Department
for Business
Innovation & Skills

Annual Report and Accounts 2015-16

Department for Business, Innovation and Skills

Annual Report and Accounts 2015-16

For the year ended 31 March 2016

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HC 362

This is part of a series of departmental publications which, along with the Main Estimates 2015-16 and the document Public Expenditure: Statistical Analyses 2015, present the Government's outturn for 2014-15 and planned expenditure for 2015-16.

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Contents

Overview by the Secretary of State

2015-16 has been another challenging yet successful year for British business, and the same is true of the Department for Business, Innovation and Skills.

Over the past 12 months we've continued to work hard to make the UK the best place in the world to start and grow a business.

This has included passing two major pieces of legislation. The Enterprise Act provides businesses, and small businesses in particular, with much-needed support. And the Trade Union Act strikes the right balance between rights and responsibilities, so that employers and employees alike aren't unfairly disrupted by industrial action.

BIS was also responsible for the introduction of the new National Living Wage, giving workers a well-deserved pay rise.

As this report shows we're also making good progress on our ambition to deliver three million apprenticeship starts by 2020. And we've seen more students than ever before accepted into their first-choice university courses – with record numbers applying from disadvantaged backgrounds.

The worldwide crisis in the steel industry has posed a number of challenges for the Department, but Ministers and officials have been working hard to secure a sustainable future for British steel and support the steelworkers and communities affected by threatened and actual closures.

2016-17 promises to be another successful year for the Department. We have already published the Higher Education and Research white paper, setting out our vision for the future of Britain's universities. A Better Markets Bill will follow later this year, along with an Innovation Plan, part of our commitment to making Britain the number one destination for innovative new businesses and entrepreneurs.

We'll also be continuing to deliver on our Single Departmental Plan, making BIS more efficient, more effective and more flexible. This will inevitably involve making some difficult decisions, but they will ultimately benefit the businesses we are here to serve.

Over the past 12 months BIS has done a huge amount to make the UK the best place in the world to start and grow a business. I'm looking forward to working with my fellow Ministers, our dedicated officials, and all our Partner Organisations to make the year ahead even more successful.

Rt Hon Sajid Javid MP

Secretary of State for Business, Innovation and Skills

Permanent Secretary's Review

This Annual Report and Accounts sets out the Department's key achievements and progress against our strategic and corporate objectives over the 2015-16 financial year.

The Department for Business, Innovation and Skills was well prepared for the May 2015 election and organised a smooth transition to supporting our new Ministers. I am proud of how quickly the Department responded to the priorities of our new Ministerial team and built an effective partnership.

In 2015-16 we agreed BIS spending plans for the next five years as part of the Government's spending review. BIS made a full contribution to the Government's deficit reduction targets, through maximising efficiencies and reforms. The Government also agreed funding to deliver our key growth and productivity outcomes, including real terms protection for science funding; maintaining Innovate UK funding in cash terms; cash terms protection for adult skills participation budgets; and funding to deliver 3 million high quality apprenticeships.

The Department is committed to focusing as much of its funding as possible on front-line services and to becoming simpler, smaller and better for users by 2020. BIS 2020 is a transformation programme that will deliver reductions in operating expenditure of around £350 million by 2020. This will be delivered by reducing operating costs and associated headcount by 30 – 40 per cent; more than halving our 45 Partner Organisations; and rationalising customer support, grant giving and digital service delivery. It also involves reducing our locations from around 80 sites to 7 business centres plus a regional presence across the country.

We recently decided that one of these business centres should be a combined BIS headquarters and policy function in London. This will bring together BIS' policy capability, which is currently dispersed across 14 offices, and locate it near Ministers and Parliament, enabling staff to respond rapidly and flexibly to new priorities. This was a very difficult decision because of the impact on individual members of staff and their families. I am personally committed to ensuring that those affected receive comprehensive support.

The Department led work over the last year on a number of the Government's flagship policies:

- The new National Living Wage was successfully introduced on 1 April 2016.
- The Enterprise Act received Royal Assent. The Act will cut red tape, encourage investment in skills, and make it easier for small firms to resolve payment disputes through the Small Business Commissioner.
- The white paper "Success as a Knowledge Economy" was published following public consultation. The reforms put students at the heart of higher education, deliver greater competition and choice, promote social mobility and boost productivity in the economy.
- Good progress was made towards the Government's ambition for 3 million apprenticeship starts by 2020.
- The Trade Union Bill received royal assent.
- Sale of the Government's remaining shares in Royal Mail was successfully completed.

The development of our staff continues to be a key priority. This report includes our 2015 People Survey results which showed improvement on how staff feel they are managed, and that a higher proportion of our staff feel inspired and empowered by the Department's leadership. Inclusion and fair treatment results also improved this year and a higher number of our staff said they had the tools and skills to do their jobs effectively.

I am proud of all the dedicated staff in BIS and our Partner Organisations who have worked hard and effectively to deliver outcomes with real impact across the UK.

Sir Martin Donnelly

Key achievements in 2015-16

£7.20

The first National Living Wage rate giving anyone working 35 hours a week on the National Minimum Wage a £680 per annum pay rise.

THE NATIONAL LIVING WAGE

500,000

New apprenticeship starts since May 2015. BIS aims to create 3 million new apprenticeship starts by 2020.

18.5%

The entry rate into higher education for the most disadvantaged 18 year olds – a record high.

£4.7 billion

The annual science resource budget protected in real terms to the end of the decade.

£6.9 billion

Record capital investment in the UK's research infrastructure up to 2021. Ensuring that the UK continues to support world-leading science.

12%

The total stake now owned by Royal Mail employees after the Government completed its disposal of shares.

5.4 million businesses

Are set to benefit from the Enterprise Act by cutting red tape, tackling late payments and boosting the quality and quantity of apprenticeships.

About BIS

Who we are

The Department for Business, Innovation and Skills is the central Government Department responsible for promoting economic growth and productivity. The Department invests in skills and education, promotes trade, boosts innovation and helps people to start and grow a business.

Our vision and objectives

Our overarching aim is to make Britain the best place in the world to start and grow a business. The most important thing government can do to support businesses is to create and safeguard the economic conditions that will allow them to thrive.

We draw on the best available evidence to develop policy solutions that helps industry, protects consumers, and encourages innovation – both in products and skills. We engage with the world, explore new markets, and help businesses plan for the long-term and invest in their future. As a One Nation Government we need to make sure this is done in a way that benefits all.

Strategic objectives

Business & Enterprise

BIS will cement the UK's position as the best place in Europe to start and grow a business by supporting local growth, entrepreneurs, and making it easier for businesses to resolve disputes quickly and easily.

Competitiveness & Exports

BIS is developing our long term industrial approach, through supporting competitive markets, cutting red tape, protecting intellectual property, generating new trade, investment and job opportunities.

Science & Innovation

BIS is ensuring that the UK is the best place in Europe to innovate, maintaining our world leading research and science base to drive growth and productivity while reforming the system to maximise value from our investments. BIS is ensuring the UK remains a world leader in science and research by investing £6.9 billion in capital funding and by protecting today's £4.7 billion resource funding in real terms.

Apprenticeships & Skills

BIS is leading the delivery of 3 million new apprenticeship starts to ensure businesses have access to the skilled workforce they need, while also taking measures to improve Further Education. A joint national programme of area reviews is being undertaken by BIS and DfE, to facilitate the restructuring of the post-16 education and training institutions.

Higher Education

BIS is strengthening English higher education, ensuring the system remains financially sustainable, allows new entrants to the market and is open to people from all backgrounds. Through the Teaching Excellence Framework we'll help ensure students benefit from high quality teaching.

Labour Markets

BIS is tackling illegal practices in the workplace, legislating to reform and modernise trade union law, and dealing with the abuse of the minimum wage.

Further details of our objectives and how we intend to deliver them are available on GOV.UK along with details of our resources, lead Ministers and officials.

The following report provides an update of the progress made in 2015-16 in delivering these objectives. Headline indicators are provided to help show progress against our key commitments.

BIS creating value

On a daily basis, the responsibilities of BIS and our Partner Organisations impact the lives of millions of people and businesses, both in the UK and internationally. Through our business model we hold levers to improving productivity, driving sustainable growth and shaping the UK as a global knowledge economy. We draw on our relationships and financial, human, intellectual resources to create value in society beyond the level of taxpayer funding.

£21.4 billion expenditure in 2015-16

Financial
Our financial resources fund key policies such as higher education, major infrastructure projects and the overall running costs of the Department. Of the Department's £21.4 billion expenditure over 80 per cent is through our Partner Organisations. Resources are provided from the UK Parliament with smaller amounts from EU funding, patent royalties and investment returns.

2,640 staff in BIS HQ
19,646 in our Partner Organisations.

Human
Through our network of 44 Partner Organisations we deliver services to thousands of businesses, students and customers every day; from delivering weather reports via the Met Office to paying student loans through the Student Loan Company. We also fund science and research, registering new businesses, and protecting intellectual property.

Over 45 public consultations in 2015-16

Intellectual
Our intellectual capital has built up over many years and is a key resource for creating value. We draw on experts and specialists to develop policy solutions across a wide range of areas from skills development and investment in new business ideas, to regulation, consumer rights and building Britain's research base.

6 BIS Local offices providing regional support

Relationships
Working with all types of businesses across the country enables BIS to support growth both regionally, through our network of BIS Local Offices, and strategically through our sector teams.

BIS provides a wide range of products and services to our customers through a network of Partner Organisations, including employers, businesses, employees, consumers, researchers, universities and students. Each Partner Organisation has a specific purpose that is distinctly separate from BIS HQ. The roles and responsibilities of our partners include implementing policy decisions, giving independent assessments and advice, and providing commercial discipline to our services.

Our Partner Organisations provide a wide range of functions that help BIS create value and meet our strategic objectives. Work continues as part of the BIS 2020 programme (see page 15) to identify how BIS should operate in the most efficient way.

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

*The National Measurement & Regulation Office was a BIS Partner Organisation in 2015-16 but moved into BIS HQ as of 1 April 2016

Our Business Model

Our structure in 2015-16

In May 2015, as part of the Government's plan to deliver the biggest ever sale of publicly-owned corporate and financial assets in 2015-16, the Chancellor announced the creation of a new government-owned company UK Government Investments. On 1 April 2016 our Shareholder Executive Group was merged with HM Treasury's arms-length body (UK Financial Investments) to deliver a key part of the Government's long term plan – the sale of a wide range of publicly-owned assets in a way that secures good value for money for taxpayers.

Part way through the year the BIS structure was re-designed to help the Department simplify its processes. As part of the change, we aligned our innovation and research agendas with our business and enterprise approach more closely, creating the Business and Science Group. BIS is structured in six groups, with all contributing towards our strategic objectives (see diagram on page 10).

Going forward, our Partner Organisation landscape reforms are proceeding to different timescales; with some changes already announced while other plans are still being developed. The 2015 Spending Review included announcements covering the privatisation of the Green Investment Bank, proposed changes to the Research Councils and Innovate UK (under UK Research and Innovation) as part of the Nurse Review recommendations, reductions in UK Commission for Employment and Skills, and consultation on moving Land Registry to the private sector. The recent higher education green paper also referenced the proposal to merge relevant regulatory bodies.


Advanced Manufacturing & Services
Energy, Materials & Agri-tech
International Knowledge & Innovation
Small Business
Research Base
Office for Life Sciences
Innovation
Business & Science
Go-Science
International Trade and Export Control
Business Environment
Finance
Consumer & Competition Policy
Commercial
Finance, Commercial & Digital Transformation
Economics & Markets
Labour Market
Digital Transformation
European Reform
Partner Organisation & Delivery Reform
Regional Growth Fund & Economic Shocks
Analysis
BIS
Office of Chief Scientist
Office of Manpower Economics
Business Bank and Public Data Group
Strategy
People, Strategy & Higher Education
Shareholder Executive
Portfolio
Communications
Higher Education
Corporate Finance Practice
Student Finance Delivery
Corporate Effectiveness
HR
Skills Deregulation Local Growth & Legal
Legal
Vocational Education
Cities & Local Growth
Better Regulation Delivery
Better Regulation Executive

BIS 2020

Delivering better value and contributing to the Government's deficit reduction targets has been a key priority for BIS since the election. We have committed to deliver reductions in the Department's operating expenditure which equate to around £350 million by 2020. Savings of this magnitude can only be delivered by fundamentally changing the Department's overall business model.

BIS 2020 is our transformation programme to deliver that new business model, creating a **simpler, cheaper, more flexible and skilled** BIS. By 2020 we aim:

- To reduce operating expenditure by 30-40 per cent, equivalent to a saving of £350 million, with commensurate reductions in headcount;
- To reduce locations from more than 80 to 7 or 8 centres plus a regional footprint;
- To reduce our 45 Partner Organisations by more than half.

To achieve these ambitious objectives we will need a Department that is digitally enabled, diligent with external spending programmes, and increasingly effective, whilst staying true to our values. We are currently developing overarching timelines and milestones for the different projects which will form this BIS 2020 programme. BIS 2020 is set up with two sub-programmes, HQ and Group; and four cross-cutting workstreams:

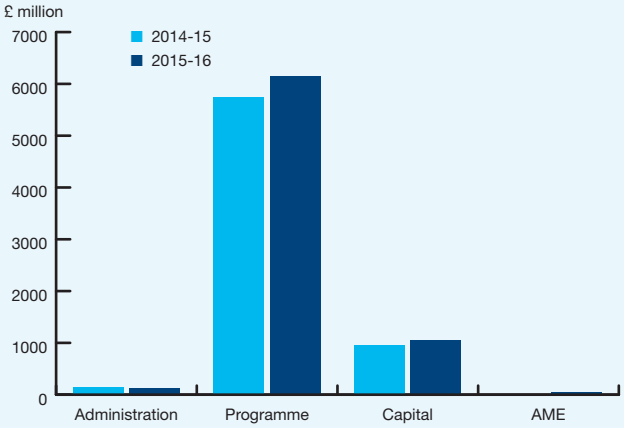
- Policy Simplification
- Commercial
- People
- Digital

How we have performed

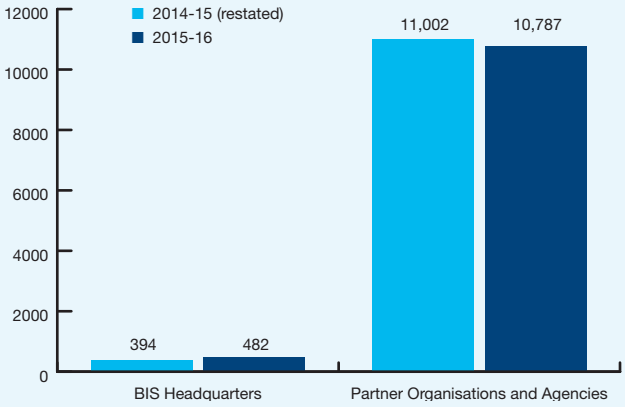
Business & Science

The Business and Science Group contribute to making the UK the best place to innovate, start and grow a business whilst maintaining a world class research and science base to drive growth and productivity.

Expenditure



Group Workforce Size:



Our Partner Organisations

Arts and Humanities Research Council	Arts & Humanities Research Council	Council for Science and Technology	COUNCIL FOR SCIENCE AND TECHNOLOGY
Biotechnology and Biological Sciences Research Council	BBSRC	Innovate UK	Innovate UK
Economic & Social Research Council	E·S·R·C ECONOMIC & SOCIAL RESEARCH COUNCIL	Intellectual Property Office	Intellectual Property Office
Engineering and Physical Sciences Research Council	EPSRC Engineering and Physical Sciences Research Council	Met Office	Met Office
Medical Research Council	MRC Medical Research Council	The National Physical Laboratory	NPL
Natural Environment Research Council	NATURAL ENVIRONMENT RESEARCH COUNCIL	UK Space Agency	UK SPACE AGENCY
Science and Technology Facilities Council	Science & Technology Facilities Council	UK Atomic Energy Authority	UK Atomic Energy Authority
Copyright Tribunal	Copyright Tribunal	Wave Hub	Wave Hub

Rosie Wesley & Suzanne Jones
Global Science, Innovation and Education

"We run the Newton-Katip Çelebi Fund, enriching science and innovation partnerships between the UK and Turkey…"

"…which enabled me to come to the UK to research new nanomaterials – a technology that will bring affordable energy to rural homes…"

Vildan Bayram
PhD Candidate, School of Materials
The University of Manchester

"…and this can lay strong foundations for the social, scientific and economic development of both countries."

Dr Suelen Barg
Lecturer in Structural Materials
The University of Manchester

How the group adds value

The group supports the production of excellent research, innovative products, and provides support to UK businesses to develop and thrive in the domestic and international markets. We have developed detailed plans and policies to support the most efficient use of funds in the science and research arena and maximise the finance available to support UK excellence in this area. Through strong sponsorship and collaboration with Partner Organisations and industry the group has maximised delivery across its remit and developed a strong foundation on which to build future success.

Business & Enterprise

The Department is leading the Government's effort in providing support to the UK steel industry. Steel prices have halved over the past 18 months driven by oversupply around the world (30 per cent higher than demand). Following the Steel Summit in October 2015 we have been working with industry and have:

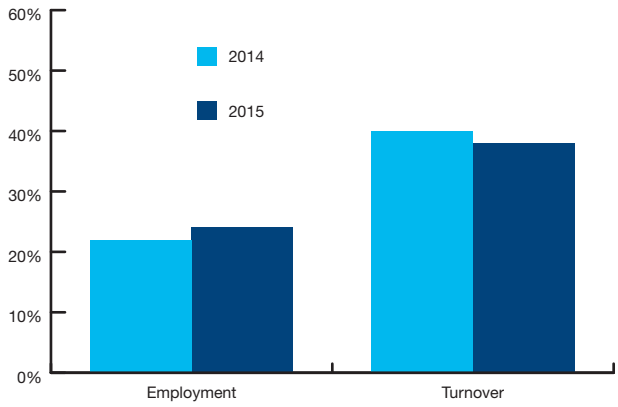
- secured state aid clearance to pay further compensation to energy intensive industries for renewable energy policy costs;
- taken a more proactive position in support of trade defence measures for the steel sector;

Headline Indicators:

Improvement in key indicators on Business Growth and Ambition

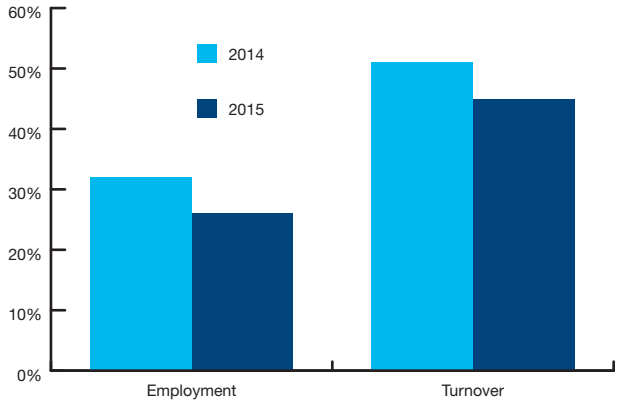
Has increased over the last 12 months

Small Business Survey (employers only)

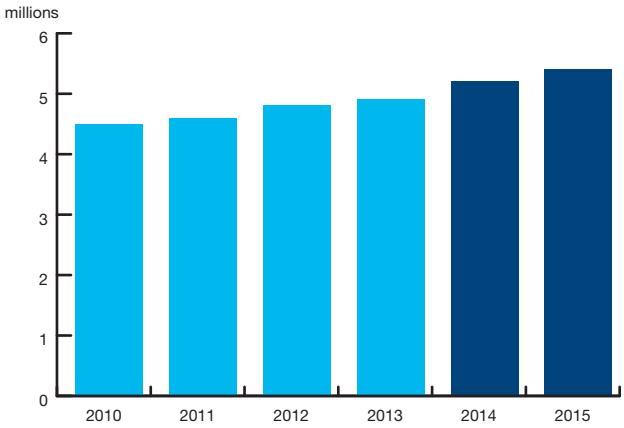


Expected to increase over the next 12 months

Small Business Survey (employers only)



Number of small businesses in the UK



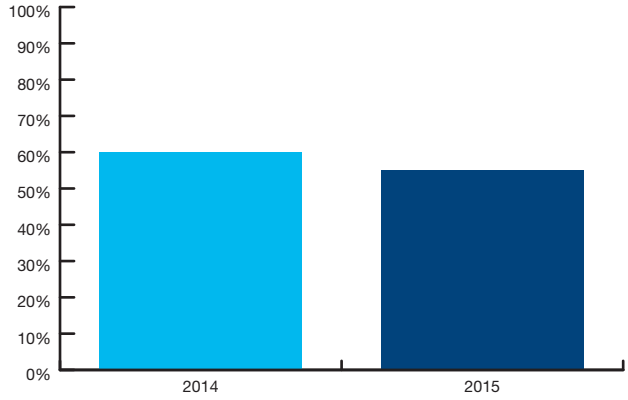
- secured flexibility over EU Emissions Regulations which will save industry millions of pounds; and
- issued guidance to government departments so that social and economic factors can be taken into account when Government procures steel.

There are now 5.4 million private sector businesses in the UK, with 35,000 more businesses employing people than last year.

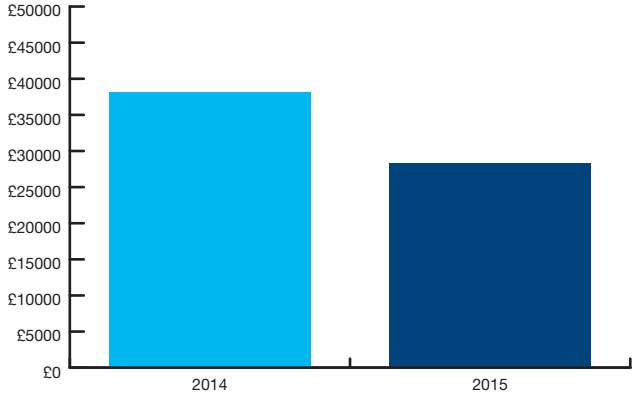
We have made a package available worth up to £80 million in the Tees Valley, and provided support to the Scunthorpe and Rotherham areas.

We will continue to work closely with industry and unions including through the newly formed Steel Council, which met for the first time in March 2016, to shape the future of the UK steel sector.

Proportion of SMEs experiencing late payment
(Bacs data – businesses with a turnover of over £50,000, margin of error ±6%)



Average amount owed to SMEs in late payment
(Bacs data – businesses with a turnover of over £50,000, margin of error ±£2,000)



In December 2015, we gained state aid clearance to pay further compensation to energy intensive industries for renewable energy policy costs processing applications for the new scheme. Since 2013, under our combined package of relief for energy intensive industries, BIS has paid compensation of over £219 million to eligible companies. This is supporting the competitiveness of energy intensive manufacturing industries that are affected by energy and climate change policies. The group is currently working with DECC to introduce an exemption for energy intensive industries from renewable energy policy costs.

Over the past year we have continued to provide businesses with information and advice to increase productivity and growth. We have established 39 growth hubs, covering the entire of the registered business population in England. We continue to ensure that the Business Support Helpline provides a high quality service. We are also working with the Government Digital Service to improve the online business support information, guidance and signposting on GOV.UK. Through the Enterprise Act (which received royal assent in May 2016) we will establish a Small Business Commissioner to help small firms resolve issues such as late payment.

BIS is laying the foundations for the next generation of digital construction tools maintaining our global leadership position through a £15 million programme over three years. This is following on from the success of the current Building Information Modelling programme which is delivering significant savings across the construction industry.

Science & Innovation

The 2015 Spending Review settlement provided Science and Research with Resource Budget which grew from £4.7 billion in 2016-17 to £5.1 billion in 2019-20, including a new

£1.5 billion Government investment over the period 2016-17 to 2020-21 in a Global Challenges Research Fund. This will enable UK science to help tackle the challenges set out in the UK Government's Aid Strategy. The Spending Review also confirmed the commitment to £6.9 billion of capital expenditure (2015-16 to 2020-21), enabling BIS to invest in ground breaking institutions such as a new UK Dementia Institute, the new polar research vessel (RRS Sir David Attenborough) and the Alan Turing Institute for data analytics.

The group oversees 24 major projects delivered by its Partner Organisations to capture the benefits of these investments including:

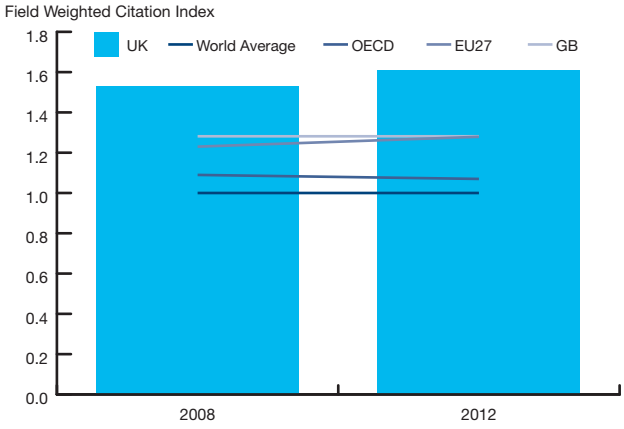
- Biotechnology and Biological Sciences Research Council funded Pirbright Institute and its partners which contribute to protecting British farmers from a potential £485 million loss in their annual income, as well as protecting 10,000 jobs throughout the economy;
- Science and Technology Facilities Council's Sci-Tech Daresbury Campus hosts over 300 enterprises and supports more than 6,000 jobs. This follows earlier development at the Babraham campus which has delivered £41.5 million gross value added and created 600 jobs nationally, 477 of which is in the local economy.

In May 2016 the Government published the white paper 'Success as a Knowledge Economy' and introduced the Higher Education and Research Bill to Parliament. This confirmed our plans to create a stronger voice for research and innovation in the UK, by bringing together existing bodies into a single, strategic non-departmental public body, UK Research and Innovation. Subject to Parliament, UK Research and Innovation will incorporate the functions of the seven Research Councils, Innovate UK, and the Higher Education Funding Council for England's research and knowledge exchange functions.

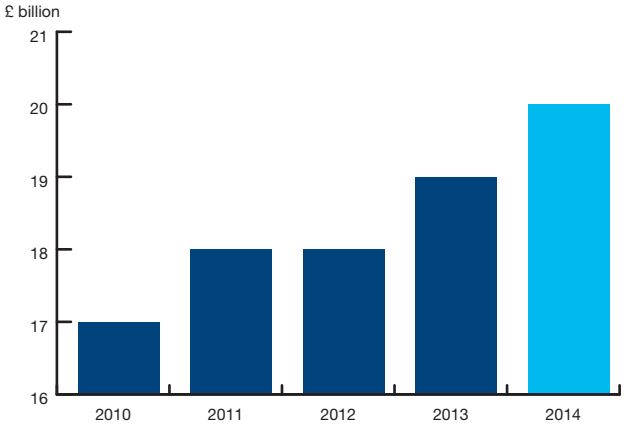
Headline Indicators:

Maintain a leading position on top quality published research compared with other comparator countries.

International comparison of the UK research base



Expenditure by UK businesses on performing research and development
(constant prices)



In 2015-16, the Government commenced its investment in a new £97 million supercomputer for the Met Office. The first two phases of installation were completed ahead of schedule, with the final phase scheduled to go live in 2017. The investment is expected to deliver £2 billion of socio-economic benefits to the UK over the next five years.

The Catapult network is helping to fundamentally change the ability of the UK to drive economic growth through innovation. Catapults are a network of physical centres, established by Government, through Innovate UK, where the very best of the UK's businesses, scientists, clinicians and engineers work side-by-side on late-stage research and development to bridge the gap between business, academia, research and Government and help to turn great ideas into reality (and generate economic growth). The network continues to grow with a new Catapult announced in Wales for Compound Semi-Conductor Applications, and options for further Catapult technologies being considered.

We will publish a new National Innovation Plan later this year that will set out the Government's ambitious vision to make the UK a beacon of innovation. The plan sets out the steps the Government will take to ensure businesses at all levels across the UK, from SMEs to our biggest innovators, have the right environment to innovate, patent new ideas and grow a business.

Firms that consistently innovate have 13% higher productivity than non-innovators

We have selected five consortia to take part in the first wave of Science and Innovation Audits which will report in the summer. The audits are designed to highlight and evidence the links between research, innovation and business strengths in local areas across the UK. Two further waves of audits will be launched in the summer and autumn respectively.

We have continued to work with the Automotive Council to support the UK's resurgent automotive industry through for example, deepening our understanding of and addressing the key factors that make the UK a location for automotive research, development and manufacturing, and provide access to a skilled and flexible workforce. The Automotive Investment Organisation has helped create or safeguard over 18,000 supply chain jobs and secured £1.5 billion new capital investment. In September, the Automotive Council reported an increase in the value of domestically sourced content in UK manufactured vehicles from 36 per cent in 2011 to 41 per cent in 2015.

Over the past year, the UK's first National Space Strategy was published setting out the Government's vision to capture a greater share of the world's thriving space market. The first stage of the European Space Agency ExoMars mission was also successfully launched. With a key UK contribution as co-principal investigator on the current Trace Gas Orbiter, searching for evidence of methane and other trace atmospheric gases. This first launch paves the way for the next stage of the mission in 2018, a UK led European rover to traverse the planet's surface.

BIS, working in partnership with Innovate UK and the Aerospace Technology Institute, has supported 91 aerospace research and development projects since April 2013 worth £688 million, involving 187 unique organisations of which 87 are SMEs and 42 are research institutions. This is part of the Aerospace Research and Development programme, a £3.9 billion joint funding commitment from industry and Government to build on the UK's aerospace strengths and develop the products and manufacturing technologies that will secure and create UK jobs. The commitment was made in 2013 and the 2015 Spending Review announced that the funding would be extended by six years to 2025-26, with an additional £900 million from the Government.

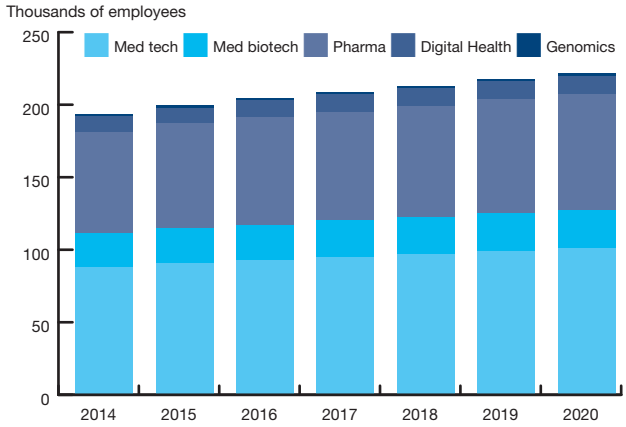
With Innovate UK and the Aerospace Technology Institute, BIS has supported 91 research and development projects since April 2013 worth £688 million

Since the launch of the UK Life Sciences Strategy in December 2011, the UK has attracted additional life sciences private sector investment of over £6 billion, creating 17,000 new jobs. The UK is now the leading destination in Europe for foreign direct investment in health and life sciences projects, driven by our strong science base and competitive clinical research environment. Compared to the previous year, pharmaceutical exports grew by 17 per cent and Medtech exports by 3 per cent in 2015, supporting the wider Government objective to increase UK exports and support growth. Engagement with industry has been taken forward to gather 100,000 Genomes data. By March 2016 we had provided 5,000 linked datasets to industry, which was a significant milestone in allowing industry to explore the data.

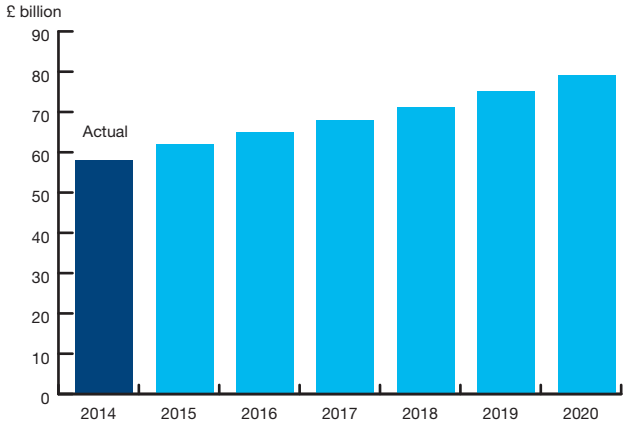
Headline Indicators:

Increase health and life science jobs by 15% by 2020 to over approx. 200,000 and increase life science turnover by £20bn, equivalent to a one-third increase.

Health and Life Science employment ambition (2014 baseline) – with emerging industries



Total turnover



The Accelerated Access Review aims to increase the speed at which innovative medicines, devices, diagnostics and digital health products get to patients and their families and ensure that the UK is one of the best places in the world for the design, development and widespread adoption of medical innovations. The Accelerated Access Review will help transform the way that innovative medicines and technologies can be adopted by the NHS, with a final report due in summer 2016. We have also announced seven successful Test Bed sites, which will link innovative companies with local NHS organisations to test combinatorial innovations within the NHS and provide evidence of their impact. This is a key step in helping to ensure innovative business ideas in health and life sciences are actually adopted for clinical use in the UK.

Competiveness & Exports

In December 2015, the Intellectual Property Office published its enforcement strategy which sets out the actions Government will take, including with partners in industry and law enforcement, to reduce intellectual property infringement and counterfeiting. This is helping to ensure that the UK remains number one in the world for intellectual property enforcement.

Further achievements

- In the 2015 Autumn Statement, the Chancellor announced a £68 million investment in three new centres for agricultural innovation to help translate our world-leading agricultural innovation into commercial opportunities for UK businesses.
- In March 2016, Paul Newby was appointed as the Pubs Code Adjudicator, which will have responsibility for enforcing the Statutory Pubs Code; governing the relationship between large pub-owning businesses and their tied tenants in England and Wales.
- The Universities Minister signed a Memorandum of Understanding with Egypt, which will establish an Egyptian Higher Education Regulatory Funding Agency based upon UK experience.
- We have completed construction of the £750 million Crick building which will provide approximately 1,300 research spaces and have a total headcount of about 1,700. This will support work to help understand why disease develops and find new ways to treat, diagnose and prevent illnesses such as cancer, heart disease and stroke, infections and neurodegenerative diseases. Full occupation of the building is expected later in 2016.
- We announced the Inspiring Science Fund in January 2016, in partnership with the Wellcome Trust. This £30 million fund will help UK science centres invest in cutting-edge exhibitions and education spaces, and reach those who think science is not for them.
- In July 2015, The European Space Agency's base in the UK, the European Centre for Satellite Applications and Telecommunications at Harwell, was officially opened. The Science and Technology Facilities Council and the Rutherford Appleton Laboratory Space test facilities were also opened.
- In February 2016, Julie Deane OBE, CEO and founder of The Cambridge Satchel Company published an independent review into self-employment. The final report contained ten recommendations for both government and the private sector which are now being considered.
- In July 2015 we launched the joint BIS and DfT Centre for Connected and Autonomous Vehicles to act as a single point of contact for industry, to co-ordinate government activity, and maintain UK leadership and oversee over £100 million of government investment in research and development projects.
- This year 21 projects worth £17.8 million were funded by the Agri-tech Catalyst, which supports commercially-promising new technologies to provide an economic boost to UK agriculture. To date the BIS, Biotechnology and Biological Sciences Research Council and Innovate UK programme, leveraging industry funding, has launched 98 projects worth a total of £77.4 million.
- In October, Life Sciences Minister George Freeman MP officially launched Agrimetrics, a new agricultural big-data centre, which will help all UK businesses exploit big-data and historic data.

- As part of the move for a whole-of-Government approach to growing exports and inward investment, UKTI aerospace team joined forces with their BIS counterparts, aligning activities and objectives. One early success was securing £19 million investment by Airbus in Filton to create an open access wing research centre. This will secure almost 1000 jobs and help protect the UK's world leading wing design and manufacturing capability.

Sustainability, diversity and equality

Around half of all the fish eaten in the UK is farmed. This figure is set to rise to nearly two-thirds by 2030 as catches from wild fisheries start to level off. In December 2015 the Natural Environment Research Council and the Biotechnology and Biological Sciences Research Council unveiled a scheme to help ensure the UK's fish farming industry develops healthily, safely and sustainably. The UK Aquaculture Initiative will support research and innovation into UK aquaculture to gain a better understanding of the basic biology and health of farmed fish, as well as its effects on the environment. Additionally, investment of £6 million will be available to support innovative projects that aim to help solve the challenges facing the aquaculture industry, tackling efficiency, productivity and sustainability.

Also in December 2015, the Paris Climate Conference took place supported by UK Research Councils, one of the largest international conferences ever held with over 50,000 participants from 195 countries. More than 100 scientists funded by Natural Environment Research Council contributed to an influential report detailing the physical evidence behind climate change called the 'Fifth Assessment Report'. During the course of the conference the Economic and Social Research Council held a variety of events, published policy papers and released two impact case studies focusing on climate change.

Key challenges and forward look

Changes in the steel industry have continued to create new challenges over the last year, and are set to continue into 2016-17. We will continue to provide support to those affected by the steel crisis. We will work with the Welsh Government, local councils, and potential buyers to support the best possible outcome for the British steel industry. We will also consider wider opportunities for areas impacted by changes relating to the industry.

