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**Department for Innovation,
Universities and Skills**

**Resource Accounts
2008-09**

Department for Innovation, Universities and Skills

Resource Accounts 2008-09

(for the year ended 31 March 2009)

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Contents

	Page
Annual Report	
Scope	1
Management Commentary	8
Remuneration Report	25
Statement of Accounting Officer's Responsibilities	38
Statement on Internal Control	39
Certificate and Report of the Comptroller and Auditor General	45
The Accounting Schedules:	
Statement of Parliamentary Supply	48
Operating Cost Statement	49
Statement of Recognised Gains and Losses	50
Balance Sheet	51
Cash Flow Statement	52
Net Operating Costs by Departmental Aim and Objectives	53
Notes to the Accounts	54

Annual Report

Scope

These Consolidated Resource Accounts report the transactions and activities of the Department for Innovation, Universities and Skills (DIUS) for the financial year ended 31st March 2009.

DIUS was formed on 28th June 2007. In accordance with the Government Financial Reporting Manual (FReM), and as explained in note 1.3, the Resource Accounts are presented as though the Department had been in operation for the whole of comparative financial year 2007-08. Additionally Government Skills, the Sector Skills Council (SSC) for central government, joined the Department in April 2008 from the Cabinet Office. The Resource Accounts are presented as though Government Skills had been part of the Department for the whole of 2008-09 as well as the comparative financial year 2007-08.

On 5th June 2009, the Prime Minister announced that DIUS would merge with the Department for Business, Enterprise and Regulatory Reform (BERR) to form the Department for Business, Innovation and Skills (BIS). References to “the Department” in these Resource Accounts refer to DIUS unless otherwise specified.

1. Entities within the Departmental Accounting boundary

1.1 The Consolidated Resource Accounts include only the following bodies:

- the Department; and
- the National Weights and Measures Laboratory (NWML, which became the National Measurement Office from 1st April 2009)

2. Bodies outside the Departmental Resource Accounting boundary

2.1 During 2008-09, DIUS had lead responsibility for the public sector bodies listed below. These are all outside of the Departmental boundary for Resource Accounts.

2.2 The executive Non-Departmental Public Bodies (NDPBs) have their own Accounting Officers who are responsible to Parliament for the funds received and publish their own accounts separately. All of the NDPBs are financed through Grant in Aid, except four (National Endowment for Science, Technology and the Arts, Construction Skills, Engineering Construction Industry Training Board and Film Industry Training Board).

Executive Non-Departmental Public Bodies (NDPBs)

Design Council

Higher Education Funding Council for England (HEFCE)
Investors in People UK (IiP)
Learning and Skills Council (LSC)
Office for Fair Access (OFFA)
Student Loans Company Ltd (SLC)
UK Commission for Employment and Skills (became operational on 1 April 2008)
Sector Skills Development Agency (SSDA) (ceased operating from 31 March 2008)
Technology Strategy Board (from July 2007)
National Endowment for Science, Technology and the Arts (NESTA)
Quality Improvement Agency (QIA) (ceased operating from 30th September 2008)
British Hallmarking Council
Arts and Humanities Research Council
Biotechnology and Biological Sciences Research Council
Economic and Social Research Council
Engineering and Physical Sciences Research Council
Medical Research Council
Natural Environment Research Council
Science and Technology Facilities Council

Executive NDPBs funded by levy

CITB: ConstructionSkills
Engineering Construction Industry Training Board (ECITB)
Film Industry Training Board (FITB)

Sector-owned public sector bodies

Learning and Skills Improvement Service (from 1 Oct 2008)

Tribunal NDPBs

Copyright Tribunal

Trading Funds

UK Intellectual Property Office

Advisory NDPB

Council for Science and Technology
Strategic Advisory Board for IP (established 2 June 2008)

Government Owned Contractor Operated Laboratory

National Physical Laboratory

Near to Government

University for Industry/learnirect
British Standards Institution
Information Authority
UK Accreditation Service
UK Skills

3. Ministers

3.1 The following Ministers formed the ministerial team of the Department during the 2008-09 financial year:

Rt. Hon John Denham MP	Secretary of State for Innovation, Universities and Skills
Rt Hon David Lammy MP	Minister of State for Higher Education and Intellectual Property (from 6 October 2008) Parliamentary Under Secretary of State for Skills (to 3 October 2008)
Lord Drayson	Minister of State for Science and Innovation (from 6 October 2008)
Sion Simon MP	Parliamentary Under Secretary of State for Further Education (from 6 October 2008)
Lord Young of Northwood Green	Parliamentary Under Secretary of State for Skills and Apprenticeships (from 6 October 2008)
Ian Pearson MP	Minister of State for Science and Innovation (to 3 October 2008)
Bill Rammell MP	Minister of State for Lifelong Learning, Further and Higher Education (to 3 October 2008)
Baroness Delyth Morgan	Parliamentary Under Secretary of State for Intellectual Property and Quality (to 3 October 2008)

4. Management of the Department

4.1 The Board provided collective leadership to the Department in 2008-09 and had overall responsibility for

its performance. It was also responsible for helping the Permanent Secretary, as Accounting Officer, with the overall running of the Department. It operated as a partnership between professional, policy, delivery and corporate colleagues that:

- created and delivered the Departmental strategic agenda in support of Ministers, aligned with the Government-wide agenda, leading and implementing best practice and subject to Parliamentary and public scrutiny and probity;
- balanced the Departmental agenda with individual policy priorities, and ensured that the whole Department succeeds together;
- inspired a diverse workforce to add value, achieve outcomes and be proud to work for DIUS; and
- managed Departmental Civil Service values, behaviours, reputation and risks.

In particular, it:

- advised on the allocation and management of its financial and human resources;
- monitored the delivery of performance objectives;
- maintained a transparent system of prudent and effective controls;
- assessed and managed risk; and
- led and oversaw the Department's change programme.

Board Structure

4.2 In 2008-09, the DIUS Board operated in two forms:

- the Executive Board, which included executive members of the Board and met monthly; and
- the Strategic Board, which included non-executive and executive board members, met quarterly.

4.3 The composition of the Board during 2008-09 was as follows (positions reflect the posts held as at 31st March 2009, unless otherwise specified):

Executive Board members

Ian Watmore¹ Permanent Secretary (and Accounting Officer)

Prof John Beddington² Government Chief Scientific Adviser and Head of Government Office for Science

Stephen Marston Director General, Further Education and Skills

Ruth Thompson³ Director General, Higher Education

Prof Adrian Smith	Director General, Science and Research (from 1 September 2008)
William Dickinson ⁴	Director General, Finance and Corporate Services (from 1 July 2008)
Simon Morys	Director, Business Operations (to 26 June 2008)
Zina Etheridge ⁵	Director, Strategy
Nicholas Edmonds ⁴	Director, Finance and Performance (to 30 June 2008)
Shirley Pointer	Director, Human Resources
Alun Evans	Director General, Policy, Analysis Profession and Communications
David Evans ³	Director, Innovation and International
Susan Pember	Director LSC Transition to Skills Funding Agency (from 16 January 2009)

¹ Ian Watmore was succeeded by Sir Jon Shortridge as Permanent Secretary on 26th May 2009. Following the merger with BERR on 5th June, Simon Fraser was appointed as Accounting Officer for DIUS and Permanent Secretary for the new Department for Business, Innovation and Skills.

² Professor John Beddington reported directly to Cabinet Office and the Prime Minister

³ Ruth Thompson and David Evans retired on 31 March 2009.

⁴ Nicholas Edmonds and William Dickinson are partners of KPMG and were each seconded to DIUS for a contracted term.

⁵ Zina Etheridge left DIUS on 30th April 2009

Non-executive board members (All appointed from 4 February 2008)

Alan Aubrey	Non-executive member
Julia King CBE	Non-executive member
Dame Julie Mellor	Non-executive member
Kristina Murrin	Non-executive member (until 5 January 2009)

4.4 The Board members were appointed by the Permanent Secretary (with the approval of the Senior

Appointments Selection Committee where appropriate).

Audit and Risk Committee (ARC)

4.5 The composition of the DIUS ARC was in line with the guidance in section 5 of HM Treasury's *Corporate Governance in Central Government Departments: Code of Good Practice* ('the Code'). The ARC was established to advise the Accounting Officer and the Board on audit, risk and control issues, to make recommendations on risk management strategy, and to help ensure that the Department met corporate governance requirements.

4.6 The ARC was chaired by Alan Aubrey, a non-executive member of the Board and had two independent members, Geoffrey Drage and Ian Dickson, with recent and relevant financial experience.

4.7 The ARC operated in accordance with HM Treasury's Audit Committee Handbook March 2007. The Committee met eight times during 2008-09 and meetings were attended by the Permanent Secretary, the National Audit Office (NAO), the Head of Internal Audit, the Director General, Finance and Corporate Services and the Head of Corporate Governance and Risk Management. The ARC Terms of Reference were approved by DIUS ARC members.

Relationships with Arms Length Bodies

4.8 Section 6 of the Code sets out the relationship departments are expected to have with Arms Length Bodies. The Department has sought to ensure that there were robust governance arrangements in place with each of its NDPBs and agencies. Senior DIUS officials regularly attended NDPB Boards and on occasion audit committee meetings.

4.9 The Department established the DIUS Group, consisting of the DIUS Executive Board members and the Chief Executive Officers from major delivery and partner bodies. Its aim was to provide collective leadership of the delivery system and strengthen relationships with and between strategic partners. The Group held quarterly meetings with additional meetings called as and when business need arose. Its agendas enabled the DIUS Group to influence strategy, delivery and share performance information. Networks were formed between DIUS Heads of Profession (for Evidence and Analysis, Policy, Finance, Communications, Science and Engineering, Sponsorship, and the PPM Champion), and major delivery and partner bodies, to secure their collective engagement and exchange of good practice. In addition, the contribution of NDPBs and other major partner bodies towards achieving the Department's PSA targets and delivery goals were reflected in the Department's internal performance management arrangements.

4.10 In July 2008, DIUS appointed a Head of Profession for Sponsorship at Director level to recognise the importance of the role of NDPBs in delivering the Department's agenda.

5. Pension liabilities

5.1 The DIUS balance sheet does not include the pension liabilities of its staff or Ministers. The civil servants' pension liabilities are part of the Principal Civil Service Pension Scheme (PCSPS) and Ministers' pension liabilities are included in the Parliamentary Contributory Pension Fund (PCPF). Each pension scheme publishes its own Accounts. Further information on accounting treatment of pension liabilities within the DIUS accounts can be found in the Remuneration Report (page 25) and the Notes to the Accounts (Note 1.15, Accounting policies and Note 9, Staff Costs).

6. Register of interests

6.1 The Department maintained a register of interests which contained details of company directorships and other significant interests held by Board members. New arrangements are being put in place for the new Board for the Department for Business, Innovation and Skills. Anyone wishing further information on Board interests can contact the Department as follows:

- By e-mail to: mpst.fraser@bis.gsi.gov.uk
- By writing to: Private Office of the Permanent Secretary, Department for Business, Innovation and Skills, Room V8.27, 1 Victoria Street, London SW1H 0ET

7. Auditor

7.1 The Comptroller and Auditor General (C&AG) is the auditor of the Department for Innovation, Universities and Skills' Financial Statements. The C&AG, appointed under statute, reports to Parliament the results of his audit examination. The notional cost of work performed by the National Audit Office during 2008-09 of the core accounts (i.e. DIUS as a Department) was £250,000 and the cost of work on the Consolidated Accounts totalled £277,200 for audit services in respect of DIUS and its agency. Agency audit fees of £27,200 are disclosed within consolidated programme costs (note 11).

7.2 The National Audit Office undertook independent performance assessments as part of the relicensing framework of sector skills councils on behalf of the Department and the UK Commission for Employment and Skills. The contractual cost for this work is £1.428 million, of which £938,000 was incurred for 2008-09, which is reflected within the programme costs for the Department.

7.3 The National Audit Office (NAO), on behalf of the C&AG, also carries out Value for Money studies for which they do not receive remuneration from DIUS. During 2008-09, the main studies completed on areas within DIUS's responsibility were:

- Widening Participation in Higher Education

- Skills for Life: Progress in Improving Adult Literacy and Numeracy
- Renewing the physical infrastructure of English further education colleges

These documents are available on the NAO website (www.nao.org.uk) under publications.

7.4 During 2008-09, DIUS was a witness at Public Accounts Committee sessions on the following NAO reports:

- Renewing the physical infrastructure of English further education colleges (November 2008)
- Widening Participation in Higher Education (October 2008)
- Skills for Life: Progress in Improving Adult Literacy and Numeracy (June 2008)
- Meeting needs? The Offenders' Learning and Skills Service (May 2008)

7.5 The Accounting Officer took all the steps that he ought to have taken to make himself aware of any relevant audit information. Furthermore he has established that the NAO is aware of that information.

8. Departmental reporting cycle

8.1 Government Departments publish a *Departmental Annual Report* every year, which provides a comprehensive review of their activities and performance. The 2008-09 report for DIUS will be published in July 2009, and gives detailed information on the Department's achievements in the 2008-09 financial year and progress against its Public Service Agreement (PSA) targets. Further information on the Department's performance in achieving its aims and objectives is available in the *Autumn Performance Report*. The most recent Autumn Performance report was published in December 2008.

These documents are available on the website of the Department for Business, Innovation and Skills. (www.bis.gov.uk)

Management Commentary

9. Aims and objectives of the Department

9.1 The Department's work on further and higher education, science, technology and supporting evidence based policy making across government is essential to national prosperity. This work will continue in 2009-10 in the Department for Business, Innovation and Skills.

9.2 The Comprehensive Spending Review 2007 (CSR07) set out the Departmental Strategic Objectives (DSOs) for the period from 2008-09 to 2010-11. As part of the CSR07, the Department developed and published two new cross-government PSAs.

Departmental Strategic Objectives

- **Objective 1** - Accelerate the commercial exploitation of creativity and knowledge, through innovation and research, to create wealth, grow the economy, build successful businesses and improve quality of life;
- **Objective 2** - Improve the skills of the population throughout their working lives to create a workforce capable of sustaining economic competitiveness and enable individuals to thrive in the knowledge economy;
- **Objective 3** - Build social and community cohesion through improved social justice, civic participation and economic opportunity by raising aspirations and broadening participation, progression and achievement in learning and skills
- **Objective 4** - Pursue global excellence in research and knowledge, promote the benefits of science in society, and deliver science, technology, engineering and mathematics skills in line with employer demand
- **Objective 5** - Strengthen the capacity, quality and reputation of the Further and Higher Education systems and institutions to support national economic and social needs;
- **Objective 6** - Encourage better use of science in government, foster public service innovation, and support other government objectives which depend on DIUS expertise and remit.

Public Service Agreements (where DIUS is the lead Department)

- PSA 2 - improve the skills of the population, on the way to ensuring a world-class skills base by 2020;
- PSA 4 - promote world-class science and innovation in the UK.

Further details of both these PSAs are available at:

http://www.hm-treasury.gov.uk/pbr_csr07_psaindex.htm

9.3 In addition, DIUS contributed to the achievement of many of the Government's other PSA objectives for the CSR07, reflecting the key role skills, science, research and innovation have to play in relation to many of the Government's longer-term and cross-departmental priorities. Details of these are contained in the Department's Business Plan for 2008-09 and are available on the BIS website. (www.bis.gov.uk)

9.4 These Resource Accounts present the Statement of Operating Costs by Departmental Aim and Objectives based on the allocation of activity to the Department Strategic Objectives set out in 9.2 above.

10. Key activities for achieving the Department's objectives during 2008-09

10.1 During 2008-09, the Department:

- invested in the UK's world-class research facilities and scientists, through the Research and Funding Councils;
- continued to implement an effective programme to support innovation, delivered through the Technology Strategy Board, Regional Development Agencies (RDAs) and other delivery partners;
- continued to lead and improve the delivery system creating a workforce that boasts exemplary skills – from basic literacy and numeracy through to the highest qualifications, in partnership with its delivery bodies;
- provided financial support to higher education institutions and to students in the higher education system in England through the Higher Education Funding Council for England and the Student Loans Company.

10.2 In addition to maintaining and improving a first-class system of higher and further education, the Department's focus in 2008-09 was to provide support in the short term to those affected by the economic downturn. DIUS provided significant additional training opportunities to help people mitigate the effects of the economic downturn. To achieve this aim, DIUS:

- Provided 75,000 Further Education (FE) training places (in addition to those otherwise available) to upskill people who have been on JobSeekers Allowance for six months. This will allow people to train while they are looking for a job and carry on with their course once they get into work.
- made £158m available from European Social Funds, Train to Gain and Next Steps to support enhanced advice and guidance for at least 40,000 people to undertake training in cv writing, job search and interview techniques.
- Provided 250 new Knowledge Transfer Partnerships which will enable graduates and postgraduates to take 10-40 week placements to work on specific projects to bring the benefits of academic expertise into UK businesses and at the same time allow graduates to develop their understanding of the sector and to acquire work related skills
- Began trials of integrated support services in 12 job centre districts with the aim of helping people to find work and gain skills

10.3 DIUS continued to promote the benefits of science and society and recognised the important role of high quality research and skills in supporting economic growth. During 2008-09, DIUS undertook a wide-ranging consultation on a future UK strategy for the relationship between science and society. The consultation focussed on the themes of public engagement in science, development of a representative Scientists, Technologists, Engineers and Mathematicians (STEM) workforce and greater confidence in both public and private sector use of science. There were over 3,200 responses from individuals and organisations to the consultation, which have helped develop an ongoing strategy for Science and Society.

10.4 A campaign called “Science: So what? So everything” was launched by the Prime Minister in January 2009 to show the relevance and importance of science to our lives, and to increase and widen public participation in science. The campaign is a partnership with many organisations in the science community and includes a number of celebrity ambassadors.

10.5 The future supply of scientists, technologists, engineers and mathematicians is crucial to the UK for it to remain at the forefront of science. To encourage the next generation of scientists and ensure a representative and well-qualified scientific workforce, DIUS:

- Together with Research Councils UK and Universities UK, launched a revised Concordat to support the career development of researchers.
- Funded 51 Newton International Fellowships selected from a pool of over 700 high quality applications.
- In conjunction with UK Resource Centre for Women in Science, developed links with over 700 companies advising and supporting on recruitment, retention and progression for women scientists and engineers.
- Provided 500 National Science & Engineering Week grants to under-served schools to promote the exciting possibilities of a career in science to young people.

10.6 More information on activities and deliverables by DIUS is available in the Departmental Annual Report 2009 and the Autumn Performance Report (issued December 2008). These documents are available on the BIS website (www.bis.gov.uk).

11. Financial performance and position 2008-09

Comparison of outturn to Supply Estimate

11.1 The *Statement of Parliamentary Supply* provides information on how the Department performed against the Parliamentary controls on resources and cash. This information is supplemented by Note 2, which reports outturn in the same format as the Supply Estimate, and also the Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets below.

11.2 The £18.5bn resource outturn is 2.4% lower than the resource limit in the Supply Estimate. The total cash consumed was £20.8bn. This was within the Supply Estimate Net Cash Requirement limit. The full analysis of expenditure by Estimate Line is provided in Note 2. The tables below contain information on the Estimate Lines where the variance is greater than 10% of the Estimate, and other sizeable variances.

