



Department  
for Business  
Innovation & Skills

Mid Year Report

April to September 2013

DECEMBER 2013

# Contents

<b>Executive Summary</b> .....	<b>3</b>
<b>Achievements</b> .....	<b>4</b>
<b>Financial Performance</b> .....	<b>13</b>
<b>Major Projects</b> .....	<b>17</b>
<b>People</b> .....	<b>19</b>
<b>Annex A – Business Plan Indicators</b> .....	<b>22</b>
<b>Annex B – Policy Expenditure</b> .....	<b>24</b>
<b>Annex C – Partner Organisations</b> .....	<b>26</b>

# Executive Summary



I am pleased to present our mid-year report which shows BIS delivering its objectives effectively.

This report sets out the highlights of BIS work over the first half of the financial year. It notes our significant progress against our five objectives and provides updated information since the 2012-13 Annual Report and Accounts<sup>1</sup>. I am proud of what staff across the Department and our Partner Organisations are achieving to deliver such wide ranging reform.

So far this year we have:

- Launched eleven sector strategies setting the strategic direction for the Government's Industrial Strategy in industries ranging from Offshore Wind to Agri-tech.
- Delivered a sale of shares in Royal Mail, allowing Royal Mail to access private capital and protecting the universal postal service.
- Enabled seven catapult centres to become operational, helping to transform the UK's capability for innovation and turn ideas into commercial realities.
- Established the Business Bank and Competition Markets Authority in shadow form, paving the way for improved financial support for SMEs and markets that work well for consumers, businesses and the economy.
- Worked to ensure nearly 870,000 people are on an apprenticeship with higher and advanced levels attracting record numbers.

We are successfully delivering all our objectives while completing a five year change programme which has already reduced staff by over 20%, introduced shared services between BIS and our Partner Organisations and laid the foundations for further savings over the rest of the decade. We have also taken on additional Coalition Government priority programmes including the Business Bank and Industrial Strategy. More flexible team working is helping us focus our resources on delivering our priorities.

Our strengths include the range of talent and expertise across BIS and close teamwork with our Ministers. By working together and making the best of our tight resources we are well placed to continue this good work.

**Martin Donnelly**

Permanent Secretary

---

<sup>1</sup> The content of this report is accurate at 1<sup>st</sup> December 2013

# Achievements

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

Strong progress has been made in the next phase of the British Business Bank’s development with the appointment of its chair and the launch of the brand and logo. The British Business Bank is operating in shadow format within Government pending necessary State Aid clearance expected in 2014.

To support business, key improvements have been made to the offer to business on GOV.UK, making it easier for businesses to find advice and support programmes they need to start well and grow. The successful Growth Accelerator programme, which targets small businesses with high growth potential, supported over 10,000 businesses by the end of November. This year BIS has also launched its cross-Government campaign, Business is GREAT, aimed at increasing and promoting the opportunities available to small businesses in the UK.

The Regional Growth Fund, delivered by BIS, continues to help businesses with over 3,200 SMEs already supported. Round 5 was launched this October.

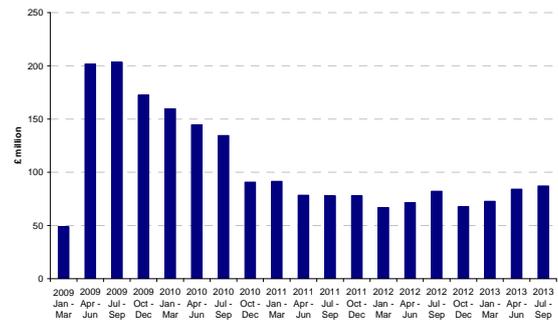
Building on the progress already made by Local Enterprise Partnerships the spending review set out the vision for local growth post 2015 including the creation of the Local Growth Fund. However, there remains a big challenge ahead to make Growth Deals and City Deals work in practice.

### Other Key Achievements

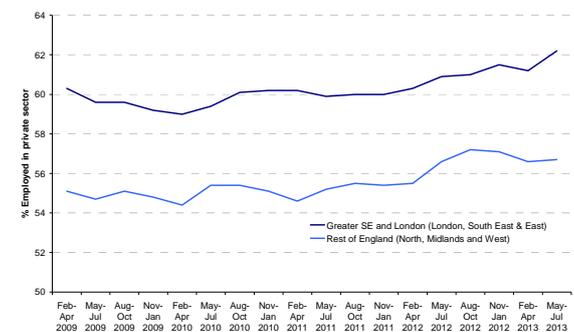
- To support new technologies and jobs in supply chains, 5 projects from aerospace, chemicals, electronics and life sciences have been approved for funding and will receive over £115 million of joint public and private investment from round 3 of the Advanced Manufacturing Supply Chain Initiative (AMSCI).
- Existing small business support programmes have increased lending and investment by

### Latest Indicators

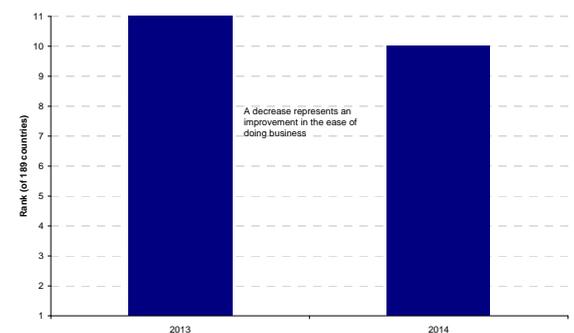
#### Value of EFG loans used by business



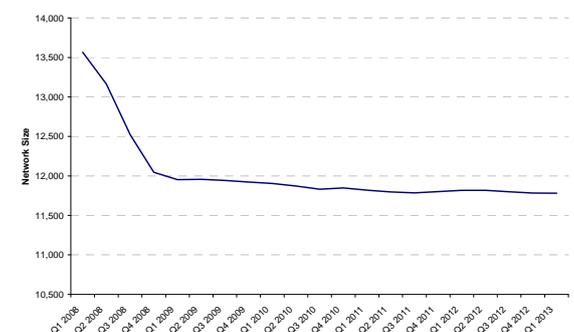
#### Private Sector Employment



#### Ease of doing business in the UK



#### Post Office Network Size



#### Offers made from the Regional Growth Fund

- £2.6 billion to over 400 projects that have delivered over 58,000 jobs so far.

58% in the first half of 2013 compared with the same period last year, supporting 8,000 businesses. Over £500 million of new financing is now reaching small businesses as a result of British Business Bank programmes each year.

- The Start Up Loans programme continues to exceed expectations and is a third of the way in meeting the target of supporting 30,000 new businesses. The expansion to support ex-service personal has been followed by the removal of age restrictions from 1 October 2013.
- As part of the Network Transformation Scheme the 1,000<sup>th</sup> Post Office branch was modernised and the network maintained at around 11,800 branches.
- In September we ran an open competition, through the Technology Strategy Board, for collaborative R&D funding to support the Aerospace Industrial Strategy, with £25 million public funding to be matched by industry.
- This year a national aerospace programme, run by industry, to help small and medium sized aerospace supply chain companies innovate technology was launched. It's supported with £23 million funding won competitively through the Advanced Manufacturing Supply Chain Initiative.
- The Advanced Propulsion Centre (APC) is on track as Initial Competition for £75 million funding for APC Pilot projects is approved and launched by Vince Cable on 7 November.
- Manufacturing Advisory Service (MAS) has assisted over 12,500 manufacturing SMEs since January 2012. Firms receiving MAS Grants have forecast up to 14,000 new jobs could be created and around £1 billion GVA generated in the 12 months following MAS support.

