



UK COMMISSION FOR
EMPLOYMENT AND SKILLS

ANNUAL REPORT
2009 – 2010

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Presented to Parliament pursuant to Article 6 of the
Government Resources and Accounts Act 2000
(Audit of Non-profit-making Companies) Order 2009.

Ordered by the House of Commons to be printed
on 22 July 2010.

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ISBN: 9780102967326

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID: 2374174

07/10



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“More people understand the skills message now, which is why the UK Commission has been able to break down barriers and engage rapidly with employer organisations, trade unions, government departments, academics, providers and many more.”

Foreword

by Sir Mike Rake

Chairman



The UK Commission for Employment and Skills aims to be a trusted and objective adviser to the Government and Devolved Administrations of the four nations of the UK, with a long term perspective on policy and progress.

During my three-year term as Chairman of the Commission, which draws to an end this June, I believe our most important achievement has been to establish a working basis for these principles. In the increasingly challenging economic environment, the need for this objective advice is crucial.

There is no doubt that the skills issue is even more critical today than it was when I was appointed Chairman. The economic downturn, high levels of unemployment – particularly among young people, and increasing global competitiveness underline this.

But more people understand the skills message now, which is why the UK Commission has been able to break down barriers and engage rapidly with employer organisations, trade unions, government departments, academics, providers and many more.

Nowhere was this better demonstrated than by the high-level support and collaborative effort that went into the UK-wide “Now is the time” campaigns which called for sustained investment in skills during the downturn and for pragmatic business support to tackle youth unemployment. The UK Commission has worked hard to achieve:

- Significant impact on employment and skills policy and practice through a range of reports and proposals
- A robust and rigorous relicensing assessment of all Sector Skills Councils which will ensure they are as effective as possible in supporting employer skills needs
- The creation of Talentmap, an online tool which helps employers to navigate the maze of education, employment and skills programmes across the UK to find the publicly-funded help and support they need.

However, we are still falling behind our 2020 objectives except in higher education. We face significant issues around: intermediate skills and

the need to develop and expand our apprenticeship programmes; barriers to employment, with too many people who will be in employment in 2020 lacking basic skills of literacy and numeracy; and the paramount need to raise individual and employer ambition.

These are big challenges but my successor as Chairman will have one very important advantage: a very strong and dedicated UK Commission and staff.

Our Commissioners are all leaders in their field across the private, public and voluntary sectors. I would like to pay tribute to them and thank them for giving their time, experience and support. The speed and efficiency of the operation to bring the UK Commission together from the merger of three organisations (the Sector Skills Development Agency, the National Employment Panel and Investors in People UK) and to run it with just half of their combined staff, was due in large part to the quality and commitment of the entire UK Commission team and to the outstanding leadership of Chris Humphries. That they have gone on to achieve so many milestones reflects a dedication and a belief that will ensure continued progress under my successor.

It is a progress that cannot be achieved without exceptional team effort and that includes the support of our sponsors, stakeholders and partners.

I thank you all.

Sir Mike Rake
Chairman
UK Commission for
Employment and Skills

“As *Ambition 2020* made clear, the UK is not world class in employment and skills, and not yet on a trajectory to be so by 2020. The challenge to get us there has never been more daunting – or more necessary.”

Message from the Chief Executive

Chris Humphries CBE



I am proud to present our annual report for 2009-2010 because the story of this year has been one of progress and delivery, driven and inspired by outstanding effort, determination and achievement.

In what I hope has been a productive second year, our work, including major reports such as *Ambition 2020: World Class Skills and Jobs*; the *National Strategic Skills Audit for England*; *Skills Jobs Growth for Scotland* and *The UK Employment and Skills Almanac 2009*, has sought to offer intelligence and advice to the UK Government and the Devolved Administrations to help shape employment and skills policy and practice.

As *Ambition 2020* made clear, the UK is not world class in employment and skills, and not yet on a trajectory to be so by 2020. The challenge to get us there, in the face of continuing economic turmoil, has never been more daunting – or more necessary.

As we enter our third year we have much more to do in helping government reduce youth unemployment, improve careers advice and information, create more and better jobs, and shape the skills needed for those jobs of the future. Moreover, it has to be achieved by finding innovative ways to do so much more with less.

That's why it is so important that the UK Commission delivers on its three strategic priorities: increasing individual aspiration, raising employer ambition, and building a more agile and responsive employment and skills system. These three priorities were identified by our Commissioners as underpinning everything we do, and we hope our thinking and proposals in these areas will be as useful in the future as they have been welcomed in our first two years.

It has been a genuine pleasure to lead a team of highly motivated and committed staff, who all share a real passion for the UK Commission's agenda. But we all know that we owe what success we have to the invaluable leadership and energy of our Commissioners, who gave so generously of their time throughout the year.

In particular, I would like to pay a special tribute to our Chairman, Sir Mike Rake, who steps down this year at the end of his three year appointment. Mike has brought a vision, focus and true leadership to the role and this has been central to the UK Commission's progress. The UK Commission team will genuinely miss his wisdom and courage, whilst looking forward with anticipation and excitement to working with his successor.

Thank you to all our partners and stakeholders for your invaluable co-operation and support.



Chris Humphries CBE
Chief Executive
UK Commission for Employment
and Skills

Our role and mission

The UK Commission for Employment and Skills is an independent, employer-led advisory body, remitted by the UK Government and the three Devolved Administrations to provide expert advice on the UK's progress towards becoming one of the top eight countries in the world for skills, jobs and growth by 2020: a prize worth £80 billion to the UK economy.

We want the UK to be one of the best places to live. More jobs and better jobs are a key way of making that happen and the right skills are an essential factor in this. But skills alone are not enough. The UK needs to raise the aspirations of both individuals and employers to create workplace environments that enable skills to be used to maximum effect, increasing performance and improving job satisfaction.

An ambitious remit

The UK Commission has been specifically tasked by government to:

1. Assess annually UK progress towards becoming a world class leader in employment and skills by 2020
2. Advise the UK Government and Devolved Administrations at the highest levels on policies and delivery that will contribute to increased jobs, skills and productivity
3. Monitor the contribution and challenge the performance of each part of the UK employment and skills systems in meeting the needs of employers and individuals, and recommend improvements in policy, delivery and innovation
4. Promote greater employer engagement, influence and investment in workforce development
5. Fund and manage the performance of the Sector Skills Councils.

Also in April this year the UK Commission took over strategic ownership of the Investors in People framework, becoming the champion and guardian of the Investors in People UK brand and range of products and services.

Analyse, challenge, develop, embed, improve

We deliver our role by working with and through the UK Government, Devolved Administrations and other partners in employment and skills development. We are acutely aware that whether we reach our destination depends not just upon the input of the UK Commission, but on the support and participation of a huge number of partners and stakeholders.

Our work considers issues of equality of access and opportunity for all, and is underpinned by strong evidence-based research and analysis to ensure that the advice and recommendations we put to Ministers are robust and of the highest quality. Our approach is based on a five stage cyclical model: analyse, challenge, develop, embed, and improve. Starting from a firm evidence-base to challenge the status quo, we work to develop advice on policy and implementation that is most likely to bring real and continual improvement.

The story so far...

The UK Commission for Employment and Skills, which was incorporated in November 2007 and launched in April 2008, was a key recommendation in Lord Leitch's 2006 review *Prosperity for All in the Global Economy: World Class Skills*. We are a genuinely employer-led organisation, with Commissioners drawn from the highest levels of the private, public and voluntary sectors, and including trade union leadership.

In our first two financial periods the UK Commission for Employment and Skills has sought to make a real contribution to policy and practice in the UK. We want to ensure that the UK workforce and industries are better placed not only to deal with the impact of recession in the short term but also to prepare for, and sustain, recovery in the longer term.

Up and running

Our foundation year established our fundamental responsibilities to all four nations and laid the groundwork for the first of our annual assessments on the status of the UK's employment and skills systems – and for our strategic direction of travel. We established the UK Commission as a functioning organisation, building our knowledge base and developing our reputation and credibility.

The highlights of our first financial period included:

- The Government immediately adopting our initial recommendations on simplification of the employment and skills system in England. This was followed by public consultation and employer research in Scotland, Northern Ireland, and Wales, as well as England
- Our *Now is the time to invest in skills* media campaign which generated publicity, support and debate across the four nations
- Substantial progress on reforming, relicensing and empowering Sector Skills Councils (SSCs)
- Publication of *Working Futures 2007-17: A biennial, all-sector, labour market intelligence and foresight report* setting out likely changes to the labour market in England, Scotland, Wales and Northern Ireland over the following decade
- Intensive preparatory work in our first year culminated in the publication in May 2009 of two major documents: *Ambition 2020: World Class Skills and Jobs for the UK* and our *Five Year Strategic Plan 2009-2014*. **Taken together, these reports set a dynamic agenda for our second period.**

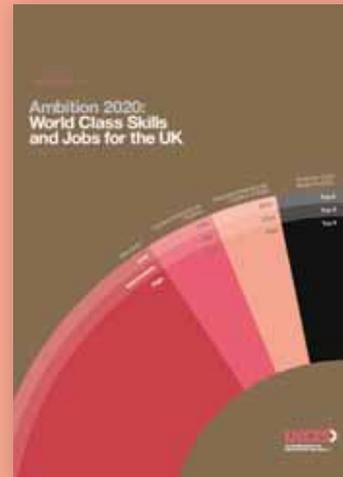
Setting the course

Ambition 2020: World Class Skills and Jobs for the UK

In this report the UK Commission for Employment and Skills sets out a compelling analysis of the evidence relating to the UK's international position on productivity, employment and skills. Despite significant progress in skills over the last decade, the UK is not world class in skills, and not yet on a trajectory to be so by 2020. We identified three root causes of this:

- Relative to other industrial nations we have too few businesses in high skill, high value added industries: we have too few high performance workplaces and are creating too few high skilled jobs. Comparative to our ambition, the UK does not have enough employer demand for skills
- Too many young people in the UK fail to gain the basic, employability and lower skill levels needed to progress in work. As a result, too few adults possess the skills to succeed in tomorrow's labour market, or the motivation, confidence and opportunity to gain them
- Current employment and skills systems in the UK are neither fully integrated, nor sufficiently aligned to labour market needs. They are also excessively complex because they do not empower customers to drive demand, performance or quality improvement.

In November 2009 the *Skills Strategy White Paper in England* endorsed the 'independent reporting' of *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 report was warmly welcomed in Scotland, Wales and Northern Ireland.



Five Year Strategic Plan: 2009-2014

We developed our strategy by drawing on the findings of *Ambition 2020: World Class Skills and Jobs for the UK*, our projects in the first year and extensive consultation. The plan set a five-year timeline for the UK Commission to deliver three fundamental priorities which now underpin our work, and which we believe should be the focus of joined-up government policy within and between England, Northern Ireland, Scotland and Wales.* These priorities are set into our work streams for this year. They are:

1. To build a more strategic, agile and demand-led employment and skills system
2. To maximise individual opportunity for skills and sustainable employment
3. To increase employer ambition, engagement and investment in skills.

Our progress this year, therefore, is measured against how much we have contributed to the delivery of these three priorities.

*Although we are a UK-wide organisation not all the UK Commission's advisory reports and recommendations referenced in the following pages apply to all four nations.



Building a more strategic, agile and demand-led employment and skills system

During the year, we worked with relevant partners and stakeholders to deliver proposals for:

- Reducing complexity and bureaucracy
- Improving the relevance and responsiveness of industry and qualifications
- Integrating employment and skills services
- Identifying the industries, jobs and skills to boost UK international competitiveness.

Reducing complexity and bureaucracy

From the outset our Chairman and Commissioners have been greatly concerned by the complexity of the current employment and skills system: the costs of which can be measured in diminished efficiency, quality and performance.

In December we published a progress report on the implementation of our recommendations in Phase One of our Simplification programme, referred to as 'hiding the wiring'. We gathered evidence through interviews with over 500 people – employers, regional partners, government departments and agencies. This concluded that there had been good progress but there was still more work to be done if the system was to meet employers' needs.

In Phase Two we carried out extensive consultation inviting written and online comment from all areas of the system to help shape our recommendations for more fundamental simplification – a 'rewiring' of the system.

Our findings from this process were then developed in the UK Commission's report *Towards Ambition 2020: Skills, Jobs, Growth*, published in October 2009, in which the UK Commission produced its proposals for creating more flexible and responsive publicly funded training provision, initially in an English context.

Talentmap: Throughout the year we have continued to work with employer partners and stakeholders to develop and test this new online tool designed to help employers cut through complexity and find funding for training and skills development. An agreement has been reached for HM Revenue and Customs (HMRC) to take over Talentmap in stages starting in 2010-11 with the aim of it being operated fully by HMRC by April 2011. A number of options have been identified for private sector content.

Relevance and responsiveness

Towards Ambition 2020: Skills, Jobs, Growth proposed the creation of intelligent and informed markets by giving power to employers and learners and by focusing on system outcomes, not processes. Through giving trust to colleges, universities and trainers and by abolishing quangos, more value for money could be achieved at the frontline.

Many of the recommendations have been approved by the different UK Devolved Administrations. At Scotland's request, a separate version, *Towards Ambition 2020: Skills, Jobs, Growth for Scotland* was then produced. In England, the UK Government's *Skills Strategy White Paper*, published on November 11, accepted and endorsed more than 60 per cent of our detailed recommendations. Among these were our proposals for improving information, advice and guidance on career and learning opportunities, including 'food-labelling' style information on courses: advice which would feature job and pay outcomes for previous students. We have also set up a separate project designed to deliver qualifications to tighter timescales in response to *Towards Ambition 2020: Skills, Jobs, Growth*.

Integrating employment and skills services

The UK Commission has been charged by government to assess the progress that is being made towards integrating employment and skills systems in Great Britain. Our *2010 Review of Employment and Skills Services* will look at the whole of the publicly funded employment and skills system in England, Scotland and Wales (subject to agreement with the Devolved Administrations), including higher education.

The document detailing the final Assessment Framework and high level review process was published on the 16 February 2010. The UK Commission will conduct the Review and publish a progress report in March 2011. We will make recommendations on what more can be done to further integration in three separate reports: one for Scotland, one for England and one for Wales.

We are carrying out a *Review of Targets, Measures, Incentives and Funding* which looks at what really drives individual performance and organisational behaviour in the UK. We have taken a top-down and bottom-up approach to collecting data by interviewing central government stakeholders as well as a range of providers. The final report has been completed and will inform the *2010 Review* as well as the *Review of Priority Spend within the Employment and Skills system* for 2010-11.

Identifying critical industries, jobs and skills

In 2009-10 the UK Commission has had an important role advising government about future strategic skills needs in England. This advice was delivered in our first *National Strategic Skills Audit for England: Skills for Jobs: Today and Tomorrow*, published in March 2010. It provided government, as well as employers, individuals, providers and others, with a single source of intelligence regarding existing and future skills needs.

The Audit was called “groundbreaking” by senior government ministers. It was also referenced in the Budget in March. The *Economist* described it as “a praiseworthy attempt to get to grips with the nuts and bolts of future economic growth”.

Data from the Audit will be used to inform the spending of billions of pounds of public money through the Skills Funding Agency (SFA) and the Higher Education Funding Council for England (HEFCE) as well as the setting of local and regional priorities. A package of other measures was also developed in England, including a Joint Investment Programme addressing strategic skills priorities. The Audit will be repeated 2010-2011 for England and we are in discussion regarding uptake in Wales and Scotland.

We have started discussions with BIS, SFA and HEFCE about running a series of regional road shows to present the Audit’s findings to a wider audience of stakeholders and to stimulate debate about their implications.