Request for Resources 1 (RfR1)

11.3 In total, RfR 1 outturn was £267m (1.8%) lower than the Supply Estimate. The main components of this underspend are £87.1m on line B (Higher Education) and £103.3m on line C (Support for students). In addition, the Learning and Skills Council drew down £50m less grant-in-aid than anticipated, which has also contributed to

the underspend on RfR1.

Significant variances within RfR1 by Estimate Line

Estimate Line	Limit £000	Outturn £000	Variance (over)/under £000	Explanation of variance
B – Higher Education	176,895	89,825	87,070	<p>49.2%</p> <p>At the Spring Supplementary Estimate around £50m non-cash End Year Flexibility was drawn down and a £15m non-cash underspend from Estimate Line C was moved into Estimate Line B. This was done in preparedness for the potential impact of new accounting standards on financial instruments on student loans. The final decisions on implementation of the new accounting standards have meant that this £65m of non-cash was not required.</p> <p>In addition around £20m of near-cash was transferred to this line to cover potential pressures on student grants as a result of higher student numbers than expected. The eventual outturn on student grants, while higher than originally expected, did not require this contingency amount to be used.</p>
C – Higher Education support for students	2,337,259	2,234,002	103,257	<p>4.4%</p> <p>As this is the first year of a new system of student support with different income thresholds than in 2007-08 there was less certainty about the expected final outcome (within a range of estimated values). The Spring Supplementary Estimate submission was based on a prudent estimate which resulted in this</p>

Estimate Line	Limit £000	Outturn £000	Variance (over)/under £000	Explanation of variance
				reported underspend.
D – Further Education skills and international programmes	313,520	282,962	30,558	9.7% The bulk of the variance (£19m) was allocated to this line for spend on LSC following the Spring Supplementary Estimate, but was not required.
J - Student Loans Company	63,822	78,584	(14,762)	(23.1%) The estimate total for the Student Loans Company was understated in the Spring Supplementary Estimate. In addition the SLC was required to make prepayments in 2008-09 for 2009-10 not originally anticipated which increased its overspend.
L - Learning and Skills Council	11,945,015	11,894,866	50,149	0.4% The Spring Supplementary Estimate requested a level of Grant-in-Aid to facilitate potential late transfers between budget lines and for balance sheet movements. The transfers and the balance sheet movements were £50m lower than planned.
P - Technology Strategy Board	234,500	222,000	12,500	5.3% Delays in submission of contractor claims for work carried out under the innovation programme caused a small underspend.

Request for Resources 2 (RfR2)

11.4 In total, RfR2 outturn was £188m (4.9%) lower than the Supply Estimate. The Main Estimate 2008-09 provided a higher level of Resource than the Department intended to incur, which could only be partially offset in the Supplementary Estimates for 2008-09 and £178m could not be mitigated. The variance on RfR2 arises because the Department kept to the original spending plans agreed with Treasury as part of the CSR07 settlement. The Department did not spend any of the additional resource allocated.

Estimate Line	Estimate Limit £000	Outturn £000	Variance (Over)/under £000	Explanation of variance
H -Biotechnology and Biological Sciences	(5,900)	(4,685)	(1,215)	(21%) This line relates to co-funding from DEFRA, which ended in February 2009
J - Arts and Humanities Research Council	122,000	114,698	7,302	6.0% Variance of £7m due to Resource issue described above.
K - Biotechnology and Biological Sciences Research Council	432,500	412,155	20,345	4.7% Variance of £20m due to Resource issue described above.
L - Economic and Social Research Council	157,500	178,000	(20,500)	(13%) Variance of £9.5m due to Resource issue described above; however, in addition, ESRC underestimated the amount of cash required (by £30m) to meet their resource commitments. The Department allowed ESRC to draw down additional grant-in-aid to meet this.
M - Engineering and Physical Sciences Research Council	815,000	784,878	30,122	3.7% Variance of £47m due to Resource issue described above. In addition, EPSRC underestimated the amount of cash required (by £17m) as they had anticipated recovering this from other Research Councils. The Department allowed EPSRC to draw down additional grant-in-aid to meet this.
N - Medical Research Council	703,000	643,000	60,000	8.5% Variance of £40m due to Resource

Estimate Line	Estimate Limit £000	Outturn £000	Variance (Over)/under £000	Explanation of variance
				issue described above. In addition, MRC drew down £20m less cash than anticipated as they reduced their cash balances instead.
O - Natural Environment Research Council	420,000	395,760	24,240	5.8% Variance of £24m due to Resource issue described above.
P - Science and Technology Facilities Council	642,000	602,699	39,301	6.1% Variance of £37m due to Resource issue described above.
R - Higher Education Funding Council for England	292,000	274,255	17,745	6.1% Variance of £17m due to Resource issue described above.

11.5 The *Operating Cost Statement* reports total administration costs and programme costs by request for resource. The net operating cost increased by £1.2 billion from prior year. The increase from year-to-year is predominantly due to large increases in Grant-in-Aid to the following bodies;

- £727 million increase in LSC Grant-in-Aid, which reflects increases in funding between years for programmes controlled by both DIUS and DCSF. These include programmes for 16-18 Further Education (DCSF), School Sixth Forms (DCSF), Apprenticeships (DCSF and DIUS) and Train to Gain (DIUS) and LSC capital (DIUS and DCSF). These additions reflect increases in the number of learners accessing these programmes. This is notable where Train to Gain learner numbers are planned to increase from under 500,000 in 2007-08 to 1 million by the end of current Spending Review period;
- £338m increase in Medical Research Council Grant-in-Aid; this partly reflects the fact that the 2007-08 Grant-in-Aid drawdown was supplemented by £212m from MRC cash reserves; and it also reflects funding of £68m for land purchases and funding increases;
- £171m increase in total HEFCE Grant-in-Aid (across both Requests for Resources) to fund planned growth of 20,000 in core fundable students, maintain the unit of funding for teaching and learning in real terms and ensure that levels of research funding are also maintained in real terms; and
- £72m increase in Grant-in-Aid to the Technology Strategy Board to reflect a full year's outturn in 2008-09,

compared to nine months of operation in 2007-08.

11.6 Net administration costs were £76.8m, against budget of £77.7m. The 2008-09 outturn is £7.9m higher than 2007-08, reflecting the increased running costs (staff costs in particular) required to administer the Department's increasing policy load. The proportion of gross administration costs to total gross resource outturn in both 2007-08 and 2008-09 was 0.3%.

11.7 The most significant item on the DIUS balance sheet at 31 March 2009 is the student loan book. The net assets on the consolidated balance sheet have increased by £3.8 billion and this is mainly due to the increase in outstanding student loan balances, which increased by £3.5 billion in 2008-09 (note 16.1). These Resource Accounts present the student loans portfolio valued on a discounted cash flow basis. This valuation basis is consistent with prior years, and is in accordance with Financial Reporting Standard 26. Further details about the valuation of the student loan book can be found in note 16.1 and note 29.

11.8 There has been a decrease of £227m in creditors. This is mainly due to payment of 2007-08 balances owed to BERR and a reduction in accruals in 2008-09.

11.9 There has also been a decrease of £13.9m in tangible fixed assets, mainly due to downward revaluation of the National Physical Laboratory land and buildings. (Note 14)

11.10 The cash flow statement provides further information on how the Department financed its activities. The main source of funding is the Consolidated Fund. The statement and supporting notes show a £1.7 billion increase in the net cash outflow from operating activities, which reflects the overall increase in expenditure in the *Operating Cost Statement* and other movements in Balance Sheet items as shown in Note 24a.

Significant contingent liabilities

11.11 Note 30 to the Accounts provides updated information on the contingent liabilities which the Department is required to report either under FRS 12 or for parliamentary purposes.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

11.12 This note is included to show the relationship between the Net Resource Outturn (as shown in the Statement of Parliamentary Supply), the Net Operating Cost (as shown in the Operating Cost Statement) and the outturn against total Resource Budget, which includes NDPB Resource spend but excludes capital grants.

	2008-09	2007-08*
	£000	£000
Net Resource Outturn (Estimates)	18,543,895	17,478,320
<i>Adjustments to additionally include:</i>		
Consolidated Fund Extra Receipts in the OCS	(1,082)	(95,955)
Net Operating Cost (Accounts)	18,542,813	17,382,365
<i>Adjustments to remove:</i>		
Gains / losses from sale of capital assets	(8)	-
Capital Grants	(38,411)	(84,677)
voted expenditure outside the budget	(1,387)	(384,735)
<i>Adjustments to additionally include</i>		
other Consolidated Fund Extra Receipts	774	92,830
resource consumption of Non-Departmental Public Bodies	(1,761,693)	(1,369,038)
Resource Budget Outturn (Budget)	16,742,088	15,636,745
of which		
Departmental Expenditure Limits (DEL)	16,461,101	15,458,351
Annually Managed Expenditure (AME)	280,987	178,394

*2007-08 numbers have not been restated for amendments to the Resource Accounts or Resource Budget following the publication of the 2007-08 accounts.

12. Future developments

12.1 Since the publication of the 2007-08 Resource Accounts, there has been a significant focus on meeting the Government's aim of providing real help now to those affected by the economic downturn, while at the same time, remaining committed to increasing the value for money from all parts of the DIUS budget, and ensuring that new investment is targeted to stimulate the economy. This will continue to be the case over the next year.

Increasing the economic impact of DIUS policies

12.2 During 2008-09 DIUS Ministers and Board met frequently to discuss the ways that DIUS could respond to the economic challenges, and a number of new policy directions were prioritised through in this way. These included:

- further expanding apprenticeships in the private and public sectors (an additional 35, 000 places have been announced);
- setting up the Office for Graduate Opportunities, including an internship programme;
- developing “skills activism” to ensure better, faster response in meeting new skills demands, particularly for priority markets and sectors;
- creating the Office for Life Sciences and delivering a joint industry/cross-Government strategy for future prosperity of the sector
- Re-focussing Train to Gain, HE business support and innovation support to help SMEs.

Delivering Value for Money savings

12.3 The Pre-Budget Report of November 2008 concluded that all Government Departments need to go further to deliver efficiency savings, and announced that an additional £5 billion of Value for Money gains would be made in 2010-11 in addition to the £30 billion savings announced as part of the 2007 Comprehensive Spending Review (CSR07). A full contribution to the programme will be made from DIUS funds transferred to BIS, through delivery of £400 million of savings over and above those agreed in CSR07, taking the target for Value for Money savings to £1.9 billion by 2010-11. These savings will be achieved through reforms to expenditure on Further and Higher Education that will both enhance efficiency and ensure the FE and HE sectors are best placed to support recovery and the long-term future of the UK economy.

12.4 Work will be undertaken with the Research Councils to secure the delivery of an additional £106 million of Value for Money efficiency savings within the Science and Research budget during 2010-11. These will be re-invested within that budget to support key areas of economic potential.

Targeting new investments

12.5 The Pre-Budget Report announced that to provide the economy with a strong fiscal stimulus, £3bn of capital investment would be brought forward across Whitehall from 2010-11 into 2008-09 and 2009-10. DIUS has accelerated £165m (£50m of HE capital, £110m of FE capital and £5m of science capital) from 2010-11 into 2008-09. This contributed, for instance, to the upgrade of the Medical Research Council's Laboratory of Molecular. In 2009-10 PBR funded initiatives (within the new Department) will include HEFCE bringing forward £200m of HE capital, £25m of research capital being allocated to HEIs, and the Large Facilities Capital Fund allocating £5m a year early.

12.6 In recognition of the over demand for the Building Colleges for the Future programme, Budget 2009 set out new money for the FE capital programme for 2009-10, resulting in around £300m new funding for new and refurbished FE institutions. Work is underway to ensure that the projects with the greatest need can be approved in 2009-10 and 2010-11. This is as part of a wide-ranging review of the way that the Building Colleges for the Future programme is managed, as described in *A Review of the Capital Programme in Further Education*, by Sir

Andrew Foster (2009).

12.7 The Budget 2009 also announced a further £50 million for the Technology Strategy Board to increase its support for innovation in these same high potential areas, and a further £122 million to deliver over 70,000 work-focused pre-employment training places in England, which will help young people to mitigate the impact of the economic downturn.

13. Environmental, social and community issues

13.1 DIUS was committed to tackling the challenges of climate change and of sustainable development more broadly, which went right to the heart of the Department's remit to invest in the future prosperity of the UK.

13.2 DIUS's Sustainable Development Action Plan was published on 1 August 2008. This identified many projects underway in the DIUS family that make an important contribution to the Government's sustainable development aims. Key contributions over the last year included:

- Supporting the research councils development, launch and management of the Living With Environmental Change programme, launched on 18 June 2008. This is a ten-year £1bn programme by the main funders of environmental research to provide decision makers with the best information to effectively manage and protect vital ecosystem services at a time of unprecedented change.
- Supporting business innovation, including through the Technology Strategy Board's innovation platforms on Low Impact Buildings, and Low Carbon Vehicles; and ongoing inputs to the Government Low Carbon Industrial Strategy
- Sustainable skills. Following the Windsor Consultation on Skills for a Sustainable Future in June 2008, the Department took forward the recommendations to set up a High Level Forum and a Strategic Advisory Group of lead employers.
- DIUS confirmed that capital funding for Higher Education Institutions should be linked to performance in reducing emissions and asked HEFCE to provide a strategy for reducing carbon emissions in HE.

13.3 At the time of publication, 16 out of 23 commitments made in the 2008-09 plan are rated as either complete or on target, 6 as recoverable and 1 as behind target.

Payment policy

13.4 DIUS was a signatory of the Prompt Payment Code and, along with other government departments, pledged in October 2008 to pay valid invoices within 10 working days from the date of receipt. DIUS collected monthly and quarterly data on payments within 10 days since January 2008. For the last quarter of 2008-09, 95% of invoices were paid within 10 days.

13.5 The statutory terms for payment of creditors continued to be 30 days. During 2008-09, 97.5% of suppliers were paid within 30 days of receipt of valid invoice (2007-08: 99.4%). DIUS did not make any interest payments to suppliers under the Late Payment of Commercial Debt (Interest) Act 1988.

Relationships with employees

13.6 Throughout 2008-09 focus was given to developing and implementing a people strategy for the Department. The strategy of 'Creating success through our People' was an integral part of DIUS's wider change programme to build a departmental culture. Governance of the People Strategy and its implementation was provided by the People Strategy Steering Board. Membership of this board was the HR senior team and representative Directors and Deputy Directors from throughout the business.

13.7 A priority for the Department was to harmonise contractual terms and conditions of employment and to introduce one set of people policies. When DIUS was created, staff transferred on the grading and pay scales and contractual terms and conditions of employment of their legacy department, with new employees appointed on the legacy terms and conditions of the predecessor departments (the Department for Trade and Industry and the Department for Education and Skills).

13.8 In 2008-09 harmonised pay and grading structures were successfully negotiated with the Departmental Trade Unions and were implemented. In addition, a new DIUS Performance Management system and four core policies were harmonised and agreement was reached between management and the Trade Unions on the introduction of the remaining non-financial policies.

13.9 Following consultation with staff, DIUS identified a framework of values and behaviours for the Department. This framework was introduced in April 2009 and was supported by the DIUS Single Equality Scheme and its skills strategy.

13.10 In November 2008 the Department carried out its first all employee opinion survey. The feedback from this, a number of "Ask the Board" sessions and the Capability review led to the launch, in January 2009, of the 'Building One Department' programme. This programme addressed feedback structured under the themes of people, processes, priorities and partners.

13.11 All employee-related services were provided under a Shared Services contract with DCSF, although some services were provided by BERR for the first part of the year. The contract with DCSF was due to expire in March 2010. New arrangements will now be established by the Department for Business, Innovation and Skills.

Recruitment Practices

13.12 The recruitment processes of the legacy Departments continued to apply in DIUS pending the introduction of its own arrangements. Work to develop DIUS' recruitment policies and processes was being taken forward and

being informed by a recruitment review that has been undertaken by DCSF, covering DCSF and DIUS. All external recruitment was conducted in compliance with the Civil Service Commissioners' Recruitment Code.

Equality and Diversity

13.13 DIUS produced a Single Equality Scheme (SES) which stated its commitment over the next three years to ensure that its policies reflect the diverse needs and experiences of all the people that it serves. Underpinning the Government's new vision for equality Framework for a Fairer Future – The Equality Bill – the SES set out DIUS' responsibilities as an employer; a policy making department and as a partner and sponsor of other organisations. Linked closely with the SES, it has also produced its 'Promoting Equality, Valuing Diversity' Action Plan for 2008-2011 which underpinned the delivery of its Departmental Blue Print and its People Strategy and Values.

13.14 To enable diversity targets to be set and to inform the development of DIUS policies and workforce planning, a key priority has been to improve the quality of the diversity data held on employees. This is also required to deliver against Cabinet Office diversity requirements. In February 2009 the Department undertook a diversity data refresh exercise and the information gathered was used to set diversity targets for DIUS as an employer.

Sickness Absence

13.16 Sickness Absence for the period April 2008 to March 2009.

Table 1 – Departmental Sick Absence Headlines			
Department Size Classification	Total Days Lost	Average Working Days Lost Per Person	% Lost to Long-term illness
Small	3,616.6	4.4	51%

Analysis of Key Reasons for Absence						
Total Days Lost	Proportion lost to					
	<i>Mental behavioural</i>	<i>Respiratory</i>	<i>Unknown & ill defined</i>	<i>Digestive</i>	<i>Musculo-skeletal</i>	<i>Other</i>
3,616.6	22%	20%	9%	8%	7%	34%

14. Reporting of personal data related incidents

14.1 This section contains a summary of incidents related to personal data in core DIUS and its delivery partners for the financial year 2008-09.

14.2 Incidents, the disclosure of which would in themselves create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2008-09

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
January 2009	Suspected loss of personal data. All information recovered. No data misuse identified.	Learner personal data owned by LSC.	60	Notification to DIUS Core and Information Commissioner.
February 2009	Details of CVs and other documents containing personally identifiable information which were stored on a server at one of the MRC's Establishments were accessed by the Google search engine and links to them published on the web.	CVs and other documents containing personally identifiable information.	172	Establishment notified Corporate MRC who then consulted with DIUS Core before informing the Information Commissioner.
February 2009	Loss of personal data from locked storage cupboards at the Student Loans Company	Personal information relating to Public and Commercial Services Union members.	Unable to determine.	Notified to the Information Commissioner.

The delivery partners included in the summary are: BBSRC, Design Council, EPSRC, NESTA, ECITB, ESRC, SLC, NPL, HEFCE, LSC, MRC, NERC, TSB, IPO, AHRC, STFC, LSIS, Ufi/learndirect

TABLE 2 & 3: SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2008-09 AND PREVIOUS YEARS

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	2008-09	2007-08	2006-07	2005-06
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	2	NIL	7	5
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	7	NIL	11	11
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	NIL	NIL	0	0
IV	Unauthorised disclosure	1	NIL	0	0
V	Other	4	NIL	0	0
Total		14	0	18	16

Remuneration Report

15. Ministers' and board members' remuneration policy

15.1 Ministers' remuneration is set by the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991.

15.2 The Permanent Secretary's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee. The Committee's membership comprises the Chairman of the Senior Salaries Review Body (SSRB) (who acts as chair), two other members of the SSRB, the Cabinet Secretary and the Permanent Secretary of HM Treasury.