### *Other key data*

- The number of private sector businesses in UK increased by 102 thousand in 2013 reaching a new record of 4.9 million
- Over 10,000 businesses were in the Growth Accelerator programme at the end of November. 98% of businesses report they are on track to achieve their milestones.
- To date more than 180 organisations have benefitted from AMSCI, the majority SMEs.
- The business angel co-fund has participated in 29 investments to high-growth SMEs, leveraging £30.9 million from the private sector.

## Knowledge and Innovation – Promote excellent universities and research and increased business innovation

With significant BIS support the UK achieved an agreement with EU partners on the delegation framework for the €70 billion Horizon 2020 budget which focuses on excellence in research and is therefore favourable to UK interests. The £300 million distributed through the Research Partnership Investment Fund (RPIF) leveraged in excess of £1 billion from business and charities for investment in R&D collaborations.

Working in partnership with the Natural Environment Research Council (NERC), we delivered the Royal Research Ship Discovery; a state-of-the-art platform for world-leading oceanographic research, on time, within budget and to a high standard. The Technology Strategy Board continues to encourage innovative UK businesses; independent research shows that every £1 invested by the TSB returns £7 to the UK economy. We now face the challenge of adequately resourcing the TSB to meet its expanding the role.

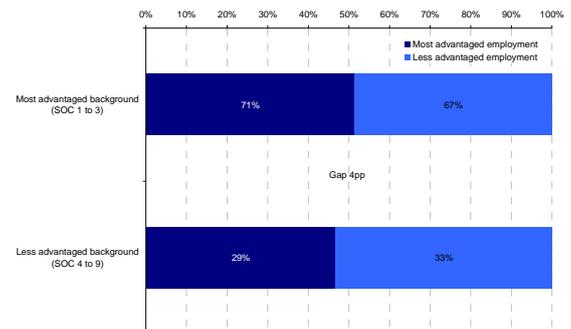
In 2013, demand for higher education returned to near record levels. Application rates for young, disadvantaged groups have risen to an all time high in England and more students than ever before are being successful in securing a place at their first choice institution. We now face the challenge of meeting demand while continuing to manage the HE budget.

### Other Key Achievements

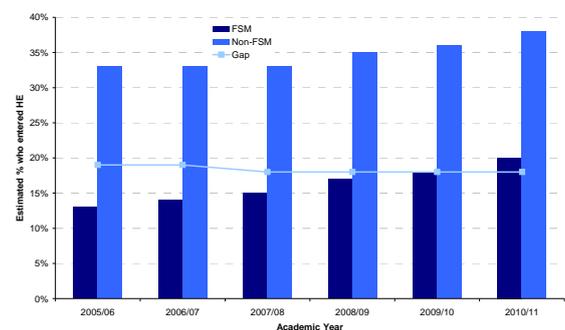
- Investment in science is an investment in the future and we have maintained the resource budget for science at £4.6 billion and an increase in the capital budget for science in real terms to £1.1 billion; and maintain that real increase to the end of the decade.
- Seven Catapult Centres are all operational. Following the success of these centres, a commitment has been made to invest in two new Catapults in 2015/16.
- The Science and Technology Select committee report on the UKSA concluded that the UK's space sector is a real success

### Latest Indicators

**The gap between young graduates from professional backgrounds who go on to a “graduate job” 6 months after graduating and young graduates from non-professional backgrounds (2011/12 cohort)**



**Estimated percentage of maintained school pupils aged 15 by Free School Meal status who entered HE by age 19**



### Other key data

- Total number of UK and EU accepted applicants to English institutions has increased by 6.8%, with more gaining entry to their first choice.
- In 2013 entries to study physics were up 3.1%, from 34,509 to 35,569. Entries to Maths, Biology and Chemistry also increased.
- The Global innovation index 2013 ranks UK 3rd, now ahead of the US and 142 other economies.

- story; it is one of our economy's fastest growing sectors.
- £186 million package of investment for the eight great technologies of the future will accelerate progress from lab to market-place, including £70 million for an Agritech Catalyst.
  - A new operating framework for higher education was published by HEFCE in July ensuring accountability for funding, protecting student interests, prioritising improvement and safeguarding institutional autonomy.
  - We published an international education strategy setting out how the government and the whole education sector will work together to take advantage of new opportunities around the globe.
  - The World Economic Forum ranks UK in the top 5 countries for university-business collaboration
  - Demand for higher education is at or near record levels in all countries of the UK, in England the 18 year old application rate in 2013 increases by 0.9 percentage points to 35.1 per cent.
  - Application rates for young, disadvantaged groups have risen to new highs in England.

## Skills – Promote more opportunities for individuals in realising their potential

Skills are at the centre of economic growth. We need a workforce that is capable, agile, and able to respond to the challenges presented by globalisation and new technologies. Good progress has been made in building on the strengths of the current vocational education system by ensuring qualifications are responsive to learner and employer needs and introducing 24+ Advanced Learning Loans.

But we recognise the system needs to do better, with employers more fully in the driving seat in its design and delivery. We have achieved a lot in the last 6 months and have further challenges ahead.

Following our summer consultation on options for changes to Apprenticeships funding, to put purchasing power directly in the hands of employers, we will be publishing detailed implementation plans for Apprenticeships and beginning implementation of our reforms.

We shall continue to focus on improving standards in the FE sector, through implementing our strengthened intervention process.

We are pressing ahead with fundamental changes to the vocational qualifications landscape, to move to a smaller, smarter set of adult qualifications that more closely meet the needs of employers and learners.

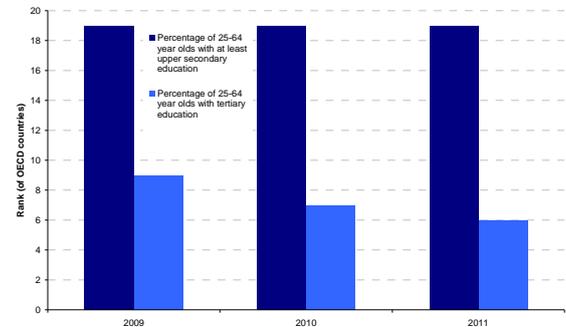
We are looking to do more to ensure vocational education pathways are easily navigable for employers and learners, supporting progression to higher level study. As part of this, we will support the establishment of new elite vocational education institutions.

### Other Key Achievements

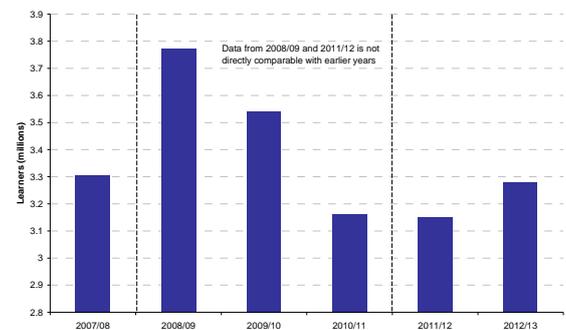
- 24+ Advanced Learning Loans are now available for learners in further education and training studying at level 3 and 4 and advanced and higher apprenticeships.
- Almost 2,000 adult vocational qualifications that are not responsive to learner and employer needs will no longer be funded.

