UK COMMISSION FOR EMPLOYMENT AND SKILLS

ANNUAL REPORT AND ACCOUNTS | 2015-16

UKCES
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UK COMMISSION FOR EMPLOYMENT AND SKILLS

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Chair's Foreword

"It is change, continuing change, inevitable change that is the dominant factor in society today. No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be."

These words, from the author and academic, Isaac Asimov, were written in 1978.

Doubtless they felt true then. They feel even truer now.

It is in the spirit of change that I present the annual report of the UK Commission for Employment and Skills. Following a decision by the government to withdraw funding during 2016/17, this report will be its last as a Non-Departmental Public Body.

Since its incorporation on 1 April 2008, UKCES has seen some of the swiftest and most significant economic change in living memory. The global financial crisis and its aftershocks; the UK's previously unimaginably low interest rates; and, through everything, the continued exponential acceleration of technology. With apologies to Professor Asimov, the foundations are moving.

I believe the legacy of UKCES will be to help inform and steer a path through this change.

Our skills and employment surveys – the largest in the world – will continue, and will provide robust data for decision-makers. With skills provision and funding increasingly devolved, the scale and consistency of these sources serves to future-proof them for a new era of LEPs and city regions. As well as gathering huge datasets, our work to open up big data - our own and others' - through our LMI for All tool will also continue.

But as the Commission's time as a public body ends and staff begin new phases in their careers, there are other legacies that I believe will live on.

Our work persuading employers to take ownership of their skills needs has been quietly revolutionary. Whether this has been the big numbers attached to our first investment funds, or the unique and internationally recognised R&D approach to skills development taken by the UK Futures Programme, hundreds of thousands of people and businesses have benefitted from UKCES' work in this area. This knowledge and these networks will, I hope, continue.

UKCES' management of occupational standards and frameworks helped engender trust and consistency in the UK's qualifications – I believe this is another quiet triumph that is too easily overlooked.

We changed the debate on youth unemployment. The spotlight UKCES shone on the "jinxed generation" entering work in the shadow of the crisis showed how important experience is in helping young people into the world of work, and informed employers' responses to the issue.

Possibly most significantly, UKCES' work has helped crystallise the UK's productivity problem. In the past year, the UK's productivity gap widened to the worst level since records began. Output per hour worked in the UK is now 18 percentage points below the average for the G7 nations – and 36 percentage points behind Germany. Despite an enviable employment record, this productivity chasm shows not enough of our businesses are well managed and effectively making full use of their people alongside other investments. Understanding the reasons behind this, and why efforts thus far have not paid dividends, is important. Insights and data produced by UKCES are helping inform this. Inevitably, the onus will be on employers, supported by the government, to step up and change their behaviour. Increasing incremental change, improving management practices and harnessing technology are just three of the challenges ahead. The Chancellor of the Exchequer welcomed my offer to work with other business leaders to produce practical and grounded work to drive direct action to enhance productivity in different sectors and workplaces across the UK. The work is now concluding its first stage. It draws much of its inspiration from UKCES' unique position as a creature of both government and business.

For all these reasons, I am naturally disappointed by the government's decision to withdraw funding from the Commission. But change is a necessary part of innovation and I remain optimistic that what follows with the establishment of the Institute for Apprenticeships in England and the increasingly devolved nature of the skills system in the UK will mark a further step towards a more productive economy in the long term.

I would like to pay tribute to my predecessor, Sir Mike Rake, along with the 47 Commissioners who have served with me over the course of the past eight years.

I would also like to thank the Commission staff – those in the past, but especially the present cohort, who have shown professionalism and resilience during this most difficult of years.

Finally, I would like to thank the many friends, partners and stakeholders with whom we worked.

Without you, none of this would have been possible.

With very best wishes,

Sir Charlie Mayfield

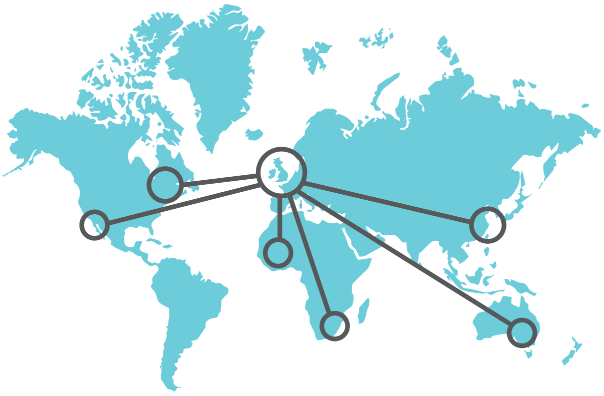
Chairman, UK Commission for Employment and Skills
Chairman, John Lewis Partnership

PERFORMANCE REPORT

Published

64

reports including
ESS2015 and
Working Futures 2014-24



Broadened our reach and influence by working with

6

strategic national and international research partners

LMI for All and **Future of Work** rated top 2 of the **'best 10 sources of LMI'** (Cegnet)

Delivered

79
Apprenticeship frameworks in NI, Wales and Scotland

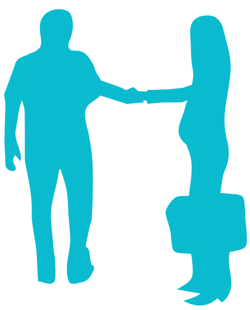
50
National Occupational Standards

91
Scottish Vocational Qualifications

Supported 8 Industrial Partnerships whose projects benefitted more than

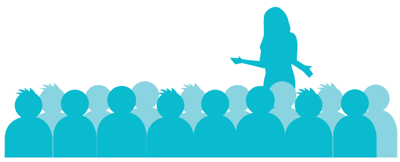
1,600

businesses



Held

8



Research Masterclasses with 300 attendees

INVESTORS IN PEOPLE

In 2015/16 IIP operated **without a government subsidy** for the first time in its history

600 attendees at the **IIP Awards 2015**

Launched **6th generation IIP Standard** September 2015

Most popular news story **'Death of the Saturday job'** with a total audience reach of **64 million** across national and regional press and media

Engaged around **2000 employers** in **32 projects** across the UK Futures Programme Challenges

Supported **13** members of the **Productivity Leadership Group,** which includes some of Britain's most senior business leaders, and **7 Business Groups** with research to improve their sectors' productivity

PERFORMANCE REPORT

Performance Overview

Commissioners and staff have focussed on achieving our business plan priorities for 2015/16 despite the uncertainty regarding UKCES' remit and future earlier in the year and the announcement of ceasing of Whitehall funding in 2016/17 that was announced in November 2015.

The Performance Analysis section provides an overview of our key achievements under each objective.

Some of our key achievements across the year:

- We have supported Sir Charlie Mayfield in his work for HM Treasury (HMT) driving forward business-led action on productivity, through engagement, analysis and project management. Working with business leaders on a Productivity Leadership Group, seven business groups were established to understand and act upon the most pressing productivity problems in their communities.
- We launched the Employer Skills Survey (ESS) findings for the UK in February with excellent press coverage. We also launched the ESS LMI toolkits for England, Scotland and Northern Ireland in March, and released the ESS local data for England.
- We finalised and launched the UK findings from Working Futures 2014-2024, our comprehensive and detailed forecasts of the UK labour market. We also jointly funded, developed and published the Adult Participation in Learning Survey together with NIACE (now the Learning and Work Institute),
- We have continued to support the Industrial Partnerships and champion collective employer leadership. There is general consensus among the Industrial Partnerships that there is value in continuing to network and share intelligence.
- Over 220 standards and apprenticeship framework products were successfully delivered in 2015/16 (93.2 per cent of the total commissioned) against total contract values of £2.4m. This funding was matched by £2m in employer in-kind contributions.
- We have worked with the Devolved Administrations to develop proposals to continue with a single UK-wide occupational standard. BIS is no longer stipulating that employers should use NOS as the basis of apprenticeship standards in England, since they believe that employers should use the standards they consider most appropriate when developing apprenticeships.
- We have piloted how new, high quality, employer-led NOS can be developed in practice with employer groups in automotive, aerospace, health, retail, IT and oil and gas. The final report is generally positive and supports our principles for a new style NOS.
- We shared the learning from our first UK Futures Programme (UKFP) Productivity Challenge (Off-site construction) with policy makers and key stakeholders at key events to influence policy and practice and published the final evaluation report in October. We published a thematic report on employer collaboration in December.
- We shared the findings from our second Productivity Challenge (Management and leadership in supply chains and networked organisations) with key stakeholders at an 'invitation only' event on 3 March. We published the evaluation report, case studies and a brochure targeted at employers for this challenge, as well as a programme-wide brochure with information on all projects with their actual or anticipated learning.

- The sixth generation Investors in People Standard was launched in September and has been well received by organisations.
- In June 2015 the second annual IIP awards ceremony was held at the Tower of London and saw over 600 guests come together to celebrate the achievements of their organisations and the people that make them successful.
- The marketing team for Investors in People ran a successful International Women's day campaign in March 2016, with the assistance of Commissioners.
- UKCES became responsible for the delivery of Investors in People (IIP) in Wales along with Northern Ireland.
- We have held 3 celebration events in Belfast all of which were hosted by DELNI and saw over 130 clients come along to receive their IIP awards.
- In September 2015 we held the first IIP conference in Belfast at the Titanic and saw over 200 clients attend to hear about the refreshed framework.

In the Autumn Statement in November, the Government announced that Whitehall departments would be withdrawing funding from UKCES during 2016/17 in order to support other skills priorities, including a new independent employer-led body to oversee the development and delivery of high quality apprenticeship standards and assessment plans in England. We spent time during November and December working through the full impact of this decision on the work of UKCES and revising our business plan to prioritise work in key areas that will continue into 2016/17. This includes continuing to support the productivity project, our core research products, Occupational Standards, the UK Futures Programme and Investors in People.

The Commission met in February and accepted this decision. This means that UKCES will be closing down during 2016/17 and we anticipate that our operational activities, with the exception of IIP, will be concluded in the summer. Despite Government taking longer than anticipated to make certain key decisions, progress has been made in managing the planned closure and transition activity including the launch of the voluntary redundancy scheme, agreement on non-IIP functions to transfer and the agreement with Sponsors of the residual delivery plans and associated funding for 2016/17.

We have continued to work with BIS and wider government sponsors to review our functions to see how they can be brought to a close, or continued via other routes. Decisions have been made or are in progress in the following areas: it has been confirmed that the Employer Skills Survey and Employer Perspectives Survey will be managed by BIS; LMI for All will also transfer to BIS; discussions are taking place for our National Occupational Standards work to be continued via the Devolved Administrations who see a continuing role for them; and we are in discussions with BIS about options for the long-term future of Investors in People.

The Commission have agreed the governance structure to take us through the closure and transition period. Michael Davis left UKCES at the end of February and Ian Kinder was appointed as Chief Executive. Sir Charlie Mayfield will remain as Chair and will work closely with Julie Kenny, Chair of the Strategic Management Group, and other Commissioners to oversee a professionally managed closure of UKCES and to ensure that Commissioners effectively support staff in their future career decisions.

How we manage our performance

UKCES developed its business plan identifying its priorities for 2015/16 within an overarching corporate objective and 4 strategic objectives. Each objective was agreed through the relevant Commissioner led objective delivery groups, and the full plan was formally agreed by the Strategic Management Group, the Commission, and sponsors. The business plan took into account the Sponsor Department's expectations of UKCES for the year as laid out in its annual Grant-in-Aid letter.

Internally, UKCES reviewed and monitored the business plan objectives on a regular basis, making changes and agreeing these with sponsors as appropriate through the year – for example we substantially reviewed the business plan in Quarter 3 to reflect the fact that UKCES is due to close operationally in 2016/17.

We formally review and measure performance on a quarterly basis resulting in a quarterly performance report. This is produced by staff responsible for each area and agreed with the Commissioner led Objective group for each area. Each Objective group discusses and agrees performance for their areas as part of this process, with the Strategic Management Group approving the final report on behalf of the Commission each quarter. We then share the final report with sponsors and internal staff, and publish a summary on www.gov.uk/government/publications/ukces-quarterly-performance-reports.

The table below shows our performance for each quarter against these objectives. In the light of the decision made towards the end of Quarter 3 to stop funding UKCES in 2016/17, the performance RAG rating for Quarter 4 was defined against the achievement of the revised business plan deliverables rather than focusing on an assessment of likelihood of impact.

Objectives and Deliverables	Q1	Q2	Q3	Q4
1 Lead the debate with industry to drive better outcomes for skills, jobs and growth				
1.1 Evidence-based insights				
1.2 Commissioner-led messages				
1.3 Labour market intelligence				
2 Work with Industrial Partnerships and wider networks to push forward employer ownership of skills				
2.1 Standards and frameworks				
2.2 Industrial Partnerships				
3 Test out employer-led innovation to address persistent skills challenges				
3. UK Futures Programme				
4 Help businesses realise the potential of their people through Investors in People				
4. Investors in People				
Corporate Objective				
Corporate Objective				

Proven impact/ on track to deliver in line with expectations

Impact not yet proven/ progress behind expectations but can get back on track

Impact unlikely/ progress significantly behind expectations and unlikely to get back on track

HISTORY AND LEGACY

Looking Back at UKCES' History and Legacy

The UK Commission for Employment and Skills was incorporated on 1 April 2008. It was established as a key recommendation from Lord Sandy Leitch's 2006 skills review, which aimed to "identify the UK's optimal skills mix in 2020 to maximise growth, productivity and social justice". It was formed from a merger of two existing organisations: the Sector Skills Development Agency and the National Employment Panel, under the leadership of Sir Mike Rake as Chairman and Chris Humphries as Chief Executive.

During the first year, the initial responsibilities for the newly-formed organisation were relicensing the network of Sector Skills Councils and assessing the UK's progress towards Lord Leitch's vision via a "State of the Nations" report known as Ambition 2020. The recession, which bit almost immediately after UKCES formed, rapidly focused attention on reducing costs to the public purse whilst boosting growth. Rationalisation and simplification became watchwords, and the government commissioned UKCES to advise it on how the post-19 education and training landscape in England could be streamlined and simplified. The Commission's recommendations, made in Autumn 2008, were accepted in full and endorsed by the government's national skills strategy, "Skills for Growth", which emphasised de-cluttering the skills landscape, putting the customer - employer or learner - at the heart of the system, and improving information about the quality of provision and the economic impact of skills improvement.

The production and dissemination of information, data and intelligence was a key element of UKCES' work. Labour market projections were used to inform products such as Working Futures and the Future of Work and formed a robust statistical foundation for all UKCES' reports as well as informing the deliberations of all those with an interest in the supply of and demand for skills, including individuals, employers, education and training providers.

In February 2009, UKCES published its first Employability Challenge report, calling on publicly-funded education and training providers to put employability skills at the heart of what they do, and setting out how school and colleges can successfully develop

April 2008
UKCES incorporated

October 2008
Simplification of skills in England report published. Findings are used to inform the government's skills strategy

November 2008
Employer Perspectives survey published, giving the views of 13,500 employers

February 2009
Employability challenge report published

May 2009
Ambition 2020 gives UKCES' view of progress towards Lord Leitch's vision of skills

October 2009
Towards Ambition 2020 report makes recommendations for improving the UK's skills, jobs and growth

February 2010
Government asks UKCES to review how well employment and skills policies are integrated across the UK

the employability of all their students. Employability and work experience continued to develop as a theme, with publications like "Business and Schools: Building the World of Work Together" (UKCES, 2012) and "Not Just Making Tea" (UKCES, 2014).

In November 2009 the government's Skills Strategy White Paper in England endorsed the 'independent reporting' of UKCES' Ambition 2020 in providing both a benchmark for assessing and measuring skills progress in the UK and also an evidence-based framework for policy development. The following year, the Commission's first skills convention attracted over 450 delegates from as far afield as Sweden, Spain, Australia, Singapore and China. The convention included the signing of a memorandum of understanding with Skills Australia, a comparable organisation of the Australian federal government.

