Note	2013-14 £'000			2012-13 restated £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Consumer Futures Recoveries		5,629	5,629	5,629	6,040	6,040	6,040
Interest received on NLF loan on-lent to PSH Company Limited	5	15,659	15,659	15,659	29,958	29,958	29,958
Commitment fees received for NLF loan on-lent to PSH Company Limited	5	2,267	2,267	2,267	4,822	4,822	4,822
Income from property related holdings		6	6	18,419	-	-	22,076
Other income		10,791	16,146	75,049	20,341	23,789	24,369
Programme income excluding non cash		***4,354,074***	***4,432,743***	***2,320,310***	***997,390***	***1,081,499***	***2,394,877***
Non cash:							
Student loans capitalised interest	14	987,120	987,120	987,120	664,252	664,252	664,252
Launch investment income realised		106,733	106,733	106,733	108,984	108,984	108,984
Venture Capital income realised		16,613	16,613	16,613	-	-	-
Amortisation of financial guarantees	22	29,294	29,294	29,294	26,536	26,536	26,536
Effective interest – launch investments	14	63,916	63,916	63,916	61,696	61,696	61,696
Effective interest – student loans	14	340,504	340,504	340,504	302,791	302,791	302,791
SFLG/EFG – Unwinding discount		1,259	1,259	1,259	1,483	1,483	1,483
Effective interest – fee income (INSS)		-	234	234	-	1,094	1,094
Other non cash income		14	14	4,416	-	-	2,674
Release from reserves		-	-	1,088	-	-	(171)
Interest receivable from Royal Mail shareholder loan		30,604	30,604	30,604	50,966	50,966	50,966
Non-cash programme income		***1,576,057***	***1,576,291***	***1,581,781***	***1,216,708***	***1,217,802***	***1,220,305***
Total programme income		***5,930,131***	***6,009,034***	***3,902,091***	***2,214,098***	***2,299,301***	***3,615,182***
Total operating income		**5,985,430**	**6,071,839**	**3,975,436**	**2,260,223**	**2,352,537**	**3,689,663**

Dividend income for 2013-14 relating to Public Dividend Capital includes dividends from UKIPO, Ordnance Survey, Met Office and Companies House. The Department's share of net assets and results of these bodies is shown in note 13.3.

Other dividend income includes amounts due from URENCO to Enrichment Holdings Limited (EHL) prior to it being paid over to the Core Department. Two dividends were recognised during the year: one in respect of 2012-13, and one in respect of 2013-14. This is due to timing of the announcements of dividends payable.

A special dividend of £3.2 billion was received from Postal Services Holding Company Limited during the year, following the disposal of 70% of its shareholding in Royal Mail plc. This dividend comprised the sales proceeds of £1.95 billion, and a balance of £1.25 billion held in a custodian account at the start of the year. As the dividend was paid to the Department from an entity within the Departmental Group, it eliminates on consolidation.

This is recognised as a special dividend in accordance with the Consolidated Budgeting Guidance, as the level of withdrawal from Postal Services Holdings Company Limited was greater than the limits set by the guidance for recognition as a normal dividend.

8. Property, plant and equipment

2013-14	Land £'000	Freehold Buildings £'000	Dwellings £'000	Leasehold Improvements £'000	Information Technology £'000	Plant and Machinery £'000	Furniture, Fixtures and Fittings £'000	Transport Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation (restated)										
Restated balance at 1 April 2013	298,477	1,771,780	31,673	65,485	251,330	1,681,190	29,893	235,343	373,664	4,738,835
Additions	5,950	7,023	-	4,806	22,660	40,852	1,644	12,409	152,281	247,625
Disposals	(1,931)	(89,168)	-	(121)	(76,907)	(58,450)	(2,489)	(39,414)	-	(268,480)
Impairments	1,036	(5,222)	-	1	(933)	(35,824)	(340)	(1,334)	1	(42,615)
Transfers from/(to) other bodies	-	-	-	-	75	(92,725)	-	-	-	(92,650)
Reclassifications	(27,893)	12,810	-	830	28,164	48,970	219	71,097	(164,696)	(30,499)
Revaluations	15,593	72,699	1,914	(429)	(853)	71,260	(20)	21,555	(47)	181,672
At 31 March 2014	**291,232**	**1,769,922**	**33,587**	**70,572**	**223,536**	**1,655,273**	**28,907**	**299,656**	**361,203**	**4,733,888**
Depreciation (restated)										
Restated balance at 1 April 2013	(4,893)	(709,629)	(294)	(22,277)	(157,889)	(905,594)	(21,347)	(154,384)	-	(1,976,307)
Charged in year	(69)	(50,268)	(53)	(6,485)	(40,708)	(94,843)	(2,766)	(11,617)	-	(206,809)
Disposals	-	68,719	-	103	76,411	47,060	2,047	39,178	-	233,518
Impairments	-	2,058	-	-	635	7,839	154	262	-	10,948
Transfers (from)/to other bodies	-	-	-	-	-	46,647	-	-	-	46,647
Reclassifications	-	1,881	(1,094)	(480)	166	318	-	-	-	791
Revaluations	1,950	(20,768)	318	(5)	540	(43,383)	14	(8,373)	-	(69,707)
At 31 March 2014	**(3,012)**	**(708,007)**	**(1,123)**	**(29,144)**	**(120,845)**	**(941,956)**	**(21,898)**	**(134,934)**	**-**	**(1,960,919)**
Carrying amount at 31 March 2014	**288,220**	**1,061,915**	**32,464**	**41,428**	**102,691**	**713,317**	**7,009**	**164,722**	**361,203**	**2,772,969**
Carrying amount at 31 March 2013	**293,584**	**1,062,151**	**31,379**	**43,208**	**93,441**	**775,596**	**8,546**	**80,959**	**373,664**	**2,762,528**
Asset financing:										
Owned	276,358	1,061,915	32,464	41,428	102,691	713,317	7,009	160,055	360,177	2,755,414
Finance leased	11,862	-	-	-	-	-	-	4,667	-	16,529
On balance sheet (SoFP) PFI and other service concession arrangements	-	-	-	-	-	-	-	-	1,026	1,026
Carrying amount at 31 March 2014	**288,220**	**1,061,915**	**32,464**	**41,428**	**102,691**	**713,317**	**7,009**	**164,722**	**361,203**	**2,772,969**
Of the total:										
Core Department	30,479	2,913	-	30,285	7,896	59	835	-	24,575	97,042
Agencies	17,563	95,809	-	442	4,949	75,755	144	3	2,734	197,399
NDPBs and other designated bodies	240,178	963,193	32,464	10,701	89,846	637,503	6,030	164,719	333,894	2,478,528
Carrying amount at 31 March 2014	**288,220**	**1,061,915**	**32,464**	**41,428**	**102,691**	**713,317**	**7,009**	**164,722**	**361,203**	**2,772,969**

2012-13	Land £'000	Freehold Buildings £'000	Dwellings £'000	Leasehold Improvements £'000	Information Technology £'000	Plant and Machinery £'000	Furniture, Fixtures and Fittings £'000	Transport Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2012	212,570	1,544,493	38,876	28,906	187,887	1,550,348	34,440	242,736	674,525	4,514,781
Transfer in/(out) of boundary	-	-	-	-	(469)	7,914	(2,840)	-	-	4,605
Restated balance at 1 April 2012	212,570	1,544,493	38,876	28,906	187,418	1,558,262	31,600	242,736	674,525	4,519,386
Additions	23	3,252	-	6,666	11,313	45,507	1,699	2,529	148,721	219,710
Disposals	-	(16,464)	-	(2,348)	(25,637)	(30,394)	(2,440)	(15,349)	(77)	(92,709)
Impairments	(6,652)	(57,279)	-	-	40	(2,925)	(188)	-	(1,189)	(68,193)
Transfers from/(to) other bodies	-	-	-	-	(15)	-	(15)	-	-	(30)
Reclassifications	80,988	246,274	(8,453)	32,075	64,807	40,034	(903)	3,934	(451,741)	7,015
Revaluations	11,548	51,504	1,250	186	13,404	70,706	140	1,493	3,425	153,656
At 31 March 2013	**298,477**	**1,771,780**	**31,673**	**65,485**	**251,330**	**1,681,190**	**29,893**	**235,343**	**373,664**	**4,738,835**
Depreciation										
At 1 April 2012	(6,214)	(682,568)	(4,689)	(11,303)	(136,777)	(817,574)	(23,603)	(156,267)	-	(1,838,995)
Transfer (in)/out of boundary	-	-	-	-	395	(4,845)	1,701	-	-	(2,749)
Restated balance at 1 April 2012	(6,214)	(682,568)	(4,689)	(11,303)	(136,382)	(822,419)	(21,902)	(156,267)	-	(1,841,744)
Charged in year	(243)	(41,750)	-	(7,102)	(31,027)	(105,660)	(3,031)	(8,891)	-	(197,704)
Disposals	-	9,201	-	1,882	25,351	28,804	2,248	13,641	-	81,127
Impairments	-	26,097	-	-	-	1,586	105	-	-	27,788
Reclassifications	1,105	-	4,395	(5,686)	(8,436)	15,152	1,324	(2,396)	-	5,458
Revaluations	459	(20,609)	-	(68)	(7,395)	(23,057)	(91)	(471)	-	(51,232)
At 31 March 2013	**(4,893)**	**(709,629)**	**(294)**	**(22,277)**	**(157,889)**	**(905,594)**	**(21,347)**	**(154,384)**	**-**	**(1,976,307)**
Carrying amount at 31 March 2013	**293,584**	**1,062,151**	**31,379**	**43,208**	**93,441**	**775,596**	**8,546**	**80,959**	**373,664**	**2,762,528**
Carrying amount at 1 April 2012	**206,356**	**861,925**	**34,187**	**17,603**	**51,036**	**735,843**	**9,698**	**86,469**	**674,525**	**2,677,642**
Asset financing:										
Owned	280,396	1,062,151	31,379	43,208	93,441	775,596	8,546	64,565	372,638	2,731,920
Finance leased	13,188	-	-	-	-	-	-	16,394	-	29,582
On balance sheet (SoFP) PFI and other service concession arrangements	-	-	-	-	-	-	-	-	1,026	1,026
Carrying amount at 31 March 2013	**293,584**	**1,062,151**	**31,379**	**43,208**	**93,441**	**775,596**	**8,546**	**80,959**	**373,664**	**2,762,528**
Of the total:										
Core Department	27,908	2,900	-	33,419	7,592	52,364	1,068	-	15,090	140,341
Agencies	9,302	101,398	-	-	1,309	75,330	134	4	2,364	189,841
NDPBs and other designated bodies	256,374	957,853	31,379	9,789	84,540	647,902	7,344	80,955	356,210	2,432,346

2012-13	Land	Freehold Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carrying amount at 31 March 2013	**293,584**	**1,062,151**	**31,379**	**43,208**	**93,441**	**775,596**	**8,546**	**80,959**	**373,664**	**2,762,528**
Carrying amount at 1 April 2012	**206,356**	**861,925**	**34,187**	**17,603**	**51,036**	**735,843**	**9,698**	**86,469**	**674,525**	**2,677,642**
Of the total:										
Core Department	-	-	-	14,326	10,046	59,142	1,402	-	27,949	112,865
Agencies	9,302	97,903	-	-	2,016	74,409	133	1	785	184,549
NDPBs and other designated bodies	197,054	764,022	34,187	3,277	38,974	602,292	8,163	86,468	645,791	2,380,228
Carrying amount at 1 April 2012	**206,356**	**861,925**	**34,187**	**17,603**	**51,036**	**735,843**	**9,698**	**86,469**	**674,525**	**2,677,642**

PPE held by the Core Department

Included within Assets Under Construction is IT equipment relating to the Department's new IT management service, Evolve. BIS maintains control over the IT strategy and has agreed to contract out the different components of the IT infrastructure to a range of suppliers. These contractual obligations are included within the financial commitments in note 11.

On 31 March 2014 the Core Department transferred its interest in the EUMETSAT Polar satellite to the Met Office. The arrangement prior to this did not align benefits with financial obligations and was inconsistent with the treatment of other satellite programmes. The net book value on transfer was £46 million.

Land and Buildings

The professional valuations of land and buildings undertaken within the Departmental Group were prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (6th Edition) the 'Red Book'. Unless otherwise stated land and buildings are professionally revalued every five years and where appropriate, in the intervening period relevant indices are used. Valuations of assets held by the Core Department as at 31 March 2014 were undertaken by GVA Grimley Limited. Further information on asset valuations can be found in the notes of the individual bodies' financial statements.

9. Investment properties

	Note	£'000		
		Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April 2012		**-**	**-**	**41,287**
Additions		-	-	4,768
Disposals		-	-	(362,959)
Transfers		-	-	673,777
Revaluations	5	-	-	9,741
Balance at 31 March 2013		**-**	**-**	**366,614**
Additions		-	-	3,311
Disposals		-	-	(111,446)
Revaluations	5	-	-	59,152
Balance at 31 March 2014		**-**	**-**	**317,631**

NDPBs and other designated bodies

Investment properties are held by the BIS (Postal Services Act 2011) Company Limited, the UK Atomic Energy Authority and the Technology Strategy Board (TSB) either for rental yields or capital appreciation.

Details of independent valuations of other properties can be found in the notes of the individual bodies' financial statements.

The Departmental Group has adopted the fair value model in IAS 40, in accordance with the FReM.

BIS (Postal Services Act 2011) Company Limited

Disposals during the reporting period were valued at £111 million (2012-13: £363 million) with sale proceeds of £131 million (2012-13: £361 million) leading to a profit on disposal of £20 million (2012-13: loss of £2 million). The properties were independently valued in the year by professional valuers, CBRE. At 31 March 2014 the fair value of investment properties was £265 million (2012-13: £323 million) and the cumulative increase in fair value was £51 million (2012-13: £7 million). During the year, income of £18 million (2012-13: £38 million) was generated from these properties and expenses of £3 million (2012-13: £9 million) were incurred.

In 2013-14 all of BIS (Postal Services Act 2011) Company Limited's properties generated rental income. In 2012-13 one property, which was valued at £46 million, did not generate any rental income.

10. Intangible Assets

Consolidated 2013-14	Assets under Construction £'000	Information Technology £'000	Software Licences £'000	Website £'000	Development Expenditure £'000	Patents £'000	Total £'000
Cost or Valuation							
Restated balance at 1 April 2013	**14,922**	**186,267**	**24,268**	**429**	**1,764**	**221,702**	**449,352**
Additions	36,574	6,298	3,683	-	2,179	-	48,734
Disposals	-	(242)	(2,084)	-	-	-	(2,326)
Impairments	(2,588)	(1,718)	(1)	-	-	-	(4,307)
Reclassifications	(31,209)	29,557	98	409	-	-	(1,145)
Transfers in/(out)	-	241	(316)	-	-	-	(75)
Revaluations	-	-	(691)	-	-	(5,672)	(6,363)
At 31 March 2014	**17,699**	**220,403**	**24,957**	**838**	**3,943**	**216,030**	**483,870**
Amortisation							
Restated balance at 1 April 2013	**-**	**(97,905)**	**(15,885)**	**(201)**	**(1,660)**	**(140,698)**	**(256,349)**
Charged in year	-	(32,689)	(2,763)	(138)	(127)	(24,809)	(60,526)
Disposals	-	115	2,063	-	-	-	2,178
Impairments	-	1,595	(12)	2	-	-	1,585
Reclassifications	-	(15)	(2)	-	-	(1)	(18)
Transfers (in)/out	-	(37)	37	-	-	-	-
Revaluations	-	42	358	-	-	-	400
At 31 March 2014	**-**	**(128,894)**	**(16,204)**	**(337)**	**(1,787)**	**(165,508)**	**(312,730)**
Carrying amount at 31 March 2014	**17,699**	**91,509**	**8,753**	**501**	**2,156**	**50,522**	**171,140**
Carrying amount at 31 March 2013	**14,922**	**88,362**	**8,383**	**228**	**104**	**81,004**	**193,003**
Asset financing:							
Owned	17,699	91,509	8,753	501	2,156	50,522	171,140
Carrying amount at 31 March 2014	**17,699**	**91,509**	**8,753**	**501**	**2,156**	**50,522**	**171,140**
Of the total:							
Core Department	2,809	717	-	-	-	-	3,526
Agencies	522	4,956	557	-	-	-	6,035
NDPBs and other designated bodies	14,368	85,836	8,196	501	2,156	50,522	161,579
Carrying amount at 31 March 2014	**17,699**	**91,509**	**8,753**	**501**	**2,156**	**50,522**	**171,140**

Consolidated 2012-13	Assets under Construction £'000	Information Technology £'000	Software Licences £'000	Website £'000	Development Expenditure £'000	Patents £'000	Total £'000
Cost or Valuation							
At 1 April 2012 (restated)	10,647	196,026	23,524	295	1,764	263,013	495,269
Additions	19,407	293	3,426	46	-	-	23,172
Disposals	(2,010)	(19,601)	(3,078)	(29)	-	-	(24,718)
Impairments	-	(3,751)	(215)	-	-	-	(3,966)
Transfers in/(out)	(13,123)	13,255	(229)	116	-	-	19
Revaluations	-	46	840	-	-	(41,310)	(40,424)
At 31 March 2013	**14,921**	**186,268**	**24,268**	**428**	**1,764**	**221,703**	**449,352**
Amortisation							
At 1 April 2012 (restated)	-	(81,432)	(15,709)	(129)	(1,245)	(120,970)	**(219,485)**
Charged in year	-	(29,933)	(3,051)	(70)	(415)	(19,728)	**(53,197)**
Disposals	-	13,632	3,005	29	-	-	**16,666**
Transfers (in)/out	-	-	40	(29)	-	-	**11**
Revaluations	-	(172)	(172)	-	-	-	**(344)**
At 31 March 2013	**-**	**(97,905)**	**(15,887)**	**(199)**	**(1,660)**	**(140,698)**	**(256,349)**

Consolidated 2012-13	Assets under Construction £'000	Information Technology £'000	Software Licences £'000	Website £'000	Development Expenditure £'000	Patents £'000	Total £'000
Carrying amount at 31 March 2013	**14,921**	**88,363**	**8,381**	**229**	**104**	**81,005**	**193,003**
Carrying amount at 1 April 2012	**10,647**	**114,594**	**7,815**	**166**	**519**	**142,043**	**275,784**
Asset financing:							
Owned	14,921	88,363	8,381	229	104	81,005	193,003
Carrying amount at 31 March 2013	**14,921**	**88,363**	**8,381**	**229**	**104**	**81,005**	**193,003**
Of the total:							
Core Department	-	1,691	1,546	-	-	-	**3,237**
Agencies	973	6,794	672	-	-	-	**8,439**
NDPBs and other designated bodies	13,948	79,878	6,163	229	104	81,005	**181,327**
Carrying amount at 31 March 2013	**14,921**	**88,363**	**8,381**	**229**	**104**	**81,005**	**193,003**
Carrying amount at 1 April 2012	**10,647**	**114,594**	**7,815**	**166**	**519**	**142,043**	**275,784**
Of the total:							
Core Department	-	2,511	-	-	-	-	**2,511**
Agencies	4	8,391	361	-	-	-	**8,756**
NDPBs and other designated bodies	10,643	103,692	7,454	166	519	142,043	**264,517**
Carrying amount at 1 April 2012	**10,647**	**114,594**	**7,815**	**166**	**519**	**142,043**	**275,784**

All software licences are acquired separately. All intangible IT assets are internally generated.

Internally generated IT assets are initially classified as assets under construction and are not amortised until they are commissioned, at which time they are re-classified as IT.

11. Capital and other Commitments

11.1 Capital Commitments

	31 March 2014 £'000			31 March 2013 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Contracted capital commitments not otherwise included in these financial statements:						
Property, plant and equipment	1,016	3,937	289,800	2,657	2,657	439,678
Intangible assets	276	276	2,976	500	5,453	5,453
Investment properties	-	-	-	-	-	4,838
Investments	-	-	878,615	-	-	460,158
Total	**1,292**	**4,213**	**1,171,391**	**3,157**	**8,110**	**910,127**

Capital commitments as at 31 March 2014 include the following significant commitments:

- Property, plant and equipment commitments for Biotechnology and Biological Sciences Research Council (BBSRC) of £195 million (31 March 2013: £237 million), relating to commitments on capital projects at the BBSRC Institute sites, including the Pirbright Institute, for the next five years.
- Investment commitments of £720 million (31 March 2013: £262 million) for the Green Investment Bank (GIB), relating to investment contracts where the borrower or investee entity may draw down committed capital over the contracted period, and £159 million (31 March 2013: £198 million) for the BIS (Postal Services Act 2011) Company Limited, which has capital calls relating to investments in respect of its private equity financial instruments.

11.2 Commitments under leases

11.2.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2014 £'000			31 March 2013 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Obligations under operating leases comprise:						
Land:						
Not later than one year	-	18	22	-	18	54
Later than one year and not later than five years	-	3	17	-	3	3
Later than five years	-	25	182	-	25	25
	-	**46**	**221**	**-**	**46**	**82**
Buildings:						
Not later than one year	54,310	60,047	79,813	51,068	57,793	83,682
Later than one year and not later than five years	195,708	213,318	280,996	151,734	171,297	241,502
Later than five years	132,658	144,600	196,525	222,948	238,300	308,847
	382,676	**417,965**	**557,334**	**425,750**	**467,390**	**634,031**
Other:						
Not later than one year	186	201	1,778	188	505	2,092
Later than one year and not later than five years	694	709	1,802	525	641	2,345
Later than five years	321	321	321	-	-	-
	1,201	**1,231**	**3,901**	**713**	**1,146**	**4,437**

The Core Department is allowed to sub-lease and can assign leases, subject to the lease provisions. Further information about finance leases and sub-lease arrangements of the Agencies, NDPBs and other designated bodies can be found in the accounts of the relevant bodies.

11.2.2 Finance leases

Total future minimum lease payments under finance leases are given in the tables below for each of the following periods:

	31 March 2014 £'000			31 March 2013 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Obligations under finance leases comprise:						
Not later than one year	-	-	2,134	-	-	2,334
Later than one year and not later than five years	-	-	6,384	-	-	6,630
Later than five years	-	-	532	-	-	2,128
	-	**-**	**9,050**	**-**	**-**	**11,092**
Less: interest element	-	-	(1,666)	-	-	(2,328)
Present value of obligations	**-**	**-**	**7,384**	**-**	**-**	**8,764**

	31 March 2014 £'000			31 March 2013 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Present Value of obligations under finance leases comprise:						
Not later than one year	-	-	1,594	-	-	1,667
Later than one year and not later than five years	-	-	5,267	-	-	5,089
Later than five years	-	-	523	-	-	2,008
Total present value of obligations	**-**	**-**	**7,384**	**-**	**-**	**8,764**

11.3 Commitments under PFI contracts and other service concession arrangements

11.3.1 On-balance sheet (SoFP)

Agencies

The Insolvency Service entered into a contractual agreement in November 2012, for the provision of IT hardware, software and related services. The core contract value is £16 million and the estimated fair value of assets to be recognised as PPE over the term of the contract is £6 million. As at 31 March 2014 the total value of PPE recognised under the service concession arrangements was £3 million (31 March 2013: £1 million).

11.3.2 Charge to the Consolidated Statement of Comprehensive Net Expenditure

The total amount charged to the Consolidated Statement of Comprehensive Net Expenditure in respect of on-balance sheet PFI and service concession arrangements contracts in 2013-14 was £5 million (2012-13: £5 million). This relates to the service charge element of the INSS on-balance sheet IT contract referred to in 11.3.1 above. These charges are shown in notes 4 and 5.

11.4 Other financial commitments

The Departmental Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for subscriptions to international bodies and various other expenditures. The most significant payments to which the Departmental Group is committed during 2014-15, analysed by the period during which the commitments expire, are as follows:

	31 March 2014 £'000			31 March 2013 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Not later than one year	4,696	176,827	179,374	16,513	65,159	67,423
Later than one year and not later than five years	31,067	74,120	209,703	16,085	113,595	261,741
Later than five years	30,915	37,773	53,147	27,491	28,268	28,268
Total	**66,678**	**288,720**	**442,224**	**60,089**	**207,022**	**357,432**

11.4.1 International Subscriptions

The financial commitments in the above table include subscriptions paid to the following bodies:

Organisation	Note	Within 1 Year £'000	Later than 1 year and not later than 5 years £'000	Later than 5 Years £'000	Total 2013-14 £'000	Total 2012-13 restated £'000
World Trade Organisation (WTO)	a	-	-	5,340	5,340	5,919
EUMETSAT Polar Satellite Programme	b	-	-	7,272	7,272	7,727
European Space Agency	c	167,192	-	-	167,192	97,510
European Organisation for Nuclear Research (CERN)	d	-	105,565	-	105,565	106,542
European Southern Observatory Agency (ESO)	e	-	22,036	-	22,036	18,242
European Synchrotron Radiation Facility (ESRF)	f	-	7,982	-	7,982	7,955
Institut Laue-Langevin (ILL)	g	-	-	15,374	15,374	15,407
Total		**167,192**	**135,583**	**27,986**	**330,761**	**259,302**

Notes:

The Departmental Group is required to subscribe to the above bodies on an on-going and continuous basis. International subscriptions are paid in Euros, Swiss Francs, US dollars and pounds sterling. The subscriptions paid in Euros, Swiss Francs, and US dollars are subject to fluctuations due to exchange rate differences. The purpose of the subscription payable to each of these bodies is described below:

a) The Core Department is responsible for the payment of the UK's annual contribution to the World Trade Organisation (WTO), which deals with the global rules of trade between nations. Its main function is to ensure that international trade flows as smoothly, predictably and freely as possible. As a member of the WTO the UK, like other members, has a legal commitment to pay a contribution to the cost of running the WTO Secretariat, which is based in Geneva. The UK's share is calculated on the basis of our international trade in relation to the total international trade of all WTO members.

b) The Core Department is responsible for payment of the UK's contribution to the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT), which delivers weather and climate related satellite data. The UK is committed to the Polar Satellite Programme until its conclusion in 2023.

c) The UK Space Agency subscribes to the European Space Agency (ESA) programme. The UK shares research objectives with other European nations and collaborates with them to mitigate the high capital and running costs of facilities. There are agreements in place at national level to regulate annual contributions and the management of the facilities. These include a period of notice of withdrawal from the arrangement. ESA requires a 12 month notice period after the end of the current calendar year.

d) STFC shares the funding of the capital and running costs of CERN with other major scientific nations. There is a notice of withdrawal period of 12 months after the end of the current calendar year.

e) STFC shares the funding of the capital and running costs of the European Southern Observatory (ESO). There is a notice of withdrawal period of 12 months with effect from 1 July 2014.

f) The UK, through STFC, has signed up to International Conventions, with respect to European Synchrotron Radiation Facility (ESRF). The current ESRF will remain in force until 31 December 2016 and has a notice period of two years.

g) The UK, through STFC, has signed up to International Conventions, with respect to Institut Laue-Langevin (ILL). The 4th protocol of the Intergovernmental Convention was signed in July 2013 and will remain in force until 31 December 2023.