Maximising individual opportunity for skills and sustainable employment

The UK has to change how individuals and businesses perceive skills, from a one off experience in our youth to a lifelong commitment; from a business expense to a recurring investment. Our work in this area in 2009-10 has looked at the continued mismatch between what the skills system produces and what the economy requires. It has involved a series of advisory reports and recommendations on:

- Removing the barriers people face in accessing education and training
- Improving the individual's journey into work and progression in work
- Tackling social exclusion
- Delivering employability skills
- Reforming and developing qualifications that will lead to employability and employment.

Removing barriers: In June 2009 we published *Employee Demand for Skills: A Review of Evidence and Policy* which investigated the existing barriers and challenges facing individuals in accessing career-enhancing training and looked, also, at what motivates them to invest in their own skills development. We have expanded debate on this issue by conducting further analysis; holding a range of seminars to discuss possible future policy options in this area; and by publishing a policy thinkpiece to stimulate wider debate.

Customer journey: We are investigating the individual's journey into work, and progression in work and training. The scope of the project is UK-wide and covers people on benefit in the first instance. We are looking at: ways to improve and simplify the individual's experience of the employment and skills system; the roles and responsibilities of personal advisors; in-work support; referrals between agencies; and links with other services. We are due to report our recommendations this summer.

Tackling exclusion: We are looking at the employment and skills outcomes for socially excluded groups and whether the current funding and target systems incentivise providers to work with these groups. The report will also draw on the findings of our *Customer Journey* project and our *Review of Targets, Measures, Incentives and Funding*.

Employability: Our Employability Phase Two project is building on the work of Phase One (the Employability Challenge) and reports in June 2010. It focuses on the potential of practitioner training, assessment and funding to support the embedding of employability skills at the heart of the UK's education and training system. We will also propose some measures to assess progress in the delivery of employability skills and to gauge employer perceptions of their benefit to the workplace.

Progression: Our study *Progression to Higher Education of Vocational and Applied Learners in Scotland, Wales and Northern Ireland* focuses on identifying the barriers to progression and is due to report in June 2010. The University Vocational Awards Council (UVAC) was commissioned to carry out the study, building on work they have already completed on progression routes in England.

Diplomas: Four employer-led Diploma qualifications are being developed in Retail Business, Sports and Active Leisure, Travel and Tourism, and Public Services in addition to those developed in earlier phases. Schools and colleges in most local authority areas are now involved in delivering Diplomas.

Apprenticeships: We are working with SSCs to review and revise existing Apprenticeship frameworks, and to develop new frameworks for evolving and emerging occupations of the future. The existing 137 apprenticeship frameworks will be refined to make them more flexible and responsive to learner and employer needs, in line with the new Specification for Apprenticeship Standards in England and Wales. A web portal is being developed to support the issuing of apprenticeship frameworks.

Women and Work Sector Pathways Initiative: Nearly 5000 women completed individual training plans to improve their skills in sectors where women are under-represented and where there is a gender pay gap. This is higher than the original forecasted figure of 4828 and a major achievement during the current economic climate.

Qualifications reform: Good progress is being made with the four nations on the reform and development of vocational qualifications (VQ). We are working with England, Wales and Northern Ireland, SSCs and other bodies to help build a new flexible and modular Qualifications and Credit Framework. By 31 March 2010, 60 per cent of vocational qualifications were compliant with the new Framework in England, Wales and Northern Ireland.

We are taking forward the evaluation of the UK Vocational Qualification Reform Programme to assess whether the reforms are creating a qualification system that is easier to understand, that contains qualifications that are more valued by employers and individuals, and that allows learners to select a customised course of study that can be fitted around their lifestyle and work commitments. To achieve this, we have developed a monitoring system, set baselines for measuring benefits in future years and carried out a detailed initial review of the way in which qualifications are developed and delivered.

National Occupational Standards (NOS): The majority of NOS needed for the VQ reform have been developed or revised. Around 200 suites of NOS were approved this year: some new and some revised. These range from Wind Turbines (Renewable Energies) to Design; from Rail Engineering to Customer Service.

Increasing employer ambition, engagement and investment in skills

The UK's long term wealth as a nation, and our ability to achieve a more inclusive society is ultimately dependent upon how many people are in work, in which sectors they work and how productive they are in their work. The UK's business environment, business ambition and business leadership are critical determinants in all three.

Specifically, Commissioners believe that Sector Skills Councils have the potential to play a stronger role in increasing business ambition, collaboration and leverage in skills investment.

Success for the UK will depend on creating an economy where employers see long term survival and prosperity as inextricably linked to how skills are developed and utilised. Our work this year has focused on promoting policies that will: (1) enhance the actions employers can take to use and develop the skills of their workforce; (2) support employers to engage and invest in those skills; (3) enhance employer understanding of strategic skills requirements to better match the supply of skills to emerging demand; and (4) raise employer ambition.

Collective Measures: A report presenting the UK Commission's advice on the most effective collective policy levers to encourage employer investment in skills was published in November 2009. This has been an extensive piece of work involving many stages of detailed analysis which provides a solid evidence foundation for the policy advice presented in the final report. The advice is reflected in the *Skills Strategy White Paper* and informs *Towards Ambition 2020: Skills, Jobs, Growth*.

Skills Utilisation: We have published reports on the use of skills and, in particular, high performance working as a means through which employers can maximise the potential of their employees in meeting business objectives and achieving more effective skills utilisation in the workplace. We will be undertaking further work in this important area to consider how we can embed these important practices.

Employer Voice: The UK Commission undertook a one year project to examine how the 'employer voice' could have greater influence on the employment and skills system. Our research included a series of interviews with employers and will result in recommendations to the UK Government and Devolved Administrations later this year.

Leadership and Management: Working in collaboration with government, industry and academia we have completed our report identifying how leadership and management can be improved to increase competitiveness and employment opportunity. It is being shared with stakeholders prior to publication. The report explores the role of employer networks as a mechanism to invest in leadership and management skills.

Making the case for skills: We have continued our collaborative work with employer organisations to promote and communicate the case for skills development to their members. In November our Chairman and Commissioners made tackling the issue of youth unemployment a priority. This was at the heart of a *Now is the time to invest in the future of our young people* media campaign - in the style we adopted for the *Now is the time to invest in skills* activity last year. Again it was supported and endorsed by leading employer and trade union organisations in England, Scotland, Wales and Northern Ireland. Sir Mike Rake also sent personal letters to all FTSE 100 chairmen encouraging them to help unemployed young people.

SSC Relicensing: During the year the Sector Skills Council Relicensing programme was completed with full recommendations submitted to Government in relation to twenty-four of the twenty-five SSCs. The relicensing process included high quality assessments of all 25 SSCs by the National Audit Office. Commissioners have been actively involved in the programme, meeting with each SSC Board and participating in a series of relicensing panels.

After the initial assessments, eighteen SSCs received a positive recommendation from the UK Commission. Energy & Utility Skills and e-skills UK Limited were viewed as outstanding, with a further thirteen SSCs assessed as good and three as satisfactory. Seven cases were not recommended for relicensing at the initial Relicensing Panels. Four of these SSCs have since returned to supplementary Panels, having conducted major reviews of their organisations and were subsequently approved for relicensing. In respect of the final three SSCs: Skillfast-UK, the SSC for fashion and textiles, has now closed with its work being taken forward by Skillset; Government Skills has chosen to cease being a licensed SSC and to operate instead as a skills unit within central government; and Lifelong Learning UK is working, in conjunction with the UK Commission and UK Government on an appraisal of possible future models for delivering the SSC's core remit, with an outcome expected in Autumn 2010.

Sectoral leadership: Following the completion of Sector Skills Council relicensing in December, four new 'Impact 2010' groups were established, creating a framework for closer dialogue and collaboration between SSCs and the UK Commission. Work has commenced on developing the foundations for an Employer Ambition Strategy.

SSC funding and management: We are implementing a transparent, risk-based performance management system to drive the continuous improvement of the Sector Skills Councils following the rigorous relicensing process. This will include the publication of an annual report on the performance of the SSC network. The SSC core remit has been agreed and new contracts issued to include changes in funding as well as a set of common objectives based on the remit. This will ensure that for the first time the UK Commission can clearly demonstrate a link between core Government funding and some key deliverables including qualifications reform, apprenticeships, and employer engagement.

NOS prototype: The strategy and implementation plan for the reform of National Occupational Standards has been agreed in principle by all four nations. The vision driving this strategy is that, by 2020, high-quality NOS will be widely used both by awarding organisations for developing qualifications, and also by employers and other stakeholders to underpin their human resource management processes and strategic business developments. The focus is now on developing and prototyping to test out various aspects of the NOS Strategy. We are exploring how this can link with developments in Europe. Good progress is being made in commissioning organisations to cover standards, qualifications and apprenticeships in sectors without SSCs.

Evidence-based policy

The evidence that underpins our work is fundamental to our ability to analyse, challenge, develop, and improve employment and skills in the UK. While each of our projects has to be evidence-based, there are over-arching pieces of work led by the Research and Policy Directorate that report on and contribute to our understanding of policy and practice in the UK, including international comparisons and experience. This year our Research and Policy programme produced a range of specific research and evidence reviews, high quality labour market information and robust policy recommendations, as can be seen in reports such as *Collective Measures*, *Skills Utilisation*, *Ambition 2020: World Class Skills and Jobs for the UK* and the *National Strategic Skills Audit*.

Labour Market Information (LMI)

We have completed a range of LMI products and made good progress in taking forward core labour market analysis to support the UK Commission's advisory work. We published the LMI framework for SSCs earlier in the year and more recently have put in place steps to assess and review the extent to which SSCs are meeting the LMI standard in 2010-11. We have reconvened our LMI forum to share information with partners and stakeholders and to work collectively to improve the current LMI evidence base in the UK. Through the forum we are developing a consistent series of surveys which focus on employer perspectives on aspects

of the skills and employment system, and on skill demand and deficiencies in the workplace. As part of this consistent approach to research and LMI across the UK we are taking forward our new remit to deliver the *National Employer Skills Survey in England*. We reported and are disseminating the 2009 survey and are planning the 2011 survey. In the meantime, we are delivering our *Employer Perspectives Survey* in 2010.

We have completed our online LMI tool, the *Almanac*, which presents the information analysed in *Ambition 2020* as a statistical guide for external access and use.

Partnership projects

To ensure our research is robust, of high quality and has a real impact, we work in partnership with research and policy colleagues across the UK and internationally. The following projects give a flavour of this work.

- We have produced research with the Migration Advisory Committee on conceptualising skill deficiencies in the economy
- We have established a Strategic Partnership with the Economic and Social Research Council (ESRC) and are joint funding a number of research activities in areas such as management and leadership
- We have played a key role in finalising the analysis for the European Commission's *New Skills New Jobs* initiative. As a result we were invited to lead the launch of the report in Belgium
- Work continued on projects with our strategic partner the Organisation for Economic Co-operation and Development (OECD). We are a joint sponsor of two three-year projects concerned with the engagement patterns of smaller employers in learning and local competitiveness issues
- We are supporting the European Commission on work to assess skill needs more effectively across Europe. This includes developing common employment forecasts and a European-wide employer survey
- We have set up two panels of experts and practitioners to advise on our work. The panels provide professional guidance and help ensure the work of the UK Commission is at the forefront of skills and employment research and policy thinking.

Maximising impact

As well as working with partners, we have established a number of mechanisms to ensure our research and policy thinking is widely shared and responsive to external developments, such as:

- All our reports are published on the web and in hard copy and are available for free
- We have developed a series of policy thinkpieces to stimulate debate on key policy issues
- Our updated *Intelligence* e-bulletin provides a monthly summary of key research outputs and policy developments
- Our two-day international *Skills, Jobs, Growth Convention* in February which was attended by 400 delegates and 50 guest speakers from all over the world including Sweden, Spain, Australia, Singapore and China.

Working with partners and stakeholders

The publication of major reports such as *Ambition 2020: World Class Skills and Jobs*; the *National Strategic Skills Audit*; and *Towards Ambition 2020: Skills, Jobs, Growth* have enabled us not only to increase awareness of the UK Commission, but also to show evidence of our influence and impact to a wider audience of stakeholders.

Our many stakeholders and partners include: the UK Government and Devolved Administrations, employer organisations, research and advisory bodies, sponsors and interest groups. We could not have produced the range or quality of work we have produced this year without extensive consultation and collaborative work with them.

We conduct regular stakeholder surveys to monitor and assess our performance in their eyes. The most recent conducted in March 2010 showed that the UK Commission had improved its stakeholder rating in all categories – familiarity, favourability, and assessment of performance and expectations.

However, we need to be clearer about articulating our evidence-based intelligence and more effective in demonstrating its practical application.

“Media coverage intensified during the year with well over 500 articles about the UK Commission’s work in the press and broadcast media. Interviews with journalists have become a regular part of the working week and media training has been used to engage more senior staff in this frontline work.”

Communications activity

In 2008-09 our PR and media activity, corporate marketing and developing online presence helped to establish our vision and identity in the skills and employment landscape. This year we have built on this work to incorporate new and innovative ways to communicate with our audiences. Early in the year we launched a new UK Commission interactive website which has enabled us to:

- Launch online campaigns and seminars
- Broadcast our own videos
- Interact via Twitter and blogging areas
- Provide online coverage of conference speeches and events
- Create special micro sites for our major publications and projects
- Send out mass emails
- Conduct online consultations and surveys.

This has brought a new dimension to our stakeholder engagement and created new platforms for communication which we have used to support and enhance a busy programme of activity. The highlights included:

- In February 2010 we held an international policy convention in London attended live and online by more than 2000 people. It brought together national and international skills experts and leading thinkers to focus on the UK’s future strategy for skills, jobs and growth
- The launch of *Towards Ambition 2020: Skills, Jobs, Growth* was supported by an online seminar. Nearly 600 watched the debate live but, significantly, a total of 11,250 video views were recorded subsequently

- Talentmap was demonstrated to an audience of about 150 employment and skills professionals at the BT Centre at an event hosted by our Chairman on July 7 2009. Promotion included an extensive mailshot, and online coverage on more than 25 websites
- *Ambition 2020: World Class Skills and Jobs for the UK* and the *Five Year Strategic Plan* were successfully launched at the Royal Society of Arts in London on May 7 2009. We followed this up with a series of launch events across the four nations. This activity was supported by national media coverage and a sustained profile and videos on our own website. More than 1,500 copies were sent to stakeholders and we received many requests for more.

Further stakeholder engagement to support and promote this activity included our collaboration with the British Chambers of Commerce to organise a series of *Ambition 2020* presentations to regional chambers.

Media coverage intensified during the year with well over 500 articles about the UK Commission’s work in the press and broadcast media. Interviews with journalists have become a regular part of the working week and media training has been used to engage more senior staff in this frontline work.

It has been a particularly busy year for corporate publications - delivering a range of publications and evidence reports to print and to deadline. We have also completed transition work to ensure a good result for the Investors in People UK (IiP) brand going forward.

Our staff intranet and regular Lunch and Learns have continued to keep staff in both London and Wath up to date on key projects across the UK Commission.

Excellent organisational performance

We strive at all times to use best practice in our operations, in particular with regard to enabling our staff to deliver high performance. Following the work last year by Corporate Services to establish the UK Commission as a functioning organisation and to prepare its corporate strategy, the focus this year was on consolidating and improving our processes, and on providing the skills and tools to drive us towards excellent organisational performance.

The work is split into five themes:

Excellence in people

Significant progress was made in 2009-10:

- Working with employee representatives to complete the suite of HR policies
- Improving the quality and consistency of leadership and management within the UK Commission through a tailored development programme
- Improvements to the UK Commission's appraisal and development process
- Employee engagement has been pursued through a number of cross-organisational groups, including a staff group on pay and reward
- The annual staff survey showed increased positive scores across almost all questions, including staff satisfaction (85%) and commitment (94%).

Excellence in governance

- We reviewed and agreed improvements to the UK Commission's committee and management structures
- Dealt with Freedom of Information and Data Protection Act enquiries promptly and professionally.