By late 2009, work to transfer Investors in People into UKCES was nearly complete, and UKCES took formal responsibility for IIP on 1 April 2010. The merger aimed to both cut IIP's substantial administration costs and rejuvenate what was seen as a flagging brand that was over-reliant on public subsidy. The regeneration of the brand included the development of the Investors in People VI standard, alongside a refreshed network of delivery partners and a new business model. Investors in People will become entirely self-funding during 2016-17.

The publication of England's first Strategic Skills Audit in 2010 took stock of the skills system, labour market, skills supply and demand, and projected future skills needed for growth. It built on the organisation's reputation for providing robust data and labour market intelligence, adding an element of policy insight into the mix.

The 2010 election marked a watershed moment for the Commission, with the formation of a Conservative/Lib Dem coalition government. One of the coalition's first actions was a "bonfire of the quangos". Following this Cabinet Office Review of Public Bodies (published October 2010) the UK Commission's co-sponsors were required to undertake a "complete review, by the end of the year, of core functions and the most appropriate organisational model to deliver a simplified skills landscape". Phase 1 determined that the UK Commission should continue in a "reformed and streamlined" form, with a refocused remit.

Sir Mike's term of office ended in 2010, and Sir Charlie Mayfield's appointment as Chairman was announced in November that year. The government's new Skills Strategy for England, published on the same day, gave UKCES a strategic leadership role in respect of raising employer ambition for skills. Sector Skills Councils were given a new priority - to support employer investment and skills utilisation, working in partnership with the UKCES to develop a new vision and priorities for the future, as employer leaders and drivers of change. At around the same time, Chris Humphries stepped down, to be replaced by Michael Davis as interim Chief Executive before his permanent appointment in June 2011.

April 2010
UKCES takes over Investors in People (IIP)

May 2010
General election

October 2010
Cabinet Office review of public bodies says UKCES should remain, albeit with reformed remit

November 2010
Skills Strategy for England gives UKCES a strategic leadership role raising employer investment in skills. Sir Charlie Mayfield appointed as Chairman

January 2011
First UK-wide Employer Perspectives Survey published

March 2011
Employer Investment and Growth and Innovation Funds launched, to co-invest with employers in business-led skills solutions

March 2011
Youth Inquiry published

HISTORY AND LEGACY

Work on Phase 2 of UKCES' review began in January 2011. Sponsor departments worked with UKCES and Sector Skills Councils to determine what needed to change to deliver the new approach. A Transition Plan was developed, covering areas where new arrangements needed to be developed to fulfil the new role, approach and budget. This included the first of several voluntary exit schemes and organisational redesign to create a flexible single team within UKCES alongside renewed Commissioner leadership and a changing perspective on work to become more outward-facing.

The immediate focus of this work was the launch of two investment funds – the Employer Investment Fund (EIF) which supported 87 SSC-led projects through a total of £70.3 million public investment and leveraged £53.9 million of private investment, mainly in kind; and the Growth and Innovation Fund (GIF) which supported 37 employer-led projects. Here, public investment totalled £37.2 million which was more than matched by £47.3 million of cash and in kind investment by employer representative organisations.

A Review of Employment and Skills, published by UKCES in spring 2011, provided support to the Department for Business, Innovation and Skills' sector growth reviews and advice to HM Treasury on creating a sustainable market for world class skills, feeding into the 2011 Budget and Growth Strategy.

The revised remit of the Commission was clarified in May 2011, when the purpose of the organisation set out as to "drive up employer investment in and better use of skills … across the UK to help drive enterprise, sustainable growth and job creation". The new remit letter directed that the organisation should "make the transition from being a top down advisory organisation for government to become a true vehicle for sustainable economic growth and partnership, working with strong sector bodies including Sector Skills Councils, trade bodies and prospective Guilds in England". Responsibilities were listed as apprenticeships, research, qualifications, labour market intelligence and the reform of Sector Skills Councils, which were translated into maximising the impact of employment and skills policies on employer behaviour; leveraging greater employer investment in skills and providing labour market intelligence to help businesses and people make sound decisions.

The new policy approach of empowering markets rather than directing supply-side provision required a fundamental shift in the role and approach of the Commission. Alongside this, the changing financial position was a further driver of the need for change, with a 39% reduction in running cost funding over the Comprehensive Spending Review period. In November 2011 the principles of employer ownership of skills first explored through EIF and GIF were tested further, with the launch of the Employer Ownership of Skills pilot. First announced by Number 10, this offered all employers in England direct access to up to £250 million of public investment over the two

April 2011
Review of employment and skills published, feeding into the 2011 Budget and growth strategy

May 2011
New remit for UKCES to become "a vehicle for economic growth and partnership"

November 2011
No. 10 announces Employer Ownership of Skills pilot, to test employers' appetites for taking ownership of their skills needs

May 2012
First UK-wide Employer Skills Survey published

February 2013
The concept of Industrial Partnerships launched

November 2013
Review of adult vocational qualifications in England, led by Nigel Whitehead, published

November 2013
LMI for All launches, with CareerHack competition

years to design and deliver their own training solutions. The vision of employer ownership of skills challenged employers to collaborate with one another and trades unions, and called for them to have a far greater role in setting standards and in the distribution of public funding.

In 2011, UKCES commissioned the first UK-wide employer skills survey, consolidating and standardising four separate surveys previously carried out in the individual home nations. Nearly 90,000 establishments were interviewed for this inaugural survey, providing the first directly comparable and robust data on skills gaps and shortages, employer investment in training and the recruitment of education leavers at a UK level.

The UK Employer Skills Survey was complemented by the publication of its sister survey, the UK Employer Perspectives Survey. This interviewed over 14,000 employers across the UK to produce robust qualitative and quantitative data on employers' perspectives of services and initiatives across general business support, employment, and skills. The Employer Skills Survey and Employer Perspectives survey have continued to be published in alternate years, and provide data for many organisations and policy decisions, including the Migration Advisory Committee's Skills Shortage List.

The Commission published the first of its youth employment papers in 2011, The Youth Inquiry. This paper drew on existing UKCES research and intelligence to give an overview of youth employment and employers' experiences with young people. Commissioners would continue to highlight youth employment and its possible long-term effects as a concern, and, over the coming years, our research and publications on the topic became regular ones. The youth series continued with the Youth Employment Challenge (2012), Scaling the Challenge (2013), an international comparisons paper (2014), and Catch 16-24 (2015).

During 2012, we continued to promote the principles behind the employer ownership vision, publishing our paper Building the Momentum early in 2013. This drew on learning emerging from the ongoing Employer Ownership Pilots and restated the benefits and simplifications possible by placing the employer at the heart of the skills system.

As the UK co-ordinating body for NOS, UKCES has given government greater visibility of what is bought and reduced expenditure on NOS and apprenticeship frameworks from £16 million to £2.5 million in 15/16. Employer in-kind investment in NOS and apprenticeship framework development and maintenance now matches public investment £1 for £1.

UKCES' input was sought for the Wolf review of vocational education (2011), and Lord Heseltine's report into economic development, No Stone Unturned (2012). UKCES research also fed into and was quoted in the Perkins review of engineering skills (2013), and the Government Office for Science review of the future of UK manufacturing (2013).

April 2014
UK Futures programme launches, trialling an R&D approach to skills development

September 2014
Forging Futures published with Universities UK

November 2014
UKCES' skills statement "Growth Through People" published

December 2014
Careers of the Future published

May 2015
General Election

June 2015
"Death of the Saturday Job" published, detailing the decline in learning and earning for young people

November 2015
Spending review announces withdrawal of funding for UKCES

February 2016
UK Employer Skills Survey 2015 published

HISTORY AND LEGACY

A major piece of work in 2013 was the Review of Adult Vocational Qualifications in England, led by UKCES Commissioner Nigel Whitehead. Drawing heavily on engagement with employers, industry sector bodies, examinations boards, and other skills system stakeholders, the report was welcomed by the skills and enterprise minister, Matt Hancock. Many of the review's recommendations were incorporated into the 2014 Vocational Qualifications Plan for England.

At around the same time, the LMI for All project made labour market, wage, and survey data available in an open format for use and re-use by programmers and developers. The project was designed from the beginning as an exemplar of open data use by government, and received accreditation as a 5-star open data project from the Open Data Institute. The project was launched with "Careerhack", a competition to develop apps using LMI for All with a special prize for coders aged 16-24.

Partnerships became stronger: with the Forging Futures paper (2014), UKCES worked with higher education sector organisation Universities UK to provide best practice examples of employer partnerships with universities.

2014 also saw the publication of the Commission's skills statement, Growth Through People. This brought together the lessons learned from the previous five years to a document that focused on the ongoing challenges of UK growth and productivity. The report saw wide support from employers, Commissioners, and both the TUC and CBI. Its publication was covered on the front page of the Financial Times.

In July 2015, UKCES worked with the Association of Colleges to produce a paper exploring the wider measurement of educational success, particularly considering the concept of local outcome agreements. This report was later referenced by the Department for Business, Innovation and Skills in their documentation on area based reviews of post-16 education and training institutions, suggesting outcome agreements are taken into account.

The vision of employer ownership and collaboration took form in 2014/15 with the creation of eight Industrial Partnerships: groups of employers in specific sectors who, recognising skills issues that affected more than their individual firms, agreed to collaborate with potential business rivals. UKCES staff worked closely with BIS and the Skills Funding Agency to negotiate these agreements, and stayed involved with the partnerships until withdrawal of funding in 2015/16.

Combining research with the principles of employer ownership of skills resulted in the launch of the UK Futures Programme – an R&D based approach to skills development. Through the UK Futures Programme, UKCES is co-creating with business, and other partners, programmes to research, develop, pilot and scale innovative solutions to tackling current and emerging workforce development issues that restrain business performance. To date, 32 projects have been supported in sectors as diverse as manufacturing, hospitality and off-site construction.

The 2015 Employer Skills Survey, published in January 2016 once again interviewed over 90,000 employers across the UK. Its findings – that the modest economic growth of the past four years has brought with it unprecedented levels of skills gaps and shortages – shows that skills continue to be a major brake on growth and prosperity across the UK.

The Treasury's 2015 productivity plan "Fixing the Foundations" brought with it the announcement that: "Some of the country's most senior business leaders, convened by Sir Charlie Mayfield, Chairman of the John Lewis Partnership, have written to the government making the case for taking forward a business-led action group for productivity. The work will be practical and grounded, driving direct action to enhance productivity in different sectors and workplaces across the UK. The group has offered to report to the Chancellor and the Secretary of State for Business by the end of the year." UKCES is supporting the work of this Productivity Leadership Group through from exploration and discovery to implementation in summer 2016.

The defining achievement of UKCES has been to create a mindset change in policy and implementation to create a language of demand driven employer led approaches that now permeates all aspects of the skills and education agenda. The inclusive social partnership model for bringing government agency, business strategy, and educational research and know how into one cohesive model is something that should be built upon and not lost.

PERFORMANCE ANALYSIS

Objective 1: Lead the debate with industry to drive better outcomes for skills jobs and growth

This year has seen us positively contribute to policy, decision making and action of governments, stakeholders and networks of businesses, to support skills, jobs and growth through the promotion of robust LMI and Commissioner-led insights.

Influencing policy and action

UKCES has been influential in engaging businesses and other key stakeholders to take practical action on the ground to improve business performance and investment in skills.

We have provided evidence, advice and practical support to Sir Charlie Mayfield's Productivity Leadership Group. This project is driving forward business-led action on productivity. The aim is to create a movement focused on building better run businesses in the UK. Seven business groups were established to try to understand and act upon the most pressing productivity problems in key sectors and thematic areas.

We supported each group to produce assessment reports setting out the key issues by providing a range of evidence and insights. In addition, we supported the business groups to develop and test practical tools that can be used by businesses to improve their practices. These tools or products will be promoted in a single 'market place' that the wider business community can engage in as customers.

In addition to progressing the work of the business groups we have also pushed forward discussions on what is required in terms of action on productivity for the long term. Clearly, the UK's productivity problem is marked. It is also complex. There is a strong argument for some form of strategic oversight on UK productivity that goes beyond the end of the project in summer 2016. We have made good progress in agreeing the core functions that this oversight body may have, and work is continuing to determine its form, governance and funding. This includes discussion with senior officials and ministers within government and other key stakeholders.

The Productivity Leadership Group is on track to report to the Chancellor of the Exchequer and the Secretary of State for Business in summer 2016.

As well as the work we have done on the Business Leadership in Productivity project, we also continued to progress other 'Growth through People' priorities, and have started to see impact, particularly in the local context in England.

In June, we published 'Local Action, National Success', our local outcome agreements report and case studies, which we produced jointly with the Association of Colleges (AoC). The report directly influenced government policy and encouraged a number of local areas to develop outcome agreements.

In July, we launched our report 'City Deals and Skills' jointly with Centre for Cities on the effect of city and local growth deals on demand-led skills and employment policies in local areas. Commissioners participated in a conference organised by the OECD LEED Directorate in Manchester on local leadership for inclusive growth to showcase our work. We also held a half-day event at Leeds College bringing together nearly 100 key local and national policy-makers and practitioners to look ahead at skills and employment policy priorities for cities and other localities and discuss how to build effective demand-led systems. These events prompted a huge amount of positive dialogue between policy makers, education providers and employers.

Robust LMI

A wide range of stakeholders make use of UKCES LMI – generated from our surveys, forecasting and sector analysis, as illustrated by the diagram to the right.

The two UKCES flagship employer surveys run in alternate years, and together they provide detailed, relevant, and granular data that guides and informs decision making in government and business. This year, we undertook and published the latest UK Employer Skills Survey (2015) based on interviews with 91,000 establishments across the UK. This large scale, internationally recognised survey gathers data on a wide range of issues - from skills gaps and shortages to investment in training and under-employment, and is widely used in the skills system. As well as launching the overall UK results and final report in January at a well-received event, we also published and disseminated the Employer Skills Survey LMI toolkits for England, Scotland and Northern Ireland and 39 local data summary reports, drawing together UKCES data by LEP area within England.

Towards the end of the year, we finalised and launched the UK findings from Working Futures 2014-2024, our comprehensive and detailed forecasts of the UK labour market. This respected study projects the future size and shape of the labour market by considering employment prospects by industry, occupation, qualification level, gender and employment status. Further findings at individual nation and local levels are being finalised to be released later in spring.

This year we also jointly funded, developed and published the Adult Participation in Learning Survey together with NIACE (now the Learning and Work Institute), along with a paper further analysing the data from the survey on gender differences in work-based learning

2015/16 has seen continued progress in the take-up and usage of LMI for All, UKCES' online data service. LMI for All provides easy access to labour market data to enable third parties to develop engaging applications to support careers choices. Leading careers websites such as icould, Active Informatics' Career Explorer and Plotr continue to use the service. A number of Government departments and agencies, including DWP, National Careers Service and Skills Development Scotland are also developing resources and tools that draw upon LMI for All. There has also been continued growth in usage of "Careerometer", a customisable widget designed to provide easy access to LMI for All data. More than 30 schools and other organisations have now installed this resource on their website.

Users of LMI data

UKCES LMI

Government
DAs, BIS, DWP, DCMS, DFE

Education
HE, FE, Training Providers

Employers

Employer Organisations
CBI, SSCs, CIPD

Local partners
LEPs, Local Authorities

Careers
National Careers Service, Careers bodies and advisers

Think Tanks
Centre for Cities L&WI, JRF

Government Agencies
SFA, HEFCE, ONS

PERFORMANCE ANALYSIS

Examples of research impact

- We held eight UKCES Research Masterclasses this year, successfully securing a range of high quality speakers, and stimulating debate amongst researchers and policy makers. These events were each attended by over 40 stakeholders.
- The UK Employer Skills Survey (ESS) 2015 was launched in January chaired byDouglas McCormick (Commissioner) and attended by representatives of 50 national and international organisations. An event was held by the Department for Employment and Learning to release the Northern Ireland report in March, chaired by Mark Huddleston (Commissioner).
- The local outcome agreements report published jointly with the Association of Colleges (AoC) directly fed into government policy through BIS' Area Based Reviews. The guidance for these reviews cites local outcome agreements, and the report as a suggested model for local areas to consider adopting.
- We held two events in June focusing on Growth Through People: one with Manchester College and one with Manchester University. These helped to strengthen our relationships with key local stakeholders and cement our position as a thought leader.
- We continued to shape the debate on youth unemployment through a range of communication activities. We held seminars with the Education and Employers Taskforce to promote the Death of the Saturday Job report and to explore how schools and colleges can adapt to modern labour markets. These reached over 100 individuals including from the Department of Education (DfE), the Careers and Enterprise Company, and employer representatives including Barclays and the Federation of Small Businesses (FSB).
- Findings from our briefing paper on gender differences in opportunities and outcomes in education and work fed into the Women and Equalities Committee Inquiry and report on the gender pay gap.