11.4.2 Non-cancellable contracts

The amounts disclosed above include payments due in the next financial year under non-cancellable contracts to the following organisations:

Organisation	Note	Within 1 Year £'000	Later than 1 year and not later than 5 years £'000	Later than 5 Years £'000	Total 2013-14 £'000	Total 2012-13 restated £'000
Grant Thornton (Manufacturing Advisory Service)	a	-	15,485	-	15,485	15,485
EC Harris	b	-	5,584	-	5,584	-
Fujitsu (Elgar Services)	c	-	-	-	-	15,578
Honours Trustee Limited	d	-	-	5,098	5,098	4,866
Finance for Higher Education Limited	e	-	-	5,180	5,180	4,429
European Commission	f	-	-	6,858	6,858	-
NPL Management Limited (NPLM Ltd)	g	-	42,395	-	42,395	43,400
Total		**-**	**63,464**	**17,136**	**80,600**	**83,758**

Notes:

The Departmental Group has entered into non-cancellable contracts with the above bodies. Contracts are paid in Euros and pounds sterling. Where payments are made in Euros there are fluctuations due to exchange rate differences. The nature of the contracts with the above bodies is described below:

a) The Core Department has a performance based contract with Grant Thornton for delivery of the Manufacturing Advisory Service, targeted at SMEs, until 2015.

b) EC Harris is responsible for providing facilities management services across the BIS Estate through the Total Facilities Management Contract (TFM).

c) The Fujitsu Elgar services contract terminated on 31 March 2014, but was extended for three months to June 2014, pending full rollout of the new Evolve IT Services.

d) The Core Department has a contract with Honours Trustee Limited for the sale and administration of mortgage-style student loans. The contract expires in March 2029.

e) The Core Department has a contract with Finance for Higher Education for the sale and administration of mortgage-style student loans. The contract expires in March 2028.

f) The National Measurement Office (NMO) has a non-cancellable contract with the European Commission to support international metrology research and development projects and other activities, established through the European Metrology Programme for Innovation and Research (EMPIR) under Article 185 of the European Treaty. This is subject to the adoption of the decision of the European Parliament and of the Council on the participation of the EU in EMPIR.

g) NMO has a non-cancellable contract with NPLM Limited to operate the National Physical Laboratory and perform scientific metrology on the Teddington site.

11.4.3 Unquantifiable financial commitments

Since October 2003 the Core Department has made available to Post Office Limited a revolving loan facility of up to £1.15 billion. This is to help the company fund its daily in-branch working capital cash requirements needed to deliver services through the network, such as social benefits payments. The facility currently matures on 31 March 2018 and the outstanding balance of the loan at 31 March 2014 was nil (31 March 2013: £291 million).

12. Financial instruments

The carrying amounts of financial instruments in each of the IAS 39 categories are as follows:

		31 March 2014 £'000			31 March 2013 restated £'000			1 April 2012 restated £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Financial assets										
Loans and receivables:										
Cash and cash equivalents	18	730,129	800,588	1,567,050	610,348	660,082	2,833,333	415,657	482,533	1,126,538
Receivables		724,612	721,258	1,266,943	441,546	474,326	926,931	1,363,819	1,332,452	1,622,597
Student loans	14.1	33,313,621	33,313,621	33,313,621	30,695,562	30,695,562	30,695,562	28,068,877	28,068,877	28,068,877
Other loans		14,198	14,198	14,198	1,246,596	1,246,596	1,246,596	2,012,446	2,012,446	2,012,446
Other financial assets		66,745	66,745	318,228	9,283	9,283	142,378	5,353	5,353	80,680
Total loans and receivables		**34,849,305**	**34,916,410**	**36,480,040**	**33,003,335**	**33,085,849**	**35,844,800**	**31,866,152**	**31,901,661**	**32,911,138**
Available for Sale:										
Launch Investments	14.3	1,606,592	1,606,592	1,606,592	1,826,182	1,826,182	1,826,182	1,762,744	1,762,744	1,762,744
Venture Capital Funds (VCF) and Venture Capital Loan Funds (VCLF)	14.4	279,921	279,921	279,918	229,191	229,191	229,190	199,622	199,622	199,621
Ordinary Shares	13.1	1,080,726	1,080,726	725,854	957,493	957,493	2,039,332	773,573	773,573	1,196,432
Public Dividend Capital	13.2	115,081	115,081	115,081	115,081	115,081	115,081	115,081	115,081	115,081
Other financial assets		72,801	72,801	5,066,190	72,600	72,600	3,605,488	32,676	32,676	2,218,159
Total available for sale		**3,155,121**	**3,155,121**	**7,793,635**	**3,200,547**	**3,200,547**	**7,815,273**	**2,883,696**	**2,883,696**	**5,492,037**
Derivatives:										
Forward contracts		-	(1,875)	(5,263)	-	507	7,000	14	(1,048)	9,040
Total derivatives		**-**	**(1,875)**	**(5,263)**	**-**	**507**	**7,000**	**14**	**(1,048)**	**9,040**
Fair value through profit or loss:										
Other financial assets		-	-	-	-	-	525,693	-	-	-
Total fair value through profit or loss		**-**	**-**	**-**	**-**	**-**	**525,693**	**-**	**-**	**-**
Held to maturity:										
Other financial assets		-	-	-	-	-	9,705	-	-	14,463

		31 March 2014 £'000			31 March 2013 restated £'000			1 April 2012 restated £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Total held to maturity		-	-	-	-	-	**9,705**	-	-	**14,463**
Other financial liabilities measured at amortised cost:										
Financial Guarantees	22	165,982	165,982	194,984	199,059	199,059	231,796	235,928	235,928	267,333
Debt sale subsidy	23	243,465	243,465	243,465	252,021	252,021	252,021	217,590	217,590	217,590
Payables		642,422	748,889	1,986,425	271,513	296,384	1,441,082	1,567,053	1,671,893	2,975,197
Total other financial liabilities measured at amortised cost		**1,051,869**	**1,158,336**	**2,424,874**	**722,593**	**747,464**	**1,924,899**	**2,020,571**	**2,125,411**	**3,460,120**

The amounts disclosed above as payables and receivables exclude any assets or liabilities which do not arise from a contractual arrangement. Payable and receivable transactions with the Core Department and its Agencies and other Government departments are excluded, as Government departments are part of the same legal entity.

IFRS 7 Financial Instruments: Disclosure requires the disclosure of information which will allow users of financial statements to evaluate the significance of financial instruments on the Group's financial performance and position and the nature and extent of the Group's exposure to risks arising from these instruments.

As the cash requirements of the Departmental Group are largely met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Departmental Group is however exposed to credit, liquidity and market risk due to the specific programmes and activities undertaken in pursuance of the Group's objectives.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Significant credit risks can be summarised as follows:

Core Department

- Launch Investments – In the event of an investee company failure, the Core Department may not recover its initial investment in whole or in part. The Core Department seeks to offset this low probability risk by analysing the financial health of any applicant at the time of application for launch investment and reviewing financial health as part of the programme monitoring activity. In addition, contracts aim to contain provisions which will (as a minimum) not disadvantage the Core Department compared to other creditors in the event of a corporate failure. The Core Department takes steps to monitor the payments that become due to the companies under launch investment contracts to ensure they comply with the terms of the contracts. Finally, the contracts also require the company's auditors to confirm that all payments made to the Core Department have been made correctly and to identify any errors made.

- Student HE and FE loans – The Core Department has a statutory obligation to issue student loans and seek repayments in line with legislation. Eligible students can get loans regardless of their credit rating, in order to support the Core Department's policy aim of encouraging students to enter higher and further education. There is no obligation to repay the loan until the borrower's income reaches a certain income threshold, but depending on the level of borrower earnings, the risk that some loans will not be repaid may increase. The Core Department estimates the percentage of loans which will not be repaid and impairs the loan asset when the loans are paid out. The Core Department is therefore exposed to the risk that some student loans will not be repaid, although this is partly mitigated by the fact that most repayments are collected by HMRC as part of the tax collection process. Write-offs are made in accordance with student loan policy as set out in the legislation and regulations governing the issue and repayment of loans. The Core Department models the impact of non-repayment when providing for the policy write-off impairment.

- Venture Capital Funds and Venture Capital Loan Funds – Investee companies may not perform as expected and the Departmental Group may not recover its initial investment. The Department minimises the risk by monitoring the overall performance of the Funds and to secure value for the Department as an investor. This includes a full evaluation of each business case submitted prior to committing funds.

- Financial Guarantees – Through the various loan guarantee schemes the Core Department is exposed to the risk that a recipient of the loan may default and the lending institution will call upon the Core Department to honour its guarantee. The Core Department minimises the credit risk for its most significant guarantees, the Enterprise Financial Guarantee (EFG) and legacy Small Firms Loan Guarantee Scheme (SFLGS), by using the participating banks to determine whether any potential lender applying for a loan is commercially viable. Furthermore, any losses suffered on these loans are shared between the Department and the lending institution as detailed in Note 22. The EFG is also subject to a cap which limits the Core Department's exposure. In addition, prior to entering into the Automotive Assistance Programme (AAP) guarantee the beneficiary company was assessed using a professional credit appraisal. This is followed up with quarterly credit assessments throughout the duration of the loan to ensure no deterioration in credit risk.

NDPBs and other designated bodies

The Skills Funding Agency is at risk of loan defaults from financial guarantees. Credit risk is minimised by using the participating banks to determine whether Professional Career Development Loans (PCDLs) are commercially viable.

BIS (Postal Services Act 2011) Company Limited is exposed to credit risk, from its investments in debt securities. At 31 March 2014, the Company held debt securities of mixed quality. The group is exposed to counter party credit risk on its high yield debt securities. Based on historic rates of market defaults a 2% to 4% default rate within the portfolio would not be unexpected. To manage the risk of loss, the investments are broadly diversified. There are specific parameters for the holding of the debt securities within particular sectors together with a limit on individual holdings as a percentage of the total portfolio. The investment managers also have significant expertise in managing default risk.

The Green Investment Bank (GIB) is exposed to credit risk with respect to its debt investments. Further information can be found in Note 14.5.

The Departmental Group's total maximum exposure to credit risk as at 31 March 2014 is £45,834 million (31 March 2013 restated: £39,068 million). The risk of non-payment is reflected in the carrying amounts of the assets and liabilities, where the Department is exposed to credit risk.

Market risk

Market risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of:

Foreign Currency risk

Core Department

The Core Department is exposed to a small amount of currency risk with respect to Launch Investments, for contracts initially based in US Dollars, but it is minimal in the context of the overall Launch Investment portfolio. Otherwise the Core Department's exposure to foreign currency risk during the year was insignificant. Foreign currency income was negligible, and foreign currency expenditure was a small percentage of total expenditure (less than 1%).

All material assets and liabilities are denominated in pounds sterling.

Agencies

Forward contracts

The UKSA pays an annual subscription in Euros to the European Space Agency (ESA) and has entered into forward contracts to mitigate the risk. These derivative contracts have been designated as cash flow hedges. At the reporting date the hedges met the IAS 39 effectiveness criteria.

NDPBs and other designated bodies

Forward contracts

STFC, BBSRC, DLS and BIS (Postal Services Act 2011) Company Limited are subject to foreign currency risks and have also entered into forward contracts to help mitigate these risks. STFC, BBSRC, and DLS use derivatives to hedge the risk of foreign exchange movements on future cash flows. These derivative contracts have been designated as cash flow hedges. At the reporting date the hedges met the IAS 39 effectiveness criteria.

In addition BIS (Postal Services Act 2011) Company Limited has entered into forward contracts that have not been formally designated as hedge instruments.

Cash and cash equivalents held in foreign currency

At 31 March 2014 £60 million (31 March 2013: £17 million) of cash held by the BIS (Postal Services Act 2011) Company Limited was denominated in USD and £11 million (31 March 2013: £16 million) of cash held was denominated in EUR. It is therefore exposed to foreign currency exchange rate movements. A shift of +/-5% in the USD/GBP foreign exchange rate would result in an unrealised foreign exchange gain or loss of £3 million and a shift of +/-5% in the EUR/GBP foreign exchange rate would result in an unrealised foreign exchange gain or loss of £1 million.

MRC, STFC, NERC and UKAEA are subject to minor foreign currency risk through the maintenance of bank accounts in foreign currencies (predominantly USD and EUR) to deal with day-to-day overseas transactions.

Investments

At 31 March 2014 BIS (Postal Services Act 2011) Company Limited held investments in USD and Euros. A 5% movement in the exchange rates at 31 March 2014 would result in a total change in the fair value of USD denominated assets of £53 million (31 March 2013: £66 million), and Euro denominated assets of £21 million (31 March 2013: £27 million).

At 31 March 2014 Enrichment Holdings Limited (EHL) primary investment was in URENCO Limited, a company valued in Euros. A shift of +/- 5% in the EUR/GBP foreign exchange rate would result in an unrealised foreign exchange gain or loss of £27 million (31 March 2013: £27 million).

Interest Rate risk

Core Department

The Core Department does not invest or access funds from commercial sources, but it is exposed to interest rate risk with respect to the SFLGS, the EFG and student loans. For SFLGS and EFG, to minimise the risk of default due to interest rate rises, coupled with a downturn in the economy, the Core Department relies on the lenders assessment using best commercial practice to manage the risk of default.

The interest rate on pre HE Reform loans is RPI with the proviso that the interest rate can never be more than 1% above the Bank of England base rate. The amount of interest repayable is therefore subject to fluctuations in base rates and RPI. The risk of the Government recovering the real value of loans issued is increased when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans.

The impact of the interest rate risk for student loans issued under the pre HE Reform scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate rises on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if the UK continues to experience base rates that are lower than RPI by more or for longer than currently forecast the future cash flows will be impaired further. Additional information about student loans is provided in Note 14.

NDPBs and other designated bodies

For BIS (Postal Services Act 2011) Company Limited interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and future cash flows. The Company holds fixed interest securities that are exposed to fair value interest rate risk. The Company also holds floating rate securities that are exposed to cash flow interest rate risk. The principal strategy is to manage the fair value risk by holding the debt securities until maturity unless opportunities exist in the market for it to profit, for example, from any favourable interest rate movements. Interest rate risk is not expected to have a significant impact.

GIB holds both fixed and variable rate investments. Interest rate risk is regularly monitored to ensure that the mix of fixed and variable borrowing is appropriate.

The Departmental Group has no short or long term borrowings and is not therefore exposed to risk in respect of variable interest rate payments.

Other Market risk

Core Department

The Core Department is exposed to wider risks relating to the performance of the economy as a whole. The main risks resulting from a downward movement in the economy include failures of investee companies under the VCF schemes and loan defaults under the Core Department's SFLG, EFG and AAP Schemes and negative impacts on the Core Department's launch investments income and valuations from the potential resultant decrease in demand in the aerospace industry. The other main risks resulting from a downward movement in the economy relate to the potential increase in borrowers' unemployment impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the time period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in the required provision for write offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

The Core Department is also exposed to price risk with respect to its shareholding in Greencoat UK Wind plc as the shares are traded on the London Stock Exchange and the market will determine the value. A 5% change in price would lead to a £2.6 million change in value.

NDPBs and other designated bodies

The Nesta Trust is exposed to equity price risk due to its investment of a portion of its endowment assets in publicly listed equity investments. Further information can be found in Note 14.5.

GIB is exposed to equity price risk due to its investments in businesses developing construction assets across its priority sectors. The company intends to withdraw from the investments when these assets are operational in order to recycle their capital. The risk is minimised by spreading investments across all of its priority sectors.

BIS (Postal Services Act 2011) Company Limited's strategy of managing price risk principally focuses on the disposal of highly volatile and liquid assets as promptly as possible whilst realising good value for money for the taxpayer. During the financial period, the Company continued to dispose of its investments in more liquid investments, to minimise its on-going exposure to price risk. The residual investments at 31 March 2014 predominantly comprised of less liquid and diversified investments, including the investments in private equity, debt securities and property funds. The Company's private equity portfolio is comprised primarily of investments in European and North American unquoted shares. During the year the group recognised a market value gain on its private equity portfolio of £29 million (31 March 2013: £46 million). If the valuation had been 5% higher/lower, the total value would have increased or decreased by £1 million (31 March 2013: £1 million), with the movement being recognised in other comprehensive income. The fair value movement of debt securities is driven by the fluctuations in market interest rates. The performance of investments held by the group is monitored by management on a monthly basis.

The Postal Services Holding Company Limited (PSH) has a 30% shareholding in Royal Mail, which is a listed company. PSH is therefore exposed to equity price risk arising from stock market movements.

EHL holds a one third stake in URENCO Limited. The other, equal shareholders, are effectively the Dutch Government (through Ultra-Centrifuge Nederland Limited), and German utilities (through Uranit UK Limited). URENCO Limited's principal activity is the provision of a service to enrich uranium to provide fuel for nuclear power utilities. Any change to this specialised market, such as a change in a country's energy policy, will impact the value of EHL's investment. EHL regularly monitors the performance of URENCO Limited.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Core Department and its Agencies

In common with other Government departments, the future financing of its liabilities is to be met by future grants of Supply, voted annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, therefore, on this basis the liquidity risk to the Core Department and its Agencies is minimal.

NDPBs and other designated bodies

Information about the Departmental Group's objectives, policies and processes for managing and measuring risk can be found in the Governance Statement.

13. Investments and loans in other public sector bodies

	Ordinary Shares	Public Dividend Capital	Other Loans and Investments	Core Department	Core Department and Agencies	Elimination of shares held in NDPBs	NDPBs Other loans and investments	Departmental Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012 (restated)	**773,573**	**115,081**	**1,530,177**	**2,418,831**	**2,418,831**	**(430,323)**	**853,182**	**2,841,690**
Additions	184,091	6,700	-	**190,791**	**190,791**	(184,091)	-	**6,700**
Disposals	-	(133)	-	**(133)**	**(133)**	-	-	**(133)**
Redemptions	-	-	(612,488)	**(612,488)**	**(612,488)**	-	-	**(612,488)**
Interest capitalised	-	-	50,627	**50,627**	**50,627**	-	-	**50,627**
Impairments	(1,071)	(6,567)	-	**(7,638)**	**(7,638)**	1,071	-	**(6,567)**
Revaluations	900	-	(8,275)	**(7,375)**	**(7,375)**	-	842,000	**834,625**
Loans repayable within 12 months transferred to current assets	-	-	(166)	**(166)**	**(166)**	-	-	**(166)**
Balance at 31 March 2013 (restated)	**957,493**	**115,081**	**959,875**	**2,032,449**	**2,032,449**	**(613,343)**	**1,695,182**	**3,114,288**
Reclassification	-	-	-	**-**	**-**	-	(2,394,000)	**(2,394,000)**
Additions	156,000	-	12,000	**168,000**	**168,000**	(156,000)	-	**12,000**
Redemptions	-	-	(972,738)	**(972,738)**	**(972,738)**	-	-	**(972,738)**
Impairments	(9,867)	-	(933)	**(10,800)**	**(10,800)**	9,867	-	**(933)**
Revaluations	(22,900)	-	19,458	**(3,442)**	**(3,442)**	-	1,103,422	**1,099,980**
Loans repayable within 12 months transferred to current assets	-	-	(1,222)	**(1,222)**	**(1,222)**	-	-	**(1,222)**
Balance at 31 March 2014	**1,080,726**	**115,081**	**16,440**	**1,212,247**	**1,212,247**	**(759,476)**	**404,604**	**857,375**

13.1 Ordinary Shares

	31 March 2014 £'000			31 March 2013 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April (restated)	957,493	957,493	2,039,332	773,573	773,573	1,196,432
Reclassifications	-	-	(2,394,000)	-	-	-
Additions	156,000	156,000	-	184,091	184,091	-
Disposals	-	-	-	-	-	-
Impairments	(9,867)	(9,867)	-	(1,071)	(1,071)	-
Revaluations	(22,900)	(22,900)	1,080,522	900	900	842,900
Balance at reporting date	**1,080,726**	**1,080,726**	**725,854**	**957,493**	**957,493**	**2,039,332**

Ordinary Shares held outside of the Departmental boundary

Shares held outside of the Departmental boundary are carried at fair value in accordance with IAS 39.

British Nuclear Fuels Limited (BNFL)

The Government holds 50,000 ordinary shares in BNFL at a nominal value of £1 each. The Secretary of State for Business, Innovation and Skills owns 49,999 ordinary shares and the Treasury Solicitor holds one ordinary share. The last business interest transferred out of the group in May 2009, and BNFL has no remaining operational activities or staff. All that remains is the efficient handling of its remaining assets and liabilities prior to a winding up of the company. The timing of the winding up depends on the outcome of discussions regarding the handling of the remaining assets and liabilities. The Core Department's shareholding is held at fair value, but because there is no active market for these shares the net asset value of BNFL is considered to be a reasonable approximation of fair value. The fair value as at 31 March 2014 was £321 million (31 March 2013: £344 million).

Postal Services Holding Company Limited

Postal Services Holding Company Limited (PSH) holds 50,003 ordinary shares in Post Office Limited (POL) at a nominal value of £1 each. The shareholding is held at fair value, but as there is no active market for these shares the net asset value of POL is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2014 was £404 million (31 March 2013 restated: £291 million).

Ordinary Shares held within the Departmental boundary

In accordance with the FReM, ordinary shares held within the Departmental boundary are carried at historical cost less any provision for impairment. They are eliminated on consolidation.

Postal Services Holding Company Limited

The Secretary of State for Business, Innovation and Skills owns 100% of the shares in PSH, the company which wholly owns POL and holds the Government's remaining shareholding in Royal Mail plc. The PSH shareholding comprises 50,004 ordinary shares and one special share. PSH was formerly known as Royal Mail Holdings plc, changing its name to PSH in September 2013 and becoming a limited company on 12 December 2013.

Following the incorporation of Royal Mail plc and the disposal of 70% of its shares by PSH, the ONS retrospectively reclassified PSH to the central Government sector and its financial results are included within the Departmental boundary for budgeting and accounting purposes. The reclassification led to the inclusion of an escrow cash account of £1.25 billion within the boundary at 31 March 2013.

PSH holds a 30% shareholding in Royal Mail plc (31 March 2013: 100%). Prior to the disposal of 70% of the opening shareholding during the year, the value of the shareholding at that point in time (£2,394 million) was reclassified to 'other loans and investments' in note 14.5.

Green Investment Bank (GIB)

The Core Department holds 301,850,000 shares of £1 each in the Green Investment Bank (GIB). During the reporting period BIS increased its shareholding by £156 million to enable GIB to make capital investments. GIB was incorporated in 2012 in order to accelerate private sector investment in the green economy.

UK Shared Business Services Limited

The Core Department holds 62,016,358 non voting shares and one voting share in UK Shared Business Services Limited, valued at £27 million (31 March 2013: £38 million). UK Shared Business Services Limited is a specialist business services organisation that provides finance, procurement, grants, information systems and HR and payroll services to the public sector. Its main objective is to improve the economy, efficiency and effectiveness of corporate services to BIS and its partners.

Capital for Enterprise Limited (CfEL)

The Core Department owns 49,901 shares in Capital for Enterprise Limited (CfEL), which managed the Core Department's equity investment funds and loan guarantee programmes until October 2013. CfEL has two wholly owned subsidiaries: Capital for Enterprise GP Limited (CfE GP Limited) and also the Capital for Enterprise Fund Managers Limited (CfE FM Limited) which facilitates co-investment with the private sector through the Capital for Enterprise Fund. The activities of CfEL are in the process of being transferred to the British Business Bank plc.

British Business Bank Plc

British Business Bank plc was registered as a public company on 29 October 2013. The Core Department holds 50,001 ordinary shares, each with a nominal value of £1. The bank is being established to address long-standing, structural gaps in the supply of finance, and it will bring together in one place Government finance support for small and mid-sized businesses. It is planned to be fully operational, subject to State Aid approval, in autumn 2014.

Student Loans Company (SLC) Limited

The Core Department holds 17 shares with a nominal value of 50 pence each in SLC Limited. In addition Scottish Ministers, the Minister for Education and Skills (Wales) and the Minister for Employment and Learning (Northern Ireland) each hold one share.

Enrichment Holdings Limited (EHL)

The Core Department holds two shares of £1 each in Enrichment Holdings Limited (EHL). EHL has been set up as a holding company, with a subsidiary company, Enrichment Investments Limited (EIL), solely to hold the Government's one third share in Urenco Limited, an entity operating in the civil uranium enrichment sector. Following an ONS decision to classify EHL to central government the shareholding is recorded in the accounts at historic cost. Because it was a retrospective classification the value of the Department's shareholding in the prior year has also been restated.

The Government is considering its options with regard to the potential sale of its shareholding in Urenco. Any sale will only be concluded if the government is satisfied that the UK's security and non-proliferation interests can be protected and that value for money is achieved for the UK taxpayer.

BIS (Postal Services Act 2011) Company Limited and B Company Limited

The Core Department holds one ordinary share in BIS (Postal Services Act 2011) Company Limited with a nominal value of £1, which holds one ordinary share in BIS (Postal Services Act 2011) B Company Limited, with a nominal value of £1.

The principal objective of the company is to dispose of the assets transferred to it from the Royal Mail Pension Plan (RMPP).

Wave Hub Company Limited

The Core Department holds one share with a nominal value of £1 in Wave Hub.

13.2 Public Dividend Capital (PDC)

	British Shipbuilders £'000	Companies House £'000	UKIPO £'000	Ordnance Survey £'000	Met Office £'000	Total £'000
Balance at 1 April 2012 (restated)	**-**	**15,889**	**6,325**	**34,000**	**58,867**	**115,081**
Additions	6,700	-	-	-	-	**6,700**
Redemptions	(133)	-	-	-	-	**(133)**
Impairments	(6,567)	-	-	-	-	**(6,567)**
Balance at 31 March 2013	**-**	**15,889**	**6,325**	**34,000**	**58,867**	**115,081**
Additions	-	-	-	-	-	**-**
Redemptions	-	-	-	-	-	**-**
Balance at 31 March 2014	**-**	**15,889**	**6,325**	**34,000**	**58,867**	**115,081**

Public Dividend Capital is held by the Core Department.