### Latest Indicators

#### OECD comparison qualification levels of working age population



#### Number of Government-funded learners participating in Further Education



### Other key data

- 52,468 applications for 24+ Advanced Learning Loans have been received since launch.
- Nearly 870,000 people were on an apprenticeship in 2012-13 with the gold standard of higher and advanced levels attracting record levels of apprentices.
- Between September 2012 and July 2013 the number of colleges judged good or outstanding in the 2012-13 inspection cycle has improved to 58% the highest level for 3 years. 100% of inadequate colleges improved on re-inspection.

- 39 Projects have been selected for negotiation and further development in round 2 of the Employer Ownership Pilots, for which we allocated a total of £240 million.
- An Implementation Plan was published building on the recommendations of the Richard Review which sets out how we intend to deliver important and radical reforms to meet the needs of both large and small employers.
- A BIS review of governance published in July embeds new professional governance standards.
- The Traineeship Programme Launched in August and is now being delivered across England. We will have data on the number of trainees taking up opportunities in early 2014.

## Markets – Create markets that serve businesses’ and consumers’ long-term interests

The Department has taken steps in the first six months of 2013-14 to build long term trust in business through better reporting, more corporate transparency and stronger shareholder governance. We have also taken early action to reduce unnecessary financial reporting burdens for the UK’s smallest businesses. Focus is now on developing a framework for action on corporate responsibility, implementing G8 commitments to achieve greater clarity about the beneficial owners of shares, greater transparency in the extractive industry and updating and simplifying the company law framework to remove burdens and encourage growth.

Good progress is being made on implementing the employment measures in the Enterprise and Regulatory Reform Act; extending the right to request flexible working and introducing a system of shared parental leave are on track for April 2015.

We continue to lead efforts to free up markets by reducing the burden of regulation on business. In particular, we have supported the Business Taskforce of EU regulation in its work, and are now working to encourage implementation of the recommendations in their report “Cut EU Red Tape”.

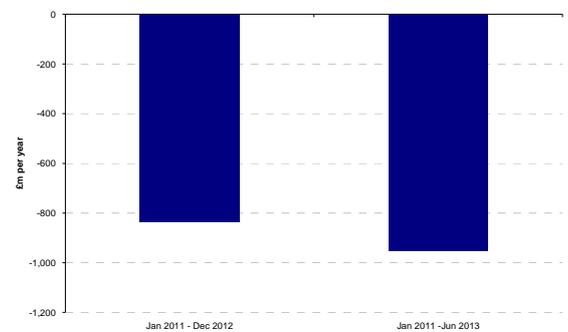
The UK’s new unified competition body, the Competition and Markets Authority (CMA) launched in shadow form on 1 October demonstrating the strong progress the Department has made on competition and consumer landscape reforms. We are on track to launch the CMA in April 2014. The draft Consumer Rights Bill was published in June 2013, with strong external stakeholder support for Bill and substantially positive media coverage at launch.

### Other Key Achievements

- The Enterprise and Regulatory Reform Act 2013 and other legislation came into force and supported by new statutory guidance means the Primary Authority scheme is now accessible to more small businesses, covers more regulations and has strengthened inspection plans.
- Moving early to implement the EU’s Micro Directive we removed unnecessary burdens on 1.4 million of the smallest businesses by allowing them to file simplified accounts.
- Introduced a new employment status of employee shareholder.

### Latest Indicators

#### Cumulative change in the net regulatory burden imposed on business by Government



### Other key data

- 889 businesses and 115 local authorities are in a Primary Authority Partnership, covering over 73,000 premises.
- 400 deregulatory measures have been implemented as part of the Red Tape Challenge by September this year.
- Work to increase the number of women on boards is having an impact. As of October, women make up 19% of FTSE 100 board positions, up from 12.5% in 2010.

- The Groceries Code Adjudicator Act creates the Groceries Code Adjudicator to ensure supermarkets treat their suppliers lawfully and fairly.
- We have strengthened the ability for shareholders of around 900 UK quoted companies to hold companies to account. As a result of government reforms Shareholders will now have access to much clearer information on the pay of directors and, for the first time, a new legally binding vote on executive pay. Other reforms simplify and improve the clarity of companies' non-financial reports.
- From July 2013 settlement agreements to provide speedy resolution of workplace disputes and new rules to reduce vexatious employment litigation came into force.

## Trade – Support UK trade overseas and inward investment

The last 6 months has seen a high level of activity on international trade policy issues, including the launch of Transatlantic Trade & Investment Partnership (TTIP) negotiations, political agreement of an EU-Canada deal and final preparations for the Bali Ministerial.

The EU-US Transatlantic Trade and Investment Partnership (TTIP) was announced at the Lough Erne G8 Summit in June with the first negotiating round in July. The TTIP could add as much as £10 billion annually to the UK economy (£100 billion for the EU and £80 billion for the US). We have consulted extensively to establish UK priorities in the negotiations and are pushing for a truly ambitious and broad agreement that addresses issues including financial services, public procurement, automotive, agriculture and cross-cutting regulatory convergence. The negotiations will be tough but we hope that a deal can be reached by early 2015.

Following the success of the British Business Embassy (BBE) and UK-wide programme at the London 2012 Olympics, UKTI has helped the UK meet a four year target to raise £11 billion worth of economic benefit from the games in just over 1 year. The target was surpassed during the UK's biggest ever Export Week which has seen around 5,000 companies taking part in regional events to encourage UK companies to export.

### Other Key Achievements

- In September the EU initialled the text of a comprehensive free trade agreement with Singapore, the EU's largest trading partner in Southeast Asia.
- Announcement of the Transatlantic Trade and Investment Partnership (TTIP) in June at the G8 summit in Northern Ireland.
- Political agreement on EU-Canada Comprehensive Economic and Trade Agreement (CETA), worth £1.3 billion a year to the UK in the long term and provides important precedent for EU-US TTIP negotiations.
- Launched EU-China Bilateral Investment Treaty negotiations.