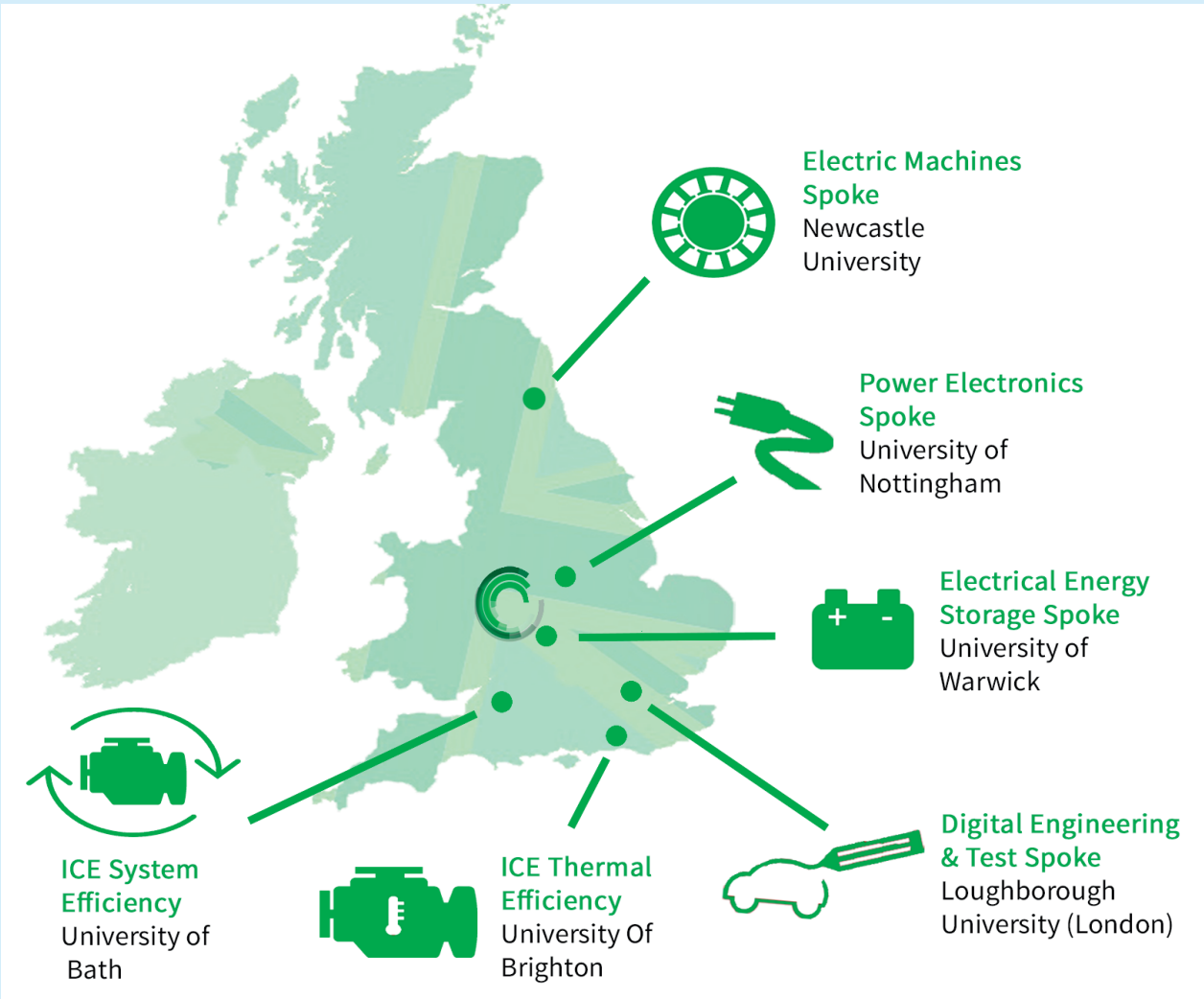
Other key challenges included achieving a Spending Review settlement that maintained the commitment to science and research to maintain the UK's reputation in this field. We have engaged the Research Councils, Innovate UK and Higher Education Funding Council for England in our consideration of the Nurse Review. We also published a white paper on how we will implement the recommendation and transform the research landscape. Going forward, this will need careful planning to ensure that the existing delivery via these organisations is not unnecessarily disrupted.

We will continue to work with businesses across industries to support economic growth and build resilience to economic challenges. As well as working together with businesses to increase collaboration with government and academia and maximise technological opportunities to maintain Britain's reputation as one of the top countries to drive innovation.

Delivering value: The Advanced Propulsion Centre UK Limited (APC)

The APC was formed in 2013 from a commitment between the Government and automotive industry through the Automotive Council to position the UK as a global centre of excellence for low carbon powertrain development and production. APC is an industry-led £1 billion 10 year initiative and since its creation has supported 17 collaborative projects, primarily to improve automotive CO_2 performance. To date almost 90 private sector organisations have committed around £138 million towards a total portfolio value of £286 million.

APC's direct support is aimed at late-stage technologies with the objective of helping manufacturers prepare for manufacture. To support the underpinning "innovation pipeline", the APC is developing a "Hub and Spoke" environment. The spokes are designed to provide access to the best expertise and facilities the UK has to offer in key strategic technologies. Six spokes have been announced to date with more to follow



Economics & Markets

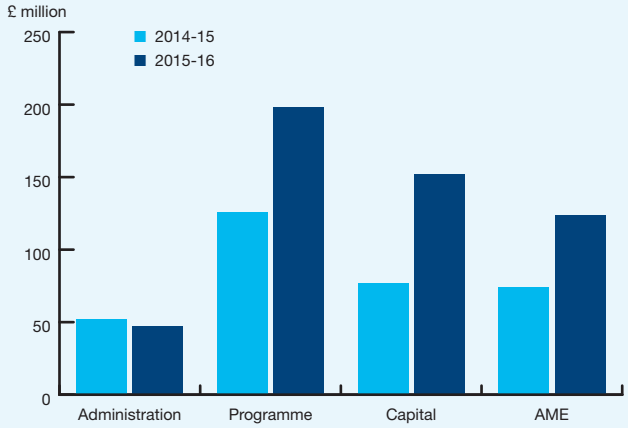
The Economics and Markets Group is supporting UK productivity and economic growth via the implementation of policies aimed at making markets more competitive, efficient and effective both at home and abroad. The group is home to the Analysis Directorate which supports BIS policy, strategy and delivery through robust analysis and evidence

The group deals with economic shocks, leads on employment law, company law, financial reporting and competition as well as regional growth, and UK devolution. The group also leads on building open and fair global markets, including export licensing. We sponsor a number of key BIS Partner Organisations and set the strategic direction for the Competition and Market Authority encouraging them to promote competition wherever possible.

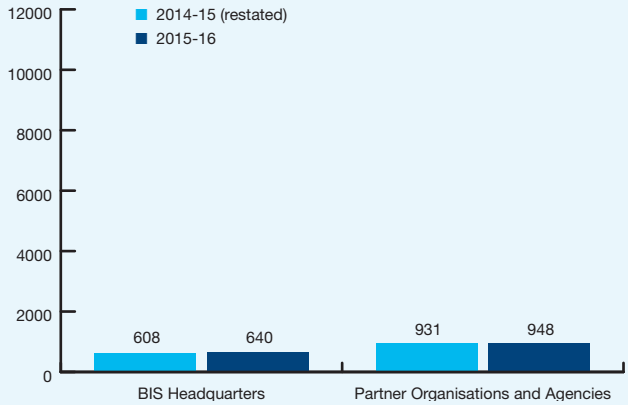
Our Partner Organisations

Advisory, Conciliation and Arbitration Service	acas
Central Arbitration Committee	
Competition Appeal Tribunal	Competition Appeal Tribunal
Competition Service	Competition Service
Competition and Markets Authority	CMA
Financial Reporting Council Ltd	FRC
Industrial Development Advisory Board	Industrial Development Advisory Board
Low Pay Commission	Low Pay Commission

Expenditure



Group Workforce Size:



How the group adds value

The group has broad areas of responsibilities which cover the entire policy cycle from expertise in policy design and implementation right through to delivery and evaluation. We work on areas covering both the EU and the wider world, negotiating directives and trade deals. This expertise in negotiation and influencing benefits the entire Department and helps British businesses to import and export goods and services competitively. We have a depth of expertise in technical areas of business policy including Competition, State Aid, Labour Law and Corporate Law. We support our Partner Organisations and provide a strategic steer to the Competition and Market Authority encouraging them to promote competition. This is alongside the experienced policy makers who are familiar with parliamentary delivery of complex policy areas. The group is the hub of analytical expertise for the Department. We work with directorates throughout the Department to develop robust evidence based policy and evaluate implementation. We provide evidence for Spending Review decisions and fiscal events and wider economic analysis on areas such as productivity in the UK. We also have broad delivery expertise, with a large number of staff working directly with businesses to ensure regulations are being upheld, grant beneficiaries deliver agreed jobs and investment targets and to license products for export.

Competitiveness & Exports

In the first half of the year we have focused on supporting the Prime Minister to reach a new settlement for the UK within the European Union. We have therefore worked closely with the European Commission and other Member States to shape and drive forward the delivery of the Digital Single Market and Single Market strategies, maximising the benefit to British businesses and consumers.

Internationally we have continued to work with the EU on trade negotiations. In December 2015 we reached an agreement between the EU and Canada which removes 99 per cent of the customs duties and other obstacles for businesses to export to Canada. It is estimated that the deal will deliver a €12 billion increase for Europe's GDP. We also completed the free trade agreement negotiations with Vietnam. At the World Trade Organization Ministerial Conference in Nairobi we reached agreement to eliminate customs duties on high tech goods, comprising 7 per cent of world trade, which will result in a boost to the global economy of an estimated $1.3 trillion annually. Progress has also been made in other negotiations including with the United States and Japan.

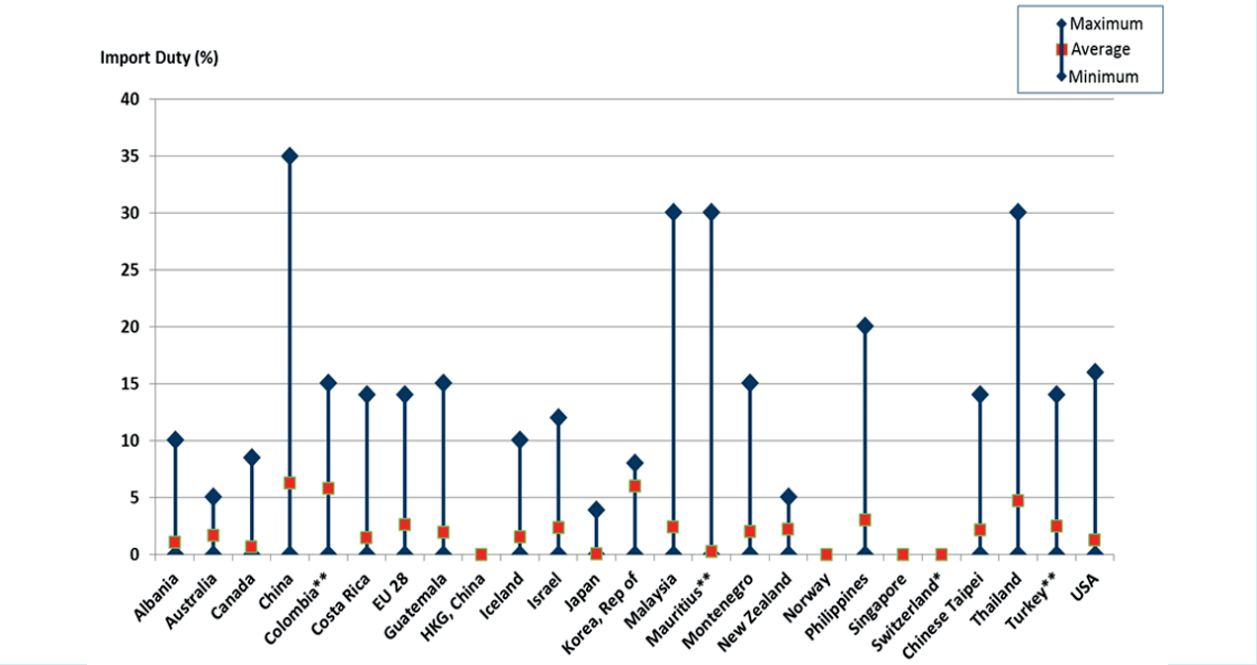
The Export Control Organisation issues licences for controlling the export of strategic goods which include military equipment, dual-use goods (goods that can be used for both civil and military purposes), products used for torture and from radioactive sources. In 2015-16 we issued 13,666 standard individual export licences authorising the export of strategic goods worth £9.4 billion. The Export Control Organisation aims to help the UK's businesses export responsibly and within the law. As well as issuing licences, the Export Control Organisation audits companies to ensure compliance and works with other government departments on counter-proliferation activities, develops UK export licensing legislation, provides help, training and advice to exporters and helps to shape worldwide arms control policies.

Delivering value:
Tariff removal on high-tech products

In December 2015 the World Trade Organization reached a new agreement to eliminate tariffs on 201 high tech products. This agreement will benefit UK exporters of products such as new-generation semi-conductors, GPS navigation systems, medical products which include magnetic resonance imaging machines, machine tools for manufacturing printed circuits, telecommunications satellites and touch screens. In total, about 10 per cent of global trade, valued at $1.3 trillion will be duty free under this agreement.

The deal was welcomed by BIS Ministers and also the World Trade Organization Director General Roberto Azevedo who said: "It will support lower prices — including in many other sectors that use IT products as inputs — it will create jobs and it will help to boost GDP growth around the world". Tim Lount, Vice President, Residential Products, at leading UK speaker manufacturer Tannoy, said: "Tannoy has a healthy export business into China's expanding luxury goods market and this agreement can only have a positive effect on sales of UK goods into the region. We very much welcome the International Trade Agreement (ITA) II deal and see it as a real boost for UK businesses selling into these emerging markets."

Duty Currently Charged on Goods Covered by the ITA



* 74% of Switzerland's tariff lines have non-ad valorem duty.
** Participation in the expanded ITA to be confirmed
Note: Based on HS 6 digits. The maximum and averages above may overestimate the duties levied on products covered by the ITA Expansion
Source: WTO Secretariat based on the Integrated Database

The chart above shows the rate of duty currently charged on products covered by the ITA. These will progressively all fall to zero. Approximately 65 per cent of tariff lines will be fully eliminated by 1 July 2016. Most of the remaining tariff lines will be completely phased out in four stages over three years. This means that by 2019 almost all imports of the relevant products will be duty free.

Labour Markets

The group has supported Government actions to move towards a higher wage, lower tax and lower welfare society through the implementation of the Government's new National Living Wage for workers aged 25 and above. The National Living Wage came in from April 2016 and is currently set at £7.20. The Low Pay Commission will advise on future increases in the National Living Wage (as well as the National Minimum Wage rates), working towards the equivalent of 60 per cent of average earnings (currently £9).This is expected to directly boost the pay of 2.9 million low paid workers by 2020, and could increase the pay of up to six million people in total through a ripple effect further up the earnings distribution according to the Office for Budget Responsibility.

Headline Indicators:

National Living Wage

56%

National Living Wage as a proportion of median earnings April 2016.

To tackle exploitation in employment the group is establishing a strategic Director of Labour Market Enforcement. The proposals were consulted on and we worked with the Home Office to introduce the enabling legislation through the Immigration Act. The director will develop and publish an evidence based annual strategy which the three labour market enforcement bodies, the Employment Agency Standards inspectorate, the Gangmasters Labour Abuse Authority and Her Majesty's Revenue and Customs will draw on to develop their operational activity.

The first National Living Wage rate of £7.20 will give anyone working **35 hours a week** on the National Minimum Wage a

£680

per annum pay rise.

The Trade Union Act received royal assent on 4 May 2016, introducing new measures to ensure that strikes only happen as a result of a clear, positive decision by those entitled to vote. The Act will re-balance the rights of unions with the needs of employers and the wider public, making strike law fair for working people. It also introduces a 50 per cent threshold in strike ballot turnouts, and a 40 per cent support threshold in strike ballots for industrial action in important public services. Ballot mandates will now last for six months and can be extended to nine months if agreement is reached between the union and the employer. New members joining a union will need to make an active choice to opt-in to their union political fund. The Act also provides updated investigatory and enforcement powers for the Certification Officer.

Business & Enterprise

In July the Government published a Productivity Plan (Fixing the foundations: creating a more prosperous nation) setting out the Government's strategy for improving UK productivity over this Parliament. The Productivity Plan has now moved into the implementation phase, in which BIS naturally has a key role as it holds many of the policy levers for productivity – including skills, science, innovation, competition and regulation.

The group has led on the implementation of the new Consumer Rights Act which has received national press coverage since its introduction in October. For the first time, consumers have clear legal rights for digital content and there are rules for what should happen if a service is not carried out with reasonable care and skill or as agreed with the consumer. Consumers now have 30 days to return faulty goods and get a full refund, previously the law was unclear. The Act, alongside a wider package of consumer law reform, is estimated to boost the economy by £4 billion over the next 10 years.

In November the group worked with the Treasury to develop and launch the Competition Plan (A better deal: boosting competition to bring down bills for families and firms), setting out concrete steps to secure rising living standards and create competitive business conditions for firms. The Competition Plan will:

- Make switching supplier easier for customers across markets that matter to people (including communications, energy and banking);
- Open markets, and encourage new services in water, legal services and pharmacies;
- Cut red tape and champion enterprise so that the UK continues to be a place where businesses thrive;
- Reduce the cost of energy and motor insurance for families.

As part of our work to improve competition in the UK the group ran a call for evidence on six 'switching' principles to make switching suppliers easier for consumers in the energy, telecommunications and current account markets. We also announced in October that Professor Michael Waterson would chair a review of consumer protection measures in the online ticket resale market for events and launched a call for evidence. As part of our wider work we have been building a set of principles to promote open competitive markets across the UK economy. Measures will be taken forward in the Better Markets Bill in the second session of Parliament.

The group assembled a package worth up to £80 million to support people and communities impacted by the exceptional circumstances surrounding the closure of SSI UK's Redcar plant. The international trade, economic analysis and economics shocks teams have continued to respond to the steel crisis throughout the year and are working to create a viable long term future for the British steel industry.

The group is proactively engaging with initiatives such as the business led productivity leadership group, chaired by Sir Charlie Mayfield and engaging with overseas governments to identify best practice amongst the UK's peers and lessons learned which can be applied to UK productivity policy.

We have been working with DCLG, the British Business Bank and Local Enterprise Partnerships on the design and delivery of new regional financial instruments. This led to the Chancellor of the Exchequer's 2015 Autumn Statement announcement of a Northern Powerhouse Investment Fund. The British Business Bank will work alongside Local Enterprise Partnerships in the North West, Yorkshire & the Humber and Tees Valley to create a Northern Powerhouse Investment Fund of over £400 million (subject to European funding arrangements). Together with a separate fund in the North East, this will make over £500 million available to SMEs across the Northern Powerhouse, including those who want to scale-up. Additionally, at Budget 2016, the Chancellor announced a similar fund which will make over £250 million available to small business and scale-ups in the Midlands.

The target of 25 per cent representation of women on FTSE100 boards was met in July 2015 and has since been exceeded.

As well as leading on deregulation for Government as a whole, we are committed to improving our own regulation and policies. We are doing this by ensuring any new regulation we introduce is effective, targeted and proportionate, and overall costs to business are kept to a minimum. Full details of all BIS regulatory measures commenced in the period 8 May 2015 to 26 May 2016 are published in the Business Impact Target Annual Report.

Further achievements

- Implemented changes introduced by the Small Business, Enterprise and Employment Act, including the ban on exclusivity clauses in zero hours contracts, changes to company law, and beneficial ownership.
- Responded to recommendations from the Equality and Human Rights Commission on pregnancy and maternity-related discrimination, alongside publication of the final reports of research into this issue, in conjunction with the Government Equalities Office.
- Devolved BIS responsibilities in line with the Smith Agreement, and the draft Wales Bill.
- Provided robust evidence to inform Spending Review decisions, including the zero based review on capital.
- Reached an agreement in principle on a free trade deal with Vietnam and the EU has completed ratification of the Trade Facilitation Agreement.
- Published the Department's first Evaluation Plan 2016 setting out the coverage and results of BIS evaluations, including independent peer review.
- Delivered a total of 177,000 jobs and £6.7 billion of private sector investment through the Regional Growth Fund.

Sustainability, equality and diversity

BIS is delivering policies to widen labour market participation including through implementation of shared parental leave and pay. We have reduced exploitation including through naming firms that do not comply with National Minimum Wage and introduced a new National Living Wage. We are establishing a strategic Director of Labour Market Enforcement to improve enforcement and compliance.

The target of 25 per cent representation of women on FTSE100 boards was met in July 2015 and has since been exceeded. There were 152 all-male boards across the FTSE 350 (FTSE 100 + FTSE 250), there are now only 14. Lord Davies has published a new challenging target for FTSE350 companies of 33 per cent representation by women on boards by 2020. We have also taken the lead on coordinating cross-Whitehall work to improve opportunity and progression for BAME groups in the labour market, including the launch of, and support to, an independent review led by Baroness Ruby McGregor-Smith.

We are incentivising green business by pressing for an international agreement to eliminate barriers to trade in environmental goods. We are implementing recommendations for responsible business conduct covering human rights and supply chains. We promote international voluntary standards for responsible/sustainable business conduct such as the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. The UK's National Contact Point for the OECD Guidelines is based in BIS and considers complaints from communities affected by the operations of UK companies overseas.

Key challenges and forward look

The group's key challenges have been delivering a large number of commitments including the Trade Union Act.

Over the next twelve months the group will consult on measures to improve competition and will legislate at the earliest opportunity. We are reforming the way that we deliver Export Control as part of a large digital transformation project and creating a joint unit between BIS, the MoD and FCO. We will be carrying out a review of Black, Asian and Minority Ethnic (BAME) representation on boards. We are also committed to working with the Government to implement the outcomes of the referendum.

Shareholder Executive

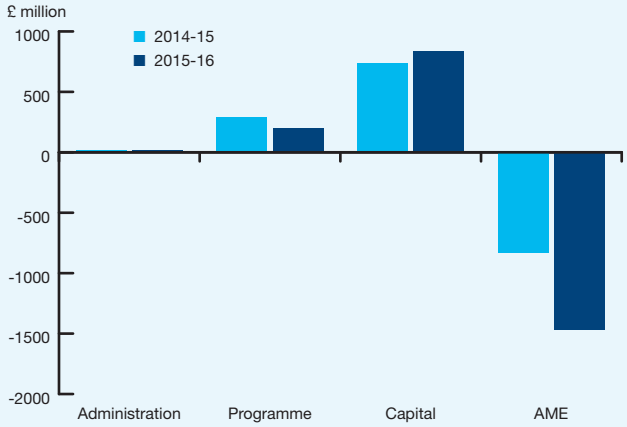
How the group adds value

The group benefits from a highly talented workforce drawn from a wide range of public and private sector backgrounds. Those from the private sector bring an array of corporate finance and commercial skills, complemented by the experience of government from our civil servants. Together this forms a centre of excellence that advises and delivers for government Departments. We are responsible for the governance of nine BIS-owned businesses ensuring that boards are quorate, well-balanced and effective. We lead on the sale of BIS assets, student loans book, the UK Green Investment Bank and on the Department's financial interventions.

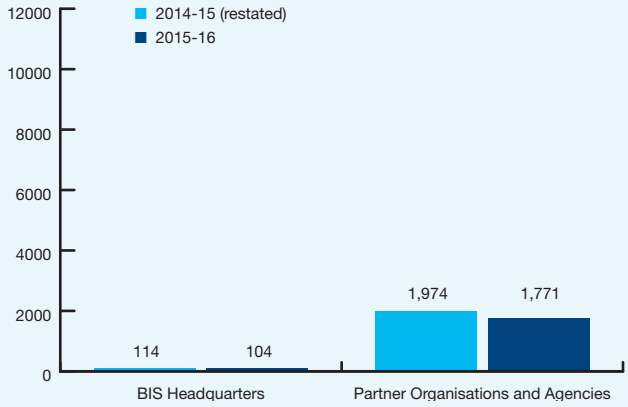
Our Partner Organisations

British Business Bank plc	BRITISH BUSINESS BANK
Companies House	Companies House
UK Green Investment Bank	Green Investment Bank
Insolvency Service	The Insolvency Service
Land Registry	Land Registry
Land Registration Rule Committeee	Land Registration Rule Committee
Ordnance Survey	Ordnance Survey
Post Office Ltd	POST OFFICE

Expenditure



Group Workforce Size:



Business & Enterprise

In May last year the Government announced a machinery of government change that will see the Shareholder Executive and UK Financial Investments form a new Government company: UK Government Investments.

On 1 April 2016, UK Government Investments began operating as a government company, wholly owned by HM Treasury. This company works across Government on some of its most complex tasks and will manage the sale of a wide range of publicly-owned assets in a way that secures good value for money for taxpayers; advise on all major UK Government financial interventions into corporate structures; act as a shareholder for UK Government Partner Organisations; and advise on major UK Government negotiations with corporates. Over time, projects will include sale of shares in Lloyds Banking Group, a sale of UK Asset Resolution assets, and a sale of the pre-2012 income contingent repayment student loan book.

In June 2015, the Chancellor announced that the Government would begin the process to sell its remaining shares in Royal Mail. In June 2015, half of the remaining stake was sold raising £750 million with a further £591 million raised when 13 per cent was sold in October 2015. The Government gifted 2 per cent of the shares in Royal Mail to eligible UK employees to reward them for hard work in turning round the company. The first 1 per cent gift was announced in June 2015 and the second 1 per cent in October 2015. The shares were transferred to the Royal Mail Share Incentive Plan in September 2015 and March 2016 respectively. The two gifts were equivalent to £94m based on the share prices at the date of transfer to the Royal Mail Share Incentive Plan. The first 1 per cent was allocated to the employees in October 2015, and the second 1 per cent is being held in trust before it is awarded to employees in 2016-17. This will take the total stake in the business owned by employees to 12 per cent. These sales and gifts complete the disposal of the Government's entire stake in Royal Mail.

The UK Green Investment Bank has continued to perform well; the public money the bank has invested has been supplemented by almost three times as much private capital. The rate of return is already at around 10 per cent. To give the Green Investment Bank the room and resources it needs in order to keep growing, the group have been taking forward plans with them to move it into private ownership. This will allow the bank to be able to access a much greater volume of capital and have a greater impact.

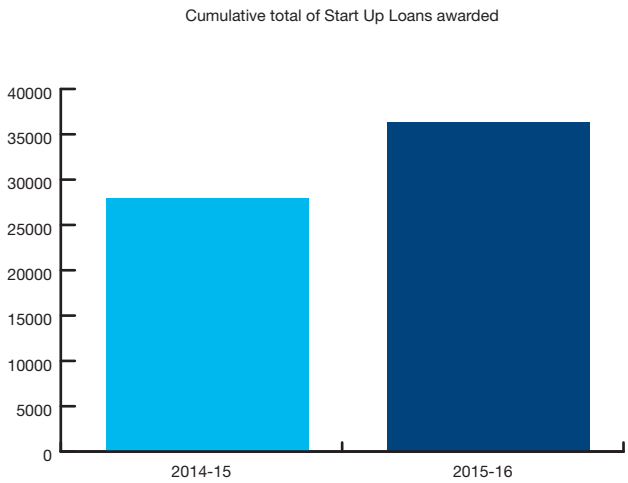
Giving SMEs access to a range of finance options continues to be a priority for us and the British Business Bank. Our programmes are supporting £2.5 billion of finance to over 44,000 smaller businesses and participating in a further £3.6 billion of finance to small mid-cap businesses.

British Business Bank programmes are already supporting £2 billion of finance to 44,000 smaller businesses

36,300 businesses have been backed so far through Start-up Loans which has facilitated over £203 million worth of lending. Our aim is to treble the Start-Up Loans programme during the Parliament so that 75,000 entrepreneurs get the chance to borrow money to set up their own business.

Headline Indicators:

75,000 'Start Up Loans' awarded by May 2020



The Post Office Network Transformation programme met its targets in 2015-16 for opening new branches and for signing up new branches to convert. Over 6,000 branches have been modernised so far, delivering over 170,000 additional opening hours per week across the UK, with customer satisfaction regularly above 95 per cent and increased retail sales at modernised branches. After another successful year the Post Office is starting to plan for the successful conclusion of this programme.

6,000+
post offices modernised

In line with the Government's commitment to open data, Companies House launched a new public beta search service providing access free of charge to all public digital data held on the UK register of companies. This provides access to over 170 million digital records on companies and directors including financial accounts, company filings and details on directors and secretaries throughout the life of the company. Since its introduction in June 2015 there have been more than 550 million free searches on the web service.

Good progress continued to be made on realising pension assets transferred from the Royal Mail Pension Plan in 2012. Over the course of the year, net cash inflows of £500 million were generated, principally from disposals of property, private equity interests and high yield bonds.

Delivering value: The British Business Bank

The British Business Bank is a government-owned economic development bank that makes business finance markets for smaller businesses work more effectively and dynamically, allowing them to prosper, grow and build UK economic activity. It brings together the management of Government lending and investment programmes for smaller businesses into a single, commercially minded institution. The British Business Bank has now been operating independently for around 17 months.

It is designed to bring benefits to businesses that are start-ups, scale up businesses with high-growth potential, and those looking to stay ahead in their market. The British Business Bank is already delivering significant results in supporting £2.5 billion of finance to over 44,000 smaller businesses, and participating in a further £3.6 billion of finance to small mid-cap businesses.

Start-Up Loans

As at the end of February 2016, over 36,300 entrepreneurs have received support through the Start-Up Loans programme which has facilitated over £203 million worth of lending. The Government is committed to deliver 75,000 Start-up loans by the end of Parliament.

Help to Grow

The pilot Help to Grow programme, announced at budget 2015 and now expanded to up to £200 million, is expected to support high-growth UK businesses seeking investment of between £500,000 and £2 million. The British Business Bank will be launching the first transaction in the coming months and, if successful, it will be rolled out to support efforts to provide up to £1 billion of lending over the course of this Parliament.

ENABLE Guarantee

In March 2015, the British Business Bank completed the first transaction of the ENABLE Guarantee Programme with Clydesdale and Yorkshire Banks, which will enable an additional £125 million of new lending to smaller businesses.

ENABLE Funding

£151 million under the ENABLE FUNDING programme. This includes the first transaction agreed in October 2015, with a £100 million transaction to Hitachi Capital UK, to increase asset finance for small businesses. In February 2016, the second transaction was agreed, with a £51 million facility to LDF (a UK based provider of debt financing to UK SME's), to fund a portfolio of newly originated small business asset finance receivables.

Northern Powerhouse Investment Fund (NPIF)

Over £400 million fund was announced at Autumn Statement 2015, the British Business Bank will work alongside Local Enterprise Partnerships in the North West, Yorkshire & the Humber and Tees Valley. Together with a separate fund in the North East, this will make over £500 million available to SMEs across the Northern Powerhouse.

Midlands Engine Investment Fund (MEIF)

At Budget the creation of a £250 million fund across East and West Midlands Local Enterprise Partnerships was announced, aimed at boosting the region's economy and supporting the grow ambition of its 460,000 smaller businesses.

In addition the British Business Bank recently published its 2015-16 Business Finance Market Report which concluded that whilst the market for small business finance is improving, a number of challenges remain.

Sustainability, equality and diversity

By mobilising increased private investment in green infrastructure, the UK Green Investment Bank is an important part of the Government's range of policy interventions aimed at promoting the transition to a green economy complementing market mechanisms such as the Renewables Obligation, the Renewable Heat incentive and a Feed-in tariffs scheme as well as regulatory and fiscal measures such as those aimed at diverting waste from landfill. With its specialist expertise and focus on investing solely in green projects, the company aims to demonstrate that investing in these important sectors can be a profitable business and to attract new investors to enter these markets.

For each investment it makes, the UK Green Investment Bank publishes a projection of anticipated green impacts. the UK Green Investment Bank's annual report also includes details of the projected green impact of its investments at the portfolio level. In March 2015, the UK Green Investment Bank published its Green Investment Handbook which explains in detail how the UK Green Investment Bank assesses, monitors and reports on the green impact of its investment activities. By publishing this Handbook the UK Green Investment Bank have helped establish common high standards among the investment community in the way the green impact of investments is assessed and measured.

Through a widespread programme of transformation Post Office Limited is investing in communities across the United Kingdom, bringing benefits to customers including in particular in rural and urban deprived areas. As a result of this Network Transformation programme, branches have access to significant investment that can make them more sustainable and which also protects the provision of important mail products, Government services and financial services in rural areas. This includes a dedicated £20 million investment to fund more than 3,000 Post Offices in the most remote areas of the UK.

Key challenges and forward look

Alongside these achievements there are a number of challenges that continue to be managed including maintaining momentum on the transformation of the Post Office network, completing the sale of the UK Green Investment Bank and the Student Loans (Income Compatible Recovery) Book, assessing the responses to the Land Registry consultation and deciding next steps. Additionally, bedding in UK Government Investments and ensuring it is efficient, effective and flexible to events. It is anticipated that work will continue to increase across Whitehall so flexible resourcing will be crucial as well as targeted recruitment.

UK Green Investment Bank will continue to work to improve the Government's performance as a shareholder, including maintaining its advisory role working with other Government Departments as well as across the BIS family. Work will be focused on bedding in UK Government Investments; that means ensuring that the corporate finance expertise it offers to both BIS, its largest client, and across Whitehall are widely communicated. On the project front we will continue to lead on major Government assets sales, advise on the governance of Government-owned or part-owned businesses and offer expert advice to BIS and other Departments on commercial negotiations and Government. Specific objectives on BIS projects are to:

- Deliver value for money for the taxpayer from any sale of the UK Green Investment Bank, following the launch of the sale process on 3 March, and to implement a Special Share structure on completion of the sale to protect its green purposes;
- Continue to prepare for the sale of the pre-2012 income contingent repayment student loan book, with a first sale planned to commence in 2016-17;
- Agree a new funding deal for Post Office Limited for the period after March 2018 to March 2021 that meets both the business's and government's needs and to successfully close out the Network Transformation programme;
- Explore options for the future of Land Registry following the completion of the public consultation in May 2016;
- Continue to work with the British Business Bank to ensure that it achieves its objectives to improve access to finance for SMEs, increase diversity of lending outside the big four banks and improve knowledge in the SME community of the types of finance available.

Skills, Deregulation, Local Growth and Legal

The Skills, Deregulation, Local Growth and Legal Group helps to create the conditions for business growth by working with further education providers to give students and employers the skills they need; reforming and improving the quality of apprenticeships; supporting Local Enterprise Partnerships to promote jobs and growth; cutting red tape across Government; simplifying the way regulation is delivered; and providing high quality legal advice.

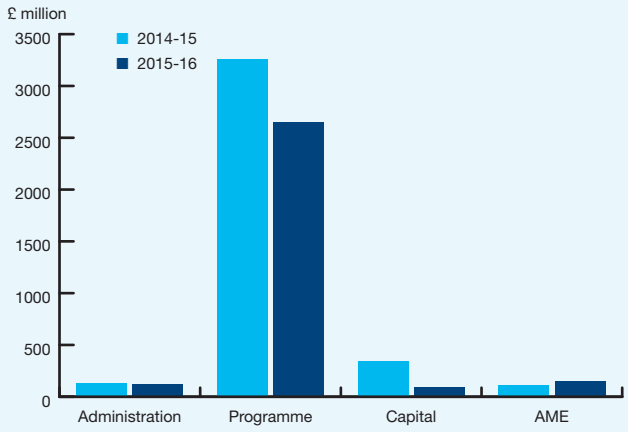
How the group adds value

The group brings together expertise in business regulation, skills and vocational education; and provides expert legal advice. Its purpose is to create benefits for the economy and society by combining our understanding of what drives enterprise, the skills people and the economy need, and the impact regulation has on business. Working with our Partner Organisations we aim to implement reforms to apprenticeships, provide an essential link between national and local policy making, helping break new ground in shaping the local economic landscape, and in agreeing new deals.

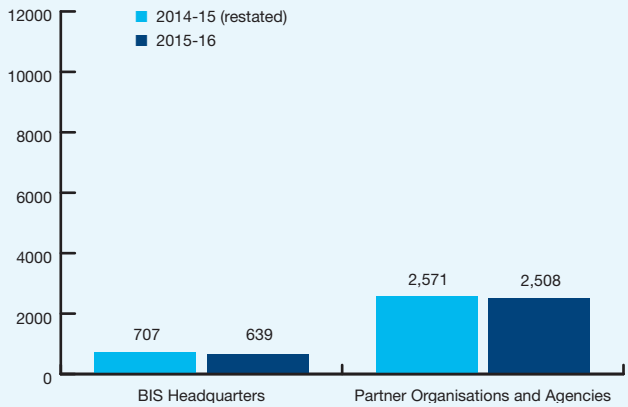
Our Partner Organisations

British Hallmarking Council	British Hallmarking Council
Construction Industry Training Board	citb
Engineering Construction Industry Board	ecITB
Film Industry Training Board	Film Industry Training Board
National Measurement & Regulation Office	National Measurement & Regulation Office
Regulatory Policy Committee	Regulatory Policy Committee
Skills Funding Agency	Skills Funding Agency
UK Commission for Employment and Skills	UKCES

Expenditure



Group Workforce Size:

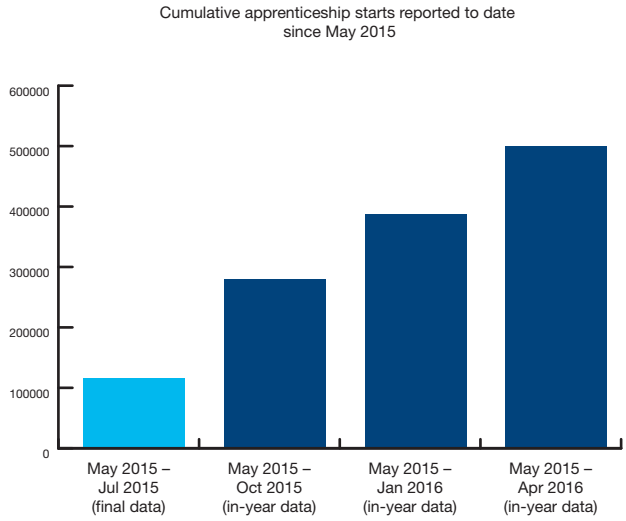


Apprenticeships & Skills

We are dedicated to creating a highly-skilled and productive workforce across the country, with a commitment of reaching 3 million apprenticeship starts in England by 2020. There were 384,500 apprenticeship starts in the first three quarters of the 2015/16 academic year, 500,000 since May 2015. There were 814,400 funded apprentices participating in an apprenticeship in this period. There have been over 1,000 starts on 24 different apprenticeship standards in 2015/16, with over 2,500 starts on standards since their launch in 2014/15. We want to continue to accelerate growth on standards.

Headline Indicators:

Deliver 3 million apprenticeship starts by 2020, working with DfE



As outlined in the Rural Productivity Plan (Towards a one nation economy: A 10-point plan for boosting rural productivity), we have begun working with employers to develop apprenticeships in rural areas. As well as expanding the apprenticeship programme in key sectors of the rural economy, including food, farming and tourism.

Measures included within the Enterprise Act will protect and strengthen the apprenticeship brand, introduce targets for apprenticeships in public sector bodies in England, and establish the Institute for Apprenticeships – an independent, employer-led body that will make sure apprenticeships meet the needs of business.

We are investing £79.5 million in the creation of five new National Colleges: Digital Skills, High Speed Rail, Onshore Oil and Gas, Creative and Cultural Industries and Nuclear. The Colleges are now working on implementing their plans. The first Colleges will open in September 2016 with the network of Colleges operational by September 2017, delivering training to around 21,000 learners by 2020.

Investment in further education is helping leaners gain the skills they need. Earnings and destination data show that 68 per cent of learners completing training in 2012/13 were in sustained employment or learning the following year; 82 per cent of completers with a Full Level 3 were in sustained employment or learning, with 72 per cent being in sustained

Philip Carr
Cities and Local Growth Unit

"Together, my team challenge and support the Coast to Capital Local Enterprise Partnership…"

"…and that helps me make the right decisions on a local level to drive business growth in the region."