In accordance with the FReM, Public Dividend Capital (PDC) is carried at historical cost less any impairment.

British Shipbuilders was abolished under the Public Bodies Act (Abolition of British Shipbuilders) Order 2013, on 21 March 2013.

13.3 Share of net assets and results of bodies outside the consolidation boundary

The Department is required to disclose its share of the net assets and the results for the year of other public sector bodies, which are outside of the departmental boundary. The following disclosures relate to the Department's public corporations and trading funds.

	British Shipbuilders £'000	Companies House £'000	UKIPO £'000	Ordnance Survey £'000	Met Office £'000	British Nuclear Fuels Ltd £'000
Net Assets/(Liabilities) at 31 March 2013 (restated)	-	71,521	88,483	145,080	222,982	344,100
Turnover (restated)	-	63,658	73,855	141,876	204,929	-
Surplus/profit (deficit/loss) for the year before financing (restated)	(6,156)	10,333	8,030	32,251	12,341	-
Net Assets/(Liabilities) at 31 March 2014	-	74,944	86,164	158,433	225,282	321,200
Turnover	-	63,865	76,317	144,216	208,118	-
Surplus/profit (deficit/loss) for the year before financing	-	7,518	550	31,723	11,241	-

Notes:

- British Shipbuilders information for 2012-13 was derived from their last set of audited accounts for the period ended 21 March 2013, which were prepared in accordance with UK GAAP.
- BNFL information for 2013-14 and 2012-13 was derived from their draft Annual Accounts prepared on a break up basis in accordance with IFRS.
- For all other bodies, information for 2013-14 was derived from their draft unaudited accounts. The information for 2012-13 was derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the *FReM*.

The accounts were restated to reflect a change in classification for both Postal Services Holding Company Limited and Enrichment Holdings Limited. Both bodies were classified to central Government and are therefore no longer outside of the departmental boundary.

13.4 Special Shares

The Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body.

The Core Department does not recognise the special or 'golden' shares on its Statement of Financial Position.

Body in which Share is held and type and value of Share	Terms of Shareholding
Postal Services Holding Company Limited. £1 Special Rights Preference Share	• Created in January 2001 (formerly called Royal Mail Holdings plc) • It may be redeemed at any time by the shareholder • The consent of the special shareholder is required for a number of decisions, including: – Appointments to the Board (the special shareholder can also make appointments to the Board) – Setting (and approving any material changes in) the remuneration packages of the Directors – Borrowing – Disposing of substantial assets of the business and shareholdings – Issuing or allotment of shares in the Post Office network company (Post Office Limited) – Voluntary winding-up of the company – Varying certain of the company's Articles of Association, including the rights of the special shareholder – Exercising of voting rights in Royal Mail plc
Post Office Limited £1 Special Rights Preference Share	• Created in April 2012 • It may be redeemed at any time by the shareholder • The consent of the special shareholder is required for a number of decisions, including: – Appointments to the Board (the special shareholder can also make appointments to the Board) – Setting (and approving any material changes in) the remuneration packages of the Directors – Borrowing in excess of certain pre-set limits (as agreed with HM Treasury) – Adopting and implementing the company's strategic plan – Disposing of substantial assets of the business – Voluntary winding-up of the company or member of the group – Varying certain of the company's Articles of Association, including the rights of the special shareholder – Issuing or allotment of shares or granting of share rights in the company.
BAE Systems plc £1 Special Rights Preference Share	• Created in 1985 (but subsequently amended) • No time limit • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company • Requires a simple majority of the Board and the Chief Executive to be British • Requires any Executive Chairman to be British and, if both the Chairman and Deputy Chairman are non-executives, requires at least one of them to be British.

Body in which Share is held and type and value of Share	Terms of Shareholding
Rolls Royce Holdings plc *£1 Special Rights Non-Voting Share*	• Created in 1987 (but subsequently amended and transferred to Rolls-Royce Holdings plc) • No time limit • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company • Requires a simple majority of the Board to be British • Allows either the Chairman or the Chief Executive to be either an EU or US citizen provided that the other is a British citizen • Provides for a veto over the material disposal of assets of the group • Provides for a veto for a proposed voluntary winding up.
Royal Mail Group Limited *£1 Special Rights Preference Share*	• Created in April 2012 • It was redeemed during the year by the issuer, on instruction from BIS • The consent of the special shareholder was required for a number of decisions prior to redemption, including: – Appointments to the Board (the special shareholder can also make appointments to the Board) – Setting (and approving any material changes in) the remuneration packages of the Directors – Borrowing in excess of certain pre-set limits (as agreed with HM Treasury) – Adopting and implementing the company's strategic plan – Disposing of substantial assets of the business – Voluntary winding-up of the company or member of the group – Varying certain of the company's Articles of Association, including the rights of the special shareholder – Issuing or allotment of shares or granting of share rights in the company.

13.5 Other investments and loans

	Royal Mail Holdings plc NLF Loans £'000	Royal Mail shareholder loan £'000	NW VCF HF LLP £'000	UKIPO loans £'000	Met Office loan £'000	Other investments (Core) £'000	Core Department £'000	Other investments (Agencies) £'000	Core Department and Agencies £'000	Other investments (NDPBs) £'000	Departmental Group £'000
Balance as at 1 April 2012	**1,100,000**	**421,893**	**3,783**	**833**	**-**	**3,668**	**1,530,177**	**-**	**1,530,177**	**-**	**1,530,177**
Redemptions	(600,000)	-	-	-	-	(12,488)	**(612,488)**	-	**(612,488)**	-	**(612,488)**
Interest capitalised	-	50,627	-	-	-	-	**50,627**	-	**50,627**	-	**50,627**
Revaluation	-	-	36	-	-	(8,311)	**(8,275)**	-	**(8,275)**	-	**(8,275)**
Loans repayable within 12 months transferred to current assets	-	-	-	(166)	-	-	**(166)**	-	**(166)**	-	**(166)**
Balance as at 31 March 2013	**500,000**	**472,520**	**3,819**	**667**	**-**	**(17,131)**	**959,875**	**-**	**959,875**	**-**	**959,875**
Additions	-	-	-	-	12,000	-	**12,000**	-	**12,000**	-	**12,000**
Redemptions	(500,000)	(472,520)	-	-	-	(218)	**(972,738)**	-	**(972,738)**	-	**(972,738)**
Interest capitalised	-	-	-	-	-	-	**-**	-	**-**	-	**-**
Impairments	-	-	(525)	-	-	(408)	**(933)**	-	**(933)**	-	**(933)**
Revaluations	-	-	170	-	-	19,288	**19,458**	-	**19,458**	-	**19,458**
Loans repayable within 12 months transferred to current assets	-	-	-	(166)	(1,056)	-	**(1,222)**	-	**(1,222)**	-	**(1,222)**
Balance as at 31 March 2014	**-**	**-**	**3,464**	**501**	**10,944**	**1,531**	**16,440**	**-**	**16,440**	**-**	**16,440**

Loans

In accordance with IAS 39 loans are carried at amortised cost. Where the difference between amortised cost and historic cost is not material historic cost is considered to be a proxy for amortised cost.

Royal Mail Loans

All outstanding loans were repaid on 15 October, prior to the Government disposing of 70% of its shareholding in Royal Mail plc. This includes the NLF loans and the Royal Mail Shareholder loans.

Investments

Other Investments

- Investments in Business Links

Business Link services ceased in November 2011 and the companies put into Voluntary Liquidation. In 2013-14, BIS received the final payment in respect of the liquidation of North West Business Link. The remaining balance of £407,869 has been written off. Further details can be found at note 25.

14. Other financial assets

	Note	31 March 2014 £'000			31 March 2013 £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 31 March (restated)		**32,828,373**	**32,828,373**	**37,029,753**	**30,052,375**	**30,052,375**	**32,327,468**
Transfer in of Pirbright		-	-	-	-	-	89
Balance at 1 April (restated)		**32,828,373**	**32,828,373**	**37,029,753**	**30,052,375**	**30,052,375**	**32,327,557**
Transfers in		-	-	(47)	-	-	25,962,326
Reclassifications		-	-	2,394,000	-	-	-
Additions		9,266,027	9,266,027	10,356,352	7,320,705	7,320,705	8,399,561
Amortisation of issued loans		(1,907,415)	(1,907,415)	(1,907,415)	(1,538,845)	(1,538,845)	(1,538,845)
Disposals		(116,013)	(116,013)	(116,013)	-	-	-
Repayments		(1,726,810)	(1,726,810)	(5,040,667)	(1,806,073)	(1,806,073)	(26,717,752)
Capitalised interest		987,120	987,120	987,120	664,252	664,252	664,252
Effective interest		404,420	404,420	404,420	364,487	364,487	364,487
Revaluations		(108,943)	(108,943)	935,771	168,062	167,062	164,423
Impairments		(17,697)	(17,697)	(187,810)	(11,599)	(10,599)	(211,087)
Impairment reversals		-	-	100	2,007	2,007	2,007
Write offs	14.1, 14.2	(22,485)	(22,485)	(22,485)	(27,502)	(27,502)	(27,502)
Other losses		(164)	(164)	(164)	(197)	(197)	(197)
Movement in Policy write-off impairment		(4,247,881)	(4,247,881)	(4,247,881)	(2,352,946)	(2,352,946)	(2,352,946)
Loans provided for in the year		(2,316)	(2,316)	(3,947)	(6,353)	(6,353)	(6,531)
Balance at reporting date		**35,336,216**	**35,336,216**	**40,581,087**	**32,828,373**	**32,828,373**	**37,029,753**

Other financial assets analysed between current and non-current assets:

	31 March 2014 £'000			31 March 2013 restated £'000			1 April 2012 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Due within twelve months	2,146,000	2,146,000	2,334,275	1,806,000	1,806,000	2,472,346	1,713,000	1,713,000	1,841,443
Due after twelve months	33,190,216	33,190,216	38,246,812	31,022,373	31,022,373	34,557,407	28,339,375	28,339,375	30,486,114
Total	**35,336,216**	**35,336,216**	**40,581,087**	**32,828,373**	**32,828,373**	**37,029,753**	**30,052,375**	**30,052,375**	**32,327,557**

14.1 Higher Education Loans

	Note	31 March 2014 £'000			31 March 2013 £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April		**30,695,562**	**30,695,562**	**30,695,562**	**28,068,877**	**28,068,877**	**28,068,877**
Additions		9,026,846	9,026,846	9,026,846	7,148,770	7,148,770	7,148,770
Amortisation		(1,902,308)	(1,902,308)	(1,902,308)	(1,538,845)	(1,538,845)	(1,538,845)
Disposals		(116,013)	(116,013)	(116,013)	-	-	-
Repayments		(1,478,714)	(1,478,714)	(1,478,714)	(1,569,638)	(1,569,638)	(1,569,638)
Capitalised interest		986,443	986,443	986,443	664,252	664,252	664,252
Effective interest		340,504	340,504	340,504	302,791	302,791	302,791
Write offs	25.3	(22,027)	(22,027)	(22,027)	(27,502)	(27,502)	(27,502)
Other losses		(164)	(164)	(164)	(197)	(197)	(197)
Movement in policy write-off impairment		(4,216,508)	(4,216,508)	(4,216,508)	(2,352,946)	(2,352,946)	(2,352,946)
Total		**33,313,621**	**33,313,621**	**33,313,621**	**30,695,562**	**30,695,562**	**30,695,562**

Higher Education (HE) loans are held by the Core Department.

Measurement and carrying values

In accordance with IAS 39, student loans are classified as Loans and Receivables and are carried at amortised cost. This involves the gross value of the loans issued being discounted to net present value using the effective interest rate. The effective interest rate for student loans is RPI plus 2.2%, which is the Government's cost of financing them over the long term. Student loans are subsidised as in aggregate borrowers are charged a rate of interest that does not cover the long term cost of borrowing.

The net present value calculation also takes into account an estimate of the value of student loans issued which will not be repaid because of policy reasons ("policy write off impairment") due to death, disability or age of the student or loan.

The carrying value is also considered to be a reasonable approximation of the fair value of student loans, in the absence of an active market, readily observable market trends or similar arm's length transactions. A valuation technique is used to estimate the present value of future cash flows and an estimate of irrecoverable amounts because of policy decisions.

Forecasting model

The value of new loans issued is calculated using a forecasting model (the student loan repayment model) which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimate the likely repayments of loans. The value of repayments depends on borrowers' earnings. The valuation is based on a set of simulated borrower profiles, derived from a complex set of assumptions, including earnings on graduation and their likely earnings growth over the life of the loan (which could be 30 years or longer). Any changes to these assumptions could have an impact on the value of the loan book included in these Accounts. The model is long term in nature, but uses the latest Office for Budget Responsibility (OBR) short term and long-term forecasts for RPI, base rates and average earnings growth to model borrower earnings growth, loan interest, discounting and uplifting the repayment threshold.

The modelling is highly complex and involves forecasting repayment cash flows over 30 years into the future for around four million borrowers. The cash flows are dependent on the incomes of individual borrowers over their repayment periods and many other factors such as voluntary repayment behaviour. Income distributions for graduates and projections of earnings growth provide us with a basis for simulating these future borrower incomes but they remain uncertain. Recent economic conditions also increase the level of uncertainty.

The potential for actual cash flows to vary from the model forecasts in either the short or long-term is significant. Any valuation of the student loan book is uncertain as it is highly dependent on macroeconomic circumstances and the growth of graduate earnings over the next 30 years or so in particular. During 2013-14, work has been undertaken to improve the modelling of future earnings of borrowers, taking into account latest data on actual repayments and advice from experts and stakeholders. We have taken careful note of the National Audit Office's recommendations in their 2013 report on student loan repayments. As a result the modelling is now more developed and the carrying value in the accounts as at 31 March 2014 was reduced to reflect the revised outputs. The new model makes use of historical earnings data, which reduces the volatility in earnings paths and makes greater use of Student Loans Company data when repayment profiles are added for the first time. Other assumptions in the model were also reviewed and revised where appropriate.

The assumptions used are formally reviewed each year and the amounts provided reflect the estimate as at 31 March 2014. Further information on the assumptions in the model is provided on the Department's website, which will be updated when changes to the model are made. This can be found at www.gov.uk/government/publications/purpose-of-the-simplified-student-loan-repayment-model-beta-version-august-2012.

Assurance over the carrying value

Each year the carrying value in the Accounts is compared with the latest outputs from the student loan repayment model, which is re-run using current assumptions. If there is a significant difference, a review is undertaken to determine the reasons for the variance. The carrying value would only be adjusted if there was sufficient evidence to suggest that the divergence constituted a permanent reduction in the carrying value.

Changes in assumptions and modelling

During 2013-14 changes in assumptions and modelling led to the following revisions to the carrying value for student loans:

- A decrease of £1,868 million in the carrying value of income contingent loans as a result of the new modelling of borrowers' future earnings (March 2014). £1,663 million related to pre HE reform loans and £205 million related to post HE reform loans.
- An increase of £123 million in the value of income contingent loans to reflect the revised short term forecasts for base rates, RPI and earnings published in the OBR's Economic and Fiscal Outlook in December 2013 and March 2014.
- A decrease of £245 million in the value of pre HE Reform income contingent loans to adjust a bias in the assumptions about the earnings of borrowers in the early years after graduation (December 2013).
- A decrease of £86 million in the value of pre HE reform income contingent loans as a result of making other improvements to the modelling.

Policy write off impairment

The student loan policy write-off impairment provision reflects the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or other causes. Each year the Core Department estimates the future cost of policy write offs based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the SLC.

Policy write off impairment value

	£'000
Balance at 1 April 2012	**(4,399,606)**
Increase in the year	(2,380,448)
Interest added/unwinding	(139,907)
Loans written off in the year	27,502
Movement in the year	**(2,492,853)**
Balance at 31 March 2013	**(6,892,459)**
Increase in the year	(4,238,535)
Interest added/unwinding	(153,814)
Loans written off in the year	22,027
Disposals	579,598
Movement in the year	**(3,790,724)**
Balance at 31 March 2014	**(10,683,183)**

In the above table, the movement in the year of £3,791 million includes interest added/unwinding of £154 million, which is included in effective interest in the previous table. The movement in policy write-off impairment for 2013-14 of £4,217 million (2012-13: £2,353 million) in the previous table comprises the increase in the year, arising from new loans and impairments to the stock of loans, less loans written off in the year.

Sale of Mortgage Style Loans

The portfolio of mortgage style loans was sold through a competitive process to Erudio Student Loans. The sale agreement was signed in November 2013 and the effective date of the sale was 31 May 2013. £160 million was received for the UK portfolio of loans, with £128 million of this relating to loans issued to students resident in England and Wales, held by the Core Department. The remainder related to students residing in the devolved administrations. The carrying value of loans for English and Welsh borrowers at the date of sale was £116 million and the gain on disposal was £12 million.

Categories of student loan

Following the sale of Mortgage Style loans, there are two types of student loan held by the Core Department. They are income contingent loans issued under Section 22 of the Teaching and Higher Education Act 1998, and income contingent loans issued under Section 22 of the Teaching and Higher Education Act 1998 (as amended by the Education Act 2011), following the Government's Higher Education (HE) reforms.

Pre HE Reform income contingent loans were issued to new students from academic year 1998/99 and were replaced by Post HE Reform income contingent loans for new students from academic year 2012/13. There is still current lending to students who started their courses prior to academic year 2012/13. UK residents repay through the tax system, via the Pay As You Earn or Self Assessment processes. For borrowers with pre HE reform loans repayments are 9% of income above the repayment threshold (currently £16,365). Those who move overseas repay directly to the SLC. Interest is charged at RPI, or Bank of England base rate plus 1%, whichever is lower. The impact of the base rate cap is included in amortisation as it reduces the amount of interest received and increases the level of subsidy provided. The value of loans issued in the financial year was £3,096 million. The face value (i.e. the value of loans issued, plus capitalised interest, less repayments and write offs) at 31 March 2014 was £45,191 million (31 March 2013: £42,900 million).

For borrowers with post HE reform loans repayments are 9% of income above the repayment threshold (£21,000 from April 2016). Those who move overseas repay directly to the SLC. Interest is charged at RPI plus 3% while the borrower is in study, until the April after leaving university. Then interest charged is based on the borrower's income level, with RPI charged for income below £21,000 rising to RPI plus 3% for income over £41,000. The value of loans issued in the financial year was £5,930 million. The face value (i.e. the value of loans issued, plus capitalised interest, less repayments and write offs) at 31 March 2014 was £8,339 million (31 March 2013: £2,111 million).

Assumptions used to calculate the student loan balance at 31 March 2014

The key assumptions that impact on the value of the loan book are the discount rate used and assumptions made about graduate earnings, graduate income distribution and the base rate cap. The key assumptions used in the student loan repayment model to estimate future cash flows are set out in the table below, with an indication of their sensitivity to change.

There are a number of other assumptions used in the modelling, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan book. Many of the assumptions are independent of each other and could change at the same time.

Sensitivity analysis

	Assumption used	Sensitivity to change
Discount rate	HM Treasury long term discount rate of 2.2% plus RPI, representing the Government's cost of capital.	If the discount rate applied was greater than 2.2% the fair value of the student loans on issue would be lower than the values calculated on the basis applied here. An increase in the discount rate to 2.3% would lead to a reduction in the value of the loan book of approximately £300 million. The relationship between the discount rate and the carrying value of the loan book is not linear, and further increases in the discount rate would have smaller additional impacts.
Graduate earnings	The Student Loan Repayment model assumes short-term average nominal earnings growth will be in line with OBR forecasts until 2019-20. Future earnings growth is then assumed to be 4.4% from 2024-25, as this is the long-term forecast, with a linear change from the 2019-20 value each year up to 2024-25.	If real earnings growth was 0.5 percentage points lower than assumed in every year, this would lead to a reduction in the value of the loan book of approximately £1.2 billion. The relationship between the earnings growth and the carrying value of the loan book is not linear and further decreases in long-term earnings growth would have greater additional impacts. With the higher minimum earnings threshold of £21,000 for post-reform loans, the sensitivity to changes in earnings forecasts is greater than with pre-reform loans, as proportionately lower earners will fall below or around the threshold.
Graduate Income Distribution	The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical Labour Force Survey data.	If these income profiles were 5% lower than previously assumed this would lead to a reduction in the value of the loan book of approximately £1.2 billion. The relationship between the level of earnings and the carrying value of the loan book is not linear and further decreases in long-term earnings would have greater additional impacts.
Base rates (pre HE Reform loans)	The model assumes that Bank of England base rates will be in line with OBR forecasts up to 2019-20. The base rate cap is therefore currently assumed to continue to apply until 2018.	If base rates were 0.5 percentage points lower than forecast for each year this would lead to a reduction in the value of the loan book of approximately £400 million. The relationship between the base rate assumptions and the carrying value of the loans is not linear. Also the impact of any changes depends on the relative difference between the base rates and RPI.

Risk

Student loans are subject to credit risk and interest rate risk. Details are provided in Note 12 to the accounts.

Face value of HE Loans

The table below provides a reconciliation between the carrying value and the face value of HE loans issued:

	£'000	£'000
Opening face value of loan book as at 1 April 2013		**45,745,197**
less:		
Opening value of interest subsidy	(8,157,176)	
Opening value of write off provision	(6,892,459)	
Opening carrying value of loan book		**30,695,562**
New loans issued	9,026,846	
less: Amortisation	(1,902,308)	
less: Movement in policy write-offs	(4,216,508)	
Fair value of new loans issued		2,908,030
Capitalised and effective interest		1,326,947
Write-offs		(22,027)
Other losses		(164)
Repayments		(1,478,714)
Disposals		(116,013)
Carrying value of loan book as at 31 March 2014		**33,313,621**
Add back:		
Closing value of write off provision		10,683,183
Closing value of interest subsidy		8,921,133
Face value of loan book as at 31 March 2014		**52,917,937**

Potential Sale of Student Loans

The Government is continuing to assess how best to manage its holding of current and future loans, and has made public its intention to realise value for the taxpayer through sales of pre-HE Reform income contingent loans.

These Accounts present the current student loans portfolio valued on the basis that it will continue to be held by the Core Department until such time as a decision to sell the asset has been made. The valuation basis reflects the requirements of IAS 39 to hold the loans at amortised cost, which will not change. However, should sales take place in 2014-15 or subsequently, it will be necessary to re-assess the carrying value, in accordance with the relevant Accounting Standards.

14.2 Further Education Loans

		31 March 2014 £'000			31 March 2013 £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April		-	-	-	-	-	-
Additions		72,737	72,737	72,737	-	-	-
Amortisation		(5,107)	(5,107)	(5,107)	-	-	-
Repayments		(5)	(5)	(5)	-	-	-
Capitalised interest		677	677	677	-	-	-
Write offs	25.1	(458)	(458)	(458)	-	-	-
Movement in policy write-off impairment		(31,373)	(31,373)	(31,373)	-	-	-
Balance at 31 March		**36,471**	**36,471**	**36,471**	-	-	-

Further Education (FE) loans are held by the Core Department.

Income-contingent Advanced Learning Loans were introduced in Further Education in August 2013 for those aged 24 and over on the first day of the course, for courses designated under current regulations. The relevant legislation is the Further Education Loans Regulations 2012 sections 22 and 42(6) of the Teaching and Higher Education Act 1998.

The terms and conditions are the same as for post reform HE loans, and the measurement and the way that FE loans are carried in the accounts is the same as for HE loans. Details are provided in Note 14.1.

Forecasting model

The value of new loans issued is calculated using an FE loan repayment model. The model is a Monte Carlo simulation that uses assumptions on borrowers characteristics and forecasts borrowers' incomes in the next 30 years to estimate likely repayments. As 2013-14 was the first year of modelling, no historic data was available for use.

Assumptions used to calculate the loan balance

The key assumptions that impact on the value of the loan book for FE Loans are assumptions made about borrower's earnings and income distribution. The key assumptions used in the FE loan repayment model to estimate future cash flows are set out in the table below, with an indication of their sensitivity to change.

There are a number of other assumptions used in the modelling, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan book.

Sensitivity analysis

	Assumption used	Sensitivity to change
Discount rate	HM Treasury long term discount rate of 2.2% plus RPI, representing the Government's cost of capital	If the discount rate applied was greater than 2.2% the fair value of the FE student loans on issue would be lower than the values calculated on the basis applied here. An increase in the discount rate to 3.2% would lead to a reduction in the value of the loan book of approximately £700,000. The relationship between the discount rate and the carrying value of the loan book is not linear, and further increases in the discount rate would have smaller additional impacts.
Earnings Growth	The FE Loan Repayment model assumes short-term average nominal earnings growth will be in line with OBR forecasts until 2019-20. Future earnings growth is then assumed to be 4.4% from 2024-25 as this is the long-term forecast, with a linear change from the 2019-20 value each year up to 2024-25.	Earnings growth will have an impact on the fair value of the FE student loans if incomes and repayment thresholds grow at different rates. If real earnings growth was 1 percentage point lower than assumed in every year, this would lead to a reduction in the value of the loan book of approximately £7 million. The relationship between earnings growth and the carrying value of the loan book is not linear and further decreases in long-term earnings growth would have greater additional impacts.
Student Income Distribution	The model assumes certain future graduate income distributions and how learners move along the income distribution across their lifetime. This is based on historical Labour Force Survey data.	The model is able to calculate the sensitivity to change of the carrying value of the loan book in certain worst case scenarios. The greatest impact of a single worst case scenario (a borrower's income is fixed to the same point on the income distribution for their entire life) results in a reduction in the value of the loan book of approximately £7 million.

Removal of apprenticeships from Further Education loans

The Further Education Loans Regulations 2012 introduced income-contingent loans for students who are 24 years old or over beginning Further Education courses at Level 3 or above from 1 August 2013. Course levels are explained further at http://ofqual.gov.uk/qualifications-and-assessments/qualification-frameworks/levels-of-qualifications/. Advanced and Higher Apprenticeship frameworks were listed as designated courses but in response to very low initial take up of loans by these Apprenticeships these were removed from loans with effect from 7 March 2014. Borrowers were advised that they were no longer required to repay their outstanding loans. As a direct result £458,394 was written off (see note 25.1 for more details). Apprenticeships from 2013-14 onwards will be grant-funded.

Risk

Credit risk

The Core Department has a statutory obligation to issue FE loans and seek repayments in line with legislation and is not permitted to withhold loans on the basis of poor credit rating nor is it able to seek collateral. The Core Department is therefore exposed to the risk that some FE loans will not be repaid, although this is partly mitigated by the fact that most repayments will be collected by Her Majesty's Revenue & Customs (HMRC) as part of the tax collection process.