15.3 Performance management and reward policy for members of the Senior Civil Service including board members was managed within the central framework set by the Cabinet Office. It allowed for annual performance related base pay and bonus awards, agreed centrally each year following SSRB recommendations. The Senior Civil Service Performance Management Guidance for 2008-09, which explained how base pay and bonus levels are determined and their relative value, can be found at: www.civilservice.gov.uk

15.4 The SCS performance bonuses were allocated from a central 'pot' expressed as a percentage of DIUS's SCS salary bill, which is set centrally each year following the SSRB recommendations. In 2008-09 this "pot" was set at 8.6% of the total SCS salary bill. Individuals were awarded varying amounts, dependant on performance.

16. Summary and explanation of policy on duration of contracts, notice periods and termination payments

16.1 The permanent head of the Department (the 'Permanent Secretary') was appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service and with the agreement of the Ministerial head of the Department.

16.2 Members of the Executive Board were appointed by the Permanent Secretary with the agreement of the Prime Minister and the Senior Leadership Committee where appropriate, which consists of Permanent Secretaries from across Whitehall and is chaired by the Cabinet Secretary.

16.3 All board members' contractual terms comply with the requirements set centrally for the Senior Civil Service by Cabinet Office, and the exact terms offered reflected the requirements of the post. The principles governing recruitment to, and departure from, the Civil Service (including details of compensation for early termination) are set out in the Civil Service Management Code at the website www.civilservice.gov.uk.

17. Details of board members' service contracts

17.1 The contractual terms of DIUS board members during 2008-09 are shown in the following table.

Contractual terms for board members

	Date of Appointment to Position	Type of Contract	Unexpired term at 31/3/09	Details of Notice Period
Mr Ian Watmore Permanent Secretary	28 June 2007	Indefinite	Not applicable	3 months in writing
Prof John Beddington Chief Scientific Advisor	1 January 2008	Fixed Term Appointment	1 year 6 months	3 months in writing
Mr Stephen Marston Director General	28 June 2007	Indefinite	Not applicable	3 months in writing
Ms Ruth Thompson Director General	28 June 2007	Indefinite	Not applicable	3 months in writing
Prof Adrian Smith Director General	1 September 2008	Fixed Term Appointment	3 years six months	6 months in writing
¹ Mr William DICKINSON Director General (from 1 July 2008)	1 July 2008	Secondment	3.5 months	1 month in writing
Mr Simon MORYS Director (to 26 June 2008)	28 June 2007	Indefinite	Not applicable	3 months in writing
² Ms Zina ETHERIDGE Director	28 June 2007	Indefinite	Not applicable	3 months in writing
³ Mr Nicholas EDMONDS Director (to 30 June 2008)	1 July 2007	Secondment	Secondment ended 30 June 2008	1 month in writing
Ms Shirley POINTER Director	21 January 2008	Fixed Term Appointment	1 year	6 months in Writing
Mr Alun EVANS Director	1 April 2008 ¹	Indefinite ¹	Not applicable	3 months in writing

	Date of Appointment to Position	Type of Contract	Unexpired term at 31/3/09	Details of Notice Period
Mr David EVANS Director	1 January 2008	Indefinite	Not applicable	3 months in writing
Ms Susan PEMBER Director	16 January 2009	Indefinite	Not applicable	3 months in writing

¹Alun Evans initially joined the DIUS Board on 1st April 2008 as interim Director General, Science and Innovation, on secondment from the Department for Communities and Local Government (DCLG). He then became Director General, Policy and Analysis Profession. He remained formally employed by DCLG until May 2009, when he transferred to DIUS on a permanent basis.

17.2 The notice in the above table relates to the notice the individual is required to give if they intend leaving the Department.

The following information is audited

18. Salaries and benefits

18.1 The table below contain details of the salaries and benefits in kind paid to Ministers and the Department's Board Members. 'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London Weighting or London Allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Ministers	2008-09		2007-08	
	Salary	Benefits in kind (rounded to nearest £100)	Salary	Benefits in kind (rounded to nearest £100)
Rt. Hon John DENHAM MP Secretary of State	£78,356	-	£58,105 (£78,356 full year equivalent)	-
Rt Hon David LAMMY MP Minister of State (from 5 October 2008) Parliamentary Under Secretary of State (to 4 October 2008);	£19,822 (from 5 October - £40,646 full year equivalent) £15,806 (to 4 October - £30,851 full year equivalent)	-	£22,794 (£30,851 full year equivalent)	-
Lord Paul DRAYSON Minister of State Minister in the House of Lords (from 4 October 2008)	£0 (£0 full year equivalent)	-	N/A	-
Sion SIMON MP Parliamentary Under Secretary of State (from 5 October 2008)	£0 (£0 full year equivalent)	-	N/A	-
Lord Anthony YOUNG OF NORWOOD GREEN Parliamentary Under Secretary of State (from 5 October 2008)	£0 (£0 full year equivalent)	-	N/A	-

<i>Ministers</i>	2008-09		2007-08	
	Salary	Benefits in kind (rounded to nearest £100)	Salary	Benefits in kind (rounded to nearest £100)
Rt Hon Bill RAMMELL MP Minister of State (to 5 October 2008)	£23,271 (£39,893 full year equivalent)	-	£30,031 (£39,893 full year equivalent)	-
Rt Hon Ian PEARSON MP Minister of State (to 5 October 2008)	£23,271 (£39,893 full year equivalent)	-	£29,920 (39,893 full year equivalent)	-
Baroness Delyth MORGAN OF DREFELIN Parliamentary Under Secretary of State, Minister in the House of Lords (to 5 October 2008)	£0 (£0 full year equivalent)	-	£0 (£0 full year equivalent)	-

18.2 The totals above represent payments made by the Department and thus recorded in these accounts. Ministers waived their salary increases of 1 April 2008. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration. The salary for their services as a Member of Parliament (£63,291 for 2008-09 and various allowances to which they are entitled) was not borne by DIUS. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the House of Lords and is therefore shown as nil in the table above.

<i>Board members</i>	2008-09		2007-08	
	Salary ¹ £000	Benefits in kind (rounded to nearest £100)	Salary £000	Benefits in kind (rounded to nearest £100)
Mr Ian WATMORE <i>Permanent Secretary</i>	205-210	-	135-140 (185-190 full year equivalent)	-

<i>Board members</i>	2008-09		2007-08	
	Salary ¹ £000	Benefits in kind (rounded to nearest £100)	Salary £000	Benefits in kind (rounded to nearest £100)
Prof John BEDDINGTON <i>Chief Scientific Adviser</i>	165-170	-	40-45 (165-170 full year equivalent)	-
Mr Stephen MARSTON <i>Director General</i>	150-155	-	120-125 (150-155 full year equivalent)	-
Ms Ruth THOMPSON <i>Director General</i>	140-145	-	105-110 (135-140 full year equivalent)	-
Professor Adrian SMITH <i>Director General (from 1 September 2008)</i>	90-95 (155-160 full year equivalent)	-	N/A	N/A
² Mr William DICKINSON <i>Director General (from 1 July 2008)</i>	90-95 (120-125 full year equivalent)	-	N/A	N/A
Mr Simon MORYS <i>Director (until 26 June 2008)</i>	20-25 (100-105 full year equivalent)	-	65-70 (85-90 full year equivalent)	-
³ Ms Zina ETHERIDGE <i>Director</i>	100-105	-	65-70 (85-90 full year equivalent)	-
⁴ Mr Nicholas EDMONDS <i>Director (until 30 June 2008)</i>	30-35 (120-125 full year equivalent)	-	90-95 (120-125 full year equivalent)	-
Ms Shirley POINTER <i>Director</i>	145-150	-	20-25 (115-120 full year equivalent)	-

<i>Board members</i>	2008-09		2007-08	
	Salary ¹ £000	Benefits in kind (rounded to nearest £100)	Salary £000	Benefits in kind (rounded to nearest £100)
⁵ Mr Alun EVANS <i>Director</i>	120-125	-	N/A	N/A
Mr David EVANS <i>Director</i>	140-145	-	25-30 (115-120 full year equivalent)	-
Ms Susan PEMBER <i>Director (from 16 January 2009)</i>	40-45 (145-150 full year equivalent)	-	N/A	N/A

¹ Salary figures include bonuses paid in respect of 2007-08.

² William Dickinson was on secondment from KPMG. Under the arrangement, DIUS contributed an annual payment of £125,000 to KPMG LLP.

³ Zina Etheridge was seconded from the Cabinet Office and DIUS paid her full salary.

⁴ Nicholas Edmonds was on secondment from KPMG from 1st July 2007 to 30th June 2008. Under the arrangement, DIUS contributed an annual payment of £125,000 to KPMG LLP.

⁵ Alun Evans was seconded from the Department for Communities and Local Government (DCLG) during 2008-09. DIUS reimbursed DCLG for his salary during 2008-09.

18.3 The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

18.4 The Non-executive board members excluding Dame Julie Mellor receive an annual remuneration of £12,600.

19. Non-cash elements of the remuneration package

19.1 The board members' remuneration packages did not contain non-cash benefits.

20. Pension benefits

Ministers

20.1 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended). Those Ministers who are MPs may also accrue an MP's pension under the PCPF (details of which are not included in this report).

The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.

20.2 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are increased annually in line with the changes in the Retail Prices Index (RPI). Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate.

20.3 Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 26.8% of the ministerial salary.

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

20.5 The PCPF have provided the following information in respect of DIUS Ministers:

	Accrued pension at age 65 at 31/03/09 £000	Real increase in pension at age 65 £000	CETV at 31/03/09 £000	CETV at 31/03/08 £000	Real increase in CETV £000
¹ Rt. Hon John DENHAM MP <i>Secretary of State</i>	5-10	0-2.5	142	107	23
David LAMMY MP <i>Minister of State (from 6 October 2008) Parliamentary Under Secretary of State (to 5 October 2008)</i>	5-10	0-2.5	43	35	3
Bill RAMMELL MP <i>Minister of State (to 3 October 2008)</i>	5-10	0-2.5	65	58	4

	Accrued pension at age 65 at 31/03/09 £000	Real increase in pension at age 65 £000	CETV at 31/03/09 £000	CETV at 31/03/08 £000	Real increase in CETV £000
Lord Paul DRAYSON <i>Minister of State</i> <i>(from 6 October 2008)</i>	-	-	-	-	-
Ian PEARSON MP <i>Minister of State</i> <i>(to 3 October 2008)</i>	5-10	0-2.5	80	71	4
Sion SIMON MP <i>Parliamentary Under Secretary of State</i> <i>(from 6 October 2008)</i>	-	-	-	-	-
Lord Anthony YOUNG of Northwood Green <i>Parliamentary Under Secretary of State</i> <i>(from 6 October 2008)</i>	-	-	-	-	-
Baroness Delyth MORGAN <i>Parliamentary Under Secretary of State</i> Minister in the House of Lords <i>(to 5 October 2008)</i>	-	-	-	-	-

¹ CETV is at the date Ministers join the Department.

20.6 The **Cash Equivalent Transfer Value (CETV)** is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular date. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the

member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. The figures include the value of a pension benefit in another scheme or arrangement which has been transferred. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) regulations, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

20.7 The **real increase in the value of the CETV** excludes increases due to inflation and contributions paid by the Ministers and is calculated using common market valuation factors for the start and end of the period.

Board members

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

20.9 Employee contributions are set at the rate of 1.5% of pensionable earnings for the classic and 3.5% for the premium scheme, the classic plus scheme and the NUVOS scheme. Benefits in the classic scheme accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For the premium scheme, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the classic scheme, there is no automatic lump sum. The classic plus scheme is essentially a hybrid of the premium and the classic scheme, with benefits in respect of service before 1 October 2002 calculated broadly as per the classic scheme and benefits for service from October 2002 calculated as in the premium scheme. In NUVOS a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is enhanced in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

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

Pension age is 60 for members of the **classic**, **premium** and **classic plus** schemes, and 65 for members of the **NUVOS** scheme.

20.12 Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

	Accrued pension at age 60 as at 31/03/08 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/09	CETV at 31/03/08	Real increase in CETV	Employer contribution to Partnership pension account (nearest £100)
	£000	£000	£000	£000	£000	£100
Mr Ian WATMORE <i>Permanent Secretary</i>	7.5-10 plus nil lump sum	22.5-25 plus nil lump sum	134	99	24	Nil
Prof John BEDDINGTON <i>Chief Scientific Adviser</i>	0-2.5 plus nil lump sum	0-2.5 plus nil lump sum	41	8	28	Nil
Mr Stephen MARSTON <i>Director General</i>	42.5-45 plus nil lump sum	0-2.5 plus nil lump sum	698	643	12	Nil
Ms Ruth THOMPSON <i>Director General</i>	55-57.5 plus 167.5-170 lump sum	0-2.5 plus 2.5-5 lump sum	1,152	1,054	27	Nil
¹ Professor Adrian SMITH <i>Director General (from 1 September 2008)</i>	-	-	-	-	-	-
² Mr William	-	-	-	-	-	-

	Accrued pension at age 60 as at 31/03/08 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31/03/09 £000	CETV at 31/03/08 £000	Real increase in CETV £000	Employer contribution to Partnership pension account (nearest £100) £100
DICKINSON						
<i>Director General (from 1 July 2008)</i>						
Mr Simon MORYS <i>Director (to July 2008)</i>	35-37.5 plus 110-112.5 lump sum	0-2.5 plus 2.5-5 lump sum	653	585	26	Nil
Ms Zina ETHERIDGE <i>Director</i>	15-20 plus 20- 25 lump sum	2.5-5 plus 2.5-5 lump sum	167	125	30	Nil
² Mr Nicholas EDMONDS <i>Director (until 30 June 2008)</i>	-	-	-	-	-	-
Ms Shirley POINTER <i>Director</i>	10-12.5	0-2.5	171	129	28	Nil
Mr Alun EVANS <i>Director (from 1 April 2008)</i>	35-40 plus 115-120 lump sum	0-2.5 plus 0-2.5 lump sum	688	637	4	Nil
Mr David EVANS <i>Director</i>	57.5-60	0-2.5	1,295	1,187	25	Nil
Ms Susan PEMBER <i>Director (from 16 January 2009)</i>	45-47.5 plus 135-137.5 lump sum	0-2.5 plus 2.5-5 lump sum	908	825	21	Nil

¹ Professor Adrian Smith has been a member of PCSPS for less than a year and therefore his pension details are unavailable. During 2008-09 the Department made contributions of £2,400.

² Nicholas Edmonds and William Dickinson were on secondment from KPMG during 2008-09 and are not members of the Principal Civil Service Pension Scheme.

20.13 The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a date. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of a pension benefit in another scheme or arrangement which has been transferred. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) regulations, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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

21. Amounts payable to third parties for services of senior managers

21.1 Nicholas Edmonds joined the Department on secondment from KPMG LLP on 1 July 2007. The secondment was for a period of six months to two years. Under the arrangement, DIUS contributed an annual payment of £125,000 to KPMG LLP.

21.2 William Dickinson joined the Department on secondment from KPMG LLP on 1 July 2008. The secondment was for a period of six months to two years. Under the arrangement, DIUS contributed an annual payment of £125,000 to KPMG LLP.

Simon Fraser
Accounting Officer

10th July 2009

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Government Resources and Accounts Act 2000, the HM Treasury has directed the Department for Innovation, Universities and Skills to prepare, for each financial year, Resource Accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department for Innovation, Universities and Skills and of its net resource outturn, resources applied to the objectives, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual*, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum published by HM Treasury.

DIUS STATEMENT ON INTERNAL CONTROL 2008-09**Introduction**

This is the last annual Statement on Internal Control for the Department for Innovation, Universities and Skills (DIUS) following the Prime Minister's announcement on 5th June 2009 that DIUS would merge with the Department for Business, Enterprise and Regulatory Reform (BERR), to create the Department for Business, Innovation and Skills (BIS). Information in this Statement about the Department's work beyond June 2009, when it was transferred to the new Department, should be taken to refer to BIS.

This Statement relates to the financial year from 1 April 2008 to 31 March 2009, which is the first full operating year for which the former Permanent Secretary, Ian Watmore held sole responsibility as Accounting Officer for the Department. Following the merger referred to above, on 5 June 2009 I was appointed as Permanent Secretary for BIS and as Accounting Officer for the DIUS voted expenditure. As Accounting Officer, I have responsibility for this Statement on Internal Control. Based on the information made available to me as the present Accounting Officer, I am able to provide the following assurance.

Scope of responsibility

As Accounting Officer for DIUS, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the former Department for Innovation, Universities and Skills, whilst safeguarding the public funds and Departmental assets for which I am now personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

During the period the DIUS Departmental Board was responsible for helping the Permanent Secretary (as Accounting Officer) with the overall running of the Department in 2008-09, creating and delivering a Departmental strategic agenda in support of Ministers, aligned with the Government-wide agenda, and leading and implementing best practice. In addition, the DIUS Departmental Board met monthly throughout the financial year, with non-executive members attending quarterly. It discussed all strategic policy and management issues, including providing direction on major policy; delivery, operational and control issues; reviewing performance; and ensuring that the Department was working economically, efficiently and effectively.

DIUS was supported in its work by a wide range of partner organisations. Many of these were funded entirely by DIUS, while others generated their own income or received public funds through other routes. The Chief Executives of the Non-Departmental Public Bodies (NDPBs) and Executive Agencies, which were sponsored by the Department, are responsible for the maintenance and operation of the system of internal control in their individual organisations, and in most cases have signed statements relating to those systems which are reproduced in the accounts of each body. The Audit & Risk Committee of the former DIUS reviewed the reported control weaknesses from the signed statements, to support my review of the effectiveness of the governance

arrangements that DIUS had in place for maintaining oversight of these bodies.

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. The system of internal control in the Department was being developed throughout the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The DIUS Board had overall responsibility for providing leadership on risk management and promoting a culture where risk management is effective. The Board established a Risk Sub-Committee which met three times during the financial year and reported to the Board and the Audit and Risk Committee. The Sub-Committee was responsible for identifying the most significant Departmental risks and reviewing the appropriateness and effectiveness of risk management and control across the Department. The Sub-Committee also approved risk management guidance for staff. The Risk Sub-Committee was chaired by the Director General Finance & Corporate Services and had an executive membership which included all Directors General.

Risk management was embedded in the Department's programme and project management training which was provided as part of the shared service from Department for Children, Schools and Families. Guidance on the identification, assessment and active management of risk in the Department was available to all staff. BERR risk management guidance and DCSF risk management guidance were available on the DIUS intranet site throughout the year. A new DIUS specific Risk Management Handbook was approved by the Risk Sub-Committee and the Audit and Risk Committee at its meeting in April 2009.

The risk and control framework

The Department's risk and control framework was improved over the period, with the Audit and Risk Committee and Risk Sub-Committee holding meetings throughout the year. The Department also operated a Fraud Sub-Committee with specific responsibility for ensuring that a suitable fraud risk management framework was in place. The Fraud Sub-Committee was intended to have a temporary role and, having overseen that work and monitored fraud reporting throughout the year, its role and responsibilities were subsumed within the role and remit of the

Risk Sub-Committee from March 2009.