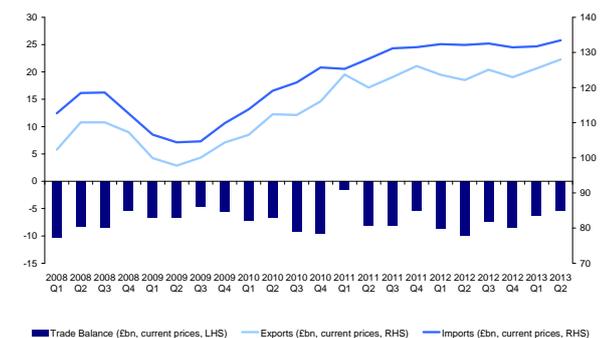
### Latest Indicators

#### Number of UK Businesses helped to improve their performance through internationalisation

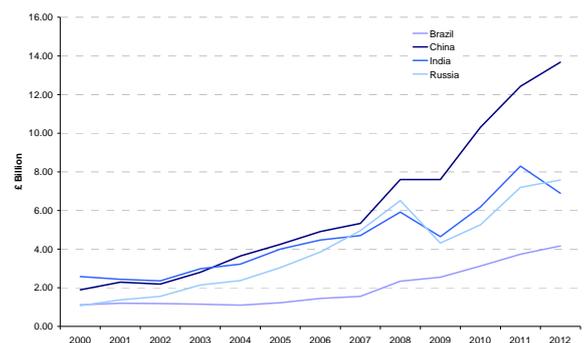


### Other key data

#### UK Exports, Imports and Trade Balance



#### UK Exports to BRICs



# Financial Performance

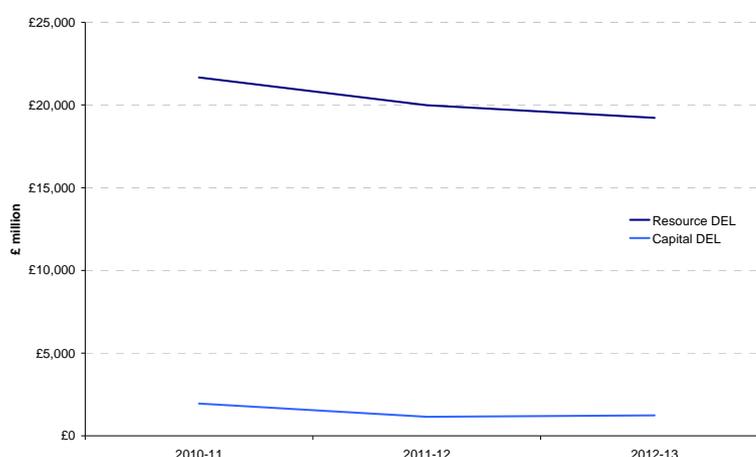
Financial Performance (£ million)	Annual Plan 2013-14	Mid Year Forecast 2013-14	Variance [over]/under	
			£m	%
<b>Total Departmental Expenditure Limit (DEL)</b>				
<b>Resource DEL</b>				
Programme Near Cash	14,330*	14,358	[28]	-
Programme Non Cash	3,056*	3,066	[9]	-
Administration Near Cash	641	639	2	-
Administration Non Cash	70	44	26	-37
<b>Capital DEL</b>				
Non Ring-fenced	2,423	2,437	[14]	1
Ring-fenced	1,050	335	715	-68
<b>Total Annually Managed Expenditure (AME)</b>				
<b>Resource AME</b>				
Resource Near Cash	404	492	[86]	21
Resource Non Cash	(1,451)	(1,445)	[6]	-
<b>Capital AME</b>				
	8,540	6,094	2,447	-29

Source: BIS Management Accounts, figures rounded to nearest %

\*Assumed full transfer of agreed Reserve Claims

## Departmental Expenditure Limit 2013-14

**Programme Near Cash:** BIS is showing a small variance (-0.2%) against budget. This assumes provision of pre-agreed reserve claim with HM Treasury scheduled to transfer at the 2013-14 Supplementary Estimates, covering Royal Mail transaction costs and agreements from recent fiscal events. The Department is developing options to managing down overspends in the latter half of the year should it be required.



Source: BIS Annual Report & Accounts

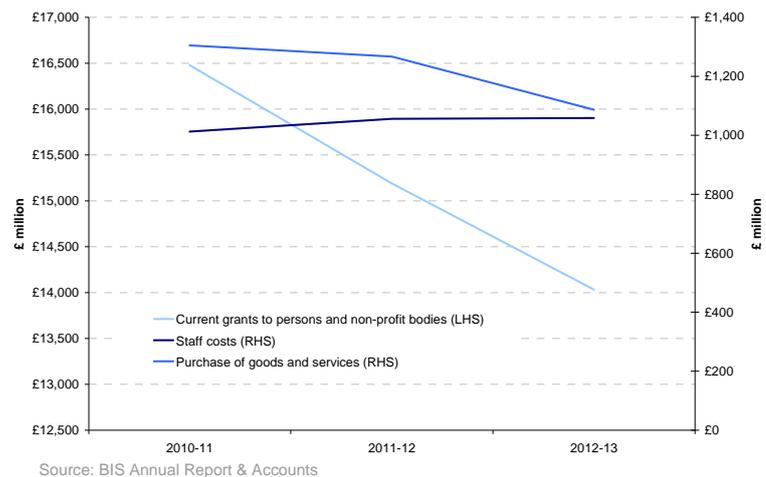
**Programme Non cash:** BIS have negotiated a risk-sharing arrangement with HM Treasury for handling the volatile movements following the revaluation of the Student Loan book. The arrangement moves the majority of forecasts pressures into BIS AME budgets, leaving the Department with a residual balance to manage down. On current forecasts BIS have small non-cash pressures of £9 million (0.3% budget)

**Admin Near cash:** BIS are largely forecasting to budget against administration costs. Small underspends across the Groups have emerged but these have been offset by pressures within core BIS, reflecting one-off transition costs within the business.

**Admin Non cash:** BIS are holding a £24 million admin non-cash contingency, a result of assets having fully depreciated in value, which comprises of the bulk of the Departments £26 million variance.

**Capital (non ring fenced):** BIS are forecasting pressures of £14 million (0.5%) against the non ring fenced capital budget. This variance includes the full £680 million reserve claim entitlement scheduled to transfer at the 2013-14 Supplementary Estimates, covering the Royal Mail employee share scheme costs, and funding agreed at previous fiscal events. The Department is developing options to managing down overspends in the latter half of the year should it be required.

**Capital (ring fenced):** BIS are forecasting underspends against the ring-fenced Green Investment Bank (£700 million) and Business Bank (£15 million) budgets. Under an in-year budget flexibility agreement agreed with HM Treasury, the Green Investment Bank will be rolling forward all underspends into 2014-15.



## Annually Managed Expenditure

**Resource Near cash:** The forecast includes a payment of £108 million to the National Loans Fund (NLF). The flotation of Royal Mail necessitated a repayment of an outstanding long-term NLF loan provided to Royal Mail (on-lent by BIS) before its original term had ended, which meant the NLF would not receive the full amount of interest it was expecting had the loan run to maturity. The NLF is not legally allowed to make a loss; it was therefore required to charge a premium to BIS to reflect the fact that it was locked into an external borrowing at a higher rate at the time this loan was originally issued in 2001. As Royal Mail, to whom the NLF loan was on-lent, was 100% owned by Government, and this is a transfer of funds within the public sector boundary, the Exchequer as a whole is no worse off. BIS will seek budget cover for this cost at the Supplementary Estimate.

**Resource Non-cash:** Underspends are forecast due to reduced expected impact of accounting calculations (particularly related to student loans) on BIS' budgetary position. The final value of these calculations is volatile and sensitive to changes in macroeconomic determinants; it is therefore likely to fluctuate before year-end.