Jonathan Sharrock
Chief Executive, Coast to Capital LEP

employment. For learners with a Full Level 2 qualification, over the 3-5 year period after learning, average earnings increase by 11 per cent. Achieving a Level 1 or 2 English and Maths qualification alongside a Full Level 2 qualification boosts average earnings by a further 4 per cent compared to non-achievers.

Earnings and destination data show that 68% of learners completing training in 2012/13 were in sustained employment or learning the following year

Chances of employment are 2 percentage points higher for achievers compared to non-achievers; and achievers are 2 percentage points less likely to be claiming benefits. The lifetime benefits associated with the acquisition of apprenticeships at Level 2 and 3 are very significant, standing at between £48,000 and £74,000 for Level 2 and between £77,000 and £117,000 for Level 3 apprenticeships. Higher apprentices could earn £150,000 more on average over their lifetime compared to those with Level 3 vocational qualifications.

The Spending Review settlement protects funding for the core adult skills participation budgets in cash terms, at £1.5 billion. This recognises the importance of skills in regard to both future productivity and economic growth. The settlement will support expansion of Advanced Learner Loans to 19 to 23 year olds at levels 3 and 4, and 19+ year olds at levels 5 and 6 to provide a clear route for learners to develop high-level technical and professional skills; as well as doubling the level of spending on apprenticeships by 2019-20 in 2010-11 in cash terms, including income from the new apprenticeship levy.

The Skills Funding Letter 2016 set out our plans to simplify the funding system to give greater flexibility to providers to meet local skills needs. Local commissioning of skills will be supported by a single flexible Adult Education Budget[1] to help those furthest from the labour market into work, an apprenticeship or further study. We have broken the link between funding and qualifications so providers can better meet the needs of the most disadvantaged for whom qualifications are not always most appropriate. We have set out clear plans to increase local influence of the skills system, particularly for those areas that have signed Devolutions Deals[2] devolving the Adult Education Budget in these areas from 2018/19.

We are restructuring the further education provider base. 38 area reviews are planned in 5 waves. Details of the first three waves have been announced and the detail of the final two will be published later this year. The first review – Birmingham and Solihull – has settled on agreed recommendations and is due to report in the near future. Where devolution deals exist, BIS is engaging with combined authorities to secure local leadership of the reviews and a focus on the importance of collaborative solutions to current challenges. We have published updated guidance to support the sector which ensures that learning is shared between areas.

Competitiveness & Exports

The Government's deregulation agenda is driven by the Better Regulation Executive (BRE), a joint unit of BIS and the Cabinet Office. Under One-In Two-Out and the Red Tape Challenge, which operated in the last Parliament, a cumulative saving of £10 billion was achieved for business, with over 2,000 reforms to scrap or improve regulations already implemented.

1 Bringing together budgets for Adult Skills, Community Learning and Discretionary Learner Support
2 West of England, Greater Lincolnshire, East Anglia, Greater Manchester, Sheffield City Region, Liverpool City Region, West Midlands, North East and Tees Valley.

In March 2016 the Secretary of State announced the Government's new Business Impact Target of a further £10 billion savings to business during this Parliament. Government has responded to feedback from business that regulators' actions are just as important as the content of legislation in determining their regulatory experience. So, for the first time the range of activities that can contribute to the Target has therefore been extended to regulators. The Enterprise Act 2016 requires regulators to assess and publish the economic impact on business of changes to their activities and have them verified by the independent Regulatory Policy Committee. Details of regulation and deregulation implemented in the first year of the Parliament are set out in the Business Impact Target Annual Report, published on 24 June.

Headline Indicators:

Working with Departments and regulators to cut a further £10 billion of red tape over the next Parliament.

£885m

During 2015-16 we achieved £885 million reduction to business by cutting red tape.

A new programme of "Cutting Red Tape" reviews will contribute to delivery of the target, helping businesses to save time and money whilst maintaining essential protections. Action plans in response to reviews of Energy, Waste and Adult Care have already been published.

The Better Regulation Delivery Office (BRDO) is responsible for improving the way in which regulation is delivered to support business prosperity and ensure fair competition, working closely with local and national regulators, businesses and trade associations. In May 2015, we announced plans to extend and simplify Primary Authority to enable hundreds of thousands more small businesses to access the scheme. These plans have now been approved through the Enterprise Act 2016. Primary Authority continues to help businesses access the right regulatory advice, saving millions of pounds each year. Over 9,517 businesses and 175 local authorities were in a Primary Authority partnership at the end of 2015-16. 58 per cent of Primary Authority businesses are SMEs.

In support of local devolution, we have worked closely with emerging devolution deals to embed strategic approaches to regulation at the local level, creating the right regulatory conditions for growth. In partnership with the FCO, BRDO has provided technical assistance to emerging and growing economies, including India, Chile and Indonesia, to improve the ease of doing business for UK businesses trading overseas.

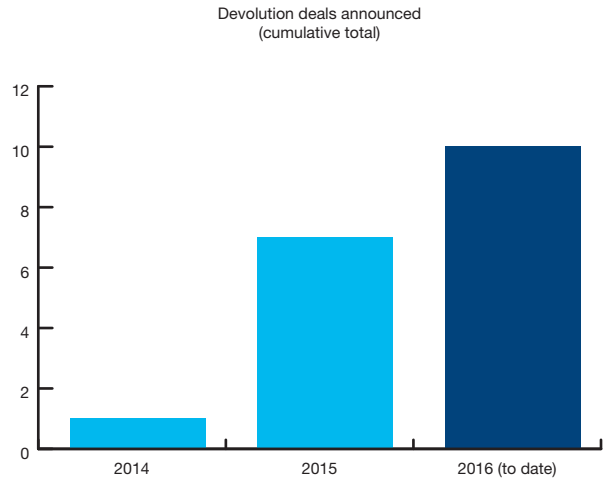
Business & Enterprise

The joint Cities and Local Growth Unit has been working with local areas to agree Devolution Deals. Ten deals have been agreed so far: Manchester, Cornwall, Sheffield City Region, Tees Valley, North East, Merseyside, West Midlands, East Anglia, West of England and Greater Lincolnshire. The Unit is continuing to work with local areas to deliver more deals and it is anticipated that further details will be announced over the coming months. Alongside this we will be implementing existing deals – turning high level policy into practice ahead of mayoral elections in May 2017.

Additionally, 24 Enterprise Zones had started by 2014. During 2015 local areas were further encouraged to come forward with ambitious proposals for new Enterprise Zones. As well as identify businesses on their patch with investment or export potential. By November 2015 Ministers had approved a further 21 new Enterprise Zones and three more were announced at the Budget 2016. Since then, 36 Enterprise Zones have been laid in Regulations and 12 new zones started. In total, at least 45 Enterprise Zones will have been approved to be in Regulations from April 2017. Local Enterprise Partnerships report that the original 24 Enterprise Zones have now attracted over 23,000 jobs.

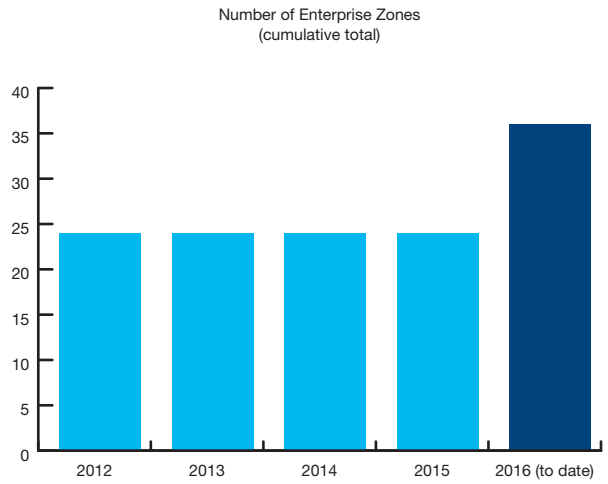
Headline Indicators:

Increase the number of devolution deals.



Headline Indicators:

Increase the number of Enterprise Zones to 44 by 2020.



Delivering value: Growth Deals

A notable Growth Deal success so far has been the upgrading of the facilities at Halesowen College's Advanced Science, Engineering & Technology Centre. The Black Country Local Enterprise Partnership have funded £1.05 million of the £3.17 million build cost from their Growth Deal. This project will meet identified skills gaps and has the backing of major local businesses including Exova, Eurofins Scientific & Sterling Power Group. The existing premises have been modified to develop the advanced science, engineering and technology centre, introducing integrated employer training methods and techniques, including the training of employers and staff as trainers and assessors.

The centre is now operational with an impressive range of Higher National Certificate and Diploma programmes offering excellent progression routes for young people aged 18+ who have achieved a Level 3 qualification and are looking for an alternative to full-time higher education. The first tranche of apprenticeships were enrolled during September 2015, with second tranche interviewed for January and February 2016 starts. The focus is on advanced and higher apprenticeships in digital media, science, engineering, IT and business. New frameworks including advanced engineering introduced will accompany the existing offer. 20 new jobs have been created, with 965 learners assisted and places for 530 apprentices set.

BIS Legal Services

BIS Legal Services provides the legal advice the Department needs on domestic, EU and international law, and plays a key role when the Department legislates whether by primary or secondary legislation. Expertise that cannot be provided in-house is provided by external advisers. For example, the Government Legal Department (GLD) carry out the Department's civil litigation and some of the advice on commercial, banking, regulatory and state aid issues is provided by private sector legal advisers. In addition, BIS Legal Services has a vital function in protecting businesses and increasing consumer confidence, essential to the growth agenda. The Criminal Enforcement teams investigate and prosecute criminal breaches of the Insolvency and Companies regimes and other departmental legislation, ranging from bankruptcy offences and rogue traders to serious and complex fraudulent trading. Across the country, the increased publicity given to successful prosecutions, which secure significant sentences of imprisonment, disqualification and the confiscation of the proceeds of crime, has raised the BIS profile as a prosecuting authority and continues to act as a deterrent to others.

Further achievements

- Published the English Apprenticeships 2020 Vision document which outlined the Government's plan for how we will increase the quality and quantity of apprenticeships, and achieve 3 million apprenticeship starts in England by 2020.
- Announced the creation of the Institute for Apprenticeships – an independent, statutory body, responsible for ensuring the high quality of apprenticeships in England.
- During National Apprenticeships Week 2016, secured 31,897 pledges for apprenticeships and traineeships.
- Announced a new round of Growth Deals worth up to £1.8 billion in March 2016 and continue to support all 39 Local Enterprise Partnerships in the implementation of their existing Growth and City Deals.
- Announced at the Local Enterprise Partnership Network conference that the Government has allocated up to £20 million to fund Local Enterprise Partnerships into 17/18. We will be working with Local Enterprise Partnerships to arrange how this will be distributed to reflect the evolving devolution landscape.

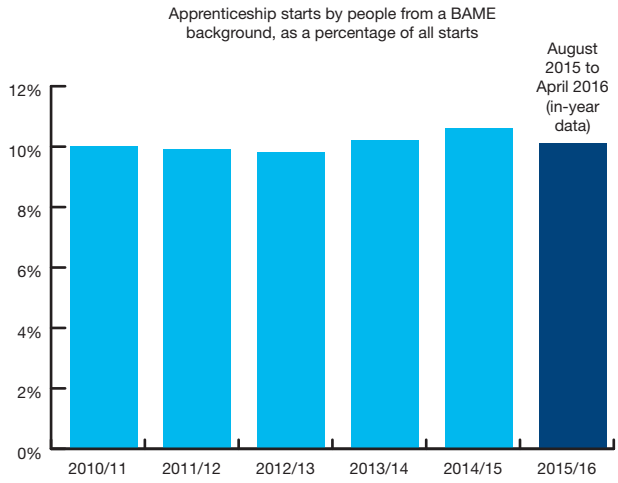
Sustainability, equality and diversity

We have extended Advanced Learner Loans from 2016/17 so that they will be an additional funding option for 19-23 year olds and those seeking Level 5-6 vocational qualifications. Loans to date have been attractive to all groups across society. Data highlights that the introduction of loans in 2013/14 at Levels 3-4 for those aged 24+ increased the proportion of female learners, those with a declared learning difficulty or disability and those not declaring their ethnicity as white. In 2014/15, around 17,000 applications were received from those aged over 40.

We are increasing the proportion of apprenticeships taken up by young people from BAME backgrounds by 20 per cent, by 2020: An action plan has been developed to meet the target with a twin approach: to increase interest in apprenticeships in BAME communities and to increase success rates of BAME candidates applying for apprenticeships.

Headline Indicators:

Increase the proportion of apprenticeships started by people with a BAME background by 20% by 2020.



Key challenges and forward look

Over the past year key challenges have included developing an implementation strategy to achieve 3 million apprenticeship starts in England by 2020. This includes developing plans to introduce the Apprenticeship Levy and the digital apprenticeship service to enable employers to access funding for apprenticeships training. Further challenges in 2015-16 has been ensuring area reviews are able to reflect local challenges and address the relevant issues to create sustainable post-16 provision which meets learner and employer needs now and in the future.

In the forthcoming year we will create a funding system that incentivises more high quality apprenticeships, by designing and implementing the apprenticeship levy and ensuring a smooth transition to it. We will create a simple, clear and effective digital apprenticeship service to provide employers with a single easy to use portal to organise their apprenticeship programme. We will establish the Institute for Apprenticeships to safeguard the quality of apprenticeships assure employer-designed standards and assessments and recommend funding caps.

All area reviews will be completed by 2017 and we will support the sector to implement the outcomes. We will focus on delivering a reformed technical education system that is genuinely owned, understood and valued by employers. Reforms will focus on simplifying the currently over-complex system, working in direct partnership with employers to ensure the new system provides all young people with the skills most needed for the 21st century labour market.

People, Strategy & Higher Education

The People, Strategy and Higher Education Group help to build a confident and capable BIS that has maximum impact, is highly respected, drives forward the longer term strategy and creates educational opportunity and prosperity.

The group has specific responsibility for higher education, human resources, communications, change, the BIS boards and committee structures, the Department's strategy, and productivity and growth projects and policy.

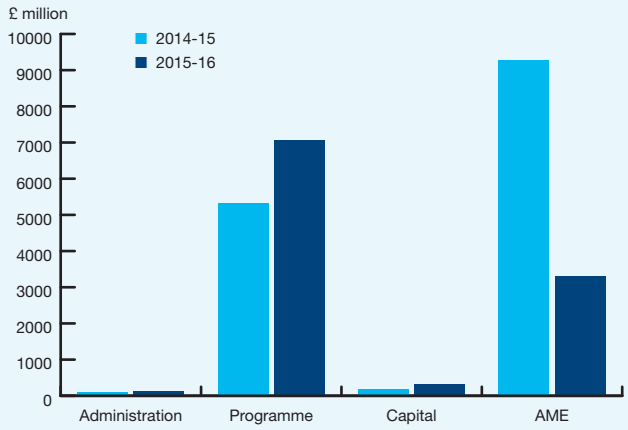
How the group adds value

We build capability across BIS, from induction to facilitation to openness to challenge. We aim to prioritise people management and support managers to be the best they can be. The group facilitates excellent decision making and effective governance for BIS' boards and committees. We work with our Non-Executive Board Members to bring fresh thinking and challenge across BIS. The group uses creative, intelligent communications to demonstrate how BIS is making a positive difference to the long-term prosperity of the country.

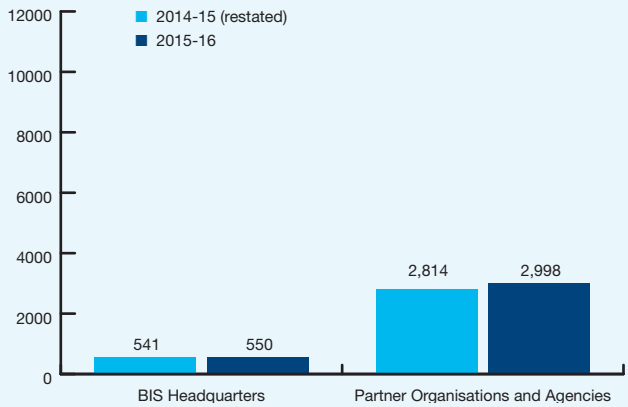
Our Partner Organisations

Higher Education Funding Council for England	hefce
Office for Fair Access	offa office for fair access
Student Loans Company	Student Loans Company

Expenditure



Group Workforce Size:



Higher Education

In November 2015 we published the green paper (Fulfilling our potential: teaching excellence, social mobility and student choice) which included ambitious proposals to:

- Drive up teaching standards and give students more information through a new Teaching Excellence Framework;
- Widen participation for students from disadvantaged backgrounds and encourage providers to increase focus on supporting all students through their course and into employment or further study;
- Promote choice by enabling students to choose from a wider range of high-quality higher education providers;
- Establish a new Office for Students which will help promote student interest and value for money, and reduce the regulatory burden on the sector.

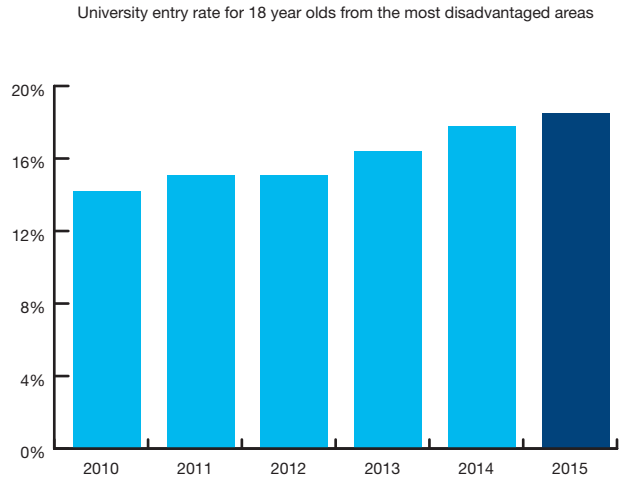
The consultation on the higher education green paper closed in January 2016. We received over 600 responses to the consultation which included a section on research landscape reform. The higher education and research white paper, (Success as a knowledge economy: teaching excellence, social mobility and student choice) published in May 2016 sets out the Government's decisions.

Action on widening participation is having some effect; more disadvantaged students than ever before entering higher education. 18 year olds from the most disadvantaged areas in England were 80 per cent more likely to apply to higher education in 2016 than 2006. But there is still more to be done.

The entry rate into Higher Education for the most disadvantaged 18 year olds is now 18.5 per cent – a record high.

Headline Indicators:

Double the proportion of people from disadvantaged backgrounds entering higher education by the end of this Parliament, from 2009 levels



In February we re-issued guidance to the Office for Fair Access to set out Government's priorities for widening participation. Universities expect to spend more than £745 million through access agreements agreed with the Director of Fair Access on measures to widen participation - up significantly from £404 million in 2009.Through legislation we are also intending to introduce a Transparency Duty that will require Higher Education Institutions to make public their records on application, acceptance and dropout rates of students broken down by gender, ethnicity and socio-economic background. Universities UK have established a Taskforce at our request to make recommendations on meeting the Prime Minister's ambitions on Social Mobility[3]. We also have agreed with UCAS that it will consult on making applications to higher education on a "name-blind" basis to make sure that everyone, no matter what their background, is treated equally.

3 The Prime Minister set out his ambition to doubling the proportion of people from disadvantaged backgrounds entering higher education by the end of this Parliament from 2009 levels. He has also committed to increasing the number of Black and Minority Ethnic students going into higher education by 20% by 2020. This latter goal is part of the measures in the Prime Minister's 2020 vision for Black and Minority Ethnic communities.

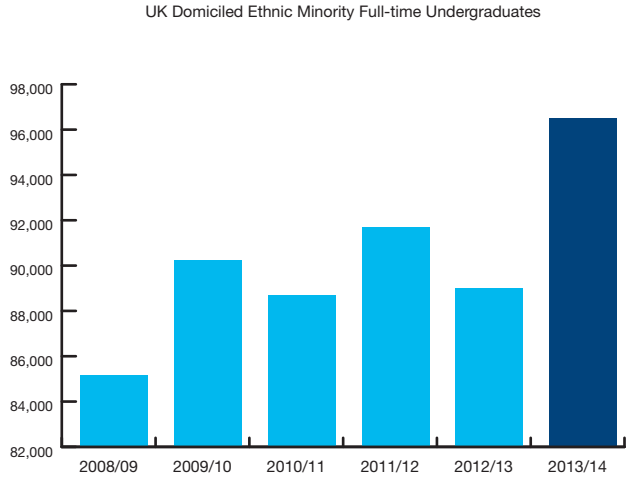
We continue work to ensure that finance is not a barrier to students accessing learning, and are extending support to postgraduate study. We confirmed changes to the student support package for higher education students undertaking a course of study in the 2016/17 academic year beginning in August 2016. We announced our plans to introduce a national postgraduate loan system for taught masters (regulations commence for new masters loans in May 2016 with the postgraduate master's loan service commencing in June 2016) and PhDs (loan service to commence in the academic year of 2018/19) and consult on a new undergraduate part-time maintenance loan. We implemented reforms to Disabled Students' Allowances for academic year 2015/16 and ran a full public consultation on reforms for academic year 2016/17, relating to provision of non-medical help, accommodation costs and funding of computer peripherals and consumables.

Competitiveness & Exports

We continue to make the UK one of the best places to start and grow a business in the world, improving our global competitiveness. Our progress has been recognised in the World Bank's "Ease of Doing Business" 2016 report (published in September 2015), which ranked the UK in 6th place, moving up 2 places from the previous year.

Headline Indicators:

Increase the number of BAME students in higher education by 20% by 2020



Headline Indicators:

No. 1 in Europe and top 5 globally in the World Bank Ease of Doing Business rankings.

With UKTI and UK Export Finance (UKEF) we developed a new whole-of-government approach to boosting British exports announced in January. This will be delivered through a transformed UKTI, focused on priority markets and sectors, overseeing and co-ordinating export performance on behalf of the cross-government Exports Implementation Taskforce, chaired by the Secretary of State.

The Government's Productivity Plan announced the intention to create an Emerging Industry Action Group for the Sharing Economy to unlock the potential of this sector. Through continued engagement with the industry, the group will work to identify and act on barriers to business expansion. We have convened the first meeting of this group, which explored issues including insurance, data and trust, regulation and tax compliance. The March 2016 Budget saw the announcement of new tax allowances for money earned from the sharing economy – a world first, and an early success for the new action group that contributed to the development of this policy.

The Productivity Plan also announced that the Government would use its Challenger Business Programme to help identify and address barriers to expansion for early-stage disruptive businesses. Over the last year, work with business and public bodies has focussed on drone technology, the synthetic biology sector and block chain applications. Working with the Department's Chief Scientific Adviser, we have consulted with industry experts, investors and innovators to identify future areas of engagement for the programme.

In December 2015, we led a cross Government drive to promote Small Business Saturday, encouraging consumers to shop locally. In total 50 Government Ministers took part generating over 200 pieces of media coverage and £623 million was spent in small businesses which was a 24 per cent increase on last year. We launched the National Living Wage campaign in January, which at the mid-point of our activity (March 2016) had raised awareness levels amongst the target group of workers from 57 to 73 per cent with over half a million people visiting our website.

Further achievements

- In July 2015, we published revised guidance on specific course designation for alternative providers, including new measures consulted on in the spring.
- In September 2015, we lifted the moratorium on applications for Degree Awarding Powers, University Title and Higher Education Funding Council for England funding. At the same time we published new guidance for each, and applications from higher education providers for all 3 processes are now proceeding under the new guidance.
- 23 education agreements were signed at the 8th UK-China Education Summit, part of the People to People dialogue. This will see UK universities and organisations working closely with partners in China to boost joint academic research and student exchange, and establish new institutions.
- In September 2015 the further education and higher education sectors became subject to a legal duty to prevent students from being drawn into terrorism (Prevent). This includes ensuring that our colleges and universities protect students from extremism on campus and promote freedom of speech. Our further education and higher education Prevent Coordinators are working with the sectors to support implementation of the duty, and regulators such as Higher Education Funding Council for England have started monitoring compliance.

Sustainability, equality and diversity

Higher education reform will ensure a more effective and coherent regulatory system that will improve outcomes for students and providers, reduce bureaucracy, increase transparency, and save public money. The recent package of higher education measures supports wider plans to reduce the deficit and ensure the financial sustainability of the higher education sector.

By introducing maintenance grants we are increasing the cash that students will have. The entry rate for the most disadvantaged 18 year olds is now 18.5 per cent – a record high, and disadvantaged young people in England are a third more likely to enter university in 2015 than five years ago.

Key challenges and forward look

We will be working closely across government and with stakeholders in the sector to ensure that the higher education reforms are consistent with wider changes in the education systems, for example the vision set out in the education white paper (Educational excellence everywhere). Over the next few months we will be developing and implementing an extensive parliamentary and stakeholder engagement and handling strategy to maximise chances that the Higher Education and Research Bill receives a smooth passage through Parliament.

In May 2016, we will launch the Youth and Employer campaign which will run till the end of Parliament and play a key role in helping us meet the 3 million apprenticeship target by inspiring young people to consider alternative pathways to their chosen careers.

Delivering value: The Higher Education Student Finance Tour

Since 2011, Higher Education and Communications Directorate have run an annual Student Finance Tour across schools in England. In November 2015 the Tour achieved a Silver award at the UK Public Sector Communications Excellence Awards, which celebrate excellence in public service communications campaigns.

The main purpose of the Tour is to communicate facts about higher education reforms and specifically the student finance package to young people and their parents/carers.

Following student funding changes announced last July, the 2015 Student Finance Tour ran from September 2015 until January 2016 to communicate the changes to students starting university in September 2016.

The Tour featured presentations from recent graduates who provided students with their perspective on the value of a degree, as well as setting out the detail about what the student finance reforms are all about. Presenters undertook daily sessions in schools and colleges, completing over 2000 sessions engaging with 136, 885 students and over 20,000 parents.

Each school/college was also provided with leaflets for students and parents giving more detail on the messages delivered in the presentations.

The Tour has proved to be an effective channel, increasing knowledge of student finance on average by around 40 percentage points, and reassuring both young people and parents that a degree is still a good investment.

People

The development of our staff continued to be a priority in 2015-16, helping the Department to be confident, capable and building on our strengths as personal leaders. We improved our strong record on diversity and inclusion, where half of our senior managers are women and we have a high proportion of jobsharers and part-time workers, including in top management positions. In the 2015 People Survey, BIS HQ received a record response with 84 per cent of our people completing the survey, with our overall engagement score holding firm (56 per cent) and the gap to the Civil Service median narrowing for the fourth consecutive year.

Engagement

In the 2015 People Survey, BIS HQ received a record response rate with more than 2,100 (84 per cent) of our people completing the survey. The overall engagement score was sustained at 56 per cent, demonstrating a 7 percentage point increase since 2011, with the gap to the Civil Service median narrowing for the fourth consecutive year.

Seven of the nine survey themes also remained constant or increased. The Department's performance on 'Learning and development' and 'Leadership and managing change' remained strong against the Civil Service median.

In 2015 new questions were asked about the Civil Service Leadership Statement. BIS's results on each question were substantially above the Civil Service median, and BIS's results for 3 of those questions were in the top 25 per cent of organisations that participated in the survey.

Compared with 2014, there was an overall improvement in how staff feel they are managed. A higher number of staff said they have the tools and skills to do their job effectively, and are able to access the right development opportunities which help to improve their performance. Results on inclusion and fair treatment were positive, with more staff feeling that they are treated fairly at work, and that BIS respects individual differences.

People Survey results		2014	2015	2015 Civil Service median
Engagement Index (%)		56	56	58
Theme scores (%)	Leadership and managing change	45	45	43
	My work	79	77	74
	My manager	68	68	68
	Learning and development	55	55	49
	Pay and benefits	26	26	30
	Resources and workload	71	72	73
	Organisational objectives and purpose	83	78	83
	My team	81	81	80
	Inclusion and fair treatment	75	76	74

Our actions to increase employee engagement have built upon programmes aimed at long-term cultural change that commenced the previous year, including:

Managing change
At the start of the year, we put considerable work into our preparations for the new Government and ensuring that colleagues meeting new Ministers felt well-prepared and confident.

We are committed to open communications that ensure colleagues at all levels are able to contribute their views, and have refined our communications channels to enable this. Throughout the year, we increased opportunities for our people to hear from and interact with our senior leaders on key issues, through face-to-face events and webcasts. We also ran an online discussion to capture the views of our people about previous change programmes to shape our approach to future changes in BIS. Our intranet is used extensively to share timely news and information, supporting the regular local conversations held between colleagues and their managers and leaders.

We continually communicate what BIS' work means for individuals within BIS and beyond through 'My BIS Story' – an ongoing campaign showcasing the Department's successes through individual and team case studies.

In 2016-17, we will continue developing our understanding of what BIS will look like in 2020. We will ensure that our people continue to receive regular information and are able to contribute their views, with open communications including face-to-face events, webcasts, blogs, and discussion fora.
We continue to provide a comprehensive support package to those affected by more significant changes, including access to opportunities and resources.

Management and leadership capability
We continued to focus on ensuring our managers and leaders have the skills to help BIS to move towards the BIS 2020 vision, with confident teams clear on their impact. Our offer has been developed to support the Civil Service Leadership Statement and the BIS Managers Charter which sets out what it means to be a good manager in BIS. This has included holding sessions at senior leaders' events to further equip our senior cadre to manage change even more effectively within their teams. In addition, we developed and piloted a 'confident and resilient leaders' development programme for colleagues at grades 6 and 7.

A series of blogs from senior leaders within the Department were published throughout the year and a number of prominent guest speakers invited to the Department, including the first female bishop, on their leadership journeys to build awareness at all levels.

We have also mainstreamed the more mature elements of our previously developed Management Matters programme into business as usual. This included rolling out our 'new managers' programme for newly appointed people managers in BIS, and piloting our 'aspiring managers' programme to ensure our people at grades Senior Executive Officer and Higher Executive Officer are better prepared for line management responsibility. We have developed a Good Managers Handbook, as well as a checklist for new managers for their first weeks and months in the role.

In the coming year, we are rolling out the 'confident and resilient leaders' development programme to all colleagues at grades 6 and 7. We will also be working to increase the number of our future leaders and talented senior leaders that participate in programmes to develop their leadership capability; this includes Civil Service-wide programmes delivered by the Windsor Leadership Trust, Whitehall & Industry Group, and Royal Academy of Dramatic Arts (RADA).

Tools
As part of our ongoing 'Ways of Working' programme aimed at supporting colleagues to work more efficiently and effectively, we have further enhanced the tools our people need to do their jobs. A key feature has been the rollout of a new information and records management system which helps us to better collaborate and share information and manage BIS records as part of our day-to-day work. We also launched a new staff directory, undertook a smarter working survey to understand how our people work and what that means for our future estate, and introduced 'protocols' on workspace, commissioning, meetings, and IT, to enable us to work together more effectively.

We are now focussed on supporting our staff to achieve the efficiencies we need to realise as part of our BIS 2020 programme. This will include developing the next stage of IT, our future estate and process simplification.

Equality, diversity and inclusion
As the cornerstone of an engaged workforce, we are building an increasingly inclusive Department where everyone is treated fairly, providing opportunities and support to enable everyone to reach their potential. We have been raising awareness and highlighting our commitment to equality, diversity and inclusion through a 'We're all included' internal campaign.

We have also held a number of events such as hosting the Ernst and Young gender summit, and refreshed our 'Time to change' pledge with events in both London and Sheffield. Building on the leadership capability of our senior leaders, we implemented a reverse mentoring programme to give insight to senior leaders about colleagues with protected characteristics within BIS. This has been expanded for 2016-17, providing more opportunities across the Department and a larger group of leaders.

In 2016-17, our 'diversity champions' (at Director General and Director level) are working with our diversity networks to explore actions to address key issues faced by the groups of staff they represent. We are in the final stages of developing our four-year equality objectives and individual diversity approaches for each director-level champion, which will allow the Department to focus on the major issues such as understanding the make-up of our workforce, as well as the more specific issues such as the provision of reasonable adjustment.

Capability

In line with the objectives of the BIS 2020 programme, we have produced a five year strategic view of the priority capability gaps for BIS in consultation with our People Committee and Heads of Profession forum. This has identified six key priority development areas for BIS, Leadership, Project Delivery, Finance, Digital, Management and Policy. These professions are putting in place plans to support technical expertise in these areas which has been communicated through the BIS intranet to support people in their personal development plans and learning.

We remain committed to supporting all our colleagues to develop, and raise the performance of the Department through effective performance management. To facilitate this we have modified our performance management approach for 2015-16 onwards by redefining our category rating and descriptors, enabling us to more easily identify and support employees who require more development. We have also continued our drive to improve management capability and confidence in this area by provide support and training to managers on key areas including handling feedback and managing employees with reasonable adjustments.

Staff composition

Gender	%
Female	51%
Male	49%

Core BIS plus Agencies	Year ending 31 March 20154	Year ending 31 March 2016
Administrative Assistants and Administrative Officers	15%	14%
Executive Officers	12%	11%
Higher Executive Officers and Senior Executive Officers	45%	46%
Grade 7/6	24%	24%
Senior Civil Service	4%	5%

* BIS HQ, Insolvency Service, National Measurement and Regulation Office, Skills Funding Agency and UK Space Agency.

Our resourcing and workforce planning strategy plays a key part in ensuring that we have both the capacity and capability to be a high performing and effective Department. We achieve this through recruiting the right people with the right skills at the right time to deliver the Department's objectives. We have brought in specialist skills where necessary to support frontline delivery and fill business critical posts whilst maintaining the Department's headcount at a sustainable level.

Building on the internal apprenticeship scheme launched in 2012 and continued participation in the Civil Service Fast track Apprenticeship scheme, as of March 2016 we had 47 staff undertaking an apprenticeship within the Department.

In 2015-16, BIS and Agencies spent £4.2 million on consultants – a decrease from £6.2 million in 2014-15. Of this, BIS HQ accounts for £4.1 million – a decrease from £6.1 million in 2014-15. Expenditure on temporary staff in 2015-16 was £14.3 million across BIS and Agencies – an increase from £12.1 million in 2014-15. The Department publishes details about headcount and payroll costs for permanent staff and contractors on a monthly basis4.

Sickness absence

Over the last 12 months, within BIS HQ, the average working days lost through recorded sickness absence was 3.4 days per employee staff year. This remains significantly below the civil service average of 7.4 days per staff year.

Recruitment practices

BIS successfully transitioned to the full Civil Service Resourcing (CSR) vacancy filling service for grades AA – Grade 6 in June 2015. CSR are providing professional and effective support to our recruiting managers filling vacancies either through internal, or, where authorised, external recruitment. It is intended that BIS will fully transition to the CSR Executive Service in the 2016/17 financial year.

Recruitment into the Civil Service, and, therefore into BIS at all levels is regulated by the Civil Service Commission. We continue to abide by the principles of the external recruitment freeze announced in May 2010 and have further tightened these controls.

During the year, the Department's Executive Board made the decision that headcount control should be the responsibility of each Group's Director General, as the Department has agreed overall headcount limits for each Group. BIS continues to review the deployment of its people to ensure priority activities are resourced and to minimise the need for external recruitment in line with the BIS 2020 commitment to reduce headcount.

4 https://www.gov.uk/government/collections/bis-workforce-management-information-april-2015-to-march-2016

The Department's external recruitment activity continues to be focussed mainly on one-off recruitments for specialist roles such as digital and communications professionals, whilst remaining within headcount and finance constraints. External recruitment is only authorised where it is essential to support frontline delivery of services or there is a business critical need. Where external recruitment is necessary, a clear business case is required.

Partner Organisations are continuing to abide by the principles of the recruitment freeze and only recruiting externally where necessary. In 2015-16 over 65 per cent of the dispensation requests were for the recruitment of specialist posts for both permanent staff and contingent workers. In 2015-16 there were 173 fewer requests for a dispensation to the recruitment freeze than in 2014-15.

Dispensations to the recruitment freeze made across the BIS family	Permanent staff	Contingent workers
Specialist posts	28	57
Generalist posts	14	28
Total	42	85

Equality & Diversity

The Department has continued to prioritise equality, diversity and inclusion across all areas throughout 2015-16, making progress in a range of areas. BIS is committed to not only creating an inclusive workplace that is supportive and enables all of our people regardless of background to reach their potential, but to leading by example in the wider workforce.

*Diversity Statistics – BIS HQ – April 2016***

Workforce Diversity (% declared)	31 March 2015	31 March 2016
Black and Minority Ethnic	5.4%	9.6%
Women	47.9%	49%
Disabled	6.4%	7.6%

Workforce Diversity (% declared) Senior Civil Servants only	31 March 2015	31 March 2016
Black and Minority Ethnic	3.2%	4.1%
Women	41.9%	48%
Disabled	4.8%	4.6%
Women in top management posts*	50%	51%

* Top management posts include Directors, Directors General and Permanent Secretary

** Diversity data from Partner Organisations is published in their annual reports

There is more detailed diversity analysis available in the BIS workforce information: Equality, Diversity and Inclusion – January 2016 document, is available on our website.

To better inform our plans, a campaign to lift the number of people sharing their diversity information with us has been very successful. Diversity data completion rates substantially increased since March 2015. Completions have risen by: 25 per cent for ethnic origin, 18 per cent for sexual orientation and 17 per cent for religion and belief. Disability completion rate remains above 80 per cent.

Critical to BIS' continued development of an inclusive workplace over the past year has been a communications campaign titled 'We're All Included'. This campaign has used a wide range of media to reach people within BIS and show the value and importance of inclusiveness within the Department. There have been intranet news articles, blog posts by role models within the Department on their personal experiences, short videos, posters and a blog from the Secretary of State, amongst other approaches.

The Department is at the final stages of approving its four-year Equality Objectives, setting out our priorities in equality, diversity and inclusion up to 2020. To support this, and ensure that changes are made and embedded, each of the director-level diversity champions is producing their goals for the next twelve months in collaboration with diversity networks and stakeholders. Producing these individual approaches for the first time will allow BIS to focus on the major cross-cutting themes in equality, as well as the issues that may be more specific or particular to one group of our people.

BIS has shared its success on gender with other government departments and external organisations. In the past year, the Permanent Secretary and our director-level Gender Champion have spoken at several events, including recently at International Women's Day to share success, and BIS also hosted the Civil Service and Ernst & Young Gender Summit in October.

BIS has launched work on supporting more effective reasonable adjustments, running workshops across different sites to raise awareness of the importance of proper support in the reasonable adjustment process, attracting a number of line managers from across the Department, providing some valuable insight for them on effectively supporting their people with a disability.

Building upon the implementation of director-level diversity champions in 2014-5, BIS has appointed 'deputy champions' for diversity strands to help drive change and embed progress in the Department. Diversity Networks also regularly meet with the relevant Director-level Diversity Champion, and Network Leads and Champions meet collectively on a biannual basis to ensure senior leader accessibility and awareness.