Promoting key messages and insights from our work

We delivered high quality, integrated communications campaigns to support our core work across Objectives 1, 2 and 3, with a focus on reaching businesses and policy-makers and work closely with our stakeholders and partners to strengthen the message to policy makers and influencers.

Highlights included media coverage for Death of the Saturday Job in Quarter 1, which talked about the importance of experience as well as qualifications when getting a job. Coverage featured across national BBC radio, including Radios 1, 2, 3, 4, and 6, and 41 other radio stations, as well as national broadsheet and tabloid press including The Times , The Independent, The Guardian, The Daily Mail and The Mirror.

Our report on the need for high-level STEM skills, published in Quarter 2, was also well-received, with coverage in the Times and the Guardian amongst others, and c.1000 views on the website.

In Quarter 4, UK Commission Employer Skills Survey (ESS) was reported in over 100 articles in the national, regional and sector press and media, including the FT, the Daily Telegraph, and City AM. The ESS regional data was well received by the local press and media, with coverage in most major regional newspapers. Our labour market projections, Working Futures, also received significant press interest, from the Guardian amongst others.

Other coverage came from the announcement of the successful projects in the UK Futures Programme Productivity Challenge 4 with 17 articles in the trade press, and via our general reputation as an expert source of commentary on skills and employment issues – for example, the Evening Standard used our data and quoted us in an article on skills shortages in health and social care; the Economist quoted us in a feature examining skills in the construction industry and the Tonight programme, BBC News, the Times, the Irish Times and HR Magazine all interviewed UKCES commissioners and staff for insight into skills issues.

Despite these successes, most of our communications indicators remained stable or saw a slight decline, which is to be expected given the post-election uncertainty, the refocussing of the organisation's agenda following the summer Budget and the subsequent announcement of the withdrawal of funding. However, progress was made in digital and online communications. The UKCES blog has been particularly successful this year, with 21% more views than in 14/15. Web hits remained stable at approximately 2,000 page views per month, while social media engagement rose by 15%

Throughout the year, favourable sentiment was high, averaging over 80% per month, with the majority of the remainder being neutral. The proportion of coverage carrying a message was also high (between 85%-100% each month) with 'UKCES delivers insight, impact and influence' the most prolific message.

Our communications

Despite a challenging period encompassing election restrictions and preparation for closure, national news coverage ran to 90% of the previous year's total. Social media continued to grow, with Twitter follower count increasing 15%.

High points of the year were the coverage of Death of the Saturday Job (June 2015) and the UK Employer Skills Survey (January 2016). Both of these featured extensively in national press and broadcast media, with DoTSJ covered on BBC Radios 1, 2, 3, 4 and 6.

Twitter Followers

2014/15	**9,649**
2015/16	**11,060**

+15%

National News Coverage

2014/15	**66 Stories**
2015/16	**60 Stories**

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Objective 2: Work with Industrial Partnerships and wider networks to push forward employer ownership of skills

We believe businesses can be at their best when they work together. UKCES works with employers to demonstrate the value and impact of effective collaborative leadership by employers in delivering growth through people, including through their leadership role in technical and professional education.

Industrial Partnerships

We continued to support the Industrial Partnerships (IPs) and champion collective employer leadership. During the year, BIS took the decision to end the funding of most of the Employer Ownership Pilot (EOP) projects in March 2016. This decision has affected all of the IPs and they have been reviewing their roles and priorities after this date. There is general consensus among the Industrial Partnerships that there is value in continuing to network and share intelligence, in particular regarding the apprenticeship levy developments. There is also an agreement that the network should be open to other sectors e.g. rail and construction (house builders) wanting to adopt an employer collaboration model.

In January 2016 we published Employer Ownership of Skills: Testing Collaboration through Industrial Partnerships. The report is in two parts, the first looks at the partnerships' progress and reviews the qualitative outcomes and learning gained through their work. The second part is a series of nine themed case studies e.g. 'Developing Business Driven Apprenticeships'. All eight Industrial Partnerships input into the production of the case studies providing practical examples to illustrate the findings.

UKCES has asked the IPs to contribute to the production of a Legacy Paper entitled, 'Employer Ownership of Skills: Industrial Partnerships Successes and Achievements'. Each IP has been asked to provide a 2 page infographic including a summary of achievements and financial allocations to March 2016. This paper, to be released May 2016, will be the last in the suite of reports that have described the lessons learned from the IPs, their successes and qualitative outcomes.

National Occupational Standards

UKCES has continued to be responsible for coordinating and quality assuring the National Occupational Standards (NOS) programme on behalf of the four nations and commissioning apprenticeship frameworks on behalf of the Devolved Administrations. Over 220 standards and apprenticeship framework products were successfully delivered in 2015/16 (93.2 per cent of the total commissioned) against total contract values of £2.4m. This funding was matched by £2m in employer in-kind contributions.

Alongside this, we have been working with the Devolved Administrations and BIS on our proposals to continue with a single UK wide occupational standard. We have worked with the Devolved Administration to develop proposals to continue with a single UK-wide occupational standard. BIS is no longer stipulating that employers should use NOS as the basis of apprenticeship standards in England, since they believe that employers should use the standards they consider most appropriate when developing apprenticeships. However, negotiations will continue with the new Institute for Apprenticeships once employer appointments have been made.

We have piloted how new, high quality, employer-led NOS can be developed in practice with employer groups in automotive, aerospace, health, retail, IT and oil and gas. The final report is generally positive and supports our principles for a new style NOS. This will inform commissioning and funding arrangements for roll out in 2016/17.

We have mapped Apprenticeships and NOS to wider labour market information, to help identify key performance metrics, areas where individual occupations are covered by multiple Trailblazer standards, and areas where occupations are not covered by any Apprenticeship framework or trailblazer standard. Our feedback to BIS led to the creation of a national-level working group on the transition from frameworks to standards, which was useful in the context of the government's target to create 3m Apprenticeships.

£71.6m

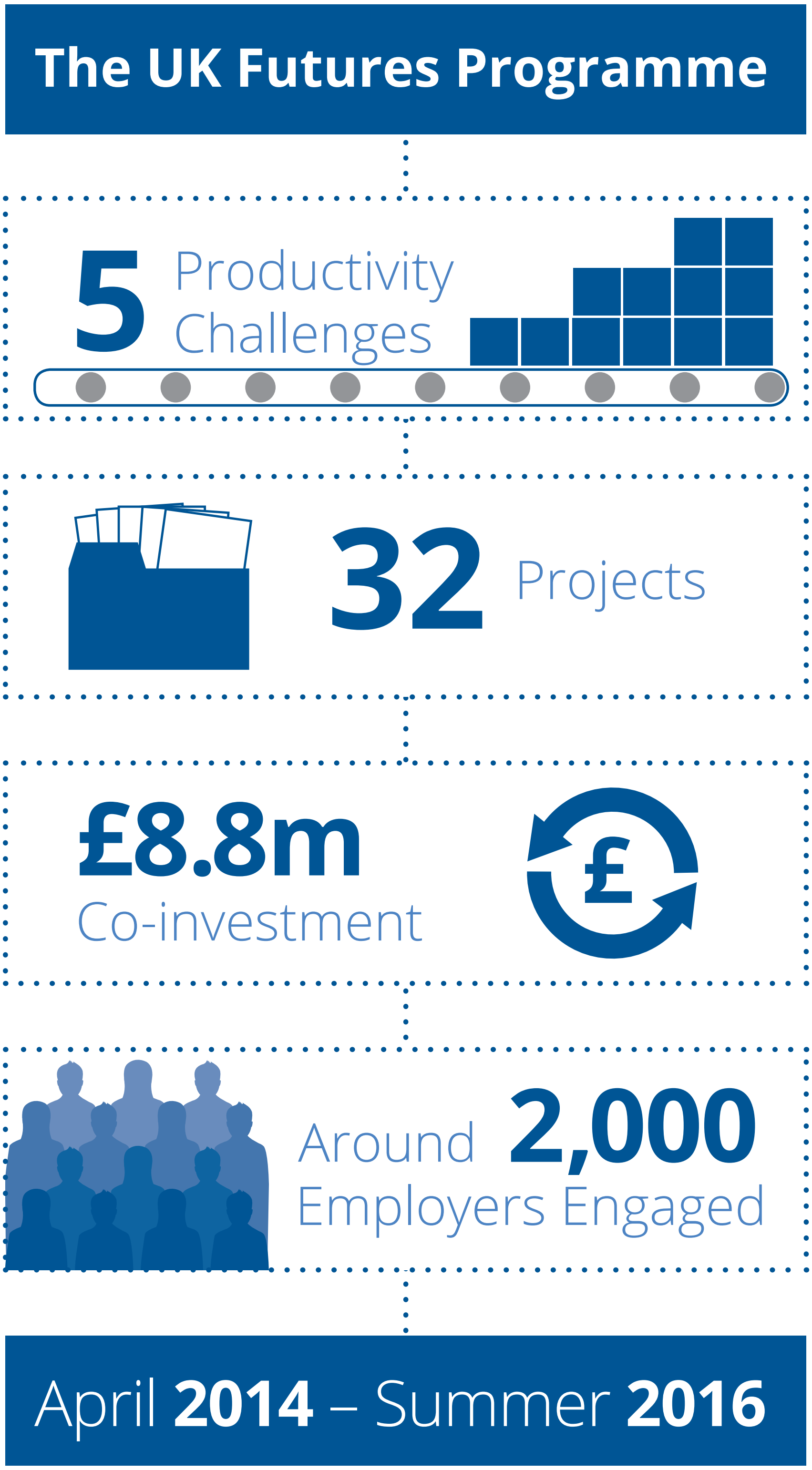
£5.9m
Per year

Further research has been undertaken to establish the financial impact of **NOS** and early findings indicate that the market for **NOS** based qualifications led to certification revenue of circa **£71.6 million** for **awarding organisations** in 2013/14

...and current **NOS** based apprenticeship certification is driving revenues of **£5.9 million** per year

PERFORMANCE ANALYSIS

Objective 3: Test 'what works' in addressing barriers to growth through people and inform industry and government policies



The UK Futures Programme

The UK Futures Programme is an opportunity to work with employers to develop and test innovative approaches in addressing persistent workforce skills issues. UKCES has continued to run the programme throughout 2015/16 and has demonstrated the value of the programme to employers and governments based on the policy insights drawn out from the emerging learning from the projects.

Two Productivity Challenges were completed during this year. The first Productivity Challenge focused on addressing skills deficiencies associated with technological developments in the offsite construction sector and the findings of the Challenge were published in October 2015. We have been working with key stakeholders to disseminate the learning to influence policy and practice both for this sector and other emerging sectors. This has included sharing the products and learning at the Build Off-Site conference with the projects and other key sector conferences.

Productivity Challenge 1 - Addressing skills deficiencies in the offsite construction sector

What have we learned from this Challenge?

Lessons from the projects can be extracted for the sector as a whole, and to other sectors where technological advances offer opportunities for growth. For example:

Clear industry leadership is important and can galvanise competitors to become collaborators where there is a commonly experienced challenge.

The breadth and depth of **skill gaps** were sometimes greater than projects first realised, but in recognising the gaps, corrective action could be taken in fact it is crucial for employers in the sector to take responsibility and recognise these gaps otherwise they risk being left behind.

Educators and businesses must work more closely together to ensure educational institutions and professionals keep up with technological advancements and ensure innovation can be capitalised upon.

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The second Challenge aimed to test the hypothesis that supply chains, or networked organisations, can be an effective means of developing management and leadership by sharing skills, ideas and values through existing business relationships and the findings were published in March 2016. We held an event in March to share the findings with targeted stakeholders and representatives from projects across all the Challenges. We have actively engaged key stakeholders in the findings to ensure legacy of the learning through shared ownership.

Productivity Challenge 2 - Management and leadership in supply chains and networked organisations

What have we learned from this Challenge?

The Challenge findings were published in March 2016. Overall we found it is possible to enhance interest in management and leadership through supply chains and networked organisations. In particular, we learned:

- There is significant scope for supply chain leads, intermediary organisations and members of supply chain networks to influence, engage and motivate supply chain businesses to build their management and leadership capabilities in many ways.
- **Existing business needs and clear business benefits are important to maintaining changes in supply chain leads and suppliers.**
- Engaging supply chain businesses in the tailored design of the learning solution was critical to meet their needs and build up trust.
- Skills accrue not just through direct training, coaching and mentoring but from better engagement with prime organisations and with other supply chain businesses.

The remaining three Challenges (Progression pathways in hospitality and retail; Skills for innovation in manufacturing; and Leadership and entrepreneurship in small firms) will complete in summer 2016 and we will be publishing the findings and sharing the learning during the summer.

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Objective 4: Help businesses to realise the potential of their people through Investors in People

Investors in People has set the standard for people management since 1991 and in 2015-16 celebrated 25 years of people management excellence. The brand is proudly displayed by over 14,000 organisations in 75 countries and has recently been voted a Superbrand™ by customers and industry experts.

IIP has now been owned by UKCES for five years. UKCES has led a major transformation of the business during this time.

In 2011 work began on a turnaround programme for Investors in People which was led by the current IIP Commissioner Board, leadership team and staff in UKCES. This turnaround had three objectives:

Objectives	Progress and Results
Create a sustainable business model in order that Investors in People no longer requires government funding	**IIP will operate without government subsidy** for the first time in its history in 2015/16 Overall turnover has **increased from £15m to £18.3m**
Improve the product offering and value proposition to new clients **to increase revenue**	**Developed new standard and value proposition** and early indications are positive **Product been endorsed** by leading academics and business leaders
Enhance the brand reputation and value in order that IIP is recognised as "The Standard for People Management"	Brand been reinvigorated and marketing campaigns have **won prestigious national awards** Listed in 2015 and 2016 as a **UK 'Superbrand'** for the first time since 2008 **New business is at highest level for 10 years** and with no government grants acting as incentive

All the above has been achieved in a wider context of recession and cost reduction. In addition, within government, there has been marketing and recruitment freezes which made these achievements more challenging.

Turning to more recent developments over the last year. 2015-16 saw completion of the work on the sixth generation Investors in People standard. The framework has evolved to keep pace with modern practices. It has been updated and reviewed by world leading academics, practitioners and industry experts supporting organisations to outperform by leading, supporting and managing people well for sustainable results.

Following a pilot and evaluation, September 2015 saw the launch of the sixth generation Standard at an international client conference. Speakers included Sir Chris Hoy, Professor Hope-Hailey from the University of Bath and Manley Hopkinson. Clients from around the world participated in a variety of interactive events to learn more about the new framework and the associated assessment journey and tools.

The sixth generation Investors in People Standard reflects the latest workplace trends, leading practices and employee conditions required to create outperforming teams. It introduces a four stage performance model, and nine new indicators based on the features of organisations that consistently outperform industry norms. A new Platinum award level has also been introduced to reflect the significant raising of standards the introduction of the sixth generation brings. The marketing launch of the new Standard, under the theme "Outperformance", won 'Best Brand Initiative 2015' at the B2B Marketing Awards in November, recognising the impact of the brand partnership with Sir Dave Brailsford and GB Olympic cycling success.

The refreshed Investors in People framework saw the business wide introduction of online assessment in support of all assessments to complement the existing on-site activity. This ensures that every employee is engaged in the process and allows organisations to benchmark themselves against 14 industries against all 27 themes from the Investors in People standard.