The amount of loans issued is also capped for each college or independent provider through the allocations process which is managed by the Skills Funding Agency.

14.3 Launch Investments

	31 March 2014 £'000			31 March 2013 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**1,826,182**	**1,826,182**	**1,826,182**	**1,762,744**	**1,762,744**	**1,762,744**
Additions	46,337	46,337	46,337	62,006	62,006	62,006
Repayments	(199,808)	(199,808)	(199,808)	(212,375)	(212,375)	(212,375)
Effective interest	63,916	63,916	63,916	61,696	61,696	61,696
Revaluations	(130,035)	(130,035)	(130,035)	152,111	152,111	152,111
Balance at period end date	**1,606,592**	**1,606,592**	**1,606,592**	**1,826,182**	**1,826,182**	**1,826,182**

Launch investments are held by the Core Department.

The Core Department has determined that repayable launch investments are to be classified as 'available for sale financial assets' and measured at fair value, in accordance with IAS 39.

The Core Department, under the 1982 Civil Aviation Act, provides repayable launch investment to companies for a proportion of non-recurring eligible design and development costs on civil aerospace projects. Each project supported is covered by separate contractual terms and conditions. Under these contracts, periodic repayments become due when products are delivered. The portfolio of existing investments is valued twice annually and the valuations are based on forecast annual income, arising under each contract.

Measurement and carrying values

Repayable launch investment contracts are initially recognised at fair value which is the transaction price. After initial recognition, the value is the discounted forecast value of future income streams, excluding accrued income which is included in receivables when products are delivered. The value of future income streams is predominantly driven by the Core Department's view of the applicable programme's performance in the global market over the period of the contract's life.

The Core Department uses an econometric model to forecast global air traffic growth to estimate the overall long-term demand for aircraft and then an aircraft supply model which provides a forecast of deliveries for individual aircraft types. The model uses drivers such as airline fleet evolution over time and economic growth. The key input data sources are ICAO (International Civil Aviation Organisation), IATA (International Air Transport Association), A4A (Airlines 4 America), AEA (Association of European Airlines), APAA (Asia Pacific Airlines Association), IMF (International Monetary Fund), GDP forecasts and Ascend Online Fleets. The market forecast outputs are benchmarked with external sources to ensure fitness for purpose, using publicly available forecasts, subscription services and through discussions with experts in the industry. The market forecast model's ultimate outputs (aircraft deliveries) are included in the income forecast valuation where appropriate according to the nature of individual contracts.

Other valuation variables include inflation measures – or proxies (such as RPI, RPIX, gilt rates and GDP deflators). Some contracts entitle the Core Department to a share of aircraft or engine spare part and support income, and the valuation of these contracts is based on analysis of past income streams and forecasts of future demand. The forecast income streams are adjusted by inflation (2.5%) and are discounted to present value using HM Treasury's discount rate for financial assets of 3.5%.

The carrying value of launch investments is influenced by the interaction of key drivers such as deliveries and economic variables; the Core Department uses Monte Carlo simulation to simulate this. The Core Department considers that the carrying value is a reasonable approximation of the fair value of launch investments.

Where the valuation exceeds historical cost, increases in value are taken to the revaluation reserve and are released to the Consolidated Statement of Comprehensive Net Expenditure, as investments are realised. Any permanent diminution in value is charged to the Consolidated Statement of Comprehensive Net Expenditure. Fluctuations in fair value are adjusted through the revaluation reserve. The balance on the Revaluation Reserve pertaining to launch investments was a £55 million debit at 31 March 2014 (31 March 2013: £182 million credit).

The carrying value of the investments at 31 March 2014 was £1,607 million (31 March 2013: £1,826 million). The historic cost valuation of the portfolio at 31 March 2014 was £907 million (31 March 2013: £953 million).

Sensitivity analysis

The Core Department has developed a Monte Carlo based approach which uses the software package @Risk to assess the impact of uncertainty on forecast income and overall contract values and enhance the robustness of the valuation process. Uncertainties are addressed by constructing different scenarios for the key drivers and then assigning probabilities to these scenarios to implement a Monte Carlo simulation of the contracts. The key variables can include: programme delays, production levels, market shares, entry into service and out of service dates and economic variables.

The contracts are highly complex and generally distinct from each other in their terms and structure, yet there are cases of significant interdependencies between contracts and correlations between variables.

The model is iterated ten thousand times to produce distributions of income for each contract and thus the overall portfolio. Each iteration of the model produces an income forecast. These are collated and used to form an income distribution. It is from this distribution that the value of the portfolio is calculated. The distribution is also used to derive a confidence interval. This interval allows an assessment of the potential volatility around the portfolio's valuation. The Core Department has selected to use a 90% confidence interval (CI); this captures 90% of all the iterations outputted from the model. Thus, there is a 90% probability that the mean falls within this range. The lower and upper confidence limits which define this CI were £1,487 million and £1,687 million respectively, at 31 March 2014 (2012-13: £1,684 million and £1,944 million).

Risk

Market Risk

This constitutes the largest area of potential risk in the portfolio as the primary method of the calculation of income streams is based on the forecasts of aircraft or engine demand. The Core Department uses internal analysis, company information and third party information to forecast deliveries and ultimately future income on each investment over the life of the investment period. Deliveries in the short term are driven by variables which include manufacturer production plans, market cycles, customer demand and availability of financing. Medium and longer-term deliveries will be affected by overall market growth and the market attractiveness of an aircraft programme. A negative shift in outlook may result in the Core Department not being able to recover its investment in whole or in part, although once deliveries have commenced some level of income is usually due to the Core Department. The Core Department aims to minimise risk of under-recovery of investments by carrying out a full evaluation of each business case submitted for launch investment support and by monitoring programmes for the substantive life of the contracts to allow it to assess exposure to risks (such as project risk, market risk and technical risk).

Interest Rate Risk

A number of the contracts use retail price indexes (such as RPI and RPIX) or other surrogates as a tool to inflate the value of income due to the Core Department over time. As such there is a risk relating to the forecasting of these indexes and surrogates within the valuation, although we estimate that the risk is relatively low and the overall impact relatively minor.

Foreign Exchange Risk

The aerospace sector is US Dollar denominated and the Core Department has a number of older contracts of relatively low value which it ultimately receives in pounds sterling but are initially based in US Dollars. Therefore exchange rate risk exists but is minimal in the context of the overall portfolio.

Credit Risk

Company failure could result in the Core Department's investment not being recovered in whole or in part. The Core Department seeks to offset this low probability risk by analysing the financial health of any applicant at the time of application for launch investment and reviewing financial health as part of the programme monitoring activity. In addition, contracts aim to contain provisions which will (as a minimum) not disadvantage the Core Department compared to other creditors in the event of a corporate failure. The Core Department takes steps to monitor the payments that become due to companies under launch investment contracts to ensure they comply with the terms of the contracts. Finally, the contracts also require the company's auditors to confirm that all payments have been made correctly and to identify any errors made.

Other Risk

The Core Department's investments are exposed to wider risks such as economic downturns or market shocks from natural or non-natural events. These risks may adversely impact the value and timing of the income received by the Core Department. The Core Department seeks to manage this risk by actively monitoring such events when they arise to assess any potential impact.

14.4 Venture Capital Funds and Venture Capital Loan Funds

	Enterprise Capital Funds £'000	UKIIF £'000	Other £'000	Total Venture Capital Funds £'000	Venture Capital Loan Funds £'000	Total £'000
Balance at 1 April 2012	**91,743**	**11,572**	**52,609**	**155,924**	**43,697**	**199,621**
Additions	29,278	15,042	2,509	46,829	2,500	49,329
Redemptions	(11,178)	-	(6,121)	(17,299)	(6,444)	(23,743)
Revaluations	16,903	(621)	(2,671)	13,611	301	13,912
Impairments	(3,892)	(1,166)	(3,643)	(8,701)	(1,728)	(10,429)
Impairment reversals	-	-	-	-	500	500
Balance at 31 March 2013 (restated)	**122,854**	**24,827**	**42,683**	**190,364**	**38,826**	**229,190**
Additions	28,208	18,748	3,492	50,448	18,819	69,267
Redemptions	(8,706)	(119)	(17,206)	(26,031)	(1,192)	(27,223)
Revaluations	12,184	2,222	2,787	17,193	2,112	19,305
Impairments	(4,402)	(1,037)	(2,578)	(8,017)	(2,604)	(10,621)
Balance at 31 March 2014	**150,138**	**44,641**	**29,178**	**223,957**	**55,961**	**279,918**

Venture Capital Funds

Venture Capital Funds are held by the Core Department.

The Core Department has determined that the Venture Capital Funds are classified as 'available for sale financial assets' and measured at fair value in accordance with IAS 39.

Venture Capital Fund investments support private sector led venture capital to stimulate private investment into early stage small and medium sized enterprise (SME) businesses as follows:

Enterprise Capital Funds (ECFs)

ECFs, first launched in 2006, were established to address a market weakness in the provision of equity finance to SMEs. Government funding is used alongside private sector funds to create funds that operate within the equity gap, targeting investments up to £2 million that have the potential to provide a commercial return. The Core Department has made a commitment to allocate £200 million to the ECF programme in the four year period until 31 March 2015. There are currently 15 ECFs.

UK Innovation Investment Fund

The UK Innovation Investment Fund (UKIIF) was announced in June 2009 to drive economic growth and create highly-skilled jobs by enabling investment in growing small businesses start-ups and spin-outs in key technology areas such as life sciences, clean technology and low carbon, digital technologies and advanced manufacturing. The funds are managed by two private sector fund managers – Hermes GPE and the European Investment Fund.

Venture Capital Loan Funds (VCLFs)

Venture Capital Loan Funds are held by the Core Department.

The North West Venture Capital Loan Funds and the West Midland Venture Capital Loan Funds were set up by the former Regional Development Agencies (RDAs) to provide funding in the form of loans and equity to small and medium sized businesses (SMEs) to stimulate sustainable economic growth across the regions.

The Core Department has also invested in a loan fund which was established under the Business Finance Partnership programme. Credit Asset Management Ltd (CAML) a subsidiary of City of London Group Plc, which provides specialist financing to the SME sector, is providing asset finance and loans.

Measurement and carrying amounts

The Venture Capital Funds and Venture Capital Loan Funds are initially recognised at fair value, which is the transaction price. After initial recognition the carrying value is based upon the valuations prepared by the fund managers. They are taken from the most recent set of annual Accounts for each of the funds and, where available, updated with interim fund manager valuations. All Venture Capital Funds are valued in accordance with the International Private Equity and Venture Capital Guidelines.

The Core Department considers that the carrying value is a reasonable approximation of the fair value of these investments.

During the reporting period the venture capital funds and venture capital loan funds had been impaired by £11 million in total (2012-13: £10 million).

Movements in fair value are adjusted through the revaluation reserve. The balance on the revaluation reserve pertaining to Venture Capital Funds and Venture Capital Loan Funds was £32 million as at 31 March 2014 (31 March 2013: £37 million).

Risks

The Core Department is exposed to credit risk because the investee companies may not perform as expected and the Core Department may not recover its investment. The Department minimises the risk by carrying out a full evaluation of each business case submitted.

14.5 Other loans and investments

	Gilts £'000	Term Deposits £'000	Private Sector Loans £'000	Bonds £'000	Property related holdings £'000	Equities (listed securities) £'000	Private equities £'000	Investment funds £'000	Other investments £'000	Total £'000
Balance at 1 April 2012 (restated)	**128,715**	**89,304**	**80,680**	**36,271**	**4,255**	**107,914**	**22,459**	**22,454**	**1,804,264**	**2,296,316**
Transfers in/(out)	11,191,125	-	-	5,427,497	518,491	2,011,964	855,029	5,958,220	-	**25,962,326**
Reclassifications	7,265	-	-	(7,265)	-	-	405	-	(405)	**-**
Additions	65,556	384,048	82,874	63,273	10,133	106,449	86,497	205,160	135,466	**1,139,456**
Redemptions	(11,249,152)	(368,286)	(14,318)	(4,571,899)	(65,752)	(1,987,313)	(153,402)	(5,464,001)	(1,037,873)	**(24,911,996)**
Revaluations	(5,298)	-	(227)	109,249	(25)	30,997	21,685	(215,483)	57,502	**(1,600)**
Impairments	(1,585)	-	(100)	-	-	-	(301)	(170)	(198,503)	**(200,659)**
Impairment reversals	-	-	-	-	-	-	-	1,507	-	**1,507**
Loans provided for in year	-	-	(6,531)	-	-	-	-	-	-	**(6,531)**
Balance at 31 March 2013 (restated)	**136,626**	**105,066**	**142,378**	**1,057,126**	**467,102**	**270,011**	**832,372**	**507,687**	**760,451**	**4,278,819**
Transfers in/(out)	-	-	-	-	-	-	-	-	(47)	**(47)**
Reclassifications	-	-	-	-	-	2,394,000	-	-	-	**2,394,000**
Additions	-	429,522	201,617	144,347	561	37,997	59,126	718	267,278	**1,141,166**
Redemptions	(20,083)	(406,357)	(52,175)	(421,109)	(53,043)	(1,717,224)	(171,632)	(485,241)	(8,054)	**(3,334,918)**
Revaluations	(5,777)	-	257	(119,293)	840	973,657	54,795	(236)	142,258	**1,046,501**
Impairments	(2,136)	-	(6,473)	-	-	-	(49)	(605)	(167,928)	**(177,191)**
Impairment reversals	-	-	100	-	-	-	-	-	-	**100**
Loans provided for in year	-	-	(3,947)	-	-	-	-	-	-	**(3,947)**
Balance at 31 March 2014	**108,630**	**128,231**	**281,757**	**661,071**	**415,460**	**1,958,441**	**774,612**	**22,323**	**993,958**	**5,344,483**
Of the total:										
Core Department	-	-	30,274	-	-	52,500	-	16,837	-	**99,611**
NDPBs and other designated bodies	108,630	128,231	251,483	661,071	415,460	1,905,941	774,612	5,486	993,958	**5,244,872**
Balance at 31 March 2014	**108,630**	**128,231**	**281,757**	**661,071**	**415,460**	**1,958,441**	**774,612**	**22,323**	**993,958**	**5,344,483**

Core Department

Equities (listed securities)

The Core Department holds 50 million shares with a par value of £0.01, for which a market value of £1 per share was paid, in Greencoat UK Wind Plc, which invests into both onshore and offshore wind assets.

The Core Department made a £50 million cornerstone investment, under the authority of the Industrial Development Act, when the Company's shares were floated on the London Stock Exchange on 27 March 2013. At 31 March 2014 the fair value was £52.5 million (31 March 2013: £51 million).

Risks

The Core Department is exposed to market risk as the investment may not perform as expected. As a result the investment may not be fully recovered. A 5% change in price would lead to a £2.6 million change in value.

Private sector loans

The department has made loans to SMEs via Peer-to-Peer platforms as part of a programme to ease the flow of credit to businesses in the UK by helping to diversify the sources of finance available to them. It is part of a larger programme of credit easing measures announced in the Autumn Statement 2011 to support SMEs that do not have ready access to capital markets. The loans are being made by the following platforms:

- Funding Circle (£20 million commitment) where BIS funding accounts for approximately 10% of the loans made to SMEs.
- Zopa (£10 million commitment) where BIS funding accounts for approximately 50% of the loans made to SMEs.
- Market Invoice (£5 million commitment) where BIS funding accounts for approximately 25% of the loans made to SMEs against their receivables.

These are classified as loans and receivables in accordance with IAS 39.

NDPBs and other designated bodies

Gilts

The Nesta Trust held Government gilts with a value of £109 million as at 31 March 2014 (31 March 2013: £128 million). They are classified as 'available for sale assets' in accordance with IAS 39.

Risks

In order to mitigate exposure to interest rate risk in relation to gilts, the Group has applied a policy of purchasing gilts of five or more years' duration.

Term Deposits

CITB, ECITB, FRC and the United Kingdom Atomic Energy Authority hold investments in term deposits with major UK and International banks. As at 31 March 2014 the Departmental Group held £128 million (31 March 2013: £105 million). £108 million (31 March 2013: £90 million) of this balance was held by CITB. All are classified as 'available for sale assets' in accordance with IAS 39 except for FRC whose deposits are classified as 'held to maturity'.

Risks

In order to mitigate the exposure to risk, CITB term deposits are held with institutions that have short and long term ratings with a low risk of default. Investments are also spread across several institutions.

Private sector loans

GIB, HEFCE, STFC, BBSRC and Nesta Trust have entered into loan agreements with parties within the private sector. The loans within the Departmental Group are carried at historic cost as a proxy for amortised cost because the NDPBs and other designated bodies have determined that there is no material difference between historical cost and amortised cost. As at 31 March 2014 £251 million of loans were held by NDPBs and other designated bodies (31 March 2013: £133 million).

During the reporting period GIB made loans of £136 million (2012-13: £56 million) to organisations engaged in fulfilling its investment obligations. The fair value of loans held by GIB as at 31 March 2014 was £186 million (31 March 2013: £54 million). The conditions attached to each loan vary depending on the details of the arrangement. Repayment schedules have been agreed and all loans are expected to be repaid at the end of the loan term.

Risks

Borrowers may not fulfil their obligations under the loan agreement leading to non-repayment. GIB minimises the risk of default by entering into loan arrangements with borrowers with strong credit ratings and hold appropriate collateral.

Bonds

BIS (Postal Services Act 2011) Company Limited, CITB and ECITB hold investments in bonds. The investments in corporate bonds are classified as available-for-sale financial assets, and are measured at fair value in accordance with IAS 39 based on market quotes. The value of bonds held by the NDPBs and other designated bodies as at 31 March 2014 was £661 million (31 March 2013: £1 billion).

The fair value of the remaining investments in corporate bonds held by BIS (Postal Services Act 2011) Company Limited as at 31 March 2014 was £622 million (31 March 2013: £1 billion).

Risks

The bonds held are subject to interest rate risk. The risk management strategy is to manage this risk by holding the high yield debt securities until maturity unless opportunities exist in the market, for it to profit, for example, from any favourable market interest rate movements. 82% of the bonds are fixed interest debt securities (31 March 2013: 75%). The remaining 18% are floating interest debt securities (31 March 2013: 25%). At the reporting date, if interest rates on floating interest debt securities held had been 50 basis points higher/lower with all other variables held constant, the gains or losses due to movements in fair value recognised in equity would have been £0.1 million higher/lower (31 March 2013: £0.3 million).

Property related holdings

BIS (Postal Services Act 2011) Company Limited and BIS (Postal Services Act 2011) B Company Limited and Nesta Trust have property related holdings. At 31 March 2014 the value of the holdings amounted to £415 million (31 March 2013: £467 million).

The fair value of the investments held by BIS (Postal Services Act 2011) Company Limited and BIS (Postal Services Act 2011) B Company Limited as at 31 March 2014 was £411 million (31 March 2013: £463 million). These investments relate to holdings in a number of marketable real estate investment funds and unit trusts, and are held as available for sale financial assets in accordance with IAS 39.

Risks

Investment property funds are subject to price risk, however the risk is not expected to be material and no non-routine risk mitigation actions are in place.

Equities (listed securities)

Nesta Trust, BIS (Postal Services Act 2011) Company Limited and Postal Services Holding Company Limited hold listed securities. At 31 March 2014 the combined value of these securities amounted to £1,906 million (31 March 2013: £219 million). £199 million of this balance (31 March 2013: £179 million) was held by Nesta Trust and classified as 'available for sale' in accordance with IAS 39.

Postal Services Holding Company Limited disposed of 70% of its shareholding in Royal Mail Group plc during the year. The value of the remaining 30% of shares at 31 March 2014 amounted to £1,689 million. Listed securities held by BIS (Postal Services Act 2011) Company Limited and Postal Services Holding Company Limited have been classified as financial assets held at fair value through profit or loss in accordance with IAS 39.

Risks

Nesta Trust is exposed to equity price risk as a proportion of its endowment assets have been invested in listed securities. It minimises the risk by investing for the medium to long term, by diversifying its portfolio of investments by using a number of investment managers, whose performance is monitored regularly and by investing in funds managed by large institutional investors.

Private Equities

BIS (Postal Services Act 2011) Company Limited, Nesta Trust, Pirbright Institute, STFC and NERC have investments in private equity. These investments have been classified as 'available for sale' assets in accordance with IAS 39. The value invested at 31 March 2014 was £775 million (31 March 2013: £832 million).

The fair value of the remaining investments in BIS (Postal Services Act 2011) Company Limited as at 31 March 2014 was £762 million (31 March 2013: £848 million). These investments primarily comprised investments in European and North American unquoted shares.

The fair values are estimated based on a variety of valuation techniques, adopted by the investment managers that comply with the International Private Equity and Venture Capital (PEVC) Valuation Guidelines or the valuation guidelines produced by the British Venture Capital Association (BVCA). Valuation techniques used include the use of earnings multiples, discounted cash flows analysis, and net asset values.

Risks

Due to changes in fair value there is a risk that the amounts invested in private equities may not be recovered. During the reporting period BIS (Postal Services Act 2011) Company Limited investments recognised a fair value gain of £55 million (2012-13: £20 million). If the valuation had been 5% higher or lower the total value would have moved by £2.8 million.

Following the enactment of the Postal Services Act 2011 and the Government commitment to the sale of shares in the Royal Mail, Royal Mail plc (RMG) was incorporated on 19 September 2013, with an authorised share capital set at 1,000,000,000 shares with a nominal value per share of £0.01. RMG is the parent company of the Royal Mail Group Limited and its associated subsidiaries.

Prior to the sale of the shares the Government held 100% of the shareholding of Royal Mail plc. 60% of the Royal Mail plc shares were offered for sale during October 2013. The creation of an employee share scheme enabled another 10% of the shares of Royal Mail plc to be in employee ownership. Following the sale of the shares and those transferred to employees as part of the employee share scheme the Government has disposed of a majority stake in Royal Mail plc, and now holds a 30% shareholding.

Proceeds from the sale of Royal Mail plc shares

The net assets of Royal Mail Group Limited at 31 March 2013 were £1,405 million. The net assets of Royal Mail Group Limited at 29 September 2013, when transferred to Royal Mail plc were £2,394 million, resulting in a gain on revaluation of £989 million.

The Government sold 599,926,923 shares the proceeds of which were £1,979,829,057. This included non-refundable proceeds of the retail offer. A further 100,160,000 shares were gifted to employees under the employee share scheme for nil consideration. The fair value of the shares disposed of was £1,676,008,094. This resulted in a gain on disposal of £303,820,993. The remaining shareholding in RMG plc was 299,913,077 shares (30%).

The costs associated with the sale were £22,368,791, including a charitable donation made to the British Postal Museum and Archive (BPMA) of £70,241 by Equiniti, on behalf of the Secretary of State, from non-refundable proceeds of the retail offer.

The fair value of the remaining shareholding at 31 March 2014 was £1,688,510,624.

The table below provides details of the sale and gifting of the Royal Mail plc shares.

Disposal of 70% of shares

	£000	£000
Sale of shares (60%)		
60% of fair value of RMGL assets as at disposal date	1,436,225	
Proceeds from sale of 60% of shares (599,926,923 shares)	1,979,829	
Gain on disposal		543,604
Shares gifted to employees (10%)		
10% of fair value RMGL assets as at disposal date	239,783	
Proceeds from gifting of 10% of shares (100,160,000 shares)	-	
(Loss) on disposal		(239,783)
Gain on disposal of 70% of shares (700,086,923 shares)		303,821
less costs of sale:		
Commission	(13,099)	
Stamp duty	(9,200)	
Donation to BPMA	(70)	
		(22,369)
Net gain on disposal		**281,452**

The shareholding in Royal Mail plc was reclassified as an equity (listed security) during the year. This reclassification of £2,394 million took place at the point of sale to reflect the change in Royal Mail plc's status from a public corporation to a publicly listed private company. The shareholding had been classified as an investment in a public body up to this point (see note 13.1).

Investment Funds

Nesta Trust and BIS (Postal Services Act 2011) Company Limited hold investment funds. The value invested at 31 March 2014 was £5 million (31 March 2013: £491 million). In accordance with IAS 39, the investments of Nesta Trust are classified as 'available for sale' assets, those of BIS (Postal Services Act 2011) Company Limited held at fair value through profit and loss.

Risks

Investment funds are subject to market risk. During the reporting period the BIS (Postal Services Act 2011) Company Limited disposed of investment funds valued at £485 million to minimise its ongoing exposure to market risks.

Other investments

The most significant components of other investments are:

- Enrichment Holdings Limited has an investment in URENCO which is measured at 'fair value through profit and loss' in accordance with IAS 39. The fair value of this investment at 31 March 2014 was £447 million (31 March 2013: £517 million).
- The Green Investment Bank predominantly holds investments in its priority sectors of offshore wind, energy efficiency and waste. The fair value of investments at 31 March 2014 was £204 million (31 March 2013: £65 million). These investments are classified as 'available for sale' in accordance with IAS 39.

- The Francis Crick Institute Limited (formerly UKCMRI Limited) was established in 2010 to deliver a world class interdisciplinary biomedical research centre. The MRC has 47% of the voting rights in UKCMRI Limited with a fair value at 31 March 2014 of £230 million (31 March 2013: £115 million). The cost to MRC is used as a proxy for fair value, as the Institute is not yet operational. The remaining shares are held by Cancer Research UK, University College London, the Wellcome Trust, Kings College London and Imperial College of Science, Technology and Medicine.

The remaining investments are held by BBSRC, STFC, Capital for Enterprise Limited, Pirbright Limited, Nesta Trust and the Medical Research Council, and are classified as 'available for sale' in accordance with IAS 39. The fair value of these other investments at 31 March 2014 was £63 million (31 March 2013: £131 million).

Risks

NDPBs and other designated bodies are exposed to market risk on their other investment portfolios as the investments may not perform as expected, and as a result the initial funds invested may not be recovered. For seed and early stage companies, the risk is mitigated by using commercial investment managers to oversee the investments.