The Department's approach was to assign risks to those best placed to manage them. Clear accountability and ownership of risk was established so as to ensure that risk was managed at the appropriate level and a risk management framework was in place to ensure that those matters identified as significant risks were escalated to senior management, the Risk Sub-Committee and the Board.

The Department implemented the recommendations contained in the Cabinet Office's Data Handling Review. An assessment of the Department's information assurance measures, carried out in accordance with Cabinet Office instructions, showed that all of the mandatory minimum measures had been implemented. Information asset owners had been identified, and an information asset register was maintained. Encrypted laptops were used throughout the organisation, and the system ensured that any information written to USB memory devices was encrypted. Training was being provided to all staff on protecting information and specific training was provided to Information Asset Owners.

Each Group or Directorate reporting directly to the Permanent Secretary provided an update to the Departmental High Level Risk Register which captured the most significant risks facing the Department. The Departmental High Level Risk Register was reported to the Risk Sub-Committee, the Audit and Risk Committee and the Board on a quarterly basis. The Risk Sub-Committee reviewed the Departmental High Level Risk Register and advised on the management of those risks and the identification of new and emerging opportunities and threats. Every quarter Ian Watmore discussed and reviewed key Departmental risks with the Secretary of State.

During the year the National Audit Office (NAO) produced a number of reports which reviewed the value for money of operations involving the Department and its delivery agents. The recommendations by the NAO and subsequently the Public Accounts Committee were carefully considered during the year.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within DIUS who had 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. I have been advised on the implications of the results of my review by Board members and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system of the system, including improvements to the risk management framework and to the balance of permanent and interim staff, is in place.

The DIUS Board met regularly to consider the Department's strategic direction and performance against objectives and received regular management reports on finance, risk and performance. The Board operated a network of sub-Committees to support its work and their Terms of Reference and work plans were reviewed annually.

For 2008-09 the Audit and Risk Committee supported the Accounting Officer by offering objective advice on issues concerning the control and governance of the Department. The Committee, comprising one non-executive Board member (the Chair) and two independent external members, has given consideration to the arrangements in place to support the comments contained within this Statement on Internal Control and has agreed that no matters have arisen that they are aware of to indicate that these comments are inappropriate.

The Department's internal auditors, operating in accordance with Government Internal Audit Standards, undertook a work programme approved by the Audit and Risk Committee to review and provide an independent and objective opinion on the adequacy of systems of risk management, internal control and corporate governance. In addition, the internal auditors' findings informed the work of executive managers in the audited areas. During the period, Ian Watmore met regularly with the Head of Internal Audit who produced periodic reports on Internal Audit's findings, their assessment of risk management, corporate governance and control standards in the key corporate risks and delivery areas, and areas where action was required to address shortcomings. The Head of Internal Audit also prepared an annual report which included his professional opinion on the effectiveness of the overall systems of internal control and risk management within the Department. The Annual Internal Audit Report has been signed by the Head of Internal Audit and provides an overall assurance statement and opinion for the financial year and summarises the findings and conclusions from audit work in 2008-09. Internal Audit has offered advice to Directorates within the Department to ensure issues identified through the audit work programme have been appropriately reflected in the preparation of the Directorates' annual statements. I have also taken account of the work of the external auditor on their opinion on the financial statements and on their value for money examinations relating to DIUS's activities.

All Directors General and Directors have provided an annual statement providing an assurance in respect of risk management and control systems operating in their areas. As part of this process and in line with HMT best practice guidelines, specific comprehensive and reliable assurance from managers, internal audit and other assurance providers that risks, including information risks, were being managed effectively was received. These statements include an outline of action planned to remedy shortfalls in terms of internal control.

Internal Control

Despite the progress DIUS has made on risk management, internal control and governance procedures, it nonetheless encountered challenging control issues during the year.

The Security Policy Framework was published in December 2008. At the end of the financial year DIUS was working towards full compliance with the framework across the core Department and its Agencies.

DIUS had a responsibility to ensure that an effective governance structure was in place to maintain oversight of its delivery partners. The need to strengthen risk management within the Learning and Skills Council (LSC), one of

the Department's key NDPBs, had been identified in the LSC's two previous annual Statements on Internal Control. During 2008-09 the LSC refreshed its approach to embed risk management within the organisation and implemented this during the last six months of the financial year. The approach involved making risk assessment integral to the consideration of all decision-making boards. Risk champions were appointed across the LSC and the LSC Management Group now discuss risk as their first agenda item and review the top risks so that the full set of mitigation schemes and actions can be monitored. Since those changes, Sir Andrew Foster's review of the capital programme in Further Education (referred to below) and the LSC's own internal assessment of failures around the delivery of learner support and the Education Maintenance Allowance, found that in particular weaknesses in risk management had contributed to the critical reputational and political issues that arose for the LSC in 2008-09. The LSC's own Statement on Internal Control highlights that despite improvements "risk management is not yet fully embedded in the LSC and further work is still required which should focus on the early identification and escalation of risks." Alongside the programme and risk management process described above the DIUS sponsor team has focused on the LSC's risk assessment, and in particular sought to help the LSC develop a clear escalation process. This has helped improve risk management in the LSC, although further work is still required.

In December 2008, the LSC, which has responsibility for administering the Capital Investment Programme for Further Education, became aware that there was a funding gap between schemes in preparation and those that could be funded in the spending round. An internal review was commissioned at the LSC, and the Secretary of State and LSC Chair appointed Sir Andrew Foster to review the management of the Programme. The Foster Report found that the implementation and approach of the management of the programme did not include a robust financial strategy or national approach to prioritisation. The findings of the Foster report were accepted by both the LSC and DIUS and its recommendations are being implemented. The report also concluded that the scrutiny of the LSC by DIUS in relation to the Capital Investment Programme was insufficiently incisive to uncover ongoing flaws in implementation. Given the importance of DIUS delivery partners to its effectiveness as a department, the Accounting Officer, Ian Watmore commissioned a review of the Department's relationships with its Non-Departmental Public Bodies. I will take account of the conclusions of this review in determining the nature of approach that BIS should adopt to its sponsorship responsibilities.

The Department's Capability Review, undertaken by the Capability Review Team in the Cabinet Office, reported in December 2008 and one of its central conclusions was that DIUS needed to strengthen relationships with delivery partners in order to better manage performance and risk in the its delivery chain. In July 2008 Ian Watmore had already created a new role of Head of Profession for Sponsorship at Director-level. Following the Capability Review DIUS began to analyse the extent to which it had the Sponsorship skills needed and established a Sponsorship Steering Group to inform this process. Seminars were held throughout the year for members of DIUS sponsor teams on key aspects of their role including risk management, financial management, fraud and senior appointments.

DIUS encountered internal control issues, especially in relation to its sponsorship of delivery partners. However, I am satisfied that the overall control environment improved in DIUS during the year ended 31 March 2009. I am

also satisfied that weaknesses have been properly assessed and will ensure that appropriate action is taken to address them within the new department.

Simon Fraser
Accounting Officer

10th July 2009

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Department for Innovation, Universities and Skills for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Scope and Management Commentary included in the Annual Report, is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report, which comprises the unaudited part of the Remuneration Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the Scope and Management Commentary included within the Annual Report, is consistent with the financial statements.

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.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
London SW1W 9SS

Date: 14 July 2009

STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource Outturn 2008-09

Request for Resources	Note	Estimate			Outturn			2008-09 £000	2007-08 £000
		Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total outturn compared with Estimate savings/(excess)	Outturn*
Request for Resources 1	2	23,812,200	(8,616,689)	15,195,511	23,313,650	(8,384,981)	14,928,669	266,842	14,310,180
Request for Resources 2	2	3,809,336	(5,900)	3,803,436	3,619,911	(4,685)	3,615,226	188,210	3,168,964
Total Resources	3	27,621,536	(8,622,589)	18,998,947	26,933,561	(8,389,666)	18,543,895	455,052	17,479,144
Non-operating cost A in A	7			(1,160,416)			(1,098,188)	(62,228)	(637,916)

Net cash requirement

	Note	Estimate	Outturn	2008-09 £000	2007-08 £000
Net Cash Requirement	4	21,502,751	20,818,377	684,374	19,398,573

Summary of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Income	Forecast 2008-09 £000 Receipts	Income	Outturn 2008-09 £000 Receipts
Total	5	1,955	1,955	1,082	20,488

Description of the Requests for Resources and explanations of variances between Estimate and Outturn are given in Note 2 and in the Management Commentary respectively.

The notes on pages 54 to 108 form part of these accounts.

OPERATING COST STATEMENT

For the year ended 31 March 2009

				2008-09 £000			2007-08 £000			
Core Department				Consolidated			Core Department	Consolidated		
Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income				
Administration Costs										
Staff Costs	9	46,333		46,333			39,790	39,790		
Other administration costs	10				30,693		29,407	29,407		
Operating Income	12		(432)			(432)	(239)	(239)		
Programme Costs										
Request for resources 1										
Staff Costs	9	3,189		5,587			2,125	4,710		
Programme costs	11				23,229,007		22,410,179	22,408,358		
Operating Income	12		(8,380,381)			(8,384,857)	(8,164,219)	(8,165,330)		
Request for resources 2										
Staff Costs	9	79		79			34	34		
Programme costs	11				3,619,832		3,165,826	3,165,826		
Operating Income	12		(5,459)			(5,459)	(99,367)	(99,367)		
Totals		49,601	26,879,532	(8,386,272)	51,999	26,881,562	(8,390,748)	17,383,536	17,383,189	
Net Operating Cost	3, 13					18,542,861		18,542,813	17,383,536	17,383,189

All income and expenditure reported in the Operating Cost Statement is derived from continuing operations. All income and expenditure of the National Weights and Measures Laboratory is recorded as programme costs.

The notes on pages 54 to 108 form part of these accounts.

Statement of Recognised Gains and Losses
for the year ended 31 March 2009

		2008-09 £000		2007-08 £000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Net gain/(loss) on revaluation of tangible fixed assets	23	(20,525)	(20,524)	69,222	69,285
Recognised gains and losses for the financial year		(20,525)	(20,524)	69,222	69,285

The notes on pages 54 to 108 form part of these accounts.

BALANCE SHEET**As at 31 March 2009**

		2009 £000		2008 £000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Fixed assets:					
Tangible assets	14	206,671	208,060	220,559	221,912
Intangible assets	15	5	104	10	77
Financial Assets - Student Loans	16.1	19,428,752	19,428,752	16,131,405	16,131,405
Financial Assets - Other	16.2	7,656	7,656	7,822	7,822
		19,643,084	19,644,572	16,359,796	16,361,216
Debtors falling due after more than one year	18	-	200	-	-
Current assets:					
Stocks	17	-	43	1,445	1,505
Debtors	18	173,147	174,112	162,725	164,993
Financial Assets - Student Loans	16.1	1,324,060	1,324,060	1,160,250	1,160,250
Financial Assets - Other	16.2	166	166	166	166
Cash at bank and in hand	19	282,522	283,849	289,119	290,813
		1,779,895	1,782,230	1,613,705	1,617,727
Creditors (amounts falling due within one year)	20	(340,479)	(341,142)	(565,777)	(567,988)
Financial Liabilities	16.3	(18,908)	(18,908)	(17,792)	(17,792)
Net current assets		1,420,508	1,422,180	1,030,136	1,031,947
Total assets less current liabilities		21,063,592	21,066,952	17,389,932	17,393,163
Creditors (amounts falling due after more than one year)	20	-	(10)	-	(28)
Provisions for liabilities and charges	21	(4,204)	(4,234)	(5,943)	(5,963)
Financial Liabilities	16.3	(255,189)	(255,189)	(335,819)	(335,819)
		20,804,199	20,807,519	17,048,170	17,051,353
Taxpayers' equity:					
General fund	22	20,742,522	20,745,704	16,965,020	16,968,051
Revaluation reserve	23	61,677	61,815	83,150	83,302
		20,804,199	20,807,519	17,048,170	17,051,353

Simon Fraser

Accounting Officer*The notes on pages 54 to 108 form part of these accounts.*

CONSOLIDATED CASH FLOW STATEMENT**For year ended 31 March 2009**

	Note	2008-09	2007-08
		£000	£000
Net cash outflow from operating activities	24a	(17,676,509)	(15,987,274)
Capital expenditure and financial investment	24b	(3,121,379)	(3,122,892)
Receipts due to the consolidated fund which are outside the scope of the Departments's activities		55	433,000
Payments of amounts due to the Consolidated Fund		(264,083)	(508,289)
Financing	24d	21,054,952	19,440,228
Increase/(decrease) in cash in the period	19, 24e	(6,964)	254,773

The notes on pages 54 to 108 form part of these accounts.

Consolidated Statement of Operating Costs by Departmental Aim and Objectives for the year ended 31 March 2009

Aim	2008-09			2007-08		
	Gross	Income	£000 Net	Gross	Income	£000 Net
Objective 1	407,816	(39,595)	368,221	329,135	(35,343)	293,792
Objective 2	8,228,907	(5,388,162)	2,840,745	8,245,547	(5,330,833)	2,914,714
Objective 3	4,813,548	(2,905,038)	1,908,510	4,525,543	(2,792,666)	1,732,877
Objective 4	3,634,544	(5,557)	3,628,987	3,177,708	(99,410)	3,078,298
Objective 5	9,821,993	(49,947)	9,772,046	9,347,959	(4,498)	9,343,461
Objective 6	26,753	(2,449)	24,304	22,233	(2,186)	20,047
Net operating costs	26,933,561	(8,390,748)	18,542,813	25,648,125	(8,264,936)	17,383,189

*Following a review of performance reporting during 2008-09, the 2007-08 comparators have been restated to take account of better information available.

The Department's objectives are as follows:

- **Objective 1** - Accelerate the commercial exploitation of creativity and knowledge, through innovation and research, to create wealth, grow the economy, build successful businesses and improve quality of life;
- **Objective 2** - Improve the skills of the population throughout their working lives to create a workforce capable of sustaining economic competitiveness and enable individuals to thrive in the knowledge economy;
- **Objective 3** - Build social and community cohesion through improved social justice, civic participation and economic opportunity by raising aspirations and broadening participation, progression and achievement in learning and skills;
- **Objective 4** - Pursue global excellence in research and knowledge, promote the benefits of science in society, and deliver science, technology, engineering and mathematics skills in line with employer demand;
- **Objective 5** - Strengthen the capacity, quality and reputation of the Further and Higher Education systems and institutions to support national economic and social needs;
- **Objective 6** - Encourage better use of science in government, foster public service innovation, and support other government objectives which depend on DIUS expertise and remit.

The notes on pages 54 to 108 form part of these accounts.

NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS

1 Statement of accounting policies

The accounting policies below are those in operation during 2008-09 within the Department for Innovation, University and Skills, and have not been amended as a result of the Machinery of Government change on 5th June 2009.

These financial statements have been prepared in accordance with the *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The consolidated *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets as described in 1.5.

1.2 First time adoption of FRS 25, 26 and 29

In 2008-09, financial instruments standards FRS 25, 26 and 29 were implemented in central government. This has resulted in a number of presentational changes to the accounts. However, there has been no impact on the opening net assets or retained earnings. Where relevant, balance sheet comparators and related notes have been restated to reflect the new presentation requirements.

The key areas of change relate to reclassification of provisions; in the 2007-08 Departmental Resource Accounts, the student loan interest subsidy and write off impairments were classified as provisions in the accounts. These impairments are now presented with the student loan asset within financial assets. The early departure costs liability and the debt sale subsidy liability have also been reclassified from provisions to financial liabilities.

1.3 Transfer of functions during 2008-09

Government Skills was transferred to DIUS from the Cabinet Office with effect from 1st April 2008.

Machinery of government changes which involve the merger or the transfer of functions of responsibility from two parts of the public service sector have been accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. This requires the restatement of the opening Balance Sheet and prior year's Operating Cost Statement, Cash Flow Statement, Statement of Operating Costs by Departmental Aim and Objectives and associated notes to the Accounts. The impact on the Operating Cost Statement and Balance Sheet is shown in note 35.

1.4 Basis of consolidation

These accounts comprise a consolidation of the core Department and the National Weights and Measures Laboratory, which falls within the departmental resource accounting boundary as defined in the *FReM* (chapter 2.4). Transactions between entities included in the consolidation are eliminated.

NDPBs and trading funds are not consolidated within the Resource Accounts. A list of all those entities within the departmental boundary is shown in Note 33.

1.5 Tangible fixed assets

1.5.1 The Department's freehold land and buildings are restated at current cost and professionally revalued in accordance with the requirements of the Royal Institute of Chartered Surveyors every 5 years at existing use value. Where appropriate, indices issued by the Valuation Office have been applied in intervening years.

Other tangible assets, including Leasehold improvements, have been stated at current cost.

1.5.2 The Department's capitalisation threshold for tangible fixed assets, including operational heritage assets and IT hardware is £2,500; except for furniture assets, where expenditure in one financial year is pooled and capitalised. Assets under construction are recognised and treated as capital expenditure, but not depreciated until the asset is brought into use. The asset value on capitalisation is measured at cost plus any costs, such as installation, directly attributable to bringing the asset into working condition.

For the consolidated body (NWML), the capitalisation thresholds range from £500 for IT equipment to £1000 for other tangible assets.

1.6 Depreciation

Tangible fixed assets are depreciated on a straight line basis to their estimated residual value, over their estimated useful lives. Freehold land and assets under construction are not depreciated.

Assets are normally depreciated over the following periods:

<i>Freehold Buildings</i>	<i>50 years or estimated useful life if shorter</i>
<i>Historical leasehold</i>	<i>Residual term of the land and buildings lease</i>
<i>Leasehold improvements</i>	<i>Residual term of the lease</i>
<i>Transport equipment</i>	<i>2 - 10 years</i>
<i>Plant and Machinery</i>	<i>3 - 10 years</i>
<i>Information Technology</i>	<i>3 - 10 years</i>
<i>Scientific equipment</i>	<i>10 - 50 years</i>
<i>Fixtures & Fittings</i>	<i>7 -10 years</i>

The Department has a number of non-operational heritage assets held for historical and cultural reasons only. These are recorded in the Register of Assets at nil book value, in accordance with guidance from HM Treasury, which excludes museum collections, and other national archives existing at 31 March 2000 from the requirement for valuation. The Department's non-operational heritage assets are located at the National Physical Laboratory (NPL) at Teddington. These consist of the National Physical Laboratory museum and archives, and some UK primary standard weights and measures.

The Department also has operational heritage assets, which are listed buildings used for operational purposes. These are valued at existing use value and depreciated in the same way as other buildings.

1.7 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £2,500 or more is incurred, or when expenditure is of a capital nature. The value of the software licences are restated to current cost each year using appropriate indices published by the Office for National Statistics. The software licences are amortised on a straight line basis over the shorter of the licence period or its useful economic life. The useful economic life is between 2 to 5 years.

1.8 Financial assets

The Department measures and presents financial instruments in accordance with FRS 25, FRS 26 and FRS 29 as modified by the *FRoM*. The Department holds financial assets in the form of loans to students, public dividend capital and financial loans to its trading fund (the UKIPO), as well as trade debtors. Financial assets which are due to be repaid within one year are shown within current assets on the balance sheet.