Excellence in process and control

- In addition to regular performance scorecard reporting, a biannual Key Performance Indicator report has been established to track the UK Commission's organisational performance, credibility, influence and impact
- Identification of a new finance and workflow system is to be implemented in 2010-11 increasing the efficiency and effectiveness of finance management
- Tools and support to further embed effective budget management and risk management in the work of all colleagues have been provided
- All Internal Audit reports submitted to the Audit Committee in 2009-10 have assessed our controls as 'satisfactory' or 'good'.

Excellence in delivery

Results include:

- Maximising the benefits of IT and communications technologies to support more efficient and effective working, including telepresence enabling 'face-to-face' meetings between the London and Wath offices, and progress on developing our use of Sharepoint for collaborative working
- Improvements to the London office to create a better working environment and incorporate new colleagues transferring from Investors in People UK.

Business development

Preparation for the merger of Investors in People UK into the UK Commission, and for the additional research responsibilities meant lots of work for the Corporate Services team to:

- Ensure the probity of the merger and transfer of contracts, trademarks and intellectual property
- Agree delivery arrangements and issue new liP licences
- Manage the transfer and induction of personnel and recruitment of new staff
- Integrate systems and take on new systems
- Ensure that new colleagues have the office space and equipment they will need to work effectively.

Looking Forward

Following the recent general election, we are working closely with sponsors to ensure that our strategic priorities and remit align with the priorities of the new Government. In addition, following the recently announced restrictions on public sector spending, we are reviewing the potential impact on our delivery plans for 2010-11 if the UK Commission's financial resources are reduced.

In terms of the organisation's risks, the issue is how financial spending restrictions will impact on the UK Commission and the wide system delivery is viewed as the primary risk.

Overview: our strategic plan

Priorities and projects	2008/09	2009/10	
Building a more strategic, agile and demand-led employment and skills system	Simplification	Simplification phase 1	
		Review of system measures, targets and incentives	
	2010 Review of integration of		
	Vocational Qualifications Reform (including		
	Employability skills project	Employability phase 2	
	Local customer journey reviews		
		Progression to HE	
		Tackling exclusion	
	Employee demand study		
	Women and Work Sector Pathways Initiative		
Maximising individual opportunity for skills and sustainable employment	Diploma development		
	Apprenticeship		
		Promoting the case for skills	
	Linking spatial and sectoral initiatives	Maximising leverage of employer voice	
	Review of employer collective measures		
		Leadership and Management	
	Skills utilisation and High Performance Working		
	talentmap		
	Sector Skills Council Relicensing		
	Funding and performance		
Increasing employer ambition, engagement and investment in skills	Overarching and underpinning Research and Policy analysis including		
	Communications on research, advice and projects, enhancing the UK		
	UK Commission operational		

2010/11	2011/12
Taking forward 'Skills, Jobs, Growth' and 'Skills, Jobs, Growth for Scotland'	
Priority areas of employment and skills spend	Work to develop further advice on drives for system transformation
employment and skills services	
Qualifications development timelines	
Rationalisation of 14-19 qualifications (Vocational Qualifications Reform)	
National Occupational Standards)	
Annual National Strategic Skills Audit	
Employability (Employability and Progression)	
Customer journeys (Employability and Progression)	Further work to be determined following recommendations
Progression to HE (Employability and Progression)	
Youth Inquiry (Employability and Progression)	
Improving individual choice in career direction and learning	Follow up recommendations on providing improved information, advice and guidance
Women and Work Sector Pathways Initiative	
Diplomas	
Reform	
Employer Ambition Strategy	
Using previous research to identify practical steps (Employer Ambition Strategy)	Further work to be determined following development of strategy and recommendations
High Performance Working in Wales (Employer Ambition Strategy)	
Information, advice and guidance for employers in Scotland (Employer Ambition Strategy)	
talentmap	
Investors in People	
Sector Skills Councils Reform	
improvement of Sector Skills Councils	
Ambition 2020, specific projects and Labour Market Information and analysis	
Commission's corporation reputation, especially with stakeholders	
management and development	

UK Commission strategic KPI report

Part 1 (accountability)

Organisational excellence →	
Delivery of the Business Plan¹	
Proportion of planned deliverables completed year to date	87% (61/70) ↔
Proportion of planned ongoing services delivered as agreed	100% (14/14) ↔
Operational Efficiency³	
Non-pay organisation cost/head	£23.5k ↑
Percentage of headcount in support functions	23.1% ↑
High Performance Working⁵	
UK Commission's progress against IIP standard (no. of evidence requirements met)	not yet accredited
UK Commission HPW practices	10 of 16 ↑
Staff Satisfaction⁶	
Staff satisfied to be working for the UK Commission at this time (difference from govt benchmark)	85% (+18) ↑
Key Stakeholder Perceptions²	
Familiar	85% ↑
Favourable	79% ↑

Credibility and acceptance →	
Key Stakeholder Perceptions²	
Expectation that the UK Commission will be able to improve the performance of the UK's employment and skills systems	51% ↑
UK Commission performance	63% ↑
Employment and Skills System	
Contribution to policy debate ⁷	HIGH ↑
Take up of delivery project outputs/target ⁴	tbd
Individual opportunity	
Contribution to policy debate ⁷	MEDIUM ↑
Take up of delivery project outputs/target ⁴	tbd
Employer engagement and investment	
Contribution to policy debate ⁷	MEDIUM ↑
Take up of delivery project outputs/target ⁴	tbd
SSC relicensing recommendations accepted	100% ↔

The purpose, definitions, benchmarks, targets, ambitions and supporting evidence of UK Commission performance are contained in the full KPI report which can be found on our website: www.ukces.org.uk

¹ From UK Commission quarterly operational performance scorecard reports

² From UK Commission stakeholder survey March/April 2010

³ From 2009/10 stat accounts and March 2010 headcount data

⁴ Definition of those measures and mechanisms for recording this data to be implemented in 2010-11

⁵ Assessment for IIP accreditation due in 2010

⁶ From staff survey December 2009, next staff survey due December 2010

⁷ Assessment against progress of achieving a high contribution by April 2012

Part 2 (influence)

Strategic Outcomes →		Strategic Impact	
Employment and Skills System		(2009/10 data from Ambition 2020)	
Increased relevance and reduced complexity and bureaucracy of E&S service provision		Productivity	
Employers who are confident in knowing who to approach for advice on training and skills	72% ↔	UK GVA/person employed	£45.3k ↔
Work readiness of 16 to 24-yr old leavers from education 16 yr old school leavers 17-18 yr old college leavers University/HE leavers	66% ↔ 74% ↔ 84%	OECD position (GVA/hour worked)	11th ↔
[Indicator from perspective of individuals to be identified/developed]	tbd	Employment	
Individual opportunity		UK employment rate	72.2% ↓
Improved equality of opportunity, employment and skills outcomes and satisfaction for individuals		OECD position	10th ↔
Employment rate/selected population groups Lowest qualified Youth (16-24) Over 50s (working age)	54.4% ↓ 56.1% ↓ 71.5%	Skills	
Workers participating in L&D in last 13 weeks	30% ↓	UK profile of qualification levels No qualifications Below Level 2 Level 2 Level 3 Level 4+	13% ↔ 17% ↔ 20% ↔ 19% ↔ 31%
Employer engagement and investment		OECD position Low Medium High	18th ↓ 20th ↓ 10th ↑
Increased employer engagement and investment in workforce development and skills utilisation		Inclusion (Ratio of earnings)	
Employer investment in Learning and Development	£39.2bn ↔	UK ratio of earnings (top 10%/bottom 10%)	3.59 ↔
Establishments with 10 or more High Performance Working Practices	30% ↔	OECD position	16th ↓

Key	Trend
Target met or exceeded/Significant progress towards ambition	↑ Improvement
Moderately below target/No significant change against ambition	↔ No significant change
Significantly below target/Negative progress against ambition	↓ Getting worse

Report of the directors

The annual report and financial statements have been prepared in a form directed by the Secretary of State for Business, Innovation and Skills in accordance with the Financial Reporting Manual and fulfil the requirements of the Companies Act 2006.

Principal activity and business review

The principal activity and the business review is set out on pages 6 to 25 of this Annual Report and the Financial Review is set out below.

Incorporation

The UK Commission for Employment and Skills (the UK Commission) is a company limited by guarantee and was incorporated on 13 November 2007. Under Clause 7 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 and one year afterwards. The UK Commission is a Non Departmental Public Body (NDPB) jointly sponsored by the Department for Business, Innovation and Skills (BIS), Department for Work and Pensions (DWP), Department for Education, HM Treasury (HMT), the Department for Education and Learning in Northern Ireland (DELNI), the Scottish Government, and the Welsh Assembly Government (WAG).

The membership of the Board and other legal and administration details are set out on page 83.

Governance and decision making

The Commissioners are Directors of the Company and are responsible for the management of the UK Commission for Employment and Skills. The Commission (Board) consists of between 21 and 25 Directors, including the Chairman and Chief Executive. At 31 March 2010 there were 21 Directors. The Commission has established a number of Committees and delegates its organisational oversight role to the Management Committee of the Commission.

Formally constituted committees

There are five formally constituted committees of the UK Commission: the Audit Committee, the Strategic Committee, the Systems Review Committee, the Management Committee and the Employer Engagement Committee. Each committee has specific terms of reference and functions delegated by the Board and a Chair appointed by the Commission.

The Audit Committee

The Audit Committee consists of not less than three Commissioners. The Chairman of the Commission cannot be a member of this Committee. All appointments to the Audit Committee will normally be for a period of two years. The Chief Executive, the Director of Corporate Services and a representative from Internal and External Audit ordinarily attend meetings. The Committee meets at least three times each year. The Audit Committee is an advisory body with no executive powers. Its role is to support the Commission in discharging their responsibilities in relation to issues of risk, control and governance and of obtaining associated assurances.

The Strategic Committee

The Strategic Committee consists of not less than five Commissioners plus the Chief Executive, with a quorum of three. The Committee Chair and members are usually appointed by the UK Commission for a period of two years. The Strategic Committee meets four times a year. Duties of the Strategic Committee are to advise the Commission on the forward strategic work agenda and the preparation of the Commission's annual report on progress on employment and skills in the UK (published for the first time in May 2009 as *Ambition 2020 – World Class Skills and Jobs for the UK*).

Systems Review Committee

The Systems Review Committee consists of not less than five Commissioners plus the Chief Executive, with a quorum of three. The Committee Chair and members are appointed for a tenure of two years. There are also three further co-opted members. The Director of Strategy and Performance attends all meetings. Other members of the Executive Team attend as required, dependent on items for consideration. The principal purpose of the Systems Review Committee is to seek to improve the effectiveness of the employment and skills system through simplifying the processes, rules, delivery approaches, organisational structures and the customer journeys for employers and individuals.

The Management Committee

The Management Committee consists of not less than five Commissioners plus the Chief Executive, with a quorum of three. The Committee Chair and members are normally appointed for a period of two years. The Management Committee meets up to six times a year. Duties of the Management Committee are to oversee the normal conduct of the operation of the UK Commission, and to advise the Commission on the performance of the organisation against its business objectives and the effective management of its resources. It is also responsible for deciding remuneration policy and changes to senior managers pay and acts as a nominations committee in respect of committee members and chairs.

Employer Engagement Committee

The Employee Engagement Committee consists of not less than five Commissioners plus the Chief Executive, with a quorum of three. The Committee Chair and Members are appointed by the UK Commission normally for a period of two years. The Director of Employer Engagement attends all meetings. Other members of the Executive Team attend as required, dependent on items for consideration. The Employer Engagement Committee meets at least four times a year. The purpose of the Employer Engagement Committee is to guide the process of funding, performance management and licensing of the Sector Skills Councils and also to guide the strategy and development of the Investors in People Framework and Standard and oversee the delivery of IiP services across the UK. The Employer Engagement Committee has recently been established to replace the Sector Skills Committee and recognise the fact that the work previously carried out by that Committee has developed to cover the wider Employer Engagement Agenda.

Going Concern Assessment

The Directors have reviewed the financial position as at 31 March 2010 to ensure that the UK Commission is a going concern. In the light of the Grant-in-Aid resource budget allocation of £77.3m provided by Government in the Grant-in-Aid letter for 2010-11, the Directors are comfortable that the UK Commission remains a going concern and that it will have sufficient cash to pay its liabilities as they fall due. Whereas the operating costs in the Net Expenditure Account are recognised on an accruals basis, NDPB's can only recognize the actual amount of cash received during the period in respect of Grant-In-Aid financing. NDPB's are required by BIS to limit the amount of cash held to 2% of the Grant-In-Aid budget and the UK Commission had £8.2m of accrued costs as at 31 March 2010. This has resulted in the Statement of Financial Position showing net liabilities of £6.8m at the end of the year.

Since the grant letter being issued, the Department has advised that an 11 per cent saving on our budget will be required during 2010-11. We expect to accommodate this reduction whilst still meeting our liabilities as they fall due. There are uncertainties that could affect funding in the future - additional cuts for the public sector as a whole were signalled by the Chancellor's emergency budget on 22 June, and we are also aware that the Department is responding to a Cabinet Office request to review, along with all Departments, its Arms Length Bodies. At the date of issue of this report however, we remain satisfied that the preparation of accounts on a going concern basis remains appropriate.

Report of the directors

Payments to Creditors

The Commission endeavours to pay suppliers as soon as possible once an invoice or claim is received and delivery is confirmed, and within the 30 days required of Government bodies. Over the course of the year, the UK Commission has paid suppliers within 9 days of receipt on average over the year compared with an average of 19 days in the previous year. On average 2.5% of payments made are over 30 days of receipt of invoice.

Post Balance Sheet Events

On 1 April 2010, the UK Commission took over the responsibility for the development and promotion of the Investors In People brand, framework and tools from liP UK Ltd.

The assets formally owned by liP UK Ltd have been transferred to the balance sheet of the UK Commission at their estimated fair value as at 1 April 2010. This has increased the balance sheet value of the UK Commission by £409k (unaudited).

Auditors

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 the Commission's accounts for the year ended 31 March 2010.

Sickness absence data

During the year the Commission had 369 days (2009: 617.5 days) of absence from work due to sickness. Of this, 156.5 days relate to four staff on long-term sick leave during the period. The number of days off for the remaining staff excluding agency staff, equates to an average of 1.9 days (2009: 2.7 days) sick leave per staff member.

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.

Table 1: Summary of protected personal data-related incidents formally reported to the lead sponsor department in 2009/10

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
N/A	nil	nil	nil	nil

Further information on information risk

The UK Commission will continue to monitor and assess its information in order to identify and address any weaknesses and to ensure continuous improvement of its systems.

Incidents deemed by the data controller not to fall within the criteria for needing to be reported to the Information Commissioner's Office – but recorded centrally by the UK Commission – are set out in Table 2. (Note that small, localised incidents are not recorded centrally and are not cited in these figures.)

Table 2: Summary of other protected personal data-related incidents

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises.	nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises: UK Commission London office: 28-30 Grosvenor Gardens, London, SW1W 0TT.	nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	nil
IV	Unauthorised disclosure.	nil
V	Other.	nil

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 the UK Commission that training, career development and promotion opportunities should be available to all employees.

Diversity and equality policy statement

The UK Commission 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 as well as ensuring that key business objectives are met. As a modern and exemplar employer, the UK Commission 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, the UK Commission 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.

Provision of information and consultation with employees

We consider good communication with our employees to be very important and communicate through regular meetings on an individual, team and company-wide level. In addition there are regular meetings of the Employee Representative Forum to inform, discuss and, where appropriate, consult on matters affecting employees. During the year, employees voted for the development of a joint employee representative-union representative model for future information and consultation. Details of union recognition are being agreed to be implemented in 2010-11. A performance scorecard has been developed and is shared with the Senior Leadership Team, and with staff via the Intranet, on a monthly basis.