In June 2015 the second annual IIP awards ceremony was held at the Tower of London and saw over 600 guests come together to celebrate the achievements of their organisations and the people that make them successful.

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Corporate Objective: A well-managed and effective organisation

UKCES staff continued to strive to provide the best quality corporate and governance services and expertise to help the organisation to work smarter and maximise our impact whilst maintaining UKCES' reputation as a well-managed public body. The objective expanded in Quarter 4 of 2015/16 to also include supporting the efficient and effective operational wind down of UKCES.

All key objective deliverables were met, including the following key deliverables and achievements:

- A clean year-end audit for 2014/15 from the National Audit Office
- The delivery of a 2014/15 year-end financial outturn within 0-1% of the Quarter 2 forecast. In line with BIS expectations and consistent with the previous year's performance.
- The commendation received at the annual BIS Financial Management awards in November for UKCES' 14-15 annual report and accounts
- The successful upgrade of the finance system and the implementation of a new payroll system in Quarter 3
- The successful completion of the voluntary exit scheme approved at the end of 14/15 with 13 staff leaving in early 2015/16
- The implementation of a new competency framework for staff along with the design and rollout of a CMI accredited management and leadership training programme for staff and the implementation of a programme of training to develop staff's written communications.
- The results from our July 2015 staff survey, which showed continued improvements in nearly all areas apart from organisational vision against a background of uncertainty in relation to the future role of the organisation in the context of the new government and the changing FE policy landscape, the spending review and BIS 2020 ambitions.
- The completion of the stage 2 of the Triennial Review which tested the UKCES governance arrangements resulted in UKCES achieving a 'green' rating for all areas.
- A round of Commissioner recruitment attracted a high quality field of applicants who were interviewed but in the light of the announcement about UKCES' future appointments were not formalized.

Supporting the organisational closure and transition

In November, the Government announced that it would cease all Whitehall funding of UKCES in 2016/17. As a result the objective changed focus to coordinating and planning the closure/transition of UKCES. Detailed planning on this commenced in December and a Transition & Closure Board was created in December to manage the transition and closure process. This Board includes members of the BIS sponsor team and DA official representation as well as the executive closure leads in UKCES. Alongside this, monthly meetings of the Strategic Management Group took place since December to monitor progress and make any decisions that may be needed.

Consultation with unions and staff on a voluntary redundancy scheme for all non-IIP staff was launched with staff in January and concluded in March with the expectation that all staff will have left the organisation in 2016/17 either through redundancy to by transfers of functions to other bodies. Regular discussions are taking place with BIS and DA officials to help ensure that any continuing functions are transferred in an orderly manner to other government bodies and the expectation is that UKCES' operational delivery is expected to cease in 16/17.

Employer Leadership projects (ELP)

UKCES has continued to support and manage the 5 Employer Leadership projects (ELP) which were passed to UKCES by BIS to contract and manage having been approved by BIS to be funded under the Employer Ownership Pilot fund. These projects were overseen as part of this corporate objective. In 2015/16 and were in the second year of their planned 3 year funded term. At the beginning of the year, participation activity was underway in all projects and expected to build real momentum in year 2.

In September, BIS announced that the third year of funding for the ELP contracts would end in line with the decision to end the funding of the rest of the Employer Ownership funded projects.

Following this announcement UKCES worked with the projects to re-negotiate the contracts in line with funding cuts to ensure that the projects scope and deliverables were adjusted in light of the funding cuts as well as ensuring that existing participation training obligations where honoured to help ensure a 'soft landing' for these projects where possible and ensure that a legacy is secured for the 2 years of funding that has been provided. In Quarter 4 we have continued to monitor delivery of the remaining delivery under these revised agreed contracts, with 1 of 5 projects contracts finishing at the end of 2015/16 whilst the remaining 4 finish by the summer of 2016/17.

UKCES has supported 5 Employer Leadership Projects over the last 2 years to enable businesses to take ownership of the design and implementation of skills development in their sectors. Collectively over 1450 businesses have actively engaged or benefitted from the programme and over 13,000 individuals have received training.

The Industrial Cadets programme developed employer networks and a structure for employer engagement in the STEM sector to generate a strong and sustainable talent pipeline for the future. Industrial Cadets equips students with skills, work experience, knowledge and the confidence to succeed and to date it has seen 5833 students graduate from 1684 schools, with 558 mentors trained and over 500 businesses benefitting.

The National Skills Development Programme for Rape Crisis was supported to shape workforce development and improve the skills of the current and future workforce. The aim is to raise awareness and generate funding and investment that will drive enterprise, jobs and growth within the sexual violence sector. To date 84 units of credit have been developed and 70 toolkits, over 80% of staff and volunteers have achieved level 3 qualifications and qualified trainers in the network has risen by 139% from 41 to 116.

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Looking forward to 2016/17 - Transition and Closure

The main focus will be on coordinating and planning the closure/transition of UKCES in 2016/17. Work will be delivered against the agreed Business Plan for 2016/17, subject to resources being available. The key areas of activity will be:

- Providing support and assistance to staff through this significant period of change, supporting people out of the business in a timely and well managed way and managing the voluntary redundancy process
- Finalising the high level vision report setting out the long term strategy for business leadership on productivity and continued engagement with key partners and stakeholders
- Delivery and dissemination of ESS15 local and nations findings and publication of the Working Futures labour market projections study
- Circulation of the final report on the employer led pilots for National Occupational Standards to employers and stakeholders and commissioning of standards and frameworks on behalf of the Devolved Administrations for 2016/17 including issuing an Invitation to Tender for new delivery partners
- For the UK Futures Programme, we will continue to draw out the learning from the projects through management and monitoring; conduct evaluative interviews and the Co-Creation Labs in June; prioritise stakeholders and relevant networks for each Challenge and the whole programme to ensure best dissemination and practical use of the learning; and continue to make use of opportunities to disseminate learning.
- Continue to deliver against our performance targets for Investors in People and seek resolution with Government on the future position on IIP post UKCES' closure.
- Transfer the Employer Skills Survey (ESS), the Employer Perspectives Survey (EPS) and LMI for All to BIS
- Transfer the National Occupational Standards (NOS) to another public sector organisation for this function to continue to be delivered through the Devolved Administrations

Financial Review

Incoming resources

UKCES is funded by Grant-In-Aid financing from BIS on behalf of all the sponsoring departments and Devolved Administrations along with commercial receipts in relation to the Investors in People business.

Because Grant-In-Aid funding is treated as financing rather than income in the Statement of Comprehensive Net Expenditure the results for the period show a loss equivalent to the expenditure to be met from Grant-In-Aid. The Grant-In-Aid financing recognised is the value of cash drawn down. The loss attributed to General Reserves therefore reflects the value of accrued expenditure at 31 March 2016.

In 2015-16 UKCES also received £3.0m (2014-15: £0.9m) of licence, assessment and merchandise income in relation to the Investors in People business. This has increased as a result of the impact of new licensing arrangements having been agreed with the Investors in People Deliver Partners in England to share a larger share of the assessment and associated income that they receive. Income also increased compared to the previous year as a result of the Wales Delivery Partner operations being brought in-house from the Welsh Government in September alongside the Northern Ireland delivery partner operation that was brought in from DELNI at the beginning of the year. Funds were provided by DELNI and the Welsh Government to help cover the costs of transition of these operations to UKCES. The DELNI funding has been apportioned over 2 years in line with the expected period of the transition it was meant to cover. As a result £0.1m of income received from DELNI has been deferred into 2016-17.

Application of resources received

Of the total expenditure incurred in the year of £25.1m (2014-15: £37.6m), 36% (2014-15: 57%) of total expenditure was in the form of grant funding to employer-led partner bodies, 35% (2014-15: 26%) was directly spent by UKCES on its delivery activities and 21% (2014-15: 17%) was used to fund the organisation's staff and organisational costs funded out of the administration budget including depreciation and amortisation.

Partner programme activity

Of the £9.1m (2014-15: £21.5m) that was spent in the year to fund employer-led partner bodies:

- £0.5m of expenditure (2014-15: £12.6m) was incurred in the year to fund 3 remaining Growth and Innovation Fund (GIF) projects to completion.
- £2.4m of expenditure (2014-15: £3.1m) was incurred in the year through the Standards and Frameworks funding contracts to fund the delivery of 230 revised or new National Occupational Standards (NOS), Apprenticeship frameworks or Scottish Vocational Qualifications;
- £2.4m of expenditure (2014-15: £1.5m) was incurred in the year to support the funding of 25 projects under the Futures programme.
- £3.8m of expenditure (2014-15: £2.9m) was incurred in the year to support funding of 5 Employer Leadership Projects (ELP) that were allocated funding through the Employer Ownership of Skills Pilot programme. During the year BIS announced that it was no longer funding the 3rd year of these projects. As a result the contracts were renegotiated and funding for any non-committed costs beyond 2015-16 was cancelled.
- There was no expenditure on Employer Investment Fund (EIF) projects in 2015-16 as all remaining EIF projects were completed in 2014-15. This compares with £1.5m of expenditure in 2014-15.

All funding programmes have specific guidelines and all applicants are subject to a formal process of assessment and approval. The contract and project delivery is closely monitored and reported on by UKCES through regular delivery

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progress updates from the funded organisations through the year.

During the year UKCES' Strategic Management Group took over responsibility for the oversight of the remaining GIF projects and the ELP budgets & contracts from the Investment Sub-Board, following its dissolution, alongside its existing responsibility for the oversight of the Standards and Frameworks funding contracts.

The Futures contracts and budget was overseen by the Objective 3 Delivery Group through the year.

Direct programme spend activity

The budget available for UKCES' programme activity was allocated to support the delivery of specific projects in line with the Business Plan priorities. The forecast spend on each project compared to budget was monitored on a regular basis by Objective deliverable leads and the Executive Directors and the Assistant Director with responsibility for Finance and was overseen by the Strategic Management Group. The expenditure in this area of activity decreased to £8.8m for 2015-16, compared with £9.8m for 2014-15. With the decrease mainly arising as a result of a one-off £1.2m Investors In People marketing campaign in 2014-15 to support the roll out of the new Investors In People Framework.

Organisational administration activity

21% (2014-15: 17%) of the total expenditure or £5.3m (2014-15: £6.3m) supports the on-going administration costs of the organisation, including depreciation but excluding any redundancy provision.

The pay costs were £0.9m lower in 15-16 as a result of lower staff levels in 2015-16 and a one-off £0.5m of voluntary exit costs in 2014-15.

Non-pay costs reduced by £0.1m in 2015-16 compared to 2014-15 mainly as a consequence of reduced travel and subsistence spend.

The organisational administration budget is controlled at a functional level by budget managers, is monitored on a regular basis by the Executive Directors and the Assistant Director with responsibility for Finance and is overseen by the Strategic Management Group.

Organisational closure provision

Following the announcement by Government in November that UKCES funding will cease in 2016-17, the Commission considered the future options for UKCES and determined in Quarter 4 of 2015-16 that the organisation should close in 2016-17 with any residual functions that needed to continue to be performed being transferred out in 2016-17 to other host bodies. As a result, it was determined that most staff outside of IIP would need to be made redundant. Following that decision, agreement was secured with Government to the terms of the redundancy offer and this was communicated to staff before the end of the year. As a result, this created a constructive obligation under IAS 37. Therefore £2m has been provided for in the accounts to cover the estimate of staff redundancy & CILON costs that are anticipated to be incurred in 2016-17.

Investors in People financial performance

The Investors in People business, which operates as a division within UKCES, became fully self-financing in 2015-16 for the first time largely as a result of increases in Delivery Partner licence income alongside continued focus on operating costs. This compares with having previously been largely funded by Government in every year since IIP was first set up in 1991.

Statement of Financial Position

All known liabilities have been provided for in the Statement of Financial Position as at the end of the period, where relevant, with the exception of any pension liability, which is not recognised in accordance with the pensions accounting policy.

Outstanding trade payables at the end of 2015-16 represented the equivalent of approximately 11 days (2014-15: 8 days) of total payments made in the year.

As at 31 March 2016 UKCES is reporting negative general reserves of £4.1m (2014-15: £9.8m). This is because UKCES had recognised trade and other payables of £4.0m at the end of the period (2014-15: £10.5m), but has recognised the associated Grant-In-Aid funding for these liabilities only when it has been received. This is in line with the standard accounting treatment in respect to Grant-In-Aid financing for NDPBs.

Whereas the operating costs in the Net Expenditure Account are recognised on an accruals basis, NDPBs can only recognise the actual amount of cash received during the period in respect of Grant-In-Aid financing. NDPBs are required by BIS to limit the amount of cash held to 2% of the Grant-In-Aid budget and UKCES had £4.0m of accrued costs and trade payables as at 31 March 2016. This has resulted in the Statement of Financial Position showing net liabilities of £4.1m at the end of the year.

Going Concern Assessment

Following the Government's announcement in the November 2015 spending review that Whitehall funding for UKCES will be withdrawn in 2016/17, it is expected that any continuing functions and their associated assets & liabilities may be transferred to either the Department for Business Innovation & Skills or to other public sector organisations. The financial statements have therefore been prepared on a break-up basis because the Executive Leadership Team have assessed that UKCES is no longer a going concern. The carrying value of all assets and liabilities at this point has been assessed as book value because that is the value at which they will transfer if they do transfer to other bodies within government.

Payments to suppliers

UKCES endeavours to pay suppliers as soon as possible once an invoice or claim is received and delivery is confirmed, and within the guidelines required of government bodies. Over the course of the year UKCES has paid suppliers within 10.8 days of receipt of invoice on average over the year, compared with an average of 8 days in the previous year. On average 8% of payments made were over 30 days from receipt of invoice compared with 6% in 2014-15.

Sustainability Performance Reporting

As a Non-Departmental Public Body, UKCES is expected to report on its environmental sustainability performance. UKCES has been granted an exemption by the Cabinet Office not to produce a sustainability report as the overall environmental impact of UKCES is low given it has a floor space totalling under 1000m2 and on average 108.9 staff in the year.

I Kinder

Chief Executive

Sir C Mayfield

Chairman

7 July 2016

ACCOUNTABILITY REPORT

Directors Report

Governance and decision making

The Commissioners are directors of the company and are responsible for the management of UKCES. At 31 March 2016 there were 21 directors, compared with 25 directors at 31 March 2015. The UKCES Commission delegated its organisational oversight role to the Strategic Management Group.

UKCES has a conflict of interest policy and its Register of Members Interests is regularly updated.

The full register can found on the website: www.gov.uk/ukces

Further details of the organisation's governance groups and decision making are contained in the Governance Statement.

Directors

The directors that were in office during the year are listed below:

Name	Date of appointment	Date left
Executive Directors		
Michael Davis	03/01/11	29/02/16
Ian Kinder	01/03/16	
Sir Charlie Mayfield	16/11/10	
Non-Executive Directors		
David Prentis	01/04/08	10/12/15
Grahame Smith	01/04/08	
Jeremy Anderson CBE	01/04/08	
Julie Kenny CBE, DL	01/04/08	
Liz Sayce OBE	01/04/08	
Valerie Todd CBE	01/04/08	
Nigel Whitehead CBE, FREng	01/04/09	
Professor John Coyne	17/05/11	31/07/15
John Cridland CBE	17/05/11	31/10/15
Sean Taggart	17/05/11	
David Fairhurst	21/07/11	15/05/15
Dr Deirdre Hughes OBE	21/07/11	10/08/15
Seyi Obakin	21/07/11	
Paul McKelvie OBE	01/04/12	
Scott Waddington	01/04/12	
Gail Cartmail	01/05/12	
Toby Peyton-Jones	01/05/12	
Scott Johnson	01/05/12	
Frances O'Grady	22/01/13	
Barbara Spicer CBE	02/09/13	
Douglas McCormick	02/09/13	
Dame Fiona Kendrick	02/09/13	
Will Butler-Adams OBE	02/09/13	
Mark Huddleston	01/05/15	

Company Secretary: *Sarah Beal was appointed as Company Secretary on 17 April 2015.*

Company Incorporation details

The UK Commission for Employment and Skills is a company limited by guarantee and was incorporated on 13 November 2007. Under Clause 5 of the Memorandum of Association all members undertake to contribute to the company such an amount as may be required, not exceeding £1, in the event of it being wound up during the period of membership or within one year afterwards. UKCES is an executive Non Departmental Public Body (NDPB) jointly sponsored by the Department for Business, Innovation and Skills (BIS), the Department for Work and Pensions (DWP), the Department for Education (DfE), HM Treasury (HMT), the Department for Employment and Learning Northern Ireland, the Scottish Government, and the Welsh Government.