1.8.1. Student loan valuation

Student loans are classified as Loans and Receivables. As such, they are recorded in the accounts at amortised cost.

This involves the gross value of the loans issued being reduced by an amount based on:

- a) the Department's estimate of the present cost of subsidising interest on loans over the life of the loan ("interest subsidy impairment"). The Department's policy for accounting for the interest subsidy impairment follows the Financial Reporting Advisory Board instructions, and

- b) an estimate of the future cost of policy write offs ("Policy write off impairment"), which reflects the fact that not all of the loans issued will be recoverable due to death, disability or age of student and that this is an intrinsic cost of the loan at inception.

The estimates underpinning these impairments are based on a model which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimate the likely repayments of student loans. Given the long term nature of both impairments, the time value of money is significant, and the interest subsidy impairment is discounted using the current HM Treasury discount rate of 2.2%, in accordance with the *FReM*.

There are significant uncertainties in assessing the actual likely costs and the provision will be affected by the assumptions used. These are formally reviewed by the Department each year and the amounts provided reflect the Department's current estimate.

Further details of the movements in the loan valuation can be found in note 16, while disclosures relating to risk can be found in note 29.

Recognition of loans issued and repayments

The Department's accounting policy is to recognise an addition to the student loan book once the Student Loans Company (SLC) has issued the loan to the student. The Department does not accrue for loans issued after the balance sheet date or for the resource cost of issuing loans after the balance sheet date.

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

1.8.2 Other financial assets

The value of public dividend capital and loans are recorded at historic cost in the balance sheet, as required by the *FReM*.

Current financial assets, such as trade debtors, are measured at amortised cost as a reasonable approximation of fair value.

1.9 Financial liabilities

1.9.1 Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early, and for compensation payments payable to employees who take early severance.

The Department recognises early departure costs as a financial liability when agreements have been signed with the employee. If the Department has committed to early retirements but not yet signed agreements, these commitments are recognised as provisions until the commitments become contractual.

1.9.2 Other financial liabilities

Other financial liabilities are measured at amortised cost. Long term financial liabilities are discounted where material.

1.10 Research and development

Expenditure on research and development is reported as programme expenditure in the Operating Cost Statement in the year in which it is incurred. Fixed assets acquired for use in research and developments are depreciated over the life of the associated research project or according to the asset category if the asset is to be used for subsequent production work.

1.11 Operating income

Operating income is income which relates directly to the operating activities of the Department and its agency. It includes both income appropriated-in-aid as authorised in the Supply Estimate, (such as general administration receipts and income from other departments for payment to NDPBs), and income to the Consolidated Fund (known as CFERs) that HM Treasury has agreed should be treated as operating income. All income is stated net of VAT.

1.12 Administration and programme expenditure and income

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs set out by HM Treasury in its '*Consolidated Budgeting Guidance*'.

Administration costs reflect the costs of running the Department as defined under the administration cost control regime, together with associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit, and that operating income which is not.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department.

1.13 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5% on the average carrying amount of all assets less liabilities, except for;

- Cash balances with the Office of the Paymaster General bank balances where the charge is nil.
- Student loan investment, student loan interest subsidy impairment and student loan write off

impairment, where the charge is 2.2% in line with the HM Treasury long term provisions.

- The Department's investment in the trading funds where the charge is 3.5% of the trading fund's underlying net assets.
- Amounts due from, or due to be surrendered to, the Consolidated Fund, where the credit is at a nil rate.

1.14 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used.

Assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rules at that date. These translation differences are dealt with in the Operating Cost Statement.

1.15 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Department recognises the contributions payable for the year.

1.16 Leases

Rentals due under operating leases are charged to the Operating Cost Statement over the term of the lease, or on the basis of actual rentals payable where this fairly reflects the usage.

Finance leases are capitalised and depreciated on a straight line basis over the estimated economic useful life. Depreciation is charged to the Operating Cost Statement.

1.17 Grants payable

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to grant. Recognition of entitlement to grant varies according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Operating Cost Statement on the basis of estimates of claims not received and are included in accruals in the balance sheet.

1.18 Provisions for liabilities and charges

In accordance with FRS12, the Department makes provision for liabilities and charges where a legal or constructive liability (i.e. a present obligation arising from a past event) exists and the transfer of economic benefits is probable. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the Balance Sheet date and are discounted to a present value where the effect is material.

1.19 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of *Government Accounting*.

Contingent liabilities reported in the accounts comprise:

- Items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement; and
- All items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute, or where material in the context of the Resource Accounts), which are required by the FReM to be noted in the Resource Accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS12 are stated at the amounts reported to Parliament.

In accordance with the *FReM*, the Department does not disclose any contingent liabilities of its non departmental public bodies that arise in the normal course of business.

1.20 Taxation

The Department is exempt from income and corporation tax by way of its crown exemption. Most of the activities of the Department are outside the scope of Value Added Tax (VAT) and, in general, output tax does not apply and input tax on purchases is not recoverable. VAT is accounted for in the accounts, in that amounts are shown net of VAT except:

- irrecoverable VAT is charged to the Operating Cost Statement, and included under the heading relevant to the type of expenditure;
- irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within debtors or creditors within the consolidated balance sheet.

1.21 Stocks

Stocks of finished goods and goods for resale are valued at cost or, where materially different, at current replacement cost. Stocks which have no expectation of sale or consumption are written off in the year, in the Operating Cost Statement.

1.22 Third-party assets

At the opening balance sheet date, DIUS held a sum of cash balances belonging to a third party. These amounts are not recognised in the accounts since the Department has no direct beneficial interest. These are disclosed in note 34 of the accounts.

1.23 Private Finance Initiative (PFI) Transactions

The Department does not have any PFI contracts.

2. Analysis of net resource outturn by section

							2008-09 £000	2007-08 £000	
							Estimate		
							Outturn		
	Admin	Other Current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total outturn compared with Estimate	Prior-year outturn
Request for Resources 1 : To help build a competitive economy by: creating opportunities for everyone to develop their learning and skills and creating excellence in science, research and innovation.									
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL):									
<i>Central Government Spending</i>									
A - Activities to support all functions	77,026	9,561	-	86,587	(255)	86,332	86,743	411	66,101
B - Higher Education	-	32,359	60,644	93,003	(3,178)	89,825	176,895	87,070	87,731
C - Higher Education support for students	-	(41,467)	2,276,869	2,235,402	(1,400)	2,234,002	2,337,259	103,257	2,017,586
D - Further Education skills and international programmes	-	23,309	340,636	363,945	(80,983)	282,962	313,520	30,558	204,199
E - Further Education receipts from DCSF	-	-	-	-	(7,384,652)	(7,384,652)	(7,387,596)	(2,944)	(7,052,258)
F - Science and Innovation knowledge transfer	-	175,785	2,107	177,892	(39,511)	138,381	141,887	3,506	136,691
				-					
<i>Support for Local Authorities:</i>				-					
				-					
<i>Higher Education fees and awards through LEAs</i>	-	-	-	-	-	-	-	-	340
<i>Science and Innovation knowledge transfer</i>	-	-	-	-	-	-	-	-	4,191
SPENDING IN ANNUALLY MANAGED EXPENDITURE:									
<i>Central Government spending</i>									
G - Loans to students		457,875	418,680	876,555	(875,002)	1,553	-	(1,553)	(21,152)
Non-budget									
H - Higher Education Funding Council for England	-	-	7,170,859	7,170,859	-	7,170,859	7,170,553	(306)	6,910,003
I - Office of Fair Access	-	-	514	514	-	514	514	-	413
J - Student Loan Company	-	-	78,584	78,584	-	78,584	63,822	(14,762)	48,426
K - Investors in People UK	-	-	4,700	4,700	-	4,700	4,677	(23)	5,773
L - Learning and Skills Council	-	-	11,894,866	11,894,866	-	11,894,866	11,945,015	50,149	11,167,929
M - UK Commission for Employment and Skills	-	-	78,960	78,960	-	78,960	79,889	929	83,875
N - Quality Improvement Agency	-	-	17,574	17,574	-	17,574	18,740	1,166	109,764
O - Design Council	-	-	6,435	6,435	-	6,435	7,093	658	6,069
P - Technology Strategy Board	-	-	222,000	222,000	-	222,000	234,500	12,500	150,000
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL):									
<i>Local Authorities</i>									
Q - Higher Education	-	-	5,774	5,774	-	5,774	2,000	(3,774)	384,499
Total RfR1	77,026	657,422	22,579,202	23,313,650	(8,384,981)	14,928,669	15,195,511	266,842	14,310,180

							2008-09 £000	2007-08 £000	
							Outturn	Estimate	
							Net Total	Net Total compared with Estimate	Prior-year outturn
Admin	Other Current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Estimate		
Request for Resources 2 : Increasing scientific excellence in the UK and maximising its contribution to society									
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL):									
<i>Central Government Spending</i>									
A - The Royal Society	-	-	43,360	43,360	-	43,360	43,360	-	41,072
B - Royal Academy of Engineering	-	-	10,279	10,279	-	10,279	10,279	-	9,752
C - British Academy	-	-	22,540	22,540	-	22,540	22,540	-	22,585
D - OSI Initiatives	-	2,277	2,398	4,675	-	4,675	4,766	91	5,024
E - Science and Society	-	2,153	11,050	13,203	-	13,203	13,441	238	11,071
F - Knowledge Transfer	-	-	11,351	11,351	-	11,351	11,800	449	11,904
G - Science Research Investment Fund	-	-	36,411	36,411	-	36,411	38,750	2,339	83,438
H -Biotechnology and Biological Sciences	-	-	-	-	(4,685)	(4,685)	(5,900)	(1,215)	(6,537)
<i>Research base Administration Costs</i>									
	-	-	-	-	-	-	-	-	4,056
<i>GO- Science Group Administration Costs</i>									
	-	-	-	-	-	-	-	-	5,585
SPENDING IN ANNUALLY MANAGED EXPENDITURE:									
<i>Central Government Spending</i>									
I - Research Councils' Pension Fund	-	-	72,340	72,340	-	72,340	80,000	7,660	27,400
Non-budget									
J - Arts and Humanities Research Council	-	-	114,698	114,698	-	114,698	122,000	7,302	104,343
K - Biotechnology and Biological Sciences Research Council	-	-	412,155	412,155	-	412,155	432,500	20,345	393,530
L - Economic and Social Research Council	-	-	178,000	178,000	-	178,000	157,500	(20,500)	135,018
M - Engineering and Physical Sciences Research Council	-	-	784,878	784,878	-	784,878	815,000	30,122	739,499
N - Medical Research Council	-	-	643,000	643,000	-	643,000	703,000	60,000	304,915
O - Natural Environment Research Council	-	-	395,760	395,760	-	395,760	420,000	24,240	353,555
P - Science and Technology Facilities Council	-	-	602,699	602,699	-	602,699	642,000	39,301	558,888
Q - Fees Payable under the Animals (Scientific Procedures) Act 1986	-	307	-	307	-	307	400	93	236
R - Higher Education Funding Council for England	-	-	274,255	274,255	-	274,255	292,000	17,745	363,630
Total RfR2	-	4,737	3,615,174	3,619,911	(4,685)	3,615,226	3,803,436	188,210	3,168,964
Resource Outturn	77,026	662,159	26,194,376	26,933,561	(8,389,666)	18,543,895	18,998,947	455,052	17,479,144

Detailed explanations of the variances are given in the Management Commentary.

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

3(a) Reconciliation of net resource outturn to net operating cost

				2008-09 £000	2007-08 £000
	Note	Outturn	Supply Estimate	Outturn Compared with Estimate	Outturn
Net Resource Outturn	2	18,543,895	18,998,947	455,052	17,479,144
Non-Supply income (CFERs)	5	(1,082)	(1,955)	(873)	(95,955)
Net Operating Cost		18,542,813	18,996,992	454,179	17,383,189

3(b) Outturn against final Administration Budget

		Budget	£000 Outturn	£000 Outturn
Gross Administration Budget		77,850	77,026	69,197
Income allowable against the Administration Budget		(200)	(200)	(239)
Net outturn against the Final Administration Budget		77,650	76,826	68,958

Not Included above in the income allowable against the Administration budget is £232K of income which is not allowable against the Administration Budget and which is therefore payable to the Consolidated fund.

4. Reconciliation of resources to net cash requirement

	Note	Estimate £000	Outturn £000	Net total outturn compared with estimate: Savings/(excess) £000
Resource Outturn	2	18,998,947	18,543,895	455,052
Capital				
Acquisition of fixed assets	14,15	-	13,043	(13,043)
Additions to loan balances (see explanation below)	16.1	5,930,477	4,204,136	1,726,341
Other movements on loan book	16.1	-	9	(9)
Non operating A in A				
Repayment of loans	7	(1,160,416)	(1,098,188)	(62,228)
Accruals adjustments				
Non-cash items (see explanation below)	24a,10.1	(2,306,029)	(1,091,787)	(1,214,242)
Changes in working capital other than cash		-	227,757	(227,757)
Use of provisions	21	39,772	1,720	38,052
Financial Liabilities - utilised in year	16.3	-	17,792	(17,792)
Net cash requirement		21,502,751	20,818,377	684,374

The Department has stayed within its cash requirement limit by £684 million (3%). This is mainly due to the

£455m underspend on the net resources limit and issuing fewer student loans than anticipated. It should be noted that the Estimate process requires the Department to include estimates for the interest added to loans within the "Additions to loan balances" figure and exclude it from the "Non-cash items", whereas the Financial Reporting Manual requires the interest to be included in non-cash items. This results in large variances in these two lines. (Estimated loan interest was £1,012m compared to £876m recognised in the accounts, a variance of £136m)

5. Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Income	Forecast 2008-09 £000 Receipts	Income	Outturn 2008-09 £000 Receipts
Operating income and receipts - excess A in A	3b	-	-	232	232
Other operating income and receipts not classified as A in A	12	1,955	<i>1,955</i>	795	<i>3,751</i>
Excess Receipts payable to the Consolidated Fund		-	-	-	-
		<u>1,955</u>	<u><i>1,955</i></u>	<u>1,027</u>	<u><i>3,983</i></u>
Non-operating income and receipts - excess A in A		-	-	-	-
Other non operating income and receipts not classified as A in A		-	-	-	<i>16,450</i>
Other amounts collectable on behalf of the Consolidated Fund		-	-	55	55
Total income payable to the Consolidated Fund		<u>1,955</u>	<u><i>1,955</i></u>	<u>1,082</u>	<u><i>20,488</i></u>

6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2008-09 £000	2007-08 £000
Operating income	12	8,390,748	8,264,936
Adjustment for transactions between RfRs		-	-
Gross Income		<u>8,390,748</u>	<u>8,264,936</u>
Income authorised to be appropriated in aid	2	(8,389,666)	(8,168,981)
Income payable to the Consolidated Fund		<u>1,082</u>	<u>95,955</u>

7. Non-operating income – classified as Appropriations in Aid

	Note	2008-09 £000	2007-08 £000
Repayment of student loans	16.1	1,098,022	637,750
Principal Repayment of UKIPO loan	16.2	166	166
Non-operating income		1,098,188	637,916

8. Non-operating income not classified as Appropriations in Aid.

	2008-09 Income £000	2007-08 Income £000
Student loans interest repayments	-	190,415
	-	190,415

Student Loan interest repayments were classified as “non-operating income not classified as Appropriations in Aid” in 2007-08, but are now classified as Appropriations in Aid. In 2008-09, the “repayment of student loans” figure in note 7 includes interest as well as principal.

9. Staff numbers and related costs

9.1 Staff costs comprise:	2008-09					2007-08
	Total	Permanently employed staff	Others *	Ministers	Special advisers	£000
Wages and salaries	37,017	32,842	3,875	160	140	31,432
Social security costs	2,774	2,746	-	14	14	2,454
Other pension costs	6,831	6,795	-	-	36	6,029
Less recoveries in respect of outward secondments	(289)	(289)	-	-	-	(125)
Sub Total (Admin Cost)	46,333	42,094	3,875	174	190	39,790
Staff costs classified as Programme costs	5,666	4,936	730	-	-	4,744
Total Net Costs	51,999	47,030	4,605	174	190	44,534
Of which: Core Department	49,601	44,631	4,605	174	190	41,949

*The fees paid for agency staff is a flat fee, including social security, holiday pay, pension costs etc. For the purpose of this note the total amount is disclosed as wages and salaries

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Department for Innovation, Universities and Skills is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Associates) valued the scheme as at 31 March 2007. Further details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk)

For 2008-09, employers' contributions of £7,548,453 were payable to the PCSPS (2007-08: £6,342,046) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2007-08 were between 17.1% and 25.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. In 2007-08, the salary bands were revised but the rates remained the same. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £8,285 (2007-08: £5,167) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2007-08: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,110.38 (2007-08: £814), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

No employees in 2008-09 retired early on ill-health grounds (2007-08: 1 person).

9.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below.

Objective	2008-09					2007-08
	Total	Permanently employed staff	Others	Ministers	Special Advisors	Number
1	15.1	14.6	0.4	0.1	-	13.1
2	130.7	126.4	3.2	0.8	0.3	130.0
3	82.8	80.0	2.1	0.5	0.2	77.3
4	152.6	147.5	3.8	0.9	0.4	137.3
5	434.4	419.9	10.8	2.7	1.0	416.8
6	1.0	1.0	-	-	-	0.9
Number of staff charged to admin costs	816.6	789.3	20.3	5.0	1.9	775.4
Number of staff charged to Programme expenditure						
1	48.6	48.6	-	-	-	49.2
2	1.3	1.3	-	-	-	1.8
3	0.8	0.8	-	-	-	1.1
4	1.5	1.5	-	-	-	1.9
5	4.4	4.4	-	-	-	5.7
6	38.4	29.3	9.1	-	-	27.0
Number of staff charged to programmes	95.0	85.9	9.1	0.0	0.0	86.7
TOTAL	911.6	875.2	29.4	5.0	1.9	862.1
Of which: Core Department	862.7	826.4	29.4	5.0	1.9	813.1

*Following a review of performance reporting during 2008-09, the 2007-08 comparators have been restated to take account of better information available.

The Department's objectives are as follows:

- **Objective 1** - Accelerate the commercial exploitation of creativity and knowledge, through innovation and research, to create wealth, grow the economy, build successful businesses and improve quality of life;
- **Objective 2** - Improve the skills of the population throughout their working lives to create a workforce capable of sustaining economic competitiveness and enable individuals to thrive in the knowledge economy;
- **Objective 3** - Build social and community cohesion through improved social justice, civic participation and economic opportunity by raising aspirations and broadening participation, progression and achievement in learning and skills;
- **Objective 4** - Pursue global excellence in research and knowledge, promote the benefits of science in society, and deliver science, technology, engineering and mathematics skills in line with employer demand;
- **Objective 5** - Strengthen the capacity, quality and reputation of the Further and Higher Education systems and institutions to support national economic and social needs;
- **Objective 6** - Encourage better use of science in government, foster public service innovation, and support other government objectives which depend on DIUS expertise and remit.