Corporate Social Responsibility

The UK Commission is committed to meeting or exceeding all legal requirements and ethical standards and norms while conducting our business; in particular with respect to: supporting our communities by encouraging and supporting employee participation in the local community and respecting the environment by reducing its impact through actively seeking to recycle wherever possible and minimise its travel and use of resources; and working in the public interest to improve employment and skills in the UK.

This is achieved in accordance with our shared values: Inspiration, Integrity, Inclusion and Influence.

Report of the directors

Financial Review

Incoming resources

The UK Commission for Employment and Skills (the UK Commission) is funded by Grant-In-Aid financing from BIS on behalf of all the sponsoring Departments and Devolved Administrations.

At 1 April 2009, the total Grant-In-Aid resource budget allocated for the 12 month period to 31 March 2010 amounted to £89m. During the year the UK Commission was allocated additional funding to support specific initiatives, which increased the final Grant-In-Aid resource budget to £90m. Of this, 89% was recurrent funding and 11% time limited project-related funding.

The Grant-In-Aid cash limit for 2009-10 was £92.7m and was fully utilised in the year.

Under the terms of its agreement with BIS, the UK Commission is not allowed to carry forward any unused Grant-In-Aid to the following year. However the department commits to provide sufficient cash to fund the accrued expenditure as the liabilities become due but, in accordance with government accounting guidance, this commitment is not reflected in the accounts.

Because Grant-In-Aid funding is treated as financing rather than income in the Income and Expenditure Account the results for the period show a loss equivalent to the revenue 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 2010 (excluding capital accruals).

With respect to the period ending 31 March 2009, prior to becoming accountable for the NOS levy funds on 30 September 2008, the UK Commission was acting as agent for Qualifications Curriculum Authority (QCA). In accordance with standard accounting practice the agency transactions are not reflected in these accounts. When the NOS levy ceased to be collectable on 30 September 2008 QCA transferred the remaining levy fund balance to the UK Commission. Of the overall £19.5m transferred from QCA during the period ended 31 March 2009, £3.3m was allocated to fund agency transactions prior to 30 September and £9.6m was allocated to future financial years. In the year ended 31 March 2010, £0.3m was received from QCA.

In 2008/09 the UK Commission received £0.2m from the Scottish Qualification Authority and £0.1m of interest from the NOS levy fund.

Application of resources received

The UK Commission's funding budget is ring-fenced between funding it is allowed to distribute to SSCs and funding that is used for the UK Commission's own activities directly. Of the total expenditure incurred in the year of £89.4m, 82% of total resource received was distributed to SSCs, 8% was used to fund specific UK Commission programmes and 10% was used to fund the organisation's running costs.

Sector Skills Council programme activity

The UK Commission has a programme of grants to support the delivery of Sector Skills Councils (SSCs) and other Sector Skills Bodies. Of the funding the UK Commission receives in the year to support SSCs, the majority is granted to SSCs as strategic funding to support the cost of their core activity. The remaining funding is provided to support delivery of specific Qualification Reform related projects in both Sector Skills Councils and Sector Skills Bodies. All grant programmes have specific guidelines and all applicants are subject to a formal process of assessment and approval. For project-related funded activity the funding is only paid out on satisfactory evidence of delivery of the milestone in the project funded contract. Overdue milestones that have yet to be claimed are monitored closely by the UK Commission Contract Manager and reported on to the Senior Leadership Team and the SSC Committee on a regular basis. As at year-end there were £4.6m of contracted deliverables with milestone dates on or before 31 March 2010 yet to be paid compared to £7m of accruals in the prior year. Of this, none related to contracted milestones outstanding more than 90 days compared to where claims had not yet been received. This compares to £0.2m at 31 March 2009. The Employer Engagement Committee is responsible for oversight of the SSC programme budget.

UK Commission programme activity

The budget available for the UK Commission programme activity has been allocated to support the delivery of specific projects in line with the Business Plan priorities. The forecast spend on each project compared to budget is monitored on a regular basis by the Senior Leadership Team and is overseen by the Management Committee.

Organisational administration activity

9% (2009: 10%) of the Grant-In-Aid was allocated to supporting the internal set up and on-going running costs of the organisation. This budget is controlled at a departmental level by budget managers and is monitored on a regular basis by the Senior Leadership Team and is overseen by the Management Committee.

Balance sheet

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

Outstanding trade creditors and amounts owing to other government bodies at the end of 2009-10 represented the equivalent of approximately 2.5 days of total payments made in the year.

There has been a change in the treatment of Capital Grant-In-Aid in 2009-10 which is now credited to reserves in the period in which it is received, rather than being credited to deferred income. The accounts for the prior year have been restated to reflect this change. Refer to note 2 to see the effect of this change in accounting policy.

As at 31 March 2010, the UK Commission is reporting negative reserves of £6.8m (2009: £9.6m). This is because the UK Commission had accrued £6.8m (2009: £9.6m) of expenditure at the end of the period, but has recognized the associated Grant-In-Aid funding on a cash basis. This is in line with the standard accounting treatment in respect to Grant-In-Aid financing for NDPBs.



C Humphries CBE
Chief Executive

29 June 2010
Date

Remuneration report

Management Committee

Remuneration is overseen by the Management Committee whose members during the year were as follows:

Sir Mike Rake
Larry Hirst CBE (Chairman)
Julie Kenny CBE DL
Liz Sayce OBE
Dave Prentis

Senior Leadership Team Remuneration Policy

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

- Make significant contribution to the continuous improvement and success of the UK Commission
- 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
- 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 Senior Leadership team is the same as for all permanent staff with the exception of the Chief Executive, whose pay arrangements are determined by BIS with the input from the UK Commission Chairman and Management Committee within the context of government guidance.

The following information is subject to audit.

Disclosure of Salary and Benefits in kind for the year ended 31 March 2010 (Audited Information)

Name	2009-10	2008-09
	Salary including allowances, benefits in kind and performance pay, in pay bands for the period	Salary including allowances, benefits in kind and performance pay, in pay bands for the period
	£000's	£000's
Executive Directors¹		
Sir Mike Rake	80-85	115-120 ²
Chris Humphries CBE	200-205	205-210 ²
Senior Leadership Team		
Cay Stratton CBE ⁵	40-45	120-125
Professor Mike Campbell OBE	100-105	90-95
Simon Perryman	90-95	85-90
Jerry Lloyd	85-90	85-90
Kay Dickinson	90-95	80-85
Geoff Fieldsend	85-90	80-85
Michael Davis	85-90	5-10 ³
Non Executive Directors¹		
Liz Sayce OBE ⁴	5-10	5-10
Sarah Anderson CBE ⁶	0-5	0-5

No other Non-Executive Directors received any compensation from the UK Commission.

Bonuses are not finalised and paid until after the period end. Consequently no bonuses were included in the 2008-09 disclosures above, the bonuses finalised and paid in 2009-10 in respect of the 2008-09 period are included in the 2009-10 disclosures above. Bonuses in respect of the 2009-10 year have not been agreed and are therefore not included above.

¹ Statutory Directors. Chris Humphries was the only Statutory Director of the Company to receive any pension entitlements.

² 2009 figures were for the 17 month period for the Chairman and 15 month period for the Chief Executive. Their annual salaries were £90,000 and £167,000 respectively.

³ Michael Davis – Director of Strategy & Performance, started on 1 March 2009.

⁴ Represents the amount paid to Royal Association for Disability and Rehabilitation ("RADAR") for making available her services as a Non-Executive Director to the UK Commission.

⁵ Cay Stratton CBE left the UK Commission on 10 July 2009.

⁶ Sarah Anderson CBE left the UK Commission on 10 December 2009.

Remuneration report

Pension entitlements for the year ended 31 March 2010 (Audited Information)

Name	Value as at 31/03/10 of the Accrued Pension and related lump sum at pension age in pay bands	Real increase in period of pension and related lump sum at pension age in pay bands	CETV as at beginning of period	Real increase in CETV during the period as funded by employer	CETV as at end of period	Employer contribution to Partnership Pension account
	£000's	£000's	£000's	£000's	£000's	£000's
Executive Directors¹						
Sir Mike Rake	–	–	–	–	–	–
Chris Humphries CBE	–	–	–	–	–	42
Senior Leadership Team						
Kay Dickinson	75-80 ²	2.5-5	318	21	361	–
Simon Perryman	40-45	0-2.5	698	38	777	–
Geoff Fieldsend	25-30	0-2.5	426	25	481	–
Jerry Lloyd	20-25	2.5-5	289	24	393	–
Professor Mike Campbell OBE	5-10	0-2.5	106	29	138	–
Michael Davis	0-5	0-2.5	1	13	17	–

¹ Statutory Directors. Chris Humphries was the only Statutory Director of the Company to receive any pension entitlement.

² Figure includes a lump sum of £59,754.

Unaudited Information

Performance Pay Awards

Staff appraisal interviews take place across the UK Commission 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 criteria:

- Outstanding
- Superior
- Good
- Needs improvement
- Needs significant improvement

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

The performance levels awarded will determine the level of pay increase and /or bonus. The Senior Leadership Team pay awards are agreed by the Management Committee, subject to recommendations from the Chief Executive.

The Chief Executive's pay award is agreed by BIS on the recommendation of the Management Committee and the Chairman. If the performance level is assessed as "needs improvement" then no bonus or pay increase is awarded.

Senior Staff Employment Policy

The Senior Leadership Team are normally employed 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. The UK Commission has no specific policy in respect of termination payments for senior managers.

Senior Staff Service Contracts

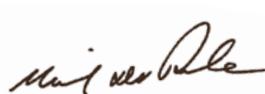
Name	Start date of contract	End date of contract
Chris Humphries CBE	1 January 2008	31 December 2010
Kay Dickinson	1 April 2008 ¹	
Cay Stratton CBE	1 April 2008	10 July 2009
Geoff Fieldsend	1 April 2008 ¹	
Simon Perryman	1 April 2008 ¹	
Professor Mike Campbell OBE	1 April 2008 ¹	
Jerry Lloyd	1 April 2008 ¹	
Michael Davis	1 March 2009	

¹ Contract was transferred from SSSA under a COSOP arrangement on 1 April 2008.

On behalf of the Board



C Humphries CBE
Chief Executive



Sir M Rake
Chairman

29 June 2010
Date

Accounting officer's and chairman's statement of responsibilities

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

The financial statements are required by law, by the Accounts Direction and HM Treasury directives, to give a true and fair view of the state of affairs of the company and of the surplus or deficit of the UK Commission 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 guidance in the HM Treasury directives and applicable UK accounting standards 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 the UK Commission 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 Accounts Direction. 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.

In so far as directors are aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.



C Humphries CBE
Chief Executive



Sir M Rake
Chairman

29 June 2010
Date

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the UK Commission's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

In addition, in my capacity as Accounting Officer and Chief Executive I meet with all sponsors on a quarterly basis where they receive and challenge our quarterly performance reports which include performance reporting in relation to the UK Commission's internal controls as well as the UK Commission's organisational risk register.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system covers both the risks in respect of the UK Commission's delivery as well as the risks in respect of relevant Sector Skills Council delivery. The system of internal control has been in place in the UK Commission for Employment and Skills for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The UK Commission for Employment and Skills is fully committed to achieving influence and impact in pursuit of its goals and meeting its legal, financial and other obligations by managing risk efficiently and effectively.

The Commission takes the lead in sponsoring and promoting effective risk management by agreeing the direction of the UK Commission, its focus and by setting out how much risk is acceptable (the 'risk appetite') to guide the Chief Executive and his Directors. The Commission delegates some of this work to the Management and Audit Committees. The Management Committee reviews and approves the Risk Management Policy and receives reports on the level of exposure from corporate risks. The Audit Committee reviews and approves the Risk Management Process Guide and oversees its implementation with the assistance of internal auditors.

Until February 2010 staff were supported in risk management by the Performance and Risk Panel which had membership drawn from all Directorates to provide local risk champions. From February 2010 this role has been taken over by a new Senior Management Board which drives operational management across the UK Commission in support of the Senior Leadership Team. Assistance and guidance is available from the Planning and Performance Manager. There is additional support embedded in the Risk Management Process Guide and accompanying templates which are available to all staff through the intranet.

The Performance and Risk Panel met on a monthly basis to review risks ensuring a consistent approach across the organisation and appropriate risk escalation; to share learning and good practice; and to make recommendations on the management of risks to the Senior Leadership Team. Since February 2010 the Senior Management Board has taken over this role. The Planning and Performance Manager is an affiliate of the Institute of Risk Management and attends meetings to draw on external good practice. The Risk Management Policy and Process are reviewed annually and additionally if required to ensure continual improvement with changes endorsed by the appropriate Committee and disseminated to staff by the Performance and Risk Panel and via the intranet.

Statement on internal control

The risk and control framework

In managing risk, the UK Commission follows best practice in the identification, assessment and control of risk in making decisions and in delivering its strategic and business plans. Our Risk Management Policy and accompanying Process Guide have been developed using Office of Government Commerce guidance and drawing on practical experience from other organisations to provide all staff with a simple and robust means for identifying, assessing, managing and reviewing risks in a consistent manner across the organisation. The Policy and Process Guide documents the role and responsibilities of the Commission and its Committees, Senior Leadership Team, Performance and Risk Panel/ Senior Management Board and staff.

The Risk Management Policy also documents our Risk Appetite which is determined according to the categorisation of a risk's impact and gives guidance on the highest level of risk that is acceptable for that category of impact. This is designed to encourage appropriate, well-managed risk taking to maximize the effectiveness and impact of the UK Commission and make the most of opportunities to deliver greater benefits.

Risk is embedded in the organisation through the planning and performance reporting processes. Managers are encouraged to identify and evaluate risks (against criteria given in the Process Guide) through project initiation, contracting and procurement processes, and then to manage and review risks regularly as the work progresses. Risks are managed by assigned risk owners initiating appropriate mitigating controls to reduce the likelihood and/or impact of the risk. Assurance measures are identified to help evaluate the effectiveness of the controls and contingency plans identified in case the controls fail to sufficiently mitigate the risk. Regular review and reassessment allows the success of controls to be confirmed and the effect of changing external factors to be considered.

Each Directorate, team and/or project maintains a risk register from which risks are escalated to the Senior Leadership Team via the monthly performance scorecard report and the Performance and Risk Panel/ Senior Management Board if they become High or Critical and/or if they exceed their Risk Appetite. The forward look in the monthly performance report also includes a consideration of the risk to delivery for each project.

The Employer Engagement Directorate has responsibility for oversight of the performance and funding of Sector Skills Councils. The Directorate maintains control through regular performance reviews and risk-based health checks. Any significant issues or imminent risks identified are escalated immediately to relevant directors and, if appropriate the Employer Engagement Committee, in addition to escalating risks through the UK Commission's risk management process.

In addition, we maintain, and keep under monthly review, a Corporate Risk Register containing strategic and significant risks identified as affecting the UK Commission, the achievement of its objectives and the delivery of its work programme. The Audit Committee undertakes detailed reviews of the top Corporate Risks.

Risk status forms a key part of our monthly and quarterly performance reports to the Senior Leadership Team, Management Committee and to Sponsors.

Risk of fraud

We define fraud to include misuse of equipment and copyright infringement. The risk of fraud is minimised in accordance with HM Treasury guidance and by implementing a range of internal controls including IT acceptable usage policy and financial controls with segregation of duties, set authorization limits and robust contracting and procurement processes. This is supported by the Fraud policy and Fraud response plan, and backed up by a Whistle blowing policy. The effectiveness of the internal controls are monitored and regularly reviewed through the Corporate Risk Register and operational (Directorate or team) risk registers as appropriate.

Information risks

Risks to information held by the UK Commission are addressed by two approaches – technical and cultural.