Other Company details

Registered office:
Renaissance House,
Adwick Park,
Wath-upon-Dearne, South Yorkshire S63 5NB

Bankers: H M Paymaster General

Auditors: Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria, London, SW1W 9SP

Audit Remuneration

Under the Government Resources and Accounts Act 2000 (Audit of non-profit-making Companies) Order 2009, which came into force on 4 March 2009, the Comptroller and Auditor General is required to audit UKCES' accounts for the year ended 31 March 2016. An amount of £36,000 (2014-2015 £36,000) has been provided for audit fees. The National Audit Office (NAO) has not carried out any other paid work for UKCES in 2015-16.

ACCOUNTABILITY REPORT

Governance Statement

Scope of Responsibility

It is recognised that it is the responsibility of the Chief Executive Officer, as Accounting Officer, to ensure that there is a sound system of governance and internal control; and that the business of the UK Commission for Employment and Skills is conducted in accordance with Managing Public Money to ensure public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Purpose of the Governance Statement

The Governance Statement, for which the CEO takes personal responsibility, aims to provide a clear understanding of the dynamics of the business and its control structure. Essentially, it supplements the accounts by recording the stewardship of the organisation to provide a sense of how the organisation's performance has been controlled; and of how successfully it has coped with the challenge it faces. In doing this, the CEO is supported by a governance framework which includes the UK Commission, its sub-groups and the relationship with the Executive.

This statement explains how the organisation has complied with the principles of good governance and reviews the effectiveness of these arrangements.

The Role of Commissioners

Commissioners are directors of the company and are responsible for the management of UKCES. At 31 March 2016 there were 21 directors, compared with 25 directors at 31 March 2015. UKCES has delegated its organisational oversight role to the Strategic Management Group.

Commissioners are publicly appointed by the Secretaries of State of the Department for Business, Innovation and Skills and the Department for Work and Pensions. Appointments are made in consultation with the Ministers in the three Devolved Nations – Scotland, Wales and Northern Ireland - who also make their own Commissioner appointments. The Chairman is appointed through a public appointments process.

Commissioners bring the inspirational leadership that drives UKCES' agenda. They are supported by the Chief Executive and have an active role in delivering UKCES' remit to achieve maximum impact.

The UKCES Commissioner Leadership model means that Commissioners are outward facing and 'hands on'. They are focused on outcomes and impact. Through their existing positions they bring independence and credibility and access to a whole range of important networks. Commissioners:

Commissioners:

- provide strategic leadership and work closely with the Executive to deliver priorities and objectives
- bring an informed Commissioner perspective to enable greater challenge
- are the voice of UKCES on relevant issues by speaking publicly on relevant topics and support the Chairman in taking a lead role in meetings with Ministers on UKCES priorities
- use their position, credibility and networks to persuade employers and others of the importance of skills in supporting enterprise, jobs and growth
- work with staff to 'road-test' materials, advice or ideas/ initiatives

Governance structure and decision making

Decision making by Commissioners takes place at full meetings of the Commission and through a series of Commissioner Groups that have been formally established to carry out specific roles which are shown below.

Sir Charlie Mayfield

UK Commission for Employment and Skills

Ian Kinder, Chief Executive

Oversee Delivery

Objective Delivery Group 1
Policy insights

Douglas McCormick (*Lead*)
Fiona Kendrick
Gail Cartmail
Jeremy Anderson
Liz Sayce
Seyi Obakin
Deirdre Hughes (*until August 2015*)
Scott Johnson (*until October 2015*)
Will Butler-Adams (*until July 2015*)
John Coyne (*until July 2015*)
David Fairhurst (*until May 2015*)

Objective Delivery Group 2
Industrial Partnerships & Standards and Frameworks

Nigel Whitehead (*Lead*)
Frances O'Grady
Scott Johnson
Jeremy Anderson
Toby Peyton-Jones
John Coyne (*until July 2015*)
Scott Johnson (*from October 2015*)
Mark Huddleston (*from October 2015*)

Objective Delivery Group 3
UK Futures Programme

Scott Waddington (lead)
Grahame Smith
Paul McKelvie
Sean Taggart
Dave Prentis (*until December 2015*)
Will Butler-Adams

Investors in People Board
Investors in People

Valerie Todd (lead)
Dave Prentis (*until December 2015*)
Scott Johnson
Barbara Spicer
Sean Taggart
Will Butler-Adams
Grahame Smith
Mark Huddleston

Provide Assurance

Research Group
Agrees research strategy, ensuring it supports UKCES goals and objectives

Grahame Smith (Chair)
Deirdre Hughes (*until August 2015*)
Liz Sayce
Paul McKelvie
Valerie Todd
Barbara Spicer
John Coyne (*until July 2015*)

Audit and Risk Group
Supports Directors in their responsibilities on risk, control and governance

Seyi Obakin (Chair)
Douglas McCormick
Julie Kenny
Scott Johnson
Gail Cartmail

Strategic Management Group
Advises on performance against business objectives and effective resource management

Julie Kenny (Chair)
Charlie Mayfield
Dave Prentis (*until December 2015*)
Grahame Smith
Jeremy Anderson
Paul McKelvie
Sean Taggart
Toby Peyton-Jones

The Executive

ACCOUNTABILITY REPORT

The governance arrangements are comprised of:

Formal Governance Groups – these Groups provide assurance, challenge and control to the Commission and comprise the Strategic Management Group; the Audit and Risk Group and the Research Group; and

Objective Delivery Groups – these Groups focus on delivery and reflect the Business Plan objectives. The Objective Delivery Groups drive forward the UKCES agenda and also hold the Executive to account on performance. They have direct line of sight back to the Commission. Some of the Objective Delivery Groups have delegated decision making powers that reflect their role. They meet at least once a quarter to reflect the performance management cycle.

The formal governance groups are as follows:

The Strategic Management Group meets at least quarterly. Its duties are to oversee the operation of UKCES; to advise on the performance of the organisation against business objectives and the effective management of its resources; to coordinate and monitor delivery and strategic impact; and to ensure that the necessary cross cutting work programmes are in place to enable UKCES to carry out its role effectively. It is also responsible for decisions regarding remuneration and supports the Chairman to make recommendations to the Secretary of State concerning the appointment or re-appointment of Commissioners and the appointment and removal of the Chief Executive. Additional meetings are required to approve the Business Plan, budgets and Annual Report. The group membership consists of not less than five Commissioners plus the Chief Executive, with a quorum of three. The Chairman of the Commission attends meetings as appropriate in an ex-officio capacity. Membership includes appropriate representation from across the Commission's Objectives and the Audit and Risk Group.

As a result of discussions about transition and closure, the February Commission meeting agreed that Objective Delivery Groups 1 and 2 be wound up and that, in respect of the role previously undertaken by these groups, the Strategic Management Group take responsibility for the challenge and scrutiny of the quarterly performance report.

The Audit and Risk Group meets four times each year, in accordance with best practice. Its purpose is to support the directors in discharging their responsibilities in relation to issues of risk, control and governance, and of associated assurances. It also provides assurance back to the Commission in the form of an Audit and Risk Group Annual Report. The membership consists of not less than three Commissioners, with a quorum of two. The Chairman of the Commission cannot be a member of this group. Membership includes a Commissioner who is also a member of the Strategic Management Group. The Chief Executive, the Executive Director and the Assistant Director with responsibility for Finance and a representative from Internal and External Audit ordinarily attend meetings.

The Research Group was set up to agree the research strategy and continue to ensure that it supports the wider goals and objectives of the Commission. The membership consists of not less than five Commissioners, with a quorum of three. The group meets as appropriate to support the cycle of business, but at least once a year. The Chairman may attend meetings in an ex-officio capacity.

The Objective Delivery Groups comprise the Individual Commissioners who were appointed to take the lead on each one of the four UKCES objectives. These Commissioners are supported by a team of Commissioners who contribute towards the development and delivery of that objective.

Objective Delivery Group 1 uses Commissioner insights and Commissioner activity to drive, lead and oversee the development of appropriate activity that results in the achievement of the deliverables contained within Objective 1: Lead the debate with industry to drive better outcomes for skills, jobs and growth. This year has seen UKCES positively contribute to policy, decision making and action of governments, stakeholders and networks of businesses, to support skills, jobs and growth through the promotion of reboust LMI and Commissioner-led insights. This has included supporting the Productivity project led by Sir Charlie Mayfield. This group is responsible for challenging and scrutinising performance within these areas and making recommendations to the UK Commission in respect of its strategy pertaining to Objective 1. As a result of discussions about transition and closure, the February Commission meeting agreed that Objective Delivery Group 1 be wound up.

Objective Delivery Group 2 uses Commissioner insights and Commissioner activity to drive, lead and oversee the development of appropriate activity that results in the achievement of the deliverables contained within Objective 2: Work with Industrial Partnerships and wide networks to push forward employer ownership of skills. This includes UKCES' work on National Occupational standards and supporting Industrial Partnerships. The group is responsible for challenging and scrutinising performance within these areas and making recommendations to the UK Commission in respect of its strategy pertaining to Objective 2. As a result of discussions about transition and closure, the February Commission meeting agreed that Objective Delivery Group 2 be wound up.

Objective Delivery Group 3 uses Commissioner insights and Commissioner activity to drive, lead and oversee the development of appropriate activity that results in the achievement of the deliverables contained within Objective 3: Test what works in addressing barriers to growth through people and inform industry and government policies through our UK Futures Programme. The group is responsible for challenging and scrutinising performance within the programme and making recommendations to the UK Commission in respect of its strategy pertaining to Objective 3. It has delegated authority to: make investment decisions and variations on behalf of the Commission in accordance with allocated funding; monitor delivery and impact of the decisions made; ensure that the programme continuously learns about effectiveness and what works; advise Commissioners on how the programme can be used to maximise their contribution to the Commission's overall aims and to delivering informed policy and practice insights.

Objective Delivery Group 4 (Investors in People Board) drives, leads and oversees the development of appropriate activity that results in the achievement of deliverables contained within Objective 4 of the Business Plan; and to agree the Investors in People strategy continuing to ensure that it supports the wider goals and objectives of UKCES. The membership consists of not less than five Commissioners, with a quorum of three. The Chief Executive, members of the Executive Leadership Team or other staff attend or provide information as directed. The Chairman may attend meetings in an ex-officio capacity. The

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group meets as appropriate to support the cycle of business, but at least once a year. As a result of discussions about transition and closure of UKCES, the January Strategic Management Group meeting agreed that Objective Delivery Group 4 be re-named as the Investors in People Board.

The Commission has adopted a complementary Scheme of Delegation to provide these groups with appropriate decision making powers. The Scheme of Delegation also sets out those powers that have been delegated to the Chief Executive and Executive Directors.

Michael Davis stepped down as Chief Executive and Accounting Officer on 29 February and handed over the roles to Ian Kinder on 1 March 2016.

Changes to the Governance structure as a result of UKCES closure

Following the government's autumn statement and the decision by Whitehall departments to withdraw funding from UKCES during 2016/17, the Strategic Management Group, reviewed the existing governance arrangements at its January meeting. These are considered to be, in general, still fit for purpose. The work of the Strategic Management Group (SMG) and the Audit and Risk Group (ARG) will continue to be important and there will be a need for further meetings of the Research Group.

SMG made a number of recommendations to the full Commission at its February meeting and the following changes were agreed:

SMG continues its current role and also leads on the transition and closure activities for the organisation. Further meetings have been added and the membership has been strengthened with the addition of one further Commissioner. The Chair has been given delegated powers to deal with any exceptional and urgent items relating to Transition and Closure and requiring a decision in between meetings. The Audit and Risk Group continues its current role.

In looking at the work of the other governance groups, and due to the fact that the Business Plan priorities for the remainder of 2015/16 have changed, there is no longer any need for further meetings of Objective Delivery Groups (ODGs) 1 and 2. These two groups have been wound up and the responsibility for scrutiny and challenge of the Quarterly Performance Report has reverted to SMG.

Objective Delivery Group 3 continues as there is still work to complete on the UK Futures Programme. Objective Delivery Group 4 (Investors in People) continues as there is important work to carry out in preparing for the future transition. It has been renamed the Investors in People Board with no changes to its current terms of reference.

Board Performance and Effectiveness

During 2015-16:

- *The Commission met four times and achieved 75% group attendance*
- *The Strategic Management Group met eight times and achieved 72% group attendance*
- *The Audit and Risk Group met four times and achieved 80% group attendance*
- *The Research Group met five times and achieved 58% attendance*
- *Objective Delivery Group 1 met three times and achieved 43% attendance*
- *Objective Delivery Group 2 met three times and achieved 73% attendance*
- *Objective Delivery Group 3 met five times and achieved 64% attendance*
- *Objective Delivery Group 4/Investors in People Board met five times and achieved 60% attendance*

During the year the Audit and Risk Group monitored and reviewed a programme of internal audit reviews. The group provided an annual Audit and Risk Group report on their work undertaken during the year, as well as providing assurance to the Strategic Management Group in relation to the Annual Report and Accounts.

The Strategic Management Group had oversight of the performance and operations of the business through reviews and challenge of the quarterly performance management reports; governance processes, including progress and preparation for stage one and two of the Triennial Review; Commissioner recruitment and re-appointments; staff survey results; procurement approvals; pay and bonus award; resourcing and strategic risks; as well as approving the Annual Report and Accounts and the business plan on behalf of the Commission.

Over the past 12 months Objective Delivery Group 4 has been working on leading and championing the redesign of the Investors in People Framework which includes introducing benchmarking, designing a survey and moving towards measuring how embedded people practices are through a maturity index. The framework has been designed around nine high performance working people practices that contribute towards supporting businesses achieve their ambition. Commissioners have also been responsible for scrutinising the performance of the delivery network to ensure the IIP brand values are maintained.

The Research Group set the research strategy for the organisation as a whole and oversaw the management of the research work programme, Commissioner activity and the effective deployment of resources for 2015/16 to maximise research impact.

In accordance with good practice, the Commission carries out an independent Board Effectiveness Review every three years to establish whether Commissioners are engaged, informed and supported. The last review was carried out in 2013. To complement this, an annual review takes place facilitated by the Executive. This review took place from August-October 2015. As part of this and in accordance with good practice, Commissioners met for their annual session without the Executive to consider the effectiveness of UKCES. They discussed the key findings of the survey, which were mainly positive, and agreed the suggested area for improvement. The Chairman fed back to the Chief Executive on the outcome of these discussions. Each governance group also looked at its own effectiveness and met without the Executive to discuss this.

Quality of data/information provided to the Commission:
As part of the Board Effectiveness Review, Commissioners were asked to rate statements with reference to having the right information to help them in their role as Commissioners and if they use the information provided to enhance their contribution as Commissioners (Information and support). All Commissioners strongly agreed or agreed with these statements. This section has improved since the 2013 review indicating that the Executive have further improved the information they provide to Commissioners, and Commissioners are better placed to use this information to enhance their contribution to the Commission.

Three Commissioners retired during this financial year. Professor John Coyne retired in July, John Cridland retired in October and Dave Prentis retired in December 2015. There were two resignations from David Fairhurst and Professor Deidre Hughes.

In its role as Nominations Committee, the Strategic Management Group carried out a detailed piece of work requesting that the Secretary of State undertake a recruitment exercise to appoint additional Commissioners.