10. Other Administration Costs

		2008-09 £000		2007-08* £000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases:					
Hire of plant and machinery		2,028	2,028	435	435
Other operating leases		4,941	4,941	1,327	1,327
		<u>6,969</u>	<u>6,969</u>	<u>1,762</u>	<u>1,762</u>
Non-cash items:					
Depreciation and amortisation of fixed assets					
Other tangible fixed assets	14	1,304	1,304	360	360
Intangible fixed assets	15	4	4	2	2
Permanent diminution in fixed assets values		56	56	(135)	(135)
Loss on disposal of fixed assets		1	1	-	-
Cost of capital charge		3	3	(269)	(269)
Audit fee for IFRS transition		25	25	-	-
Auditor's remuneration		225	225	225	225
Early Departure costs in year	16.3.1	562	562	462	462
		<u>2,180</u>	<u>2,180</u>	<u>645</u>	<u>645</u>
Legal, accountancy and other professional fees		456	456	878	878
Travel and subsistence		2,786	2,786	2,246	2,246
Consultancy		2,841	2,841	2,515	2,515
Rates, service charges and other office services		595	595	1,475	1,475
IT & Telecoms costs		1,917	1,917	3,761	3,761
Advertising and publicity		269	269	308	308
Charges for shared services					
IT & telecoms		1,343	1,343	1,345	1,345
Premises		-	-	2,695	2,695
Other, including finance and HR services		9,651	9,651	9,784	9,784
Other expenditure		1,686	1,686	1,993	1,993
Total		<u>30,693</u>	<u>30,693</u>	<u>29,407</u>	<u>29,407</u>

10.1 Total Non-cash transactions

The Non cash transactions included in the reconciliation of Resources to the Net Cash Requirement in Note 4 and in the Reconciliation of Operating Costs to Operating Cash Flows in Note 24a comprises:

		2008-09 £000		2007-08 £000	
		Core Department	Consolidated	Core Department	Consolidated
Other administration costs - non-cash items (as Note 10 above)		2,180	2,180	645	645
Programme non-cash costs charged to operating expenditure (See Note 11)		1,965,693	1,965,982	2,374,107	2,374,437
Less non-cash income:					
Profit on sale of fixed assets		-	-	-	-
Student loans capitalised interest		(876,375)	(876,375)	(1,039,571)	(1,039,571)
Total non-cash transactions		<u>1,091,498</u>	<u>1,091,787</u>	<u>1,335,181</u>	<u>1,335,511</u>

*Comparative costs have been reclassified to present costs consistently between years.

11. Programme Costs

		2008-09 £000		2007-08 £000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Current grants and other current expenditure		24,880,974	24,882,715	23,199,438	23,197,287
Research and development costs		2,754	2,754	1,994	1,994
Realised Exchange Rate (Gains) and Losses		(582)	(582)	287	287
Losses and Compensation		-	-	179	179
		24,883,146	24,884,887	23,201,898	23,199,747
Non-cash items: Student loan movements-					
Student loans domicile adjustment		-	-	(48)	(48)
Policy write-off impairment charge for year	16.1.1	389,725	389,725	(402,571)	(402,571)
Interest Subsidy provided in year	16.1.2	790,887	790,887	2,018,555	2,018,555
Student Loan cost of capital	22	421,829	421,829	350,770	350,770
Interest release	16.1.2	(902,860)	(902,860)	(213,174)	(213,174)
Inflation adjustment	22	1,077,772	1,077,772	456,255	456,255
Unwinding of discount	16.1.2	243,588	243,588	141,379	141,379
		2,020,941	2,020,941	2,351,166	2,351,166
Non-cash items: Other-					
Cost of capital charges on programmes	22	2,265	2,327	(5,464)	(5,413)
Auditor's remuneration		-	27	-	21
Depreciation and amortisation of fixed assets:					
Tangible assets	14	4,394	4,547	4,261	4,386
Intangible Fixed Assets	15	-	20	-	17
Permanent diminution in fixed asset values		394	402	(270)	(261)
Provisions provided (released) in year	21	(19)	(9)	90	110
Early Departure costs in year	16.3.1	231	231	-	-
Student loan debt sale subsidy unwinding of discount	16.3.2	7,774	7,774	7,904	7,904
Debt Sale provided (release) in year	16.3.2	(70,289)	(70,289)	16,420	16,420
Other non cash items		2	11	-	87
		(55,248)	(54,959)	22,941	23,271
Total		26,848,839	26,850,869	25,576,005	25,574,184

11.1 Programme costs summary

RFR 1 - Request For Resource 1	23,229,007	23,231,037	22,410,179	22,408,358
RFR 2 - Request For Resource 2	3,619,832	3,619,832	3,165,826	3,165,826
	26,848,839	26,850,869	25,576,005	25,574,184

12. Income

	Note	Consolidated 2008-09			Consolidated 2007-08		
		RfR1	RfR2	£000 Total	RfR1	RfR2	£000 Total
Administration Income							
Profit on disposal of assets		-	-	-	(5)	-	(5)
Consolidated Fund Extra Receipts		232	-	232	-	-	-
Other miscellaneous		200	-	200	244	-	244
		<u>432</u>	<u>-</u>	<u>432</u>	<u>239</u>	<u>-</u>	<u>239</u>
Programme Income							
Income from DCSF for payment to HEFCE		1,644	-	1,644	2,936	-	2,936
Income from DCSF for contribution to LSC Grant-in-Aid		7,401,852	-	7,401,852	7,052,258	-	7,052,258
Other Government Departments' contributions to UKCES Grant-in-Aid		10,919	-	10,919	-	-	-
Other Government Departments' contributions to LSIS Grant-in-Aid		46,425	-	46,425	-	-	-
Fees and charges		812	-	812	1,112	-	1,112
Student loans capitalised interest	16.1	876,375	-	876,375	1,039,571	-	1,039,571
Rental Income for NPL site		6,290	-	6,290	5,734	-	5,734
Other Income		40,464	4,685	45,149	60,594	6,537	67,131
Consolidated Fund Extra Receipts	6	76	774	850	3,125	92,830	95,955
		<u>8,384,857</u>	<u>5,459</u>	<u>8,390,316</u>	<u>8,165,330</u>	<u>99,367</u>	<u>8,264,697</u>
Total		8,385,289	5,459	8,390,748	8,165,569	99,367	8,264,936

13. Analysis of net operating cost by spending body

	Note	2008-09 £000 Estimate	2007-08 £000 Outturn
Spending body:			
Non-Departmental Public Bodies (NDPBs):			
Design Council		7,093	6,435
Higher Education Funding Council for England (HEFCE)		7,462,553	7,445,114
Investors in People UK (IiP UK)		4,677	4,700
Learning and Skills Council (LSC)		11,945,015	11,894,866
Office for Fair Access (OFFA)		514	514
Quality Improvement Agency (QIA)		18,740	17,574
Student Loans Company Ltd (SLC)		63,822	78,584
Sector Skills Development Agency (SSDA)		12,325	12,325
UK Commission for Employment and Skills (UKCES)		67,564	66,635
Technology Strategy Board (TSB)		234,500	222,000
Research Councils:			
Arts and Humanities Research Council		122,000	114,698
Biotechnology and Biological Sciences Research Council		432,500	412,155
Economic and Social Research Council		157,500	178,000
Engineering and Physical Sciences Research Council		815,000	784,878
Medical Research Council		703,000	643,000
Natural Environment Research Council		420,000	395,760
Science and Technology Facilities Council		642,000	602,699
Local authorities:			
Higher Education fees and awards through LEAs		-	-
Science and Innovation knowledge transfer		-	-
Other Bodies			
National Weights and Measures Laboratory		-	(47)
Learning and Skills Improvement Service		-	100,291
Other DIUS			
Fees Payable under the Scientific Procedures Act 1986		400	307
Further Education receipts from DCSF		(7,387,596)	(7,384,652)
Other DIUS spending		3,277,340	2,948,059
DIUS non-supply income	6	-	(1,082)
Net Operating Cost		18,998,947	18,542,813
		17,383,189	17,383,189

14. Tangible fixed assets

	Freehold Land & Buildings £000	Leasehold Improvements £000	Leasehold Land £000	Plant & Machinery £000	Information Technology £000	Scientific Equipment £000	Transport Equipment £000	Fixtures & Fittings £000	Assets under Construction £000	Total £000
Cost or valuation										
At 1 April 2008	239,349	4,873	1,200	549	1,148	1,740	40	747	3,928	253,574
Additions	-	90	-	-	111	93	-	15	12,681	12,990
Disposals	-	-	-	(2)	(37)	(49)	-	(2)	-	(90)
Revaluations	(23,213)	-	(252)	(20)	(35)	(2)	3	9	-	(23,510)
At 31 March 2009	216,136	4,963	948	527	1,187	1,782	43	769	16,609	242,964
Depreciation										
At 1 April 2008	(29,571)	(301)	(187)	(434)	(252)	(797)	(36)	(84)	-	(31,662)
Charged in year	(4,367)	(1,036)	(20)	(10)	(261)	(81)	-	(76)	-	(5,851)
Disposals	-	-	-	1	28	48	-	2	-	79
Revaluations	2,498	-	43	19	(17)	(9)	(3)	(1)	-	2,530
At 31 March 2009	(31,440)	(1,337)	(164)	(424)	(502)	(839)	(39)	(159)	-	(34,904)
Net book value at 31 March 2009	184,696	3,626	784	103	685	943	4	610	16,609	208,060
Net book value at 31 March 2008	209,778	4,572	1,013	115	896	943	4	663	3,928	221,912
Asset financing:										
Finance Leased	-	-	-	-	-	38	-	-	-	38
Owned	184,696	3,626	784	103	685	905	4	610	16,609	208,022
Net book value at 31 March 2009	184,696	3,626	784	103	685	943	4	610	16,609	208,060
Analysis of tangible fixed assets										
The net book value of tangible fixed assets comprises:										
Core Department 2009	184,696	3,626	784	-	492	-	-	462	16,611	206,671
Agencies 2009	-	-	-	103	193	943	4	148	(2)	1,389
Total	184,696	3,626	784	103	685	943	4	610	16,609	208,060
Core Department 2008	209,778	4,572	1,013	1	736	-	-	531	3,928	220,559
Agencies 2008	-	-	-	114	160	943	4	132	-	1,353
Total	209,778	4,572	1,013	115	896	943	4	663	3,928	221,912

Land and Buildings, excluding dwellings, comprise freehold, long leasehold (leases with 50+ years to run from the balance sheet date) and short leasehold buildings.

All core Department land and buildings were revalued as at 31 March 2009 using indices provided by the Valuation Office via HM Treasury on 19 February 2009. They were previously revalued as at 31 March 2008 by an independent Chartered Surveyor, Powis, Hughes & Associates. This valuation was undertaken in accordance with

the Royal Institute of Chartered Surveyors Valuation Standards (6th Edition), and assets were revalued on the basis of existing use value.

The remaining tangible assets were revalued as at 31 March 2009 based on appropriate indices published by the Office of National Statistics on 23 March 2009.

Operational Heritage Assets:

The following listed buildings are used for operational purposes and have been valued on an Existing Use Value basis. They are included in the values for buildings, above. Operational heritage assets are located at the National Physical Laboratory in Teddington, namely Bushy House which includes The Clock House, the Conservatory and Garden Temple.

Non-Operational Heritage Assets:

The National Physical Laboratory museum and archives, including some former UK primary standard weights and measures, are non-operational heritage assets held for historical and cultural association alone. These are recorded in the Register of Assets at nil book value, in accordance with guidance in HM Treasury's *Financial Reporting Manual, (FReM)*, which excludes museum collections, and other national archives existing at 31 March 2000 from the requirement of valuation.

Scientific equipment at 31 March 2009 includes a finance lease of which the net book value was £38,250 (31 March 2008: £42,000) and the depreciation charge in the year of £4,510 (2007-08: £2,000).

15. Intangible fixed assets

	Core department £000	Total Consolidated £000
Cost or valuation		
At 1 April 2008	12	174
Additions	-	53
Disposals	-	-
Revaluations	(1)	(5)
At 31 March 2009	<u>11</u>	<u>222</u>
Amortisation		
At 1 April 2008	(2)	(97)
Charged in year	(4)	(24)
Disposals	-	-
Revaluations	-	3
At 31 March 2009	<u>(6)</u>	<u>(118)</u>
Net book value at 31 March 2009	<u>5</u>	<u>104</u>
Net book value at 31 March 2008	<u>10</u>	<u>77</u>

Analysis of intangible fixed assets

The net book value of intangible fixed assets comprises:

Core Department 2009	5
Agencies 2009	99
Total	<u>104</u>
Core Department 2008	10
Agencies 2008	67
Total	<u>77</u>

16. Financial Instruments**16.1 Student Loans**

	Note	2008-09 £000	2007-08 £000
Balance at 1 April		20,790,147	17,120,462
Amounts previously transferred to current assets		1,160,250	722,274
Total gross value of loans outstanding at 1 April		21,950,397	17,842,736
New loans		4,204,136	3,904,970
Interest added		876,375	1,039,571
Repayments		(1,098,022)	(828,165)
Write offs	31c	(29,254)	(8,078)
Other Adjustments		9	(636)
Total gross value of loans at 31 March		25,903,641	21,950,398
Policy Write-off Impairment	16.1.1	(1,848,689)	(1,488,218)
Interest Subsidy Impairment	16.1.2	(3,302,140)	(3,170,525)
Balance at 31 March		20,752,812	17,291,655
		2008-09 £000	2007-08 £000
Split Between:			
Loans repayable in 12 months transferred to current assets		1,324,060	1,160,250
Non-current Loans		19,428,752	16,131,405
		20,752,812	17,291,655

16.1.1 Movements on Policy write-off impairment

	2008-09	2007-08
	£000	£000
Balance at 1 April	(1,488,218)	(1,898,867)
Increase in the year	(389,725)	402,571
Loans Written off	29,254	8,078
	<hr/>	<hr/>
Balance at 31 March	(1,848,689)	(1,488,218)

The student loan policy write-off impairment was created to meet the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or not being able to trace the student. Each year the Department estimates the future cost policy write offs based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the Student Loans Company.

16.1.2 Interest Subsidy impairment

	2008-09	2007-08
	£000	£000
Value of interest subsidy at 1 April	(3,170,526)	(1,223,765)
Increase in the year	(790,886)	(2,018,555)
Utilisation in the year	902,860	213,174
Unwinding	(243,588)	(141,379)
	<hr/>	<hr/>
Balance at 31 March	(3,302,140)	(3,170,525)

Student loans are subsidised as students are only charged interest equivalent to the rate of inflation, or Bank of England base rate plus 1%, whichever is the lower. The Department meets the costs resulting from the difference between the forecast future interest paid by students and the cost of capital on loans. This difference is known as the interest subsidy. The interest subsidy impairment therefore reflects the cost to the Government of issuing and holding the loan. The Department increases the provision based on a percentage of loans issued in year. The percentage is calculated using a modelling tool which takes into account borrower behaviour, earnings on graduation and other assumptions. Note 29 contains more information about the student loan valuation.

Note on 2007-08 comparators to notes 16.1.1 and 16.1.2

A review of the estimates in 2007-08 resulted in an increase to the interest subsidy impairment of £1,333m and a decrease to the policy write off impairment by £674m. These adjustments, which on a net basis increased impairments by £659m, reflected a reassessment of the key assumptions applied when calculating impairments in prior years to ensure that the movements on these impairments remain consistent with the actual pattern of loan repayments. The net amounts provided in 2007-08 included those changes together with the annual increase in impairments (£686m for the interest subsidy impairment, and £271m for the policy write off impairment).

16.2 Other Financial assets

	UKIPO - Public Dividend Capital	Loans to UKIPO	Total
Balance at 1 April	6,325	1,497	7,822
Amounts previously transferred to current assets	-	166	166
Total gross value of Investments	6,325	1,663	7,988
Redemptions / repayments	-	(166)	(166)
Value at 31 March 2009	6,325	1,497	7,822
Split Between:			
Loans repayable in 12 months transferred to current assets	-	166	166
Non-current Loans	6,325	1,331	7,656
	6,325	1,497	7,822

In accordance with the Financial Reporting Manual, Public Dividend Capital and the loan to UKIPO is valued at historic cost, as UKIPO is outside the Departmental Boundary. The loan is scheduled to be paid off in March 2018.

The Department is required to disclose, for each investment which represents an interest in a subsidiary undertaking, as associate or joint venture which falls outside the Departmental consolidation boundary, the Department's share of the net assets and results of those bodies. This information is summarised below:

	2008-09	2007-08
	£000	£000
Net assets	64,889	83,423
Turnover	61,139	63,335
Surplus (Deficit) for the period	(7,249)	12,247

UK Intellectual Property Office information is derived from their unaudited annual account for 2008-09, and their audited accounts for 2007-08, which were completed in accordance with the requirements of the Government Financial Reporting Manual (FReM).

In addition to the financial assets shown above, the Department has 5 shares with a nominal value of £1 in the Student Loan Company. The Department is also a partner in the Energy Technology Institute. This partnership is funded via the Technology Strategy Board and the Engineering and Physical Sciences Research Council, and the contributions are disclosed in the accounts of those bodies.

All financial assets are held by the core Department.

16.3 Financial Liabilities

	Early departure costs	Debt sale	Total
Balance at 1 April	55	335,764	335,819
Amounts previously transferred to current liabilities	203	17,589	17,792
Total gross value of liabilities outstanding	258	353,353	353,611
Increase/(decrease) in year	789	(70,289)	(69,500)
utilisation in year	(203)	(17,589)	(17,792)
unwinding	4	7,774	7,778
Value at 31 March 2009	848	273,249	274,097
Split Between:			
Liabilities repayable in 12 months transferred to current Liabilities	288	18,620	18,908
Liabilities due in more than a year	560	254,629	255,189
	848	273,249	274,097

16.3.1 Early Departure costs

	2008-09 £000	2007-08 £000
Value of the Early Departure costs liability at 1 April	258	-
Increase/(decrease) in year	789	462
Utilisation in the year	(203)	(204)
Unwinding	4	-
Balance at 31 March	848	258
Split Between:		
Liabilities repayable in 12 months transferred to current Liabilities	288	203
Non-current Liabilities	560	55
	848	258

The Department meets the additional costs of benefits beyond normal PCSPS benefits in respect of employees who retire early. The Department provides for this in full when the early retirement programme becomes binding on the Department by establishing a financial liability for the estimated payments discounted by the Treasury discount rate of 2.2%.

16.3.2 Student loan debt sale subsidy

	2008-09 £000	2007-08 £000
Value of the Student loan debt sale subsidy at 1 April	353,353	359,256
Increase/(decrease) in year	-	-
Utilisation in the year	(70,289)	16,420
Unwinding	(17,589)	(30,227)
	7,774	7,904
Balance at 31 March	273,249	353,353
Split Between:		
Liabilities repayable in 12 months transferred to		
Other Liabilities	18,620	17,589
Non-current Liabilities	254,629	335,764
	273,249	353,353

The student loan debt sale subsidy is the additional cost to the Department of government subsidies contractually due to the purchaser of the debts beyond the cost that the government would have incurred had the debts remained in the public sector. This liability arose from loan sales in 1998 and 1999.

All financial liabilities are held by the core Department.