15. Trade receivables, financial and other assets

	31 March 2014 £'000			31 March 2013 restated £'000			1 April 2012 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Amounts falling due within one year:									
Trade receivables	137,990	152,542	353,629	57,875	90,454	261,084	51,537	115,415	243,898
Other receivables:									
Deferred tax asset	-	-	3,429	-	-	1,205	-	-	339
Corporation tax	-	-	-	-	-	1,609	-	-	1,024
VAT	18,177	22,112	23,891	20,493	24,782	28,665	14,736	19,026	20,221
Consolidated Fund receivables – non-operating costs	150	150	150	187	187	187	159	159	159
Staff receivables	1,102	1,349	3,435	994	1,411	2,349	1,019	1,459	2,473
Tuition fee loan receivable	-	-	-	-	-	-	902,822	902,822	902,822
RPS receivables	163,202	163,202	163,202	166,846	166,846	166,846	157,982	157,982	157,982
Other	19,704	19,719	66,246	30,462	28,771	54,662	47,439	47,475	103,572
Prepayments and accrued income	472,786	488,538	865,298	319,793	335,305	663,660	190,669	205,652	482,874
	813,111	**847,612**	**1,479,280**	**596,650**	**647,756**	**1,180,267**	**1,366,363**	**1,449,990**	**1,915,364**
Amounts falling due after more than one year:									
Trade receivables	191,631	173,818	172,527	146,937	108,805	109,261	138,990	55,858	67,089
Other receivables	80,249	80,250	83,099	73,459	73,459	78,135	75,902	75,902	82,386
Prepayments and accrued income	-	-	19,451	-	-	19,511	-	-	20,917
	271,880	**254,068**	**275,077**	**220,396**	**182,264**	**206,907**	**214,892**	**131,760**	**170,392**
Total Receivables	**1,084,991**	**1,101,680**	**1,754,357**	**817,046**	**830,020**	**1,387,174**	**1,581,255**	**1,581,750**	**2,085,756**

The tuition fee loan receivable as at 1 April 2012 represented the expected repayments from borrowers arising from the obligation to pay higher education institutions. (The obligation to pay is included in Note 19).

The Redundancy Payment Scheme (RPS) receivable is shown net of an annual impairment.

The impairment is calculated by the Insolvency Service using a model which is approved by HMRC. The model calculates the recoverable debt as £163 million as at 31 March 2014 (31 March 2013: £167 million). There is a risk that the estimation of 14% is over optimistic and therefore would result in a downward revision in future years. Additionally the model has been created using only eight years of available data with 14 years of data required for a full model to be effective. However, the model is designed to self check against recovery rates and for data available there is only a small annual variation from the 14% target. This variation is not material and therefore does not render the model invalid. The model is also designed to be monitored and amended annually as required. Additionally, reporting is on a monthly basis to ensure early warning of any trends outside the parameters set in the model.

15.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2014 £'000	31 March 2013 restated £'000	1 April 2012 restated £'000	31 March 2014 £'000	31 March 2013 restated £'000	1 April 2012 restated £'000
Balances with:						
Other central Government bodies	202,548	282,635	295,928	33,605	6,001	8,881
Local authorities	2,960	16,188	3,098	-	-	-
NHS bodies	132	150	239	-	-	-
Public corporations and trading funds	6,935	21,297	12,005	-	-	-
Subtotal: Intra-Government balances	*212,575*	*320,270*	*311,270*	*33,605*	*6,001*	*8,881*
Bodies external to Government	1,266,705	859,997	1,604,094	241,472	200,906	161,511
Total receivable at period end date	**1,479,280**	**1,180,267**	**1,915,364**	**275,077**	**206,907**	**170,392**

16. Non-current assets held for sale

	31 March 2014 £'000			31 March 2013 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Net cost or valuation						
At 1 April	**-**	**-**	**4,726**	**-**	**-**	**4,661**
Additions	-	-	30,870	-	-	273
Disposals	-	-	(5,773)	-	-	(160)
Impairments	-	-	(45)	-	-	-
Revaluations	-	-	(238)	-	-	(48)
Carrying amount at reporting date	**-**	**-**	**29,540**	**-**	**-**	**4,726**

17. Investments and loans in public sector bodies: current

	31 March 2014 £'000			31 March 2013 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**291,166**	**291,166**	**291,166**	**499,166**	**499,166**	**499,166**
Additions	1,142,000	1,142,000	1,142,000	5,078,000	5,078,000	5,078,000
Disposals	(1,433,166)	(1,433,166)	(1,433,166)	(5,286,166)	(5,286,166)	(5,286,166)
Loans repayable within 12 months transferred from non-current assets	1,222	1,222	1,222	166	166	166
Balance at reporting date	**1,222**	**1,222**	**1,222**	**291,166**	**291,166**	**291,166**

The loans above are with the following public sector bodies:

	Post Office Limited £'000	Met Office loan £'000	UKIPO £'000	Core Department £'000	Core Department and Agencies £'000	Departmental Group £'000
Balance as at 1 April 2012	**499,000**	**-**	**166**	**499,166**	**499,166**	**499,166**
Additions	5,078,000	-	-	5,078,000	5,078,000	5,078,000
Repayments	(5,286,000)	-	(166)	(5,286,166)	(5,286,166)	(5,286,166)
Loans repayable within 12 months transferred from non-current assets	-	-	166	166	166	166
Balance as at 31 March 2013	**291,000**	**-**	**166**	**291,166**	**291,166**	**291,166**
Additions	1,142,000	-	-	1,142,000	1,142,000	1,142,000
Repayments	(1,433,000)	-	(166)	(1,433,166)	(1,433,166)	(1,433,166)
Loans repayable within 12 months transferred from non-current assets	-	1,056	166	1,222	1,222	1,222
Balance as at 31 March 2014	**-**	**1,056**	**166**	**1,222**	**1,222**	**1,222**

Loans in public sector bodies are held by the Core Department.

17.1 Post Office Limited loan

Since October 2003 the Core Department has made available to Post Office Limited (POL) a revolving loan facility of up to £1.15 billion. This is to help the company fund its daily in-branch working capital requirements to deliver services through the network, such as social benefits payments and access to cash. The facility currently matures in March 2018. The outstanding balance at 31 March 2014 was nil (31 March 2013: £291 million).

18. Cash and cash equivalents

	31 March 2014 £'000			31 March 2013 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance as at 1 April (restated)	**610,348**	**660,082**	**2,833,333**	**415,657**	**482,533**	**1,146,765**
Net change in cash balances	119,781	140,506	(1,266,283)	194,691	177,549	1,686,568
Balance as at period end date	**730,129**	**800,588**	**1,567,050**	**610,348**	**660,082**	**2,833,333**
The following balances were held with:						
The Government Banking Service (GBS)	724,036	746,746	1,322,926	605,044	621,551	2,563,577
Commercial banks and cash in hand	6,093	53,842	244,124	5,304	38,531	239,756
Short term investments	-	-	-	-	-	30,000
Balance at period end date	**730,129**	**800,588**	**1,567,050**	**610,348**	**660,082**	**2,833,333**
Less overdraft	-	-	-	-	-	(2,395)
Total	**730,129**	**800,588**	**1,567,050**	**610,348**	**660,082**	**2,830,938**

The Core Department and its Agencies do not hold any cash equivalent balances.

NDPBs and other designated bodies

Restricted funds

At 31 March 2014 the Financial Reporting Council (FRC) held £2 million (31 March 2013: £2 million) in its Actuarial Case Cost Fund which is restricted and may only be used for actuarial disciplinary case costs. A further £2 million (31 March 2013: £2 million) relates to the Financial Reporting Review Panel (FRRP) Legal Costs Fund account, which may only be used for the purpose of enabling the FRRP to ensure compliance with the accounting requirements of the Companies Act 2006, including applicable accounting standards, and to investigate departures from those standards and requirements. The FRC may be liable to repay the balance on the Legal Costs Fund to the contributors if it ceases to be authorised by the Secretary of State for the purposes of section 456 of the Companies Act 2006.

19. Trade payables and other current liabilities

	31 March 2014 £'000			31 March 2013 restated £'000			1 April 2012 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Amounts falling due within one year:									
VAT	-	-	8,692	-	-	9,308	-	-	12,966
Other taxation and social security	3,923	3,980	14,897	62	62	12,575	36	36	21,468
Trade payables	5,769	304	185,742	8,600	9,416	153,793	50,889	67,960	317,221
Tuition fee loan obligation	-	-	-	-	-	-	1,388,958	1,388,958	1,388,958
Other payables	286,006	294,809	449,680	145,696	146,507	306,561	89,852	89,840	216,535
Commercial bank overdraft	-	-	-	-	-	2,395	-	-	2,525
Accruals and deferred income	444,271	477,760	1,375,705	229,614	250,698	1,123,758	191,992	203,440	1,178,783
Current part of finance leases	-	-	-	-	-	1,667	-	315	1,999
On Balance Sheet (SoFP) PFI	-	-	-	-	-	-	-	1,049	1,049
Amounts issued from the Consolidated Fund for supply but not spent at year end	729,678	800,137	800,137	604,938	654,672	654,672	362,736	429,612	429,612
Advances from Contingencies Fund	-	-	-	250	250	250	-	-	-
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:									
Received	451	451	451	5,410	5,410	5,410	52,921	52,921	52,921
Receivable – non operating costs	150	150	150	187	187	187	159	159	159
	1,470,248	**1,577,591**	**2,835,454**	**994,757**	**1,067,202**	**2,270,576**	**2,137,543**	**2,234,290**	**3,624,196**
Amounts falling due after more than one year:									
Trade Payables	-	-	8,765	-	-	11,740	-	-	15,070
Other payables, accruals and deferred income	3,239	3,252	74,054	1,289	1,289	54,559	90	90	43,407
Finance leases	-	-	5,790	-	-	7,097	-	-	8,764
Royal Mail NLF loans	-	-	-	500,000	500,000	500,000	1,100,000	1,100,000	1,100,000
	3,239	**3,252**	**88,609**	**501,289**	**501,289**	**573,396**	**1,100,090**	**1,100,090**	**1,167,241**
Total payables	**1,473,487**	**1,580,843**	**2,924,063**	**1,496,046**	**1,568,491**	**2,843,972**	**3,237,633**	**3,334,380**	**4,791,437**

The tuition fee loan payable as at 1 April 2012 related to an obligation to pay HE institutions for the remainder of the academic year. This obligation expired following the HE reforms.

19.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2014	31 March 2013 restated	1 April 2012 restated	31 March 2014	31 March 2013 restated	1 April 2012 restated
	£'000	£'000	£'000	£'000	£'000	£'000
Balances with:						
Other central government bodies	880,466	835,487	692,201	20,754	525,153	1,115,364
Local authorities	14,549	24,795	21,089	-	-	-
NHS bodies	278	722	282	-	-	-
Public corporations and trading funds	47,324	63,944	81,276	-	-	-
Subtotal: Intra-Government balances	*942,617*	*924,948*	*794,848*	*20,754*	*525,153*	*1,115,364*
Bodies external to government	1,892,837	1,345,628	2,829,348	67,855	48,243	51,877
Total payables at period end date	**2,835,454**	**2,270,576**	**3,624,196**	**88,609**	**573,396**	**1,167,241**

20. Provisions for Liabilities and Charges

	31 March 2014 £'000			31 March 2013 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**711,422**	**767,174**	**1,115,043**	**640,598**	**691,301**	**1,063,939**
Transferred in	-	-	-	25	25	-
Provided in the year	7,173	8,926	100,466	43,144	53,755	77,783
Provisions not required written back	(30,220)	(46,090)	(61,566)	(23,447)	(24,581)	(28,799)
Provisions utilised in the year	(48,288)	(53,167)	(104,593)	(42,244)	(49,864)	(96,573)
Borrowing costs (unwinding of discounts)	2,313	4,188	10,139	14,341	15,735	23,692
Changes in price level	(4,489)	(4,489)	922	79,005	80,803	74,811
Other movements	-	-	-	-	-	190
Balance at reporting date	**637,911**	**676,542**	**1,060,411**	**711,422**	**767,174**	**1,115,043**

Analysis of expected timing of discounted cash flows

	31 March 2014 £'000			31 March 2013 £'000			1 April 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Current liabilities:									
Not later than one year	59,589	63,665	122,039	45,323	49,921	98,687	53,154	56,603	102,706
Non current liabilities:									
Later than one year and not later than five years	152,788	168,756	317,902	154,461	175,822	312,880	179,518	190,243	337,583
Later than five years	425,534	444,121	620,470	511,638	541,431	703,476	407,926	444,455	623,650
Total non current liabilities	*578,322*	*612,877*	*938,372*	*666,099*	*717,253*	*1,016,356*	*587,444*	*634,698*	*961,233*
Total	**637,911**	**676,542**	**1,060,411**	**711,422**	**767,174**	**1,115,043**	**640,598**	**691,301**	**1,063,939**

Provisions of the Core Department

	British Shipbuilders £'000	Onerous Leases £'000	UK Atomic Energy Authority Decommissioning £'000	Other £'000	Total £'000
Balance at 1 April 2012	**197,760**	**198,369**	**188,007**	**56,462**	**640,598**
Transferred in	-	25	-	-	**25**
Provided in the year	-	10,986	8,269	23,889	**43,144**
Provisions not required written back	(6,587)	(14,325)	(35)	(2,500)	**(23,447)**
Provisions utilised in the year	-	(28,322)	-	(13,922)	**(42,244)**
Borrowing costs (unwinding of discounts)	4,351	4,364	4,136	1,490	**14,341**
Changes in price level	19,208	23,379	34,646	1,772	**79,005**
Balance at 31 March 2013	**214,732**	**194,476**	**235,023**	**67,191**	**711,422**
Provided in the year	-	-	4,881	2,292	**7,173**
Provisions not required written back	(11,614)	(14,718)	-	(3,888)	**(30,220)**
Provisions utilised in the year	(9,440)	(28,144)	-	(10,704)	**(48,288)**
Borrowing costs (unwinding of discounts)	(4,144)	(218)	5,253	1,422	**2,313**
Changes in price level	(1,220)	(508)	(3,256)	495	**(4,489)**
Balance at 31 March 2014	**188,314**	**150,888**	**241,901**	**56,808**	**637,911**

20.1 British Shipbuilders

British Shipbuilders had liabilities arising from personal injury to former employees resulting mainly from exposure to asbestos during the course of their work. The Core Department took full responsibility for these liabilities when the Corporation was abolished in March 2013. The undiscounted liability as at 31 March 2014 was £225 million (31 March 2013: £254 million). The current estimate is that the liabilities will extend for up to 35 years.

The Department's approach to accounting for the personal injury compensation claims against British Shipbuilders and its subsidiaries has been to provide for those costs of resolution which are both probable and reliably estimable. An actuarial review of asbestos liabilities as at 31 March 2013 was reported in December 2013. This new report coupled with the existing known liabilities for Noise Induced Hearing Loss identified a range of undiscounted liabilities from £147 million to £456 million.

In the light of significant uncertainty associated with asbestos claims, there can be no guarantee that the assumptions used to estimate the provisions for the cost of resolving asbestos claims will be an accurate prediction of the actual cost that may be incurred and the provisions are the subject of an actuarial review when a condition changes materially.

The Core Department is also responsible for compensation claims made against former British Shipbuilders' companies. The Financial Services Compensation Scheme does not compensate former employees in respect of periods of employment with nationalised industries and the Department assumed liability for this compensation by way of a Minute to Parliament in 2003. The undiscounted liability at 31 March 2014 was £9 million (31 March 2013: £9 million) and is included within other provisions.

20.2 Onerous Leases

The Core Department has onerous leases in respect of leased offices at 151 Buckingham Palace Road (BPR), 10-18 Victoria Street (10VS) and various leases transferred from other bodies following their winding up. The Department provides for these leases in full when the lease becomes onerous by establishing a provision for the future estimated payments discounted by HM Treasury's discount rate in the range -1.9% to 2.2%, depending on the provision term. The expiry dates for the onerous leases within the Department range from 2014 to 2027.

The Core Department has attempted to mitigate any potential losses through subletting against the existing head leases for the buildings, and has sublet BPR, 10VS and some of the properties transferred into the Department. However, given current market conditions and future forecasts the Core Department has determined that at the reporting date neither the current nor future potential subleases will recover the full costs incurred by BIS.

The undiscounted liability was £145 million (31 March 2013: £187 million). The discounted value is higher than the undiscounted liability due to the negative discount rates used for the short and medium term.

20.3 UK Atomic Energy Authority Decommissioning

The decommissioning provision represents the estimated costs of decommissioning fusion research facilities at the UK Atomic Energy Authority's Culham site, including the storage, processing and eventual disposal of radioactive wastes. The Core Department retains the liability for these costs.

Calculation of the liabilities is based on the technical assessments of the processes and methods likely to be used in the future to carry out the work. Estimates are derived from the latest technical knowledge and commercial information available, taking into account current legislation, regulations and Government policy. Summary figures are built up by aggregating detailed estimates for individual liabilities. Allowance is also made for infrastructure costs, which are an appropriate share of site running costs and other overhead costs attributable to plant and buildings. The calculation is reassessed annually, so the estimated liabilities reflect the March 2014 calculation, as shown in the Authority's accounts at 31 March 2014. The best estimate of the cost of the liabilities is discounted using HM Treasury's discount rates which range from -1.9% to 2.2% depending on the term of the provision. The undiscounted cost of the provisions as at 31 March 2014 was £255 million (31 March 2013: £250 million).

Since much of the work required to deal with the liabilities will not be undertaken until well into the future, there is a significant uncertainty as to the amount of the provision. In addition, timing of expenditure on the decommissioning provision is dependent on the closure date of the Joint European Torus (JET) facility which is to be decommissioned.

20.4 Provisions of the Agencies

As at 31 March 2014, the value of these provisions was £39 million (31 March 2013: £56 million). These relate to a range of liabilities arising from the Agencies' Programmes and Administration costs.

20.5 Provisions of NDPBs and other designated bodies

	31 March 2014			31 March 2013 restated		
	HEI staff liabilities £'000	Other £'000	Total £'000	HEI staff liabilities £'000	Other £'000	Total £'000
Balance at 1 April	**227,500**	**120,369**	**347,869**	**241,958**	**130,680**	**372,638**
Transferred in	-	-	-	-	(25)	(25)
Provided in the year	43,409	48,131	91,540	270	23,758	24,028
Provisions not required written back	-	(15,476)	(15,476)	-	(4,218)	(4,218)
Provisions utilised in the year	(29,315)	(22,111)	(51,426)	(28,270)	(18,439)	(46,709)
Changes in price level	10,027	(4,616)	5,411	6,767	(12,759)	(5,992)
Other movements	-	-	-	-	190	190
Borrowing costs (unwinding of discounts)	5,346	605	5,951	6,775	1,182	7,957
Balance at reporting date	**256,967**	**126,902**	**383,869**	**227,500**	**120,369**	**347,869**

Higher Education Institutions (HEI) Staff Liabilities

These are certain staff related commitments of Higher Education Institutions (HEIs) that were previously Local Authority (LA) maintained. These liabilities were transferred from LAs to HEIs on incorporation and the Education Reform Act 1988 gave powers to the Polytechnics and Colleges Funding Council (PCFC) to reimburse institutions and LAs for such liabilities. Upon its formation HEFCE assumed the PCFC's main responsibilities and now provides funding for reimbursements as follows:

- Early retirement or redundancy compensation payments
- Protection of salary
- Pension increases under the Local Government Superannuation Scheme for former non teaching staff of institutions formerly funded by the PCFC.

HEFCE has provided for these ongoing reimbursements. As the provision estimate is based on a sample and uses various assumptions, the valuation obtained may vary from that which would be obtained if the data of all pension scheme members was made available to allow a full actuarial valuation. An independent review is undertaken periodically in order to verify the reasonableness of the provision. The value is an estimate based upon a sample of the underlying population, projected payments, mortality rates and other actuarial assumptions. The latest review was carried out during 2013-14. The provision is discounted using HM Treasury's pension discount rate of 1.80% (2012-13: 2.35%). The value of the provision as at 31 March 2014 was £257 million (31 March 2013: £228 million). The undiscounted value of the provision as at 31 March 2014 was £300 million (31 March 2013: £269 million).

21. Retirement benefit obligations

	31 March 2014 £'000			31 March 2013 restated £'000		
	Funded pension schemes	Unfunded pension schemes	Total	Funded pension schemes	Unfunded pension schemes	Total
Balance at 1 April	**48,434**	2,434	**50,868**	**(8,840)**	**2,465**	**(6,375)**
Current service cost	26,425	104	26,529	22,745	57	22,802
Transfers into pension schemes	-	-	-	-	96	96
Interest cost	1,941	12	1,953	(16,402)	15	(16,387)
Actuarial (gains) and losses	(98,447)	20	(98,427)	72,369	(19)	72,350
Transfers out	-	-	-	1,393	-	1,393
Income from contributions	(35,885)	-	(35,885)	(21,438)	-	(21,438)
Payment of pensions	230	-	230	-	(180)	(180)
(Gains)/losses on settlement and curtailments	-	-	-	(1,393)	-	(1,393)
Balance at reporting date	**(57,302)**	**2,570**	**(54,732)**	**48,434**	**2,434**	**50,868**

All retirement benefit obligations relate to the NDPBs and other designated bodies.

Details of the most significant bodies to which the funded pension schemes relate are shown below.

21.1 Funded pension schemes

The Student Loans Company (SLC) operates the SLC Limited Retirement and Death Benefits Scheme for all permanent staff which is a defined benefits scheme that provides benefits based on final pensionable salary. The scheme deficit as at 31 March 2014 was £17 million (31 March 2013: £14 million). Further details of the SLC pension scheme can be found in the accounts of the SLC.

The Medical Research Council (MRC) operates the MRC Pension Scheme (MRCPS), for all staff providing benefits based on service and final pensionable salary. The MRCPS is a defined benefit scheme. A full actuarial valuation was undertaken as at 31 December 2010. The scheme surplus as at 31 March 2014 was £74 million (31 March 2013: £34 million deficit). Further details of the MRCPS can be found in the accounts of the MRC.

The assets of the schemes are held separately from the assets of the Departmental Group, being invested by the Trustees of the schemes.

22. Financial guarantees

	31 March 2014 £'000			31 March 2013 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**199,059**	**199,059**	**231,796**	**235,928**	**235,928**	**267,333**
Provided in year	30,336	30,336	38,417	35,318	35,318	43,601
Financial guarantees not required written back	(3,693)	(3,693)	(8,672)	(4,423)	(4,423)	(4,423)
Guarantees called	(29,357)	(29,357)	(36,194)	(49,206)	(49,206)	(56,157)
Amortisation of financial guarantees	(29,294)	(29,294)	(29,294)	(26,536)	(26,536)	(26,536)
Unwinding of discount	(1,137)	(1,137)	(1,137)	2,774	2,774	2,774
Change in price levels	68	68	68	5,204	5,204	5,204
Balance at period end date	**165,982**	**165,982**	**194,984**	**199,059**	**199,059**	**231,796**

Financial guarantees analysed between current and non-current liabilities

	31 March 2014 £'000			31 March 2013 £'000			1 April 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Payable not later than one year	38,556	38,556	46,508	47,547	47,547	48,707	82,762	82,762	84,044
Payable after more than one year	127,426	127,426	148,476	151,512	151,512	183,089	153,166	153,166	183,289
Total	**165,982**	**165,982**	**194,984**	**199,059**	**199,059**	**231,796**	**235,928**	**235,928**	**267,333**

Measurement

The Small Firms Loan Guarantee Scheme (SFLGS), Enterprise Finance Guarantee (EFG) and Automotive Assistance Programme (AAP) are initially recognised at fair value, which is equal to the premium income over the life of the guarantee.

Those guarantees that are not expected to default are carried at fair value and those guarantees that are expected to default are carried at an amount determined in accordance with IAS 37. The fair value is based upon the net present value of premium income. The value of the amounts determined, under IAS 37, is based on the expected value of defaults discounted using HM Treasury's discount rates, where material.

Guarantees provided by the Core Department

22.1 Enterprise Finance Guarantee (EFG)

The EFG was introduced in January 2009. In the October 2010 Spending Review (SR), the Government made a commitment to continue the EFG scheme until 2014-15 and, subject to demand, will guarantee up to £2 billion in lending over the four year SR period. The current phase of EFG runs from 1 April 2011 to 31 March 2015. For 2013-14, a total of £500 million was made available. Actual lending under the scheme for 2013-14 as at 31 March 2014, was £340 million.

EFG may be used to facilitate new term loans (either unsecured or partially secured), to transfer long term debt out of an overdraft, to refinance an existing secured loan which would otherwise be withdrawn due to deterioration in the quality of the security or invoice finance facilities.

The EFG is available for most business purposes and to businesses in most sectors. However, it is subject to certain restrictions arising from the EU De Minimis State Aid rules, the Industrial Development Act 1982, (which provides the statutory basis for EFG) and also national policy reasons, which are detailed on the Core Department's website.

Carrying values

The total value of loans outstanding as at 31 March 2014 was £896 million (31 March 2013: £904 million). For lending that took place in the first three years of EFG, in financial years 2008-12, the Core Department's total liability is capped at 9.75% of the total amount lent under the scheme in that period. During 2012-13 the cap on liabilities increased from 9.75% to 15%. At 31 March 2014 the Core Department's maximum exposure was £245 million based on total lending of £2.2 billion.

£39 million of EFG loan offers had been made prior to 31 March 2014 which had yet to be drawn. It is estimated that up to £24 million of these loans will ultimately be drawn down by borrowers. At 31 March 2014 the carrying value of the guarantees was £137 million (31 March 2013: £150 million). The total value of the expected defaults, adjusted for claims already made, was £84 million (31 March 2013: £95 million), and the fair value of those guarantees not expected to default was £52 million (31 March 2013: £55 million).

22.2 Small Firms Loan Guarantee Scheme (SFLGS)

The SFLGS was replaced by the EFG in January 2009. Through Government backing the Scheme enabled lenders to assist small businesses, with viable business proposals, to gain access to finance where they lacked security or a track record.

Carrying values

The total value of loans outstanding as at 31 March 2014 was £49 million (31 March 2013: £91 million) however, the Core Department's total liability under the Scheme is limited to approximately 75% of the total value of the loans outstanding which was £37 million (31 March 2013: £69 million). At 31 March 2014 the carrying value of the guarantees was £19 million (31 March 2013: £30 million). The total value of the expected defaults was £4 million (31 March 2013: £9 million), and the fair value of those guarantees not expected to default was £15 million (31 March 2013: £22 million). The amounts outstanding will be utilised over the next five years, to 2018-19.

Forecasting models

The estimated liability arising from the guarantees outstanding is based on the default probability, the outstanding guaranteed loan balance and the time taken to process the claim. The default probability is determined by using a statistical forecasting model known as 'Cox Regression'.