Technical controls are used to safeguard information from unauthorised access and from information systems failure. Information is secured from unauthorised access through a range of security software and hardware features, including encryption software on laptops and robust firewall arrangements. There is a comprehensive security back-up arrangement, which includes daily back-ups sent off site to secure vaults. Hardware and software maintenance contracts, including disaster recovery services, are used to mitigate information loss through systems failure with a graded response proportionate to the threat.

The technical measures are supported by cultural controls through the ICT security and acceptable usage policies. Protocols forbid the removal of any personal information from the server and briefings have been held for all staff to ensure that they understand the policies and their responsibilities under the Data Protection Act. A number of staff have passed accredited courses in Freedom of Information and Data Protection Act requirements.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the UK Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. It is further informed by the Performance and Risk Panel who have responsibility for the development, maintenance and recommendations regarding the risk management policy and process, and by the senior management board.

My review of the effectiveness of internal control with respect to Sector Skills Councils is informed by the Employer Engagement Committee who guide the process of funding, performance management and licensing of the Sector Skills Councils.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Audit Committee and a plan to address any issues identified and ensure continuous improvement of the internal control environment is in place.

The effectiveness of internal control is monitored and discussed by the senior management board and senior leadership team through monthly performance reports prepared by the planning and performance manager. Each quarter a quarterly performance report is prepared for the Management Committee who, on behalf of the board, oversees the operations of the UK Commission. The performance reports include the current status of all corporate risks, updates on work to improve management and governance, and actions arising from internal and external audits. The Management Committee works closely with the Audit Committee who regularly review all internal and external audit reports and follow-up actions and conduct in-depth review of specific risks.

As Accounting Officer I have a responsibility to ensure that there are effective systems in place to manage and monitor all budgets delegated to me. I can confirm that all budgets that I am responsible for are managed and monitored in line with the Department's financial rules and procedures, that there are effective systems in place to manage and monitor budgets and that accurate financial records are maintained. I also confirm that budgets have been spent on achieving the outputs and outcomes detailed in our grant letter.

On behalf of the Board.



C Humphries CBE
Chief Executive

29 June 2010
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

The certificate and report of the Comptroller and Auditor General to the members of the UK Commission for Employment and Skills

I certify that I have audited the financial statements of the UK Commission for Employment and Skills (UKCES) for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Net Expenditure Account and the Statement of Financial Position, the Statement of Cash flows, the Statement of Changes in Reserves 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 Report that is described in that report as having been audited.

Respective responsibilities of directors and auditors

As explained more fully in the Accounting Officer's and Chairman's Statement of Responsibilities, the directors and Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and 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 am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 2010 and of its net expenditure for the period then ended
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters for 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
- the financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

5 July 2010
Date

Registered Company number 6425800

Net expenditure account

	Note	For the 12 months to 31 March 2010		For the 17 months to 31 March 2009	
		£	£	£	£
Expenditure					
SSC Funding Costs	6	73,615,674		74,532,662	
Delivery Activity Costs	7	6,909,308		6,583,260	
Organisation Costs – Pay	8,14	6,004,869		6,102,484	
Organisation Costs – Non Pay	10	2,592,058		2,719,659	
Depreciation and amortisation	9	259,312		137,531	
			(89,381,221)		(90,075,596)
Income					
Other grants and income	4		–		204,680
Net expenditure	3, 11		(89,381,221)		(89,870,916)
Interest receivable	13		991		112,218
Taxation	12		7,695		(31,421)
Notional cost of capital	15		294,427		168,872
Net expenditure after interest, taxation and cost of capital			(89,078,108)		(89,621,247)

All operations were continuing.

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

Registered Company number 6425800

Statement of financial position

	Note	As at 31 March 2010		As at 31 March 2009	
		£	£	£	£
Non-current assets					
Property, plant and equipment	16	685,539		622,202	
Intangible assets	16	93,353		34,096	
Total non-current assets			778,892		656,298
Current assets					
Trade and other receivables	17	261,854		683,813	
Cash and cash equivalents		332,456		82,612	
Total current assets			594,310		766,425
Total assets			1,373,202		1,422,723
Current liabilities					
Trade and other payables	18	(8,215,005)		(10,958,533)	
Other liabilities – corporation taxation	19	(277)		(31,421)	
Total current liabilities			(8,215,282)		(10,989,954)
Assets less liabilities			(6,842,080)		(9,567,231)
General reserves			(6,842,080)		(9,567,231)

The financial statements were approved the Board of Directors on 29 June 2010.



C Humphries CBE
Chief Executive



Sir Mike Rake
Chairman

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

Registered Company number 6425800

Statement of cash flows

	Note	£	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Net cash outflow from operating activities	21		(91,789,811)	(85,722,130)
Capital expenditure				
Purchase of tangible fixed assets		(292,587)	(428,731)	
Purchase of intangible assets		<u>(89,319)</u>	<u>(10,296)</u>	
Net cash outflow from capital expenditure			(381,906)	(439,027)
Financing				
Receipt of Grant-In-Aid funding	5		92,674,972	86,131,551
QCA receipt from prior year			(254,402)	–
Interest Received			<u>991</u>	<u>112,218</u>
Increase in cash and cash equivalents	22, 23		<u>249,844</u>	<u>82,612</u>

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

Registered Company number 6425800

Statement of changes in reserves

	Note	For the 12 months to 31 March 2010		For the 17 months to 31 March 2009	
		General Reserves		General Reserves	
		£	£	£	£
At start of period			(9,567,231)		-
Changes in reserves in the period					
Net Expenditure after interest, taxation and cost of capital		(89,078,108)		(89,621,247)	
Non-cash charges – reversal of cost of capital credit	15	<u>(294,427)</u>		<u>(168,872)</u>	
Total recognised income and expense in the period			(89,372,535)		(89,790,119)
Grant-In-Aid financing	5		92,097,686		80,222,888
At end of period			(6,842,080)		(9,567,231)

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

Notes to the accounts

1. Accounting Policies

Basis of preparation

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

The UK Commission is a 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 Accounts Direction from the Department for Business, Innovation and Skills (BIS) which is the UK Commission's 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 modified to account for the revaluation of intangible assets and property, plant and equipment as applicable.

First Time Adoption

This represents the Commission's first application of IFRS and the whole period is presented in accordance with those IFRS and IFRIC interpretations issued and effective, or issued and early-adopted, as at 31 March 2010.

The date of transition to IFRS is 13 November 2007 which was also the date the UK Commission was incorporated. As a result the UK Commission had no opening balances at 13 November 2007 and therefore no restatement at that date.

The UK Commission previously prepared and published its annual financial statements to 31 March 2009 under UK Generally Accepted Accounting (UK GAAP) as contained in FReM. The disclosures required by IFRS 1 'First time adoption of International Financial Reporting Standards' concerning the transition from UK GAAP to IFRS are given in note 2.

The adoption of International Financial Reporting and Accounting Standards has resulted in some changes to the UK Commission's accounting policies, as stated in note 2 below.

Going concern

The accounts have been prepared on the going concern basis, which assumes that the UK Commission's activities will continue in operational existence for the foreseeable future. The validity of this assumption is dependent upon the continuation of support from the UK Commission's funder and in response to the progress made by the Commission in obtaining future funding confirmation. In the light of the Grant-in-Aid resource budget allocation provided by Government in the Grant-in-Aid letter for 2010-11, the Directors are comfortable that it will have sufficient cash to pay its liabilities as they fall due.

Since the grant letter being issued, the Department has advised that an 11 per cent saving on our budget will be required during 2010-11. We expect to accommodate this reduction whilst still meeting our liabilities as they fall due.

Segmental reporting

The UK Commission's expenditure is analysed, at the highest level of reporting, by segments whose operating results are presented to and reviewed by the Senior Leadership Team (SLT) on a quarterly basis and the Senior Management Board (SMB) on a monthly basis to assess financial performance and make decisions about resource allocation. The expenditure segments were chosen for regular management review on the basis of the Grant-in-Aid expenditure allocation laid out in the UK Commission's Grant-in-Aid letter. The funding budget is ring-fenced between funding for distribution to Sector Skills Councils, the UK Commission's own projects, and organisational running costs.

Income

The element of Grant-In-Aid to fund revenue expenditure is received by the UK Commission 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. The element of Grant-In-Aid and grants relating to capital expenditure is also credited to general reserves in the period in which it is received in accordance with IAS 20 Government Grants.

Any Grant-In-Aid and grants received in respect of future periods are credited to and included within deferred income.

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.

Non Grant-In-Aid funding received, including the National Occupational Standard funding received from the Scottish Qualification Authority, is credited to income in the period to which it relates.

Cost recognition

Costs are recognised in the Net Expenditure Account on the earlier of the date of payment and the contractual delivery date. This policy is applied on a consistent basis for all expenditure including grant expenditure.

Notes to the accounts

1. Accounting Policies (continued)

National Occupational Standards (NOS) Levy Income

Prior to 30 September 2008 the UK Commission acted as agent for the Qualifications and Curriculum Authority (QCA) in administering the distribution of NOS Levy and related funds. As a result, up to that date, the funds received and paid are not reflected in the Net Expenditure Account. From 30 September 2008, the Accounting Officer responsibility in respect of the NOS Levy transferred from QCA to the UK Commission and transactions have been reflected in the Net Expenditure Account from this point onwards.

The funding received from this date has been accounted for as financing in the same way as Grant-In-Aid, on the advice of BIS (formally DIUS).

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 the UK Commission 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 Net Expenditure Account.

Taxation

The UK Commission pays tax on interest received.

Value Added Tax

At 31 March 2010, the UK Commission was not registered for VAT purposes. VAT is charged to the relevant expenditure account or included in the capitalised cost of fixed assets.

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 Net Expenditure Account 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 the UK Commission, 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

Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and carried at fair value, after initial recognition at cost, where significantly different to depreciated historical cost.

Computer software assets are amortised over their estimated useful lives of three years.

Depreciated replacement cost is used as a proxy for fair value.

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 the UK Commission and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Net Expenditure Account during the financial period in which they are incurred.

Any surplus arising on revaluation is recognised directly in a revaluation reserve within equity, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the Net Expenditure Account, in which case the credit is to the Net Expenditure Account.

The depreciable amount of a revalued asset is based on its revalued amount. The revaluation surplus is not transferred to General Reserves until the asset's ultimate disposal.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Net Expenditure Account.

Expenditure on the acquisition of intangible fixed assets 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.

Notes to the accounts

1. Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment held for use in the production or supply of services, or for administrative purposes, is carried at fair value, after initial recognition at cost, where significantly different to depreciated historical cost.

Depreciated replacement cost is used as a proxy for fair value.

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 the UK Commission and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Net Expenditure Account during the financial period in which they are incurred.

Any surplus arising on revaluation is recognised directly in a revaluation reserve within equity, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the Net Expenditure Account, in which case the credit is to the Net Expenditure Account.

The depreciable amount of a revalued asset is based on its revalued amount. The revaluation surplus is not transferred to General Reserves until the asset's ultimate disposal.

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. Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees which are capitalised in accordance with the UK Commission's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Net Expenditure Account.

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.

Impairment of non-current assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The UK Commission's non-current assets are non-cash-generating and 'value in use' is deemed to be the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

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 27. The defined benefit element of the scheme is unfunded and is non-contributory. The UK Commission 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.

In addition there are also contributions to partnership pension plans in respect of two employees.

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

Cost of capital

In accordance with FReM, which requires NDPBs to disclose the full cost of their activities, a non cash capital charge or credit, reflecting the cost of capital, is included in the Net Expenditure Account. The charge or credit is calculated at the Government's standard rate of 3.5 per cent in real terms on total assets and liabilities and excludes the Paymaster General cash balance from the equation.

Provisions

Provisions are recognised when the UK Commission has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, and are discounted to present value where the effect is material using a pre-tax discount rate. The amortisation of the discount is recognised as a finance cost.

Financial instruments

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

Financial assets

Financial assets held by the UK Commission 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.

Notes to the accounts

1. Accounting Policies (continued)

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.

The UK Commission's loans and receivables comprise 'other receivables' and 'cash and cash equivalents' in the Statement of Financial Position.

Prepayments and other receivables held by the UK Commission as at 31 March 2010 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 the UK Commission 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 and deposits held at call with HM Paymaster General.

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 Net Expenditure Account. 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 Net Expenditure Account 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.

Derecognition of financial assets

The UK Commission derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities held by the UK Commission 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.

The UK Commission's financial liabilities comprise trade payables, other payables, accruals and deferred income.

All financial liabilities held by the UK Commission as at 31 March 2010 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.

Derecognition of financial liabilities

The UK Commission derecognises financial liabilities when, and only when, the UK Commission's obligations are discharged, cancelled or they expire.

Period Covered By Financial Statements

This set of accounts covers the twelve months period to 31 March 2010.

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 areas described below:

- development expenditure incurred on the TalentMap programme has been charged to the Net Expenditure Account rather than being capitalised because it does not fulfil SIC 32's asset recognition criteria. Specifically TalentMap does not facilitate online applications and falls short in the interactive public service test of SIC 32 Intangible Assets – Web Site Costs
- 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.

Notes to the accounts

1. Accounting Policies (continued)

New standards, amendments and interpretations not yet effective

(a) The following Standards have been adopted early by the UK Commission:

- IFRS8 'Operating Segments' – Amendment. The amendment clarifies that segmental information for total assets is required only if such amounts are regularly reported to the chief operating decision maker. The amendment is effective for period commencing on or after 1 January 2010.
- IAS7 'Statement of Cash flows' – Amendment. The amendment clarifies that only expenditure that results in the recognition of an asset (rather than simply to generate future income and cash flows) can be classified as a cash flow from investing activities. The amendment is effective for period commencing on or after 1 January 2010.

(b) The following standards were in issue but not yet effective and have not been adopted in these financial statements:

- IAS 24 'Related Party Disclosures' — Revision. This revision simplifies and clarifies the definition of a related party, and provides government-related entities with partial exemption and is effective for periods commencing on or after 1 January 2011. The Directors do not believe this revision will have a significant impact on the UK Commission.
- FReM Chapter 11 'Income and Expenditure'. The removal of Cost of Capital charging from the accounts and is effective for periods commencing on or after 1 April 2010. The impact this will have on the UK Commission will be to no longer calculate and declare the cost of capital charge. The Directors do not believe this revision will have a significant impact on the UK Commission.

Other new standards will not be adopted as they will not have an expected material impact on the financial statements of the UK Commission.

2. First Time Adoption of IFRS

Explanation of transition to IFRS

This is the first time that the UK Commission has presented its financial statements under IFRS. The following disclosures are required in the year of transition in accordance with IFRS 1. The previous annual report for the seventeen months ended 31 March 2009 was prepared under UK GAAP. As such reconciliations from UK GAAP to IFRS for the Statement of Financial Position and Net Expenditure Account to 31 March 2009 are provided below.

Reconciliation of the Statement of Financial Position as at 31 March 2009

	UK GAAP (as previously stated) £	Effect of change to GAAP¹ £	UK GAAP (restated) £	Effect of change to IFRS £	IFRS £
Non-current assets					
Property, plant and equipment	622,202		622,202		622,202
Intangible assets	34,096		34,096		34,096
Total non-current assets	656,298		656,298		656,298
Current assets					
Trade and other receivables	683,813		683,813		683,813
Cash and cash equivalents	82,612		82,612		82,612
Total current assets	766,425		766,425		766,425
Total assets	1,422,723		1,422,723		1,422,723
Current liabilities					
Trade and other payables	(11,128,262)	220,010	(10,908,252)	(50,281)	(10,958,533)
Other liabilities – corporation taxation	(31,421)		(31,421)		(31,421)
Total current liabilities	(11,159,683)	220,010	(10,939,673)	(50,281)	(10,989,954)
Non-current assets less net current liabilities	(9,736,960)	220,010	(9,516,950)	(50,281)	(9,567,231)
Non-current liabilities					
Other payables: amounts falling due after one year	(436,288)	436,288	-	-	-
Total non-current liabilities	(436,288)	436,288	(9,516,950)	(50,281)	(9,567,231)
Assets less liabilities	(10,173,248)	656,298	(9,516,950)	(50,281)	(9,567,231)
General reserves	(10,173,248)	656,298¹	(9,516,950)	(50,281)²	(9,567,231)

¹ The £656,298 relates to the change in accounting policy in respect of Capital Grant-In-Aid.