**Capital:** Capital AME forecast assumes Royal Mail sale proceeds (~£2 billion) and repayment of shareholder loan (£472 million) income – these are both fixed quantum, one-off transactions that will not occur in future years. Underspends are driven by the one-off impacts of the Royal Mail sale transaction, including estimated proceeds and income from the repayment of the shareholder loan held by BIS. However, there will be volatility in Capital AME arising from Student and FE loan outlays that could significantly impact the final position.

## BIS Balance Sheet

BIS total net assets have grown to £39.6 billion at 30 September 2013, up from £36.5 billion since 2012-13. The key areas are as follows:

**Student loans:** The loan book is valued at the present value of future cash flows. At 30 September 2013 they represented £33,481 million of the total £35,654 million of other financial assets. It's estimated that £9 billion of loans will be issued in 2013-14, made up of £3 billion of pre HE reform and £6 billion of post HE reform loans. The Department has delivered the sale of the remaining 17% of mortgage style (MS) loans taken out by students who began courses between 1990 and 1998. The outstanding student loans, owed by around a quarter of a million borrowers, were sold for £160 million. These loans were held by the Department and the devolved administrations.

**Repayable Launch Investments:** These c£1,845 million assets have been less affected by the economic downturn, as they are long term investments with little impact likely in the short term. This is because the valuation technique which generates future cash flows places less reliance on macroeconomic factors than say student loans.

**Postal Services Holding Company Plc (PSH), (formerly Royal Mail Holdings):** The Government sold shares in Royal Mail Group (RMG) through a flotation on the London Stock Exchange, with 10% of shares going to employees. Around 30% of the shareholding continues to be held in the public sector by PSH, in which BIS is a 100% shareholder. The Department holds its investment in PSH at fair value, which was £2.9 billion at 31 March 2013. The £974 million of loans outstanding at 30 September 2013 were repaid by Royal Mail on 15 October 2013. The sale proceeds of around £2 billion will transfer to the Department in accordance with a direction under s.74 of the Postal Services Act. This will be treated a special dividend in the BIS accounts and a capital receipt in budgets, once any accounting adjustments for the costs of sale including stamp duty have been deducted.

**Enrichment Holdings Ltd (EHL):** Set up solely to hold the Government's one third share in Urenco Limited, an entity operating in the civil uranium enrichment sector. The investment was carried at fair value, which was £517 million at 31 March 2013. EHL has since been classified to central government; therefore the fair value has been restated to historic cost (£1) in the BIS accounts. EHL will be consolidated into the group boundary along with other Partner Organisations and the fair value of the Government's shareholding will be reflected in the consolidated numbers. The Government is still considering its options with regard to the sale of its shareholding.

## Administrative Savings

Whilst BIS is continuing to deliver on its priorities this has been in the context of significant challenges of operating with fewer resources. BIS has already reduced its administration spend significantly since 2009-10 and remains on track to reduce the overall administrative budget by around £500 million (around 50%) by the end of this parliament.

To achieve this reduction:

- We have reduced in size by over 3,000 jobs across Department's workforce, including 20% of the staff from the central Department.
- We are cutting our number of Partner Organisations by 30% from 67 to 46 by April 2014. We currently have 49 Partner Organisations.
- We are cutting our buildings from 200 to 60, and are in the process of reforming ICT, procurement and reducing the size of our HR and finance services by sharing services across BIS to deliver £130 million savings.
- Whilst making these changes we have taken on additional Coalition Government priority programmes including the Green Investment Bank, Business Bank, Industrial Strategy, BIS Local, Local Enterprise Partnerships, the Regional Growth Fund and Cyber Security.
- We have introduced more flexible team working to support top priorities – e.g. Industrial Strategy, Business Bank – and have taken out 4 layers of management, and introduced sharper focus on performance and delivery.

As at the end of 2012-13 BIS had delivered c£390 million of savings compared to its 2009-10 budget, broken down in the table below. At September 2013 BIS are forecasting to budget of £639 million.

Savings area (£ million)	Budget	Expected saving by 2014-15	Savings 2012-13	% delivered as at end 2012-13
<b>2009-10 approximate baseline in 2014-15 'real' terms</b>	<b>1,100</b>			
Regional Development Agencies		220	215	98%
Corporate Services reform		130	47	36%
Headcount reductions		67	45	67%
Reductions in discretionary spend		83	83	100%
<b>Total</b>		<b>500</b>	<b>390</b>	<b>78%</b>
<b>2014-15 cash budget</b>	<b>600</b>			

Source: BIS Management Accounts

# Major Projects

BIS is a big delivery organisation and The Laidlaw Report highlighted the improvements Government can make in delivering Major Projects. The BIS Executive Board approved the recommendations in the BIS response to the Laidlaw report including a recommendation to “Implement a BIS portfolio management approach” to support Senior Responsible Owners (SROs) and their teams successfully implement their programmes and build collective capability across BIS. The BIS Portfolio containing approximately 50 projects will identify and support the major delivery activities across the BIS family that deliver our published corporate objectives.

We have developed supporting material and are looking to further enhance this working with SROs and Heads of Profession across Whitehall. Our support includes:

- Clarity of SRO “rights and responsibilities” akin to a delegation letter which provides valuable clarification, and which has been well received in draft;
- Developed thinking on programme interventions for when a SRO needs help quickly, alongside tailored guidance on the support available to SROs; and
- Piloting, with the Cabinet Office, an intensive two day MPLA course to ensure latest business thinking and emerging learning on project leadership is disseminated to our key delivery leaders.

Establishing greater visibility between project activity and corporate objectives will deliver clearer governance, and provide benefit to SROs through giving clearer routes for escalation. BIS will be better able to focus Executive Committees and other central resources to support the projects which need it most. BIS will have a deeper view of its delivery portfolio, below the GMPP “top 10” (see table below), and its emerging PPM and delivery talent.

## BIS Major Projects part of the Government Major Project Portfolio (GMPP)<sup>1</sup>

Project Name	MPA RAG rating	Project - start date	Project - end date	2012/13 Budget (£million)	2012/13 Forecast (£million)	Total budgeted whole life costs <sup>2</sup> (£million)
<b>The Francis Crick Institute (formerly UKCMRI)</b>	Amber/Green	01/10/2006	21/12/2017	58	58	753
<b>Green Investment Bank</b>	Amber	01/06/2010	01/09/2012	799	329	1857
<b>HE Reform Programme</b>	Amber	30/06/2011	31/12/2015	370	370	4600
<b>BIS Shared Services</b>	Amber	04/05/2011	30/04/2013	11	11	16

<b>Core Systems Replacement</b>	Amber	01/03/2012	19/03/2016	3	3	132
<b>Student Loans Monetisation Feasibility Study</b>	Amber/Red	01/03/2010	31/12/2014	-	-	6
<b>Business Improvement Programme</b>	Green	01/08/2010	14/03/2013	50	50	206
<b>Technology and innovation centres</b>	Amber/Green	01/12/2010	01/04/2013	60	60	476
<b>FE Capital Investment Programme</b>	Amber/Green	31/05/2010	31/03/2015	273	273	4578
<b>Further Education Fee Loans Programme</b>	Amber/Green	30/11/2010	01/04/2016	5	5	577

<sup>1</sup> Source: Data as at Q2 2012-13 as part of the Major Projects Authority Annual Report. The Government's transparency policy, which was agreed by Cabinet, governs the publication of data relating to major project delivery performance. It requires departments to publish the MPA's delivery confidence assessments for Government's major projects, accompanied by the department's project narrative every 12 months, six months in arrears. The MPA publishes its Annual Report at the same time (the first MPA Annual Report was published in May 2013 and can be found at <https://www.gov.uk/government/collections/major-projects-data>.) Information on major project performance more recent than that published in the annual report is not permitted to be released into the public domain. The transparency policy and exemptions guidance is published at: <https://www.gov.uk/government/publications/major-projects-transparency-policy-and-exemptions-guidance>. The next publication of the MPA Annual Report will be in May 2014, and will report on Q2 2013/14 data. This will be published on [www.gov.uk](http://www.gov.uk).