A cohort of volunteers from across the Department is taking forward a project on older workers, looking to understand the precise nature and origins of the barriers faced by older workers in the workplace. These volunteers will be looking across a wide range of data and across the organisation to understand the issues and start proposing resolutions to address the barriers.

We are a recognised user of the "Positive about Disabled People" two ticks symbol and offer a guaranteed interview to disabled colleagues (who meet criteria) for internal recruitments. We provide reasonable adjustments and assistance to staff with disabilities or long term health conditions – this helps staff work comfortably and deliver effectively. We support staff to access development programmes e.g. the Civil Services Positive Action Programme.

BIS has mandated Unconscious Bias and equality, diversity and inclusion e-learning for all managers involved in recruitment, and mandate the use of an independent panel member from another part of the organisation to ensure objectivity in recruitment. These steps, as well as anonymised recruitment and the use of the guaranteed interview scheme, go some way towards ensuring any applicant is considered fairly and without unnecessary barriers.

Finance, Commercial & Digital Transformation

The Finance, Commercial and Digital Transformation Group operates across the whole BIS family. We are support and assure policy delivery, rationalise estates and facilities management and lead on shared services, information security, business change, project management and finance systems.

The group also leads on ensuring BIS has the right technology to support delivery, whilst ensuring excellent value for money, by transforming our IT systems.

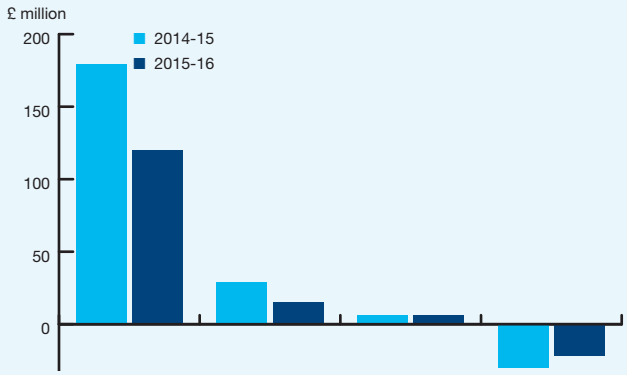
How the group adds value

The group is a diverse and multifaceted one which operates across the whole BIS family. We work with all directorates to achieve value for money, for the Department itself and the wider public, whilst supporting the Government's objectives. We have improved productivity by using new digital technologies. We have been able to achieve this by supporting new flexible ways of working and having a digital first service. This has increased efficiency and made us an even more adaptive organisation. We have a broad level of expertise and work with stakeholders including HM Treasury, Partner Organisations and commercial bodies, and provide support to internal colleagues for a fully comprehensive finance function.

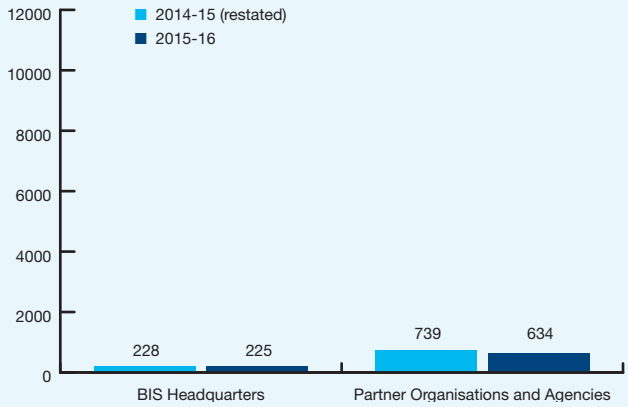
Our Partner Organisations

UK Shared Business Services Ltd	UKSBS

Expenditure



Group Workforce Size:



Finance

Over the past year, Finance has been at the heart of Departmental decision making, providing strategic financial overview to the Board and Ministers. We agreed BIS spending plans for the next five years as part of the Government's spending review. BIS made a full contribution to the Government's deficit reduction targets, through maximising efficiencies and reforms. The Government also agreed funding to deliver our key growth and productivity outcomes, including real terms protection for science funding; maintaining Innovate UK funding in cash terms; cash terms protection for adult skills participation budgets; and funding to deliver 3 million high quality apprenticeships.

We have continued to build the capability of the Department. Our centre of expertise for financial reporting continues to provide an accounting service to BIS and Partner Organisations. This includes preparing statutory annual accounts, developing financial reporting capability and supporting groups and Partner Organisations to meet financial reporting requirements. Our improved and streamlined Annual Report and Accounts last year resulted in the Department being awarded the prestigious Excellence in Reporting award. The award is part of the annual Building Public Trust Awards for financial reporting for public bodies organised by the National Audit Office and PricewaterhouseCoopers. Following on from this success, we hope to build on this further in this year's Annual Report and Accounts.

As part of BIS 2020, we are transforming our finance function to meet the challenges and changes posed. We will be focussing on activities that ensure we continue to remain at the heart of decision making, providing our customers with an improved, fully digital service. We will lead from the front and ensure efficiency in our operations is increased. To do this we must transform how we deliver finance across the BIS family by becoming a highly integrated function. As a result our finance function will deliver better taxpayer value for money.

During 2015-16 we continued to manage the Department's budget and deliver savings to budgets in line with the 2013 Spending Review, whilst delivering the Department's objectives. In July 2015, BIS delivered in-year efficiency savings of £450 million to contribute towards the Government's overall savings target. In November, BIS concluded the 2015 Spending Review discussions leading to a settlement of 17 per cent headline reduction in resource Budget. The funding envelope agreed with HM Treasury protected the adult skills participation budgets (in cash terms), as well as funding to deliver three million apprenticeships and protecting science budgets (real term). We were also able to broaden the types of financial support available for innovation by introducing new finance products. We agreed an exemption for energy intensive industries from the cost of renewable energy policies. We also agreed ongoing funding for industrial support, for example in aerospace and automotive.

Commercial

The Projects and Commercial Directorate is a fairly recent formation within BIS. It provides overall commercial direction to the BIS family, creating and overseeing the commercial development strategy towards a group operating model. We also ensure commercial strengths, largely embedded in Partner Organisations, deliver the maximum benefit to the organisation as a whole.

Over the past year we have overseen the top 40-50 delivery projects (with a value of approximately £10 billion over the life of this Parliament) providing support and assurance mechanisms to their Senior Responsible Officers. A programme of training has been rolled out for leaders with significant commercial and contract responsibilities. Partner Organisations with significant commercial functions undertook assessments against industry standards to benchmark their performance and inform commercial development plans.

In May 2015, BIS appointed its first Group Chief Commercial Officer and the lead Non-Executive became its commercial champion. A programme of category leadership has been set up cross-BIS, as one of the lead Departments linked to the Government Commercial Accelerator programme. This contributed over £20 million of savings in the first wave of expenditure categories.

We have made good progress on the Government's land and property disposal commitment. Over the past year, BIS has engaged with the Housing and Communities Agency and DCLG to agree a pipeline of property disposals between 2017 and 2020. This will deliver at least 1,000 housing units. We have also reviewed all freehold and long leasehold land and buildings within the BIS portfolio to seek further development opportunities. Current operational requirement means that these are limited at present, but the portfolio will be kept under regular review to ensure all potential opportunities for redevelopment are explored fully.

Digital

In the past year, we have significantly focused on our digital priorities, creating a new BIS Digital directorate. We have enabled business transformation and supported the development of new ways of working across policy, analysis and delivery, whilst ensuring that user focused, digital ways of working are embedded into the organisation's wider culture. We deliver digital first services by empowering multi-disciplinary, cross organisational teams that are user focused, agile, adaptive and able to rapidly respond to changing priorities at reasonable cost.

Digital is a key enabler of the BIS change agenda and in response to BIS 2020 the past year has been a period of significant change. As part of our commitment to digital services we established five transformational programmes:

- **The Digital Apprenticeship Service**: providing a digital service to support the wider apprenticeship agenda. It will allow people to find relevant, high quality apprenticeship opportunities both nationally and locally;
- **Export Licensing**: a single digital service that will make it faster and simpler for businesses to export controlled goods and provide a consistent platform for other export services;
- **Grant Funding Platform**: a single, streamlined digital platform for UK Research and Innovation to offer funding opportunities to support world class research and advanced technology to drive economic growth;
- **Common Technology Programme**: delivering a shared technology platform across the BIS family, providing centrally procured and current-generation operating systems, whilst reducing support and contract management requirements, at lower cost; and
- **Common Digital HR & Finance Services**: to develop common user-centric finance, payroll and HR services and systems for the Department.

Together these future services will contribute towards the transformation of how we work better, together. The programmes were enabled whilst maintaining our existing technical and business services which are critical to the continued operational performance of the Department.

Further achievements

- We have continued to be successful in our cash management position: across Government, BIS ranks second.
- We have led work across Government to develop a broader approach to operational expenditure that captures activities beyond admin budgets. This forms the basis for the primary target of the BIS 2020 change programme and has been adopted by the cross-government Financial Management Review.
- We have developed draft category strategies and plans for cross-BIS expenditure on priority categories and are extending this to other categories. A cross-BIS contracts register and pipeline were set up to underpin this and assurance work.
- We have reformed UK Shared Business Services (UK SBS) governance and developed the Public Bodies reform road map and segmentation.

Challenges and forward look

The Department is undergoing a complex set of changes following the Spending Review. This includes delivery of the Government's manifesto commitments, managing an increasingly complex financial portfolio and ensuring the Department's operational footprint is smaller, cheaper and better. We will achieve this through reform of the Department's operating model as part of the BIS 2020 programme, implementing a benefits realisation plan to support BIS' commitment to reduce our Operating Expenditure by about £350m and headcount in line with operating costs.

The group will continue to ensure that the Department lives within budgets agreed at the Spending Review, advising the Board and Ministers on delivery, financial performance and strategic options to manage spending efficiently and effectively. The group as a whole is also preparing for the upcoming efficiency review, which will see savings of up to £3.5 billion across Whitehall.

We will also be working towards implementing the recent recommendations from the Grimstone review, which proposes changes to the way in which public appointments should be carried out in future. The recommendations will ensure that Ministers' views are formally sought at each stage of the appointment process, appointments are completed within 3 months, use of more diverse assessment methods, and more clarity on Ministerial powers. Cabinet Office are leading on Government's response to the Grimstone review and we will be updating our approach to making public appointments.

Transitioning from the existing technical estate towards new digital services in an environment of complex change and building effective management information will be key challenges.

Our digital ambitions are to enable a digital first operating culture that is focused on our users and empowers multi-disciplinary teams to work across traditional silos; delivering at speed and at reasonable cost; which is resilient, secure and responsive, develop the BIS Digital Group function, unifying capability and delivery across partner organisations. We will deliver and operate technology services which will make it easy to deliver digital services and support digital first ways of working. Finally we aim to make it easier to find, access and work with data to improve business operations and policy making.

The Projects and Commercial Directorate will continue to build on the commercial function and project delivery across the BIS family, aligned to the functional model for corporate services. It will hold the first BIS Commercial Conference, develop a stronger skills, careers and people proposition and continue the delivery of savings through category plans and the Commercial Accelerator. Work is being drawn together into a programme to implement the future commercial blueprint, linked to the pilot of revised Government controls. The project delivery function will work with the Infrastructure and Projects Authority to develop a consistent project delivery profession structure that is across Whitehall and has practical application for BIS.

While the group's objective is to become cheaper and leaner, we have and will continue to face an ongoing challenge to recruit and retain skilled finance, commercial and digital staff, and their expertise. This will be an additional pressure to meeting our departmental objectives.

Delivering value: Commercial

BIS is building digital services that are simpler, In July 2015 the Cabinet Office Crown Commercial Service (CCS) and BIS agreed a joint plan to make BIS one of the lead Departments on the Commercial Accelerator. This is a very radical commercial deal, with Cabinet Office part-funding. BIS and CCS work closely with McKinsey & Co to drive savings in BIS with McKinsey rewarded only for a portion of real savings accruing to BIS and its Partner Organisations.

Our early focus has been on key spend categories including facilities management, energy, contract labour and travel expenditure.

This experience has also been one of the first opportunities for true joint working across BIS and Partner Organisations. This included Companies House, Intellectual Property Office, the Science and Technology Facilities Council and the Medical Research Council providing "category leadership" from their commercial expertise. Programme direction has come from BIS' new Commercial Directorate and this initiative is one of the key workstrands in our new Commercial Strategy. BIS's Commercial team, including our four first-year commercial fast streamers, have also benefited by working alongside McKinsey consultants in a joint team.

To date £25.7million in savings across 115 initiatives were identified in 2015-16. These savings initiatives are driving new group wide behaviours across the BIS family. Focus in 2016-17 will be to expand to further major categories; in particular professional services and IT spend.

Sustainability

The Government is committed to mainstreaming sustainable development, in the way we make policy, run our buildings and purchase goods and services. This maximises the positive impacts on the economy, society and the environment. Our approach relies on the successful delivery of some high profile commitments including action to tackle climate change, ensuring rural proofing is built into policy, protecting and enhancing the natural environment, building a green economy, and improving our estates' operations and procurement.

Sustainable development

BIS has continued to exceed targets for the Greening Government Commitments, reducing consumption of resources and the Department's carbon footprint significantly. Compared to a 2009-10 baseline, in 2015-16 BIS has achieved (figures include BIS Core and its 11 Partner Organisations included in the Greening Government Commitments reporting):

Adapting to climate change

BIS has used the EVOLVE IT rollout programme to enable mobile working for all staff. The Department has a business continuity plan to minimise disruption in the case of a disaster or extreme event. The integration of Skype for Business now enables staff to communicate quickly and easily across the world, providing more resilient communication compared to mobile networks.

The Met Office's Hadley Centre is internationally renowned for its work on climate change research. It provides in-depth information and advice to the Government on climate science issues as well as a wider global role. Research Councils provide significant funding for research in areas such as biodiversity and renewable energy technologies.

Rural proofing

The Department ensures that social, environmental and financial impacts of our policies have on communities and businesses are fully considered before they are implemented. For example the widespread programme of transformation Post Office Limited is investing in communities across the United Kingdom. This will bring benefits to customers particularly in rural and urban deprived areas. As a result, branches have access to significant investment that can make them more sustainable and protects the provision of important mail products, Government services and financial services in rural areas. This includes a dedicated £20 million investment to fund more than 3,000 Post Offices in the most remote areas of the UK.

We are also increasing the number of apprenticeships in rural areas. We have begun engaging employers in rural areas to start or significantly grow their apprenticeship programmes. We will help small tourism, food and farming businesses to provide more, high quality apprenticeships as detailed in the Rural Productivity Plan.

Reduced greenhouse gas emissions by 24,371 tonnes (39%)

Equivalent to the annual travel of 15,602 cars

Achieved by a reduction to the size of the estate, reducing travel and installation of energy efficient equipment such as LED lighting

Reduced paper consumption by 303,822 reams (70%)

Equivalent to saving 12,912 trees

Achieved by a reduction to the size of the estate and installation of water saving equipment such as low flow taps and waterless urinals

Reduced estate water consumption by 138,172 m³ (50%)

Equivalent to the daily water usage of 921,146 individuals

Achieved through technology advancements such as the EVOLVE laptop rollout as well as reducing printing wastage at BIS head office to zero through print on presence technology

Reduced waste by 4,922 tonnes (64%)

Equivalent to the weight of 410 buses

Achieved by a reduction to the size of the estate, as well as educating and promoting staff to recycle

Reduced the number of domestic flights by 1,699 (27%)

Equivalent to going around the world 25 times

Reduced by limiting travel, promotion of video and tele conferencing and the EVOLVE rollout providing more flexible technology

Supportive processes for sustainable development, adapting to climate change and rural proofing

BIS is supporting DEFRA on a commitment to innovate and develop new technology to overcome barriers for uptake and drive sustained growth through the Agri-Technology Strategy.

Through programmes such as the Advanced Manufacturing Supply Chain Initiative and the Manufacturing Advisory Service, BIS continues to provide support for a range of sectors. This often includes investment in capital equipment, associated research and development and improved skills and training. This type of support is relevant to suppliers and supply chains that need to adapt to a changing climate.

Overall governance and decision making

The Operations Committee support the Executive Board in providing leadership, co-ordination and guidance on sustainable development. The Committee have had high level oversight on the Department's performance on sustainability. Looking forward we will embed the forthcoming Greening Government Commitments within our policy making and performance monitoring framework. We will build on the excellent progress made over the last Parliament and in 2015-16 to maximise the positive impacts on the economy, society and the environment.

People

Within 1 Victoria Street there is a Building User Group which focuses on ways to improve the building and staff behaviour, sustainability is a key part of discussions. Blogs on the BIS intranet have promoted a number of sustainability topics including beekeeping, closed loop paper use and recycling. These have generated discussion in the workplace and on thee social network Yammer.

Procurement

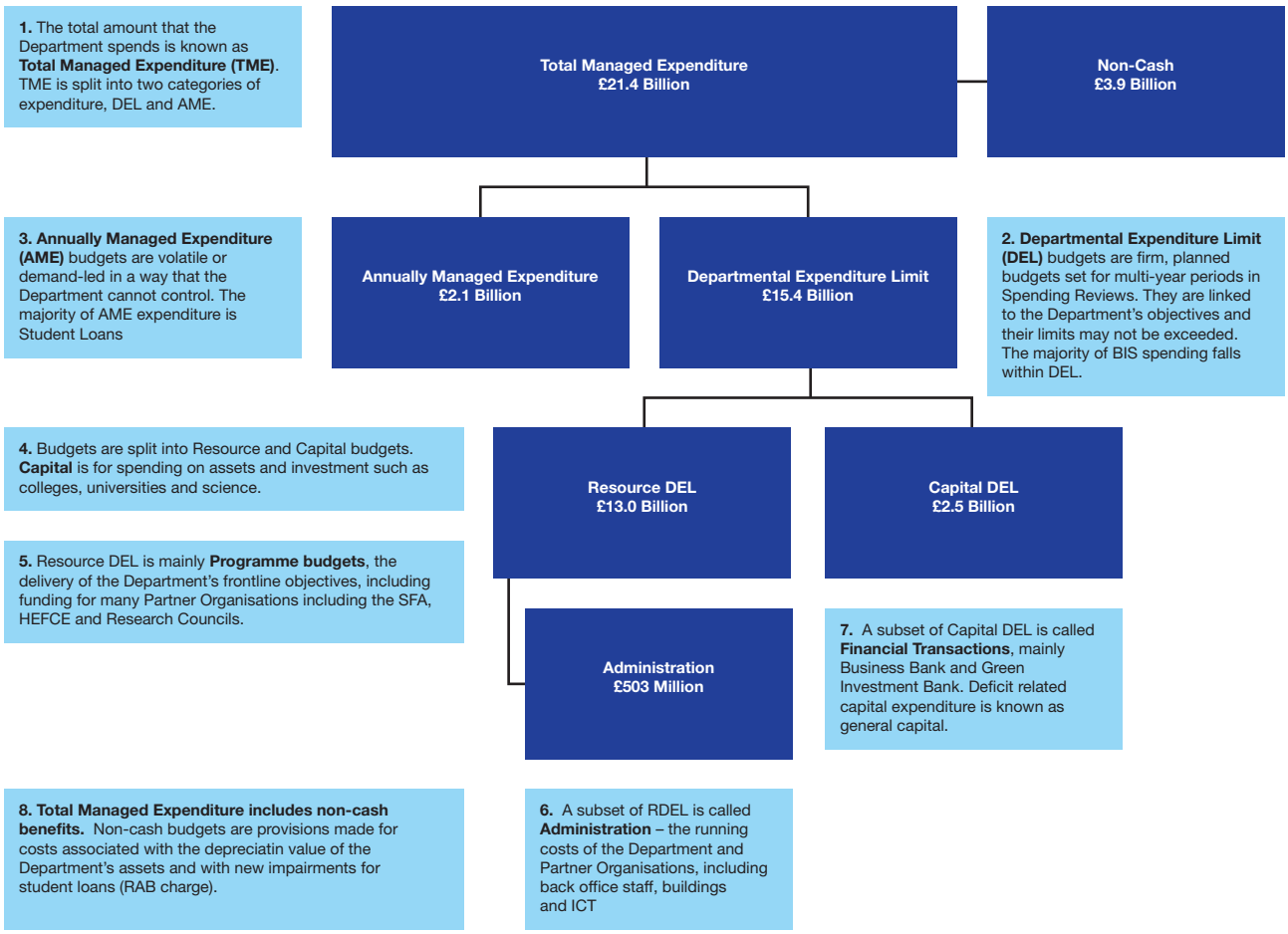
BIS is committed to sustainable procurement and this year the use of SMEs for the supply of goods and services across the BIS family was above the Government's 25 per cent target. Provisional data for 2015-16 show direct spend with SMEs was 20 per cent. This figure will be revised following the inclusion of indirect expenditure when data becomes available.

Director General's Financial Review

Over this last year of the previous Spending Review period we continued to prioritise spending on what matters most. This has been achieved through reductions in our running costs, increasing capital investment and overseeing significant policy reforms in many of our high profile areas. As we move into the next Spending Review period beginning in 2016-17 we continue to see changes in the nature of our expenditure. Since 2010 these changes have been driven by factors including:

- The Government's programme of fiscal consolidation
- Increases in funding for apprenticeships and traineeships and rationalisation of remaining skills programmes.
- The maintenance of flat-cash science and research expenditure and the shift of responsibility for higher education from the state to individuals.
- In capital expenditure there has been new banking interventions including the Green Investment Bank and the set-up of the newly formed British Business Bank and an increase in loan funding for higher education and further education.
- In administration, reductions in the number of Partner Organisations, headcount consolidation, reductions in discretionary expenditure and significant reform to our corporate services.

Each year Parliament approves the total funds available to the Department to spend against specific objectives (within agreed budgetary limits). It is against these limits that the Department, as guided by HM Treasury's spending control framework, is held accountable for its performance and use of taxpayers' funds. The diagram below explains the different budgets managed by the Department and their purpose.



Trends in Total Managed Expenditure over the last Parliament

The table below[5] shows the Department's outturn by budget type over the previous Spending Review period and for the current year.

Type of spend (£m)	2011-12 outturn	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 outturn
Departmental Expenditure Limit					
Administration expenditure	807	686	682	632	554
Cash	*738*	*625*	*628*	*556*	*503*
Non-cash	*69*	*61*	*54*	*76*	*51*
Programme expenditure	19,201	18,544	19,933	14,773	16,265
Cash	*15,482*	*14,819*	*14,245*	*13,180*	*12,460*
Non-cash	*3,719*	*3,725*	*5,688*	*1,593*	*3,805*
Capital	1,153	1,240	2,156	2,011	2,471
Total Departmental Expenditure Limit	**21,161**	**20,470**	**22,771**	**17,416**	**19,290**
Cash	*17,373*	*16,684*	*17,029*	*15,747*	*15,434*
Non-cash	*3,788*	*3,786*	*5,742*	*1,669*	*3,856*
Annually Managed Expenditure					
Resource	(1,420)	(356)	(348)	(965)	(7,826)
Capital	5,469	6,129	4,675	9,573	9,965
Total Annually Managed Expenditure	**4,049**	**5,773**	**4,327**	**8,608**	**2,139**
Total Managed Expenditure	**25,210**	**26,243**	**27,098**	**26,024**	**21,429**

5 All figures are presented as reported in those years' accounts

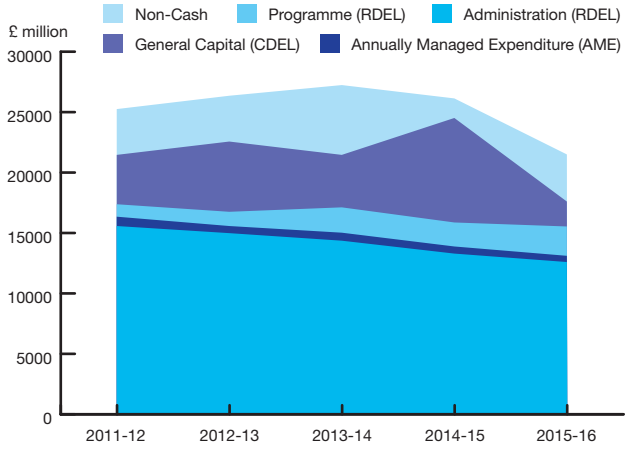
The Department's funding for financial year 2015-16 was set at the 2013 Spending Round, and was focussed on promoting economic growth, public service reform and improving efficiency, including:

- Protecting resource funding on science in cash terms and increasing capital spending on science in real terms
- Additional resource funding for Innovate UK (previously Technology Strategy Board) to support innovation, including Catapult Centres and the Biomedical Catalyst
- Reform higher education and further education funding and reduce spending by £400m in 2015-16
- Maintaining spending on economic growth by reducing spending on administration by a further £50 million in 2015-16.

The table above shows that our total managed expenditure for 2015-16 decreased from £26,024 million to £21,429 million. In addition to the culmination of reforms from the 2013 Spending Review this reduction is also in part due to a one-off reversal of student loan impairments due to change to the HMT discount rate used to value the loans.

Excluding this one-off movement, our total managed expenditure has increased compared to prior year. This reflects the continued shift in our spending power from grant funded programmes to higher levels of non-grant funding and loans, particularly in higher education, and notable growth in financial transaction capital funding as the British Business Bank and Green Investment Bank deliver their investment plans. Changes in the balance of funding within higher education are the main driver of changes in the chart below.

Total Managed Expenditure by budget type



Accountability

Programme expenditure

In 2015-16 the Department spent £12,460 million on its programmes, down from £13,180 in 2014-15. Cash programme expenditure has fallen every year since 2011-12 reflecting the continued reduction in our grant funded programmes across the period and the delivery of our Spending Review settlement.

The main drivers of these reductions includes:

- In higher education, continued implementation reforms, reducing teaching grant payments and increasing funding provided through income contingent student loans. This reform, now in the fourth year of implementation, is reflected in the continuing trend of a move away from grants towards loans.
- In further education, a combination of qualifications reform, non-participation savings and better outcomes from foundation learning. Furthermore, the introduction of advanced learning loans in 2013-14 for those over the age of 24 years has continued to result in costs increasingly moving to Annually Managed Expenditure.
- Resource funding for science being greater than the flat cash settlement awarded in the Spending Round 2013.
- It should be noted that the reduction in higher education and further education expenditure is partially offset by an increase in funding for innovation which includes an expansion in Catapult Centres, Centres helping to commercialise research and new products.

Capital DEL expenditure

Capital DEL expenditure was £2,471 million in 2015-16 and the highest it has ever been. This increased investment is a result of:

- Increased lending to businesses through Green Investment Bank and British Business Bank investments contributing to an increase in the Department's capital expenditure by £460 million or 23 per cent compared to the prior year.
- The successful delivery of the Department's Spending Round 2013 commitment to increase science capital spending in real terms. This includes the first tranche of funding towards RRS Sir David Attenborough, a unique polar research vessel being built in the UK and provision of further support towards future ground-breaking institutes such as the Turing Institute.

Administration expenditure

BIS expenditure on administration has fallen by 31 per cent over the period 2011-12 to 2015-16. The Department over achieved against its Spending Round 2013 commitment by reducing cash administration expenditure by £53 million compared to 2014-15. Reductions have been driven by:

- Invest to save. In 2014-15 the Department established an "invest to save" fund to allow spend in areas which would generate future savings. These savings have materialised in 2015-16 primarily in the Research Councils, the Skills Funding Agency and our shared services centre.
- Corporate services transformation. Building on the reform already delivered in 2014-15, we are continuing to implement estates; IT and Digital Reform. In addition we are strengthening functional leadership in all our corporate service areas to help identify further admin efficiencies across the BIS family.
- Downward trend in discretionary spend: We continue to encourage all our Partner Organisations and teams within core BIS to identify ways to further bring down discretionary spend and have set a target to reduce discretionary spend by 10% in 2015-16.
- Governance reform. We have established a centre of excellence to bring more professionalism and closer relationships between the core Department and Partner Organisations, enabling increased efficiency and effectiveness between the core Department and Partner Organisations.

Annually Managed Expenditure

Parts of the Department's capital expenditure is managed through AME, budgets that are more volatile and demand led. In 2015-16 this budget increased to £9,965 million from £9,573 million in 2014-15 mainly as a result of policies to fund higher education through loans. The principal drivers behind the increase since prior year are:

- Student loans – A combination of increasing student numbers year on year as a result of lifting the cap on student numbers, and issuing higher value loans, has resulted in an increase of £1,127 million.
- Reduction in rate of sales of BIS Postal Act Services (Company) Limited – The Department continues to hold Royal Mail Pension Scheme legacy assets. A reduction in the rate of sales of these assets in 2015-16 compared to prior year has contributed to an increase in net expenditure this year.
- Proceeds of sale of Royal Mail plc – The Department sold its remaining stake in Royal Mail plc in 2015-16, realising one-off income of £1,435 million.

Other BIS budgets

There are significant movements in our outturn particularly in the last two years against non-cash and resource AME budgets. The key driver of outturn in both is higher education student loan impairments. Impairment of student loans issued in year is known as the Resource and Accounting Budget (RAB) charge which is recognised in resource DEL. The impairment of loans issued in previous years is called the stock charge and this is recognised in resource AME. Both are volatile and sensitive to changes in macroeconomic forecasts of earnings growth and inflation made by the Office for Budgetary Responsibility.

In 2014-15 changes to modelling and the expected Office for Budgetary Responsibility projection of long term RPI rate resulted in the RAB charge for that year being recognised in AME rather than DEL. The total loan book was impaired by £1,925 million in 2014-15.

However in 2015-16 there was a favourable revaluation of loans following a change in HM Treasury's long term discount rate resulting in an impairment reversal of £3,623 million. This impacted AME rather than DEL. The carrying value of the loan book as at 31 March 2016 is £56,919 million.

The table below describes the student loan movements in year, the types of budgets impacted and the key drivers for these.

Type of student loan spend	Type of budget impacted	Year on year movement	Variance against Supplementary Estimate	Drivers of movements
Resource and Accounting Budgeting charge – impairment of loans issued in year	Resource DEL programme non-cash	↑ £2,212 million	Underspend £832 million	Office for Budgetary Responsibility inflation forecasts; HM Treasury long term discount rate; changes to repayment threshold; number of loans in issue
Stock charge – impairment of loans issued in previous years	Resource AME non-cash	↓ £7,757 million	Underspend £421 million	
Loan outlay and repayments	Capital AME cash	↑ £1,127 million	Underspend £1,027 million	Demand led uptake of loans by students, repayments impacted by earnings pathways and macroeconomic factors

Outturn variance against Supplementary Estimate

The Department's full outturn against Supplementary Estimate can be found in the Statement of Parliamentary Supply on pages 108 to 112 of the Annual Report. BIS is responsible for all of the resources allocated to the Department and Partner Organisations. The Department has put in place a strong budgetary control process to effectively discharge expenditure in a responsible manner.

The Department allocates annual budgets in March of each year and monitors forecast expenditure against these on a monthly basis. More in-depth reviews of forecasts are carried out quarterly with particular emphasis on mid-year and end December reviews. The Finance Director delivers regular finance reports to the Performance, Finance and Risk Committee and gives the strategic context for managing expenditure over the remainder of the year, providing assurance that forecast expenditure would remain within budget.

Following the mid-year review, in-year budgets were rebalanced as required following an assessment of risks and opportunities across the remainder of the year.

Our regular forecasts feed into HM Treasury who use them to inform total spend across Government for the year and to identify changes to be made through the Supplementary Estimate.

The 2015-16 Supplementary Estimate was published in February 2016. BIS started work during December 2015 to reflect the best known projections for spend at that time in the budgets. The Department also included some buffers for particularly volatile budget areas to mitigate against overspends. The production and publication of the Annual Report and Accounts is between five to six months after this date, as such, variances between final outturn and the Estimate tend to be as a result of better information emerging by year end and unexpected events occurring in the final quarter.

DEL outturn

The DEL outturn for 2015-16 of £19,290 million is an underspend of £1,695 million or eight per cent versus Supplementary Estimate. The main reasons for this variance, by Estimate Line, are summarised in the table below.

Drivers of DEL underspend against Supplementary Estimate	£m
Underspends:	
Higher Education – resource DEL	920
Further Education – resource DEL	151
Government as Shareholder – capital DEL	708
Underspends in other activities – resource and capital DEL	75
Offset by overspends in:	
Innovation, Enterprise and Business – resource and capital DEL	(159)
Total	**1,695**

- *Higher Education (Estimate Lines D&K)*
  The resource DEL outturn against these lines is £920 million or 11 per cent below the Estimate. The main factor contributing to the resource DEL underspend is non-cash costs associated with Student Loans impairments as a result of changes to the discount rate. The Department allowed for a contingency to provide cover for a maximum reasonable level of exposure in the event of an unfavourable Office for Budgetary Responsibility forecast. The Department utilised about half of this contingency and the remainder resulted in an underspend. There is a further underspend of £161 million (two per cent against Estimate) which is because the volume of full maintenance grant awards to students was not as high as anticipated.

- *Further Education (Estimate Lines E&L)*
  The resource DEL outturn against these lines is £151 million or five per cent below the Estimate. Of this, £103 million underspend is due to lower than anticipated learner demand and fewer 24+ Advanced Learner loans being issued.

- *Government as Shareholder (Estimate Lines G&N)*
  The capital DEL outturn is £708 million or 50 per cent below the Estimate. This is largely as a result of underspending by Green Investment Bank. Green Investment Bank and British Business Bank predict the value of funds that will be drawn down by external investors from committed funds in any given year to support the estimated forecasts for BIS.

  However, draw down of funds is volatile and reliant on investments that meet the criteria for funding being agreed in year. To protect against the risk of an overspend, BIS provides a

sufficient buffer in the Estimate for both Green Investment Bank and British Business Bank to fund any pipeline deals that may close or any unexpected large drawdowns that could occur in the final quarter.

The deployment of funds has been slower in year than provided for on British Business Bank Business Finance Partnership Mid Cap and Investment Programme and within the Green Investment Bank portfolio.

- *Innovation, Enterprise and Business (Estimate Lines B&I)*
  The resource DEL outturn against these lines is £59 million or five per cent more than the Estimate. This was a result of the Department taking action to utilise resource DEL underspends against other Estimate lines which emerged at year end to settle a future liability and achieve value for money. These lines show an overspend in capital DEL of £100 million or 16 per cent against Estimate. The Innovation, Enterprise and Business line includes some British Business Bank transactions. This overspend represents internal reallocation of budgets after the Supplementary Estimate to utilise underspends which emerged against lines G and N Government as Shareholder.

AME outturn

The Department's total AME outturn of £2,139 million represented an underspend against voted Supplementary Estimate of £1,287 million or 38 per cent. As mentioned above, AME budgets tend to be volatile and are therefore difficult to estimate reliably. The principal drivers behind this variance, by Estimate Line, are summarised in the table below.

Drivers of AME underspend against Supplementary Estimate	£m
Underspends:	
Higher Education – resource and capital AME	1,405
Government as Shareholder (ALB) net – non-voted capital AME	94
Underspends in other activities	107
Offset by overspends in:	
Government as Shareholder - resource and capital AME	(319)
Total	**1,287**

- *Higher Education (Estimate Lines R&Y)*
  Resource AME lines show an underspend against the Estimate of £369 million (five per cent). Similar to the underspend in resource DEL, this is due to contingency built in to provide cover for a reasonable level of exposure in the event of an unfavourable Office for Budgetary Responsibility forecast. At the time of finalising capital AME budgets we allowed for a high estimate of loan take up. Actuals have come in lower than this resulting in a £1,036 million underspend against budget, albeit a higher outturn than in previous years reflecting continued growth in higher education participation.

- *Government as Shareholder (ALB) net (Estimate Line AD)*
  Non-voted capital AME lines show a £94 million (seven per cent) underspend. The Estimate of £1,341 million for this line represented the anticipated proceeds from the sale of the residual share in Royal Mail Limited of £1,435 million less £94 million gift of shares to Royal Mail. The gift of shares was subsequently treated as capital DEL rather than capital AME.

- *Government as Shareholder (Estimate Lines U&AB)*
  Resource AME lines show a £33 million (eight per cent) underspend against Estimate. This mainly relates to Ordnance Survey Trading Fund transferring its trade and assets to Ordnance Survey Limited, a public corporation. This was a complex transaction to account for and BIS initially allowed for a £34 million impairment of the historic cost of the public dividend capital following direction from HM Treasury. A delay to the completion of due diligence meant the Department revisited the accounting and budgeting treatment previously agreed with HM Treasury after the publication of the Estimate. It was later decided that the transfer should be budget neutral and this AME budget cover was not utilised.

  An overspend of £352 million in capital AME is primarily due to £390 million provision of working capital to the Post Office network which is highly volatile and therefore difficult to

forecast. This is partly offset by an overspend of £36 million which is due to the level of income from asset realisations during 2015-16 in relation to BIS Postal Services Act (Company) Limited. Proceeds are especially volatile given that they depend on market conditions, opportunities being realised and timing of sales.

Financial Position

The table below shows some of the trends that contribute to the changing shape of the Department's financial position.

Statement of Financial Position item	31 March 2012 value (£m)	31 March 2013 value (£m)	31 March 2014 value (£m)	31 March 2015 value (£m)	31 March 2016 value (£m)	31 March 2016 percentage of net assets (%)
Student loan book	28,069	30,696	33,350	42,176	56,919	86%
Fixed assets	2,993	3,323	3,257	3,157	3,162	5%
Other financial assets	793	3,855	3,540	2,442	2,282	3%
Launch Investments	1,763	1,826	1,606	1,740	1,389	2%
Shares in public bodies such as Post Office Limited	2,964	2,247	859	1,143	1,313	2%
Green Investment Bank investments	0	121	390	560	1,019	2%
British Business Bank investments	0	0	0	655	866	1%
Working capital	(1,517)	136	437	1,123	772	1%
Royal Mail Group shareholding	2,087	2,951	1,689	1,315	0	0%
Provisions and Financial Guarantees	(1,566)	(1,659)	(1,440)	(1,342)	(1,297)	-2%
Total	**35,586**	**43,496**	**43,688**	**52,969**	**66,425**	**100%**

Assets

The value of student loans assets, and their share of the Statement of Financial Position, has increased year on year from 79 per cent in 2011-12 to 86 per cent in 2015-16 and accounts for 110 per cent of the increase of the overall net asset value in year. This is partly due to increased student numbers and therefore a higher volume of loans, particularly from 2015-16 when the cap on student numbers was lifted, and an impairment reversal in year due to a favourable movement in the HM Treasury's long term discount rate. Other assets comprise a range of loans and investments such as the UK Innovation Investment Fund and investments made by Green Investment Bank and British Business Bank, which, as discussed above, have increased in year. During 2015-16, the Department sold its remaining share of Royal Mail Limited. The Department continues to hold shares in a number of trading funds and Public Corporations. There is a decrease in working capital since 2014-15 mainly due to movements in cash which are explained in the next section.