² The £50,281 relates to untaken leave as at 31 March 2009. Under IAS 19 Employee Benefits, cost of leave to which employees are entitled to, but have not yet taken as at the end of the reporting period, should be accrued for. Previously under UK GAAP cost of such leave was not recognised as a liability on the financial statements.

Notes to the accounts

2. First Time Adoption of IFRS (continued)

Reconciliation of the Net Expenditure Account for the period to 31 March 2009

	UK GAAP (as previously stated) £	Effect of change to GAAP ¹ £	UK GAAP (restated) £	Effect of change to IFRS £	IFRS £
Expenditure					
SSC Funding Costs	74,532,662		74,532,662		74,532,662
Delivery Activity Costs	6,583,260		6,583,260		6,583,260
Organisation Costs – Pay	6,052,203		6,052,203	50,281 ²	6,102,484
Organisation Costs – Non Pay	2,719,659		2,719,659		2,719,659
Depreciation and amortisation	-	137,531 ¹	137,531		137,531
	89,887,784	137,531	90,025,315	50,281	90,075,596
Income					
Other grants and income	204,680		204,680		204,680
Net expenditure	(89,683,104)	(137,531)	(89,820,635)	(50,281)	(89,870,916)
Interest received	112,218		112,218		112,218
Taxation	(31,421)		(31,421)		(31,421)
Notional cost of capital	185,890	(11,485) ³	174,405	(5,533) ³	168,872
Net expenditure after interest, taxation and cost of capital	(89,416,417)	(149,016)	(89,565,433)	(55,814)	(89,621,247)

There are no changes to the figures reported in the Statement of Cash flows as a result of the transition from UK GAAP to IFRS so no reconciliation is shown here.

¹ The £137,531 relates to the removal of the amortisation credit for deferred income following the change in accounting policy in respect of Capital Grant-In-Aid.

² The £50,281 relates to untaken leave as at 31 March 2009. Under IAS 19 Employee Benefits, cost of leave to which employees are entitled to, but have not yet taken as at the end of the reporting period, should be accrued for. Previously under UK GAAP the cost of such leave was not recognised as a liability on the financial statements.

³ The £11,485 and £5,533 relates to a reduction in the notional cost of capital credit due to the above changes.

3. Analysis of Net Expenditure by Segment

As a NDPB with no material funding apart from the Grant-in-aid provided by Sponsors, the focus for the UK Commission is on working within the available Grant-in-Aid provided and extracting maximum value for money from programmes undertaken. Hence the primary focus of the UK Commission's Management is on controlling expenditure within budget as opposed to emphasis on revenue streams.

The UK Commission's expenditure is analysed, at the highest level of reporting, by segments whose operating results are regularly reviewed by the Senior Leadership Team (SLT) and the Senior Management Board (SMB) to assess financial performance and make decisions about resource allocation.

The Senior Leadership Team is the primary chief operating decision maker for the UK Commission and is supported on an operational level by the Senior Management Board. The Commissioners, through the Management Committee, have oversight of decisions made by the Senior Leadership Team.

The segments shown below are based on the highest level of breakdown shown in the UK Commission's Finance Report which is presented to and reviewed by the Senior Leadership Team and the Senior Management Board on a monthly basis and to the UK Commission's sponsor Departments and Management Committee on a quarterly basis.

The expenditure segments shown below were chosen for regular management review on the basis of the Grant-in-Aid expenditure allocation laid out in the UK Commission's Grant-in-Aid letter. The funding budget is ring-fenced between funding for distribution to Sector Skills Councils, the UK Commission's own projects, and organisational running costs. The elements of the reconciliations are defined as follows:

- The UKCES Programme Activity segment represents the costs of projects carried out by the various directorates within the UK Commission to support the priorities contained in the Grant-in-Aid letter and the UK Commission's business plan. This activity excludes funding provided to Sector Skills Councils and Standard setting bodies.
- The SSC Programme Activity segment represents the funding granted to Sector Skills Councils and other standard setting bodies to support the delivery of UK Commission priorities. The majority of the funding is provided as strategic funding to help support the cost of their core activity as Sector Skills Councils. The remaining funding is provided to mainly support delivery of specific Qualification Reform related projects in both Sector Skills Councils and Standard setting bodies. All grant programmes have specific guidelines and all applicants are subject to a formal process of assessment and approval.
- The Organisational Administration activity is the cost of running the UK Commission and includes staff salary costs and associated staff related costs as well as organisational systems, administration and control cost.
- Capital Expenditure represents funds allocated to non-current asset expenditure for the period to 31 March 2010.
- Depreciation and Finance. This segment comprises the depreciation charge for the year and finance charges.

Notes to the accounts

3. Analysis of Net Expenditure by Segment (continued)

For the year ended 31 March 2010

Reconciliation of Operational and Capital expenditure in the 2009/10 Finance Report to the Net Expenditure Account:

£000's	UKCES Programme activity	SSC Programmes Activity	Organisational administration activity	Capital Expenditure	Depreciation & Financing	Total
Expenditure/ Cap Ex per the 2009/10 Finance Report	6,909	73,616	8,605	382	172	89,684
Less: Adjusting items	-	-	(8)	(382)	87	(303)
Net Expenditure per the Net Expenditure Account	6,909	73,616	8,597	-	259	89,381

For the seventeen months to 31 March 2009

Reconciliation of Operational and Capital expenditure in the 2008/9 Finance Report to the Net Expenditure Account:

£000's	UKCES Programme activity	SSC Programmes Activity	Organisational administration activity	Capital Expenditure	Depreciation & Financing	Total
Expenditure/ Cap Ex per the 2008/09 Finance Report	6,498	75,705	8,269	532	140	91,144
Less: Adjusting items	85	(1,375) ¹	551	(532)	(2)	(1,273) ¹
Net Expenditure per the Net Expenditure Account	6,583	74,330	8,820	-	138	89,871

¹ £1,171 of this value relates to Non take-on NOS Levy funding transactions carried out on an agency basis.

Interest received, taxation and notional cost of capital are not all allocated to segments and do not form part of the finance report reviewed by the Senior Leadership Team. The finance report reviewed by the Senior Leadership Team only shows expenditure analysed by segment.

Adjusting items are for adjustments that are shown in the statutory accounts but not included within the Management accounts or vice-versa.

4. Other grants and income

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Scottish Qualification Authority (SQA) Levy	–	204,680

5. Grant-In-Aid

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Grant-In-Aid received:		
From BIS (formerly DIUS) ¹	92,405,570	66,635,000
NOS Levy funding ²	269,402	19,496,551
	92,674,972	86,131,551
Add: Non-Cash Related Funding		
Grant-In-Aid from DIUS, pre 1 April 2008 ³	–	431,525
Grant-In-Aid receivable from QCA after 31 March ⁴	43,538	254,402
	43,538	685,927
Less: Grant-in-Aid Allocated to Finance Statement of Financial Position Items		
Allocated to fund NOS levy payments on an agency basis in the period to 30 September 2008	–	(3,290,236)
Allocated to fund the payment of liabilities transferred from SSDA ⁵	(366,422)	(3,304,354)
NOS Levy received from QCA from prior year ⁴	(254,402)	–
	(620,824)	(6,594,590)
Transfer to General reserves	92,097,686	80,222,888

The NOS levy income accounting policy on page 48 provides further details on accounting treatment of the NOS levy.

Notes to the accounts

5. Grant-In-Aid (continued)

¹ Funding received from BIS/DIUS on behalf of all Co-Sponsors.

² Funding received from QCA, representing the balance of NOS Levy funds transferred to the UK Commission. The funding has been applied in the following manner:

	For the 12 months to 31 March 2010 £000's	For the 17 months to 31 March 2009 £000's
To support NOS related activity in the period on an agency basis, prior to taking on Accounting Officer responsibility.	–	3,290
To support NOS related activity in the period from taking on Accounting Officer responsibility on 30 September 2008.	269	6,649
To support other UK Commission costs in period ended 31 March 2009 in place of Grant-In-Aid funding from Government Sponsors (the compensating cash being provided by Government Sponsors in 2009-10 and 2010-11 financial years to support NOS related activity in the form of Grant-In-Aid).	–	9,558
Total NOS funds received from QCA.	269	19,497

³ Funding recognised by the UK Commission in respect of set-up costs incurred by DIUS on behalf of the UK Commission post incorporation but prior to the UK Commission becoming operational on 1 April 2008. The corresponding expenditure is reflected in the Net Expenditure Account.

⁴ Income due from QCA in respect of the NOS levy that was received by the UK Commission post year end.

⁵ Represents the value of funding received to cover payment of contract milestone liabilities transferred from the SSDA.

6. SSC Funding Costs

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Strategic Core Funding – Public sector	5,699,000	2,582,165
Strategic Core Funding - Private sector	41,947,172	46,824,792
Project Funding – Public sector	2,089,441	5,539,067
Project Funding - Private sector	23,880,061	20,075,321
Release of creditor balance following SSDA creditor fair value review	–	(488,683)
	73,615,674	74,532,662

Public sector comprises any organisation that is sitting within a Health Trust, a NDPB or a Government Department.

7. Delivery Activity Costs

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Due Diligence	29,110	66,407
Legal and Professional	150,553	-
Quality Assurance	132,105	200,288
IT Consultancy	894,801	1,902,812
Research & Evaluation	2,505,147	1,563,933
Communications, Public Affairs & Events	1,380,443	1,373,610
Publications	393,371	273,873
Policy Development	369,022	645,504
Project Management	1,054,756	556,833
	<hr/> 6,909,308	<hr/> 6,583,260

8. Organisation Costs – Pay

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Permanent Staff	5,540,625	4,895,052
Temporary Staff	464,244	1,207,432
	<hr/> 6,004,869	<hr/> 6,102,484

9. Depreciation and Amortisation

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Amortisation	30,062	25,627
Depreciation	229,250	111,904
	<hr/> 259,312	<hr/> 137,531

Notes to the accounts

10. Organisation Costs – Non-Pay

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Staff Development & Other Staff Costs	258,176	110,884
Travel & Subsistence	621,207	585,332
Meetings, Conferences & Events	75,923	151,392
Printing, Stationery & Advertising	80,836	127,787
Equipment & Systems	130,939	236,204
Communication Charges	136,442	139,431
Professional & Recruitment Fees	555,361	879,224
Accommodation & Facilities	729,758	483,217
Financing & Bank Charges	3,416	6,188
	2,592,058	2,719,659

11. Net expenditure

Net expenditure is stated after charging:

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Amortisation	30,062	25,627
Depreciation	229,250	111,904
Auditors remuneration – external audit	50,000 ¹	28,750
Operating lease rentals – buildings	398,543	371,000
Operating lease rentals – other	11,597	11,844

¹ This is made up of £11,500 additional cost of prior year audit, £10,000 to audit the restatement of prior year figures under IFRS and £28,500 to cover the 2009/10 audit.

12. Taxation

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Taxation due brought forward	31,421	-
Taxation paid during the year	(23,449)	-
Net expenditure charge during the year	(7,695)	31,421
Taxation due carried forward	277	31,421

Taxation relates to tax on interest received, calculated at the standard rate of corporation tax of 28% of the interest received during the period.

13. Interest Receivable

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Interest received	991	112,218

14. Directors and Employees

Staff costs during the period were as follows:

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Salaries	4,446,771	3,792,023
Social security costs	378,240	396,445
Other pension costs	784,495	705,548
Inward Seconded, loan and temporary staff	395,363	1,208,468
	6,004,869	6,102,484

Notes to the accounts

14. Directors and Employees (continued)

The UK Commission incurred £11,828 due to outward seconded staff. The full cost was recharged to Welsh Assembly Government.

Average number of employees during the year were as follows:

	Full time Equivalents for 12 months to 31 March 2010	Full time Equivalents for 17 months to 31 March 2009
Company Directors (Chair and Chief Executive)	1.1	1.1
Direct employees	96.0	79.0
Agency staff	9.4	8.3
Inward Seconded staff	3.3	3.8
Outward Seconded staff	0.3	-
	110.1	92.2

Directors' Emoluments

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Sir Mike Rake (Chair)	83,250	117,000
Chris Humphries (Chief Executive) – Salary and performance pay	203,973 ¹	208,750 ²
Chris Humphries (Chief Executive) – Pension	41,750	52,187
Liz Sayce ³	5,175	5,287
Sarah Anderson CBE	3,130	4,500

¹ Includes £35,442 bonus paid in respect of performance in period to 31 March 2009. No bonus was paid to 31 March 2009.

² Salary for the period 1 January 2008 to 31 March 2009.

³ Paid to The Royal Association for Disability and Rehabilitation, not Liz Sayce directly.

15. Cost of capital

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Cost of Capital charge	294,427	168,872

In accordance with FReM, NDPBs are required to disclose the full cost of their activities in their accounts. The Commission has included in its accounts an amount for the cost of capital. The cost of capital has been arrived at by calculating a rate of 3.5 per cent of the average capital employed. The average capital employed is defined as an average of total assets less total liabilities at the start and end of the accounting period. As a NDPB which is also a company limited by guarantee, this cost of capital is then reversed out through the Statement of Changes in Reserves.

Notes to the accounts

16. Non current assets

For the year ended 31 March 2010

Property, plant and equipment

	Equipment £	Assets Under Construction £	Information Technology £	Furniture and Fittings £	Total £
Cost					
At 1 April 2009	4,030	260,661	265,033	204,382	734,106
Transfer	–	(260,661)	260,661	–	–
Addition	–	–	255,083	37,504	292,587
At 31 March 2010	4,030	–	780,777	241,886	1,026,693
Depreciation					
At 1 April 2009	409	–	77,828	33,667	111,904
Charge for the year	731	–	190,472	38,047	229,250
At 31 March 2010	1,140	–	268,300	71,714	341,154
Net book amount					
At 31 March 2010	2,890	–	512,477	170,172	685,539

For the seventeen months to 31 March 2009**Property, plant and equipment**

	Equipment	Assets Under	Information	Furniture	Total
	£	Construction	Technology	and Fittings	£
		£	£	£	
Cost					
At incorporation date	–	–	–	–	–
Acquired from SSDA at net book value	373	–	164,399	63,417	228,189
Additions	3,657	260,661	115,843	140,965	521,126
Fair value adjustment on transferred assets	–	–	(15,209)	–	(15,209)
At 31 March 2009	4,030	260,661	265,033	204,382	734,106
Depreciation					
At incorporation date	–	–	–	–	–
Charge for the period	409	–	77,828	33,667	111,904
At 31 March 2009	409	–	77,828	33,667	111,904
Net book amount					
At 31 March 2009	3,621	260,661	187,205	170,715	622,202

Notes to the accounts

16. Non current assets (continued)

Intangible assets	At 31 March 2010
	£
Software Licences	
Cost	
At 1 April 2009	59,723
Additions	89,319
At 31 March 2010	149,042
Amortisation	
At 1 April 2009	25,627
Provided in the year	30,062
At 31 March 2010	55,689
Closing net book amount at 31 March 2010	93,353
Intangible assets	
Software Licences	
Cost	
At incorporation date	-
Acquired from SSDA at net book value	50,432
Additions	11,428
Fair value adjustment on transferred assets	(2,137)
At 31 March 2009	59,723
Amortisation	
At incorporation date	-
Provided in the period	25,627
At 31 March 2009	25,627
Closing net book amount at 31 March 2009	34,096

17. Other current assets

	At 31 March 2010	At 31 March 2009
	£	£
Prepayments	218,294	62,989
Funding receivable in respect of SSDA transferred liabilities outstanding	–	366,422
Owing From Other Government Bodies	43,560	254,402
	<hr/> 261,854	<hr/> 683,813

18. Trade and other payables

Amounts falling due within one year

	At 31 March 2010	At 31 March 2009
	£	£
Trade payables	190,658	602,732
Owing To Other Government Bodies	427,804	100,330
Accruals – Sector Skills Councils & Other Standard Setting Bodies ¹	4,613,612	7,046,845
Accruals – Sector Skills Councils & Other Standard Setting Bodies relating to outstanding SSDA transferred milestones	–	366,422
Accruals – Untaken leave	82,689	50,281
Accruals – Other	2,900,242	2,791,923
	<hr/> 8,215,005	<hr/> 10,958,533

¹ Accruals in relation to Sector Skills Councils and Standard Setting Bodies are for contracted milestones with a delivery date on or before 31 March 2010.