A recruitment exercise took place in July. This was led by BIS with input from the Executive and the Chairman who was involved in the interviews. 8 candidates were recommended by BIS to the Secretary of State to become Commissioners. The decision was originally deferred until the outcomes of the Stage 2 Triennial Review were known and has been stopped due to the outcomes of the spending review decision to withdraw government funding from UKCES. UKCES ensured that this had no impact on the operation of the business.

The corporate governance of the organisation was carried out in compliance with the Corporate Governance Code.

How the Organisation Manages and Assesses its Risks

UKCES, with the support of the Strategic Management Group, leads effective risk management by agreeing the organisation's direction, focus and risk appetite. The risk management approach is defined and embedded via a formal Risk Management Policy and Process Guide which defines the risk appetite and how the risks are assessed in terms of impact and likelihood. The appetite is designed to identify and prioritise the risks to the achievement of UKCES' objectives and is determined according to the categorisation of risk impact. It details the risk appetite for that category and gives guidance on the highest level of risk acceptable for that category of impact. This policy was reviewed and updated in 2015 and was reviewed and approved by both Audit and Risk Group and Strategic Management Group.

The risk management process supports an overall Strategic Risk Register, along with Operational Risk Registers.

UKCES has delegated the oversight of the organisation's risks to:

- The Strategic Management Group, which has responsibility for overseeing, on a quarterly basis, the management of risks within the strategic risk register; escalating business plan objective risks from the operational risk registers; and proposing any changes to the Risk Management Policy.
- The Audit and Risk Group, which provides assurance over controls and management of the system of risk management. The Audit and Risk Group takes a thematic approach to the review of the organisation's top strategic risks, mitigations and assurance to ensure that the key risks are reviewed in a more in-depth, holistic manner. The Audit and Risk Group has formal responsibility for approving any changes to the Risk Policy and process.

Significant Risks in 2015-16 and Mitigating Actions

The most significant risks that UKCES faced in the year were in the following areas:

- There has been a substantial risk throughout the first 8 months of the year in relation to the lack of clarity regarding the future of UKCES whilst it awaited the outcome of the Triennial Review and as a result of the policy uncertainty following the election of the new government. Both these factors impacted on our 2015/16 delivery and ability to define a clear forward strategy. Despite this uncertainty, UKCES agreed a Business Plan for 2015/16 with sponsors and has delivered against this. UKCES has also tried to mitigate this risk in a number of ways: by working closely with the governments in all four nations through the sponsorship arrangements to ensure that we have kept up to date in this area; UKCES developed proposals which were shared with government, articulating how UKCES can be a solution to government issues and priorities; and also explored alternative funding options including broadening the departmental funding base. Despite these mitigating factors, the uncertainty was largely resolved with the Government announcement in the November Comprehensive Spending Review that Whitehall Department funding of UKCES will be withdrawn in 2016-17.
- Linked to the risk above, there has been uncertainty throughout this year as to whether UKCES continues to host the Investors in People (IIP) business. This uncertainty has risked damaging

the IIP franchise, as the uncertainty risks having a knock-on effect on performance of Delivery Partners, leading to the risk of significant disinvestment and disengagement which could have impacted the launch of the new IIP Framework. The risk was heightened in the light of the announcement of government funding of UKCES ceasing in 2016/17. UKCES has worked closely with BIS during this period to support a robust option appraisal on the future model of IIP ownership and push for quick decision and implementation to reduce uncertainty. The risk remains into 2016/17 as the future ownership of IIP has not yet been agreed.

- The policy climate in England remained unclear regarding the value of National Occupational Standards (NOS) and the relationship between NOS and Trailblazer Apprenticeship work for the first six months of the year. This presented a risk as to a clear way forward for Occupational Standards across the UK and the future role of UKCES in the governance for this area. UKCES managed this risk by developing and consulting on the "Start with Standards" paper which presented a new model for NOS; trialling pilots on the new model with a number of sectors; and presenting options for the new model and the future governance of NOS. BIS made the decision that England had no need for further NOS development and would focus on the new Apprenticeship standard approach developed through the Trailblazers. The Devolved Administrations for Northern Ireland, Scotland and Wales support the continuation of maintaining NOS to support the vocational qualifications and skills of their nations and raised the impact of England's decision on the UK value of NOS. This risk was further heightened by the government decision to withdraw funding from UKCES. UKCES has continued to manage this risk by working with the Devolved Administrations to agree a new host for NOS, with transfer of function; responsibility for NOS with the three Devolved Administrations; and starting the task of commissioning NOS work for 2016/17. This risk continues into 2016/17 as the future host has not yet been formally agreed.
- Following the decision made in November 2015 by government to cease funding the organisation in 2016/17, the organisation's key risk has changed to one of ensuring that the organisation's remaining delivery and closure/ transition is managed in an orderly and effective way. Primarily this has been focussed on attempting to ensure that:
  - The staff, Commissioners, key stakeholders and suppliers have been kept informed on the organisation's position
  - The organisation's key staff capacity and capabilities to manage this residual work has been maintained for the period for which they are needed
  - Suitable future homes are secured for any UKCES work and staff that will continue beyond the end of UKCES' role
  - Managing the residual 2015/16 business plan delivery
  - The activities, liabilities, timings and decision points in relation to the organisation's closure and transition have been identified and managed with the BIS sponsorship team in an effective manner through a Joint Transition and Closure Project Board which meets on a regular basis and regular discussion between the CEO, SMT and BIS Sponsorship Director.

Data Security

All data is held centrally on a server and any held on laptop hard drives is encrypted and adequately protected with Becrypt (level 3 security encryption endorsed by CESG). There have been no lapses of data security during the last year. And there have been no personal data-related incidents in the last year.

Transparency

UKCES has followed the Cabinet Office data publishing requirements in relation to the Government's data transparency

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agenda and has gained assurance that activities and controls in this area are operating sufficiently effectively as part of the internal audit reviews carried out last year.

Review of effectiveness

As Accounting Officer and Chief Executive Officer, I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. I have carried out this review as at the end of March and my view has been informed by the same review that Michael Davis did at the end of February which was the end of his term in these roles.

This review is also informed by the work of the Executive Team within the organisation, who have responsibility for the development and maintenance of the governance structures, internal control framework, and the assurance of those controls provided by:

- the Annual Report of the Audit and Risk Group
- our internal auditors through their programme of reviews, including reviews of the core financial systems, payroll post implementation, IIP merchandise operations, Wales and NI IIP operations, and supplier management which were undertaken in the year
- comments made by the external auditors in their management letter in June 2016
- other reports where relevant
- UKCES obtained assurance from the Audit and Risk Group, in its Annual Report that suitable controls are in place through assurance provided to the Audit and Risk Group from a number of sources including:
- the outcome of a programme of 5 internal audit reviews undertaken in the year
- annual external audit feedback
- an Assurance Matrix showing what assurance, including the outcome of investment audit reports and internal audit reports, has been shared with which Commissioner Groups and when
- relevant feedback from the Executive team.

In addition I received assurance from the outcome of the Triennial Review stage 2 work that the UKCES Governance arrangements meet the requirements of the Code of Corporate Governance.

The outcome stated that UKCES is complying with the vast majority of governance and accountability requirements which are placed on them by statute, regulation, BIS and governmental guidelines or best practice. The Review team concluded that overall compliance should be rated green.

The internal audit opinion was that on the basis of their audit work, they consider that UKCES' governance, risk management and internal control arrangements are generally adequate and effective.

This Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control. The Audit and Risk Group provides an annual report to the Commission on internal controls, governance, and risk management approach and assurances.

There have been no significant governance or internal control issues raised during the financial year, nor has there been any material financial loss reported.

I have been advised on the implications of the result of the review of the effectiveness of the system of governance including internal control and risk management by the Commissioner's Audit and Risk Group.

I have considered the evidence provided with regard to the production of the Annual Governance Statement. The conclusion of the review is that there is a sound system of governance and internal control; and that the UK Commission for Employment and Skills' business has been conducted in accordance with Managing Public Money.

Accounting Officer's and Chairman's Statement of Responsibilities

The directors and Chief Executive are responsible for preparing the Performance Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the Framework Agreement with the Department of Business Innovation and Skills, they are required to follow the principles of HM Treasury's Financial Reporting Manual 2015-16. Consequently, they have elected under the Companies Act 2006 to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law and to provide the additional disclosures required by the Financial Reporting Manual 2015-16 where these go beyond the requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of UKCES for that period. In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently; Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that UKCES will continue in operation.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Government Financial Reporting Manual (FReM). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer for the Department has designated the Chief Executive as Accounting Officer for UKCES. The responsibilities of an Accounting Officer, includes responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding UKCES assets, as set out in Managing Public Money published by HM Treasury.

Accounting Officer Confirmation

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 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.

The annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

REMUNERATION & STAFF REPORT

Remuneration Report

Strategic management group

Remuneration is overseen by the Strategic Management

Group whose members during the year were as follows:

Julie Kenny CBE DL (Chairman), Dave Prentis, Dr Deirdre Hughes OBE, Grahame Smith, Jeremy Anderson CBE, Paul McKelvie OBE, and Sean Taggart. In addition, Sir Charlie Mayfield can attend this group in his ex-officio capacity as Chair.

Executive director remuneration policy

The pay strategy is based on remuneration principles which are designed to:

- Make a significant contribution to the continuous improvement and success of UKCES; Develop a close link between reward and business strategy;
- Improve the recruitment and retention of high calibre staff; Reward staff appropriately for their contribution;
- Provide incentives for improved performance;
- Assist in the identification of development needs; and
- Provide an affordable framework that satisfies the needs of the business and the requirements of BIS under the delegated pay guidelines.

The pay strategy for the Chief Executive and Executive Directors is the same as for all permanent staff. The Chief Executive's pay arrangements were approved by BIS with input from the Commission's Chairman and Strategic Management Group within the context of government guidance. Ian Kinder's Chief Executive pay package includes a £10k non-pensionable performance related pay element. The decision as to whether this will be awarded in 2016/17 is dependent upon the Strategic Management Group's assessment as to whether he has achieved the objectives for 16-17 that were agreed by the Strategic Management Group.

The following information is subject to audit

	2015-16 Salary £000's	2014-15 Salary £000's	2015-16 Bonus payments[1] £000's	2014-15 Bonus payments[1] £000's	2015-16 Pension Benefit £000's	2014-15 Pension Benefit £000's	2015-16 Voluntary exit £000's	2014-15 Voluntary exit £000's	2015-16 Total £000's	2014-15 Total £000's
Company Directors[2]										
Sir Charlie Mayfield[3]	35-40	35-40	-	-	-	-	-	-	35-40	35-40
Michael Davis[4]	115-120	125-130	-	-	45-50	45-50	-	-	165-170	175-180
Ian Kinder[4]	85-90	85-90	0-5	-	50-55	25-30	-	-	140-145	110-115
Executive Directors										
Simon Perryman[6]	5-10	85-90	-	-	15-20	40-45	-	75-80	25-30	205-210
Non Executive Directors[2]										
Deirde Hughes OBE[5]	0-5	0-5	-	-	0-5	0-5	-	-	0-5	0-5
Scott Johnson	0-5	0-5	-	-	0-5	0-5	-	-	0-5	0-5
Seyi Obakin	0-5	0-5	-	-	0-5	0-5	-	-	0-5	0-5
Liz Sayce OBE[7]	5-10	5-10	-	-	-	-	-	-	5-10	5-10
Band of highest paid Director	125-130	125-130								
Median of total	36	35.1								
Ratio	3.5	3.6								

Reporting bodies are required to disclose the relationship between the salary of the most highly-paid individual in their organisation and the median earnings of the organisation's workforce. The salary of the most-highly paid individual in UKCES in the financial year 2015-16 was Michael Davis with a salary (including London weighting) of £128.5k. The lowest paid salary was £14.4k. The total remuneration was 3.5 times the median salary of the workforce, which was £36k.

During 2014-15 and 2015-16 there were no benefits in kind received for any directors.

[1] The performance pay for 2015-16 relates to performance in respect of 2014-15. Similarly the 2014-15 figure relates to the 2013- 14 performance year. Only the amounts reported under the bonus pay column are based on employee performance, all other amounts are fixed salaries per individual contracts.

[2] Michael Davis, Ian Kinder, Deidre Hughes, Scott Johnson & Seyi Obakin were the only Statutory Company Directors of the organisation to receive any pension entitlement.

[3] The figure represents the amount paid to the John Lewis

REMUNERATION & STAFF REPORT

Partnership for making available his services as Chair of UKCES. The annual fee is £32k plus VAT (£28k plus VAT in 2014-15).

[4] Michael Davis received an annual salary of £128k and resigned on 29th Febuary 2016 and received no exit compensation. Ian Kinder became Chief Executive & Accounting Officer on 1st March 2016. Ian Kinder's annual salary as Chief Executive is £115k with a discretionary performance bonus of £10k.

[5] Deidre Hughes resigned on 10th August 2015.

[6] Simon Perryman left under standard voluntary exit scheme terms on 30 April 2015. He was accepted under the scheme in 2014-15 but left in 2015-16. The costs were accrued in 2014-15 but were paid in 2015-16. His voluntary exit payment included compensation in lieu of notice totaling £25k-£30k.

[7] Represents the amount paid to Disability Rights UK for making available her services as a Non-Executive Director to UKCES in 2014-15 and 2015-16.

Pension entitlements for the year ended 31 March 2016

	Accrued Pension at pension age as at 31/03/16 and related lump sum £000's	Real increase in period of pension and related lump sum at pension age £000's	CETV as at 31/3/16 £000's	CETV as at 31/3/15[2] £000's	Real increase in CETV £000's	Employer contribution to Partnership Pension account £000's
Company Directors[1]						
Sir Charlie Mayfield	-	-	-	-	-	-
Michael Davis	20-25	2.5-5	189	158	11	-
Ian Kinder	55-60	2.5-5	1,082	957	52	-
Executive Directors						
Simon Perryman	55-60	0-2.5	1,153	1,150	16	-
Non Executive Directors[1]						
Deirde Hughes OBE	0-5	0-2.5	2	1	1	-
Scott Johnson	0-5	0-2.5	2	1	1	-
Seyi Obakin	0-5	0-2.5	2	1	1	-

[1] Michael Davis, Ian Kinder, Deidre Hughes, Scott Johnson & Seyi Obakin were the only Statutory Company Directors of the organisation to receive any pension entitlement

[2] The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016. Taking account of inflation, the CETV funded by the employer has decreased in real terms.

Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of

REMUNERATION & STAFF REPORT

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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values (CETV)

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

13 staff have left under voluntary exit terms which were approved in 2014-15, 8 of which left in April 2015, with the rest leaving later in 2015. They received a compensation in lieu of notice payment of £90-95k which was accrued in 2014-15 but actually paid in 2015-16.

Unaudited information performance pay awards

The performance of all staff, including senior managers, is evaluated through the Individual Performance and Development (IPaD) framework.

Staff appraisal interviews take place across UKCES to determine the level of achievement against personal objectives. These take into account the values and behaviours applied in the course of achieving the objectives. Performance is assessed against the following levels:

- Outstanding Superior Successful
- Needs improvement
- Needs significant improvement
- New in post

The performance levels awarded normally determine the level of pay increase and/or bonus. However, as a public body, the organisation has been restricted to a 1% pay award for staff. An end of year bonus was paid in 2014-15 in relation to 2013-14 performance year. This was paid to 25% of staff in respect of 2014-15 performance year and will be paid to no more than 25% of staff in post at the end of the 2015-16 performance year.

The Executive Director pay awards are agreed by the Strategic Management Group, subject to recommendations from the Chief Executive. The Chief Executive's pay award is agreed by BIS on the recommendation of the Strategic Management Group and the Chairman. If the performance level is assessed as Needs Improvement or below then no bonus or pay increase is awarded.

Senior staff employment policy

The Executive Directors are on a permanent contract basis in line with all other employees. The notice period they are required to serve in the event they wish to leave is six months. UKCES has no specific policy in respect of termination payments for senior managers.