<sup>2</sup> including non-government costs

**Green Investment Bank** - The Green Investment Bank has been formally launched in November 2012 and has been operating independently from HMG.

**HE Reform Programme** - Continuous monitoring and management of financial risk as more confirmed data becomes available for 2012/13 and 2013/14 cohorts. Levers to manage the financial risks will reduce as the percentage of teaching grants declines.

**BIS Shared Services** - The programme successfully transferred services to the Shared Service Centre on 1 November 2012. The first organisations were originally scheduled to move onto a new system from 1 April 2013, however this moved to between August and October 2013. A decision was made to move the shift to new systems based on the complexity of finalising the design of the new system and ensuring that the appropriate level of accreditation was achieved.

**Core Systems Replacement** - Actions to improve RAG rating include, business engagement will be led by the CEO; The procurement strategy will be revised to provide greater flexibility for other options; A risk analyst will be engaged to embed risk management framework.

**Student Loans Monetisation Feasibility Study** - BIS has made significant progress in resolving hurdles to concluding the feasibility study, with only one hurdle outstanding relating to operational feasibility that will allow a decision on whether to proceed to a sale preparation phase or not. The project team in BIS is taking action to resolve the outstanding hurdle.

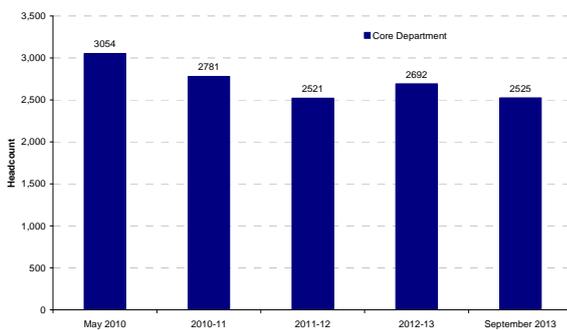
# People

The core department has achieved a 2 percentage point increase in its overall engagement score in 2013, building on a 3 point increase in 2012. This positive trajectory is encouraging, but we recognise there is more to do to achieve our ambition to be in the top quartile of Civil Service Departments. Achieving administrative savings is a significant challenge and whilst we are continuing to deliver on our priorities we have to be flexible and work smarter.

## Workforce Size and Recruitment

Despite our challenging agenda we have maintained the 20% reduction in staffing levels achieved through the Department's major restructure in 2010-11. Headcount in the core department is around our 2,500 target. This figure reflects additional functions transferred into BIS from other organisations as part of machinery of government changes since the restructure.

We are continuing to deliver our key objectives by working smarter. For example we have:



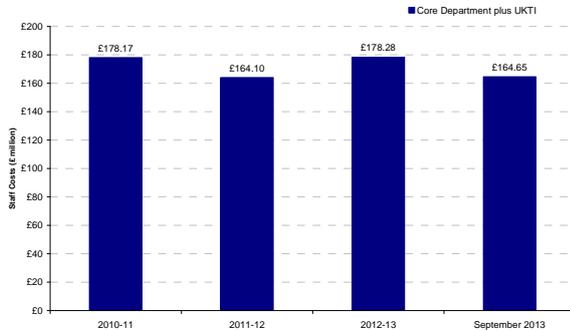
Source: BIS Annual Report & Accounts; (September 2013) Core BIS Payroll MI

- reduced our management layers from 10 to 6
- been flexible in how we have deployed our resources
- brought in specialist skills where necessary e.g. in corporate finance and sector based expertise to support the industrial strategy, often for short periods to increase capability

Turnover in BIS remains higher than the civil service average, 14% in the first quarter of the financial year. This is within the levels expected in the department's workforce plan and reflects the department's need to bring in specific skills for short periods to support delivery. BIS and Partners are continuing to abide by the principles of the recruitment freeze and are only recruiting externally where necessary. More than 4 in 5 of exemptions to the freeze relate to specialist skills.

## Staff Costs

Administrative spend on staff costs for the Core department in 2013-14 are forecast to be £165 million, down £13 million on the Annual Report and Accounts 2012-13 reported net staff costs of £178 million. Spend on contingent labour is also on track to reduce from 2012-13 levels.

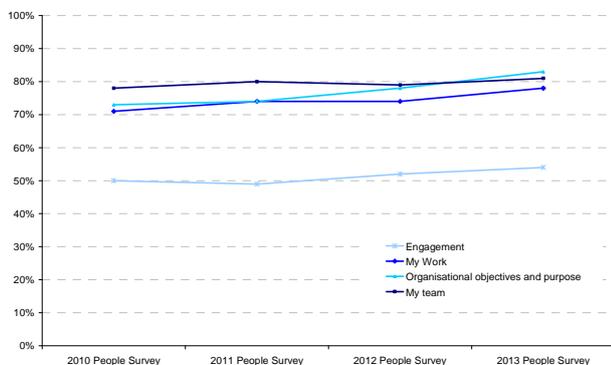


Source: BIS Annual Report & Accounts, (September 2013) Core BIS Admin Reporting Tool

Core Department sickness absence grew from 4.8 days per 12 months to 5.4 in 2012-13, partly due to more robust reporting. This increase has now levelled off and falling. At September 2013 sickness absence in the Core Department was 4.7.

## Engagement

In 2013 the People Survey the headline engagement index increased from 52% to 54% whilst the Civil Service average remained static. This was based on an impressive response rate of 83%. This increase is encouraging given the challenges in the Department, but there is still more to do.



Source: BIS People Survey, Core Department only

Positive progress was made in all the headline People Survey measures compared with 2012. Understanding of our purpose and objectives has improved by 5 percentage points (85%), engagement and interest in work increased by 4 points (91%).

A key focus this year has been engaging our staff in our *Ways of Working* Programme so they have a real say in how we work together – whether this be on our IT or in the simple protocols we use to underpin our working practices.

## Capability



Source: BIS People Survey, Core Department only

In 2013 the overall score for Leadership and Managing Change was up 5 points to 43%. Building on last years progress the result now places BIS ahead of the Civil Service average. Access to learning and development continues to show strong improvement with a 5 point increase to 52%, 4 points ahead of the Civil Service average.

To develop the capability of our staff this year we are:

- implementing a new performance management and development approach with a focus on development
- focusing on the development of our leadership cadre and boosting the confidence of our managers through our *Management Matters* programme.
- implementing clearer guidance on career pathways.

## Workforce Shape

The equality and diversity statistics across the family have remained relatively static over this period. The core department is currently seeking to encourage an increase in diversity declaration rates as part of a refresh of its Diversity & Equality Strategy.