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables is 9 (2009: 19) days while that for Sector Skills organisations was 9 (2009: 14) days. The 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 2010.

Directors consider that the carrying amount of trade payables approximates to their fair value due to their short term nature.

Notes to the accounts

19. Other liabilities – corporation taxation

	At 31 March 2010	At 31 March 2009
	£	£
Corporation taxation	277	31,421

The corporation taxation liability relates to tax on interest received. The calculation is based on 28% of the interest received during the period.

20. General Reserves

Clause 5 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, officer 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.

21. Net cash outflow from operating activities

	At 31 March 2010 £	At 31 March 2009 £
Net Expenditure after interest, taxation and cost of capital	(89,078,108)	(89,621,247)
Adjustment for cost of capital credit	(294,427)	(168,872)
Interest received	(991)	(112,218)
Tax (credit)/expense recognised in Net Expenditure Account	(7,695)	31,421
Amortisation	30,062	25,627
Depreciation	229,250	111,904
Tax paid	(23,449)	-
Decrease / (increase) in debtors excluding SSDA transferred debtor outstanding	55,537	(317,391)
(Decrease) / Increase in creditors excluding capital and outstanding SSDA liability	(2,333,568)	10,491,711
Pre 1st April costs funded by DIUS on UK Commission's behalf	-	431,525
Payments made in relation to SSDA liabilities transferred	(366,422)	(3,304,354)
Payments made on an agency basis	-	(3,290,236)
Net cash outflow from operating activities	<u>(91,789,811)</u>	<u>(85,722,130)</u>

22. Reconciliation of net cash flow to movement in net funds

	At 31 March 2010 £	At 31 March 2009 £
Net cash at the beginning of period	82,612	-
Increase in cash in the period	249,844	82,612
Net cash at end of period	<u>332,456</u>	<u>82,612</u>

All cash balances are held at the office of HM Paymaster General.

Notes to the accounts

23. Analysis of changes in net cash

	At beginning of period £	Cash flow £	At end of period £
Cash at bank and in hand	82,612	249,844	332,456

24. Contingent liabilities disclosed under IAS 37

The company had no contingent liabilities at 31 March 2010 or 31 March 2009.

25. Financial instruments

As a NDPB with no borrowings and wholly funded by BIS, the UK Commission confirms that it is not exposed to any risks relating to financial instruments.

Generally, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the UK Commission's expected purchase and usage requirements and the UK Commission is therefore exposed to little liquidity, interest, credit, price or foreign currency risk as explained below.

Liquidity risk

The UK Commission receives funding monthly on the basis of a payment schedule agreed annually with the Department for Business Innovation and Skills (BIS). By ensuring that expenditure is maintained within the budgetary allocation, the UK Commission faces minimal liquidity risk.

Interest rate risk

At 31 March 2010 all the UK Commission's financial liabilities were non-interest bearing. The UK Commission's only interest bearing financial asset is its current account held with the Paymaster General. Interest received from that account during the period to 31 March 2010 was 0% of total funding. Therefore, interest income is immaterial to the UK Commission's operations and the UK Commission faces no significant interest rate risk.

Foreign currency risk

The UK Commission has negligible foreign currency transactions and is, therefore, not exposed to any material foreign currency risk. As the UK Commission does not trade in financial instruments, those that it does hold are accounted for at book value which represents a reasonable approximation to fair value, any difference in these values is immaterial to the UK Commission's accounts.

Credit and Other Price Risk

Exposure to credit and other price risks is not significant. The UK Commission does not carry any long outstanding debt and all of the amount receivable is from government agencies.

All contracts are agreed at a fixed price and the UK Commission has no exposure to any other price risks.

A review of all contracts was made at year end and no known derivative elements embedded were identified.

26. Capital commitments

£87,150 (2009: £11,307) has been committed and contracted in respect of capital expenditure as at 31 March 2010.

27. Pension contributions

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. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2007
Investment returns per annum	6.0% per annum
Salary scale increases per annum	3.9% per annum

Further information can be obtained from www.civilservice-pensions.gov.uk.

Total contributions to the scheme in the year were £739,699 (2009: £641,481)

Partnership Pension Account

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 10 per cent and 25 per cent (depending on the terms of their employee contract agreements) into a stakeholder pension product chosen by the employee.

Total contributions to the scheme in the year were £45,246 (2009: £64,067).

Notes to the accounts

28. Insurance

With the exception of third party insurance required by the Road Traffic Acts and any others which are statutory or contractual obligations, the company follows the usual rules for public bodies of non-insurance.

The company is indemnified by the Department for Business, Innovation and Skills, (BIS) in respect of the Employer's Liability Insurance.

29. Commitments under leases

Operating lease payments amounting to £410,140 (2009: £382,844) 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.

	Buildings 2010 £	Other 2010 £	Buildings 2009 £	Other 2009 £
In one year or less	402,505	14,961	396,824	15,320
Between two and five years	783,984	7,481	1,185,074	22,946
Greater than five years	-	-	-	-
	1,186,489	22,442	1,581,898	38,266

The lease for the Wath Office located on 3 Callflex Business Park, Wath-upon-Deerne relates to the building only and does not include the land on which the premises are built. Rental charges are reviewed annually and may be increased on agreement by both the Landlord and the UK Commission.

The tenancy for 3 Callflex Business Park runs up to 18th April 2012 on which date there is a lease break. The figures above include rentals for the London Office space in 28-30 Grosvenor Gardens, London. The London Office is rented by way of a Memorandum of Terms of Occupation (MOTO) arrangement which gives the Commission the right of usage and control of the premises. The arrangement does not take the legal form of a lease but is recognised and disclosed on these financial statements as an operating lease in accordance with IFRIC 4.

The rental arrangement for the London Office relates to the building only and does not include the land on which the premises are built.

The MOTO arrangement for the London Office runs until 30th September 2013 and is extendable by mutual agreement to 24th December 2017 or until ended by either party by giving due notice as outlined on the MOTO. Rental charges are subject to review by the Landlord on 31st December 2012.

30. Service Concession Arrangements

(a) – Talent map Phase 3

The UK Commission for Employment and Skills entered into an agreement with Serco for the Talent map Phase 3 programme. The terms of the contract are that Serco would provide services for project initiation and development of a version for publicly funded employer support, as well as the provision for website interim support.

The contract was awarded under HMRC Business Link framework and approved by the multi agency Project Steering Group (refer to Note 33 – transactions with related parties).

The **talentmap™** is a framework and web-service for employers and their advisers which in the first instance will help them to navigate the complex public sector employment and skills landscape and find publicly funded advice and support.

Development work commenced in early 2008 and the service was launched, as planned, in the summer 2009. Its development and operation will be funded by UK Government until the end of 2010-11. Serco as the businesslink operator will take over the talentmap web-tool from 1st April 2011. They will develop **talentmap™** web-tool from that point on.

Initial Government investment to set up the basic service is around £3 million over three financial years. This is funded by Governments in Westminster, Northern Ireland, Scotland and Wales.

Changes in the arrangement occurring during the period

A change to the deliverables as agreed between the two parties, including any changes of timings that take substantial proportions of the work outside the financial year of 2009/10, will be reviewed on a case by case basis.

Terms of arrangement affecting the amount, timing and certainty of future cash flows

Significant terms of arrangement relating to funding are as follows:

- Delivery will take place within the funding framework as documented in the Business Case - Government Programme Funding Model Web Convergence and Support V1.0 issued March 2008.
- All work will be arranged through a Statement of Works mechanism.
- Payment is conditional against sign-off of the pre-agreed monthly work and invoicing schedules as stated in the statement of works. There are no terms of arrangements that would be expected to materially affect the amount, timing and certainty of future cashflows beyond those noted above.

Rights and Obligations

During 2009/10 the UK Commission (on behalf of the Talent map Coalition) as the grantor of the project committed to:

- Provide a project team to manage the delivery by Serco of the publicly funded version of **talentmap™** and procure a Delivery Partner to take forward this initial investment.
- Provide a senior representative to be a chair or member of the **talentmap™** Project Board and Steering Group to support the Talent Map Phase 3 project in achieving its objectives as set out in its strategic business case.
- Communicate the benefits of using the **talentmap™** to stakeholders, employer representative, employers and brokers/advisors.

Notes to the accounts

30. Service Concession Arrangements (continued)

During 2010-11 the UK Commission (on behalf of the Talent map Coalition) as the grantor of the project commits to:

- Engaging at operational and senior level to understand the Delivery Partner's, now identified as Serco as the businesslink operator, needs and priorities and provide strategic and operational support.
- Provide a senior representative to be a chair or member of the **talentmap™** Governance Board and provide strategic and 'policy' input into the work of the **talentmap™**.
- Provide stakeholder management of the members of the talentmap coalition and content providers.
- Communicate the benefits of using the **talentmap™** framework and web-tool.

In 2009/10 Serco committed to:

- Develop the publicly funded version of **talentmap™** in accordance with the delivery schedule given above.
- Take responsibility to meet agreed operational service levels and to maintain the accuracy and relevance of all information owned by the UK Commission for content provided on businesslink.gov.uk.

In 2010-11 Serco commits to:

- Maintain and support, on a turnkey basis, the publicly funded version of **talentmap™** in accordance with the delivery schedule given above.
- Take responsibility to meet agreed operational service levels and to maintain the accuracy and relevance of all information owned by the UK Commission for content provided on businesslink.gov.uk.
- Develop the technical solution so that Serco as businesslink operator can take over full responsibility from 1st April 2011.

Classification

Development expenditure incurred on the Talent Map Phase 3 project has been charged to the Net Expenditure Account as it does not fulfil the Framework's asset recognition criteria. While the expenditure can be reliably measured, Talent map does not facilitate online applications and falls short in the interactive public service test of SIC 32 Intangible Assets – Web Site Costs.

(b) – National Occupational Standards (NOS) Directory

The National Occupational Standards Directory is a web accessed database covering the content and provision of National Occupational Standards across the UK. It is accessible by the public, education establishments and trainers, employers, Sector Skills Councils and Standard Setting bodies.

The UK Commission for Employment and Skills entered into an agreement with Transmedia Gateway Ltd for hosting, technical maintenance and helpdesk support for the National Occupational Standards (NOS) Directory. The Directory had been developed under the Sector Skills Development Agency and the decision to include the continued provision of this service within the remit of the UK Commission was only made in February 2008. This resulted in an award of contract under single tender in order to ensure continued provision whilst a period of consultation was entered into about the long term future of this service.

Duration of Contract: 01/04/2008 – 30/06/2010

Value during 2009-10 financial year: £76,090

Changes in the arrangement occurring during the period

As the complexity of the stakeholder consultation became fully understood the duration of the contract was extended from 31/12/2009 to 30/06/2010 and agreed between the two parties.

Terms of arrangement affecting the amount, timing and certainty of future cash flows

Significant terms of arrangement relating to this contract are as follows:

- Any failure to provide the services as detailed in the Service Level Agreement will result in free support and maintenance by Transmedia Gateway Ltd at no charge, up to a maximum of 16 hours per month. There are no terms of arrangements that would be expected to materially affect the amount, timing and certainty of future cashflows beyond those noted above.

Rights and Obligations

Transmedia Gateway Ltd will provide hosting, maintenance and help desk support in line with the Service Level Agreement in the contract. This includes maximum response times for any technical fault or access to the system.

Transmedia Gateway Ltd have granted to the UK Commission and the Government a non-exclusive, perpetual, irrevocable and transferable license to use exploit and/or adapt the Intellectual Property subsisting in any documents, materials and outputs whatsoever arising from the performance of the Company of its duties under this contract. A copy of all code, backups and other materials will be transferred to the UK Commission on completion of the contract.

Classification

The National Occupational Standards Directory was developed and completed by the Sector Skills Development Agency. The expenditure incurred by the UK Commission was for maintenance and has been charged to the Net Expenditure Account.

Notes to the accounts

31. Commitments under Service Concession Arrangements

Total commitments relating to service concession arrangements, analysed by the period during which the commitment expires, comprise:

	Serco 2010 £	NOS Directory 2010 £	Serco 2009 £	NOS Directory 2009 £
In one year or less	-	15,250	-	52,877
Between one and five years	-	-	-	-
Greater than five years	-	-	-	-
	-	15,250	-	52,877

32. Liabilities of members

Under Clause 7 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.

33. Transactions with related parties

The UK Commission is a NDPB funded by BIS and is regarded as a related party.

During the year the UK Commission 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 the UK Commission. All were arms length transactions carried out in the normal course of business and were competitively tendered in respect of non-Sector Skills Council funding transactions, and were procured in accordance with the UK Commission's conflict of interest policy. The procurement route and involvement of Commissioners for each relationship is noted against each party where relevant.

For the year ended 31 March 2010

Director	UK Commission Role/ Relationship	Related Organisation Role/ Relationship	Related Organisation	Transaction	Value included in accounts £	Amount yet to be paid at 31 March 2010 £
Sir Mike Rake	Chairman	Chairman	BT Landline	Telephone services ²	34,106	5,348
Sir Mike Rake	Chairman	Chairman	BT Openworld	Internet service charges ²	2,321	147
Sir Mike Rake	Chairman	Chairman	BT Openworld	Internet service connection charges for London Office	3,931	-
Sir Mike Rake	Chairman	Chairman	BT INET		19,125	-
Chris Hyman	Director	Chief Executive	Serco	Strategic advice on Talent Map long term plan ³	254,485	-
Jeremy Anderson	Director	Chief Executive	KPMG	KPMG provided internal audit services to the UKCES ⁵	-	34,539
Larry Hirst	Director	Chairman	e-skills UK	Funding for programme costs ⁶	2,800,545	84,306

The UK Commission sponsors the following Sector Skills Councils which are considered to be related parties. Details of the most material transactions made with the related party Sector Skills Councils during the period to 31 March 2010 are shown below.

Related Sector Skills Council	Relationship	Transaction	Value £	Amount yet to be paid at 31 March 2010 £
Government Skills	Government Body	Funding for programme delivery	2,009,393	61,343
Construction Skills	Government Body ¹⁰	Funding for programme delivery	3,381,206	303,754
Skills For Health	Government Body	Funding for programme delivery	2,397,842	62,707

Notes to the accounts

33. Transactions with related parties (continued)

For the seventeen months to 31 March 2009

Director	UK Commission Role/ Relationship	Related Organisation Role/ Relationship	Related Organisation	Transaction	Value included in accounts £	Amount yet to be paid at 31 March 2010 £
Sir Mike Rake	Chairman	Chairman	BT	Business Case Development proof of concept and Business Consultancy for talentmap™, phase 2 ¹	327,551	-
Sir Mike Rake	Chairman	Chairman	BT Landline	Telephone services ²	27,155	-
Sir Mike Rake	Chairman	Chairman	BT Openworld	Internet service charges ²	1,885	-
Chris Hyman	Director	Chief Executive	Serco	Strategic advice on Talent Map long term plan ³	56,427	56,427
Chris Hyman	Director	Chief Executive	Serco	Talent Map Phase 3 – Project initiation & Beta delivery and Provision of website interim support services ⁴	1,242,848	1,242,848
Jeremy Anderson	Director	Chief Executive	KPMG	KPMG provided internal audit services to the UKCES ⁵	24,208	-
Larry Hirst	Director	Chairman	e-skills UK	Funding for programme costs ⁵	3,531,666	49,500

The UK Commission sponsors the following Sector Skills Councils which are considered to be related parties. Details of the most material transactions made with the related party Sector Skills Councils during the period to 31 March 2009 are shown below.