17. Stocks and work in progress

	2008-09 £000		2007-08 £000	
	Core Department	Consolidated	Core Department	Consolidated
Stocks	-	43	1,445	1,505
	-	43	1,445	1,505

18. Debtors**18(a) Analysis by type**

	2008-09 £000		2007-08 £000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Trade debtors	10,242	10,756	11,291	13,416
VAT	4,739	4,738	6,400	6,413
Deposits and advances	218	223	52	57
Other debtors	16,098	16,098	375	299
Prepayments & accrued income	141,850	142,297	144,607	144,808
	173,147	174,112	162,725	164,993

	2008-09 £000		2007-08 £000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due after more than one year:				
Trade Debtors	-	200	-	-
	-	200	-	-

18(b) Intra-Government Balances

	Amounts falling due within one year £000		Amounts falling due after more than one year £000	
	2008-09	2007-08	2008-09	2007-08
Balances with other central government bodies	43,000	95,441	200	-
Balances with Local Authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	7,118	2,956	-	-
<i>Subtotal: intra-government balances*</i>	50,118	98,397	200	-
Balances with bodies external to government	123,994	66,596	-	-
Total Debtors at 31 March	174,112	164,993	200	-

*Balances within the consolidated DIUS group (£403K) have been eliminated upon consolidation.

19. Cash at bank and in hand

	2008-09		2007-08	
	£000		£000	
	Core		Core	
	Department	Consolidated	Department	Consolidated
Balance at 1 April	289,119	290,813	34,515	36,040
Net change in cash balances	(6,597)	(6,964)	254,604	254,773
Balance at 31 March	282,522	283,849	289,119	290,813

The following balances at 31 March were held at:

Office of HM Paymaster General	282,522	283,848	289,119	290,813
Commercial: banks and cash in hand	-	1	-	-
Balance at 31 March	282,522	283,849	289,119	290,813

20. Creditors

20(a) Analysis by type

	2008-09 £000		2007-08 £000	
	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:				
Other taxation and social security	680	680	3	3
Trade Creditors	8,949	9,279	172,680	174,601
Other creditors	39	38	-	163
Accruals and deferred income	48,487	48,821	84,400	84,527
Amounts issued from the Consolidated Fund for supply but not spent at year end	278,230	278,230	37,655	37,655
Advances from Contingencies Fund	-	-	4,000	4,000
Consolidated Fund extra - received	4,094	4,094	247,633	247,633
Consolidated Fund extra - receivable	-	-	19,406	19,406
	340,479	341,142	565,777	567,988

Amounts falling due after more than one year:

Finance leases	-	10	-	28
	-	10	-	28

20(b) Intra-Government Balances

	Amounts falling due within one year £000		Amounts falling due after more than one year £000	
	2008-09	2007-08	2008-09	2007-08
Balances with other central government bodies	310,079	459,475	-	-
Balances with local authorities	-	587	-	-
Balances with NHS Trusts	44	334	-	-
Balances with public corporations and trading funds	523	4,356	-	-
<i>Subtotal: intra-government balances*</i>	310,646	464,752	-	-
Balances with bodies external to government	30,496	103,236	10	28
Total Creditors at 31 March	341,142	567,988	10	28

*Balances within the consolidated DIUS group (£403K) have been eliminated upon consolidation.

21. Provisions for liabilities and charges

	Disposal of Radiological Sources	Core Department		Consolidated	
		Demolition and Decontamination	Other £000	Total £000	Total £000
Balance at 1 April 2008	1,222	4,631	90	5,943	5,963
Provided in the year	-	-	-	-	10
Provisions not required written back	-	-	(19)	(19)	(19)
Provisions utilised in the year	(51)	(1,598)	(71)	(1,720)	(1,720)
Unwinding of discount	-	-	-	-	-
Balance at 31 March 2009	1,171	3,033	-	4,204	4,234

Demolition and Decontamination

This provision covers the cost of demolition, decontamination and land remediation on the Department's site in Teddington, to bring the site to the level that meets planning approval for the redevelopment of the National Physical Laboratory.

Disposal of Radiological Sources

The Department has the responsibility to dispose of all radioactive waste arising from scientific projects undertaken at the National Physical Laboratory in accordance with the current legislation. This provision covers the cost of meeting radioactive waste disposal regulations, where it has been assessed that the transfer of economic benefits is highly probable.

22. General Fund

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

		2008-09 £000		2007-08 £000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April		16,965,020	16,968,051	14,431,279	14,433,804
Net Parliamentary Funding					
Drawn Down	24(d)	21,058,952	21,058,952	19,436,228	19,436,228
MOG Transfer		-	-	533	533
Deemed Supply	20	37,655	37,655	-	-
Net Transfer from Operating Activities					
Net Operating Cost		(18,542,861)	(18,542,813)	(17,383,536)	(17,383,189)
CFERS repayable to Consolidated Fund	12	(1,082)	(1,082)	(286,369)	(286,369)
Year End Adjustment					
Supply (Creditor)/Debtor - current year	20	(278,230)	(278,230)	(37,655)	(37,655)
Non Cash Charges					
Cost of Capital	10,11	424,097	424,159	345,037	345,088
Auditor's remuneration	10,11	250	277	225	246
Other non-cash services		-	-	-	87
Student loan interest subsidy inflation adjustment	11	1,077,772	1,077,772	456,255	456,255
Transferred from revaluation reserve	23	948	963	3,023	3,023
Other		1	-	-	-
Balance at 31 March		20,742,522	20,745,704	16,965,020	16,968,051

23. Revaluation Reserve

		2008-09 £000		2007-08 £000	
		Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April		83,150	83,302	16,951	17,040
Arising on revaluation during the year (net)		(20,525)	(20,524)	69,222	69,285
Transferred to General Fund in respect of realised element of revaluation reserve		(948)	(963)	(3,023)	(3,023)
Balance at 31 March		61,677	61,815	83,150	83,302

24. Notes to the Consolidated Cash Flow Statement**24(a) Reconciliation of operating cost to operating cash flows**

	Note	2008-09 £000	2007-08 £000
Net operating cost	13	(18,542,813)	(17,383,189)
Adjustments for non-cash transactions	10.1	1,091,787	1,335,512
Machinery of Government change (non cash)		-	824
Decrease in Stock		1,462	575
Increase in Debtors		(9,319)	(466,343)
less movements in debtors relating to items not passing through the OCS		1,961	468,290
Increase/(Decrease) in Creditors		(226,864)	345,586
less movements in creditors relating to items not passing through the OCS		26,789	(253,139)
Use of Provisions	21	(1,720)	(4,959)
Financial Liabilities - utilised in year	16.3	(17,792)	(30,431)
		-	-
Net cash outflow from operating activities		(17,676,509)	(15,987,274)

24(b) Analysis of capital expenditure and financial investment

	2008-09 £000	2007-08 £000
Tangible fixed asset additions	(13,403)	(16,572)
Intangible fixed asset additions	(53)	(37)
Proceeds of disposal of fixed assets	-	-
Loans to other bodies	(4,177,866)	(3,915,946)
Repurchase of sold loans	(13)	670
Repayment of loans	1,069,790	808,827
Redemptions	166	166
Net cash outflow from investing activities	(3,121,379)	(3,122,892)

24(c) Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure £000	Loans etc £000	A in A £000	Non A in A £000	Net Total £000
Request for Resources 1	(271)	(4,203,987)	1,098,022	-	(3,106,236)
Request for Resources 2	(12,770)	-	-	-	(12,770)
Net movement in debtors/ creditors	(415)	26,274	(44,682)	16,450	(2,373)
Total 2008-09	(13,456)	(4,177,713)	1,053,340	16,450	(3,121,379)
	-	-	-	-	-
Total 2007-08	(16,609)	(3,915,110)	623,489	185,338	(3,122,892)

24(d) Analysis of financing

	Note	2008-09 £000	2007-08 £000
From the Consolidated Fund (Supply)-current year	22	21,058,952	19,436,228
Advances from the Contingencies Fund		-	4,000
Repayments to the Contingencies Fund		(4,000)	-
		-	-
Net financing		21,054,952	19,440,228

24(e) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	Note	2008-09 £000	2007-08 £000
Net Cash Requirement	4	(20,818,377)	(19,398,573)
From the Consolidated fund (Supply) - current year	24(d)	21,058,952	19,436,228
From (repaid to) the Contingencies fund	24(d)	(4,000)	4,000
From the Consolidated fund (Supply) - prior year		-	-
Amounts due to the Consolidated Fund - received in a prior year and paid over	20	(247,633)	(34,515)
Amounts due to the Consolidated Fund received and not paid over	20	4,094	247,633
		-	-
Increase/(decrease) in cash	19	(6,964)	254,773

25. Notes to the Statement of Operating Costs by Departmental Aim and Objectives

Programme grants and other current expenditure have been allocated as follows:

	2008-09 £000	Restated 2007-08 £000
Objective 1	366,698	292,627
Objective 2	2,829,011	2,903,152
Objective 3	1,900,626	1,726,003
Objective 4	3,613,998	3,066,087
Objective 5	9,731,682	9,306,397
Objective 6	24,204	19,965
Total	18,466,219	17,314,231

Capital Employed by Departmental Aim and Objectives at 31 March 2009

	2008-09 £000	Restated 2007-08 £000
Objective 1	233,727	288,562
Objective 2	10,294,879	8,392,315
Objective 3	10,291,302	8,393,735
Objective 4	(15,439)	(37,788)
Objective 5	(20,865)	(50,149)
Objective 6	23,915	64,678
Total	20,807,519	17,051,353

The Department's objectives are as follows:

- **Objective 1** - Accelerate the commercial exploitation of creativity and knowledge, through innovation and research, to create wealth, grow the economy, build successful businesses and improve quality of life;
- **Objective 2** - Improve the skills of the population throughout their working lives to create a workforce capable of sustaining economic competitiveness and enable individuals to thrive in the knowledge economy;
- **Objective 3** - Build social and community cohesion through improved social justice, civic participation and economic opportunity by raising aspirations and broadening participation, progression and achievement in learning and skills;
- **Objective 4** - Pursue global excellence in research and knowledge, promote the benefits of science in society, and deliver science, technology, engineering and mathematics skills in line with employer demand;
- **Objective 5** - Strengthen the capacity, quality and reputation of the Further and Higher Education systems and institutions to support national economic and social needs;
- **Objective 6** - Encourage better use of science in government, foster public service innovation, and support other government objectives which depend on DIUS expertise and remit.

26. Capital commitments

	2008-09		2007-08	
	£000	£000	£000	£000
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments as at 31 March for which no provision has been made	2,953	2,953	1,777	1,777
	<u>2,953</u>	<u>2,953</u>	<u>1,777</u>	<u>1,777</u>

27. Commitments under leases**27.1 Operating leases**

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

Obligations under operating leases (other than Land and buildings):

	2008-09		2007-08	
	Core Department	Consolidated	Core Department	Consolidated
	£000	£000	£000	£000
Expiry within 1 year	2,034	2,034	1,174	1,174
Expiry after 1 year but not more than 5 years	173	173	-	11
Expiry thereafter	-	-	-	-
	<u>2,207</u>	<u>2,207</u>	<u>1,174</u>	<u>1,185</u>

*Other operating leases include ICT services contract with Fujitsu Services Limited.

27.2 Finance leases

Commitments under finance leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

Obligations under finance leases comprise:

	2008-09		2007-08	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Rentals due within 1 year	-	9	-	19
Rentals between 2 - 5 years	-	-	-	9
Rentals over 5 years	-	-	-	-
	-	9	-	28
Less interest element	-	-	-	-
	-	9	-	28

National Weights and Measures Laboratory, the executive agency, took up a finance lease in 2007-08 for equipment to be used within the Certification Services unit.

28. Other financial commitments

The Department is committed to making payments to non-cancellable contracts (which are not leases or PFI contracts), and subscriptions to international bodies. The payments which the Department is committed to make as at 31 March 2009, analysed according to the period in which the commitment expires, are as follows:

	31 March 2009		31 March 2008*	
	Core		Core	
	Department	Consolidated	Department	Consolidated
	£000	£000	£000	£000
Amount payable per annum				
Expiry within 1 year	31	31	6	6
Expiry within 2 to 5 years	2,466	2,466	80	80
Expiry thereafter	14,332	14,332	56,829	56,829
	16,829	16,829	56,915	56,915

*The 2007-08 figures include payments to the European Space Agency. See note below for full details.

The amounts disclosed above are for subscriptions and amounts paid to the following bodies:

Organisation	Expiry within 1 year £000	Expiry within 2 to 5 years £000	Expiry over 5 years £000	Total £000
International Labour Organisation (ILO)	-	-	10,430	10,430
Buildings Rental Agreement		2,461	-	2,461
European University Institute			2,412	2,412
Bureau International des Poids et Mesures (BIPM)				
	-	-	929	929
Erasmus Programme	-	-	497	497
The International Organisation of Legal Metrology (OIML)				
	-	-	53	53
EURAMET	-	-	11	11
Vodafone	31	5	-	36
Total	31	2,466	14,332	16,829

The Department has non cancellable contracts with the European Commission to fund the European University Institute and to deliver the Erasmus Programme for Lifelong Learning. It does this currently through the British Council. It also has two year non-cancellable contracts for its mobile telephony with Vodafone.

In addition DIUS was committed to making the payments in respect of the Memorandum of Terms of Occupation for Kingsgate House agreed with the Department of Business Enterprise and Regulatory Reform. The Agreement runs until 31 March 2012.

International Subscriptions

DIUS subscribes to four main international bodies, International Labour Organisation (ILO), Bureau international Des Poids Et Mesures (BIPM), International Organisation of Legal Metrology (OIML) and EURAMET. The Department is required to subscribe to these bodies on an on-going and continuous basis. All these subscriptions are paid in Euros (except ILO - in Swiss Francs) hence there are fluctuations due to exchange rate differences. The purposes of each for these bodies are described below:

The mandate of the Bureau International des Poids et Mesures (BIPM) is to provide the basis for a single, coherent system of measurements throughout the world, traceable to the international System of Units (SI). The annual subscription has been payable since the Government signed up to the Metre Convention circa 1888.

The International Organisation of Legal Metrology (OIML) promotes the global harmonisation of legal metrology procedures. It provides its members with metrological guidelines for the elaboration of national and regional

requirements concerning the manufacture and use of measuring instruments for legal metrology application. The payment is made on behalf of the National Weights and Measures Laboratory (NWML) and is a requirement of their international legal metrology role.

EURAMET, formally known as EUROMET, is a co-operative voluntary organisation between the National Metrology Institutes (NMIs) in the EU including the European Commission, EFTA and EU Accession States. The objective of EURAMET is to promote the co-ordination of metrological activities and services with the purpose of achieving higher efficiency. EURAMET was formally established by the signing of a Memorandum of Understanding (MOU) by participating States in Madrid, Spain on 23 September 1987 to become operative from 1 January 1988. The Department makes an annual payment on behalf of the National Physical Laboratory, which is a requirement of their international metrology role.

From 2008-09, the British National Space Centre will be funded by the Technology and Strategy Board, a DIUS non departmental public body. It will assume responsibility for paying the Department's current contribution to the European Space Agency (ESA).

Student grants and loans

In addition to the commitments listed above, the Department also entered into agreements with students spanning more than one financial year, including grants and loans payable for the summer term of academic year 2008/09, for payment after 31 March 2009. Since the balance sheet date, the Student Loans Company has issued £1,016m of tuition fee loans, £909m of maintenance loans and £413m of grants in respect of academic year 2008/09.

29. Financial instruments

The Department measures and presents financial instruments in accordance with FRS 25, FRS 26 and FRS 29 as interpreted by the Financial Reporting Manual. FRS 29 (Disclosure of financial instruments) requires disclosure of information about the significance of financial instruments held by the entity over the year and the nature and extent of risks arising from those financial instruments.

Financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 25, 26 and 29 also apply, because of the largely non-trading nature of the Department's activities, and the way that Government is financed.

However, the Student Loan asset is a significant part of the Department's balance sheet, and further disclosures about the valuation and assumptions used are provided below.

Financial Assets at carrying value

	Note	At fair value through P&L	Loans and Receivables	Shares held in or loans advanced to public sector
		<i>Note a</i>	<i>Note b</i>	<i>Note c</i>
		£000	£000	£000
Student Loans	16.1	-	20,752,812	-
Public Dividend Capital	16.2	-	-	6,325
Loans to trading funds	16.2	-	-	1,497

Financial Liabilities at carrying value

	Note	At fair value through P&L	All other financial liabilities
		<i>Note a</i>	<i>Note d</i>
		£000	£000
Early departures	16.3.1	-	848
Debt sale*	16.3.2	-	273,249

In addition to the assets and liabilities shown above, DIUS has trade debtors and creditors which are recognised in the accounts at cost.

*The debt sale liability recorded here arose from the sales of loans in 1998 and 1999, and reflects the commitment to compensate purchasers of the debt for interest subsidy and policy write-offs.

Note a Assets held at fair value through the profit and loss are measured at fair value with gains or losses being

accounted for through the operating cost statement

Note b Loans and receivables are measured at amortised cost using the effective interest method, and any impairment losses are recognised in the operating cost statement. Disposal may give rise to a gain or loss, which is recognised through the operating cost statement.

Note c Shares held in or loans advanced to the public sector are held at historic cost less impairment as per the Financial Reporting Manual, and any impairment losses are recognised in the operating cost statement.

Note d All other financial liabilities are measured at fair value initially and subsequently at amortised cost.

Fair values of financial instruments

The fair value of the financial instruments above is equivalent to the carrying value disclosed in the financial statements. Financial assets and financial liabilities have not been offset nor presented net in these accounts. For Student Loans, a valuation technique has been used which is not based on market values or readily observable market trends.

Potential future sales of Student Loans

Legislation was passed during the financial year to enable sales of tranches of the Student Loan book. However, as at 31st March 2009, no loans have been sold and the Government has announced there will not be a sale until market conditions improve and value for money can be demonstrated.

In the absence of an active market for the Student Loans or any similar arm's length transactions, the discounted cash flow analysis used to value the loans described below is the most reliable method to derive fair value.

Student Loan valuation

Student Loans are classified as Loans and Receivables. As such, they are recorded in the accounts at amortised cost.

This involves the gross value of the loans issued being reduced by an amount based on:

- (a) the Department's estimate of the present cost of subsidising interest on loans over the life of the loan ("interest subsidy impairment"). The Department's policy for accounting for the interest subsidy impairment follows the Financial Reporting Advisory Board instructions, and
- (b) an estimate of the future cost of policy write offs ("Policy write off impairment"), which reflects the fact that not all of the loans issued will be recoverable due to death, disability or age of student.

The estimates underpinning these impairments are based on a model which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimate the likely repayments of student loans. The valuation is based on a complex set of assumptions, including borrowers' earnings on graduation and their likely earnings growth over the life of the loan (which could be 25 years or

longer). Any changes to these assumptions could have an impact on the value of the loan book included in the accounts

The assumptions used are formally reviewed by the Department each year and the amounts provided reflect the Department's current estimate.