Cash

The Department's cash outlay has decreased by £2,236 million, from £27,728 million in 2014-15 to £25,492 million in 2015-16. This was mainly because the Department did not draw down the full Post Office Limited working capital facility in 2015-16. The Net Cash Requirement outturn was £2,684 million lower than the Supplementary Estimate of £28,176 million. Despite the year on year increase in student loan outlay, this has not increased as much as expected in year, as described above in the AME outturn section. This has resulted in the lower cash requirement compared to Estimate.

Forward look

Following the election of the new Government in 2015, a series of announcements setting out the new priorities were made including Summer Budget 2015; the publication of the joint Spending Review and Autumn Statement 2015 and more recently Budget 2016. BIS' Single Departmental Plan was published in February 2016. This sets out a number of priorities and manifesto commitments we must deliver between 2015 and 2020.

The Department's role in reducing debt will include the sale of the first tranche of the pre-Browne Income Contingent Student Loan Book. The decision about value for money ahead of the sale of the loan book will be on a different basis to that used to value the loans in the financial accounts. Under accounting policies the amortised cost discount rate (currently 0.7 per cent) applies whereas the Department has agreed with HM Treasury that any decision to retain or sell an asset on the balance sheet the applicable discount rate is the social time discount rate (currently 3.5 per cent). The Department will also explore options to sell Green Investment Bank and the Government's 33 per cent shareholding in Urenco.

The Department expects to see a shift in the balance of funding over the Spending Review period away from resource grant funding and more towards increased capital financial transactions. This is the result of the following factors:

- Removal of the cap on student numbers since 2015-16 means more students and a higher volume of loans
- Further reform of higher education and further education by replacing maintenance funding with loans from 2016-17
- Further education levy funding of apprenticeships expenditure reflecting a transfer of responsibility from the state to employers
- A steady increase in capital funding for science and research (pre-application of ESA10)
- A projected transition from grant to loan funding in innovation.

Following a change to the European System of Accounts in 2010 (ESA10), effective from 1 April 2016, the Department is required to recognise all future cash spend on research and development in capital budgets, rather than resource. This significantly affects how we record our expenditure on science and research, such as the activities of the Research Councils, Innovate UK and UK Space Agency. The impact of this will be to increase capital DEL budgets and expenditure with a corresponding reduction in resource DEL and this shift will be evident when comparing with prior years budgets. There is no change to the financial accounting treatment for research and development expenditure.

As part of the BIS 2020 programme, the Department will face challenges with regard to reshaping the business model of BIS to one that will enable us to deliver our objectives more efficiently and within a reduced envelope for operational spend each year. To achieve this, the Department plans to simplify its structure, continue to reform its estates and adopt new digital technologies to reduce its spending on operating costs.

Howard Orme
Director General Finance, Commercial and Digital Transformation

Other information

Pension liabilities

The Department's staff can become members of the **alpha** pension scheme, or, if within 10 to 13 years of retirement age at April 2012, were able to retain membership of one of the Principal Civil Service Pension Schemes (PCSPS) until switching to **alpha**. Further details of scheme membership can be found in the Remuneration and Staff Report on page 97. The Department's employer's contributions into the Schemes are reflected in the accounts within staff costs. PCSPS and **alpha** are unfunded multi-employer defined benefit schemes and the Department is consequently unable to identify its share of the underlying assets and liabilities. There is, therefore, no reflection of the Schemes on the Department's Consolidated Statement of Financial Position although some smaller funded and unfunded schemes are recognised. Further details can be found in Note 1.12 to the Accounts.

Payment of suppliers

The Department's policy is to comply with the Chartered Institute of Credit Management's Prompt Payment Code, of which the Department is an approved signatory. Whilst the Department's standard terms and conditions for the supply of goods or services specify payment within 30 days of receipt of a valid invoice the Department aims to pay all valid invoices within five working days of receipt. In 2015-16 99.6 per cent (2014-15: 99.5 per cent) of undisputed invoices were paid within the 30 day target and 96.7 per cent (2014-15: 96.3 per cent) of undisputed invoices were paid within five working days.

The proportion of the aggregate amount owed to trade creditors at the year end compared with the aggregate amount invoiced by suppliers during the financial year in terms of days equalled less than one day.

Charging Policy

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

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

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

Events after the Reporting Period

Please see Note 27 to the Financial Statements for information on events after the reporting period.

Auditors

The financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. His certificate and report is included in the accounts on page 124. The external audit cost of the Departmental Group was £3,027,855 comprising £993,500 notional and £2,034,355 cash. The external audit cost of the UK Atomic Energy Authority Pension Scheme Accounts was a further £34,200 notional.

Sir Martin Donnelly
Principal Accounting Officer and Permanent Secretary
30 June 2016

Accountability

Corporate governance report

Report from the lead Non-executive Board Member

This has been my second year as Lead Non-Executive Board Member of the Department for Business, Innovation and Skills.

I regard this position as a privilege and I am proud to serve the Department whose aim is to make Britain the best place in the world to start and grow a business.

This year brought many changes to the Department. Following the 2015 General Election and the new Government, we welcomed Sajid Javid as our new Secretary of State. Inevitably this has meant new priorities, although of course the overall focus of the Department remains on developing the Industrial Strategy and the development of policy solutions that help industry, protect consumers, and encourage innovation – both in products and skills. BIS has also maintained its commitment to diversity, with the senior civil service evenly split between women and men.

In the autumn BIS launched ambitious plans to contribute to the Government's goal of deficit reduction by making savings while also transforming its operations and delivery, through the "BIS 2020" programme to make BIS "simpler, cheaper and better." We are working towards a new business model where we work more closely with our Partner Organisations, bringing policy and delivery closer together, where we are much simpler in structures and our processes. The BIS 2020 Steering Group, of which I am a member, is also using the expertise of some of my fellow non-executive Directors to assist in the implementation of this ambitious programme.

The 2015 Spending Review presented further challenges for BIS, as we needed to find efficiencies and savings across the Department whilst continuing to deliver the key objectives of BIS 2020. Inevitably this has meant difficult decisions, but we met the target headline reduction in our Budget whilst at the same time actually increasing the overall expenditure that BIS delivers to support the UK economy, supporting skills and scientific innovation. Transferring the funding of key strategic initiatives away from the taxpayer and onto those who will benefit from these policies made this possible. The positive outcome also means that BIS can proceed with its plans to increase investments in science, specific commercial sectors such as the aero and auto industries and create new financial products to support innovation.

We have seen a number of changes to the Departmental Board over the last year. After a highly productive tenure on the board, Dalton Philips stood down in August 2015.

Stephen Bligh continues as Chair of the Audit and Risk Committee in 2015-16, and in June was joined by two new additional Non-Executive members, Claire Davies and Lucy Shannon.

I would also like to thank Wendy Purcell for her commitment in chairing the Nominations Committee.

Finally, I appreciate the hard work and commitment from all of the Board over the past year. Their support to the Department is very much appreciated.

Allan Cook CBE

Lead non-executive board member

Ministers and the Departmental Board

Ministers

The Rt Hon Sajid Javid MP
Secretary of State for Business, Innovation and Skills and President of the Board of Trade

The Rt Hon Anna Soubry MP
Minister of State for Business and Enterprise

Jo Johnson MP
Minister of State for Universities and Science

Ed Vaizey MP
Minister of State for Culture and the Digital Economy

Departmental Board members

Sir Martin Donnelly
Permanent Secretary

Philippa Lloyd
Director General, People, Strategy and Higher Education

Howard Orme
Director General, Finance, Commercial and Digital Transformation

Mark Russell
Chief Executive, UK Government Investments

Sam Beckett
Director General, Economics and Markets

Gareth Davies
Director General, Business and Science

Jaee Samant CBE
Director General, Skills, Deregulation, Local Growth and Legal from 18 April 2016

Dr Catherine Raines FRSA MoID
Chief Executive, UK Trade & Investment

Nick Boles MP
Minister of State for Skills and Equalities

George Freeman MP
Parliamentary Under Secretary of State for Life Sciences (joint with BIS)

The Lord Price CVO
Minister of State for Trade and Investment

Baroness Neville-Rolfe DBE CMG
Parliamentary Under Secretary of State and Minister for Intellectual Property

Non-Executive Board Members

Allan Cook CBE
Lead non-executive board member

Dale Murray CBE
Non-executive board member

Juergen Maier
Non-executive board member

Professor Dame Ann Dowling DBE
Non-executive board member

Professor Wendy Purcell
Non-executive board member

Stephen Bligh
Non-executive board member

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Business, Innovation and Skills (the Department) to prepare, for each financial year, consolidated accounts detailing the resources acquired, held or disposed of, and the use of resources during the year by the Department (inclusive of its executive agencies) and its designated non-departmental and other arms length public bodies designated by order made under the GRAA by Statutory Instrument 2015 no 632, as amended by Statutory Instrument 2015 no 2062 (together known as the 'Departmental Group', consisting of the Department and designated bodies listed in Note 26 to the accounts).

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

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

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

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

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

Accounting Officer's confirmation

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

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

Sir Martin Donnelly
Principal Accounting Officer and Permanent Secretary
30 June 2016

Governance Statement

1. Introduction

This Governance Statement sets out the governance, risk management and internal control arrangements for the Department for Business, Innovation and Skills (BIS). It applies to the financial year 1 April 2015 to 31 March 2016 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance. It also integrates information about the Department's Partner Organisations included in the BIS consolidated accounts.

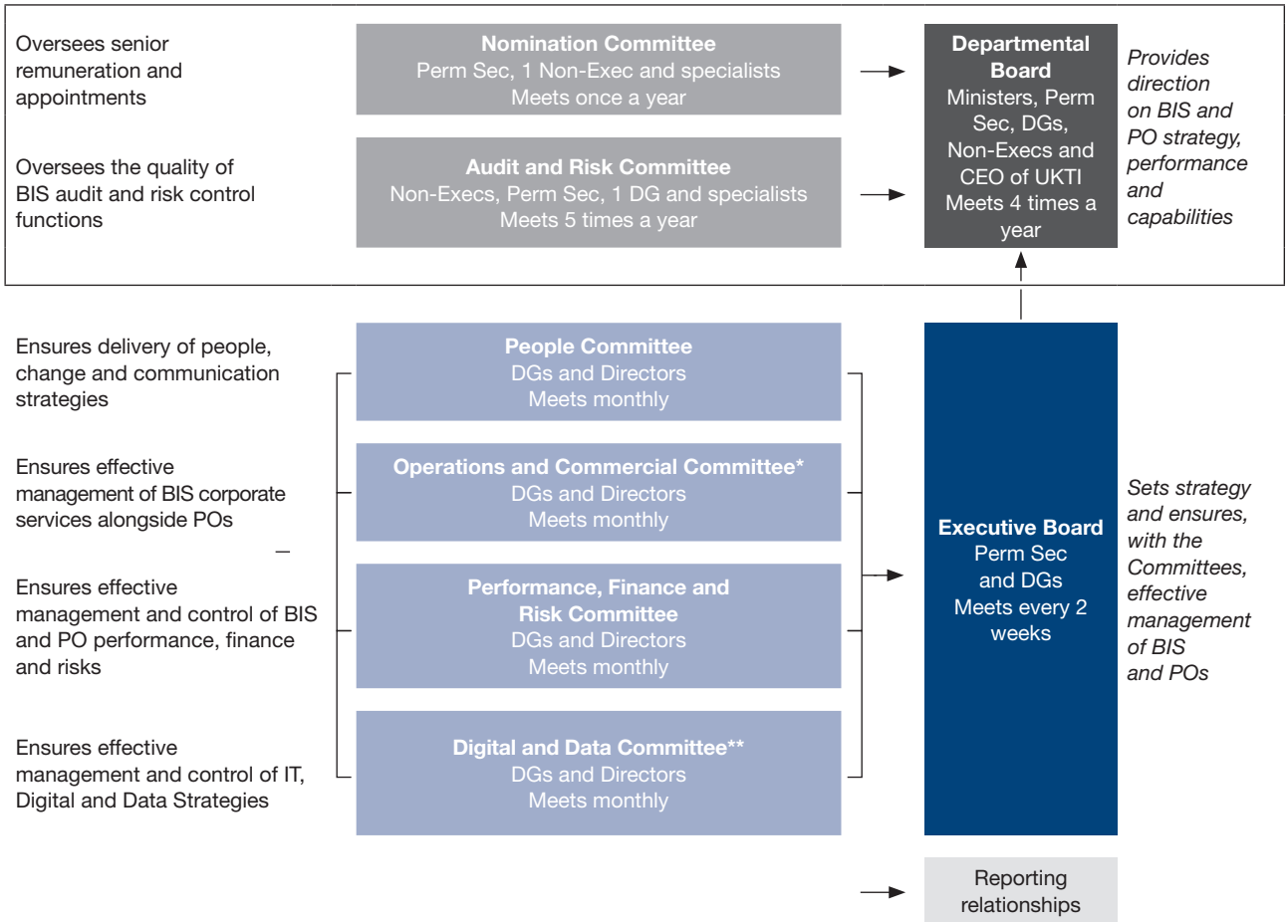
The Department has a wide ranging remit, incorporating a number of complex projects and challenging programmes that have required our governance, structures, staffing and systems to develop, with a focus on major project delivery.

The May 2015 General Election brought a new Ministerial Team to BIS; headed by the Rt Hon Sajid Javid MP as Secretary of State. The Department has embarked on the new Government's programme of policy reform, the 2015 Spending Review, fiscal reform and the BIS 2020 programme.

2. BIS Governance Structures

2.1. Overview

The Department's board and committee structures are shown in the diagram below.



* Operations and Commercial Committee established January 2016 (formerly Operations Committee)
** Digital and Data Committee established February 2016

Clear remits for each board and committee have maintained clarity and accountability, allowing board and committee members to make decisions, monitor performance and manage resources and risk. We have a diverse membership of our board and committees, including Ministers, Non-Executive Directors, Directors General, Directors and Partner Organisation representatives. An observer programme, open to all BIS staff, ensures visibility and transparency of the decision making process in the Department.

2.2. Department Board and Committees

Biographies of **Departmental Board** members are available at: https://www.gov.uk/government/organisations/department-for-business-innovation-skills

The **Departmental Board** brings together the expertise of officials, Ministers and Non-Executive Board Members to provide support and challenge on our delivery of the Department's key operational and policy objectives. The Board met four times in 2015-16 and provided collective strategic leadership of the Department. The Board is particularly focussed on major internal change programmes, particularly BIS 2020, as well as finance, risk and other cross-cutting issues.

The Board and its Sub-Committees use a range of management information to monitor the performance of the Department, including data on: the financial position; human resources; performance indicators; and on operations (e.g. IT, estates and correspondence performance). There are a range of process controls in place that ensure the quality of data is of the standard expected for reliable and informed business decisions.

During the year, the Board scrutinised key aspects of finance and risk across the Department and its Partner Organisations. The Board also provided strategic input and advice on a range of BIS priorities. Diversity and social mobility continue to be priorities for the Department. The Board has been pleased to note the Department's ongoing success regarding gender equality, particularly in senior positions, and recognises the need to do more to make BIS as inclusive as possible.

BIS Non-Executive Directors are appointed through a process of fair and open competition in line with the Office of the Commissioner for Public Affairs guidelines. All Non-Executive positions are advertised openly and centrally through the Cabinet Office Public Appointments website. To ensure that the independence of Non-Executives is maintained they are appointed for a three year fixed period, which can be extended by a maximum of three further years.

Non-Executives, along with all other board members, are required to declare any personal or business interest which may, or may be reasonably perceived (by a member of the public), to influence their judgement in performing their functions and obligations. These are recorded in a register of interests. Where a Board member declares a potential conflict at meetings, it is recorded in the minutes and the Board member takes no part in the meeting for the duration of that item of discussion.

Outside of the Board, Non-Executives continued to add value to the Department across all priorities. In 2015-16 Non-Executives have provided valuable insight and advice on the Department's transformation plans, and Allan Cooke is a member of the Steering Group for BIS 2020.

The Departmental Board has been supported in its work by both the Audit and Risk, and Nominations Committees in its work. During the last financial year, the **Audit and Risk Committee** met six times, providing assurance on the quality of the Department's consolidated accounts, audit arrangements, governance structures and risk management arrangements. The Departmental Board receives regular updates from the Audit and Risk Committee and has considered the Audit and Risk Committee's Annual Report to the Departmental Board. The Audit and Risk Committee meetings were attended by the Head of Internal Audit and representatives from the National Audit Office. In addition, the Audit and Risk Committee spent time looking in depth at key areas, including Student Loans and UK Shared Business Services, examining their key risks and issues.

A review of the effectiveness of the Audit and Risk Committee was undertaken, facilitated by the National Audit Office, and the outcome confirmed that the Audit and Risk Committee is effective and operating in line with current requirements and good practice.

The **Nominations Committee** ensured that senior appointments and remuneration arrangements were transparent, fair and supported departmental objectives. The Committee met once during the financial year, and discussed Senior Civil Service

appointments, Board appointments, senior pay and the work of the Senior Remuneration Oversight Committee.[6]

2.3. Executive Board and Committees

The Departmental Board delegates certain responsibilities to the **Executive Board** whose remit is ensuring effective management of BIS and Partner Organisations, and shaping the strategic direction of the Department. The Executive Board has further sub-delegated some decision-making to the following four Committees, which are chaired by BIS Directors General, and draw membership both from the Executive Board and BIS Directors. Since February 2016, Chief Executives from Partner Organisations are also members of these committees.

- The **People Committee** ensures the delivery of people, change and communications strategies. Key issues dealt with this year include BIS 2020 People work stream, performance management policy and outcomes, diversity data analysis and Apprenticeship opportunities in BIS.
- The **Operations and Commercial Committee** secures the effective running of operations and commercial activities in BIS and across our Partner Organisations. This included discussions over the past year on information management, health and safety, physical security, shared services, BIS Commercial Strategy and a 'deep dive' on the Department's processes for handling Parliamentary Questions.
- The **Performance, Finance and Risk Committee** oversees effective management and control of BIS and Partner Organisations, with specific focus on performance measures, financial controls and risk management. Agenda items included the Spending Review and 'deep dive' sessions on BIS 2020 and the Apprenticeship Levy.
- The **Digital and Data Committee** provides effective management and implementation of IT, Digital and Data Strategies. Since first meeting in February 2016, it has looked at the Group Digital Function, digital capability and the governance of key programmes.

Alongside our policy work we are embarking on a significant programme of reform of BIS, (known as 'BIS 2020'), to ensure that the Department is better, simpler and cheaper, and fit for the future by 2020. In November 2015, the Executive Board agreed the following changes to its governance structures:

- BIS 2020, like other big programmes, feeds into the relevant committees of the overall BIS governance structure outlined above. Given the breadth of scope of BIS 2020, the executive team itself, with the lead BIS non-executive director, meets as the BIS 2020 steering group. Individual components of BIS 2020 will be implemented through the Department's line management structures and co-ordinated by the steering group. This ensures that the Department has the agility and focus required to make quick, effective decisions to implement the BIS 2020 programme. As referenced below, an important governance change arising from BIS 2020 is that Chief Executives from Partner Organisations are invited to join the committees of the BIS board.
- In order to reflect the increasing importance of technology and digital business transformation to BIS a new Digital and Data Committee was created. The committee provides support and oversight for the development and implementation of service, data and technical strategies across the BIS Group. The Committee met for the first time in February 2016.
- The Operations Committee terms of reference were modified to refocus the importance of commercial management and capability and reflect the creation of the Digital and Data Committee. It now covers strategic, cross-cutting areas of operations and commercial activity across BIS and Partner Organisations. Its name was changed to the Operations and Commercial Committee to reflect the new remit and focus on commercial matters with effect from January 2016.
- In light of the broader BIS 2020 objective of moving BIS towards a more integrated group model it was agreed that Executive Board Committees would have appropriate representation from Partner Organisations, typically the Chief Executive. Senior Partner Organisation executives with relevant functional experience were invited to become members of BIS Committees from February 2016. BIS 2020 governance also includes a number of Partner Organisation representatives, and involving them in the day-to-day governance of the Department is consistent with this approach.

6 The Senior Remuneration Oversight Committee reviews senior remuneration across BIS and provides advice to Ministers.

2.4. Board and Committee attendance

Board and Committee attendance for the Financial Year 1 April 2015 to 31 March 2016

	Meeting attendance per board member of meetings eligible to attend							
Name of *Board Member	Departmental Board	Executive Board	Operations Committee (Operations & Commercial Committee from January 2016)	People Committee	Digital and Data Committee (from February 2016)	Performance Finance & Risk Committee	Audit & Risk Committee	Nominations & Governance Committee
Sajid Javid, Secretary of State for Business, Innovation and Skills	4/4							
Anna Soubry, Minister of State for Small Business, Industry and Enterprise	2/4							
Jo Johnson, Minister of State for Universities and Science	3/4							
Ed Vaizey, Minister of State for Culture and Digital Economy	1/4							
Allan Cook	4/4							
Dale Murray CBE	3/4							
Professor Dame Ann Dowling	3/4							
Stephen Bligh	4/4						6/6	
Dalton Philips	1/2							
Juergen Maier	2/4							
Professor Wendy Purcell	4/4							1/1
Grenville Hodge							6/6	
Nigel Johnson							6/6	
Lucy Shannon							5/5	
Claire Davies							5/5	
Sir Martin Donnelly **	4/4	23/23					5/6	1/1
Bernadette Kelly	2/2	2/3		3/3				
Howard Orme **	4/4	22/23	3/3		2/2	14/16	6/6	
Rachel Sandby-Thomas	4/4	23/23	9/9					
Sam Beckett	4/4	23/23				11/16		
Philippa Lloyd	4/4	23/23	1/1	10/11				
Gareth Davies	4/4	21/23	5/6	3/3	2/2	5/8		
Dr Catherine Raines	1/2							
Mark Russell ***	2/4	8/23	0/3					
Jaee Samant		1/1						
Dominic Jermey	2/2							

Key

Ministers
Non-Executive Board Members
Non-Executive Board Members Audit and Risk
Management

Note: Changes to Board membership throughout 2015-16 are indicated in annex C of the Annual Report.
*In the above table we have only recorded the attendance of those at Board level.
**The Accounting Officer and Director General of Finance and Commercial's attendance at the Audit and Risk Committee is in an attendee not member capacity.
***Mark Russell's attendance reflects a major period of transition for Shareholder Executive, as it became an independent Government company. Although Mark still sat on the Board, his attendance was subject to the relevance of the agenda items

2.5. Board performance and effectiveness

In April and May 2016, Allan Cook, the Department's Lead Non-Executive Board Member (NEBM), carried out the annual evaluation of the Departmental Board's effectiveness, in line with the Corporate Governance in Central Government Departments: Code of Good Practice (July 2011). During this evaluation Allan met with his fellow NEBMs and a number of ministerial and executive members of the Board, as well as receiving further input from Board members via questionnaires. Board members were asked to provide their own assessment of the Board's effectiveness and views on the following:

- Governance arrangements
- The Board's contribution to strategic leadership and risk management
- The Board's culture and contribution
- The support available to the Board and its members, and the organisation of its work
- The overall progress and impact of the Board.

Allan Cook will present the findings of the Board Effectiveness Evaluation and propose recommendations for future action at the next meeting of the Departmental Board.

2.6. Partner Organisation governance

BIS policies and services are delivered in many cases through our network of 44 Partner Organisations. All Partner Organisations are established with governance arrangements which are appropriate to both their mission and legal form, and processes for engagement with the Department which allow them to function and deliver. Partner Organisation interaction with the Department is covered in more detail at section 4 below.

2.7. Compliance with the Corporate Governance Code

We carried out a detailed assessment of the Department's compliance with the Corporate Governance Code for Central Government Departments (2011). The Audit and Risk Committee reviewed the results of the assessment in May 2016 and concluded that BIS is compliant with the spirit and principles of the Code.

The ARC noted that responsibility for governance rests with the Audit and Risk Committee and is not part of the Nominations Committee remit, as specified in the Code. This reflects the background and expertise of the members of the two committees. In general, the Executive Board and its Committees provide detailed scrutiny of operational aspects of BIS performance on behalf of the Departmental Board. Non-Executive membership of the Departmental Board and committees will be kept under review during the coming year.

The Committee also noted that there had been continued focus in 2015-16 on reforming the Department's governance and sponsorship of its Partner Organisations, particularly in light of BIS 2020; and that in 2016-17 focus will move to ensuring existing key framework documents with those organisations are all reviewed and reflective of those changes.

3. Risk management

3.1. BIS's approach to risk management

Our risk management approach formally devolves accountability to Directors General and Partner Organisations' Accounting Officers. This approach ensures that risks are assigned to those best placed to manage them, with overall strategic direction on risk appetite and management set centrally.

A corporate Performance and Risk team acts as the central point for advice and guidance on effective risk management. The team coordinates the Department's Top Level Risk Register, which is the route by which the most significant risks are escalated to the Department's boards and committees.

Risks for escalation to the Top Level Risk Register are proposed and reviewed at all levels of the Department; principally through monthly reports from Directors General and their teams. Only risks that could have a significant or cross-cutting impact on the Department are escalated. A principal test for risks entering the Top Level Risk Register is whether or not it can be managed and effectively mitigated at Directors General group level.

The Department also completes quarterly assessments of our Partner Organisations, helping to identify and communicate risks. Sponsor teams and Partner Organisations jointly produce a formal assessment once a year in April.

In 2015-16, the Performance, Finance and Risk Committee scrutinised risks and their mitigation strategies on a monthly basis, providing the Executive Board with an overview of the top level risks. The National Audit Office colleagues also attend committee meetings. The Performance, Finance and Risk Committee have been supported by the Corporate Performance and Risk Challenge Panel (consisting of Directors and Deputy Directors from across the Department). The Panel met monthly to challenge amendments, removal, and escalation of risks to the Top Level Risk Register. The Panel also helped to identify cross cutting and emerging risks as well as promoting good risk practice.

The Performance, Finance and Risk Committee held regular 'deep dives' on the most significant risks or issues, with topics ranging from Apprenticeships to BIS 2020. This provided an opportunity to explore challenging issues in more depth compared to regular reporting. This is when detailed understanding was required to fully assess the implications, required actions or interventions and mitigations. These 'deep dives' allowed teams leading challenging pieces of work to benefit from the expertise and support of senior officials from across the Department.

In 2015-16 we continued to focus on building skills and capacity within our risk management approach. This includes providing training to staff, bespoke risk workshops for individual teams and horizon scanning risk workshops with the Executive Board and the Performance, Finance and Risk Committee. A continued emphasis on sharing good practice, bringing diverse teams together, supported by training and development for our staff, has ensured our risk management processes are continually improved.

The Audit and Risk Committee assures the quality of our risk management processes. They regularly review, challenge and identify ways to help us refresh our processes to ensure they remain fit for purpose. During the year, the Audit and Risk Committee reviewed the Department's Top Level Risk Register, and the process for developing it. This provided our board assurance that the Department and our Partner Organisations are identifying, escalating and managing our risks appropriately and the right level of consideration is being given. Quarterly risk updates are also provided to the Departmental Board.

The Department completed a Senior Civil Service staff risk survey to get a better understanding of the leaderships' views on risk. The survey received 98 responses, equating to 54 per cent of all Senior Civil Service staff. The results have been helpful in directing future work in building the risk culture in the Department. The survey also highlighted the importance of risk training on perceptions and confidence in managing risk.

Some of BIS's risk management strengths include the dedicated Risk Management team and the Performance, Finance and Risk Committee 'deep dives' supported by the Challenge Panel. Additionally, Partner Organisation sponsors have strong relationships with their respective organisations, helping to identify risks earlier. The top down (e.g. horizon scanning workshops) and bottom up (e.g. group led risk process) approach and the significant investment in risk training helps BIS keep an appropriate focus on our key risks. Whilst we will continue to keep

a keen focus on risks and mitigations, the Performance, Finance and Risk Committee's priority for the forthcoming year will be for continuous improvement on assurance over the management of risks such as the performance oversight on metrics and delivery management.

3.2. Significant risks and issues in 2015-16

The section below indicates the key items on the Top Level Risk Register during the financial year. BIS has identified and dealt with a number of risks, some of which, following the Boards' scrutiny, have been managed down and removed from the Top Level Risk Register (see section 3.3 below). However, there are a number of risks that are being carried forward into the new financial year. These are either of a long term, ongoing nature and require continued vigilance or have yet to be managed down sufficiently:

BIS 2020 change programme

Delivering efficiency savings and contributing to the Government's deficit reduction targets has been a key priority for BIS since the election. Our ambition is to deliver reductions in the Department's operating expenditure which equate to around £350 million by 2020. Savings of this magnitude can only be delivered by fundamentally changing the Department's overall business model. BIS 2020 brings together our work to deliver that new business model, creating a better, simpler and cheaper BIS by 2020. It is ambitious in scope, involving reducing our operating costs and associated headcount by 30 – 40 per cent; more than halving our 45 public bodies; and reducing our locations from around 80 to around 7 business centres focussed on a key area of business activity, bringing together expertise and helping us to build our capability, plus a regional presence.

BIS 2020 is a portfolio of work that includes defining a new operating model for the Department, and the programmes that will be needed to implement that model. But it also includes the major policy led transformation programmes, such as Research and Innovation reform, that are changing the Department's structure and how it delivers to its customers.

Risk of staffing gaps and pay restraints

During the year a number of factors have impacted on our ability to recruit for key roles, including the Cabinet Office controls on external recruitment, the introduction of enhanced recruitment controls within BIS HQ in the autumn of 2015 to manage headcount, and the ongoing pay restraint policy within the public sector. In managing these pressures, the Board took the decision to move resources more flexibly to priority areas. The Department also keeps under review how we attract talent using pay flexibilities, communicating the wider non-pay benefits associated with working in BIS (such as our commitment to learning and development), and promoting the opportunity to work within a high-profile Department on top Government priorities.

The Department will also need to manage the transition of some policy roles from its offices outside London following the decision to create a single, smaller policy hub in London. This may cause further churn and create more vacancies in the short term in those policy areas affected, which the department will seek to cover through the recruitment of interns, apprentices and some permanent recruits.

A number of BIS's Partner Organisations have cited the two-year pay freeze and subsequent 1 per cent pay cap as causing problems to business delivery, particularly in specialist areas, such as science, engineering and IT. A consequence of this has been a reliance on interims, as evidenced by cases regularly heard by BIS's Senior Remuneration Oversight Committee, relating to the recruitment of IT and Digital contractors. While recognising the competitive rates of pay in this area and the difficulties of attracting suitable staff on permanent pay rates, Senior Remuneration Oversight Committee has encouraged organisations, when engaging contractors, to introduce knowledge transfer strategies to enable permanent staff to take over and ensure that contractors are engaged for a minimum period.

The difficulties in recruiting science and engineering staff led the Chancellor, in Budget 2015, to grant an exemption from the 1 per cent pay cap to staff in research institutes. The Spending Review extended this to BIS sector research establishments, which are not public corporations.

Since 2010, we have had numerous requests from Partner Organisations, seeking pay flexibilities. Two cases have been submitted to HM Treasury, one of which has been approved.

Concerns about pay restraint having a negative impact on specialist recruitment are not limited to BIS. In acknowledgement, HM Treasury's Civil Service Pay Guidance, since the end of

the pay freeze, has provided a mechanism for seeking their approval for pay flexibilities for specialist staff. Furthermore, Civil Service Employee Policy has had cross-Government discussions on the difficulties in recruiting specialists.

Risk of failing to achieve the ambitious apprenticeships plan

The Department is committed to achieving its ambitious plan of delivering 3 million apprenticeship starts during this Parliament, whilst improving the quality of apprenticeships, creating a new delivery institution and introducing a new apprenticeship levy. Problems materialising in any of these commitments carry significant reputational and political risks. The Department is developing underpinning metrics to allow swift identification of risks to meeting the target. Contingency measures are also being explored to allow remedial action to be taken immediately and bring trajectory back on track if required. The risks to delivering the Apprenticeships Levy have been looked at closely by the Executive and Departmental Boards and continue to be monitored.

Higher education policy intent and funding system

There are a number of risks within the higher education policy landscape, stemming both from the policy intent underlying the funding system and transformation of the delivery landscape currently underway; which require close monitoring:

- Short term, loan and grant outlay is provided to all eligible students. The number of students and uptake of funding is not known at the point at which budgets are set. This uncertainty creates in-year volatility in the Department's budgets, which can impact on other programmes if not managed carefully. The Department regularly reviews student funding forecasts as information is made available through the academic year. Volatility is managed through the Department's regular management accounts process, to minimise the impact on the Department's wider objectives.

- In the longer term, the Resource Accounting and Budgeting charge is the estimated cost to Government of borrowing to support the student finance system (that is the proportion of loan outlay that is likely to be written off due to non-collectability). As repayment is income contingent the forecast for student repayments is very sensitive to changes in the macroeconomic forecast produced by the Office for Budget Responsibility, which drive estimates of future graduate earnings. Recent changes to HM Treasury's discount rate have increased the value of future repayments (reducing the Resource Accounting and Budgeting charge). Significant volatility remains in the system, driven by economic forecasts, which could increase or decrease the Resource Accounting and Budgeting charge in the future. The current Resource Accounting and Budgeting charge (23%) is well below the HMT target rate of 28 per cent, largely as a result of the reduction in the HMT discount rate during the year, which was the first reduction in ten years. BIS and HM Treasury monitor the Resource Accounting and Budgeting charge to ensure the overall sustainability of higher education funding.

- The Government is legislating to deliver a number of reforms which will change the delivery and regulatory landscape for universities, including introducing a Teaching Excellence Framework. The Department will work to ensure that this reform does not destabilise provision for students and universities, nor adversely impact on the high quality outcomes achieved from the university sector. The Department is engaging with a range of stakeholders to understand their views and address concerns through the period of policy development and legislation.

Student Loans Company capacity and capability and its system transformation

The Student Loans Company has a challenging work programme over the next 12 months. This includes the launch of Postgraduate Loans, implementation of a modern core banking platform and working with BIS on the preparation for and delivery of the first sale of income contingent loans. Additionally, delivering the academic year 2017/18 change portfolio is also substantial. In February 2016, the Student Loans Company successfully launched its full time higher education service for academic year 2016/17. However continued pressure on 2016/17 delivery is also causing a delay to preparations for delivery of the 2017/18 commission.

In addition to the ongoing delivery and transformation challenges, the Student Loans Company is undergoing a number of changes in personnel, with five Non-Executive Directors taking up post from 31 March and the recruitment of a new Chief Executive. New

Governance arrangements between BIS, the Devolved Administrations and the Student Loans Company have been established to provide more clarity and transparency on decision making. The change portfolio will take up all available capacity but is deliverable. The Student Loans Company has made good progress on improving its ICT systems since its transformation programme was formally closed in autumn 2015. The Student Loans Company is making improvements on its security and disaster recovery systems, and work continues on ensuring the banking platform is resilient and secure for the future. We have commenced service design work to look at causes of complexity in the Student Loans Company's systems and processes (including policy complexity), in addition to value chain mapping. This will help inform how the Student Loans Company's services are simplified and transformed moving forward. Failure to mitigate these risks would impact delivery of student funding and the recently announced funding reforms.

Skills Funding Agency policy reforms

The Skills Funding Agency is an executive agency of the Department, which managed a large budget of over £2.77 billion in 2015-16. The Skills Funding Agency contributes to the Government's priorities of driving economic productivity through high quality technical skills and achieving 3 million apprenticeship starts in England.

Looking over the course of this Parliament, the Skills Funding Agency will play a significant role in delivering ministers' high priority policy reforms in apprenticeships and increased devolution in skills policy. Combined Authorities who have signed devolution deals will get devolved responsibility for the Adult Education Budget in 2018/19 (subject to meeting prescribed readiness conditions).

The challenge of delivering this is significant due to the ambition of the policy changes, the recent restructure of the organisation and also whilst supporting a sector that is facing financial stress in some areas and is under review (see section below).

The Skills Funding Agency has a strong leadership team and is working proactively to manage the challenges and risks it faces. Since 2014 a joint Chief Executive has been in place across the Skills Funding Agency and the Education Funding Agency. This enabled the creation of the Funding Agency Shared Service Team, which merged the back office functions of the two agencies to realise efficiencies and strengthen capacity by drawing on best practice. The Funding Agency Shared Service Team is implementing a significant change programme which aims to transform and improve services, including financial management.

BIS and the Skills Funding Agency are working more closely together, both at an operational level and by implementing formal governance structures. For example, the Audit and Risk Committee in both BIS and the Skills Funding Agency are fully apprised of the risks the Agency faces and their management. This close working has been strengthened by the appointment of a Non-Executive Director who sits on both the BIS and Skills Funding Agency Audit and Risk Committees.

Further education college resilience

Further education colleges are independent organisations, which receive the majority of their funding through the Skills Funding Agency and the Education Funding Agency. In recent years a significant minority of colleges have come under financial pressure: at 31 March 2016, around 15 per cent of colleges were subject to intervention by the funding agencies for financial reasons.

Where colleges get into financial difficulty, there are a number of measures which can be taken to protect learners and public funding. These include intervention by the Further Education Commissioner and having the Skills Funding Agency place the college in administered status. A number of changes have been made to identify colleges at financial risk earlier and to strengthen intervention arrangements.

In summer 2015, BIS and DfE also commenced a national joint programme of around 40 area reviews of provision by further education and sixth form colleges. These reviews are locally led, with decisions being taken by the colleges themselves, and are likely to result in some mergers and other restructuring, as well as other structural and educational improvements. The key objectives of the reviews are to ensure that provision by colleges meets the educational and economic needs of learners and employers and to leave colleges financially resilient, therefore improving the financial stability of the sector as a whole. The area reviews are supported by a restructuring facility, which is available where needed to help colleges implement the recommendations of area reviews.

Colleges have also been assisted by the stability in both the adult education budget and funding for 16-18 year olds provided by the November 2015 Spending Review, as well as by additional opportunities offered by the apprenticeships levy and an expansion of loans to learners. In the short to medium term, BIS also has a policy of providing, in appropriate cases, exceptional financial support to further education colleges which get into financial difficulty, although it has no obligation to do so and there is no intention to continue this policy beyond the implementation of the area reviews.

Appointments to boards for our Partner Organisations

Appointments to boards of our Partner Organisations are made by Ministers, in accordance with the Commissioner for Public Appointments' Code of Practice for Ministerial Appointments to Partner Organisations. Following the election, we have reflected on the appointments and reappointments process, to ensure that new Ministers have the proper level of input and can be confident that they have people in place with the capabilities to deliver their policy agenda and reform programme, including BIS 2020. Some public appointments were delayed, impacting on Partner Organisation boards' ability to operate within the requirements set out in legislation and function optimally. The Department has a significantly higher than usual volume of appointments to deliver in 2016-17 and work continues to ensure these can be delivered.