Related Sector Skills Council	Relationship	Transaction	Value £	Amount yet to be paid at 31 March 2009 £
Government Skills ⁷	Government Body	Funding for programme delivery	1,936,162	200,000
Construction Skills ^{8,10}	Government Body	Funding for programme delivery	3,907,927	403,400
Skills For Health ⁹	Government Body	Funding for programme delivery	3,191,719	311,176

The UK Commission's procurement process ensures there is no influence with Commissioners in the provision of the tender or in the delivery of the service.

A review of all SSC board of directors was made and no known UKCES representative, senior manager or director was identified as a member other than those mentioned in these financial statements.

¹ Awarded under OGC Catalyst Framework. Evaluated by two external consultants and the Head of IT & Facilities to ensure transparency. There was no involvement in award by Commissioners or Executive Directors. Award was ratified by Project Steering group comprising Talent Map sponsoring agencies.

² Awarded through OGC pan-Government framework. There was no involvement of Commissioners in award.

³ Awarded under an OGC multi-disciplinary framework. Approved by multi agency Project Steering Group. There was no involvement by Commissioners in award.

⁴ Award made under HMRC single framework as Serco is the only supplier with the security access to work on and link to, other Government websites. There was no Commissioner influence in the provision of the tender or in the delivery of the service.

⁵ Open advertised tender. No influence from Commissioners with regard to proposed supplier selection.

⁶ e-skills UK is Sector Skills Council. Larry Hirst is excluded from any Commission decisions effecting Sector Skills Councils.

⁷ Figure includes £8,680 paid on an agency basis.

⁸ Figure includes £286,448 paid on an agency basis.

⁹ Figure includes £263,185 paid on an agency basis.

¹⁰ There is a related party relationship as a Government body as well as in relation to having common Directorship James Wates is the Chairman of CITB-Construction Skills and was appointed as a Commissioner 1 April 2009 and is excluded from any Commission decisions effecting Sector Skills Councils.

Notes to the accounts

34. Losses and special payments

	For the 12 months to 31 March 2010 £	For the 17 months to 31 March 2009 £
Losses and special payments total value	986	3,648
Transactions included in the figure above exceeding £1,000:		
Stolen IT equipment	–	3,417

35. Performance targets

For the period ended 31 March 2010 the company was not set any specific financial performance targets by Sponsors.

36. Post Balance Sheet events

Transfer of Investors In People function

On 1 April 2010 the UKCES took over the running of the Investors In People (IIP) program from IIP (UK) by way of a business combination following a machinery of government change. The effect of this transfer of the IIP function is that the UK Commission is bringing in net assets at a provisional fair value of £409,000 (unaudited figure) and 12 employees.

Authorised for issue

The financial statements were authorised for issue on 5 July 2010.

Legal and administrative details

Company registration number:	6425800
Registered office:	3 Callflex Business Park, Golden Smithies Lane, Wath-upon-Deerne, South Yorkshire S63 7ER
Company secretary:	Kay Dickinson
Bankers:	H M Paymaster General
Auditors:	Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria, London, SW1W 9SP

Register of Directors interests

The Register of Directors interests are available at the company's registered office.

Directors

The directors in office during the year are listed below:

Name	Date of appointment	Actual resignation date
Executive Directors		
Sir Mike Rake	13/11/07	
Chris Humphries CBE	01/01/08	
Non Executive Directors		
Prof. Alan Gilbert	01/04/08	02/02/10
Brendan Barber	01/04/08	
Charles Mayfield	01/04/08	
Chris Hyman CBE	01/04/08	
David Brennan	01/04/08	
David Prentis	01/04/08	
Dr Bill McGinnis CBE	01/10/08	
Grahame Smith	01/04/08	
Ioan Morgan CBE	01/04/08	30/09/09
Jeremy Anderson CBE	01/04/08	
James Wates	01/04/09	
Julie Kenny CBE, DL	01/04/08	
Larry Hirst CBE	01/04/08	
Liz Sayce	01/04/08	
Lord Victor Adebowle	01/04/08	
Nigel Whitehead	01/04/09	
Philip Green	01/04/08	
Richard Lambert	01/04/08	
Sarah Anderson CBE	01/04/08	10/12/09
Sir Adrian Webb	01/04/08	
Sir Robert Kerslake	01/04/08	10/12/09
Valerie Todd	01/04/08	
Willy Roe CBE	01/04/08	

Our Commissioners



Lord Victor Adebowale
Chief Executive, Turning Point

Victor has been Chief Executive of Turning Point since 2001 and has more than 25 years experience in the health, social care and housing sector. Turning Point is the UK's leading social care organisation, providing services for people with complex needs. Victor is a member of the Ministerial Advisory Group for Equality in Mental Health and of the Advisory Council of the Misuse of Drugs. He has an MA in Advanced Organisational Consulting and has advised government of both Labour and Conservative administrations on various issues relating to the sector. In 2000, Victor was awarded the CBE for services to the New Deal, the unemployed and homeless young people. He was appointed as a cross bench peer in 2001.



Jeremy Anderson CBE
Head of Financial Services, KPMG Europe LLP

Jeremy Anderson is Head of Financial Services for KPMG Europe LLP. He works extensively with global banks helping them to design and implement people, process and technology solutions as they deal with the challenges of a fast changing and expanding global market. Jeremy also held the post of Deputy Chairman of the Business Commission on Race Equality in the Workplace.



Brendan Barber
General Secretary of the TUC

Brendan joined the TUC in 1975, becoming Head of the Press Department in 1979 and the Industrial Relations Department in 1987 before being appointed Deputy general Secretary in 1993. He was elected General Secretary in 2003 and has served on a number of public bodies, including the ACAS Council. He is currently a member of the Court of Directors of the Bank of England.



David Brennan
Chief Executive Officer of AstraZeneca plc

From 2001 until his appointment to CEO, David was President and Chief Executive Officer of AstraZeneca LP, the Company's North American subsidiary for the U.S. and Canada. He was appointed Executive Board Director of AstraZeneca in 2005. David is also Chairman of the Board of the Pharmaceutical Research and Manufacturers of America (PhRMA), a member of the Executive Board of European Federation of Pharmaceutical Industries and Associations (EFPIA) and of the European Roundtable of Industrialists (ERT).



Philip N Green
Chief Executive of United Utilities PLC

United Utilities is one of the largest utilities (water, gas and electricity) companies in the UK, ranked mid-way in the FTSE100. Philip's previous positions have included CEO of P&O Nedlloyd Container Line Ltd., where in 2004 he led the company to its successful listing as Royal P&O Nedlloyd BV in Amsterdam. He also worked as Chief Operating Officer at Reuters Group plc. Philip is a Director of Business in the Community, Chairman of Business in the Community's Environment Campaign and a trustee of the Philharmonia Orchestra.



Larry Hirst CBE
**Chairman of IBM Europe,
 Middle East and Africa (EMEA)**

Previously, Larry was General Manager for IBM's operations in the UK, Ireland, the Netherlands and South Africa. In addition to his IBM responsibilities, Larry is an Advisor on the Presidential International Advisory Council on Information Society and Development (PIAC) for South Africa. In 2009 Larry was asked to take up the role of Chairman of the UK Trade and Investment Executive Board responsible for driving the UK's trade and investments objectives in the telecommunications and IT technology sectors. Other roles include Chairman of e-skills UK, the Sector Skills Council for IT, Telecoms and Contact Centres, and Chairman of the 'Transition to Teaching' Steering Committee. In 2006 Larry was awarded the CBE in recognition of his services to the IT industry.



Chris Hyman CBE
Chief Executive, Serco Group PLC

In addition to this role, Chris formed Serco's first global division, and implemented the first global practices across the company. Chris is also Chairman of In Kind Direct, a trustee of Habitat for Humanity, Advisor of the Borneo Tropical Rainforest Foundation, and a National Ambassador of Business in the Community. Having been raised in South Africa he has a passion for the development and mentoring of underprivileged young people and he continues to further this cause.



Julie A Kenny CBE, DL
Managing Director, Pyronix Ltd

Julie is also a board member of the Small Business Forum, Yorkshire Forward, Creative Sheffield and Director of the British Security Industry Association. Julie has been in public service to the Community since 1994 when she became a member of Rotherham Training and Enterprise Council and then Rotherham Chamber of Commerce Training and Enterprise. In recognition of her contribution to the region's business and industry, Julie was awarded a CBE in 2002.



Richard Lambert
Director-General, Confederation of British Industry (CBI)

Richard became Financial Editor at the Financial Times in 1979. He became Editor in 1991 and during his 10 years in this role launched the US version of the newspaper. In 2002, Richard was asked to write the Lambert Review of Business Collaboration. In Spring 2003 Richard became a member of the Bank of England's Monetary Policy Committee, stepping down in April 2006. He has been Director-General of the CBI since 1 July 2006. Richard is a trustee of the British Museum and Chancellor of Warwick University.



Charlie Mayfield
Chairman, John Lewis Partnership

Charlie Mayfield became the Partnership's fifth Chairman in March 2007. He joined the Partnership in 2000 as Head of Business Development, for both John Lewis and Waitrose. Charlie joined the Board as Development Director in 2001 and was responsible for developing the Partnership's online strategy. He became Managing Director of John Lewis in January 2005 prior to taking up his appointment as Chairman of the Partnership in March 2007. Charlie is also Chairman of the Business Action on Economic renewal Leadership Team and Deputy Chairman of the New West End Company.



Dr Bill McGinnis CBE
Northern Ireland Adviser on Employment and Skills

Bill McGinnis is Chairman of the McAvoy Group Limited (off-site building solutions). He is currently a board member of Tourism Ireland, Chairman of Air Route Development Ltd and Non-executive Director of a number of public limited companies. Bill has also been a board member of a number of public and private organisations including, Invest Northern Ireland, the National Employment Panel and the Sector Skills Development Agency. He is a former President of the Northern Ireland Chamber of Commerce. He was awarded an OBE in 1997 for his services to Northern Ireland Industry and a CBE in 2004.



Dave Prentis
General Secretary, Unison

Dave was UNISON's deputy general secretary from its formation in 1993 and drove through a strategic review of the union, aimed at delivering key reforms, to bring union services closer to the members. He is a member of the TUC general council, TUC executive committee and the Trade Union Labour Party Liaison Committee. Dave is a Director of the Institute of Public Policy Research (IPPR). He is also a visiting fellow of Nuffield College, Oxford. Dave is a member of the ACAS Council and President of Unity Trust Bank.



Willy Roe CBE
Chair, Skills Development Scotland

Willy is Chair of the Board at Skills Development Scotland and a member of the Innovation Programmes Committee of NESTA, the National Endowment for Science, Technology and the Arts. He has been Chair of Highlands and Islands Enterprise (HIE) since September 2004. HIE is the Scottish Government's agency leading sustainable growth and strengthening communities in the north-western half of Scotland. Willy has advised many government departments and public agencies in Scotland and England.



Liz Sayce OBE
Chief Executive, Radar

Liz Sayce is Chief Executive of RADAR, the UK's leading pan-disability organisation. She is a member of the Disability Committee of the Equality and Human Rights Commission and a trustee of Stonewall and Stand to Reason. From 2000-2007 she was Director, Policy and Communications, for the Disability Rights Commission. Previously she was Director of Lambeth, Southwark and Lewisham Health Action Zone. She spent 8 years as Policy Director of Mind, and one year as a Harkness Fellow in the USA, studying the impact of the Americans with Disabilities Act and related policy initiatives. She was a member of the UK Government's Disability Rights Task Force (1997-99).



Grahame Smith
General Secretary,
Scottish Trades Union Congress

Grahame was appointed as the STUC's Deputy General Secretary in 1996. In that role he headed the STUC's Policy and Campaigns Department and had specific responsibility for the STUC's work on lifelong learning and public services. He was appointed as General Secretary in December 2005. Grahame is a member of the Scottish Union Learning Fund Advisory Committee and of the Board of Scottish Union Learning. He is also a member of the National Workforce Plus Partnership Board and the Board of SCDI. Grahame served as a member of the Church of Scotland's Church and Society Council, the Careers Service Review Committee and was a member of the Ministerial Advisory Group on the Review of the Enterprise Network. He was appointed to the Board of Scottish Enterprise in December 2008.



Valerie Todd
Talent and Resources Director,
Crossrail Ltd

Valerie has held a number of senior positions in local government. She is a member of the Women's Transportation Seminar (London), an organisation established in 2005 to be a voice for women in transport. She is also a member of the Institute of Highways and Transportation. In 2007 Valerie was highly commended by Opportunity Now for her work promoting gender equality.



Sir Adrian Webb
Chair of the Wales Employment & Skills Board

Sir Adrian was First Vice-Chancellor, University of Glamorgan from 1992 to 2005 and previous to that was Deputy Vice-Chancellor and Director of the Centre for Research in Social Policy, Loughborough University. He began his academic career as a lecturer at London School of Economics. In addition to running large universities, in both Loughborough and Glamorgan, he was responsible for wholly owned companies involved in spin-out, knowledge transfer and training activities. He has also undertaken many public service roles in Wales and in Whitehall and Westminster.



James Wates
Deputy Chairman, Wates Construction Limited

James joined Wates Construction as a management trainee, he took on the role of General Manager in 1989. Since then he has progressed through the company to be Deputy Chairman of the main Group Board. Outside the Group, he is involved with several industry bodies. He is Chairman of the UK Contractors Group and of CITB-Construction Skills. James is also Vice Chairman of the CBI Construction Council and of the Chartered Institute of Building. He is also a Board Member and Treasurer of the British Council for Offices. In addition he is a member of the London Skills and Employment Board and he also sits on the London Regional Council of The Prince's Trust.



Nigel Whitehead
Group Managing Director, BAE Systems plc

Nigel worked for Rolls-Royce for four years as a production engineering apprentice and graduated in mechanical engineering before joining British Aerospace as an aerodynamicist. With the exception of a brief period in charge of the BAE Systems team running the Astute Class Submarine development and production, Nigel has been active in military aircraft design, development, production and support programmes for 24 years, working in the UK, Sweden and Australia. Nigel's previous role was as Group Managing Director of the Military Air Solutions (MAS) business of BAE Systems. Nigel is also Chairman of the UK Council for Electronic Business.

Professor Alan Gilbert
President and Vice-Chancellor,
The University of Manchester
(Resigned in February 2010)

Sarah Anderson CBE
Director of Simple Solutions
(Tenure ended December 2009)

Sir Robert Kerslake Kt BSc (Hons)
Chief Executive,
Homes & Communities Agency
(Tenure ended December 2009)

Ioan Morgan CBE
Principal, Warwickshire College
(Resigned in September 2009)



**UK COMMISSION FOR
EMPLOYMENT AND SKILLS**

The UK Commission aims to raise UK prosperity and opportunity by improving employment and skills. Our ambition is to benefit employers, individuals and government by advising how improved employment and skills systems can help the UK become a world-class leader in productivity, in employment and in having a fair and inclusive society: all this in the context of a fast-changing global economy.

Because employers, whether in private business or the public sector, have prime responsibility for the achievement of greater productivity, the UK Commission will strengthen the employer voice and provide greater employer influence over the employment and skills systems.

Having developed a view of what's needed, the UK Commission will provide independent advice to the highest levels in government to help achieve those improvements through strategic policy development, evidence-based analysis and the exchange of good practice.



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