		2010-11		2011-12		2012-13	
<b>Shape (%)</b>	AA/AO	24.7		17.1		15.9	
	EO	21.7		20.0		19.2	
	HEO/SEO	28.6		39.6		40.1	
	G7/6	21.6		19.2		20.6	
	SCS	3.4		4.1		4.2	
	Part Time	13.4		13.2		13.2	
		<b>All</b>	<b>SCS only</b>	<b>All</b>	<b>SCS only</b>	<b>All</b>	<b>SCS only</b>
<b>Diversity (%)</b>	Black and Minority Ethnic	11.0	3.7	13.0	3.4	12.9	3.7
	Women	53.0	34.7	53.1	40.6	53.0	43.0
	Women (Top Management Posts)	-	33.4	-	35.6	-	40.2
	Disabled	7.5	4.0	8.2	5.0	7.7	4.0

Source: BIS Annual Report and Accounts; data covers Core Department, UKTI, Insolvency Service, National Measurement Office, Skills Funding Agency and UK Space Agency. Diversity figures do not include NMO and UKSA.

# Annex A – Business Plan Indicators

## Enterprise

Input Indicators		Apr 2011 - Nov 2013	
Offers made from the Regional Growth Fund (£million)	Greater South East	253	
	North, West and Midlands	1,839	
Value Enterprise Finance Guarantee funds used by businesses		<b>Q2 2012-13</b>	<b>Q2 2013-14</b>
		82.16	87.15

Impact Indicators		Apr 2011 - Nov 2013	
Number of Regional Growth Fund contracts signed		292	
		<b>Q1 2012</b>	<b>Q1 2013</b>
Change in Private Sector Employment Share of Total Population Aged 16-64 and those over 64 in the labour market (percentage points) <sup>2</sup>	Greater South East	0.1	1.0
	North, West and Midlands	0.9	1.1
Early-stage entrepreneurial activity rate <sup>3</sup>		<b>2011</b>	<b>2012</b>
		7.3%	9.8%
Ease of doing business in the UK, ranking of UK on World Bank Doing Business Report (rank)		<b>2012</b>	<b>2013</b>
		11 <sup>th</sup>	10 <sup>th</sup>
Maintaining access to the Post Office: Post Office network size (number of branches) <sup>4</sup>		<b>2012</b>	<b>2013</b>
		11,818	11,780

<sup>2</sup> This indicator shows significant improvement in the share of private sector employment across the country.

<sup>3</sup> This indicator shows a sharp improvement in Entrepreneurial Activity.

<sup>4</sup> Post Office Limited is comfortably exceeding its target of a network of at least 11,500 branches.

## Knowledge and Innovation

Input Indicators	2010	2011
Expenditure on research and development performed in Higher Education (£billion)	6.96	7.13
Funding per student in Higher Education (£) <sup>5</sup>	<b>2010-11</b>	<b>2011-12</b>
	5,719	5,515

<sup>5</sup> The initial impact of HE reforms will not be visible until data available in early 2014.

Impact Indicators	2006	2010
The UK share of highly cited papers <sup>6</sup>	12.1%	13.8%
Proportion of firms which are innovation active	<b>2009</b>	<b>2011</b>
	38%	37%
Gap between non-free school meal and free school meal 15 year olds going on to Higher Education (percentage points)	<b>2009/10</b>	<b>2010/11</b>
	18	18
Gap between young graduates from professional backgrounds who go on to a "graduate job" 6 months after graduating and young graduates from non-professional backgrounds (percentage points)	<b>2010/11</b>	<b>2011/12</b>
	6	4

<sup>6</sup> The UK has the 2<sup>nd</sup> highest proportion behind the USA. Better quality research is more highly cited.

## Skills

Input Indicators	2010-11	2011-12
Average funding per course in Government-funded adult further education (£) <sup>7</sup>	991	953
Number of Government-funded learners participating in further education (million) <sup>8</sup>	<b>2011/12</b>	<b>2012/13</b>
	3.15	3.28

<sup>7</sup> Changes in the indicator will depend on the type and mix of provision. For example average funding per course may increase as learners may be attending longer, more costly courses which better reflect the demand for skills in certain sectors. It should not be assumed that an increase in average funding per aim in itself is a poor outcome.<sup>8</sup> Provisional data

Impact Indicators		2010	2011
OECD comparison of the qualification levels of the working age population in the UK (rank)	Level 2+	19 <sup>th</sup>	19 <sup>th</sup>
	Level 4+	7 <sup>th</sup>	6 <sup>th</sup>
Participation levels of 18-24 year olds in part-time or full-time education or training		<b>2001-2004</b>	<b>2005-2008</b>
		45%	45%
Total achievements in full Level 2 or 3 Further Education of people academic age 19 and over (Learners)		<b>2010-11</b>	<b>2011-12</b>
	Full level 2	561,800	546,600
	Full level 3	242,700	216,200
Access to professions - % of 16-65 year olds who are in paid employment who are in managerial or professional positions by social background using fathers occupational group (percentage point gap) <sup>9</sup>		<b>2001-2004</b>	<b>2005-2008</b>
		23%	23%

<sup>9</sup> The proportion in these occupations is increasing for both groups, However those whose father was in managerial, profession or supervisory occupation (NS-SEC 1 -2) are about twice as likely to be in such occupations themselves.

## Markets

Impact Indicators	Jan 2011 – Dec 2012	Jan 2011 – Jun 2013
Change in the net regulatory burden imposed on business by Government (£million) <sup>9</sup>	-848	-955
Change in employment regulatory burden imposed on business by Government, measured from baseline provided by OECD (£million) <sup>10</sup>	<b>Jan 2011 – Dec 2012</b>	
	3.3	
The value of the consumer benefits of the competition regime (£million) <sup>11</sup>	<b>2011-12</b>	<b>2012-13</b>
	810	598

<sup>9</sup> This measure indicates that overall burden of regulation from Government has been reducing

<sup>10</sup> The One-in, One-out position on employment regulation shows that there has been an increase in regulatory burden on business of £3.3 million per annum from regulations implemented since 2010, mainly phasing out the Default Retirement Age and extending the qualifying period for unfair dismissal.

<sup>11</sup> This indicator provides a measure of the additional costs consumers would have paid if the market had not been working efficiently.