In April 2015, we created a central team to standardise our approach and allow ministers to play a key role in the process. This was a significant transformational change for the Department involving transition to a new process and greater ministerial scrutiny and involvement. It is business critical that the right people are appointed to take forward each organisation. We continue to implement a range of proactive steps to manage this including increasing resource for the team, use of management information to aid decision making, developing a situational forward-look planning tool for appointments and implementing our search and diversity strategy to improve diversity in our appointments and identify new talent. Alongside this, the Department will be implementing new Public Appointments principles during 2016-17 that are due to be outlined in a new Governance Code and Order in Council, following the publication of the Grimstone Review of Public Appointments on 11 March 2016.

Alongside this we have been reviewing our performance appraisal processes for Partner Organisation Chairs and Chief Executive Officers where we have found some good practice as well as inconsistent approaches. In April 2015, we set out a clear framework across BIS about the expectations for Chief Executive's and Chair's appraisals. This set expectations that we should have a collaboration objective with each of our Partner Organisations, where we define specific work we would like them to undertake in order to deliver our efficiency and policy agendas.

UK steel crisis issue

The steel industry is currently dealing with extremely difficult global economic conditions, with overcapacity in steel production of around 35 per cent across the world, leading to a significant fall in steel prices and since 2008 we've seen many plant closures. BIS has been working closely with the UK steel industry to address its needs and support restructuring of the industry, including the commercial sale processes.

We secured state aid clearance to compensate for policy costs on electricity, flexibility over EU emissions regulations and we continue to tackle unfair trading practices at both EU and international levels. Where steelmaking activity has been affected (Redcar, Scunthorpe and Rotherham) we have worked closely with local taskforces to ensure that the community, ex-workers and the wider supply chain receives support to recover from the shock. Where support is given, difficult decisions on value for money need to be made and the Department follows the appropriate guidance. In Redcar a support package of up to £80 million has been made available.

3.3. Risks removed from the Top Level Risk Register in 2015-16

During 2015-16, a number of risks were removed from the Department's Top Level Risk Register due to successful mitigation and or managing down of the level of risk, these include:

Response to the Eurozone Crisis

Following a re-evaluation on the response to the Eurozone crisis risk, it was determined the risk is of a lower concern to the Department. The Department responded well during this period and was able to quickly mobilise assistance to businesses that were affected by the crisis or capital controls that had been implemented. The risk continues to be monitored at Directors General group level

and will be reinserted if there are any adverse developments.

Local Growth and Local Enterprise Partnerships capability

In the last year, the risk that Local Enterprise Partnerships do not have the capacity or capability to deliver the 39 ambitious Growth Deals is considered to have reduced and is now being managed at group level. The Cities and Local Growth Unit monitored Local Enterprise Partnerships delivery performance to find them broadly on track, and key milestones set in relation to Growth Deals were met. Where further work is needed to strengthen capacity and capability, the team are aware of the issues and there are mitigation plans in place.

Spending Review

The Department monitored risks around the Spending Review 2015, which concluded in November 2015 and has therefore been removed from the Top Level Risk Register. The Department conducted detailed reviews of its evidence base, value of capital investments and efficiency programmes to inform the risks around future spending decisions. Individual risks will now be monitored through policy delivery channels.

3.4. Major projects assurance

BIS has embedded its oversight of, and support for, our portfolio of 40-50 major projects. The portfolio has developed through the year with a number of projects completing successfully, and new ones emerging following the Election and conclusion of the Spending Review. We have a strong relationship with our Senior Responsible Officer (SRO) community, providing them and their teams with training and development support, guidance, knowledge sharing and best practice. Our full range of support was reviewed by the Government Internal Audit Agency in the year which concluded that we are successfully meeting business needs.

We are driving development plans for the function and have contributed substantially through the year to Cabinet Office led work on developing the project delivery and the commercial professions. Our project delivery typology, which drives how we analyse and classify BIS projects and assess the resulting risks, has driven specific interventions including a substantial commercial and contract management skills leadership programme, and the development of a 'policy to delivery' training specification aimed at equipping senior officials as effective and confident sponsors, customers, mentors and shapers of large and major projects. Our integrated assurance model, allowing projects to have appropriate assurance depending on their level of complexity and risk, continues to provide assurance targeted where it is most required.

BIS major projects continue to deliver. Highlights include delivery and 'go live' of new facilities at the Pirbright Institute, which won a number of construction awards, and the completion of a critical phase of the Meteorological Office's supercomputer programme. Further major projects are under way, including the construction of a new polar research vessel.

4. BIS Partner Organisation Governance

4.1. Overview

The Department's objectives are substantially delivered through our network of Partner Organisations. Sponsorship of our portfolio of organisations is a challenging and high priority role for the Department, with Partner Organisations varying by organisational type and level of independence, and operating in a complex and often changing environment. Each Partner Organisation is overseen by a sponsor team in BIS which agrees and captures the organisation's remit in a Framework Document, monitors and challenges performance, and works with the Partner Organisation to support their high level aims. In 2015-16 BIS continued to embed reforms to improve the governance and efficiency of our portfolio of Partner Organisations. Our BIS 2020 reform programme is looking at how we can continue to derive the maximum benefit from our network of Partner Organisations, strengthen governance and deliver efficiency.

Aligning with Cabinet Office, we are committed to simplifying the BIS Partner Organisation landscape. For example, the National Measurement and Regulation Office (a BIS Executive Agency) was brought together with the Better Regulation Delivery Office into a single directorate within BIS HQ on 1 April 2016 to focus on regulation and enforcement.

4.2. Partner Organisation assurance reviews

The Partner Organisations and Governance team works closely with the Performance, Risk and Planning Team to ensure that BIS senior

management have an up-to-date view on Partner Organisation risks and performance and the information required to identify areas for action.

We review our BIS Partner Organisation assurance assessments on a quarterly basis to understand our risk profile and identify which organisations to focus our Partner Organisation sponsorship resource on. In April 2015 we undertook an annual assurance review of all our Partner Organisations, this exercise has been repeated in April 2016. The BIS Performance and Risk Challenge Panel and the Performance, Finance and Risk Committee reviewed all assurance assessments. These full assessments included both the BIS Sponsor and Partner Organisations' views of the capabilities of the organisation, the risk and opportunities the Partner Organisation poses to BIS, and their independent assessment of the relationship, enabling transparency and trust between the BIS Partner Organisation teams and Partner Organisations.

Common issues for the Partner Organisations on the risk grid as high/medium impact and likelihood were the delays being experienced in the appointment of new leaders due to transitioning to a new process and greater ministerial scrutiny and involvement. Several Partner Organisations make reference to the performance of UK SBS as a challenge, for the most part this related to maintaining a heavily customised and therefore complex IT system for the Research Councils. More recently, concerns over the implementation of BIS 2020 have been expressed. This was expected due to the scale of changes and the programme still being at an early stage.

4.3. Sponsorship

On 1 April 2015, we launched our new strategy for sponsorship of Partner Organisations to achieve two key changes. Firstly, the splitting of sponsorship into two distinct areas of Policy (whereby we support and challenge the delivery of BIS Ministerial policy objectives) and Commercial and Governance (whereby we support and challenge the performance of Partner Organisations) in order to achieve a successful balance in both these areas. Secondly, a risk-based approach to ensure sponsorship resource is proportional to the needs of the Partner Organisation.

The reforms have brought greater coherence in the application of sponsorship across BIS and increased clarity amongst sponsors and Partner Organisations, on the Department's expectations of them. Alongside this we have been working closely with sponsors to develop governance and assurance capability. This has included focused sessions on commercial capability, interpretation and application of spend controls and developing framework documents.

In addition, the Partner Organisations and Governance team has been actively involved with the cross-Whitehall Sponsorship network, to contribute to and learn from cross-Government best practice.

In September 2015 we launched the annual Sponsorship health checks programme, aimed at providing corporate visibility of the newly created sponsorship function. This offers a strategic look at how sponsorship supports our delivery partners and will help us to understand the key areas of sponsorship, building on the work to date. BIS 2020 will change the relationship between BIS HQ and Partner Organisations and our approach to sponsorship will need to change to reflect this. Work to design BIS's future sponsorship model will be undertaken in 2016 as part of BIS 2020.

4.4. Triennial Reviews

2015-16 was the final year of the cycle of triennial reviews. Due to the emergence of the BIS 2020 transformation programme the five triennial reviews originally scheduled for 2015-16 were not undertaken. However, the final reports of the joint review of the Industry Training Boards, and that of the UK Atomic Energy Authority were published. From January 2016, Cabinet Office requires non-departmental public bodies, together with Non Ministerial Departments and Executive Agencies, to be subject to two tiers of review of form, function, efficiency and effectiveness within a Parliament. The first tier will be 'functional' reviews with clusters of Partner Organisations with similar functions open to collective review. The second tier, 'tailored reviews', will be led within Departments, and BIS has submitted a programme of tailored reviews to Cabinet Office covering the current Parliament. This programme reflects the current state of the transformation of the BIS Partner Organisation landscape under BIS 2020.

4.5. Research Council assurance

The Research Councils have engaged on a collective review of the assurance they have over how research funds provided to higher education institutions are applied. The outcome of the review concluded that the

current assurance model provided sufficient assurance, but that it could be enhanced and made more efficient. Work will be undertaken in the summer 2016-17 to ensure that appropriate levels of assurance can be obtained without unduly increasing the cost of that assurance.

5. Other governance activities

5.1. Counter fraud and error

The Department and its Partner Organisations run many different funding and support schemes to assist all those who rely on our services to succeed. These sometimes create fraud and error risks either to the taxpayer or to genuine users of BIS services that require careful management. We have been looking to improve our end-to-end management of fraud and error risks from prevention to prosecution and recovery.

Our counter fraud strategy is based on ever closer working across teams and organisations to pool expertise and share intelligence and information. The BIS Group Counter Fraud Network continues to be a key mechanism for leveraging this collective capacity to manage the risks of internal and external fraud and error. The network meets regularly to cascade latest learning, discuss current and emerging fraud trends and identify and share best practice. Throughout 2015-16, we have worked on joint investigations with the Cabinet Office and other Departments. We have also received excellent support from law enforcement colleagues on investigations and cross-cutting counter fraud issues.

We have sought in particular to assess and mitigate fraud risks at the design stage of new policies through cross-BIS and inter-departmental Challenge and Support Panels, which have been commended by the NAO as one part of managing such risks. As with other Departments, we recognise that we need to do more to detect, investigate and recover fraud and error losses. To help achieve this, we will build cutting edge analytical systems into new digital services which can help protect us and genuine users of BIS funds and support services. As well as improving our processes and systems, we are rolling out a training and awareness programme which draws on wider threat assessments received from law enforcement colleagues.

Our Partner Organisations reported and stopped a number of actual or attempted acts of fraud, some of which appear to come from organised criminals. While student support remains our biggest fraud risk, the Student Loans Company has led the way in preventing losses of some £16 million in 2015-16. We will be looking to leverage some of their expertise more widely across the BIS Group of organisations.

There are a number of live criminal investigations under way, details of which cannot be reported at present for legal reasons. In all cases we are looking to further strengthen controls and improve our management information.

5.2. BIS Shared Services Strategy

The Department's Shared Services 2020 strategy was agreed in June 2015. Over the next two to three years all of the services currently provided by UK Shared Business Services Limited will transfer to other service solutions/providers or be absorbed into the business. A BIS Shared Services Programme is under way to define and deliver the strategy with active input from BIS functional leads, Partner Organisations and close collaboration with UK SBS. The governance of the Company has been re-engineered to allow us to move to these new models. The Company's Board now comprises a majority of non-executive directors from UK SBS owner organisations and two independent non-executive directors. An independent review of the governance changes by Internal Audit indicates that the new Board is bedding in well. This year has seen continued stabilisation and improvement of UK SBS services to BIS and Partner Organisations. In particular, UK SBS has made considerable progress in addressing the internal control weaknesses relating to procurement and operational governance. The Head of Internal Audit's Annual Report gave Moderate Assurance for controls relating to customer facing operations and those for internal operations. Assurance is provided by the UK SBS Board and quarterly Partner Organisation returns from the Executive Director.

Business continuity management and disaster recovery, particularly associated with technical legacy issues, are highlighted by the Head of Internal Audit as continuing to need attention. There was a significant issue with an upgrade to the aging and complex Oracle platform serving the Research Councils during the course of this year. This resulted from the highly customised and complex platform that was tailored made for the Research Councils and is therefore challenging to maintain. There is a strong degree of collaboration by UK SBS,

the Research Councils and BIS to manage essential change to the platform and maintain service. I am aware of the underpinning issues, how they have arisen and the ongoing action being taken by UK SBS in close collaboration with BIS and Partner Organisations to mitigate the risks. This matter is identified by the UK SBS Board as a key ongoing area of risk and will remain under close scrutiny by all parties.

In addition, Innovate UK have suggested that their legacy finance system will also be tackled in the same way and we are working closely with BIS group colleagues to mitigate risks and move towards a new platform in the long term.

5.3. Ministerial Directions

A Ministerial direction is where the Accounting Officer has formally notified the Minister of objection to the Minister's proposed course of action on regularity, propriety, value for money or feasibility grounds, and the Minister overrules that advice. If a direction is given, the Accounting Officer will no longer be challenged by the Public Accounts Committee as to why they took forward the policy. However, they might still need to explain the course of action and the Minister's reasoning. During 2015-16 BIS ministers issued four ministerial directions to the Accounting Officer. All the required processes and reporting were followed for each Ministerial Direction. Further details on Ministerial Directions are available at https://www.gov.uk/search?q=ministerial+directions.

- **Hatfield Colliery Partnership Limited** (July 2015)

Following weaknesses in the global market price of coal combined with production issues Hatfield Colliery Partnership Limited approached BIS seeking financial support in November 2014. Following discussions, a short term commercial loan of £8 million was provided in December 2014 in order to preserve the viability of their managed closure plan. £2 million of this loan was drawn on 31 December 2014.

A further drop in world coal prices, together with ongoing production issues over the Christmas and New Year period resulted in the headroom in their plan being eradicated leaving the only realistic refinancing solution being via closure aid. In giving the direction the Secretary of State gave consideration to the wider benefits that accrue by preventing a disorderly closure of the mine, not least the lack of replacement jobs within the Hatfield and neighbouring areas for the affected miners.

- **Gifting of Royal Mail Shares** (June 2015 and October 2015)

At the time of the secondary sales of the Government's Royal Mail shareholding in June and October 2015, Ministers decided to also reward eligible UK Royal Mail employees for their hard work in modernising the company with gifts of shares. The BIS Accounting Officer concluded that, while this was an entirely legitimate policy decision by Ministers, it did not provide a tangible return for the taxpayer so was not value for money as defined in Managing Public Money. He therefore requested direction letters from the Secretary of State on both occasions. The shares were transferred to the Royal Mail Share Incentive Plan in September 2015 and March 2016.

- **Redcar steelworks** (October 2015) is covered in the steel section in 3.1 above.

The closure of the SSI steelworks at Redcar was a major economic shock to the Tees Valley. A support package was provided to benefit local people and businesses. However, wage subsidies to employers taking on apprentices, raised issues in relation to value for money, and a direction was sought on this basis.

6. Accounting Officer's annual review of governance effectiveness

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

6.1. BIS Directors General statements on governance, risk management and internal control

Each BIS Director General provides a statement to me on the effectiveness of the system of governance, risk management and internal control in-year and at the year-end for their Group plus an action plan for improvements. The Internal Audit and Governance leads and the Chair and other members of the Audit and Risk Committee review each Statement with the relevant Director General and discuss key findings with me.

6.2. Partner Organisation assurance statements

The Department's Partner Organisations each conduct a review of the effectiveness of governance, risk management and internal control in the Governance Statements for their Annual Accounts, which are reflected in this statement as appropriate. The Audit and Risk Committee has reviewed a summary of each Partner Organisation's Governance Statement. The statements from each Chief Executive form part of my overall assurance on internal control.

6.3. Quality assurance of analytical models in BIS

BIS continues to ensure the quality assurance of BIS analytical models is appropriate. Model Quality Assurance guidance is available, and we are ensuring that it is being followed. We have identified 14 business critical models and each one has had a model senior responsible owner (SRO) assigned to it. Each model SRO has reported on the quality assurance applied to their model and confirmed that, in their opinion, this is appropriate and the model is fit for purpose. We have also identified three models that are expected to become business critical in the near future. We will ensure that these models are developed, managed and quality assured in an appropriate way. A list of our business critical models, and those likely to become business critical in the near future, can be found at www.gov.uk/government/publications.

6.4. Off-payroll tax assurance

The Government's review of the tax arrangements of public sector appointees highlighted the possibility for artificial arrangements to enable tax avoidance. BIS continues to take a robust approach and its tax assurance policy has been promulgated and implemented across the BIS family. Tax assurance evidence is sought and scrutinised to ensure it is sufficient from all off-payroll appointees. Assurance of compliance with this tax policy has also been sought from our Partner Organisations. Monitoring has shown we are broadly compliant across BIS and action has been taken to address any slight deviations from this policy. A summary of the BIS tax assurance data can be found at https://www.gov.uk/government/collections/bis-organogram-and-staff-pay-data#bis-tax-arrangements-for-appointees.

6.5. BIS and Partner Organisations Whistleblowing procedures

BIS and its Partner Organisations have reviewed the effectiveness of their arrangements to support whistleblowers throughout 2015-16. For employees and other staff who work within the BIS Group, policies and procedures have been reviewed and tested to enable them to make complaints which will be properly investigated. We have strengthened and are also looking to improve the arrangements made available to external whistleblowers outside the BIS Group in respect of services and organisations funded or regulated by BIS and its Partner Organisations. The initial results have been encouraging and we will build on this in 2016-17.

6.6. Restatement of provisions in the Post Office Limited 2014-15 accounts

During the year, Post Office Limited identified that its provision for compensation for postmasters under its network transformation programme was materially understated in its accounts as at September 2014 and March 2015. The error did not impact any payments and related only to the timing of recognition of the liability. Post Office Limited corrected this error in its September 2015 interim accounts. As soon as the Department became aware of the error, through our shareholder relationship with Post Office Limited, we sought evidence

and assurance at varied levels in the business, including the recently appointed Chief Finance Officer, that Post Office Limited was taking action to resolve the error and addressing the underlying causes which led to it. Post Office Limited is subsequently implementing ongoing improvements, involving the introduction of new internal systems and processes and a review of financial accountabilities, led by the Chief Finance Officer.

6.7. Cyber security

During the year, the core Department achieved the "Cyber Essentials" accreditation, which is a confirmation that the basic measures to protect against a cyber-security incident are in place. The technical defences against cyber attacks, whether delivered by email or by web traffic, have stood up well, and there have been no serious breaches recorded.

6.8. Information security

There was one data loss incident which needed to be reported to the Information Commissioner's Office, within the core Department or Partner Organisations within the accounting boundary, during the 2015-16 financial year. This was a data protection breach involving Companies House. No sensitive personal data, as defined in the Data Protection Act, was involved. The Information Commissioner's Office has decided that no further action is necessary.

6.9. Internal Audit Review

For 2015-16, Internal Audit was provided by the Government Internal Audit Agency. Based on ongoing engagement with the Department and the delivery of an agreed programme of work, the Internal Audit annual opinion is classified as 'moderate'. This means that whilst the underlying system of internal control was found to be sound, some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. The majority of individual pieces of work undertaken by Internal Audit were rated either substantial or moderate in assurance with only two reviews reporting limited assurance ratings. These related to Synergistic Air Breathing Rocket Engine and higher education policy, both areas where the Department is taking action to address. As part of our work, four high priority actions were agreed with the Department. Internal Audit will monitor implementation of these and will test their effectiveness as part of the 2016-17 audit programme.

6.10. Internal controls follow up

Ahead of the changes required for BIS 2020, my finance teams are engaged in a full review of all financial controls and processes to ensure these remain efficient and fit for purpose. This work has commenced in 2015-16 and will conclude in early 2016-17. This will draw on the best practices identified within the BIS family to ensure that common processes are adopted across the family where appropriate.

6.11. Accounting Officer's Conclusion

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

Sir Martin Donnelly
Principal Accounting Officer and Permanent Secretary

Remuneration and staff report

1. Remuneration Report

Remuneration Policy

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

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

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

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

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

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

Performance and Reward

The Senior Civil Service (SCS) pay system consists of relative performance assessments. The highest performing individuals in BIS were awarded a non-consolidated performance reward for their performance against objectives in 2014-15 which was paid in 2015-16. These awards varied in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government. Consolidated base pay awards are limited to a 1% increase to the Department's SCS pay bill. No base pay increases were paid to those assessed to be the lowest 10% of performers or those receiving a salary in the upper quartile of their pay band other than those assessed as being among the top 25% of performers.

Further information about the performance and reward arrangement for Senior Civil Servants can be found at www.gov.uk/government/collections/senior-civil-service-performance-management-and-reward.

Audited information

The following table shows the number of SCS staff in the Core Department by pay range as at 31 March 2016. Bonuses are not included and salary ranges represent full-time equivalent rates. These pay ranges cover those staff employed on open-ended and fixed term contracts.

Pay Range	No of SCS staff within range as at 31 March 2016	No of SCS staff within range as at 31 March 2015 restated
£60,000 – £64,999	23	32
£65,000 – £69,999	46	41
£70,000 – £74,999	30	29
£75,000 – £79,999	22	17
£80,000 – £84,999	2	2
£85,000 – £89,999	23	21
£90,000 – £94,999	7	11
£95,000 – £99,999	3	4
£100,000 – £104,999	11	10
£105,000 – £109,999	-	1
£110,000 – £114,999	3	3
£115,000 – £119,999	5	4
£120,000 – £124,999	2	1
£125,000 – £129,999	2	1
£130,000 – £134,999	4	2
£160,000 – £164,999	3	3
£175,000 – £179,999	1	1
Total	187	183

The remuneration of the Senior Civil Servants who are not members of the Departmental or Executive Boards is based on a combination of the performance ratings determined by the Departmental Performance and Development Committee, and the award amounts determined by the Executive Board. The Members of Executive Board and the Performance and Development Committee for 2015-16 were:

Sir Martin Donnelly	BIS Permanent Secretary
Howard Orme	Director General, Finance, Commercial and Digital Transformation
Rachel Sandby-Thomas	The Solicitor and Director General, Skills, Deregulation and Local Growth
Sam Beckett	Director General, Economics and Markets
Mark Russell	Chief Executive, Shareholder Executive (to 31 March 2016)
Bernadette Kelly	Director General, Business and Local Growth (to 13 September 2015)
Philippa Lloyd	Director General, People, Strategy and Higher Education
Dominic Jermey	Chief Executive, UK Trade & Investment (to 3 September 2015)
Gareth Davies	Director General, Business and Science

Service Contracts

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

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

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

Audited information

Salary and Pension entitlements for Ministers of the Core Department

The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department for Business, Innovation and Skills for the year ending 31 March 2016 were as follows:

Single total figure of remuneration						
Ministers	Salary (£)		Pension benefits (to nearest £1,000)[1]		Total (to nearest £1,000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Secretary of State						
Rt Hon Sajid Javid MP (from 12 May 2015)	59,884[2]	-	26,000	-	86,000	-
Rt Hon Dr Vince Cable (until 08 May 2015)	6,896[3]	67,505	8,000	22,000	15,000	90,000
Ministers of State						
Rt Hon Francis Maude (until 11 March 2016)[4]	-	-	-	-	-	-
Ed Vaizey MP[5]	-	-	-	-	-	-
Rt Hon Greg Clark MP (until 11 May 2015)[6]	-	-	-	-	-	-
Lord Livingston (until 11 May 2015)[7]	-	-	-	-	-	-
Matthew Hancock MP (until 11 May 2015)	5,280[8]	31,680	-	-	5,000	32,000
Rt Hon Anna Soubry (from 12 May 2015)	28,136[9]	-	12,000	-	40,000	-
Jo Johnson MP (from 12 May 2015)	28,136[10]	-	12,000	-	40,000	-
Nick Boles MP	31,680	22,568	7,000	-	39,000	23,000
Parliamentary Under-Secretaries of State						
George Freeman MP	22,375	15,939	7,000	6,000	29,000	22,000
Baroness Neville-Rolfe DBE	72,470[11]	51,235	-	17,000	72,000	68,000
Jo Swinson MP (until 08 May 2015)	7,880[12]	22,375	1,000	8,000	9,000	30,000

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

1 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights
2 The full year equivalent is £67,505. 12 – 31 May salary was paid by Department of Culture, Media & Sport
3 The full year equivalent is £67,505
4 Salary and pension details can be found in the Foreign Commonwealth Office's 2015-16 Annual Report and Accounts
5 Salary and pension benefits details can be found in the Department of Culture, Media and Sport's 2015-16 Annual Report and Accounts
6 Salary and pension details can be found in the Cabinet Office's 2015-16 Annual Report and Accounts
7 Elected not to draw a Ministerial salary
8 The full year equivalent is £31,680
9 The full year equivalent is £31,680. 12 – 31 May salary was paid by Ministry of Defence
10 The full year equivalent is £31,680. 12 – 31 May salary was paid by Cabinet Office
11 Includes Lords Office-Holders Allowance
12 The full year equivalent is £22,375. £5,594 was paid out as compensation in lieu of notice.

Audited information

Ministers	Accrued pension at age 65 at 31 March 2016	Real Increase in pension at age 65	CETV at 31 March 2016	CETV at 31 March 2015	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Secretary of State					
Rt Hon Sajid Javid MP (from 12 May 2015)	0-5	0-2.5	51	32	11
Rt Hon Dr Vince Cable (until 08 May 2015)	5-10	0-2.5	144	136	6
Ministers of State					
Rt Hon Francis Maude (until 11 March 2016)[13]	-	-	-	-	-
Ed Vaizey MP[14]	-	-	-	-	-
Rt Hon Greg Clark MP (until 11 May 2015)[15]	-	-	-	-	-
Lord Livingston (until 11 May 2015)[16]	-	-	-	-	-
Matthew Hancock MP (until 11 May 2015)[16]	-	-	-	-	-
Rt Hon Anna Soubry (from 12 May 2015)	0-5	0-2.5	41	28	9
Jo Johnson MP (from 12 May 2015)	0-5	0-2.5	26	17	5
Nick Boles MP	0-5	0-2.5	6	-	3
Parliamentary Under-Secretaries of State					
George Freeman MP	0-5	0-2.5	11	5	3
Baroness Neville-Rolfe DBE[16]	-	-	-	-	-
Jo Swinson MP (until 08 May 2015)	0-5	0-2.5	15	14	-

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

13 Salary and pension details can be found in the Foreign Commonwealth Office's 2015-16 Annual Report and Accounts
14 Salary and pension benefits details can be found in the Department of Culture, Media and Sport's 2015-16 Annual Report and Accounts
15 Salary and pension details can be found in the Cabinet Office's 2015-16 Annual Report and Accounts
16 Not a member of the Parliamentary Contribution Pension Fund

Audited information

Salary and Pension entitlements for the senior managers of the Department

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

Single total figure of remuneration								
Officials	Salary (£'000)		Bonus payments (£'000)		Pension benefits (to nearest £1,000)[17]		Total (to nearest £1,000)	
	2015-16	2014-15 restated	2015-16	2014-15	2015-16	2014-15 restated	2015-16	2014-15 restated
Sir Martin Donnelly	160-165	160-165	–	–	51,000	35,000	215-220	195-200
Howard Orme	160-165	160-165	15-20	10-15	48,000	44,000	220-225	215-220
Rachel Sandby-Thomas	130-135	130-135	10-15	10-15	31,000	47,000	175-180	190-195
Sam Beckett	115-120	115-120	–	–	81,000	117,000[18]	200-205	235-240
Mark Russell (until 31 March 2016)	160-165	160-165	15-20	10-15	47,000	46,000[19]	225-230	220-225
Bernadette Kelly (until 13 September 2015)	65-70 (130-135 full year equivalent)	120-125	15-20	10-15	33,000	50,000	115-120	180-185
Philippa Lloyd	115-120 (120-125 full year equivalent)	105-110 (110-115 full year equivalent)	15-20	10-15	77,000	64,000	205-210	180-185
Dominic Jermey (until 3 September 2015)[20]	–	–	–	–	–	–	–	–
Gareth Davies	125-130	20-25 (120-125 full year equivalent)	0-5	–	122,000	3,000	245-250	25-30
Catherine Raines (from 7 September 2015)	85-90 (150-155 full year equivalent)	–	–	–	40,000	–	125-130	–
Band of highest paid director's Total Remuneration (£'000)	180-185	175-180	–	–	–	–	–	–
Median Total Remuneration (£)	35,066	34,840	–	–	–	–	–	–
Ratio	5.20	5.09	–	–	–	–	–	–

17 None of the Officials of the Department received any benefits-in-kind during the year
18 Revised due to retrospective update to salary data
19 Revised due to retrospective update to added pension
20 Salary and pension benefits details can be found in the Foreign and Commonwealth Office's 2015-16 Annual Report and Accounts

Audited information

Pension Benefits						
Officials	Accrued pension at age 60 as at 31 March 2016 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2016	CETV at 31 March 2015	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Sir Martin Donnelly	70-75 plus lump sum of 220-225	2.5-5 plus lump sum of 7.5-10	1,610	1,452	48	–
Howard Orme	25-30	2.5-5	464	380	43	–
Rachel Sandby-Thomas	45-50 plus lump sum of 45-50	0-2.5 plus lump sum of -2.5-0	816	726	24	–
Sam Beckett	35-40 plus lump sum of 105-110	2.5-5 plus lump sum of 2.5-5	669	564[21]	48	–
Mark Russell (to 31 March 2016)	20-25	2.5-5	559	465[22]	38	–
Bernadette Kelly (to 13 September 2015)	40-45 plus lump sum of 130-135	0-2.5 plus lump sum of 2.5-5	791	748	25	–
Philippa Lloyd	40-45 plus lump sum of 45-50	2.5-5 plus lump sum of 2.5-5	757	635	67	–
Dominic Jermey (to 3 September 2015)[23]	–	–	–	–	–	–
Gareth Davies	25-30	5-7.5	410	305	63	–
Catherine Raines (From 7 September 2015)	5-10	0-2.5	199	160	22	–

21 Revised due to retrospective update to salary data
22 Revised due to retrospective update to added pension
23 Pension details can be found in the Foreign and Commonwealth Office's 2015-16 Annual Report and Accounts

Unaudited information

Notes:

- The information relates only to the Core Department. Similar information relating to the Chief Executives and most senior managers of the executive agencies and other bodies of the BIS family is given in the separate accounts of those bodies.
- 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£67,060 from 1 April 2014, £74,000 from 8 May 2015) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.
- Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2015-16 relate to performance in 2014-15 and the comparative bonuses reported for 2014-15 relate to the performance in 2013-14.
- None of the most senior managers of the Core Department received any benefits-in-kind during the year.
- Where senior managers left during the course of the year, their CETV closing balance will be as at their leaving date.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF MINISTERIAL SCHEME FINAL RULES.doc.

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1 April 2013 have transitional protection to remain in the previous final salary pension scheme.

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre – and post-2015 Ministerial pension schemes.

The Cash Equivalent Transfer Value (CETV) for Ministerial pensions

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

The real increase in the value of the CETV

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

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Cash Equivalent Transfer Values for Civil Service pensions

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

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

Real increase in CETV

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

Compensation for loss of office

No senior managers have received compensation for loss of office.

Pay Multiples

The pay multiples disclosure is subject to audit. Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director, including any bonuses, in the Department for Business, Innovation and Skills in the financial year 2015-16 was £180,000 to £185,000 (2014-15: £175,000 to £180,000). This was 5.20 times (2014-15 restated: 5.09) the median remuneration of the workforce, which was £35,066 (2014-15 restated: £34,840).

In 2015-16 no one (2014-15: one person) received remuneration in excess of the highest paid director. Remuneration ranged from £9,781 to £175,000 (2014-15 restated: £13,500 to £194,425).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Audited information

Fees paid to Non-Executive Board Members

Below are the fees paid to the Non-Executive Board members for their role on the BIS Departmental Board. The total payments for the year to each person were in the following ranges:

Non-executive member	Fees for 2015-16 £'000	Fees for 2014-15 £'000
Allan Cook	20-25	20-25
Dalton Philips (until 31 August 2015)[24]	-	-
Dale Murray CBE	15-20	15-20
Professor Wendy Purcell	15-20	20-25
Professor Dame Ann Dowling	15-20	15-20
Juergen Maier	15-20	5-10
Stephen Bligh	20-25	10-15

24 Dalton Philips has chosen not to be remunerated

Staff numbers and related costs

Staff costs comprise:

	2015-16			2014-15 restated
	Permanently employed staff £m	Others £m	Total £m	Total £m
Wages and salaries	776	58	**834**	836
Social security costs	65	-	**65**	63
Other pension costs	151	-	**151**	149
Sub total	**992**	**58**	**1,050**	**1,048**
Less recoveries in respect of outward secondments	-		**-**	(2)
Total net costs	**992**	**58**	**1,050**	**1,046**
Of Which:				
Core Department & Agencies	280	16	296	289
NDPBs and other designated bodies	712	42	754	757
Total net costs	**992**	**58**	**1,050**	**1,046**

During the year, £9,639,662 of staff costs were capitalised, (2014-15: £9,355,879) and 207 employees (2014-15: 184 employees) in the Departmental Group were engaged on capital projects during the reporting period.

Staff severance costs for current and prior year are included in wages and salaries. Further detail on exit packages is included on page 111.

Included within the total net costs of other staff shown above are Ministers' total net costs of £280,079 (2014-15: £288,829) and Special Advisors' total net cost of £322,816 (2014-15: £290,854).

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit Scheme in which the Department is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk).

For 2015-16, employer contributions of £49,854,977 were payable to the PCSPS (2014-15 restated: £47,537,467) at one of four rates in the range 20.0% to 24.5% (2014-15: 16.7% to 24.3%) of pensionable pay, based on salary bands. The employer contributions payable to the PCSPS were split across the Group as follows:

	2015-16	2014-15 restated
	£	£
Core Department and Agencies	41,713,199	39,997,799
NDPBs and other designated bodies	8,141,778	7,539,668
Total	**49,854,977**	**47,537,467**

The Scheme's Actuary reviews employer contributions usually every four years following a full Scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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 £679,100 (2014-15: £550,888) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £8,853 (2014-15: £8,326), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2016 were £16,198 (2014-15: £5,051). Contributions prepaid at that date were £93,254 (2014-15: £0).

In 2015-16, 4 persons (2014-15: 7 persons) across the Departmental Group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £83,098 (2014-15: £39,295).

Across the Departmental Group, 6,142 persons (2014-15 restated: 6,274 persons) contributed to the PCSPS.

Other Pension Schemes

Employer contributions to other pension schemes in the year amounted to £88,874,067 (2014-15: £112,276,978). Employer contributions include employers' contributions, current service costs and where appropriate past service costs of funded pension schemes. Further details can be found in the accounts of the Department's NDPBs and other designated bodies. A list of these bodies is provided in Note 26.

Average number of persons employed

Average staff numbers are subject to audit. The average number of whole-time equivalent persons employed during the year is shown in the table below.

					2015-16	2014-15 restated
Number of staff by category	Permanent employed staff	Others	Ministers	Special advisers	Total	Total
Skills, Deregulation and Local Growth	2,915	56	-	-	**2,971**	3,107
Finance, Commercial & Digital Transformation	724	135	-	-	**859**	967
Economics and Markets	1,520	68	-	-	**1,588**	1,539
Office of Manpower Economics	33	-	-	-	**33**	32
Legal Services	175	1	-	-	**176**	171
Business and Science	10,166	1,103	-	-	**11,269**	11,396
Shareholder Executive	1,693	182	-	-	**1,875**	2,088
People, Strategy and Higher Education	2,845	660	6	4	**3,515**	3,323
Total	**20,071**	**2,205**	**6**	**4**	**22,286**	**22,623**
Of which:						
Core Department and Agencies	4,863	348	6	4	5,221	5,507
NDPBs and other designated bodies	15,208	1,857	-	-	17,065	17,116
Total	**20,071**	**2,205**	**6**	**4**	**22,286**	**22,623**

Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2015-16	2014-15 restated	2015-16	2014-15 restated	2015-16	2014-15 restated
Less than £10,000	19	5	75	113	94	118
£10,000 – £25,000	40	31	215	263	255	294
£25,000 – £50,000	40	72	279	156	319	228
£50,000 – £100,000	19	27	304	99	323	126
£100,000 – £150,000	8	5	6	15	14	20
£150,000 – £200,000	10	-	-	1	10	1
More than £200,000	-	1	-	2	-	3
Total number of exit packages	**136**	**141**	**879**	**649**	**1,015**	**790**
Of which:						
Core Department and Agencies	13	65	585	283	598	348
NDPBs and other designated bodies	123	76	294	366	417	442
Total number of exit packages	**136**	**141**	**879**	**649**	**1,015**	**790**
Total cost (£)	**9,795,324**	**5,988,985**	**37,788,429**	**20,272,369**	**47,583,753**	**26,261,354**
Of which:						
Core Department and Agencies	390,458	2,548,486	28,872,278	11,121,407	29,262,736	13,669,893
NDPBs and other designated bodies	9,404,866	3,440,499	8,916,151	9,150,962	18,321,017	12,591,461
Total	**9,795,324**	**5,988,985**	**37,788,429**	**20,272,369**	**47,583,753**	**26,261,354**

Exit packages disclosure is subject to audit. Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year that the departure is agreed and are based on the expected cost in relation to that financial year. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Parliamentary accountability and audit report

Statement of Parliamentary Supply

The Statement of Parlliamentary Supply (SoPS) and related notes are subject to audit.