Risks

Due to the nature of these guarantees, the Core Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Core Department to honour its guarantee. The Core Department minimises the credit risk by devolving responsibility to the banks to determine whether any business applying for a loan is commercially viable. The banks are required to apply normal commercial practices. To establish that this is the case, for EFG the Core Department undertakes an independent audit of the lenders participating in the Scheme. This is done by sampling and checking guarantees granted and defaults arising using recognised statistical sampling and auditing techniques and by auditing individual default claims by exception. In addition, the Core Department also shares the risk on each individual guaranteed facility and limits the risk at the portfolio level for EFG because its exposure is capped.

In addition, the Core Department is exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks' usual lending practices mean that fixed rate loans are usually available only for small value short term loans. To minimise the risk of default relating to a rise in interest rates, accompanied by a decline in the economic environment, the Core Department relies on the lenders applying best commercial practice when assessing the risk of default.

22.3 Other

Automotive Assistance Programme (AAP)

On 27 January 2009, the then Secretary of State announced the creation of the AAP, to make possible loans and guarantees enabling up to £2.3 billion in lending to Britain's automotive manufacturers and suppliers. Following the signing of an agreement in July 2010, the Core Department provided a guarantee to the European Investment Bank (EIB) for £378 million in respect of a £450 million loan. The loan is due to be repaid by September 2015.

Carrying value

At 31 March 2014, the fair value of the Core Department's other financial guarantees was £10 million (31 March 2013: £19 million).

Risks

Credit Risk

Due to the nature of the AAP guarantee, the Core Department is exposed to credit risk, which could trigger a call on the guarantee if the business defaults or if other financial covenants set out in the loan agreement are not met. This risk is mitigated by the Core Department assessing the company's credit rating according to professional rating agencies. At 31 March 2014 the likelihood of default was assessed as 0.27%. The loan is also secured on assets.

Guarantees provided by NDPBs and other designated bodies

22.4 Professional and Career Development Loans provided by the Skills Funding Agency

The Professional and Career Development Loans (PCDLs) programme is administered by the Skills Funding Agency. PCDLs provide loans to students to enable them to complete a course of study from approved learning providers. High street banks provide the loans to students at a rate of interest below what might ordinarily be offered to them in such circumstances – currently 9.9% (2012-13: 9.9%). The Skills Funding Agency is liable for the cost of defaults on these loans and for the interest costs of the loans while the students are in learning and for up to one month after the course of study finishes.

Information about the Departmental Group's exposure to financial instrument risk is included in Note 12.

23. Other Financial Liabilities

	Debt sale subsidy £'000
Balance at 1 April 2012	**217,590**
Increase in year	33,071
Utilisation in year	(3,427)
Borrowing costs (unwinding of discounts)	4,787
Value at 31 March 2013	**252,021**
Decrease in year	(6,058)
Utilisation in year	(8,043)
Borrowing costs (unwinding of discounts)	5,545
Value at 31 March 2014	**243,465**

Financial liabilities analysed between current and non-current liabilities:

	31 March 2014 £'000	31 March 2013 £'000	1 April 2012 £'000
Payable not later than one year	10,278	9,295	4,809
Payable after more than one year	233,187	242,726	212,781
Total	**243,465**	**252,021**	**217,590**

Other financial liabilities relate to the Core Department. These comprise the student loan debt sale subsidy, which is measured at amortised cost in accordance with IAS 39.

The student debt sale subsidy is the additional cost to the Core Department arising from the Government subsidising the purchaser of the debts beyond the cost that the Government would have incurred had the debts remained in the public sector. This liability arose from loan sales in 1998 and 1999. The subsidy will continue until all the loans are extinguished which is expected to be no earlier than 2028, which is the 30 year duration of the first debt sale agreement.

The annual debt sale subsidy payments are calculated according to a formula set out in the debt sale contracts signed in 1998 and 1999. The subsidy consists of two elements. The interest subsidy element of the payment is calculated as LIBOR plus margin less RPI. Margin is calculated as a percentage of the portfolio with different rates for each contract. The key risk is therefore that the gap between LIBOR and RPI increases. The other key element relates to compensation payable by the Core Department for loan repayments which are deferred or written off, under the terms of the original loan contracts with borrowers.

24. Contingent Liabilities

24.1 Contingent liabilities disclosed under IAS37

The Departmental Group has the following contingent liabilities:

Basis of Recognition	Description
Unquantifiable	
Nuclear	The Core Department has a range of civil nuclear liabilities arising through its association with the United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited as well as ensuring that the Government complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable.
International collaborations – technical facilities	STFC collaborates with a number of international partners in the funding, management and operation of technical facilities which it does not own. For each of these facilities STFC may be obliged to contribute to decommissioning costs arising from a decision to discontinue operations. The most significant of these potential liabilities is in respect of CERN and the European Southern Observatory (ESO). The contingent liability is unquantifiable.
National Physical Laboratory	NMO has a contingent liability for the disposal of radioactive waste, and decontamination of land and buildings at the National Physical Laboratory. These costs cannot be reliably estimated.
Outer Space Act 1986	The UKSA has an obligation to third parties if they are accidentally damaged by space activities. The low probability of this occurring means a cost cannot be reliably estimated.
Quantifiable	
Reprocessing and staff commitments	STFC is responsible for Institut Laue-Langevin (ILL) staff related commitments and costs associated with reprocessing fuel elements. The contingent liability is estimated to be £11 million (31 March 2013: £12 million).
Decommissioning and Dilapidations	The Departmental Group has a number of contingent liabilities associated with cost of decommissioning and restoring sites once they are no longer in use. The estimated combined value of these liabilities is £15 million (31 March 2013: £10 million). Further details can be found in accounts of the GIB, TSB and MRC.
Restructuring Costs	Where Institutes/Sites that were previously part of BBSRC were transferred to other organisations, BBSRC agreed to meet certain costs for a limited period. The maximum payable under these agreements was £3 million and all of the agreements will end by 2016-17 (31 March 2013: £3 million).
Lease payments	The Core Department is responsible for paying the rent in respect of a lease in the event that the current tenant defaults. The cost to the Core Department is estimated to be in the region of £2 million, which is the estimated total value of the amounts payable until the lease expires in November 2016. (31 March 2013: £2 million).

24.2 Contingent liabilities arising through financial guarantees, indemnities and letters of comfort

Quantifiable

The Departmental Group has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be disclosed under the requirements of the Government Financial Reporting Manual and Managing Public Money. Measurement is carried out following the requirements of IAS 39, given that the reporting requirements of Managing Public Money, and these liabilities, fall outside the scope of IAS 37.

Managing Public Money requires that the full potential costs of such contracts be reported to Parliament. These costs are reproduced in the table below.

	1 April 2013 £'000	Increase in year £'000	Liabilities crystallised in year £'000	Obligations expired in year £'000	31 March 2014 £'000	Amount Reported to Parliament by Departmental minute £'000
Statutory Guarantees:						
Home Shipbuilding Credit Guarantee Scheme	2,184	-	-	853	1,331	-
Other:						
Callable capital subscription for the Common Fund for Commodities	1,960	-	-	-	1,960	-
Paid in capital subscription for the Common Fund for Commodities	2,240	-	-	-	2,240	-
Warranties have been granted by the Department and the SLC to the purchaser of the mortgage style HE loans sold in 2013-14. These warranties relate to the accuracy of information and are limited to 10% of the purchase price of £129 million between now and 31 May 2015. The maximum level of liability is £12.9 million.	-	12,900	-	-	12,900	-
Total	**6,384**	**12,900**	**-**	**853**	**18,431**	**-**

Notes:

- Obligations expired in year relate to cases closed and/or completed contracts.
- Where the balances outstanding at 31 March 2014 are different to the amounts included in the Departmental minute, this is because the contingent liabilities have gone through a process of re-assessment, or have crystallised since the minute was laid.

Unquantifiable

The Departmental Group has also entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote.

Statutory Guarantees

- A guarantee has been given to the Financial Reporting Council that if the amount held in the Legal Costs Fund falls below £1 million in any year, an additional grant will be made to cover legal costs subsequently incurred in that year.
- Any liabilities imposed by section 9, British Aerospace Act 1980.

Statutory Indemnities

- Indemnities given to UK Atomic Energy Authority by the Secretary of State to cover indemnities given to carriers against certain claims for damage caused by nuclear matter in the course of carriage.
- Indemnities equivalent to those given to civil servants under the Civil Service Management Code have been given to persons appointed to the Board of the Office of Fair Trading, including the Chairman.
- Indemnities given to Bankers of the Insolvency Service against certain liabilities arising in respect of non-transferable "account payee" cheques due to insolvent estates and paid into the Insolvency Service's account.[i]

- The Police Information Technology Organisation (Home Office) provides BIS with access to data from the Police National Computer (PNC). BIS has indemnified the police against any liabilities which they might incur as a result of providing that access.

Other

- Incidents/Accidents Insurance claims for exposure to ionising radiation pursued outside the existing UK Atomic Energy Authority insurance scheme.
- A contingent liability in respect of risk associated with the Core Department assuming responsibility for uplifts in pension contributions for the UK Atomic Energy Authority's non-actives.
- There is a possibility that other liabilities exist in relation to nationalised and former nationalised industries that if they crystallised may fall to the Core Department.
- European Patent Office (EPO): the UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973.
- World Intellectual Property Organisation: the UK, as a contracting state to the Patent Co-operation Treaty of 1970, has a potential liability under Article 57 of the Treaty.
- The Cabinet Secretary has provided a Government wide indemnity to Public Appointments Assessors (PAAs). This will ensure that PAAs will not have to meet any personal civil liability incurred in the execution of their PAA functions.
- Indemnities have been given to the Directors appointed by the Department to Enrichment Holdings Limited, Enrichment Investments Limited and Urenco Limited. These indemnities are against personal liability following any legal action against the Company.
- Indemnities have been granted to Royal Mail (the Company), its directors and the underwriters of the initial public offering (IPO) for liability incurred in the processes undertaken in effecting the IPO. A number of exceptions apply that reduce the scope of the indemnities. None of the indemnities are quantifiable.
- An indemnity has been given by BBSRC to the Roslin Institute for any costs that arise as a result of past actions of the institute prior to its transfer to the University of Edinburgh in 2008. A further indemnity has been given to any fall in grant income of the Institute as a result of the transfer. The maximum settlement BBSRC will fund reduces each year and is limited to claims made up to May 2023.(ii)

These liabilities are unquantifiable due to the nature of the liability and the uncertainties surrounding them.

Note: (i) – These contingent liabilities relate to Agencies.

(ii) – These contingent liabilities relate to NDPBs and other designated bodies.

All other liabilities relate to the Core Department.

25. Losses and special payments

The purpose of this note is to report on losses and special payments of particular interest to Parliament in accordance with *Managing Public Money*.

25.1 Losses Statement

Loss values

	2013-14 £'000			2012-13 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Cash losses	464	464	3,132	287	287	6,633
Claims abandoned	320,282	320,788	321,101	406,311	406,876	408,820
Administrative write-offs	2,937	3,337	3,337	273	4,055	4,057
Constructive losses	137,325	137,325	138,661	28,322	28,322	28,525
Fruitless payments	-	1,426	1,603	35	211	1,871
Store losses	-	-	431	-	-	73
Write off of investment in subsidiary	-	-	-	3,882	3,882	3,882
Other	801	801	801	-	-	-
Total	**461,809**	**464,141**	**469,066**	**439,110**	**443,633**	**453,861**

Number of cases

	2013-14 £'000			2012-13 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Cash losses	638	638	669	203	203	227
Claims abandoned	10,907	11,000	11,061	13,397	13,550	13,588
Administrative write-offs	714	715	715	523	526	535
Constructive losses	6	6	23	6	6	18
Fruitless payments	-	143	234	22	78	136
Store losses	-	-	30	-	-	21
Write off of investment in subsidiary	-	-	-	1	1	1
Other	7,000	7,000	7,000	-	-	-
Total	**19,265**	**19,502**	**19,732**	**14,152**	**14,364**	**14,526**

Details of cases over £300,000

Cash losses

NDPBs and other designated bodies

Included in cash losses for 2013-14 are 28 cases with a value of £2,607,067 (2012-13: 23 cases with a value of £6,191,228) paid to organisations by the Skills Funding Agency where recovery was not possible because the organisations have gone into liquidation. Of this total, individual losses in excess of £300,000 were recorded for the following organisations:

- Elmfield Training (£720,277)
- First for Skills (£469,480)
- Success Training (Scotland) Limited (£301,866)
- Training for Travel (£402,608)

Claims abandoned

Core Department

HMRC pay to BIS the amounts of student loan repayments collected from borrowers by employers through the tax system. During the reporting period £406,336 was written off in respect of student loan repayments which have been collected by the employer from the borrower but were uncollectable from employers by HMRC, normally because of employer insolvency. The amount written off in 2012-13 was £310,378.

Redundancy Payment Service (RPS) Receivable Impairment: Most of the redundancy payments made from the National Insurance Fund (NIF) are in respect of employees of insolvent companies. Repayment of debt is recovered from the sale of the assets of the insolvent company. A small part of the debt is preferential but most ranks with ordinary creditors. Therefore most of the debt is irrecoverable. HMRC record the impairment of the RPS receivable in NIF accounts. The RPS receivable impairment for 2013-14 is £319 million (2012-13: £406 million).

Administrative losses

Core Department

The Core Department inherited North West Business Link Limited whilst it was in liquidation at 31 March 2012. At that time, the return on investment was estimated to be £4,626,098. However, the final liquidation proceeds amounted to £4,218,229 leading to a write-off of £407,869. The company was formally dissolved on 23 January 2014.

Loans for Further Education students were issued for the first time in August 2013 in accordance with the Further Education Loans Regulations 2012. Advanced or Higher Apprenticeship frameworks were listed as designated courses, but in response to a very low take up of these loans the courses were removed from the designated list with effect from 7 March 2014. 664 Apprenticeship loans were taken up during this period and borrowers were advised that they were no longer required to repay their outstanding loan and the balance outstanding of £458,394 was written off.

The scrappage incentive scheme was launched in the 2009 Budget. Scrapping of an old car (registered on or before 31 July 1999) would allow for a £2,000 cash incentive – the money burden is shared with £1,000 funded by the Government and £1,000 funded by the automobile industry. The program was limited to £400 million allowing for about 400,000 customers to benefit. At the end of the scheme, BIS undertook a final audit exercise. Following further analysis, BIS has calculated the expected value of any write-off to be £1,997,125.

Constructive losses

Core Department

An early repayment premium of £107,945,120 was paid to the National Loans Fund (NLF) in 2013-14. The sale of shares in Royal Mail necessitated a repayment of an outstanding long-term NLF loan provided to Royal Mail (on-lent by BIS) before its original term had ended, which meant the NLF would not receive the full amount of interest it was expecting had the loan run to maturity. The NLF is not legally allowed to make a loss; it was therefore required to charge a premium to BIS to reflect the fact that it was locked into an external borrowing at a higher rate at the time this loan was originally issued in 2001.

The Core Department holds onerous leases for properties on the Department's estate, for which we have provided £151 million, as disclosed in Note 20. The payments made during the course of 2013-14 in respect of these leases amounted to £28,143,618 (2012-13: £28,321,682).

During the year the Department and UK Shared Business Services Limited began work on the implementation of a new IT infrastructure – the Flite programme. Following a change in strategic direction, the initial work undertaken on the programme was reapplied where possible. £1,235,664 of costs incurred could not be recycled, and have been treated as sunk costs by the Department.

NDPBs and other designated bodies

The Skills Funding Agency incurred constructive losses of £1,318,620 in 2013-14 relating to impairment costs for a capital project that was discontinued.

Stores losses

NDPBs and other designated bodies

The Medical Research Council incurred stores losses totalling £339,908 in 2013-14 relating to expiry of stock held within institutes based in Africa.

Other losses

Core Department

SLC's practice of consolidating loans for mortgage-style loan borrowers was not compliant with the Consumer Credit legislation since its introduction in 2008. Interest has been wrongly added to borrowers and for those customers who paid off their loans, or had them cancelled under the loan terms, prior to the sale of the mortgage-style loan book, refunds have been arranged. The SLC is making contact with these 7,000 customers at a cost of £0.8m. This issue will not repeat itself as Income Contingent Loans do not fall under the 2008 Consumer Credit Legislation.

25.2 Special Payments

Special payments include extra-contractual, *ex gratia* and compensation payments.

	2013-14 £'000			2012-13 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Total amount	**9**	**9**	**254**	**37**	**52**	**3,996**
Total number of cases	*1*	*1*	*998*	*1*	*4*	*662*

25.3 Student Loans remitted (written off) in year

Loans totalling £22,026,759 were written off in 2013-14.

	2013-14 £'000	2012-13 £'000
Because of death	10,124	11,210
Because of age	6,889	12,560
Because of disability	1,509	601
Because of bankruptcy	992	215
On completion of Individual Voluntary Arrangement (IVA)	1,952	813
Other	561	2,103
Total	**22,027**	**27,502**

26. Related-party transactions

The Core Department is the parent of the bodies listed in Note 30 and during the reporting period made payments to these bodies. The Core Department is also the sponsor of Companies House, UKIPO, Ordnance Survey and the Met Office (Trading Funds), and Royal Mail Holdings plc, BNFL and EHL.

The Core Department has also had various material transactions with other Government departments and Government bodies. The most significant of these transactions have been with the Department for Communities and Local Government, the Department of Energy and Climate Change, the Department for Education, HM Revenue and Customs; the National Loans Fund, the Cabinet Office and HM Treasury's Consolidated Fund.

Professor Dame Julia King DBE, a Non Executive Director on the BIS Management Board until 23 July 2013, is the Vice Chancellor of Aston University, which receives funding from various members of the Departmental Group including HEFCE and the Research Councils. Aston University received £22,466,443 in funding during the year and was owed £34,794 at the 31 March 2014. The Core Department did not have any material transactions with Aston University.

Dame Julia King DBE is also a Non Executive Director of the Green investment Bank (GIB) and received remuneration of £25,000 in 2013-14 (31 March 2013: £10,417).

Dame Julia King DBE is also a Director of The National Centre for Universities & Business. The National Centre for Universities and Business received £200,000 from the Technology Strategy Board (TSB) in 2013-14.

Andrew Witty, a Non Executive Director on the BIS Management Board until 31 December 2013, is the CEO of GlaxoSmithKline plc (GSK), which receives funding from the Department through the Medical Research Council (MRC) and the TSB. GSK received £640,800 from MRC in 2013-14 and was owed £24,968 at 2013-14. GSK also provided £63,000 funding to Diamond Light Source in 2013 and owed £12,600 at 2013-14.

None of the Core Department's Ministers or other Management Board members has undertaken any material transactions with the Departmental Group during the year.

Disclosures with respect to NDPBs and other designated bodies

The following BBSRC council members held positions on the governing bodies of sponsored research institutes:

Dr David Lawrence	Rothamsted Research
Mr David Gregory	Institute for Food Research

The Institute for Food Research (IFR) received £18 million in grant funding from BBSRC during the reporting period (2012-13: £13 million) and Rothamsted Research received £33 million (2012-13: £27 million). BBSRC operates a policy where interested parties are precluded from voting on grant funding to organisations in which they have an interest. BBSRC also reported balances as follows: IFR £0.1 million receivable, £0.5 million payable (2012-13: £0.2 million payable); Rothamsted Research £0.2 million receivable, £1.4 million payable (2012-13: £0.1 million receivable, £4.8 million payable).

In the course of allocating funding during the year, HEFCE and the seven research councils entered into material transactions with various Higher Education Institutions. Where these bodies have board members who are also members of university councils, each body operates a policy that precludes interested parties from voting on the funding to the university in which they have an interest. Further details of the transactions can be found in the statutory accounts of the individual bodies.

NDPBs and other designated bodies also had various material transactions with other Government departments. The most significant of these transactions have been with the Department for Work and Pensions, the Cabinet Office, HM Revenue and Customs, the Department for Culture, Media and Sport, the Ministry of Defence, the Department of Health, the Department for Environment, Food and Rural Affairs and the Devolved Administrations.

27. Events after the Reporting Period

On 30 June 2014 investment funds with a value of £327.2 million were transferred from Infrastructure Finance Unit Limited (IFUL) to British Business Investments Limited (BBIL), a newly-formed partner organisation of BIS. A loan arrangement between HM Treasury and IFUL has also been novated such that the arrangement now exists between BIS and BBIL, and the value of this loan is £320.4 million. The purpose of the investment funds is to provide finance for small and medium sized businesses, and is consistent with the activities of the Department and in time, the British Business Bank.

There are no other events after the reporting period requiring disclosure under IAS 10.

27.1 Date Accounts authorised for issue

The Accounting Officer of the Department has authorised these Accounts to be issued on the same day as they were certified.

28. Third-party assets

The following are balances on accounts held in BIS's name at banks but which are not BIS monies. They are held or controlled for the benefit of third parties and are not included in BIS's Accounts.

	31 March 2014			31 March 2013 restated		
	Core Department £'000	Core Department and Agencies £'000	Departmental Group £'000	Core Department £'000	Core Department and Agencies £'000	Departmental Group £'000
Monetary assets such as bank balances and monies on deposit	5,479	5,479	15,293	4,935	4,935	13,630
Total	**5,479**	**5,479**	**15,293**	**4,935**	**4,935**	**13,630**

The prior year bank balance has been restated to reflect the classification of Postal Services Holding Company Limited to central Government.

29. Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure as a result of Machinery of Government (MoG) changes, changes to the Designation Order and other restatements

Machinery of Government (MoG) changes

BIS had several small MoG changes affecting its Estimate and Accounts for the year ended 31 March 2014, where functions or responsibilities have been merged or transferred within Government. A function is an identifiable business operation with an integrated set of activities, staff and recognised assets and liabilities, and changes are accounted for using merger accounting in accordance with the FReM. Only the transfer of the management of the Royal Mail Statutory Pension Scheme (RMSPS) to the Cabinet Office with effect from 1 April 2013 has impacted the accounts. To reflect this change in 2012-13, Net Expenditure was reduced by £6.2 million.

The other changes impacting the Estimates related to the transfer of consumer credit activity to HMT; the transfer of Employment Agency Standards Inspectorate to functions in labour markets to HMRC and the transfer of EU Education and Youth programmes (Erasmus) from the Department for Education. The accounts have not been restated to reflect the impact of these changes in the prior year due to the small amounts involved.

Changes in the Designation Order

The following bodies were added to the Designation Order in 2013-14 with a retrospective reclassification:

- **UK GIB Rhyl Flats Investment Limited**

  The Green Investment Bank formed UK GIB Rhyl Flats Investment Limited to hold its investment in Rhyl Flats Wind Farm project in March 2013.

- **Enrichment Holdings Limited**

  ONS classified Enrichment Holdings Limited and its subsidiary, Enrichment Investments Limited, as central Government bodies retrospectively. The prior year figures have therefore been restated to reflect this.

- **Postal Services Holdings Company Limited**

  ONS classified Postal Services Holding Company Limited to central Government retrospectively. The prior year figures have therefore been restated to reflect this.

Prior Period Adjustments

There was one change in accounting policy in the reporting period and in accordance with IAS 8 the change has been treated as a Prior Period Adjustment (PPA). Following the implementation of changes to IAS 19, the interest on pension liabilities and the expected return on pension scheme assets were combined to create a new net interest line in the accounts. The impact on 2012-13 was to reduce expenditure and income by £60 million. The impact on Taxpayers' equity is nil.
In accordance with IAS 8 the historical investments have been represented with effect from the earliest opening period, which is 1 April 2012.

Impact of restatements on opening balances

	Balance at 31 March 2013 per 2012-13 signed accounts	Nature of restatement			Restated balance at 31 March 2013
		Machinery of Government change	Accounting policy change	Changes in the boundary	
	£'000	£'000	£'000	£'000	£'000
Consolidated Statement of Comprehensive Net Expenditure					
Net operating costs	19,227,462	(6,200)	-	(219,268)	19,001,994
Net expenditure for the period	1,598,582	(6,200)	-	(219,268)	1,373,114
Other comprehensive net income and expenditure	(1,103,840)	-	-	219,807	(884,033)
Total comprehensive expenditure	494,742	(6,200)	-	539	489,081
Consolidated Statement of Financial Position					
Non-current assets	42,457,100	-	-	(1,255,692)	41,201,408
Current assets	5,533,583	-	-	1,255,913	6,789,496
Current liabilities	(2,427,216)	-	-	(49)	(2,427,265)
Non-Current liabilities	(2,066,435)	-	-	-	(2,066,435)
Total equity	**43,497,032**	**-**	**-**	**172**	**43,497,204**
Statement of Parliamentary Supply					
Resource DEL	19,230,449	(6,200)	-	(219,268)	19,004,981
Capital DEL	1,240,349	-	-	(978,425)	261,924
Resource AME	(356,320)	-	-	-	(356,320)
Capital AME	6,128,724	-	-	-	6,128,724
Resource non-budget	3,635	-	-	-	3,635
Net outturn for the year	**26,246,837**	**(6,200)**	**-**	**(1,197,693)**	**25,042,944**

30. List of bodies within the Departmental Group

The table below shows BIS Partner Organisations that are included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013, known as the Designation Order. The individual Annual Report and Accounts for each of these bodies can be found on their own websites or via the Inside Government website (https://www.gov.uk/government/organisations/department-for-business-innovation-skills).

The bodies whose accounts have been consolidated within the Departmental Group accounts are shown in section (a) of the table. Bodies within the Departmental Group but not consolidated, such as where net assets are not considered material to the Departmental Group accounts, are indicated separately in section (b) of this table.

A list of all BIS Partner Organisations as at 31 March 2014, including those that are not in the Designation Order and are therefore outside the Departmental Group accounts boundary, and excluding those which ceased to operate during 2013-14, is provided at page 11.

As a result of changes made in the 2013-14 Designation Order, some bodies are no longer included in the Departmental Group accounts boundary. Further details of these changes are contained in note 1.26.3. Where boundary changes have an impact on previously reported financial results, these are listed in Note 29.