## Trade and Investment

Input Indicators	2011-12	2012-13
Average Unit Cost per UK Business helped to improve their performance through internationalisation <sup>12</sup>	£9,548	£7,390
Average Unit Cost per FDI Project attracted to the UK with UKTI involvement <sup>12</sup>	<b>2011-12</b>	<b>2012-13</b>
	£68,003	£60,811

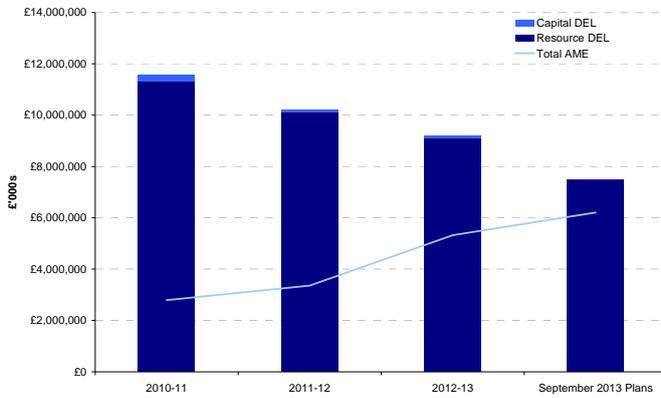
Impact Indicators	2011-12	2012-13
Number of UK Businesses helped to improve their performance through internationalisation <sup>12</sup>	25,450	31,880
Number of Foreign Direct Investment projects attracted to the UK with UKTI involvement <sup>12</sup>	<b>2011-12</b>	<b>2012-13</b>
	1,172	1,332
Openness to trade: exports plus imports as a share of GDP <sup>13</sup>	<b>2011</b>	<b>2012</b>
	66%	65%

<sup>12</sup> UKTI have made good progress in increasing the number of businesses assisted, while reducing the cost of providing trade services, thereby reducing the average unit cost of each business assist.

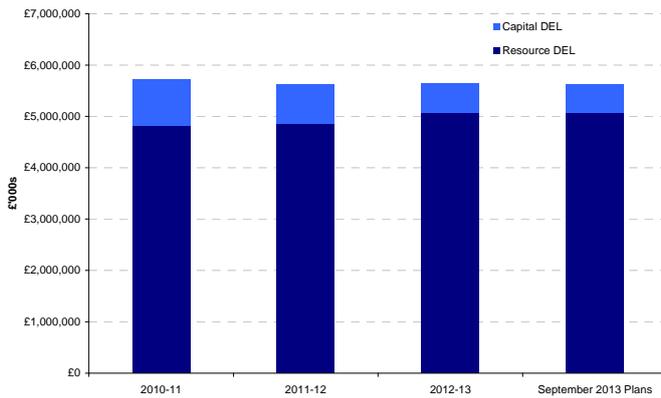
<sup>13</sup> The index is based on GDP, exports and imports data. These data are subject to revision, and have been revised since the index was previously calculated in the Annual Report.

# Annex B – Policy Expenditure

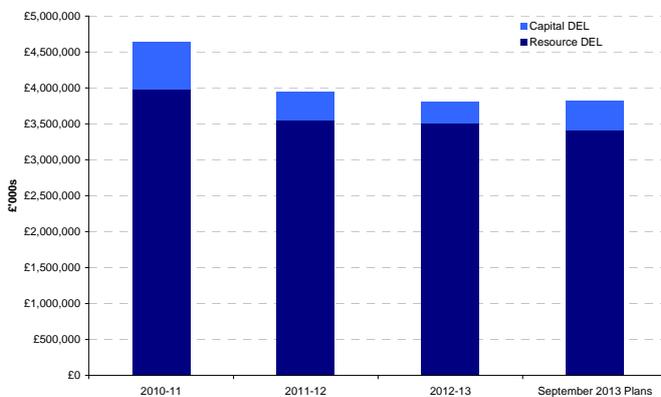
## Higher Education



## Science & Research



## Further Education



## Net resource and capital outturn by section - Other Sections

		2010-11 (£'000)	2011-12 (£'000)	2012-13 (£'000)	2013-14 Plans (£'000)
<b>Science and Research</b>	Resource DEL	£4,821,054	£4,861,654	£5,074,373	£5,061,604
	Capital DEL	£895,303	£755,941	£580,839	£554,310
	Total AME	£1,111	£39,143	£68,008	£41,514
<b>Higher Education</b>	Resource DEL	£11,304,941	£10,111,138	£9,109,208	£7,470,607
	Capital DEL	£249,394	£97,175	£80,478	£3,846
	Total AME	£2,787,601	£3,358,173	£5,323,480	£6,205,032
<b>Further Education</b>	Resource DEL	£3,973,820	£3,541,073	£3,505,344	£3,408,957
	Capital DEL	£658,420	£399,820	£295,340	£410,000
	Total AME	£8,080	£-5,779	£-7,006	£149,193
<b>Innovation, Enterprise and Business</b>	Resource DEL	£796,911	£813,401	£590,861	£818,304
	Capital DEL	£151,496	£-109,824	£-23,316	£625,320
	Total AME	£65,228	£-37,452	£-35,666	£-38,688
<b>Market Frameworks</b>	Resource DEL	£174,653	£199,323	£194,643	£184,470
	Capital DEL	£30	£4,051	£58,916	£118,580
	Total AME	£547,625	£446,949	£27,033	£430,634
<b>Capability</b>	Resource DEL	£341,702	£319,476	£312,457	£396,607
	Capital DEL	£10,318	£7,133	£15,113	£5,900
	Total AME	£26,319	£8,015	£-9,346	£-40,027
<b>Government as Shareholder</b>	Resource DEL	£249,436	£140,351	£443,394	£385,981
	Capital DEL	£-14,973	£-1,105	£232,979	£1,075,545
	Total AME	£-255,600	£239,739	£-9,356	£747,500

Source: BIS Annual Report and Accounts; BIS Main Estimates 2013-14

## Annex C – Partner Organisations

The list below represents the Department's 49 Partner Organisations. A full list of bodies consolidated within the BIS accounts can be found at note 40 to the 2012-13 Annual Report and Accounts.

Advisory Conciliation and Arbitration Service (ACAS)	Land Registry
Arts and Humanities Research Council	Land Registry Rule Committee
Biotechnology and Biological Sciences Research Council	Low Pay Commission
British Hallmarking Council	Medical Research Council
Capital for Enterprise Ltd	Met Office
Central Arbitration Committee	Natural Environment Research Council
Certification Officer	National Measurement Office
Companies House	Office for Fair Access
Competition Appeal Tribunal	Office for Manpower Economics
Competition Commission	Office of Fair Trading
Competition Service	Ordnance Survey
Construction Skills (Construction Industry Training Board)	Regulatory Policy Committee
Consumer Focus	Science and Technology Facilities Council
Copyright Tribunal	Skills Funding Agency
Council for Science and Technology	Student Loans Company Ltd
Economic and Social Research Council	Technology Strategy Board
Engineering and Physical Sciences Research Council	UK Green Investment Bank plc
Engineering Construction Industry Training Board	UK Atomic Energy Authority
Export Guarantees Advisory Council	UK Shared Business Services Ltd
Film Industry Training Board for England and Wales	UK Export Finance
Financial Reporting Council Ltd	UK Intellectual Property Office
Higher Education Funding Council for England (HEFCE)	UK Trade and Investment
Industrial Development Advisory Board	UK Space Agency
Insolvency Service	United Kingdom Commission for Employment and Skills
Insolvency Practitioners Tribunal	



© Crown copyright 2013

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. Visit [www.nationalarchives.gov.uk/doc/open-government-licence](http://www.nationalarchives.gov.uk/doc/open-government-licence), write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This publication available from [www.gov.uk/bis](http://www.gov.uk/bis)

Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H 0ET  
Tel: 020 7215 5000

If you require this publication in an alternative format, email [enquiries@bis.gsi.gov.uk](mailto:enquiries@bis.gsi.gov.uk), or call 020 7215 5000.

**BIS/13/1336**