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

Summary of Resource and Capital Outturn 2015-16

								2015-16 £'000	2014-15 £'000
		Estimate			Outturn			Voted outturn compared with Estimate: saving/ (excess)	Outturn restated
	SoPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Departmental Expenditure Limit									
– Resource	1.1	17,905,310	-	17,905,310	16,819,420	-	16,819,420	1,085,890	15,394,358
– Capital	1.2	3,080,113	-	3,080,113	2,470,942	-	2,470,942	609,171	2,298,434
Annually Managed Expenditure									
– Resource	1.1	(7,624,782)	242,049	(7,382,733)	(8,080,589)	254,256	(7,826,333)	455,807	(965,037)
– Capital	1.2	12,149,246	(1,341,104)	10,808,142	11,400,062	(1,434,995)	9,965,067	749,184	9,573,260
Total Budget		**25,509,887**	**(1,099,055)**	**24,410,832**	**22,609,835**	**(1,180,739)**	**21,429,096**	**2,900,052**	**26,301,015**
Total		**25,509,887**	**(1,099,055)**	**24,410,832**	**22,609,835**	**(1,180,739)**	**21,429,096**	**2,900,052**	**26,301,015**
Total Resource	1.1	10,280,528	242,049	10,522,577	8,738,831	254,256	8,993,087	1,541,697	14,429,321
Total Capital	1.2	15,229,359	(1,341,104)	13,888,255	13,871,004	(1,434,995)	12,436,009	1,358,355	11,871,694
Total		**25,509,887**	**(1,099,055)**	**24,410,832**	**22,609,835**	**(1,180,739)**	**21,429,096**	**2,900,052**	**26,301,015**

Net Cash Requirement 2015-16

				2015-16 £'000	2014-15 restated £'000
	SoPS Note	Estimate	Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	3	**28,175,703**	**25,491,591**	2,684,112	**27,728,098**

Administration Costs 2015-16

	2015-16 £'000		2014-15 restated £'000
	Estimate	Outturn	Outturn
Total Administration costs	**602,793**	**554,477**	**628,854**

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

Prior year outturn is restated to reflect the following changes:

- Two Machinery of Government changes. The first relates to the transfer of the Digital Economy Unit from BIS to the Department for Culture, Media and Sport with an effective date of transfer of 1 April 2015. This has an impact of reducing the prior year resource DEL by £10.5 million. The second was the transfer of responsibility for scientific metrology from National Measurement Reporting Office to BIS. This change has no impact on the SoPS.
- Reclassification of the Skills Funding Agency from a non-departmental public body to an executive agency from 1 April 2015
- Three new bodies added to the Designation Order in 2015-16 with retrospective classification: UK Green Investment (OSW) GP Limited, UK Green Investment Bank Offshore Wind Fund LP, and UK Green Investment Offshore Wind B L.P. The impact of this reclassification is to increase the prior year capital DEL outturn by £287 million.

More detail about these restatements can be found in Note 25 to the Financial Accounts.

Explanations of the significant variances between Estimate and outturn are given in the DG's Financial Review on pages 67 to 75.

The notes on pages 114 to 119 form part of these Accounts.

Notes to the Statement of Parliamentary Supply

SoPS 1. Net Outturn

SoPS 1.1. Analysis of net resource outturn by section

		2015-16 £'000										2014-15 restated £'000
		Outturn							Estimate			Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Total
Spending in Departmental Expenditure Limit by section												
Voted												
A	Science and Research	2,990	(13)	2,977	512,471	(1,751)	510,720	513,697	594,147	80,450	80,450	497,820
B	Innovation, Enterprise and Business	601	(17)	584	558,940	(60,517)	498,423	499,007	429,372	(69,635)	11,456	308,683
C	Market Frameworks	4,709	-	4,709	171,752	(77,140)	94,612	99,321	118,923	19,602	20,102	95,090
D	Higher Education	-	-	-	5,586,066	(168,600)	5,417,466	5,417,466	6,409,584	992,118	601,086	3,200,192
E	Further Education	89,332	(397)	88,935	3,655,637	(1,030,360)	2,625,277	2,714,212	2,863,482	149,270	285,598	3,265,141
F	Capability	278,151	(43,282)	234,869	26,560	(6,887)	19,673	254,542	297,446	42,904	14,820	298,940
G	Government as Shareholder	-	-	-	193,398	(17,306)	176,092	176,092	171,192	(4,900)	12,000	209,917
H	Science and Research (ALB) net	78,729	-	78,729	4,639,397	-	4,639,397	4,718,126	4,659,822	(58,304)	8,741	4,650,194
I	Innovation, Enterprise and Business (ALB) net	19,314	-	19,314	617,663	-	617,663	636,977	647,654	10,677	14,826	524,021
J	Market Frameworks (ALB) net	8,635	-	8,635	40,408	-	40,408	49,043	53,842	4,799	4,800	49,890
K	Higher Education (ALB) net	71,222	-	71,222	1,640,453	-	1,640,453	1,711,675	1,639,634	(72,041)	11,290	2,183,117
L	Further Education (ALB) net	5,075	-	5,075	14,775	-	14,775	19,850	22,062	2,212	2,568	36,656
M	Capability (ALB) net	39,214	-	39,214	-	-	-	39,214	9,799	(29,415)	-	59,269
N	Government as Shareholder (ALB) net	214	-	214	(30,016)	-	(30,016)	(29,802)	(11,649)	18,153	18,153	15,428
	Total Voted	*598,186*	*(43,709)*	*554,477*	*17,627,504*	*(1,362,561)*	*16,264,943*	*16,819,420*	*17,905,310*	*1,085,890*	*1,085,890*	*15,394,358*
Total spending in Departmental Expenditure Limit		**598,186**	**(43,709)**	**554,477**	**17,627,504**	**(1,362,561)**	**16,264,943**	**16,819,420**	**17,905,310**	**1,085,890**	**1,085,890**	**15,394,358**

		2015-16 £'000										2014-15 restated £'000
		Outturn							Estimate			Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Total
Annually Managed Expenditure by section												
Voted												
O	Science and Research	-	-	-	49,872	-	49,872	49,872	60,849	10,977	-	87,580
P	Innovation, Enterprise and Business	-	-	-	(8,671)	(56,059)	(64,730)	(64,730)	(16,835)	47,895	89,086	(141,714)
Q	Market Frameworks	-	-	-	101,524	-	101,524	101,524	127,116	25,592	100	72,424
R	Higher Education	-	-	-	(7,101,618)	(1,050,441)	(8,152,059)	(8,152,059)	(7,782,738)	369,321	12,207	(1,099,694)
S	Further Education	-	-	-	(14,462)	(11,928)	(26,390)	(26,390)	13,900	40,290	40,271	(22,008)
T	Capability	-	-	-	(21,969)	162	(21,807)	(21,807)	(23,304)	(1,497)	227,000	(29,813)
U	Government as Shareholder	-	-	-	2,900	(2,338)	562	562	39,889	39,327	55,837	74,713
V	Science and Research (ALB) net	-	-	-	90,315	-	90,315	90,315	36,502	(53,813)	27,926	23,870
W	Innovation, Business and Enterprise (ALB) net	-	-	-	7,723	-	7,723	7,723	(11,300)	(19,023)	-	(4,309)
X	Market Frameworks (ALB) net	-	-	-	(168)	-	(168)	(168)	(198)	(30)	-	(243)
Y	Higher Education (ALB) net	-	-	-	(19,113)	-	(19,113)	(19,113)	(19,092)	21	22	(28,772)
Z	Further Education (ALB) net	-	-	-	2,342	-	2,342	2,342	5,700	3,358	3,358	11,187
AA	Capability (ALB) net	-	-	-	2	-	2	2	1	(1)	-	-
AB	Government as Shareholder (ALB) net	-	-	-	(48,662)	-	(48,662)	(48,662)	(55,272)	(6,610)	-	(148,034)
	Total Voted	-	-	-	*(6,959,985)*	*(1,120,604)*	*(8,080,589)*	*(8,080,589)*	*(7,624,782)*	*455,807*	*455,807*	*(1,204,813)*
Non-voted												
AC	Market Frameworks	-	-	-	254,256	-	254,256	254,256	242,049	(12,207)	12,207	239,776
AD	Government as Shareholder (ALB) net	-	-	-	-	-	-	-	-	-	-	-
	Total Non-voted	-	-	-	*254,256*	-	*254,256*	*254,256*	*242,049*	*(12,207)*	*12,207*	*239,776*
Total spending in Annually Managed Expenditure		**-**	**-**	**-**	**(6,705,729)**	**(1,120,604)**	**(7,826,333)**	**(7,826,333)**	**(7,382,733)**	**443,600**	**443,600**	**(965,037)**
Total		**598,186**	**(43,709)**	**554,477**	**10,921,775**	**(2,483,165)**	**8,438,610**	**8,993,087**	**10,522,577**	**1,529,490**	**1,529,490**	**14,429,321**

Explanations of the significant variances between the Outturn and Estimate are included in the DG's Financial Review on pages 67 to 75.

SoPS 1.2. Analysis of net capital outturn by section

		2015-16 £'000						2014-15 restated £'000
		Outturn			Estimate			Outturn
		Gross	Income	Net	Net	Net total compared with Estimate	Net total compared with Estimate, adjusted for virements	Net
Spending in Departmental Expenditure Limit by section								
Voted								
A	Science and Research	218,158	(141,300)	76,858	77,590	732	732	115,886
B	Innovation, Enterprise and Business	477,768	(187,600)	290,168	168,957	(121,211)	59,917	(354,257)
C	Market Frameworks	(10,906)	-	(10,906)	4,456	15,362	4,456	4,363
D	Higher Education	-	-	-	-	-	-	-
E	Further Education	95,639	(3,455)	92,184	113,857	21,673	955	329,422
F	Capability	4,935	-	4,935	4,447	(488)	1,580	4,772
G	Government as Shareholder	110,000	(1,086)	108,914	289,709	180,795	99,973	98,449
H	Science and Research (ALB) net	896,561	-	896,561	884,496	(12,065)	-	920,961
I	Innovation, Enterprise and Business (ALB) net	97,551	-	97,551	118,800	21,249	-	80,489
J	Market Frameworks (ALB) net	1,049	-	1,049	1,547	498	498	3,573
K	Higher Education (ALB) net	318,458	-	318,458	294,500	(23,958)	4,700	192,597
L	Further Education (ALB) net	188	-	188	143	(45)	143	138
M	Capability (ALB) net	641	-	641	-	(641)	-	773
N	Government as Shareholder (ALB) net	594,341	-	594,341	1,121,611	527,270	436,217	901,268
Total spending in Departmental Expenditure Limit		**2,804,383**	**(333,441)**	**2,470,942**	**3,080,113**	**609,171**	**609,171**	**2,298,434**
Annually Managed Expenditure by section								
Voted								
O	Science and Research	-	-	-	-	-	-	-
P	Innovation, Enterprise and Business	-	(12,797)	(12,797)	-	12,797	12,797	(35,442)
Q	Market Frameworks	-	-	-	-	-	-	-
R	Higher Education	13,312,625	(1,840,447)	11,472,178	12,507,800	1,035,622	636,280	10,410,044
S	Further Education	171,273	(397)	170,876	162,640	(8,236)	-	150,812
T	Capability	-	-	-	-	-	-	-
U	Government as Shareholder	7,680,752	(7,457,752)	223,000	(167,200)	(390,200)	-	292,000
V	Science and Research (ALB) net	(38,980)	-	(38,980)	-	38,980	38,980	(46,387)
W	Innovation, Enterprise and Business (ALB) net	17,297	-	17,297	40,000	22,703	22,703	7,159
X	Market Frameworks (ALB) net	-	-	-	-	-	-	-
Y	Higher Education (ALB) net	(2,834)	-	(2,834)	(2,853)	(19)	-	-
Z	Further Education (ALB) net	2,000	-	2,000	1,113	(887)	-	1,753
AA	Capability (ALB) net	-	-	-	-	-	-	
AB	Government as Shareholder (ALB) net	(430,678)	-	(430,678)	(392,254)	38,424	38,424	(1,206,679)
	Total Voted	*20,711,455*	*(9,311,393)*	*11,400,062*	*12,149,246*	*749,184*	*749,184*	*9,573,260*
Non-voted								
AC	Market Frameworks	-	-	-	-	-	-	-
AD	Government as Shareholder (ALB) net	(1,434,995)	-	(1,434,995)	(1,341,104)	93,891	93,891	-
	Total Non-voted	*(1,434,995)*	-	*(1,434,995)*	*(1,341,104)*	*93,891*	*93,891*	-
Total spending in Annually Managed Expenditure		**19,276,460**	**(9,311,393)**	**9,965,067**	**10,808,142**	**843,075**	**843,075**	**9,573,260**
Total		**22,080,843**	**(9,644,834)**	**12,436,009**	**13,888,255**	**1,452,246**	**1,452,246**	**11,871,694**

Explanations of the significant variances between the Outturn and Estimate are included in the DG's Financial Review on pages 67 to 75.

SoPS 2. Reconciliation net resource outturn to net operating expenditure

		Note	2015-16 £'000 Outturn	2014-15 restated £'000 Outturn
Total resource outturn in Statement of Parliamentary Supply		SoPS 1.1	8,993,087	14,429,321
			8,993,087	**14,429,321**
Add:	Capital grants		1,582,745	1,286,416
	Other non-budget		46,259	-
	Share of profit/loss of joint ventures and associates		24,004	16,203
	Share of minority interest		3,717	(2,496)
	Utilisation of financial guarantees		3,658	16,059
Less:	Postal Services Holdings net profit on disposal of Royal Mail		(1,434,995)	-
	Ordnance Survey dividend in specie (Note 5)		(135,752)	-
	Non-budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited		(103,093)	(261,660)
	Expected return on pension scheme assets (Note 19)		(40,894)	(46,479)
	Investments realised		(29,384)	(133,715)
	Amortisation of financial guarantees (Note 20)		(14,496)	(11,745)
	Non-budgetary income		(12,681)	(26,911)
	Other:			
	Impact of intra group transactions		15,360	(576)
	Other differences		(7,665)	78
Net Expenditure for the period in Consolidated Statement of Comprehensive Net Expenditure			**8,889,870**	**15,264,495**

The prior year comparatives present the Net Operating Expenditure as reported at 31 March 2015. This is restated following a Machinery of Government change.

SoPS 3: Reconciliation of Net Resource Outturn to Net Cash Requirement

	2015-16		
	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)
	£'000	£'000	£'000
Resource Outturn	10,522,577	8,993,087	1,529,490
Capital Outturn	13,888,255	12,436,009	1,452,246
	24,410,832	21,429,096	2,981,736
Accruals to cash adjustments:			
Adjustments to remove non-cash items:			
Depreciation	2,111,393	(42,075)	2,153,468
New provisions and adjustments to previous provisions	(133,757)	(67,249)	(66,508)
Prior Period Adjustments	-	-	-
Other non-cash items	(461,946)	2,895,048	(3,356,994)
Adjustments for NDPBs:			
Remove voted resource and capital	(9,044,608)	(7,102,847)	(1,941,761)
Add cash grant-in-aid	9,148,676	8,111,741	1,036,935
Add share purchase	-	233,200	(233,200)
Adjustments to reflect movements in working balances:			
Increase/(decrease) in receivables	-	219,307	(219,307)
(Increase)/decrease in payables	1,000,000	(25,907)	1,025,907
Use of provisions	46,058	68,827	(22,769)
Financial guarantees called in	-	14,784	(14,784)
Financial liabilities realised	-	11,922	(11,922)
	27,076,648	25,745,847	1,330,801
Adjustment to ALBs			
Removal of non-voted budget items:	-	(254,256)	254,256
Other adjustments:			
Payments to Consolidated Fund	1,099,055		1,099,055
Net cash requirement	**28,175,703**	**25,491,591**	**2,684,112**

SoPS 4: Income payable to the Consolidated Fund

Analysis of income payable to the Consolidated Fund

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

	Outturn 2015-16 £'000		Outturn 2014-15 £'000	
	Income	*Receipts*	**Income**	*Receipts*
Operating income outside the ambit of the Estimate	1,979,180	*1,978,858*	1,580,713	*1,580,863*
Total income payable to the Consolidated Fund	**1,979,180**	***1,978,858***	**1,580,713**	***1,580,863***

During 2015-16, £0.6 billion (2014-15 £1.5 billion) was paid to the Core Department by BIS (Postal Services Act 2011) Company Limited in respect of investment income received and the proceeds from asset sales.

£1.4 billion (2014-15 nil) was received from Postal Services Holdings Limited following the sale of shares in Royal Mail plc. The proceeds from the sale are payable to the Consolidated Fund.

All income payable to the Consolidated Fund was paid over during 2015-16.

Losses and special payments

The following sections are subject to audit.

The purpose of this note is to report on losses and special payments of particular interest to Parliament in accordance with *Managing Public Money*.

Losses Statement

	2015-16		2014-15	
	Core and Agencies	Departmental Group	Core and Agencies	Departmental Group
Total number of losses	**7,619**	**7,801**	**18,126**	**18,330**
RPS receivable impairment	261	261	257	257
Other losses	25	38	43	45
Total value of losses (£m)	**286**	**299**	**300**	**302**

Details of cases over £0.3 million

Cash losses

Core Department

During the financial year 2014-15, after a review to clarify contractual terms, £13.7 million was written off from trade debtors as bad debts. This was a one-off case and no comparable write off was made in 2015-16.

Executive Agencies

Included in cash losses for 2015-16 are 15 cases with a value of £1.6 million paid to organisations by the Skills Funding Agency (SFA) where recovery was not possible because the organisations have gone into liquidation (2014-15: 13 cases with a value of £1.4 million). Of this total, individual losses in excess of £0.3 million were recorded for the following organisation:

- Van Hee Transport (£1,034,277)

Claims abandoned

Core Department

HMRC pays to BIS the amount of student loan repayments collected from borrowers by employers through the tax system. During 2015-16, £2 million (2014-15: £1.5 million) was written off in respect of student loan repayments which have been collected by the employer from the borrower but were uncollectable by HMRC, normally because of employer insolvency. The number of cases relating to these HMRC losses (9,462 in 2014-15) is currently unavailable owing to archiving of the 2015-16 losses data following finance system changes at HMRC.

Redundancy Payment Service (RPS) receivable impairment: most of the redundancy payments made from the National Insurance Fund (NIF) are in respect of employees of insolvent companies. Repayment of debt is recovered from the sale of the assets of the insolvent company. A small part of the debt is preferential but most ranks with ordinary creditors. Therefore most of the debt is irrecoverable. HMRC record the impairment of the RPS receivable in NIF accounts. The RPS receivable impairment for 2015-16 is £261 million (2014-15: £257 million).

NIRAH Ltd is a former East of England Development Agency (EEDA) project with the aim of delivering a National Institute for Research into Aquatic Habitats. The company agreed to enter into voluntary liquidation in October 2014 when it failed to demonstrate they had secured an initial £40 million investment from a commercial partner. Administrators subsequently sold the site on the open market, leaving a sum of £3.7 million to be written off by the Core Department.

Constructive losses

Core Department

The Core Department holds onerous leases for properties on the Department's estate, for which we have provided £116 million. The payments made during the course of 2015-16 in respect of these leases amounted to £16.1 million (2014-15: £24.6 million).

Executive Agencies

The SFA incurred one constructive loss amounting to £1.2 million. This involved the impairment of an intangible asset, which was previous expenditure on an IT proof-of-concept project, where a change in government policy meant that expenditure incurred was no longer necessary for future development.

NDPBs

Following a change in IT requirements, the Student Loan Company wrote off £6.8 million from assets under construction in 2014-15, which is included in the impairments total shown in note 4.2. An additional expense of £5.5 million was recognised for development costs incurred in 2015-16.

Fruitless payments

Executive Agencies

A fruitless payment of £0.6 million was made by the Insolvency Service. This arose due to the need to exit a lease early for a site the Insolvency Service exited in 2015.

Exchange rate fluctuations

Core Department

The Core Department is required to subscribe to the World Trade Organisation on an on-going basis. The subscription is paid in Swiss Francs and the Core Department incurred an exchange rate loss of £0.4 million on payment of the 2016 subscription (2014-15: £0.9 million).

Special Payments

Special payments include extra-contractual, special severance, ex gratia and compensation payments. 970 special payments totalling £1,430,218 were made by the Departmental Group during 2015-16 (2014-15: 732 special payments totalling £1,660,900).

Student loans and grants remitted (written off) in year

Loans and grants totalling £27 million were written off in 2015-16.

	2015-16 £m	2014-15 £m
Because of death	16	14
Because of age	9	7
Because of disability	1	1
Because of bankruptcy, on completion of Individual Voluntary Arrangement (IVA), and Other	1	1
Total	**27**	**23**

Remote Contingent Liabilities

Quantifiable

The Departmental Group has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be disclosed under the requirements of the *Government Financial Reporting Manual* and *Managing Public Money*. Measurement is carried out following the requirements of IAS 39, given that the reporting requirements of *Managing Public Money*, and these liabilities, fall outside the scope of IAS 37.

Managing Public Money requires that the full potential costs of such contracts be reported to Parliament.

	1 April 2015 £m	Increase in year £m	Liabilities crystallised in year £m	Obligations expired in year £m	31 March 2016 £m	Amount Reported to Parliament by Departmental minute £m
GIB has provided indemnities relating to costs of decommissioning and restoring sites once they are no longer in use.	57	74	-	(28)	103	-
Other	7	-	(1)	(1)	5	-
Total	**64**	**74**	**(1)**	**(29)**	**108**	**-**

Unquantifiable

BIS has also entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these are a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote.

Statutory Guarantees

- In the event of BAE Systems plc (BAES) being wound up, other than for the purpose of reconstruction or amalgamation, the Government is contingently liable to discharge any outstanding liability of BAES which vested in them on 01 January 1981 under section 9, British Aerospace Act 1980.

Statutory Indemnities

- Indemnities given to UK Atomic Energy Authority by the Secretary of State to cover indemnities given to carriers against certain claims for damage caused by nuclear matter in the course of carriage.
- Indemnities given to bankers of the Insolvency Service against certain liabilities arising in respect of non-transferable “account payee” cheques due to insolvent estates and paid into the Insolvency Service’s account.[i]
- The Police Information Technology Organisation (Home Office) provides BIS with access to data from the Police National Computer (PNC). BIS has indemnified the police against any liabilities which they might incur as a result of providing that access.

Other

- Incidents/Accidents Insurance claims for exposure to ionising radiation pursued outside the existing UK Atomic Energy Authority insurance scheme.
- STFC collaborates with a number of international partners in the funding, management and operation of technical facilities which it does not own. For each of these facilities STFC may be obliged to contribute to decommissioning costs arising from a decision to discontinue operations. The most significant of these potential liabilities is in respect of CERN and the European Southern Observatory (ESO).

- A contingent liability in respect of risk associated with the Core Department assuming responsibility for uplifts in pension contributions for the UK Atomic Energy Authority's non-actives.
- European Patent Office (EPO): the UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973.
- World Intellectual Property Organisation: the UK, as a contracting state to the Patent Co-operation Treaty of 1970, has a potential liability under Article 57 of the Treaty.
- The Cabinet Secretary has provided a Government wide indemnity to Public Appointments Assessors (PAAs). This will ensure that PAAs will not have to meet any personal civil liability incurred in the execution of their PAA functions.
- Indemnities have been given to the Directors appointed by the Department to wholly owned subsidiaries. These indemnities are against personal liability following any legal action against the Company.
- Indemnities have been granted to Royal Mail PLC, its Directors and the underwriters of the initial public offering (IPO) for liability incurred in the processes undertaken in effecting the IPO. A number of exceptions apply that reduce the scope of the indemnities.
- An indemnity has been provided to Pöyry PLC relating to the use of their yield curve data in relation to the potential sale of GIB. The data is an important component of a bidder's due diligence, risk assessment and ultimately the price they would be willing to pay. BIS has indemnified Pöyry PLC for any liability that occurs as a result of using their information in the sale process that may be brought by potential bidders in relation to the transaction.
- An indemnity has been provided to the Official Receiver relating to their actions as administrator of SSI Redcar with respect to the administration of the site.
- The Department has a contingent liability relating to ongoing legal cases. The cost is dependent on the outcome of cases which currently cannot be reliably estimated.
- An indemnity has been given by Biotechnology and Biological Sciences Research Council (BBSRC) to the Roslin Institute for any costs that arise as a result of past actions of the Institute prior to its transfer to the University of Edinburgh in 2008. A further indemnity has been given to any fall in grant income of the Institute as a result of the transfer. The maximum settlement BBSRC will fund reduces each year and is limited to claims made up to May 2023.[(ii)]

These liabilities are unquantifiable due to the nature of the liability and the uncertainties surrounding them.

Note:

(i) – These contingent liabilities relate to Agencies.

(ii) – These contingent liabilities relate to NDPBs and other designated bodies.

All other liabilities relate to the Core Department.

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 Business, Innovation and Skills and of its Departmental Group for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2016 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2016 and of the Department's net expenditure and Departmental Group's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matter

Uncertainties inherent in the valuation of student loans

- Without qualifying my opinion, I draw attention to the disclosures made in notes 1.17 and 12.1 to the financial statements concerning the uncertainties inherent in the valuation of student loans. As set out in these notes, given the long term nature for the recovery of loans and the number and volatility of the assumptions underpinning their valuation, a considerable degree of uncertainty remains over the recoverable amounts of the loans issued. The increase in the asset value in 2015-16 arising from the changes in the financial instrument discount rate underlines the uncertainty inherent in management's estimate. Further significant changes to the valuation could occur as a result of subsequent information and events which are different from the current assumptions adopted by the Department.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

5 July 2016

Financial Statements

Primary Statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Note	31 March 2016 £m		31 March 2015 restated £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Income from sale of goods and services		(1,630)	(2,397)	(1,899)	(2,663)
Total operating income	5.1	**(1,630)**	**(2,397)**	**(1,899)**	**(2,663)**
Staff costs	3	296	1,050	289	1,046
Purchase of goods and services	4.1	1,477	2,326	1,358	2,185
Depreciation and impairment charges	4.2	(3,200)	(3,238)	2,454	2,303
Provision expense	4.3	107	205	10	30
Grants	4.4	14,772	13,912	15,848	14,626
Other operating expenditure	4.5	(9)	(80)	(488)	(182)
Profit on disposal of shareholding in Royal Mail plc	11.1	-	(1,435)	-	-
Total operating expenditure		**13,443**	**12,740**	**19,471**	**20,008**
Net operating expenditure		**11,813**	**10,343**	**17,572**	**17,345**
Finance income	5.2	(1,457)	(1,477)	(1,881)	(1,985)
Finance expense		21	24	(60)	(96)
Net expenditure for the period		**10,377**	**8,890**	**15,631**	**15,264**
Other Comprehensive Net Income and Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on:					
– revaluation of property, plant and equipment		5	(124)	(9)	(120)
– revaluation of intangible assets		-	(21)	-	(31)
Items that may be reclassified subsequently to net operating costs:					
Net (gain)/loss on:					
– revaluation of investments		322	1,817	(195)	184
– actuarial (gains)/losses		-	(112)	-	87
– other movements in fair value		(86)	(126)	20	20
Total other comprehensive net income and expenditure		**241**	**1,434**	**(184)**	**140**
Total comprehensive net expenditure for the year		**10,618**	**10,324**	**15,447**	**15,404**

The expenditure headings shown above have changed for 2015-16 in line with the FReM, and now present finance income and expenditure separately from operating income and expenditure. Prior year comparative figures have been re-presented to reflect the current headings.

Further analysis of staff costs can be found in the Staff Note in the Accountability section of this report on page 108.

The Notes on pages 135 to 206 form part of these Accounts.

Statement of Financial Position

as at 31 March 2016

	Note	31 March 2016 £m		31 March 2015 restated £m		1 April 2014 restated £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Non-current assets:							
Property, plant and equipment	6	248	2,878	295	2,882	295	2,768
Investment properties	7	34	101	-	97	-	318
Intangible assets	8	54	183	63	178	74	171
Investment and loans in public bodies	11	2,664	795	2,545	850	1,213	858
Other financial assets	12	56,320	59,206	41,954	45,940	33,190	37,760
Derivative financial instruments		54	65	-	7	-	4
Investment in joint ventures and associates	13	-	842	-	680	-	487
Trade and other receivables	14	91	97	217	236	254	273
Total non-current assets		**59,465**	**64,167**	**45,074**	**50,870**	**35,026**	**42,639**
Current assets:							
Inventories		-	1	-	-	-	2
Non current assets held for sale		-	19	-	3	-	30
Trade and other receivables	14	1,610	2,007	1,312	1,917	1,028	1,478
Investments and loans in public bodies	15	518	518	293	293	1	1
Other financial assets	12	2,317	2,350	2,136	2,279	2,146	2,334
Derivative financial instruments		20	12	(23)	(18)	(2)	(10)
Cash and cash equivalents	16	908	1,529	1,694	2,495	950	1,567
Total current assets		**5,373**	**6,436**	**5,412**	**6,969**	**4,123**	**5,402**
Total assets		**64,838**	**70,603**	**50,486**	**57,839**	**39,149**	**48,041**
Current liabilities:							
Trade and other payables	17	(1,754)	(2,682)	(2,510)	(3,280)	(1,998)	(2,983)
Provisions	18	(42)	(85)	(43)	(102)	(76)	(122)
Financial guarantees	20	(18)	(18)	(30)	(30)	(47)	(47)
Other financial liabilities		(12)	(12)	(10)	(10)	(10)	(10)
Total current liabilities		**(1,826)**	**(2,797)**	**(2,593)**	**(3,422)**	**(2,131)**	**(3,162)**
Non-current assets plus/less net current assets/liabilities		**63,012**	**67,806**	**47,893**	**54,417**	**37,018**	**44,879**
Non-current Liabilities:							
Trade and other payables	17	(1)	(199)	(2)	(248)	(3)	(80)
Provisions	18	(645)	(1,065)	(631)	(961)	(627)	(936)
Financial guarantees	20	(74)	(74)	(86)	(86)	(148)	(148)
Retirement benefit obligations	19	-	108	-	-	-	57
Other financial liabilities		(151)	(151)	(153)	(153)	(234)	(234)
Total non-current liabilities		**(871)**	**(1,381)**	**(872)**	**(1,448)**	**(1,012)**	**(1,341)**
Total assets less liabilities		**62,141**	**66,425**	**47,021**	**52,969**	**36,006**	**43,538**

	Note	31 March 2016 £m		31 March 2015 restated £m		1 April 2014 restated £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Taxpayers' equity and other reserves:							
General fund		61,838	63,835	46,454	48,709	35,618	39,062
Revaluation reserve		303	2,119	567	3,783	388	3,877
Charitable funds		-	423	-	433	-	555
Minority interest		-	48	-	44	-	44
Total equity		**62,141**	**66,425**	**47,021**	**52,969**	**36,006**	**43,538**

Sir Martin Donnelly
Principal Accounting Officer and Permanent Secretary
30 June 2016

The Notes on pages 135 to 206 form part of these Accounts.

Statement of Cash Flows

for the year ended 31 March 2016

	Note	2015-16 £m		2014-15 restated £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Cash flows from operating activities					
Net operating cost		(10,377)	(8,890)	(15,631)	(15,264)
Adjustment for non-cash expenditure		(4,240)	(5,623)	92	287
(Increase)/decrease in inventories		-	-	-	1
(Increase)/decrease in trade and other receivables	14	(172)	49	(248)	(402)
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(41)	(48)	62	(440)
Increase/(decrease) in trade and other payables	17	(757)	(647)	512	465
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		781	749	(737)	(721)
Use of provisions	18	(69)	(102)	(58)	(100)
Financial guarantees called in	20	(15)	(15)	(16)	(16)
Financial liabilities realised		(12)	(12)	(10)	(10)
Expenditure funded by the National Insurance Fund (RPS)	4.1	254	254	240	240
Payments for unfunded pensions	19	-	1	-	-
Employers contributions for funded pensions		-	-	-	(53)
Increase/(decrease) in deferred tax liability		-	-	-	(1)
Net cash outflow from operating activities		***(14,648)***	***(14,284)***	***(15,794)***	***(16,014)***
Cash flows from investing activities					
Purchase of property, plant and equipment		(12)	(185)	(15)	(213)
Purchase of investment property	7	(15)	(15)	-	-
Purchase of intangible assets		(14)	(58)	(19)	(42)
Proceeds of disposal of property, plant and equipment		(1)	(1)	1	2
Proceeds of disposal of investment property		10	41	-	301
Proceeds of disposal of assets held for sale		-	3	(1)	31
Loan redeemed from Post Office Limited		7,288	7,288	4,597	4,597
Loans made to Post Office Limited		(7,511)	(7,511)	(4,889)	(4,889)
Repayments of other current loans and investments		2	2	1	1
Repayments of other loans and investments		80	2,346	87	1,824
Other investments and loans made		(215)	(931)	(60)	(1,198)
Repayment of Advanced Learner Loans		-	-	2	2
Advanced Learner Loans issued		(162)	(162)	(144)	(144)
Repayment of HE Loans		1,840	1,840	1,683	1,683
HE loans issued		(11,764)	(11,764)	(10,247)	(10,247)
Launch investment receipts		112	112	204	204
Launch investment loans issued		-	-	(36)	(36)
Venture capital fund redemptions		1	17	178	39
Venture capital fund investments		(22)	(66)	(73)	(74)
Dividends from Joint ventures and associates		-	5	-	4
Disposal of Joint venture and associates		-	16	-	162
Investment in Joint ventures and associates	13	-	(171)	-	(420)
Investment in shares		(462)	(229)	(1,716)	(12)
Net cash outflow from investing activities		***(10,845)***	***(9,423)***	***(10,447)***	***(8,425)***

	Note	2015-16 £m		2014-15 restated £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		24,708	24,708	26,984	26,984
From the National Insurance Fund		254	254	240	240
Payments to the National Insurance Fund		(254)	(254)	(240)	(240)
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		-	-	-	(1)
Issue of share capital		-	1	-	(2)
Net Financing		***24,708***	***24,709***	***26,984***	***26,981***
Effects of exchange rates on foreign currency cash and cash equivalents		-	-	-	1
Minority interest capital contribution		-	-	-	3
Cash transferred out in the year[1]		-	-	-	(40)
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(785)**	**1,002**	**743**	**2,506**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		1,979	12	1,581	2
Payments of amounts due to the Consolidated Fund		(1,980)	(1,980)	(1,580)	(1,580)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(786)**	**(966)**	**744**	**928**
Cash and cash equivalents at the beginning of the period	16	**1,694**	**2,495**	**950**	**1,567**
Cash and cash equivalents at the end of the period	16	**908**	**1,529**	**1,694**	**2,495**

1 During 2014-15, £40 million of cash was transferred out of the Departmental Group. Cash transfers relate to the reclassification of Pirbright Institute from Central Government to the Non-Profit Institutions Serving Households sector by the ONS in March 2014 and the closure of Consumer Futures (the operating name of the National Consumer Council) and transfer of activities to successor bodies as a result of an Order under the Public Bodies Act from 31 March 2014.

The Notes on pages 135 to 206 form part of these Accounts.

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

for the year ended 31 March 2016

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' equity £m	Total Reserves £m
Balance at 1 April 2014 restated		**35,618**	**388**	**36,006**	**36,006**
Net parliamentary funding – drawn down		26,984	-	26,984	26,984
Net parliamentary funding – deemed		950	-	950	950
National Insurance Fund – RPS	4.1	240	-	240	240
Supply (payable)/receivable adjustment	17	(1,692)	-	(1,692)	(1,692)
Decrease in RPS receivables	14	(17)	-	(17)	(17)
Net expenditure for the year		(15,631)	-	(15,631)	(15,631)
Non-Cash Adjustments:					
Auditors' remuneration	4.1	1	-	1	1
Movements in Reserves:					
Other Comprehensive Net Income for the year		-	184	184	184
Transfers between reserves		3	(3)	-	-
Other movements		(2)	(2)	(4)	(4)
Balance at 31 March 2015 restated		**46,454**	**567**	**47,021**	**47,021**
Net parliamentary funding – drawn down		24,708	-	24,708	24,708
Net parliamentary funding – deemed		1,692	-	1,692	1,692
National Insurance Fund – RPS	4.1	254	-	254	254
Supply (payable)/receivable adjustment	17	(908)	-	(908)	(908)
Decrease in RPS receivables	14	(6)	-	(6)	(6)
Net expenditure for the year		(10,377)	-	(10,377)	(10,377)
Non-Cash Adjustments:					
Auditors' remuneration	4.1	1	-	1	1
Movements in Reserves:					
Other Comprehensive Net Expenditure/Income for the year		-	(241)	(241)	(241)
Transfers between reserves		23	(23)	-	-
Other movements		(3)	-	(3)	(3)
Balance at 31 March 2016		**61,838**	**303**	**62,141**	**62,141**

Statement of Changes in Taxpayers' Equity (Departmental Group)

for the year ended 31 March 2016

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' equity £m	Charitable Funds – Restricted / Endowment £m	Charitable Funds – Unrestricted £m	Minority interest £m	Total Reserves £m
Balance at 1 April 2014		**39,062**	**3,877**	**42,939**	**(2)**	**557**	**44**	**43,538**
Net parliamentary funding – drawn down		26,984	-	26,984	-	-	-	26,984
Net parliamentary funding – deemed		950	-	950	-	-	-	950
National Insurance Fund - RPS	4.1	240	-	240	-	-	-	240
Supply (payable)/receivable adjustment	17	(1,692)	-	(1,692)	-	-	-	(1,692)
Decrease in RPS receivables	14	(17)	-	(17)	-	-	-	(17)
Net expenditure for the year		(15,264)	-	(15,264)	-	-	-	(15,264)
Amounts paid from distributable reserves		(1,579)	-	(1,579)	-	-	-	(1,579)
Non-Cash Adjustments:								
Auditors' remuneration	4.1	1	-	1	-	-	-	1
Movements in Reserves:								
Other Comprehensive Net Income for the year		(87)	(53)	(140)	-	-	-	(140)
Transfers between reserves		103	(91)	12	3	(15)	-	-
Issue of share capital		(2)	-	(2)	-	-	-	(2)
Other movements		10	50	60	(2)	(108)	-	(50)
Balance at 31 March 2015		**48,709**	**3,783**	**52,492**	**(1)**	**434**	**44**	**52,969**
Net parliamentary funding – drawn down		24,708	-	24,708	-	-	-	24,708
Net parliamentary funding – deemed		1,692	-	1,692	-	-	-	1,692
National Insurance Fund - RPS	4.1	254	-	254	-	-	-	254
Supply (payable)/receivable adjustment	17	(908)	-	(908)	-	-	-	(908)
Decrease in RPS receivables	14	(6)	-	(6)	-	-	-	(6)
Net expenditure for the year		(8,890)	-	(8,890)	-	-	-	(8,890)
Amounts paid from distributable reserves		(1,969)	-	(1,969)	-	-	-	(1,969)
Non-Cash Adjustments:								
Auditors' remuneration	4.1	1	-	1	-	-	-	1

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' equity £m	Charitable Funds – Restricted / Endowment £m	Charitable Funds – Unrestricted £m	Minority interest £m	Total Reserves £m
Movements in Reserves:								
Other Comprehensive Net Expenditure/Income for the year		112	(1,546)	(1,434)	-	-	-	(1,434)
Transfers between reserves		128	(118)	10	(14)	4	-	-
Minority interest		-	-	-	-	-	4	4
Issue of share capital		1	-	1	-	-	-	1
Other movements		3	-	3	-	-	-	3
Balance at 31 March 2016		**63,835**	**2,119**	**65,954**	**(15)**	**438**	**48**	**66,425**

The Notes on pages 135 to 206 form part of these Accounts.