Partner organisation *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during 2013-14 is also included)*
(a) Bodies consolidated in Departmental Group accounts for 2013-14		
Executive Agencies		
Insolvency Service	Executive Agency	bis.gov.uk/insolvency
National Measurement Office	Executive Agency	bis.gov.uk/nmo
UK Space Agency	Executive Agency	bis.gov.uk/ukspaceagency
Crown Executive Non Departmental Public Bodies (NDPBs)		
Advisory Conciliation and Arbitration Service (Acas)	Crown Executive NDPB	acas.org.uk
Central Arbitration Committee	*Linked but independent institution of Acas*	*Consolidated by Acas*
Certification Officer	*Linked but independent institution of Acas*	*Consolidated by Acas*
Skills Funding Agency *(operating name of the Chief Executive of Skills Funding)*	Crown Executive NDPB	skillsfundingagency.bis.gov.uk
NDPBs and other designated bodies		
Arts and Humanities Research Council	Executive NDPB	ahrc.ac.uk
Biotechnology and Biological Sciences Research Council	Executive NDPB	bbsrc.ac.uk
BIS (Postal Services Act 2011) Company Limited	Limited Company owned by BIS	*Website not yet available*
BIS (Postal Services Act 2011) B Company Limited	*Limited Company*	*Consolidated by BIS (Postal Services Act 2011) Company Limited*
Capital for Enterprise Limited (CfEL)	Executive NDPB and Limited Company	capitalforenterprise.gov.uk
Capital for Enterprise Fund Managers Limited	*Limited Company*	*Consolidated by CfEL*
Capital for Enterprise (GP) Limited	*Limited Company*	*Consolidated by CfEL*
Competition Appeal Tribunal	Tribunal NDPB	catribunal.org.uk *Consolidated by the Competition Service*
Competition Commission	Executive NDPB	competition-commission.org.uk
Competition Service	Executive NDPB	catribunal.org.uk/244/Competition-Service.html
Construction Industry Training Board (CITB)	Executive NDPB and Charity	cskills.org
Consumer Futures *(operating name of the National Consumer Council)*	Executive NDPB	consumerfutures.org.uk
Diamond Light Source Limited	Limited Company	diamond.ac.uk
Economic and Social Research Council	Executive NDPB	esrc.ac.uk
Engineering and Physical Sciences Research Council	Executive NDPB	epsrc.ac.uk

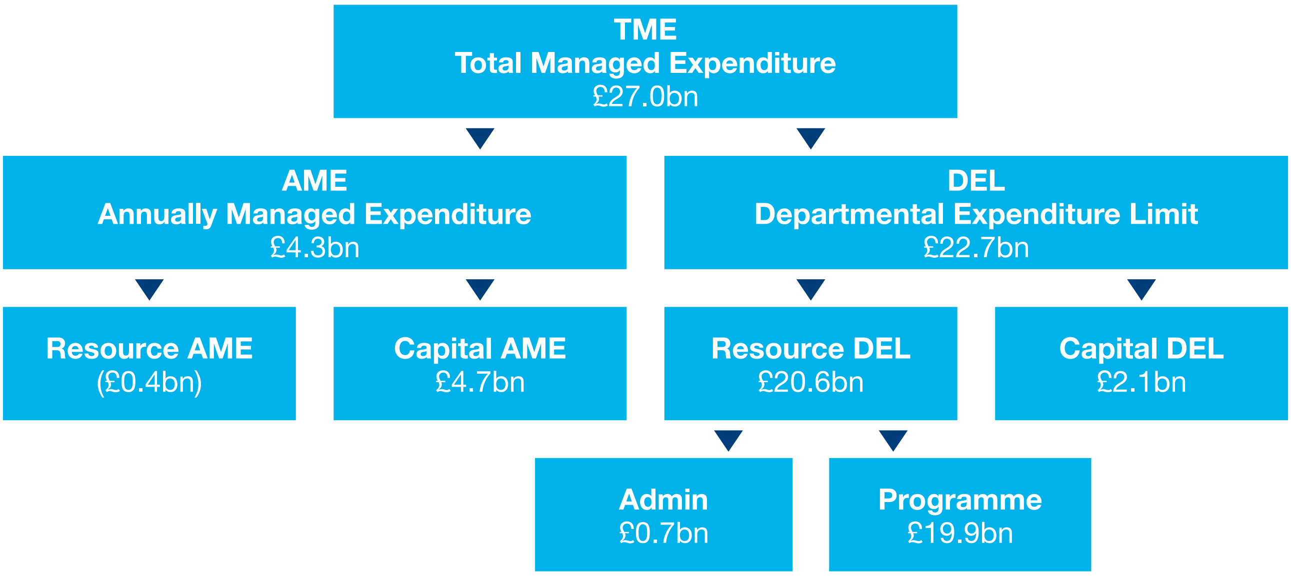
Partner organisation *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during 2013-14 is also included)*
Engineering Construction Industry Training Board	Executive NDPB and Charity	ecitb.org.uk
Enrichment Holdings Limited	Limited Company owned by BIS	*This is a vehicle for the Government's investment in Urenco Limited.*
Enrichment Investments Limited	*Limited Company*	*Consolidated by Enrichment Holdings Limited*
Financial Reporting Council Limited	Limited Company	frc.org.uk
Accountancy and Actuarial Discipline Board Limited	*Limited Company*	*Consolidated by Financial Reporting Council Ltd. This body was dissolved on 30 June 2013. Will not be in BIS 2014-15 Designation Order.*
Harwell Science and Innovation Campus Public Sector Limited Partnership	Limited Partnership	*Joint venture owned by STFC and UK Atomic Energy Authority*
Higher Education Funding Council for England (HEFCE)	Executive NDPB	hefce.ac.uk
Learning and Skills Improvement Service	Charity	Website is no longer operational. *This body's operations are expected to cease during 2014.*
Medical Research Council	Executive NDPB	mrc.ac.uk
Natural Environment Research Council	Executive NDPB	nerc.ac.uk
The NESTA Trust	Charitable Trust	nesta.org.uk/faqs/what_is_the_nesta_trust *The NESTA Trust was formed following the abolition of the National Endowment for Science Technology and the Arts (NESTA), the other part, NESTA Operating Company, is in the charity sector.*
Office for Fair Access (operating name of Director of Fair Access to Higher Education)	Executive NDPB	offa.org.uk
The Pirbright Institute *(formerly known as the Institute for Animal Health)*	Company Limited by Guarantee	pirbright.co.uk
Avrico Limited	*Limited Company*	*Consolidated by the Pirbright Institute*
Postal Services Holding Company plc	Public Limited Company owned by BIS	*This is a vehicle for the Government's investment in Royal Mail Plc and Post Office Limited.*
Science and Technology Facilities Council (STFC)	Executive NDPB	stfc.ac.uk
STFC Innovations Limited	*Limited Company*	*Consolidated by STFC*
Student Loans Company Limited	Executive NDPB and Limited Company	slc.co.uk
Technology Strategy Board	Executive NDPB	innovateuk.org
UK Green Investment Bank plc	Public Limited Company owned by BIS	greeninvestmentbank.com
Aviva Investors Realm Energy Centres L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Energy Efficiency Investments 1 L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
Energy Saving Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK GIB 1 Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK GIB 2 Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK GIB 3 Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK GIB Financial Services Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK GIB Rhyl Flats Investment Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Sustainable Waste and Energy Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Waste Resources and Energy Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Shared Business Services Limited	Limited Company	uksbs.co.uk
RCUK Shared Services Centre Limited	*Limited Company*	*Consolidated by UK Shared Business Services Limited*
United Kingdom Atomic Energy Authority	Executive NDPB	uk-atomic-energy.org.uk (corporate) and ccfe.ac.uk (fusion research)
AEA Insurance Limited	*Limited Company*	*Consolidated by UK Atomic Energy Authority*
United Kingdom Commission for Employment and Skills	Executive NDPB	ukces.org.uk

Partner organisation *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during 2013-14 is also included)*
(b) Bodies not consolidated in Departmental Group accounts for 2013-14		
British Business Bank plc	Public Limited Company owned by BIS	british-business-bank.co.uk *Turnover and net assets are not material to Departmental Group accounts.*
British Hallmarking Council	Executive NDPB	bis.gov.uk/britishhallmarkingcouncil *Turnover and net assets are not material to Departmental Group accounts.*
Copyright Tribunal	Tribunal NDPB	ipo.gov.uk/ctribunal.htm *No accounts produced as costs are included in the Core Department's expenditure. It is funded by BIS and operated by UK Intellectual Property Office.*
Council for Science and Technology	Advisory NDPB	bis.gov.uk/cst *No accounts produced as costs are included in the Core Department's expenditure.*
Film Industry Training Board for England and Wales	Executive NDPB and Charity	*No website available. Established by statute but has not begun operations yet.*
Groceries Code Adjudicator	Office Holder and Corporation Sole	gov.uk/government/organisations/groceries-code-adjudicator *Turnover and net assets are not material to Departmental Group accounts.*
Industrial Development Advisory Board	Advisory NDPB	bis.gov.uk/policies/economic-development/industrial-development-advisory-board *No accounts produced. Funded by BIS and operated by the Insolvency Service. Costs are included as part of the Core Department.*
Insolvency Practitioners Tribunal	Tribunal NDPB	*No accounts produced as costs are included in the Core Department's expenditure. It is funded by BIS and operated by the Insolvency Service.*
Low Pay Commission	Advisory NDPB	lowpay.gov.uk *No accounts produced as costs are included in the Core Department's expenditure.*
NW VCLF HF LLP	Limited Liability Partnership	*Recorded as investment in Core Department accounts. Turnover and net assets are not material to Departmental Group accounts.*
Office of Manpower Economics	Advisory NDPB	ome.uk.com *No accounts produced as costs are included in the Core Department's expenditure.*
Regulatory Policy Committee	Advisory NDPB	regulatorypolicycommittee.independent.gov.uk/ *No accounts produced as costs are included in the Core Department's expenditure.*
Wave Hub Limited	Limited Company	wave.hub.co.uk *Turnover and net assets are not material to Departmental Group accounts.*

Annex A:
Glossary of financial terms and financial management process

Budgets

Total Managed Expenditure (TME) represents the total funds available to the Department.



Departmental Expenditure Limit (DEL)

DEL budgets are firm, planned budgets set for multi-year periods in Spending Reviews. They are linked to the Department's objectives and their limits may not be exceeded. The majority of BIS spending falls within DEL.

The DEL budget can be split into **Resource DEL** and **Capital DEL**.

Capital DEL is for spending on assets and investment. By having a separate total for Capital DEL, funding for capital investment is both protected and controlled.

Resource DEL is spent on either:

- Programme: Largely the delivery of the Department's frontline objectives, including funding for many partner organisations
- Administration: Running costs of the Department and its partner organisations, including back office staff, accommodation and ICT.

Annually Managed Expenditure (AME)

AME budgets are volatile or demand-led in a way that the Department cannot control. Examples of AME budgets for BIS are:

- Student Loans (cash paid out and repayments received)
- Post Office working capital loan
- Redundancy payments service
- Paternity and adoption pay

Consolidated Fund Extra Receipts (CFERs)

CFERs are receipts not authorised to be retained by the Department and which are paid over to the Consolidated Fund.

Estimates

Supply Estimates are the means by which Parliament gives approval to (and grants resources for) Departmental Spending Plans. The amount approved by Parliament is often termed **the Vote**. The resources granted in the Vote are specifically for the set of Departmental operations covered under the **ambits**. The Vote also includes the **Net Cash Requirement**. The Net Cash Requirement relates to spending within the Estimate as a whole, and is not ring-fenced between any of the other voted limits.

Budgets may be amended via the annual **Supplementary Estimate**. This allows the Department to make various changes, including: taking account of new internal allocations, for example due to Machinery of Government changes; increasing or decreasing the net cash requirement; and Reserve claims to increase funding.

Note that BIS has a separate Estimate for the effective management of the United Kingdom Atomic Energy Authority pension schemes and the Royal Mail Statutory Pension Scheme. This is separate from the consolidated accounts contained in this volume. Copies of the United Kingdom Atomic Energy Authority Pension accounts and the Royal Mail Statutory Pension Scheme accounts are available at http://www.official-documents.gov.uk

Financial Management

BIS is responsible for all of the resources allocated to the Departmental Group. The Department has put in place a strong budgetary control process to effectively discharge this responsibility. The Department allocates annual budgets in March of each year and monitors them on a monthly basis. Forecasts of expenditure are reviewed monthly and updated where appropriate.

More in-depth reviews of forecasts are carried out quarterly with particular emphasis on mid year and end December reviews (as these are used by HM Treasury as a basis for total spend across Government for the year and to identify changes to be made through the Supplementary Estimate). In 2013-14, a formal mid year review process was carried out to confirm or adjust in-year budgets to align with revised forecasts, and to assess risks and opportunities in the future years of the Spending Review.

The Finance Director delivered monthly finance reports to the Performance, Finance and Risk Committee following the 2013-14 mid-year review exercise. These reports gave the strategic context for managing expenditure over the remainder of the year and provided assurance that forecast expenditure would remain within budget.

Annex B:
Expenditure Tables

These Tables present actual expenditure by the Department for the years 2009-10 to 2013-14 and planned expenditure for the years 2014-15 to 2015-16. The data relates to the Department's expenditure on an Estimate and budgeting basis. From 2012-13 there is alignment between Estimates and budgets, and the administration costs of Partner Organisations are shown as such rather than as programme.

The format of the Tables is determined by HM Treasury, and the disclosure in Tables 1 to 3 follow that of the Supply Estimate Functions.

The data in the Tables has been restated to take account of Machinery of Government changes over the period.

Table 1 Total Departmental Spending – summarises expenditure on functions now administered by the Department, covering the period from 2009-10 to 2013-14. Consumption of resources includes programme and administration costs. Total Departmental expenditure is analysed by Departmental Supply Estimates, and any unallocated provision.

Table 2 Resource Budget – is complementary to Table 1 and shows 2013-14 figures against the original and final budgetary control limits.

Table 3 Total Capital Employed – shows capital employed by the Department in Statement of Financial Position format as disclosed in the Department's Accounts. It also shows as a separate line the net capital employed by its Partner Organisations to give a total figure for capital employed by the Departmental Group.

Table 4 Administration Costs – provides a more detailed analysis of the administration costs of the Department. It retains the high level functional analysis used in Table 1. One of the classification changes resulting from the SR2010 Settlement was the movement of the administration costs of Partner Organisations from programme funding into administration. Table 4 shows assumed figures for past years other than 2011-12 and 2012-13.

Table 5 Staff Numbers – shows staff numbers employed by the main Department and its Agencies and UKTI.

Tables 6, 7, and 8 Country and Regional Analysis Tables – show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2013. The figures were taken from the HM Treasury in November 2013 as part of the National Statistics release. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report. Please note that totals may not sum due to rounding.

The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central Government and public corporation elements of TES. They include current and capital spending by the Department, its executive agencies and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.

TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in Departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Annex E of PESA 2013.

The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in tables A and B of the CRA November 2013 release. These are not the same as the strategic priorities shown elsewhere in the report.

Table 6 Expenditure by Country and Region – shows identifiable expenditure on services, i.e. expenditure which can be shown as being for the benefit of specific countries and regions. It also includes, for completeness, a line for non identifiable expenditure i.e. that which is deemed to be on behalf of the United Kingdom as a whole.

Table 7 Expenditure per Head by Country and Region – analyses the identifiable expenditure underlying Table 6, per head of population.

Table 8 Expenditure by Function/Programme by Country and Region – shows the outturns in Table 6 analysed into functional categories. These categories are the standard COFOG categories.

Table 1 – Department for Business Innovation and Skills

Total departmental spending, 2009-10 to 2015-16

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	£'000 2015-16 Plans
Resource DEL							
Science and Research	130,557	144,538	297,666	468,055	433,988	565,595	585,615
Innovation, Enterprise and Business	33,599	(187,186)	137,007	213,509	311,577	401,242	1,118,030
Market Frameworks	111,200	94,815	120,028	108,753	122,618	97,061	93,365
Higher Education	2,251,300	5,663,480	5,220,117	5,130,779	7,224,310	5,116,107	6,204,426
Further Education	(6,717,968)	(406,072)	(647,879)	(631,748)	(617,933)	(476,934)	(407,364)
Capability	350,899	327,019	319,346	312,471	306,168	263,882	306,694
Government as Shareholder	151,333	166,947	169,509	346,335	350,245	341,433	253,032
Science and Research (NDPB) net	4,495,987	4,701,130	4,562,207	4,604,803	4,581,889	4,620,579	4,610,923
Innovation, Enterprise and Business (NDPB) net	1,182,390	1,022,336	670,894	377,168	438,734	330,060	507,133
Market Frameworks (NDPB) net	71,487	65,291	60,047	62,905	85,599	54,221	61,497
Higher Education (NDPB) net	5,188,422	5,238,170	4,895,021	3,979,002	3,193,488	2,088,177	1,965,630
Further Education (NDPB) net	11,078,149	4,440,540	4,188,952	4,127,044	4,033,540	3,836,916	2,740,035
Capability (NDPB) Net	-	-	-	-	68,597	-	-
Government as Shareholder (NDPB) net	-	-	-	96,715	69,182	34,216	32,916
Total Resource DEL	**18,327,355**	**21,271,008**	**19,992,915**	**19,195,791**	**20,602,002**	**17,272,555**	**18,071,932**
Of which:							
Staff costs	1,231,760	1,002,708	1,046,398	1,047,147	1,077,248	829,975	825,791
Purchase of goods and services	1,488,508	1,292,141	1,261,322	1,079,373	1,297,580	1,518,662	2,326,486
Income from sales of goods and services	(941,505)	(732,891)	(272,835)	(276,676)	(145,838)	(330,100)	(313,451)
Current grants to local government (net)	2,463,921	254,218	97,520	394	376,479	-	-
Current grants to persons and non-profit bodies (net)	20,672,106	16,478,686	15,188,412	14,033,212	12,990,329	12,387,746	11,255,553
Current grants abroad (net)	(12,499)	(2,079)	2,134	175,295	145,049	194,854	168,689
Subsidies to private sector companies	406,066	(12,720)	1,415	3,627	8,043	93,807	108,050
Subsidies to public corporations	156,891	247,117	180,000	350,000	349,798	330,000	260,000
Net public service pensions [2]	-	-	25	19,776	27,780	-	-

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	£'000 2015-16 Plans
Rentals	(18,120)	(10,888)	12,036	33,563	(50,748)	2,508	3,793
Depreciation [1]	1,031,002	4,260,246	3,784,936	3,751,930	5,740,260	3,464,957	4,741,000
Take up of provisions	-	-	(1,011)	(2,577)	(25)	-	-
Change in pension scheme liabilities	-	-	-	204	241	-	-
Other resource	(8,150,775)	(1,505,530)	(1,307,437)	(1,019,477)	(1,214,194)	(1,219,854)	(1,303,979)
Resource AME							
Science and Research	46,984	45,750	49,928	82,127	33,808	35,500	75,206
Innovation, Enterprise and Business	(80,055)	9,018	(76,502)	(35,656)	(160,784)	(112,805)	(42,900)
Market Frameworks	559,055	545,100	448,791	39,139	66,234	61,400	116,085
Higher Education	432,252	(1,294,604)	(1,842,686)	(904,330)	(534,597)	(1,415,307)	(3,469,207)
Further Education	(28)	(28)	(888)	(18)	(702)	(22)	(27)
Capability	(13,401)	27,703	8,015	(9,347)	(34,767)	(24,814)	(29,410)
Government as Shareholder	(57,081)	(19,937)	(25,402)	52,349	(84)	-	(6,000)
Science and Research (NDPB) net	2,179	19,209	(10,769)	43,575	(24,687)	3,083	(3,152)
Innovation, Enterprise and Business (NDPB) net	135,051	193,230	38,935	-	2,479	16,870	-
Market Frameworks (NDPB) net	(5,813)	(1,094)	(1,694)	(11,657)	(1,153)	673	82
Higher Education (NDPB) net	(18,841)	(23,566)	(21,731)	(14,015)	33,210	(21,133)	(22,000)
Further Education (NDPB) net	54,261	(27,564)	(12,112)	(3,268)	15,428	(12,921)	8,074
Capability (NDPB) Net	-	-	-	-	(113)	100	-
Government as Shareholder (NDPB) net	-	-	-	-	(130,671)	3,000	-
Market Frameworks	-	-	-	415,257	316,071	368,000	300,000
Government as Shareholder	-	-	-	-	77,341	-	-
Total Resource AME	**1,054,563**	**(526,783)**	**(1,446,115)**	**(345,844)**	**(342,987)**	**(1,098,376)**	**(3,073,249)**
Of which:							
Staff costs	91,314	85,320	73,562	60,711	65,271	59,139	70,474
Purchase of goods and services	103,743	92,071	83,073	63,243	225,048	108,179	109,775
Income from sales of goods and services	(142,379)	(115,170)	(116,157)	(64,439)	(114,343)	(123,214)	(152,758)
Current grants to local government (net)	-	3,000	-	-	-	-	-
Current grants to persons and non-profit bodies (net)	738,455	582,884	590,949	623,803	432,692	589,467	565,812

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	£'000 2015-16 Plans
Current grants abroad (net)	-	-	-	8	-	-	-
Net public service pensions [2]	706	601	-	24	-	736	500
Rentals	-	-	-	1,150	516	-	-
Depreciation [1]	689,289	423,184	(1,251,174)	(164,509)	714,634	3,331	3,286
Take up of provisions	132,427	315,078	51,201	253,310	74,710	(29,095)	(290,448)
Release of provision	(165,979)	(176,717)	(171,530)	(156,156)	(148,833)	(154,978)	(127,539)
Change in pension scheme liabilities	-	511	507	22,745	26,425	-	-
Unwinding of the discount rate on pension scheme liabilities	-	701	(12,602)	43,316	2,024	-	-
Release of provisions covering payments of pension benefits	-	-	-	(19,800)	(27,898)	-	-
Other resource	(393,013)	(1,738,246)	(693,944)	(1,009,250)	(1,593,233)	(1,551,941)	(3,252,351)
Total Resource Budget	**19,381,918**	**20,744,225**	**18,546,800**	**18,849,947**	**20,259,015**	**16,174,179**	**14,998,683**
Of which:							
Depreciation [1]	1,720,291	4,683,430	2,533,762	3,587,421	6,454,894	3,468,288	4,744,286
Capital DEL							
Science and Research	106,988	88,121	(21,206)	(60,788)	31,747	97,570	165,026
Innovation, Enterprise and Business	(681,416)	(210,832)	(208,303)	(60,649)	7,335	459,164	211,395
Market Frameworks	13,222	1,017	41,085	57,720	42,304	226,812	124,518
Higher Education	10,000	34,384	(3,534)	(517)	(1,500)	-	-
Further Education	(210,900)	(32,144)	3,210	4,732	250	-	-
Capability	13,943	10,083	7,133	53,355	18,040	4,750	5,130
Government as Shareholder	(3,681)	11,803	(1,105)	113,263	76,902	396,000	320,000
Science and Research (NDPB) net	1,340,930	841,466	777,147	607,975	946,347	548,230	946,974
Innovation, Enterprise and Business (NDPB) net	894,674	454,418	59,859	37,334	138,375	44,074	51,100
Market Frameworks (NDPB) net	4,270	2,393	1,286	910	2,549	1,100	1,100
Higher Education (NDPB) net	371,972	209,689	100,709	76,406	115,869	185,169	309,500
Further Education (NDPB) net	1,167,080	692,695	396,610	290,608	397,082	357,000	410,257

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	£'000 2015-16 Plans
Capability (NDPB) Net	-	-	-	-	7,257	100	-
Government as Shareholder (NDPB) net	-	-	-	119,716	602,562	680,000	1,300,000
Total Capital DEL	**3,027,082**	**2,103,093**	**1,152,891**	**1,240,065**	**2,385,119**	**2,999,969**	**3,845,000**
Of which:							
Capital support for local government (net)	503,280	242,972	186,667	1,193	772	-	-
Capital grants to persons & non-profit bodies (net)	2,678,884	1,692,080	837,053	781,357	1,728,474	1,285,808	1,237,983
Capital grants to private sector companies (net)	554,768	270,133	335,899	112,074	84,839	422,816	496,993
Capital grants abroad (net)	53,823	77,736	55,136	26,087	39,158	86,967	155,741
Capital support for public corporations	59,367	75,916	5,427	6,401	128,332	-	-
Purchase of assets	482,653	468,553	314,083	285,755	293,094	259,378	426,283
Income from sales of assets	(74,727)	(142,717)	(102,504)	(19,504)	(84,336)	-	-
Net lending to the private sector and abroad	73,411	13,573	(218,009)	153,041	304,784	985,000	1,600,000
Other capital	(1,304,377)	(595,153)	(260,861)	(106,339)	(109,998)	(40,000)	(72,000)
Capital AME							
Higher Education	4,045,771	4,418,158	5,222,590	6,243,383	8,406,836	10,278,000	11,627,791
Further Education	-	-	-	-	72,732	-	-
Government as Shareholder	260,000	(261,000)	239,000	(61,368)	(763,521)	50,404	750,000
Science and Research (NDPB) net	-	-	-	(57,492)	(1,108)	-	-
Innovation, Enterprise and Business (NDPB) net	-	-	115	-	-	-	-
Higher Education (NDPB) net	-	-	-	(2,133)	-	-	-
Further Education (NDPB) net	494	1,196	7,221	6,333	3,196	418,803	409,737
Government as Shareholder (NDPB) net	-	-	-	-	(1,063,420)	-	-
Government as Shareholder	-	-	-	-	(1,979,829)	-	(300,000)
Total Capital AME	**4,306,265**	**4,158,354**	**5,468,926**	**6,128,723**	**4,674,886**	**10,747,207**	**12,487,528**
Of which:							
Capital grants to private sector companies (net)	-	-	-	-	(315,546)	-	-
Capital support for public corporations	260,000	(261,000)	239,000	(157,373)	(763,521)	-	450,000
Purchase of assets	494	1,196	7,336	11,227	6,579	20,803	11,737

	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	£'000 2015-16 Plans
Income from sales of assets	-	-	-	(126)	(111,495)	-	-
Net lending to the private sector and abroad	4,045,771	4,418,158	5,222,590	6,334,620	6,359,998	10,726,404	12,025,791
Other capital	-	-	-	(59,625)	(501,129)	-	-
Total Capital Budget	**7,333,347**	**6,261,447**	**6,621,817**	**7,368,788**	**7,060,005**	**13,747,176**	**16,332,528**
Total departmental spending [3]	**24,994,974**	**22,322,242**	**22,634,855**	**22,631,314**	**20,864,126**	**26,453,067**	**26,586,925**
Of which:							
Total DEL	20,323,435	19,113,855	17,360,870	16,683,926	17,246,861	16,807,567	17,175,932
Total AME	4,671,539	3,208,387	5,273,985	5,947,388	3,617,265	9,645,500	9,410,993

Notes:

1 Includes impairments

2 Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.