Senior staff service contracts

Name	Start date of	End of contract
Simon Perryman	April 2008	30 April 2015
Michael Davis	1 March 2009	29 February 2016
Ian Kinder	22 July 2009	

REMUNERATION & STAFF REPORT

Staff Report

UKCES recognises that the calibre, quality and expertise of employees is critical to the success of the organisation. The development and engagement of our people are fundamental and we have been committed to ensuring that UKCES is a stimulating and rewarding place to work.

Over 2015-16 we ran our annual staff survey and were again delighted to observe continued strong scores across the organisation. The survey showed that engagement has risen to 83 per cent from 80 per cent in 2014-15. This reflects the wide range of initiatives which were introduced to strengthen our current policies and processes and drive forward improvements. These included establishing new flexible working policies and practices, introducing 360 degree feedback and further strengthening our internal communication methods.

We have been committed to growing our own talent by providing opportunities for young people and have steadily increased the numbers of apprentices, interns, trainees and student placements during the last three years. In partnership with Sheffield Hallam University, each year we host a student on a sandwich placement. UKCES currently employs 12 individuals in this group. Both Graduate interns and apprentices are paid at a salary level above the nationally agreed apprenticeship rates. Interns are encouraged to undertake professional development and training and our apprentices attain nationally recognised qualifications.

UKCES is committed to equality of opportunity in its employment practices and policies. We do not discriminate for any reason against any of our staff or potential staff, and we would not tolerate such discrimination. 71 per cent (equating to 77 full time equivalents) of our workforce is female, compared to 68 per cent (equating to 77 full time equivalents) in 2014-15.

The decision in the November Autumn Statement, where the Government announced that Whitehall departments would be withdrawing funding from UKCES during 2016/17, naturally had significant implications for staff. As a result of the announcement, all staff apart from those in the Investors in People team, were put at risk of redundancy. Meaningful consultation took place over several months with the Employee Partnership Forum, a group comprised of Trade Union and elected employee representatives. The outcome of consultation confirmed that the redundancies would proceed as initially proposed and, in turn, staff who are not due to move with functions that will transfer to other bodies will start to depart UKCES under redundancy schemes in 2016-17.

Given the announcement, staffing could have been challenging over the last quarter however employees have displayed the utmost resilience, flexibility and professionalism throughout an understandably difficult period. The Executive Team, along with Commissioners, continue to be impressed with the way in which staff are handling the situation and remain committed to successful delivery. Of equal importance is UKCES' continued commitment to staff and ensuring that employees have the knowledge and skills required to effectively close the organisation and transition areas of work. In this respect UKCES continues to support staff learning and development and have actively worked with individuals to identify skills gaps. In 2015-16 staff spent 3.4% of their time on learning and development.

The following information is subject to audit.

Staff costs and staffing levels

	For the year ended 31 March 2016 (£000's)	For the year ended 31 March 2015 (£000's)
Salaries[1]	4,161	4,763
Social security costs[1]	369	404
Other pension costs[1]	799	843
Inward secondees and temporary staff & contractors	212	25
Less frontline delivery staff costs allocated to programme	(2,303)	(1,906)
Total	**3,237**	**4,129**

[1] Included in the 2014-15 salaries figure is the £528k cost of the Voluntary Exits that were agreed at the end of 2014-15. The associated social security costs of £18k and pension costs of £29k have also been included.

Average number of employees during the year were as follows:

	For the year ended 31 March 2016 (FTEs)	For the year ended 31 March 2015 (FTEs)
Company Directors (Chief Executive)	1.0	1.0
Permanent Staff[1]	84.5	86.1
Fixed Term Staff with terms of less than 2 years[2]	7.5	7.6
Apprentices, graduate interns and trainees[3]	13.0	18.3
Agency Staff	2.9	0.7
Staff Seconded Out	0	0.0
Total	**108.9**	**113.7**

[1] Excludes apprentices.

[2] Excludes graduates.

[3] Apprentices are employed on permanent contracts, whilst graduate interns are employed on 9 month terms, and graduate trainees are employed on fixed terms of between 1 and 2 years.

Number of senior civil service staff (or equivalent) by band

The distribution of Senior Civil Service (SCS) equivalent staff by salary band at 31 March 2015 and 2016 respectively was:

Salary band	SCS equivalent at 31 March 2016		SCS equivalent at 31 March 2015	
	Number	Percentage	Number	Percentage
£60,000-£70,000	-	-	1	16
£70,001-£80,000	3	75	2	34
£80,001-£90,000			2	34
£90,001-£100,000				
£100,001-£110,000				
£110,001-£120,000	1	25		
£120,001-£130,000			1	16
£130,001-£140,000				

REMUNERATION & STAFF REPORT

Pension contributions

Principal Civil Service Pension Scheme (PCSPS)

Staff are registered under the Principal Civil Service Pension Scheme (PCSPS).

The PCSPS is an unfunded multi-employer defined benefit scheme. Contributions on a "pay as you go" basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the company has accounted for its contributions as if it were a defined contribution scheme. The pensions cost is assessed every four years in accordance with the advice of the Government actuary. For 2015-16 employers' contributions of £769k were payable to the PCSPS (2014-15: £827k) at one of four rates in the range of 20% to 24.5% (2015-16: 20% to 24.5%) of pensionable pay, based on salary bands.

Further information can be obtained from www.civilservicepensionscheme.org.uk.

Partnership Pension Account

Employees can opt to open a partnership account, a stakeholder pension with an employer contribution. The employer contributions are age related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and 8% to 14.75% of pensionable earnings from 1 October 2015. In addition, the employer matches any employee contributions up to 3% of pensionable pay.

Total contributions to the scheme in the year were £30k (2014-15: £16k).

Employer contributions of £24k, 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, 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 the balance sheet date were £2k. There were no contributions prepaid at that date.

Civil Service and Other Compensation Schemes

Exit package cost (£000's)	Number of staff for the year ended 31 March 2016	Number of staff for the year ended 31 March 2015
0-10	-	-
10-25	-	-
25-50	-	9
50-100	-	4
100-150	-	-
150-200	-	-
Total	**-**	**13**

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 at the point when the exit has been agreed by both UKCES and the member of staff.

As at 31 March 2016, there were no staff exits agreed but these are expected to be agreed & paid in 2016-17 so a provision of £2,005k is included. The total costs of the exit packages agreed in 14-15 were £575k.

Where UKCES has agreed early retirements, the additional costs are met by UKCES 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.

Sickness absence data

During the year UKCES had 580.5 days (2014-15: 669.5 days) of absence from work due to sickness. Of this, 345 days relate to 7 staff on long-term sick leave during the period (2014-15: 435.5 days related to 8 staff on long-term sick leave during the period).

Reporting of personal data related incidents

The tables that follow have been prepared in response to Cabinet Office guidance on reporting personal data- related incidents in the management commentary section of departmental resource accounts.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them and adjustments made to work and or facilities where reasonably practicable and as appropriate in order that their employment with the company can continue.

It is the policy of UKCES that training, career development and promotion opportunities should be available to all employees.

Diversity and equality policy statement

UKCES values individual difference and believes that a diversity of backgrounds within the workforce brings a variety of ideas and experience that create a productive work environment, helping to ensure that key business objectives are met. As a modern employer UKCES is committed to equality of opportunity in all its employment practices, policies and procedures.

In meeting its commitment to promoting diversity and equality of opportunity, UKCES will combat unlawful and unfair discrimination. Our policy therefore is that everyone should be treated fairly and without discrimination in relation to their human rights regardless of race, ethnicity, gender, disability, sexual orientation, gender reassignment, age, marital status, religion or similar belief, trade union membership, national or social origin.

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

Regularity of expenditure & staff costs

The expenditure and income of UKCES has been applied to the purpose intended by Parliament which has been subject to audit.

On behalf of the Board

I Kinder
Chief Executive

Sir C Mayfield
Chairman

7 July 2016
Date

The Certificate and Report of the Comptroller and Auditor General to the members of the UK Commission for Employment and Skills

Registered Company number 6425800

I certify that I have audited the financial statements of the UK Commission for Employment and Skills for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration and Staff report and the Parliamentary Accountability Disclosures that are described in that report as having been audited.

Respective responsibilities of the directors and the auditor

As explained more fully in the Accounting Officer's and Chairman's Statement of Responsibilities, the directors and Chief Executive are 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts 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 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 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 company's affairs as at 31 March 2016 and of its net expenditure for the year then ended; and
- The financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- The financial statements have been prepared in accordance with the Companies Act 2006.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the disclosures made in Note 1 to the financial statements concerning the management's decision to apply a basis other than going concern in the preparation of the financial statements. This was made following the announcement made by Government in the spending review that Whitehall funding for UKCES will be withdrawn in 2016-17, it is expected that any continuing functions and their associated assets & liabilities may be transferred to either the Department for Business Innovation & Skills or to other public sector organisations.

Opinion on other matters

In my opinion:

- The parts of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with the Government Financial Reporting Manual; and
- The information given in the Performance Report and the Accountability Report 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures 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.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157 -159 Buckingham Palace Road
Victoria
London SW1W 9SP

08 July 2016

FINANCIAL STATEMENTS

Registered Company number 6425800

Statement of Comprehensive Net Expenditure

	Note	For the year ended 31 March 2016 £000's	£000's	For the year ended 31 March 2015 £000's	£000's
Expenditure					
Partner Programme funding	4	9,101		21,458	
Direct Programme Spend	5	8,752		9.821	
Admin pay costs	6	3,237		4,129	
Non-pay Admin costs	7	1,796		1,921	
Depreciation and amortisation	8	225		234	
Redundancy Provision	12	2,005		-	
			(25,116)		**(37,563)**
Income					
Other grants and income	2		3,001		847
Net expenditure			**(22,115)**		**(36,716)**
Net expenditure after Interest and taxation			**(22,115)**		**(36,716)**

There were no recognised gains or losses other than the net expenditure for the year.

The financial statements have therefore been prepared on a break-up basis because the Executive Leadership Team have assessed that UKCES is no longer a going concern. The carrying value of all assets and liabilities at this point has been assessed as book value.

The accompanying accounting policies and notes form an integral part of these financial statements.

Registered Company number 6425800

Statement of Financial Position

		As at 31 March 2016		As at 31 March 2015	
	Note	**£000's**	**£000's**	**£000's**	**£000's**
Non-current assets					
Property, plant and equipment	8	55		132	
Intangible assets	8	238		198	
Total non-current assets			**293**		**330**
Current assets					
Stock	9	77		16	
Trade and other receivables	10	929		338	
Cash and cash equivalents	19	571		11	
Total current assets			**1,577**		**365**
Total assets			**1,870**		**695**
Current liabilities					
Trade and other payables	11	(3,994)		(10,453)	
Total current liabilities			**(3,994)**		**(10,453)**
Provisions & Contingent Liabilities	12		**(2,005)**		**-**
Assets less liabilities			**(4,129)**		**(9,758)**
General reserves			**(4,129)**		**(9,758)**

The accompanying accounting policies and notes form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 1 July 2016.

Ian Kinder
Chief Executive

7 July 2016
Date

FINANCIAL STATEMENTS

Registered Company number 6425800

Statement of Cash flows

	Note	For the year ended 31 March 2016 £000's	£000's	For the year ended 31 March 2015 £000's	£000's
Net cash outflow from operating activities					
Cashflows from operating activities			(22,115)		(36,716)
Adjustment for non-cash transactions		2,217		234	
(Increase) / Decrease in stock	9	(60)		(3)	
(Increase) / Decrease in trade and other receivables	10	(591)		(196)	
Increase / (Decrease) in trade and other payables	11	(6,459)		2,587	
			(4,893)		**2,622**
Cash generated from operations			**(27,008)**		**(34,094)**
Cashflows from investing activities					
Purchase of tangible fixed assets	8	(29)		(23)	
Purchase of intangible assets	8	(159)		(116)	
Net cash outflow from capital			**(188)**		**(139)**
Cashflows from financing activities					
Receipt of Grant-In-Aid funding	**3**		27,756		33,988
Increase/(decrease) in cash and cash equivalents			**560**		**(245)**
Cash and cash equivalents at the beginning of the period			**11**		**256**
Cash and cash equivalents at the end of the period			**571**		**11**

The accompanying accounting policies and notes form an integral part of these financial statements.

Registered Company number 6425800

Statement of Changes in Taxpayers' Equity

			For the year ended 31 March 2016		For the year ended 31 March 2015
	Note	**£000's**	**General reserves £000's**	**£000's**	**General reserves £000's**
At start of period			(£9,758)		(7,043)
Changes in reserves in the period Net expenditure after interest and taxation		(22,115)		(36,716)	
Total recognised income and expense in the period			(22,115)		(36,716)
Grant-In-Aid financing	3		27,757		33,988
Write off of stock valuation			(13)		13
Reserves at end of period			**(4,129)**		**(9,758)**

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE ACCOUNTS

1. Notes to the Accounts

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The UKCES is an Executive Non Departmental Public Body (NDPB) incorporated as a company.

To comply with statutory requirements, these financial statements have also been prepared in accordance with the Companies Act 2006 and follow the principles in the Government Financial Reporting Manual (FReM) as issued by Her Majesty's Treasury (HMT) where these do not conflict with the Companies Act and the requirements of IFRS adopted by the EU.

So far as appropriate the financial statements meet the requirements stipulated by the Framework Agreement from the Department for Business, Innovation and Skills (BIS) which is the lead Sponsoring Department.

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 UK Commission for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

Accounting Convention

These accounts have been prepared under the historical cost convention.

Going concern

Following the Government's announcement in the November 2015 spending review that Whitehall funding for UKCES will be withdrawn in 2016/17, it is expected that any continuing functions and their associated assets & liabilities may be transferred to either the Department for Business Innovation & Skills or to other public sector organisations at some point over the next twelve months. The financial statements have therefore been prepared on a break-up basis because the Executive Leadership Team have assessed that the UKCES is no longer a going concern. The carrying value of all assets and liabilities at this point has been assessed at book value because that is the value at which they will transfer if they do transfer to other bodies within government.

Segmental reporting

UKCES' expenditure is analysed, at the highest level of reporting, by segments which align with the categories of expenditure shown in the Grant-in-Aid letter. The expenditure budget is ring-fenced between spending on the costs of running the organisation and the costs of delivering its programmes of work.

Grant-in-Aid and Income

The element of Grant-In-Aid to fund revenue expenditure is received by UKCES from its lead sponsoring department, the Department for Business, Innovation and Skills (BIS), and has been treated as financing as it is a government contribution from the organisation's controlling party, giving rise to a financial interest. It is credited to general reserves in the period in which it is received.

Grant-In-Aid funding that is anticipated in respect of expenses incurred in the period over and above income already drawn is not accrued for. However, BIS is committed to providing sufficient cash to fund the accrued expenditure as the liabilities fall due.

The main source of income is generated from the Investors in People Delivery Centres for licence fees, Investors in People merchandise and Investors in People delivery partner activities for Northern Ireland & Wales. UKCES has a licence from government to use the Investor in People Standard to operate a business for which it charges licence fees to delivery partners. Investor in People income is recognised in the accounting period in which the services and products are rendered, when it is probable that the economic benefits will flow to UKCES and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services and products, net of VAT.

Charging policy

UKCES is the guardian and champion of the Investors in People brand and range of products and services. It implements the Investors in People Framework in the United Kingdom through a network of licensed Investors in People Delivery Partners for which the delivery partners are charged a fee in return for the right to use the Investors in People intellectual property.

Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which UKCES operates.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the statement of financial position date.

Transactions in foreign currencies are translated into sterling at the exchange rate on the date of the transaction. Exchange gains and losses arising at the point of payment are recognised in the Statement of Comprehensive Net Expenditure.

Value Added Tax

UKCES became registered for VAT in April 2010 as a direct consequence of the transfer of the Investors in People business into the organisation. UKCES recovers VAT on its business activities but not on its non-business activities.

Leases

Leases are classified as finance leases whenever the terms of the lease involve the substantial transfer of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The total payments made under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Where property, plant and equipment have been financed by lease agreements under which substantially all the risks and rewards of ownership are transferred to UKCES, they are treated as if they have been purchased outright and classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the present value of the minimum lease payments or the fair value of the leased asset. Finance charges payable are recognised over the period of the lease based on the interest rate implicit in the lease to give a consistent periodic rate of return

.