Key assumptions used to calculate the student loan balance at 31st March 2009

The key assumptions that impact on the value of the loan book are the discount rate used, and assumptions about graduate earnings

Discount rate

To value the future cash flows, the Department has used the Treasury's long-term discount rate of 2.2%, which represents the government's cost of capital. If an active market existed for student loans, the discount rate applied by potential buyers may be different from the Treasury's 2.2% - reflecting the buyers' cost of capital and assessment of risk. If the discount rate applied was greater than 2.2%, the fair value of the student loans would be lower than the values calculated on the basis applied here. For example, an increase in the discount rate to 2.3% would lead to a reduction in the value of the loan book of approximately 1%. The relationship between the discount rate and the carrying value of the loan book is not linear, and further increases in the discount rate would have smaller additional impacts.

Graduate earnings

The model assumes future real earnings growth (net of RPI inflation) to be 1.95 percentage points, as this is the Treasury's long-term forecast. If this fell one percentage point to 0.95% (and this remained the case over the average life of a loan) this would lead to a reduction in the value of the loan book of approximately 5%. The relationship between the earnings growth and the carrying value of the loan book is not linear, and further decreases in long-term earnings growth would have greater additional impacts.

Other assumptions

There are a number of other assumptions used in the modelling but changing these to other reasonable outcomes does not have a significant impact on the value of the loan book.

It should be noted that many of the assumptions are independent of each other and could change at the same time. However, changes in earnings, unemployment and other macroeconomic factors would only have a significant impact on the value of the loan book if they were long term.

Movements on the student loan that are recognised in the Operating Cost Statement

The accounting for student loans is specified by the Financial Reporting Manual and the Financial Reporting Advisory Board. The following costs are recognised in the Operating Cost Statement (and are disclosed as separate items in notes 11 and 12):

- interest added to loans (note 12);

- increase (or decrease) to policy write-off and interest subsidy impairments (note 11) – calculated as a percentage of new loans issued. The percentages are calculated by using the model described above; by doing this, the Department recognises the full cost of the loans as they are issued;
- unwinding of discount (note 11);
- interest released (or utilised) (note 11) - this is the proportion of provision previously set aside for interest subsidy which is being utilised or released in the current year;
- cost of capital (note 11) – as with other assets and liabilities, the Department incurs a cost of capital charge on the outstanding loan balance. This represents the cost of borrowing money from HMT to finance loan issues and is charged at 2.2%. It is debited to the Operating Cost Statement and credited to the general fund
- inflation adjustment (note 11) – to reflect the full extent of the subsidy, an inflation adjustment is debited to the Operating Cost Statement and credited to the general fund. The adjustment is calculated by applying the rate of general inflation (RPIx at September 2008) to the average net balance of loans outstanding and interest subsidy impairment.

Credit Risk

DIUS has a statutory obligation to issue student loans and seek repayments in line with legislation. The Department is not permitted to withhold loans on the basis of poor credit rating nor is it able to seek collateral. The Department is therefore exposed to the risk that some student loans will not be repaid, although this is partly mitigated by the fact that most repayments are collected by Her Majesty's Revenue & Customs (HMRC) as part of the tax collection process.

There are two types of student loan; "mortgage style", which is paid back to the Student Loans Company in monthly instalments once a certain earnings threshold has been crossed, and "income-contingent", whereby a percentage of income above the earnings threshold is collected by HMRC via the Pay As You Earn or Self Assessment processes. At 31st March 2009, the face value of "mortgage-style" loans was £931m, whereas income-contingent loans represent £24,973m or 96% of the outstanding loan book.

As noted above, the Department estimates the value of future write-offs when loans are issued using a model, to reflect the intrinsic cost of issuing loans. The Department's current estimate as at 31 March 2009 is that £1.8bn (around 7%) of the total face value of the loans issued will not be recovered, and this amount is deducted from the face value of the loans to arrive at the carrying amount. Of this total impairment amount, £0.3bn relates to mortgage style loans, and the remaining £1.5bn relates to income-contingent loans.

Management of credit risk

DIUS works together with the Student Loans Company (SLC) and Her Majesty's Revenue and Customs (HMRC) to manage the collection of student loan repayments and manage the associated credit risks.

There is a Memorandum of Understanding in place between DIUS and the devolved administrations, who own the loan book, the SLC who administers the loan book, and HMRC. This sets out the responsibilities of all parties and

contains performance targets and indicators, which are revised annually.

The Accounting Officers of HMRC and the SLC report quarterly to the DIUS Accounting Officer on progress towards the agreed targets and performance indicators.

Liquidity Risk

The Department's net revenue resource requirements (as well as its capital expenditure) are financed by resources voted annually by Parliament. The Department is not, therefore, exposed to significant liquidity risks in the same way that a private sector organisation would be.

Market Risk

As none of the Department's financial assets or liabilities are currently measured at market value, market rate risk is nil.

Foreign Currency Risk

The Department has a small exposure to foreign currency risk, in that a small percentage (0.25%) of expenditure is payable in foreign currency. The most significant area of this is the subscriptions due to the European Space Agency. Note 28 provides details of financial commitments. The Department does not hedge foreign currency risk, and does not hold any assets or liabilities denominated in currencies other than sterling.

30. Contingent liabilities

30.1 Contingent Liabilities required to be disclosed under FRS12

30.1.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities, as required to be disclosed under FRS 12.

	1 April 2008	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2009
	£000	£000	£000	£000	£000
Statutory Indemnities					
Arrangement to allow the appointment of a receiver to manage the affairs of Merseyside Training and Enterprise Council (MTEC).	2,000	-	-	-	2,000
The Department will meet the accrued Civil Service redundancy entitlement to date of secondees who resigned from the Department to take up Training and Enterprise (TEC) employment on or after 1 January 1993 in TECs in England and Wales if: a) Their TEC makes them redundant due to direct government action during their first five years of employment; b) A court or tribunal ever ruled that TEC and civil service employment were continuous for redundancy calculation purposes. Accrued civil service redundancy costs for secondees who resigned from the Department to join a TEC on or after 1 Jan 1993	2,453	-	72	1,381	1,000
Liability to pay rent in respect of a lease that would arise if the current tenant defaults.	-	3,153	-	-	3,153
Total	4,453	3,153	72	1,381	6,153

30.1.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liability, as required to be disclosed under FRS 12, by offering guarantees, indemnities or by giving letters of comfort. A reasonable estimate of the amount cannot be quantified due to the nature of the potential liability.

- DIUS has an outstanding legal claim for an early termination of a service contract delivering best practice and monitoring services to a third party.

30.2 Contingent Liabilities not required to be disclosed under FRS12 but included for parliamentary reporting and accountability purposes

30.2.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is considered to be too remote.

	1 April 2008	Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2009	Amount reported to Parliament by Departmental Minute
	£000	£000	£000	£000	£000	£000
In order to ensure the Learning and Skills Council (LSC) commenced operations in April 2001 and because no suitable Training and Enterprise Council (TEC) or Chamber of Commerce Training Enterprise (CCTE) property exists in Brighton, Manchester or Coventry area an indemnity to give landlords a guarantee that, in the event of the LSC ceasing to exist the Secretary of State will take over the lease. This is because, to the landlord, the LSC is an unknown body with no financial history.	27,798	-	-	1,449	26,349	33,471
a) Liabilities that arise from the audit work carried in respect of the delivery of activities funded through European Union initiatives or through single Regeneration Budget and other schemes sponsored by Government Departments other than the former DfES and DTI;	27,984	-	-	16,380	11,604	3,500
b) Liabilities that arise from the transfer of TEC/CCTE functions to successors, including from staff who have transferred or been made redundant, and who as a result of the transfer seek redress through the Employment Tribunal;	1,000	-	-	-	1,000	2,000
c) Liabilities arising from properties leased by TECs/CCTEs that they have been unable to dispose of by the time they wind up. The Department may take over these leases and	4,400	-	-	553	3,867	10,000

dispose of them on behalf of the TECs/CCTEs.

Arrangement to allow the appointment of a receiver at any TEC we believe necessary	6,000	-	-	2,000	4,000	6,000
Arrangement to allow the appointment of a receiver to manage the affairs of Nottingham Enterprise Ltd (formerly North Nottingham TEC.)	2,000	-	-	-	2,000	---
In order to ensure the Croydon Local Learning and Skills Council (LLSC) commenced operations in April 2001 and because no suitable Training and Enterprise Council (TEC) or Chamber of Commerce Training and Enterprise (CCTE) property exists in the Croydon LLSC area an indemnity to give a landlord a guarantee that, in the event of the Learning and Skills Council (LSC) ceasing to exist the Secretary of State will take over the lease. This is because, to the landlord, the LSC is an unknown body with no financial history.	3,622	-	-	306	3,316	4,452
In order to ensure that the Kempston Local Learning and Skills Council (LLSC) commenced its operations on time, and because there was no suitable Training and Enterprise Council (TEC) or Chamber of Commerce Training and Enterprise (CCTE) property in the Kempston LLSC area, and because the LSC was an unknown body to the landlord with no financial history the landlord required the Secretary of State to act as guarantor. In the event of the LSC ceasing to exist, the Secretary of State will be required to take over responsibilities under the lease.	242	31	-	-	273	----
Potential liability relating to European Schools Programme for teachers claiming permanency under the fixed term employee regulations who may claim redress through the Employment Tribunal.	1,120	121	-	-	1,241	----
Guarantee to fund World Skills event	-	23,000	-	-	23,000	----
Total	74,166	23,152	-	20,688	76,650	59,423

30.2.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is considered to be too remote. A reasonable estimate of the amount cannot be quantified due to the nature of the potential liability.

- European Patent Office (EPO): the UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973.
- World Intellectual Property Organisation: the UK, as a contracting state to the Patent Co-operation Treaty of 1970, has a potential liability under Article 57 of the Treaty.
- Liabilities relating to the issue of licences to operators of satellites and other space objects.

31. Losses, special payments and student loan write off

31(a) Losses statement

	2008-09		2007-08	
	No. of cases	£000	No. of cases	£000
<i>Details of cases</i>				
Cash losses*	29	6,310	11	1,510
Fruitless payments	24	4	26	3
Store losses	-	-	2	2
Total	53	6,314	39	1,515

Details of cases over £250,000:

*Individual Learning Accounts (ILAs) 2008-09. Work has continued with the police to either prosecute or recover grants claimed by training providers for improper activities. Included in the cash losses for 2008-09 is 20 cases with a value of £6,307,051 (2007-08: 6 cases - £1,491,112) where recovery was not possible because the provider has either been dissolved or gone into liquidation. These non-recoveries do not represent accounting losses as no debtor was recognised for these amounts. However, the amount waived is disclosed for Parliamentary reporting purposes.

31(b) Special payments

	2008-09		2007-08	
	No. of cases	£000	No. of cases	£000
Compensation payments	1	60	2	219
Total	1	60	2	219

The compensation payment 2008-09 was previously provided for in the Department's accounts.

There were no individual special payments above £250,000.

31(c) Student Loans remitted (written off) in year

Loans totalling £29,254,000 issued by the Student Loans Company were remitted during the year, for the following reasons:

	£000
Because of death	15,693
Because of age	5,810
Because of disability	1,982
Because of bankruptcy	5,167
On completion of IVA	559
Trivial balances and other	43
	<u>29,254</u>

32. Related-party transactions

The Department is the parent of the National Weights and Measures Laboratory (NWML) and sponsors of the Non-Departmental Public Bodies (listed below) and UKIPO (Trading Fund). These bodies are regarded as related parties with which the Department has had various material transactions within 2008-09 financial year. During the year DIUS made payments to executive Non-Departmental Public Bodies and Research Councils listed in note 33.

In addition, the Department has had various material transactions with other government Departments. Most of these transactions have been with the Department for Children, Schools and Families and the Department for Business, Enterprise and Regulatory Reform.

Professor Adrian Smith is a Council member for the Royal Society, a body which receives funding from DIUS. Professor Julia King is Vice Chancellor of Aston University. The university receives funding from DIUS' NDPB, HEFCE, and from Research Councils.

Two independent members of the DIUS Audit and Risk Committee, Ian Dickson and Geoffrey Drage, are also chairpersons of the Audit and Risk Committee of the Student Loans Company and UKIPO respectively. In addition, Geoffrey Drage is an external member of the steering board of the UKIPO and is a member of the audit committee of the World Intellectual Property Organisation.

Nicholas Edmonds and William Dickinson were appointed to the Board of DIUS on secondment from KPMG LLP. The Department has made payments to KPMG during the financial year for a range of advisory work. Dame Julie Mellor is a Partner of Price Waterhouse Coopers. The Department has made some payments to Price Waterhouse Coopers in the course of its business operations.

The Department follows EU guidance in awarding contracts, using Office of Government Commerce framework agreements where appropriate, and has measures in place to ensure that there is no conflict of interest in awarding contracts.

None of the DIUS board members or members of key managerial staff have undertaken any material transactions with the Department during the year.

33. Entities within the departmental boundary

The entities within the departmental boundary during 2008-09 were the main Department and its agency, the National Weights and Measures Limited (NWML). NWML publishes separate accounts which can be obtained from The Stationery Office

Entities not consolidated

DIUS is responsible for an executive agency, UK Intellectual Property Office (UKIPO). This body is a Trading Fund and as such its expenditure does not fall within the Department's Request for Resources. UKIPO is required to service its debt, pay a dividend and fund its annual administration costs through fee income. More detailed information regarding the UKIPO's financial performance can be found in its published accounts and can be obtained from The Stationery Office.

Public bodies for which DIUS had lead policy responsibility during 2008-09 within government, but which are outside of the consolidation boundary for accounting purposes, are set out below. Non Departmental Public Bodies (NDPBs) are reflected in the DIUS' accounts by the inclusion of funds paid to them as grants or expenses and noted any significant control issues in the DIUS' Statement on Internal control. The executive NDPBs publish their own annual reports and accounts which can be obtained from The Stationery Office or the relevant body.

Executive Non-Departmental Public Bodies (NDPBs)

Design Council

Higher Education Funding Council for England (HEFCE)

Investors in People UK (IIP)

Learning and Skills Council (LSC)

Office for Fair Access (OFFA)

Student Loans Company Ltd (SLC)

UK Commission for Employment and Skills (became operational on 1 April 2008)

Sector Skills Development Agency (SSDA) (ceased operating from 31 March 2008)

Technology Strategy Board (from July 2007)

National Endowment for Science, Technology and the Arts (NESTA)

Quality Improvement Agency (QIA) (ceased operating from 30th September 2008)

British Hallmarking Council
Arts and Humanities Research Council
Biotechnology and Biological Sciences Research Council
Economic and Social Research Council
Engineering and Physical Sciences Research Council
Medical Research Council
Natural Environment Research Council
Science and Technology Facilities Council

Executive NDPBs funded by levy

ConstructionSkills
Engineering Construction Industry Training Board (ECITB)
Film Industry Training Board (FITB)

Sector-owned public sector bodies

Learning and Skills Improvement Service (from 1 Oct 2008)

Tribunal NDPBs

Copyright Tribunal

Trading Funds

UK Intellectual Property Office

Advisory NDPB

Council for Science and Technology
Strategic Advisory Board for IP (from 2 June 2008)

Government Owned Contractor Operated Laboratory

National Physical Laboratory

Near to Government

University for Industry/learndirect
British Standards Institution
Information Authority
UK Accreditation Service
UK Skills

34. Third-party assets

The Department does not hold any third party assets. The balance below was held at year end 2007-08 in the Department's name at the HM Paymaster General bank account. They were not Departmental monies but were included in the Department's Resource Accounts. These monies were held for the benefit of the Research Council's Pension Schemes and the balances were received from the Scottish Executive Environment & Rural Affairs Department. The balances are set out in the table below:

	2008-09	2007-08
	£000	£000
Bank balances	-	63,000

35. Machinery of Government changes during 2008-09

Government Skills was transferred to DIUS from the Cabinet Office with effect from 1st April 2008.

The impact of this Machinery of Government change on DIUS' 2008-09 comparative figures is shown below.

	Transfer from Cabinet Office for Government Skills £000	DIUS Balance at 31 March 2008 £000	Restated balance at 31 March 2008 £000
Fixed assets:			
Tangible assets	-	221,912	221,912
Intangible assets	-	77	77
Financial Assets - Student Loans	-	16,131,404	16,131,404
Financial Assets - Other	-	7,823	7,823
	-	16,361,216	16,361,216
Current assets:			
Stocks	-	1,505	1,505
Debtors	496	164,497	164,993
Other Current Assets	-	-	-
Financial Assets - Student Loans	-	1,160,250	1,160,250
Financial Assets - Other	-	166	166
Cash at bank and in hand	-	290,813	290,813
	496	1,617,231	1,617,727
Creditors (amounts falling due within one year)	(787)	(567,201)	(567,988)
Financial Liabilities	-	(17,792)	(17,792)
Net current assets	(291)	1,032,238	1,031,947
Total assets less current liabilities	(291)	17,393,454	17,393,163
Creditors (amounts falling due after more than one year)	-	(28)	(28)
Provisions for liabilities and charges	-	(5,963)	(5,963)
Financial Liabilities	-	(335,819)	(335,819)
	(291)	17,051,644	17,051,353
Taxpayers' equity:			
General fund	(291)	16,968,342	16,968,051
Revaluation reserve	-	83,302	83,302
	(291)	17,051,644	17,051,353

Operating Cost Statement

	Transfer from Cabinet Office for Government Skills	DIUS Balance at 31 March 2008	Restated balance at 31 March 2008
Administration Costs			
Staff Costs	-	39,790	39,790
Other Administration costs	-	29,407	29,407
Income	-	(239)	(239)
Programme Costs;			
Request for Resource 1			
Programme Costs	1,418	22,406,940	22,408,358
Staff Costs	1,848	2,862	4,710
Income	(2,442)	(8,162,888)	(8,165,330)
Request for Resource 2			
Programme Costs	-	3,165,826	3,165,826
Staff Costs	-	34	34
Income	-	(99,367)	(99,367)
Net Operating Cost	824	17,382,365	17,383,189

36. Post Balance Sheet Events*Changes to senior management*

David Evans retired at the end of March from the post of Innovation and International Director.

Ruth Thompson retired at the end of March from the post of Director General of Higher Education.

Zina Etheridge left the Department on 30 April 2009, relinquishing the post of Strategy Director.

Ian Watmore left the Department on 26 May 2009, relinquishing the post of Permanent Secretary.

Machinery of Government Changes

Departmental activities of the British National Space Centre transferred to the Technology Strategy Board, a non consolidating non departmental public body, on 1 April 2009.

Departmental activities of the National Measurement System and the consolidating Executive Agency the National Weights and Measures Laboratory were amalgamated into a new consolidating body, the National Measurement Office, from 1 April 2009.

On 5 June 2009 the Government announced the transfer of functions of the Department for Innovation, Universities and Skills and the Department for Business, Enterprise and Regulatory Reform to the newly created

Department for Business, Innovation and Skills.

Student loan interest rates

In May 2009, it was announced that the interest rate for “mortgage-style” student loans would be -0.4% from September 2009 until 31st August 2010. The Department has not adjusted the value of the student loan book in the accounts to anticipate any potential reduction. The outstanding mortgage-style loan balance of £931m will continue to accrue interest at 3.8% until 31st August 2009, so net interest will be added during 2009-10.

Accounts authorised for issue

These Resource Accounts were authorised for issue on 14 July 2009.



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