3 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 2 – Department for Business, Innovation and Skills

Resource Budget

£000	2013-14 Original Plans Resource	2013-14 Original Plans Capital	2013-14 Adjusted plans † Resource	2013-14 Adjusted plans † Capital	2013-14 Final plans Resource	2013-14 Final plans Capital	2013-14 Outturn Resource	2013-14 Outturn Capital
Spending in Departmental Expenditure Limits (DEL)								
Voted expenditure	**17,726,530**	**2,793,500**	**16,956,541**	**3,014,559**	**23,543,621**	**2,508,781**	**20,602,002**	**2,385,119**
Of which:								
Science and Research	486,589	92,831	(692,325)	12,016	491,139	65,831	433,988	31,747
Innovation, Enterprise and Business	489,435	563,334	501,335	855,808	512,747	522,115	311,577	7,335
Market Frameworks	88,689	113,240	91,085	113,240	89,208	45,240	122,618	42,304
Higher Education	4,466,298	-	4,466,298	-	10,191,298	25,000	7,224,310	(1,500)
Further Education	(678,684)	-	(678,684)	-	(585,344)	8,000	(617,933)	250
Capability	396,607	4,900	561,124	4,900	395,041	4,900	306,168	18,040
Government as Shareholder	352,240	75,545	401,240	75,545	426,057	362,545	350,245	76,902
Science and Research (NDPB) net	4,575,015	461,479	4,575,015	461,479	4,575,015	573,479	4,581,889	946,347
Innovation, Enterprise and Business (NDPB) net	328,869	61,985	417,837	61,985	329,869	61,985	438,734	138,375
Market Frameworks (NDPB) net	95,781	5,340	187,925	14,740	95,781	7,340	85,599	2,549
Higher Education (NDPB) net	3,004,309	3,846	3,004,309	3,846	3,004,309	69,346	3,193,488	115,869
Further Education (NDPB) net	4,087,641	410,000	4,087,641	410,000	3,984,760	442,000	4,033,540	397,082
Capability (NDPB) Net	-	1,000	-	1,000	-	1,000	68,597	7,257
Government as Shareholder (NDPB) net	33,741	1,000,000	33,741	1,000,000	33,741	320,000	69,182	602,562
Non-voted expenditure	**(250)**	-	**(250)**	-	**(250)**	-	**-**	-
Of which:								
Market Frameworks	(250)	-	(250)	-	(250)	-	-	-
Total Spending in DEL	**17,726,280**	**2,793,500**	**16,956,291**	**3,014,559**	**23,543,371**	**2,508,781**	**20,602,002**	**2,385,119**
Spending in Annually Managed Expenditure (AME)								
Voted expenditure	**(1,415,414)**	**8,540,372**	**(1,438,325)**	**8,540,372**	**292,297**	**8,965,247**	**(736,399)**	**6,654,715**
Of which:								
Science and Research	40,150	-	17,239	-	41,405	-	33,808	-

£000	2013-14 Original Plans Resource	Original Plans Capital	2013-14 Adjusted plans † Resource	Adjusted plans † Capital	2013-14 Final plans Resource	Final plans Capital	2013-14 Outturn Resource	Outturn Capital
Innovation, Enterprise and Business	(38,688)	-	(38,688)	-	(142,437)	-	(160,784)	-
Market Frameworks	60,596	-	60,596	-	107,532	-	66,234	-
Higher Education	(1,360,218)	7,585,520	(1,360,218)	7,585,520	361,272	8,795,678	(534,597)	8,406,836
Further Education	20	-	20	-	20	-	(702)	72,732
Capability	(40,127)	-	(40,127)	-	(31,242)	-	(34,767)	-
Government as Shareholder	(56,452)	806,702	(56,452)	806,702	(106,224)	66,285	(84)	(763,521)
Science and Research (NDPB) net	1,364	-	1,364	-	(8,230)	-	(24,687)	(1,108)
Innovation, Enterprise and Business (NDPB) net	-	-	-	-	1,198	-	2,479	-
Market Frameworks (NDPB) net	(162)	-	(162)	-	(2,410)	-	(1,153)	-
Higher Education (NDPB) net	(20,270)	-	(20,270)	-	11,522	-	33,210	-
Further Education (NDPB) net	1,023	148,150	1,023	148,150	19,868	103,284	15,428	3,196
Government as Shareholder (NDPB) net	(2,750)	-	(2,750)	-	39,923	-	(130,671)	(1,063,420)
Capability (NDPB) Net	100	-	100	-	100	-	(113)	-
Non-voted expenditure	**370,200**	**-**	**370,200**	**-**	**478,145**	**(2,442,995)**	**393,412**	**(1,979,829)**
Of which:								
Market Frameworks	370,200	-	370,200	-	370,200	-	316,071	-
Government as Shareholder	-	-	-	-	107,945	(2,442,995)	77,341	(1,979,829)
Total Spending in AME	**(1,045,214)**	**8,540,372**	**(1,068,125)**	**8,540,372**	**770,442**	**6,522,252**	**(342,987)**	**4,674,886**
Total	**16,681,066**	**11,333,872**	**15,888,166**	**11,554,931**	**24,313,813**	**9,031,033**	**20,259,015**	**7,060,005**
of which:								
Voted expenditure	16,311,116	11,333,872	15,518,216	11,554,931	23,835,918	11,474,028	19,865,603	9,039,834
Non-voted expenditure	369,950	-	369,950	-	477,895	(2,442,995)	393,412	(1,979,829)

† Figures for Adjusted Plans have been adjusted for Machinery of Government changes effected during 2013-14 to reflect the Final Plans structure where applicable

Table 3 – Total Capital Employed

Assets and Liabilities on the Statement of Financial Position at end of year:

£›000	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 outturn	2014-15 plans	2015-16 plans
Assets							
Non-Current assets							
Intangible	4,579	3,354	2,511	3,237	3,526	3,350	3,182
Tangible	25,826,228	27,584,505	30,686,955	36,453,468	34,771,385	38,206,816	42,521,475
of which:							
Land and Buildings	-	-	-	30,807	30,479	28,955	27,507
Plant and Machinery	126,267	118,916	59,142	52,364	59	56	53
Freehold Buildings	-	-	-	-	2,913	2,768	2,629
Leasehold Improvements	-	-	14,326	33,420	30,285	28,771	27,332
Information Technology	-	-	10,046	7,592	7,896	7,501	7,126
Furniture, Fixtures and Fittings	-	-	1,402	1,068	835	793	754
Assets under Construction	-	-	27,949	15,090	24,575	23,346	22,179
Other Financial Assets and Trade and other Receivables	24,033,659	25,440,285	28,498,409	31,242,769	33,462,096	36,962,991	41,339,842
Investments	1,666,302	2,025,304	2,075,681	5,070,358	1,212,247	1,151,635	1,094,053
Current assets	3,455,274	3,887,372	4,050,315	3,304,164	3,690,462	3,505,939	3,330,642
Liabilities							
Payables (<1 year)	(1,919,069)	(2,485,915)	(2,224,945)	(1,051,599)	(1,519,082)	(1,443,128)	(1,370,972)
Payables (>1 year)	(1,218,343)	(1,496,274)	(1,466,037)	(895,527)	(637,911)	(606,015)	(575,715)
Provisions	(471,994)	(629,001)	(640,598)	(711,422)	(363,852)	(345,659)	(328,376)
Capital employed within Core Department Assets	**25,676,675**	**26,864,041**	**30,408,201**	**37,102,321**	**35,944,528**	**39,321,303**	**43,580,236**
Partner organisation net assets	2,364,627	2,899,777	2,761,020	6,394,711	7,736,246	7,349,434	6,981,962
Total capital employed in Departmental Group	**28,041,302**	**29,763,818**	**33,169,221**	**43,497,032**	**43,680,774**	**46,670,737**	**50,562,198**

Notes:
Reporting categories within the Statement of Financial Position were changed from 2011-12

Table 4 – Administration Costs

£'000	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
Science and Research	-	-	39,938	2,407	3,145	1,976	1,976
Innovation, Enterprise and Business	2,899	-	1,525	1,941	2,662	2,275	2,262
Market Frameworks	9,349	10,510	(110)	5,175	2,937	4,289	4,289
Capability	345,997	319,830	310,598	292,542	278,979	248,947	307,230
Science and Research (NDPB) net	127,456	179,906	96,940	153,285	93,668	133,337	106,129
Innovation, Enterprise and Business (NDPB) net	254,296	190,363	127,484	24,406	20,411	22,868	22,868
Market Frameworks (NDPB) net	15,133	12,861	16,195	8,532	19,669	9,284	9,584
Higher Education (NDPB) net	49,187	50,042	58,773	60,157	69,129	66,371	66,371
Further Education (NDPB) net	8,180	139,558	150,351	129,311	120,008	147,564	102,015
Capability (NDPB) Net	-	-	-	-	68,597	-	-
Government as Shareholder (NDPB) net	-	-	-	-	4,345	8,216	8,216
Total administration budget	**812,497**	**903,070**	**801,694**	**677,756**	**683,550**	**645,127**	**630,940**
Of which:							
Staff costs	515,592	543,329	420,665	416,827	424,841	331,985	348,553
Purchase of goods and services	313,818	404,987	269,703	230,310	234,950	329,099	287,334
Income from sales of goods and services	(24,419)	(69,750)	(5,115)	(35,313)	(42,763)	(14,829)	(13,643)
Current grants to persons and non-profit bodies (net)	-	-	-	-	6,952	-	-
Current grants abroad (net)	-	-	-	-	(279)	-	-
Net public service pensions	-	-	25	1,532	1,359	-	-
Rentals	(18,120)	(10,888)	87,727	28,332	24,527	2,502	3,787
Depreciation	25,222	15,122	39,844	51,057	53,755	80,164	82,000
Change in pension scheme liabilities	-	-	-	-	(12)	-	-
Other resource	404	20,270	(11,155)	(14,989)	(19,780)	(83,794)	(77,091)

Table 5 – Staff Numbers

	2011-12 restated	2012-13	2013-14
Department for Business, Innovation and Skills (gross control area)			
CS FTEs	2,371.0	2,468.0	2,325.0
Others	150.0	224.0	169.0
Total	**2,521.0**	**2,692.0**	**2,494.0**
UK Trade & Investment (gross control area)			
CS FTEs	572.0	579.0	500.0
Others	12.0	8.0	17.0
Total	**584.0**	**587.0**	**517.0**
The Insolvency Service (gross control area)			
CS FTEs	2,238.0	1,970.0	1,807.0
Others	162.0	148.0	151.0
Total	**2,400.0**	**2,118.0**	**1,958.0**
National Measurement Office (gross control area)			
CS FTEs	65.6	64.3	72.5
Others	1.0	1.5	1.4
Total	**66.6**	**65.8**	**73.9**
UK Space Agency (gross control area)			
CS FTEs	31.3	38.8	46.2
Others	-	1.5	3.0
Total	**31.3**	**40.3**	**49.2**

Table 6 – Total identifiable expenditure on services by country and region, 2009-10 to 2012-13

Data in this table are National Statistics **Department for Business, Innovation and Skills** £ million	**2009-10 outturn**	**2010-11 outturn**	**2011-12 outturn**	**2012-13 outturn**
North East	1,386	1,190	1,004	973
North West	3,568	3,138	2,609	2,597
Yorkshire and the Humber	2,739	2,352	1,971	1,924
East Midlands	2,242	1,956	1,626	1,596
West Midlands	2,766	2,279	1,903	1,884
East	2,828	2,435	2,072	2,075
London	5,136	4,735	4,099	4,030
South East	4,333	3,756	3,150	3,184
South West	2,542	2,197	1,833	1,819
Total England	27,540	24,038	20,267	20,082
Scotland	425	437	454	455
Wales	176	174	157	163
Northern Ireland	62	63	55	65
UK identifiable expenditure	28,203	24,712	20,933	20,765
Outside UK	253	253	191	189
Total identifiable expenditure	**28,456**	**24,965**	**21,124**	**20,954**
Non-identifiable expenditure	1,071	1,065	1,246	1,268
Total expenditure on services	**29,527**	**26,030**	**22,370**	**22,222**

Table 7 – Total identifiable expenditure on services by country and region, per head 2009-10 to 2012-13

Data in this table are National Statistics **Department for Business, Innovation and Skills** £ per head	**2009-10 outturn**	**2010-11 outturn**	**2011-12 outturn**	**2012-13 outturn**
North East	538	460	387	374
North West	511	447	370	367
Yorkshire and the Humber	524	448	373	362
East Midlands	501	434	358	349
West Midlands	500	409	339	334
East	492	419	354	351
London	647	587	500	485
South East	510	438	364	365
South West	486	417	346	341
England	528	457	382	375
Scotland	82	84	86	86
Wales	58	57	51	53
Northern Ireland	35	35	30	36
UK identifiable expenditure	453	394	331	326

Table 8 – Expenditure on services by sub-function, 2012-13

Data in this table are National Statistics Department for Business, Innovation and Skills £ million	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	OUTSIDE UK	Not Identifiable	Totals
1. General public services																
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	3
1.3 General services	4	10	8	7	8	8	12	12	8	76	8	4	3	-	-	91
1.6 General public services n.e.c.	-	1	1	1	1	1	1	1	1	9	-	1	-	-	-	10
Total general public services	**4**	**12**	**9**	**8**	**9**	**10**	**14**	**14**	**9**	**88**	**8**	**5**	**3**	**-**	**-**	**104**
4. Economic affairs																
4.1 General economic, commercial and labour affairs	25	66	49	41	52	53	79	76	47	487	34	20	7	-	44	592
4.4 Mining, manufacturing and construction	-	(1)	-	-	(1)	(1)	-	(1)	(1)	(5)	-	-	-	-	-	(5)
4.6 Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	716	*716*
4.8 R&D economic affairs	107	270	214	170	184	356	480	462	200	2,443	253	67	28	170	276	*3,237*
4.9 Economic affairs n.e.c.	14	38	28	24	30	32	44	47	28	285	-	-	-	-	-	*285*
Total economic affairs	**146**	**373**	**290**	**235**	**265**	**439**	**603**	**584**	**276**	**3,211**	**287**	**87**	**35**	**170**	**1,036**	**4,825**
5. Environment protection																
5.1 Waste management	-	1	1	1	1	1	1	1	1	7	1	-	-	-	-	8
5.5 R&D environment protection	14	39	29	25	31	32	45	48	29	292	29	17	10	-	-	348
Total environment protection	**14**	**40**	**30**	**26**	**32**	**33**	**46**	**49**	**30**	**299**	**30**	**17**	**10**	**-**	**-**	**356**
7. Health																
7.B Medical research	8	21	12	14	12	28	154	55	14	319	59	7	2	16	232	635
Total Health	**8**	**21**	**12**	**14**	**12**	**28**	**154**	**55**	**14**	**319**	**59**	**7**	**2**	**16**	**232**	**635**
8. Recreation, culture and religion																
8.5 R&D recreation, culture and religion	4	9	10	5	10	11	22	19	13	103	14	5	1	3	-	126
Total recreation, culture and religion	**4**	**9**	**10**	**5**	**10**	**11**	**22**	**19**	**13**	**103**	**14**	**5**	**1**	**3**	**-**	**126**
9. Education																
9.2 Secondary education	218	594	446	383	473	496	697	732	448	4,488	-	-	-	-	-	4,488
9.4 Tertiary education	541	1,468	1,065	877	1,015	988	2,393	1,636	977	10,962	2	3	-	-	-	10,967
9.5 Education not definable by level	11	31	23	20	24	25	36	38	23	231	22	13	2	-	-	268
9.8 Education n.e.c.	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1

Data in this table are National Statistics																
Department for Business, Innovation and Skills **£ million**	**North East**	**North West**	**Yorkshire and The Humber**	**East Midlands**	**West Midlands**	**East**	**London**	**South East**	**South West**	**England**	**Scotland**	**Wales**	**Northern Ireland**	**OUTSIDE UK**	**Not Identifiable**	**Totals**
Total education	**771**	**2,093**	**1,534**	**1,281**	**1,513**	**1,510**	**3,126**	**2,406**	**1,448**	**15,681**	**24**	**16**	**2**	**-**	**-**	**15,724**
10. Social protection																
10.4 Family and children	2	4	3	3	3	4	5	5	3	32	3	2	1	-	-	38
of which: family benefits, income support and tax credits	*2*	*4*	*3*	*3*	*3*	*4*	*5*	*5*	*3*	*32*	*3*	*2*	*1*	*-*	*-*	*38*
10.5 Unemployment	*24*	*45*	*36*	*26*	*40*	*41*	*60*	*51*	*26*	*350*	*30*	*24*	*11*	-	-	*415*
of which: other unemployment benefits	*24*	*45*	*36*	*26*	*40*	*41*	*60*	*51*	*26*	*350*	*30*	*24*	*11*	*-*	*-*	*415*
Total social protection	**26**	**49**	**39**	**29**	**44**	**45**	**65**	**57**	**30**	**382**	**34**	**26**	**12**	**-**	**-**	**453**
Total Business, Innovation & Skills	**973**	**2,597**	**1,924**	**1,598**	**1,885**	**2,076**	**4,030**	**3,184**	**1,820**	**20,083**	**456**	**163**	**65**	**189**	**1,268**	**22,223**

Notes:

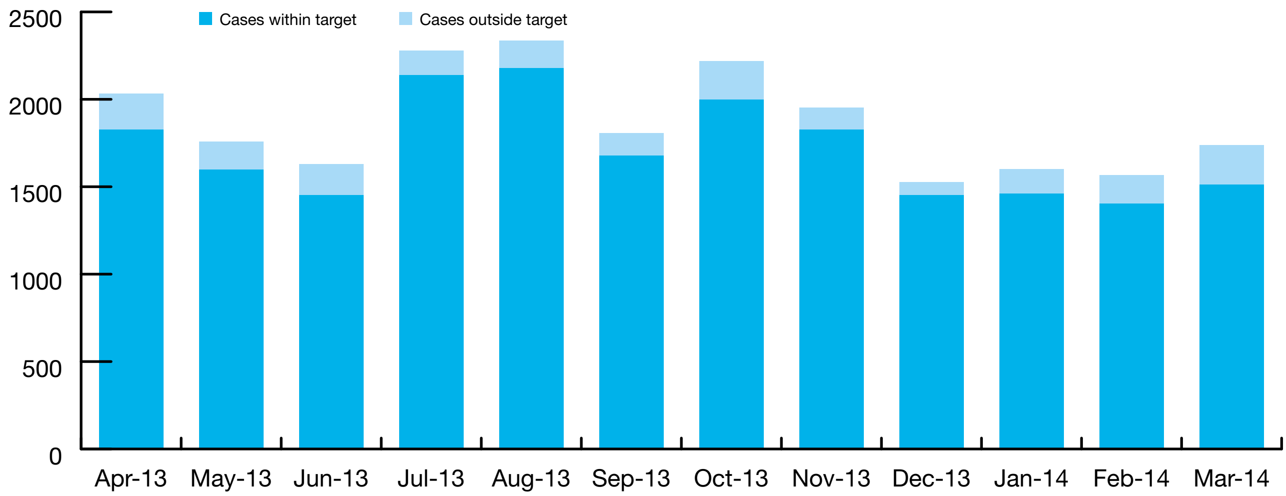
Numbers may not sum due to rounding.

Annex C:
Additional Annual Report Data

BIS strive to deliver high performance in all of our operations. The following information sets out how BIS is performing in key functions, important to meeting spending control requirements, and how we are complying with our obligations as an employer.

Correspondence

BIS aims to respond to correspondence within 15 working days. In 2013-14, we responded to 22,387 correspondence cases, with 92 per cent replied to within that deadline. The chart below shows BIS performance in responding to correspondence received by the core Department in the year. This includes correspondence responded to both by Ministers and by officials.



Complaints

Complaints made against the core Department	26
Complaints accepted for investigation by the Parliamentary Ombudsman	0
Complaints reported on by the Parliamentary Ombudsman	1
Complaints Upheld in full	0 (0%)
Complaints upheld in part	0 (0%)
Complaints not upheld	1 (100%)
Ombudsman recommendations complied with	0
Ombudsman recommendations not complied with	0

Health and Safety

The majority of staff within the BIS family are predominantly office based and our main risks arise from the workplaces that we provide. We have procedures in place to ensure a safe working environment is maintained, and that those who are affected by our activities or visit our premises are not exposed to unacceptable risk.

We have a diverse network of Partner Organisations within the BIS family, some of which require more specialist health and safety measures. Responsibility for health and safety is with each Partner Organisation. The UK Atomic Energy Authority monitors the radiation dose to over 500 monitored staff consistently remaining substantially below the legal and Culham Site dose limits. Within the Science and Technology Facilities Council (STFC) health and safety at each of the major laboratories is overseen by a Director, to maintain an independent overview and monitor implementation of STFC policy.

Year	Reportable	Minor Accidents	Near Misses
2011 – 12	2	35	4
2012 – 13	0	22	7
2013 – 14	0	14	3

Reportable and minor incidents show a year on year downward trend. The level of near misses reported has improved based on previous years. The Department intends to promote near miss reporting across all of the estate in the next financial year.

Our achievements in 2013-14:

- HR worked in partnership with Departmental Trade Union safety representatives to ensure safer workplaces and procedures to minimise the number of reported accidents and near misses.
- The Department supported staff by promoting a variety of health and well being lifestyle choices covering mental and physical health (Time to Change, Cycle to Work) and oversaw the introduction of a dedicated confidential information and counselling support service available to BIS employees.
- 1 Victoria Street: New L1 fire alarm system installed (Life protection). The system provides rapid fire detection and allows a phased evacuation of the building minimising the overall disruption to the smooth running of the Department from false alarms.
- Total Facilities Management (TFM) contract continues to demonstrate compliance with legal duties for BIS and TFM Partner Organisations and provide assurance.

Detailed sustainability data

Greenhouse Gas Emissions		2011-12		2012-13		2013-14	
		Core	Core + Partners	Core	Core + Partners	Core	Core + Partners
Non-financial indicators (1,000 tCO2e)	Total gross emissions	7.58	247.59	7.72	208.28	7.16	206.53
	Total net emissions	-	206.59	-	166.30	-	151.46
	Gross emissions Scope 1 (direct)	0.48	93.73	0.77	118.79	0.32	99.89
	Gross emissions Scope 2 & 3 (indirect)	7.1	117.64	6.95	116.98	6.84	134.39
Related energy consumption (million kWh)	Electricity: non-renewable	-	259.22	-	248.51	-	268.84
	Electricity: renewable	6.93	10.44	7.16	10.68	7.28	10.33
	Gas	1.95	94.02	3.96	100.91	2.97	106.65
	LPG	-	-	-	0.02	-	0.03
	Other	-	0.32	-	0.37	-	0.50
	Total Energy Consumption	8.88	364.00	11.12	359.38	10.25	385.76
Financial indicators (£m)	Expenditure on energy	0.88	24.26	0.92	27.04	1.01	28.41
	CRC licence expenditure (2010 onwards)	-	9.52	0.12	9.72	0.13	1.89
	Expenditure on accredited offsets	-	-	0.003	0.003	-	-
	Expenditure on official business travel	7.05	16.33	4.9	14.14	5.65	16.91

Waste			2011-12		2012-13		2013-14	
			Core	Core + Partners	Core	Core + Partners	Core	Core + Partners
Non-financial indicators (tonnes)	Total waste		417	6914.21	774.08	5610.38	398.1	4,488.99
	Hazardous waste	Total	0.35	199.13	-	133.34	318.27	318.27
	Non-hazardous waste	Landfill	-	1123.13	8.99	1078.51	887.00	887.00
		Reused/ recycled	236.00	2695.63	570.30	4036.99	2,695.27	2,695.27
		Composted	15.82	42.86	20.41	61.37	119.69	119.69
		Incinerated with energy recovery	166.00	166.00	174.38	231.61	337.46	337.46
		Incinerated without energy recovery	-	0.02	-	0.10	130.00	130.00
Financial indicators (£'000)	Total disposal cost		-67.10	1261.54	121.88	752.94	67.09	1,065.08
	Hazardous waste		-	576.75	-	48.16	-	310.22
	Non-hazardous waste	Landfill	-	75.68	-	89.09	102.08	102.08
		Reused/ recycled	-	59.32	102.56	241.65	46.49	46.49
		Composted	-	-	-	1.00	6.57	6.57
		Incinerated with energy recovery	-	-	15.36	15.36	26.03	26.03
		Incinerated without energy recovery	-	3.30	-	6.67	23.35	23.35

Finite Resource Consumption			2010-11		2011-12		2012-13	
			Core	Core + Partners	Core	Core + Partners	Core	Core + Partners
Non-financial indicators ('000m^3)	Water consumption (office estate)	Supplied	22.06	249.02	18.27	244.50	18.24	188.24
		Abstracted	-	-	-	-	-	-
		per FTE	0.01	7.25	0.005	5.31	0.008	3.04
	Water consumption (non-office estate)	Supplied	-	146.59	-	79.48	-	386.17
		Abstracted	-	-	-	-	-	-
	Total Consumption		22.06	647.84	18.27	650.40	18.24	580.76
Financial indicators (£'000)	Water supply costs (office estate)		22.54	272.00	43.44	337.99	41.66	315.17
	Water supply costs (non-office estate)		-	822.29	-	799.85	-	759.88

Quarterly Data Summary

The Quarterly Data Summary (QDS) is a Cabinet Office led data collection exercise, to enable comparison across Whitehall on common areas of spending. These data are used for benchmarking Government Departments. The primary purpose of the QDS is to make more of the management information currently held by Government available to members of the public on a regular basis. Results for the 2013-14 financial year for QDS categories are in the table below. Figures show expenditure within Core BIS only. Departments are required only to report their headline spend against that part of their Department that was in scope for the Quarterly Data Summary, rather than on the entire accounts boundary.

QDS Headline Spend Data	£ million
Total 2012-13 Spend	16,780.41
(A1) Organisation's own budget (DEL), Sub-Total	10,452.86
(A2) Expenditure managed by the organisation (AME), Sub-Total	6,327.55
(A3) Other expenditure outside DEL and AME	0.00
(A1 + A2 + A3) Total Spend	16,780.41
(B1) Cost of running the estate, Sub-Total	9.83
(B2) Cost of running IT, Sub-Total	26.77
(B3) Cost of corporate services, Sub-Total	30.56
(B4) Policy and policy implementation, Sub-Total	16,713.24
(B5) Other costs	0.00
(B1 + B2 + B3 + B4 + B5) Total Spend	16,780.41
(C1) Procurement Costs, Sub-Total	184.92
(C2) People costs, Sub-Total	154.32
(C3) Grants, Sub-Total	3,037.32
(C4) Other costs	13,403.82
(C1 + C2 + C3 + C4) Total Spend	16,780.41

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