Intangible assets

Intangible assets are stated at the amortised historic cost as a proxy for fair value and are reviewed annually for impairment.

Expenditure on the acquisition of intangible fixed assets is capitalised where these costs exceed £1,000 or where an asset

NOTES TO THE ACCOUNTS

forms part of a larger group that in total is more than £1,000.

Subsequent development costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future service potential associated with the item will flow to the UK Commission and the cost of the item can be measured reliably. All other costs are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Software licences are amortised on a straight-line basis over the shorter of the licence and the useful economic life of three years. Software development costs are not depreciated until the software has gone live.

Property, Plant and Equipment

In accordance with the FReM, UKCES has opted to value property, plant and equipment on a depreciated historical cost basis, as a proxy for fair value. This method of valuation has been chosen because the organisation has a large number of relatively small-value items, with short useful lives.

Expenditure on the acquisition of property, plant and equipment is capitalised where these costs exceed £1,000 or where an asset forms part of a larger group that in total is more than £1,000.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future service potential associated with the item will flow to UKCES and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, on the following basis:

Improvements to leasehold property over the period of the lease

- Information technology
  3 years
- Furniture and fittings
  7 years
- Equipment
  5 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each Statement of Financial Position date.

Inventories

Inventories are valued at the lower of cost or net realisable value in line with IAS 2. The inventories held relate to Investors in People merchandise.

Prepayments

Prepayments are only raised on transactions where the cost exceeds £1,000.

Impairment of non-current assets

The carrying value of UKCES' assets is reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated in accordance with IAS 36.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit is less than the recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Net Expenditure.

Contributions to pension fund

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme which are described in Note 6. The defined benefit element of the scheme is unfunded and is non-contributory. UKCES recognises the expected cost of this element on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

The costs of all employer pension contributions are charged to the Statement of Comprehensive Net Expenditure when incurred.

Financial instruments

Financial assets and financial liabilities are recognised in UKCES' Statement of Financial Position when UKCES becomes a party to the contractual provisions of a financial instrument.

Financial assets

Financial assets held by UKCES are classified as loans and receivables at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

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

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

UKCES' loans and receivables comprise 'other receivables and 'cash and cash equivalents' in the Statement of Financial Position.

Prepayments and other receivables held as at 31 March 2016 are stated at cost less allowances made for doubtful receivables, where applicable, which approximates fair value given the short dated nature of these assets.

A provision for impairment of other receivables (allowance for doubtful receivables) is established when there is objective evidence that UKCES will not be able to collect all amounts due according to the original terms of the receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand.

The cash balances are all held in Government Banking Service accounts.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Net Expenditure.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the investment at the date the impairment is reversed and does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities held by UKCES are classified as financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method. UKCES' financial liabilities comprise

NOTES TO THE ACCOUNTS

trade payables, other payables, accruals and deferred income.

All financial liabilities held by UKCES as at 31 March 2016 are short-term in nature and are held at cost. The Directors consider the carrying value of these financial liabilities to be a reasonable approximation of their fair value.

De-recognition of financial liabilities

UKCES derecognises financial liabilities when, and only when, UKCES' obligations are discharged, cancelled or they expire.

Period covered by the Financial Statements

This set of accounts covers the twelve month period to 31 March 2016.

Key accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis. 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 these are also affected. Management has made estimates and assumptions in these financial statements in the following areas:

- the useful lives and expected pattern of consumption of the future service potential embodied in non-current assets
- the fair value of non-current assets; and
- the fair value of financial assets and financial liabilities.

None of the above-mentioned estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

New standards, amendments and interpretations not yet effective

Any new standards will not be adopted as they will not have an expected material impact on the financial statements of UKCES.

General Reserves

Clause 4 of the Memorandum of Association of the company requires that the income of the company be applied solely towards the promotion of the objectives of the company and prohibits its distribution directly or indirectly, by way of a dividend, bonus or otherwise by way of profit to the members of the company provided that nothing shall prevent the company from making payment in good faith at a reasonable proper rate to any member, official or servant of the company in respect of remuneration for services rendered, interest on monies lent, rent for premises demised or reimbursement of out-of-pocket expenses.

Liabilities of members

Under Clause 5 of the Memorandum of Association all members undertake to contribute to the assets of the company such an amount as may be required, not exceeding £1, in the event of it being wound up during the period of membership and within one year afterwards.

2. Other grants and income

	For the year ended 31 March 2016 £000's	For the year ended 31 March 2015 £000's
IiP Licence Income	1,930	693
IIP Northern Ireland & Wales IIP Assessment income	598	-
IIP Northern Ireland endowment	88	-
IIP Merchandise Income	219	135
IIP other income	152	19
UKCES other income	14	-
Total	**3,001**	**847**

3. Grant-In-Aid

	For the year ended 31 March 2016 £000's	For the year ended 31 March 2015 £000's
Grant-In-Aid received: From BIS on behalf of government co-sponsors	27,757	33,988
Total	**27,757**	**33,988**

4. Partner Programme Funding

	For the year ended 31 March 2016 £000's	For the year ended 31 March 2015 £000's
2.1 Standards and Frameworks delivery funding	2,360	3,060
2.3 Employer Investment Fund	(1)	1,454
2.3 Growth and Innovation Fund	465	12,568
2.3 Employer Leadership Programme Funding	3,828	2,909
3.1 Futures Programme Funding	2,449	1,467
Total	**9,101**	**21,458**

NOTES TO THE ACCOUNTS

5. Direct Programme Spend

	For the year ended 31 March 2016 £000's	For the year ended 31 March 2015 £000's
1.1 Commissioner Insights	74	536
1.2 Core Research Products	4,058	3,364
2.1 Standards & Frameworks	142	367
2.2 Industrial Partnerships	36	43
2.3 Investment funds	-	456
3.1 Futures Fund	279	279
4.1 Investors In People	2,881	3,406
Frontline delivery staff costs (Research staff)[1]	1,282	1,370
Total	**8,752**	**9,821**

[1]Investors in People costs include £1,286k of staff & associated costs in 2015-16 & £787k in 2014-15. This has been done to help show the total direct costs of the IIP business.

6. Admin Pay Costs

The admin pay costs and supporting information is shown in the Remuneration & Staff report.

7. Non-Pay Admin Costs

	For the year ended 31 March 2016 £000's	For the year ended 31 March 2015 £000's
Staff Development & Other Staff Costs	265	247
Travel & Subsistence	454	588
Meetings, Conferences & Events	78	103
Printing, Stationery & Advertising	24	26
Equipment & Systems	222	223
Communication Charges	111	125
Professional & Recruitment Fees[1]	416	364
Accommodation & Facilities	489	494
Fixed assets written off	-	-
Financing & Bank Charges	3	2
Less frontline delivery staff overheads charged to programme	(266)	(251)
Total	**1,796**	**1,921**
Of which the following items are included; Auditors remuneration – external audit	36	36
Operating lease rentals – buildings[2]	293	293
Operating lease rentals – other	32	37
Total	**361**	**366**

8. Non-current assets

Property, plant and equipment

For the year ended 31 March 2016

	Information Technology £000's	Furniture and Fittings £000's	Leasehold Improvements £000's	Total £000's
Cost				
At 1 April 2015	1,053	3	23	1,079
Additions	27	-	2	29
Assets written off	-	-	-	-
At 31 March 2016	1,080	3	25	1,108
Depreciation				
At 1 April 2015	936	1	10	947
Charge for the year	100	1	5	106
Eliminated on assets write off	-	-	-	-
At 31 March 2016	1,036	2	15	1,053
Net book amount				
At 31 March 2016	**44**	**1**	**10**	**55**

For the year ended 31 March 2015

	Information Technology £000's	Furniture and Fittings £000's	Leasehold Improvements £000's	Total £000's
Cost				
At 1 April 2014	1,030	3	23	1,056
Additions	23	-	-	23
Assets written off	-	-	-	-
At 31 March 2015	1,053	3	23	1,079
Depreciation				
At 1 April 2014	811	1	5	817
Charge for the year	125	-	5	130
Eliminated on assets write off	-	-	-	-
At 31 March 2015	936	1	10	947
Net book amount				
At 31 March 2015	**117**	**2**	**13**	**132**

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Intangible Assets

For the year ended 31 March 2016

	Software under development £000's	Software £000's	Total £000's
Cost			
At 1 April 2015	-	706	706
Additions	-	159	159
Assets written off	-	-	-
At 31 March 2016	-	865	865
Amortisation			
At 1 April 2015	-	508	508
Provided in the year	-	119	119
Transfer	-	-	-
At 31 March 2016	-	627	627
Closing net book amount at 31 March 2016	**-**	**238**	**238**

For the year ended 31 March 2015

	Software under development £000's	Software £000's	Total £000's
Cost			
At 1 April 2014	53	537	590
Additions	89	27	116
Assets written off	(142)	142	-
At 31 March 2015	-	706	706
Amortisation			
At 1 April 2014	-	404	404
Provided in the year	25	79	104
Eliminated on Assets write off	(25)	25	-
At 31 March 2015	-	508	508
Closing net book amount at 31 March 2015	**-**	**198**	**198**

9. Inventories

	At 31 March 2016 £000's	At 31 March 2015 £000's
Stock	77	16
Total	**77**	**16**

10. Trade and other receivables

	At 31 March 2016 £000's	At 31 March 2015 £000's
Prepayments & accrued income[1]	600	91
Trade receivables[2]	311	86
VAT	18	161
Total	**929**	**338**
Of which Balances With central Government	18	161
Balances with Other Government Bodies	8	6
Balances with bodies external to Government	903	171
Total	**929**	**338**

[1]Prepayments & accrued income in 2015-16 includes accrued income from IIP Delivery Partners of £433k.
[2]Trade receivables in 2015-16 includes receivables from Northern Ireland & Wales IIP assessment activities of £207k.

11. Trade and other payables

	At 31 March 2016 £000's	At 31 March 2015 £000's
Trade payables	236	1,743
Grant funded related accruals	2,086	5,892
Untaken leave	74	85
Bonus accrual	48	55
Voluntary exit cost accrual	-	575
Other Accruals & Deferred Income	1,550	2,103
Total	**3,994**	**10,453**
Of which Owing to central Government	596	187
Owing to Other Government Bodies	-	222
Owing to bodies external to Government	3,398	10,044
Total	**3,994**	**10,453**

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables is 10.8 days (2014-15: 8.3). The UK Commission has financial risk management policies in place to ensure that all payables are paid within the internal credit timeframe. Accruals for untaken leave are calculated based on employee leave days outstanding as at 31 March 2016.

NOTES TO THE ACCOUNTS

12. Provisions & Contingent liabilities disclosed under IAS 37

The company has made a voluntary redundancy provision as at 31st March 2016 of £2,005k under IAS 37 but had no contingent liabilities at 31 March 2016 or 31 March 2015.

	For the year ended 31 March 2016 £000's	For the year ended 31 March 2015 £000's
Opening Balance	-	-
Movement in year	2,005	-
Closing Balance	**2,005**	**-**

13. Financial Instruments

As the cash requirements of UKCES are met through Grant-in-Aid provided by BIS, Financial instruments play a more limited role in creating and managing risk than would apply to a non-public body. The majority of financial instruments relate to contracts to buy non-financial items in line with the UKCES' expected purchase and usage requirements and the UKCES is therefore exposed to little credit, liquidity or market risk.

14. Capital commitments

There has been no capital expenditure committed and contracted as at 31 March 2016 or 31 March 2015.

15. Insurance

With the exception of third party insurance required by the Road Traffic Acts and any others which are statutory or contractual obligations, the organisation follows the usual rules for public bodies of non-insurance. The organisation is indemnified by the Department for Business, Innovation and Skills, (BIS) in respect of the employer's liability insurance.

16. Commitments under leases

Operating lease payments amounting to £325k (2014-15: £329k) were recognised as an expense during the year. Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	Buildings1 2016 £000's	Other 2016 £000's	Buildings1 2015 £000's	Other 2015 £000's
Less than one year	179	3	293	14
Greater than one year but less than five years	-	-	266	0
Greater than five years	-	-	-	-
Total	**179**	**3**	**559**	**14**

[1]The operating leases relate to the Memorandum of Terms of Occupation (MOTO) agreements in relation to the rental of the Wath Office located at Renaissance House, Adwick Park in Wath-upon-Dearne and the rental for the London office space in Sanctuary Buildings, London. Both Renaissance House and Sanctuary Buildings MOTO agreements form part of the Civil Estate Occupancy Agreement for Crown Bodies (CEOA).

The MOTO for Renaissance House with the Department for Business, Innovation and Skills will be terminated in February 2017 following a 12-month notice period. The MOTO for Sanctuary Buildings with the Department for Education runs to 27th September 2017. It is expected that notice will be given in 2016/17 to terminate this MOTO. As formal notice has not yet been given on this space then the commitments to the current end of term of the lease are shown in this note.

17. Losses and special payments

	For the 12 months to 31 March 2016 £000's	For the 12 months to 31 March 2015 £000's
Losses and special payments total value:	-	1
Transactions included in the figure above exceeding £1,000:	-	-

NOTES TO THE ACCOUNTS

18. Transactions with related parties

UKCES is a NDPB funded by BIS and is regarded as a related party. Funding for the current year comprised Grant-In- Aid (£27.8m).

In addition the Wath Office located at Renaissance House is rented by way of separate Memorandum of Terms of Occupation (MOTO) agreements with BIS. During the year UKCES made total rental payments for the year including rates and service charges amounting to £180k. Details of this rental arrangement is on Note 15 Commitments under leases.

During the year UKCES also entered into transactions with other organisations that can be considered as related because of the nature of the involvement of Commissioners. The table below details the most material transactions and the relationship of the organisations to UKCES. All were arm's length transactions carried out in the normal course of business, were competitively let and were administered in accordance with UKCES' conflict of interest policy. The involvement of Commissioners for each relationship is noted against each party where relevant.

Director[1]	UKCES Role/ Relationship	Related Organisation Role/ Relationship	Related Organisation	Transaction	Value included in accounts £000's	Amount yet to be paid at 31 March 2016 £000's
David Fairhurst	Director (Resigned 14th May 2015)	Non-Executive Chairman	People 1st	Futures Fund	194	68
John Cridland CBE	Director (Resigned 31st October 2015)	Director	Business in the Community	Growth Innovation Fund	225	-
Dr Deirdre Hughes OBE	Director (resigned 10th August 2015)	Associate Fellow	Institute of Employment Research, University of Warwick	LMI for All support and other reseacrh	441	190
Nigel Whitehead CBE, FREeng	Director	Chairman	Whitehall Industry Group	Annual Membership 2015-16	6	-
Simon Perryman	Executive Director	Non-Executive Director	Engineering Development Trust	Employer Leadership Programme	684	29

[1]The relevant directors are excluded from any Commission decisions affecting spend with any party where they have a related party interest.

19. Cash and cash equivalents

All cash balances are held in accounts at the Government Banking Service.

	At 31 March 2016 £000's	At 31 March 2015 £000's
Balance at 1 April	11	256
Net change in cash and cash equivalent balances	560	(245)
Balance at 31 March	**571**	**11**

20. Events after the reporting period

There have been no events after the statement of financial position date and up to the date the accounts were authorised for issue requiring an adjustment to the financial statements.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

The date the accounts were authorised for issue is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

About UKCES

The UK Commission for Employment and Skills is an executive Non Departmental Public Body, sponsored by the Department for Business, Innovation and Skills and the devolved administrations [or you could just say government]. Since 2008, UKCES has worked with partner organisations to increase insight, impact and intelligence in employment and skills.

UKCES is led by Commissioners, made up of senior leaders of large and small enterprises (including non-profits), trade unions, further and higher education institutions and representatives from the Devolved Administrations.

The organisation will cease its operations as an NDPB in 2016.

For more information, please visit www.gov.uk/UKCES

Please get in touch with us if you would like more information about UKCES. We have offices in Yorkshire and London.

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