Notes to the Accounts

1. Statement of accounting policies

1.1. Basis of accounting

These Accounts have been prepared in accordance with the 2015-16 *Government Financial Reporting Manual (FReM)* issued by HM Treasury, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the Government Resources and Accounts Act 2000. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Business, Innovation and Skills (BIS) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Core Department and the Departmental Group for material transactions or where Management has exercised judgement in selecting the accounting policy is described below and unless indicated otherwise apply to the Core Department and Departmental Group as a whole. They have been applied consistently in dealing with items that are considered material to the Accounts.

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

1.2. Accounting convention

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

1.3. Presentational currency

The Accounts are presented in pounds sterling, the functional currency of the Core Department and the Departmental Group, and all values are rounded to the nearest million pounds (£m) unless the *FReM* requires a lower threshold to be applied.

1.4. Basis of consolidation

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

Where the Office for National Statistics (ONS) designates a body retrospectively, the accounts are restated to reflect the position from the date of classification.

A list of all those bodies included within the Departmental Group, together with details of their status, is given at Note 26.

The BIS Departmental Group is defined by Statute. For 2015-16 see Statutory Instrument SI 2015/2062, available at: http://www.legislation.gov.uk/uksi/2015/2062/contents/made. This statutory instrument is an amendment of the previously issuedl SI 2015/2062, available at: http://www.legislation.gov.uk/uksi/2015/632/contents/made. A list of significant bodies is also given in Note 26.

1.5. Tangible Non-Current Assets

Property, plant and equipment

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

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

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

Revaluation

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in taxpayers' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve unless there is a clear consumption of economic benefit. All other decreases are charged to the Consolidated Statement of Comprehensive Net Expenditure. On derecognition, the cumulative gain or loss previously recognised in the revaluation reserve (or another equity reserve if permitted) is recognised in the Consolidated Statement of Comprehensive Net Expenditure.

Depreciation

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

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

Freehold land is not depreciated and other property, plant and equipment assets across the Core Department and the Departmental Group are normally depreciated over the following periods:

Leasehold land	20 – 60 years
Freehold buildings	19 – 60 years
Agricultural buildings	Up to 60 years
Dwellings	Up to 60 years
Leasehold improvements	Shorter of estimated remaining useful life or outstanding term of lease
Computer equipment	2 – 10 years
Plant and machinery	3 – 30 years
Office machinery *(included in plant and machinery)*	
Furniture, fixtures and fittings	2 – 10 years
Transport equipment	2 – 10 years
Ships *(included in transport equipment)*	Minimum of 20 years
Aircraft *(included in transport equipment)*	Minimum of 15 years

1.6. Intangible Non-Current Assets

Intangible assets are carried at fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment loss. Where no active market exists and the asset is income generating, it is revalued to the lower of depreciated replacement cost and value in use, using a valuation technique. Where there is no value in use depreciated replacement cost is used. Intangible assets across the Core Department and the Departmental Group are normally amortised over the following periods:

Software licences	3 – 10 years
Internally developed software	Up to 10 years
Website development costs	2 – 5 years
Patents, licenses and royalties	7 – 15 years

1.7. Associates and Joint Ventures

Under the equity method of accounting, an equity investment in an associate or joint venture is initially recorded at cost and is subsequently adjusted to reflect the investors' share of the net profit or loss of the associate or joint venture. The exception to this is where a joint venture is designated as being part of the Departmental Group boundary, as detailed in the Designation Order, the joint venture is accounted for a subsidiary.

1.8. Financial instruments

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

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

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

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

1.8.1. Financial assets

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

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

1.8.1.1. Held-to-maturity investments

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

1.8.1.2. Loans and receivables

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

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

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

1.8.1.3. Available-for-sale assets

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

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

1.8.1.4. Public Dividend Capital

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

1.8.1.5. Held at fair value through profit or loss (FVTPL)

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

1.8.1.6. Recognition of student loans issued and repayments

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

Student loan repayments are collected by the SLC and Her Majesty's Revenue and Customs (HMRC). For repayments received via the SLC, the Core Department recognises the repayment when the SLC has received the cash. For repayments collected via the tax system, the Core Department recognises annual amounts based on actual receipts to HMRC from Pay As You Earn (PAYE) borrowers during the tax year and an estimate using a model for Self Assessed borrowers.

More information about the measurement techniques used to determine the carrying value of student loans is provided in Note 12.1.

1.8.2. Financial liabilities

The Core Department and the Departmental Group's financial liabilities were classified as other financial liabilities on initial recognition.

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

1.8.3. Derivative financial instruments

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

1.8.4. Cash and cash equivalents

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

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

1.8.5. Financial guarantees

Financial guarantees are initially recognised in the Accounts at fair value on the date that the guarantee was given in accordance with IAS 39: *Financial Instruments: Recognition and Measurement*. At each Consolidated Statement of Financial Position date, they are subsequently re-measured at the higher of the amount determined in accordance with IAS 37: *Provisions,*

Contingent Liabilities and Contingent Assets, and the amount initially recognised, less when appropriate, cumulative amortisation.

1.9. Provisions

Provisions are recognised and measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* Where the time value of money is material, provisions are discounted to present value using HM Treasury's real discount rates.

1.10. Operating Income

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

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

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

1.11. Grants payable and receivable

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

Grants for Higher Education

Funding to Higher Education Institutions (HEIs) is recognised as grants at payment dates agreed with the organisations concerned. HEFCE grants are paid on agreed profiles and as such no accruals are recognised at the reporting date. The exception to this are:

- The holdback of institutional basic grant where a debt arises at the point where there is sufficient certainty over the value of the resulting funding adjustment. These adjustments could result in a net receivable or payable balance at year end. The period over which a holdback recovery is made can be up to five years
- Grant funding is based on an estimated student number control and institutions are encouraged not to over-recruit. Where an institution over-recruits, HEFCE seeks to implement grant reductions on instructions from the Department. The grant reductions are implemented at the point where there is sufficient certainty over the value of the funding adjustment. HEFCE defines sufficient certainty as where the HEFCE Chief Executive approves the funding adjustment. Any funding which is recovered through this route may be recycled to the Higher Education sector or returned to the Department.

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

Grants for Further Education

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

Capital programmes are recognised in the financial year that the funding is fully approved and activity has occurred.

Student grants

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

European Funding Grants

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

1.12. Pensions

- Funded pension schemes

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

- Unfunded pension schemes

Principal Civil Service Pension Schemes (PCSPS)

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

Other unfunded defined benefit pension schemes

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

Other defined benefit schemes

- The ITB Pension Fund is a multi-employer defined benefit scheme. The actuarial value of the scheme assets and liabilities are based on FRS 17 methodologies as the CITB is regulated by the Charities Commission Statement of Recommended Practice (SoRP), which applies FRS 17 methodologies rather than IAS 19. As ITB is unable to identify CITB's share of the underlying liability, the Scheme has been accounted for as a defined contribution scheme.

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

1.13. Early departure costs

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

making a payment to the Cabinet Office the cost is charged to the Consolidated Statement of Comprehensive Net Expenditure.

1.14. Taxation

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

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

- Irrecoverable VAT is charged to the Consolidated Statement of Comprehensive Net Expenditure, and included under the relevant expenditure heading
- Irrecoverable VAT on the purchase of an asset is included in additions.

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

1.15. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The cost of the lease and any lease incentive are charged to the Consolidated Statement of Comprehensive Net Expenditure over the lease term on a straight-line basis unless another systematic basis is more appropriate.

Leases in which a significant proportion of the risks and rewards of ownership transfer to the Department Group are classified as finance leases.

1.16. Contingent liabilities

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

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

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

1.17. Estimation techniques used and key judgements

The preparation of the Core Department accounts and the Departmental Group's consolidated accounts requires management to make judgements, estimates and assumptions that affect assets and liabilities, income and expenditure, based on experience and expected events.

The key accounting judgements applied in the 2015-16 accounts are:

- The revised HM Treasury's discount rate of RPI+0.7% has been used to discount the student loan repayment model. This rate is used when calculating the present value of the expected future student loan repayments for loans issued before the 2015-16 financial year, rather than the historic HM Treasury discount rate of RPI+2.2%. This is because the Core Department takes HM Treasury's discount rate to be a variable rate. In accordance with IAS 39, where a loan has a variable interest rate, the discount rate applied for calculating an impairment loss or impairment reversal is the current effective interest rate, i.e. the revised variable rate, in this case RPI+0.7%.

This judgement has contributed to the impairment reversal in the 2015-16 accounts. (See Note 12.1 for further details).

- The revised HM Treasury's discount rate has also been applied to calculate the fair value of student loans issued in 2015-16, due to the *FReM* interpretation of IAS 39. The *FReM* requires that where future cash flows are discounted to measure fair value, i.e. on initial recognition of a financial asset, the Department should use the higher of the rate intrinsic to the financial instrument or HM Treasury's current discount rate. The rate intrinsic to the student loans is taken to be lower than RPI+0.7% as the policy decisions as the policy decisions affecting repayment levels are not linked to the student's credit worthiness, this results in an expected return of less than RPI+0.7%. This judgement has contributed to a lower impairment charge being recognised for student loans issued in 2015-16 compared to the impairment charge recognised on student loans in prior years. (See Note 12.1 for further details).
- The disposal of 2% shareholding in Royal Mail plc to the Royal Mail plc employees has been classified as a grant in Note 4.4 as opposed to a loss on disposal to reflect the economic reality of the policy decision taken. (See Note 11 for further details).
- In the Departmental Group, the reduction in Post Office Limited's (POL) net assets is not seen by management to be permanent; therefore the movement in the fair value of POL's net assets has been treated as a downward revaluation movement and taken against the revaluation reserve, rather than an impairment recognised in the SoCNE. In the Core Department, the reduction in the fair value of POL's net assets is below the historic cost investment of the holding company, Postal Services Holdings Limited (PSH), the difference has been recognised as an impairment which is reversed on consolidation.

Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying value of the asset or liability. Where applicable these uncertainties are disclosed in the relevant notes to the Accounts.

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

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

- Volatility resulting from fluctuations in the macroeconomic indicators used in models, for example, Office for Budget Responsibility (OBR) short-term and long-term Retail Price Index (RPI) forecasts, base rates and average earnings growth for HE and FE student loans repayment model (See Note 12.1 for further details).
- Fluctuations in the fair values of available for sale assets, such as corporate bonds, where quoted prices are used; Repayable Launch Investments, where an econometric model is used to determine estimated future cash flows and includes a number of other assumptions including economic growth indicators, and private equity, where a range of valuation techniques, including discounted cash flows and net asset values, are used. (See Note 12 for further details).
- Management's judgements with regard to the impairment of assets (See Notes 4.2, 6, 8, 11 and 12 for further details).
- The estimated useful lives of non-current assets, which are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of an asset.
- Management's assumptions about the number of debtor employers with saleable assets and the degree of difficulty in realising these assets and therefore in calculating the Redundancy Payments Service receivable (See Note 14 for further details).

- The uncertainty surrounding HEFCE's inherited staff liabilities as the value of the provision is derived from an actuarial valuation of a sample of the underlying population, and is updated periodically to include movements in mortality and discount rates (See Note 18 for further details).
- The calculation of the UK Atomic Energy Authority decommissioning costs which are based on estimates of the current cost of the work to be undertaken, assumptions regarding inflation rates, VAT changes and the timing of the decommissioning. These estimates and assumptions are reviewed annually (See Note 18 for further details).
- Fluctuations in the fair value of financial liabilities/ guarantees measured using modelling techniques (See Notes 20 and 21 for further details).
- Provisions are calculated using the discount rates issued by HM Treasury. (See Note 18 for further details).

1.18. Changes in accounting policy

There was one change in accounting policy in the reporting period and in accordance with IAS 8 this been applied retrospectively to prior accounting periods.

From 2015-16, IFRS 13: *Fair Value Measurement* has been adopted in full. As a result IAS 16: *Property, Plant and Equipment* and IAS 38: *Intangible Assets* have been adapted and interpreted for the public sector in the 2015-16 *FReM*, to ensure that IFRS 13 is consistently adopted across Government. This has resulted in surplus assets that are not held for service potential being valued using an open market value where there are no restrictions on the sale of the asset. Previously such surplus assets were valued using market value in existing use, i.e. the valuation took into consideration the asset's specific use. In applying IFRS 13 in full, this has not resulted in a material difference to 2014-15 or 2015-16 Accounts.

The impact of the change in accounting policy is detailed in Note 25.

1.19. Changes to IFRS and the *FReM*

1.19.1. Changes to IFRS

In accordance with the *FReM*, these accounts apply EU adopted IFRS and Interpretations in place as at 1 January 2015. These Accounts have not applied the new IFRS 9: *Financial Instruments*, IFRS 15: *Revenue from Contracts with Customers* or IFRS 16: *Leases*, financial reporting standards which have been issued but are not yet endorsed by the EU. These are not yet effective (IFRS 9 and IFRS 15 are anticipated to be adopted in the 2018-19 *FReM*, and the adoption date for IFRS 16 is still to be determined).

IFRS 9: *Financial Instruments* is being introduced to replace IAS 39: *Financial Instruments: Recognition and Measurement*. The new standard simplifies the classification and measurement of financial assets as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. This will result in impairments being recognised earlier than under IAS 39.

IFRS 15: *Revenue from Contracts with Customers* will replace IAS 18: *Revenue* and IAS 11: *Construction Contracts*, unifying the concepts in these two standards into a single model to recognise revenue as a performance obligation under a contract is satisfied.

IFRS 16: *Leases* will replace IAS 17: *Leases*. The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of all leases which last over 12 months to be recognised as a finance lease (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised. As the Core Department and the Departmental Group currently occupy administrative properties under operating leases, this is anticipated to have a material effect on the Statement of Financial Position, but a more limited effect on the recognition of expenditure.

The interpretation of these standards into the *FReM* is currently being determined and the outcome of this work is currently not known. The potential effects of the new standards are anticipated to have a significant impact in the Department Group.

A full list of new accounting standards can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524710/hm_treasury_review_of_new_ifrs_2015_to_2016.pdf

1.19.2. Changes to the FReM

Apart from the change in accounting policy above, no other changes in IFRS were adopted by the *FReM* during 2015-16.

In line with HM Treasury's Simplifying and Streamlining Annual Report and Accounts project, the 2015-16 Accounts have been re-presented in accordance with the Departmental Yellow – Illustrative Accounts issued by HM Treasury. This has resulted in the split between Administration and Programme income and expenditure being removed from the Accounts and the headings used in the Statement of Comprehensive Net Expenditure following the format used in the Whole of Government Accounts. The revised format is now more closely aligned to the presentation of the Statement of Comprehensive Income for a set of Companies Act 2006 Accounts.

1.20. Prior Period Adjustments

In accordance with the *FReM*, where a prior period adjustment is identified as a result of an error, the Departmental Group will correct all material prior period errors retrospectively in the first set of financial statements authorised for issued after their discovery by:

- Restating the comparative amounts for the prior periods presented in which the error occurred;
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

However, if it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Departmental Group will restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

The prior period adjustments and their impact on the comparative amounts for the prior periods represented in which the error occurred are detailed in Note 25.

2. Reporting by operating segment

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

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

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

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

- Business and Science Group, reporting expenditure on science and initiatives to assist business and support rebalancing of the economy in UK regions, including:
  - Activities undertaken by the Core Department (Business and Science)
  - Science and Research including the Government Office for Science and the Research Councils
  - Innovation including Innovate UK and National Measurement and Regulation Office
  - Industrial Strategies
  - Automotive Assistance Programme
  - Launch investments
  - Energy Intensive Industry compensation
  - Customer function for National Physical Laboratory Management Ltd, Met Office and Ordnance Survey Shareholder function for National Physical Laboratory Management Ltd, Met Office and UK Intellectual Property Office
  - Business and Science activities of UK Space Agency
  - Business and Science activities of UK Atomic Energy Authority
  - Office of Life Sciences
- Skills, Deregulation and Local Growth Group, reporting expenditure on enterprise and adult skills including:
  - Enterprise programmes including Growth Accelerator and Growth Vouchers
  - Better Regulation
  - Skills Funding Agency including Further Education participation through the Adult Skills Budget
  - Enterprise and Skills activities of UK Commission for Employment and Skills
  - Local economic growth activity
- Legal Services Group, providing a high quality legal service and a focal point for legal policy
- Economics and Markets Group, reporting expenditure on ensuring markets both at home and internationally are fair and efficient in serving businesses' and consumers' long-term interests, including:
  - Labour market policy

- International trade policy and export control
- Departmental economic evidence and advice
- European reform
- Consumer Support and Competition policy and bodies
- Economic and Markets activities of ACAS
- Frameworks for corporate reporting, governance and responsibility
- Regional Growth

- Shareholder Executive, reporting expenditure on:
  - Post Office
  - Public Corporations
  - British Business Bank
  - Insolvency Service
  - Green Investment Bank
- Office of Manpower Economics, providing an independent secretariat to the public sector Pay Review Bodies and pay negotiating bodies
- People, Strategy and Higher Education Group, reporting expenditure on:
  - Higher Education including the Higher Education Funding Council for England.
  - Human Resources, strategy, external communications
  - The Department's Secretariat and corporate effectiveness
  - Change programmes and internal communications
  - Ministerial and Parliamentary Support Team, directly supporting Ministers and the Permanent Secretary
  - UK Devolution
- Finance, Commercial and Digital Transformation Group, reporting expenditure on finance programmes and corporate services including BIS's accommodation, facilities management, ICT costs and depreciation:
  - Activities reported against Finance, Commercial and Digital Transformation Partner Organisations include the activities of UK SBS Limited

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

Changes in reportable segments

The income, expenditure and capital reported against reportable segments for 2014-15 has been restated to reflect changes in responsibilities, including those arising from the Machinery of Government changes and changes to the Departmental Group boundary as detailed in Note 25.

Net expenditure reported to the Board as at 31 March 2016

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

(a) Administration

Administration resource outturn by Group for the period ending 31 March 2016

Group	2015-16	2014-15 restated
	Net expenditure £m	Net expenditure £m
Business & Science	132	139
People, Strategy & Higher Education	112	97
Skills, Deregulation & Local Growth	117	135
Economics & Markets	47	52
Shareholder Executive	14	14
Finance, Commercial & Digital Transformation	119	179
Legal Services	11	11
Office of Manpower Economics	2	2
Total	**554**	**629**
Of which:		
Core Department	235	254
Agencies, NDPBs and other designated bodies	319	375
Total	**554**	**629**

(b) Programme

Programme DEL resource outturn by Group for the period ending 31 March 2016

Group	2015-16			2014-15 restated		
	Near cash £m	Non cash £m	Net expenditure £m	Near cash £m	Non cash £m	Net expenditure £m
Business & Science	5,893	251	6,144	5,515	232	5,747
People, Strategy & Higher Education	3,544	3,517	7,061	4,051	1,265	5,316
Skills, Deregulation & Local Growth	2,598	50	2,648	3,176	84	3,260
Economics & Markets	194	4	198	124	2	126
Shareholder Executive	216	(16)	200	276	11	287
Finance, Commercial & Digital Transformation	12	–	12	29	–	29
Legal Services	2	–	2	1	–	1
Total	**12,459**	**3,806**	**16,265**	**13,172**	**1,594**	**14,766**

(c) Capital

Capital DEL outturn by Group for the period ending 31 March 2016

Group	2015-16	2014-15 restated
	Net expenditure £m	Net expenditure £m
Business & Science	1,061	950
People, Strategy & Higher Education	318	191
Skills, Deregulation & Local Growth	96	339
Economics & Markets	152	77
Shareholder Executive	838	735
Finance, Commercial & Digital Transformation	6	6
Total	**2,471**	**2,298**

(d) Annually Managed Expenditure (AME)

Annually managed expenditure outturn by Group for the period ending 31 March 2016

Group	2015-16			2014-15 restated		
	AME Programme £m	AME Capital £m	Total AME expenditure £m	AME Programme £m	AME Capital £m	Total AME expenditure £m
Business & Science	67	(22)	45	83	(74)	9
People, Strategy & Higher Education	(8,170)	11,469	3,299	(1,128)	10,409	9,281
Skills, Deregulation & Local Growth	(21)	173	152	(45)	153	108
Economics & Markets	124	–	124	74	–	74
Shareholder Executive	196	(1,655)	(1,459)	81	(915)	(834)
Finance, Commercial & Digital Transformation	(22)	–	(22)	(30)	–	(30)
Total	**(7,826)**	**9,965**	**2,139**	**(965)**	**9,573**	**8,608**

(e) Summary

Summary of outturn by Group for the period ending 31 March 2016

Group	2015-16	2014-15 restated
	Net expenditure £m	Net expenditure £m
Business & Science	7,382	6,844
People, Strategy & Higher Education	10,790	14,884
Skills, Deregulation & Local Growth	3,013	3,841
Economics & Markets	521	330
Shareholder Executive	(407)	203
Finance, Commercial & Digital Transformation	115	185
Legal Services	13	12
Office of Manpower Economics	2	2
Total	**21,429**	**26,301**

2.1. Reconciliation between Operating Segments and the Statement of Comprehensive Net Expenditure

	Business & Science £m	People, Strategy & Higher Education £m	Skills, Deregulation & Local Growth £m	Economics & Markets £m	Shareholder Executive £m	Finance, Commercial & Digital Transformation £m	Legal Services £m	Office of Manpower Economics £m	Total £m
2015-16									
Total net expenditure per summary of operating cost by reporting segment	7,382	10,790	3,013	521	(407)	115	13	2	**21,429**
Less Capital DEL and AME expenditure	(1,039)	(11,787)	(269)	(152)	817	(6)	–	–	**(12,436)**
Total net operating costs by reporting segment	**6,343**	**(997)**	**2,744**	**369**	**410**	**109**	**13**	**2**	**8,993**
Reconciling items:									
Income									
Amortisation of Financial Guarantees	(3)	–	–	–	(11)	–	–	–	**(14)**
Launch investments realised	(29)	–	–	–	–	–	–	–	**(29)**
Share of minority interest	–	–	–	–	4	–	–	–	**4**
Non-budgetary income	–	(13)	–	–	–	–	–	–	**(13)**
Other non-budget	49	–	–	–	(3)	–	–	–	**46**
Non budget, non voted items in respect of BIS (Postal Services Act 2011) Company Ltd and Company B Ltd	–	–	–	–	(103)	–	–	–	**(103)**
Expenditure									
Postal Services Holding net profit on disposal of Royal Mail	–	–	–	–	(1,435)	–	–	–	**(1,435)**
Ordnance Survey Dividend	–	–	–	–	(136)	–	–	–	**(136)**
Capital grants	941	290	47	143	162	–	–	–	**1,583**
Utilisation of Financial Guarantees	–	–	4	–	–	–	–	–	**4**
Share of profit/loss of joint ventures & associates	–	–	(7)	–	31	–	–	–	**24**
Expected return on pension scheme assets	(38)	(3)	–	–	–	–	–	–	**(41)**
Impact of intra group transactions	7	1	–	2	–	5	–	–	**15**
Other differences	(2)				(6)				**(8)**
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure	**7,268**	**(721)**	**2,788**	**514**	**(1,087)**	**113**	**13**	**2**	**8,890**

	Business & Science £m	People, Strategy & Higher Education £m	Skills, Deregulation & Local Growth £m	Economics & Markets £m	Shareholder Executive £m	Finance, Commercial & Digital Transformation £m	Legal Services £m	Office of Manpower Economics £m	Total £m
2014-15 restated									
Total net expenditure per summary of operating cost by reporting segment	6,844	14,884	3,841	330	203	185	12	2	**26,301**
Less Capital DEL and AME expenditure	(876)	(10,600)	(492)	(77)	180	(6)	-	-	**(11,871)**
Total net operating costs by reporting segment	5,968	4,284	3,349	253	383	179	12	2	**14,430**
Reconciling items:									
Income									
Amortisation of Financial Guarantees	–	–	–	–	(12)	–	–	–	**(12)**
Launch investments realised	(89)	–	–	–	(45)	–	–	–	**(134)**
Share of minority interest	(2)	–	–	–	–	–	–	–	**(2)**
Non-budgetary income	(27)	–	–	–	–	–	–	–	**(27)**
Non budget, non voted items in respect of BIS (Postal Services Act 2011) Company Ltd and Company B Ltd	–	–	–	–	(262)	–	–	–	**(262)**
Expenditure									
Capital grants	974	173	317	(1)	(177)	–	–	–	**1,286**
Utilisation of Financial Guarantees	–	–	4	–	12	–	–	–	**16**
Share of profit/loss of joint ventures & associates	19	–	–	–	7	–	–	–	**26**
Expected return on pension scheme assets	(46)	–	–	–	–	–	–	–	**(46)**
Prior year restatements	–	–	–	–	(12)	–	–	–	**(12)**
Other differences	–	–	–	–	1	–	–	–	**1**
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure	**6,797**	**4,457**	**3,670**	**252**	**(105)**	**179**	**12**	**2**	**15,264**

3. Staff costs

Staff costs comprise:

	2015-16			2014-15 restated
	£m			£m
	Permanently employed staff	Others	Total	Total
Wages and salaries	776	58	834	836
Social security costs	65	–	65	63
Other pension costs	151	–	151	149
Sub total	**992**	**58**	**1,050**	**1,048**
Less recoveries in respect of outward secondments	–	–	–	(2)
Total net costs	**992**	**58**	**1,050**	**1,046**
Of which:				
Core Department and Agencies	**280**	**16**	**296**	**289**
NDPBs and other designated bodies	**712**	**42**	**754**	**756**
Total net costs	**992**	**58**	**1,050**	**1,046**

For further information on staff costs and numbers, please see the Remuneration and Staff Report on page 108.

4. Operating expenditure

4.1. Purchase of goods and services

	2015-16		2014-15 restated	
	£m		£m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Rentals under operating leases	38	57	40	56
Accommodation and office equipment costs	55	188	63	194
Consultancy and legal expenditure	37	69	42	76
Finance, HR, IT and support costs	91	119	151	172
Training and other staff costs	6	26	10	28
Travel and subsistence costs	10	46	11	49
Advertising and publicity	7	18	29	40
Professional services	34	64	15	50
Programme management and administration of grants and awards	70	144	69	155
Professional and international subscriptions	260	437	186	332
Enforcement costs	12	13	11	12
Donations	–	16	–	18
Paternity and adoption pay costs	103	103	74	74
Purchase of geographical and scientific equipment	81	89	79	91
Purchase of weather information and weather related services	95	95	93	93
Redundancy payments service	254	254	240	240
Sponsorship costs	1	2	1	3
Subsidies to other bodies	312	468	229	366
Payment of taxes and levies	3	5	–	5
Other purchase of goods and services cost	8	113	15	131
Total	**1,477**	**2,326**	**1,358**	**2,185**

Core Department

During the year the Core Department did not purchase any non-audit services from its auditor, the National Audit Office. The non-cash auditors' remuneration of £734,200 (2014-15: £714,000) comprises £700,000 (2014-15: £700,000) for the cost of the audit of the Departmental Group and

£34,200 (2014-15: £14,000) for the audit of the UK Atomic Energy Authority Pension Scheme Accounts.

Agencies

During the year the Agencies did not purchase any non-audit services from their auditor, the National Audit Office. Details of the non-cash auditors' remuneration of £293,500 (2014-15 restated: £292,500) can be found in the accounts of the individual agencies.

NDPBs and other designated bodies

The cash remuneration of £2,034,355 (2014-15: £1,689,742) relates to the statutory audit of NDPBs and other designated bodies. Of this amount, £1,568,738 (2014-15: £1,534,392) was payable to the NAO and £465,617 (2014-15: £155,350) was payable to auditors other than the NAO.

In 2015-16, £2,600 was payable to the NAO (2014-15: £1,000) and £43,848 was payable to auditors other than the NAO (2014-15: £174,400) for non-audit services. Further details can be obtained from the accounts of the NDPBs and other designated bodies. Audit fees are included under the heading 'Professional services'.

Redundancy Payments Scheme

The Core Department is responsible for the approval and processing of claims under the Redundancy Payment Scheme (RPS), which is financed from the National Insurance Fund. Redundancy payments are made from the National Insurance Fund to employees whose employers have failed to make payments due or who were insolvent. The scheme is administered by the Insolvency Service who have a service level agreement with HM Revenue and Customs. Claims processed under the Scheme fall into two categories: RP1 (which covers redundancy pay, holiday pay and arrears of pay) and RP2 (pay in lieu of notice). The average payment for RP1 during 2015-16 to March 2016 was £3,343 (2014-15: £2,950). An average amount of £1,350 was paid during 2015-16 to March 2016 for RP2 (2014-15: £1,278).

There is associated income related to this Scheme arising from two sources:

- Solvent Recovery – where monies are recovered over a period of up to three years from companies, setting up a standing order, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time; and
- Insolvent Recovery – the Core Department becomes a creditor receiving a dividend if there are sufficient funds on the winding up of the company.

Expenditure in respect of RPS in 2015-16 totalled £285 million (2014-15: £277 million) against income of £31 million (2014-15: £37 million). The net amount totalled £254 million (2014-15: £240 million).

4.2. Depreciation and impairment charges

	2015-16		2014-15 restated	
	£m		£m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Student loan impairments/(impairment reversals) and write offs	(3,596)	(3,596)	1,948	1,948
Depreciation	21	210	17	200
Amortisation	21	71	24	60
Impairment of investments, PPE and intangibles [(i) (ii)]	354	77	465	95
Total	**(3,200)**	**(3,238)**	**2,454**	**2,303**

(i) The 2015-16 investment impairment figure includes £285 million impairment of PSH. This impairment is treated as a downward revaluation movement on consolidation in the Departmental Group, for which details are disclosed in note 11.1.

(ii) The 2014-15 investment impairment figure includes £417 million written off in relation to the transfer of the investment funds to BBB. This impairment is eliminated on consolidation in the Departmental Group.

4.3. Provision expense

	2015-16		2014-15 restated	
	£m		£m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Movement in bad debt provision	39	42	29	26
Increase/decrease in provisions (Provisions provided for in the year less any release)	(10)	51	59	74
Movement in financial guarantees	(5)	(5)	(83)	(83)
Changes in price levels	83	117	5	13
Total	**107**	**205**	**10**	**30**

4.4. Grants

	2015-16		2014-15 restated	
	£m		£m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Research and development	79	155	62	165
Grant in aid	8,112	-	8,559	-
EU grant expenditure	205	230	248	273
Research funding	55	4,704	48	4,584
Payments to FE institutions	1,797	1,794	2,507	2,502
Payments to HE institutions	27	1,839	20	2,183
Student support	2,046	2,046	2,082	2,082
Payments for apprenticeship	1,518	1,478	1,572	1,495
Direct support for innovation	-	671	-	584
Post Office Network Reform	100	100	100	100
Other grants	833	895	650	658
Total	**14,772**	**13,912**	**15,848**	**14,626**

4.5. Other operating expenditure

	2015-16		2014-15 restated	
	£m		£m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Profit on disposal of investments, share of loss or profits in joint ventures and minority interest	1	(64)	(8)	(203)
Revaluations of property, plant & equipment, intangible assets, investments and specific bad debt write offs [iii]	(10)	(16)	(480)	21
Total	**(9)**	**(80)**	**(488)**	**(182)**

(iii) The 2014-15 figure includes £477 million written back in relation to a payable written off between BBB and the Core Department. The write off is eliminated on consolidation in the Departmental Group.

5. Income

5.1. Operating income

	31 March 2016		31 March 2015 restated	
	£m		£m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Income from sales of goods and services:				
Income from other Government departments:				
Department for Education for Apprenticeships programme	813	813	801	801
Department of Health for medical students and Francis Crick Institute	228	228	134	134
European Union funding	205	223	250	273
Fees, charges and recharges to/ from external customers and central Government organisations	176	297	155	283
Levy income	9	235	7	231
Sales of goods and services	5	238	2	240
Current grants and capital grants	76	193	346	458
Student grant recoveries	71	71	46	46
Venture capital and Repayable launch investment income	29	42	96	96
Miscellaneous income	18	57	62	100
Total operating income	**1,630**	**2,397**	**1,899**	**2,663**

The majority of the funding from other Government Departments for the Skills Funding Agency of £813 million (2014-15: £801 million) relates to the management and funding of the apprenticeships programmes by the Skills Funding Agency in cooperation with and on behalf of the Department for Education.

5.2. Finance income

	Note	31 March 2016		31 March 2015 restated	
		£m		£m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Finance income:					
Student loans capitalised income	12.1	1,558	1,558	1,445	1,445
Effective interest:					
HE and Advanced Learner loans	12.1	(496)	(496)	213	213
Launch investments	12.2	57	57	56	56
Other		-	-	1	1
Dividend and interest income		338	358	166	270
Finance income		**1,457**	**1,477**	**1,881**	**1,985**

Within the Departmental Group's dividend and interest income of £358 million (2014-15: £270 million) is a one off £135 million 'notional' super dividend from Ordnance Survey vesting its trade and assets from a Trading Fund into a Government owned limited company, for which further details are disclosed in note 11.1 plus dividend income of £12 million (2014-15: £21 million) and £90 million dividend income from URENCO Limited to Enrichment Holdings Limited (2014-15: £82 million).

6. Property, plant and equipment

2015-16 Departmental Group	Land £m	Freehold Buildings £m	Dwellings £m	Leasehold Improvements £m	Information Technology £m	Plant and Machinery £m	Furniture, Fixtures and Fittings £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation										
Balance at 1 April 2015	**348**	**1,988**	**37**	**61**	**250**	**1,691**	**27**	**314**	**285**	**5,001**
Additions	-	14	-	1	10	19	-	3	138	185
Disposals	-	(81)	-	-	(10)	(154)	(2)	(1)	-	(248)
Impairments	-	(61)	(1)	-	(2)	(1)	-	-	(2)	(67)
Reclassifications	(38)	89	(5)	25	9	73	-	7	(201)	(41)
Revaluations	44	27	6	-	1	9	-	2	17	106
At 31 March 2016	**354**	**1,976**	**37**	**87**	**258**	**1,637**	**25**	**325**	**237**	**4,936**
Depreciation										
Balance at 1 April 2015	**(5)**	**(786)**	**(1)**	**(32)**	**(132)**	**(992)**	**(22)**	**(149)**	**-**	**(2,119)**
Charged in year	(1)	(50)	-	(8)	(43)	(91)	(1)	(16)		(210)
Disposals	-	82	-	-	10	126	2	1		221
Impairments	-	45	-	-	1	-	-	-		46
Reclassifications	-	(15)	-	-	-	1	-	-		(14)
Revaluations	-	24	-	-	(1)	(4)	-	(1)		18
At 31 March 2016	**(6)**	**(700)**	**(1)**	**(40)**	**(165)**	**(960)**	**(21)**	**(165)**	**-**	**(2,058)**
Carrying amount at 31 March 2016	**348**	**1,276**	**36**	**47**	**93**	**677**	**4**	**160**	**237**	**2,878**
Carrying amount at 31 March 2015	**343**	**1,202**	**36**	**29**	**118**	**699**	**5**	**165**	**285**	**2,882**
Asset financing:										
Owned	335	1,276	36	47	90	677	4	148	237	2,850
Finance leased	13	-	-	-	-	-	-	12	-	25
On balance sheet (SoFP) PFI and other service concession arrangements	-	-	-	-	3	-	-	-	-	3
Carrying amount at 31 March 2016	**348**	**1,276**	**36**	**47**	**93**	**677**	**4**	**160**	**237**	**2,878**
Of the total:										
Core Department and Agencies	18	95	-	38	9	72	1	-	15	248
NDPBs and other designated bodies	330	1,181	36	9	84	605	3	160	222	2,630
Carrying amount at 31 March 2016	**348**	**1,276**	**36**	**47**	**93**	**677**	**4**	**160**	**237**	**2,878**

2014-15 Departmental Group	Land £m	Freehold Buildings £m	Dwellings £m	Leasehold Improvements £m	Information Technology £m	Plant and Machinery £m	Furniture, Fixtures and Fittings £m	Transport Equipment £m	Assets under Construction £m	Total £m
Cost or valuation										
Balance at 1 April 2014	**290**	**1,770**	**34**	**68**	**223**	**1,650**	**28**	**300**	**361**	4,724
Additions	-	13	-	2	24	39	2	5	131	216
Disposals	(1)	(1)	-	(3)	(22)	(57)	(1)	(2)	-	(87)
Impairments	-	(7)	-	(4)	-	-	(2)	-	1	(12)
Transfers in/(out) of boundary	-	(1)	-	-	(1)	(15)	-	-	13	(4)
Reclassifications	5	162	(1)	(2)	25	35	-	5	(241)	(12)
Revaluations	54	52	4	-	1	39	-	6	20	176
At 31 March 2015	**348**	**1,988**	**37**	**61**	**250**	**1,691**	**27**	**314**	**285**	**5,001**
Depreciation										
Balance at 1 April 2014	**(3)**	**(708)**	**(1)**	**(28)**	**(120)**	**(939)**	**(22)**	**(135)**	**-**	**(1,956)**
Charged in year	-	(47)	-	(7)	(35)	(94)	(3)	(14)	-	(200)
Disposals	-	-	-	3	23	55	1	2	-	84
Impairments	-	-	-	-	-	-	2	-	-	2
Transfers (in)/out of the boundary	-	-	-	-	-	8	-	-	-	8
Reclassifications	-	(1)	-	-	-	-	-	-	-	(1)
Revaluations	(2)	(30)	-	-	-	(22)	-	(2)	-	(56)
At 31 March 2015	**(5)**	**(786)**	**(1)**	**(32)**	**(132)**	**(992)**	**(22)**	**(149)**	**-**	**(2,119)**
Carrying amount at 31 March 2015	**343**	**1,202**	**36**	**29**	**118**	**699**	**5**	**165**	**285**	**2,882**
Carrying amount at 1 April 2014	**287**	**1,062**	**33**	**40**	**103**	**711**	**6**	**165**	**361**	**2,768**
Asset financing:										
Owned	331	1,202	36	29	115	699	5	150	285	2,852
Finance leased	12	-	-	-	-	-	-	15	-	27
On balance sheet (SoFP) PFI and other service concession arrangements	-	-	-	-	3	-	-	-	-	3
Carrying amount at 31 March 2015	**343**	**1,202**	**36**	**29**	**118**	**699**	**5**	**165**	**285**	**2,882**
Of the total:										
Core Department and Agencies	46	105	-	20	12	78	1	-	33	295
NDPBs and other designated bodies	297	1,097	36	9	106	621	4	165	252	2,587
Carrying amount at 31 March 2015	**343**	**1,202**	**36**	**29**	**118**	**699**	**5**	**165**	**285**	**2,882**

PPE held by the Departmental Group

The professional valuation of land and buildings undertaken within the Departmental Group were prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (6th Edition) the 'Red Book'. Unless otherwise stated, land and buildings are professionally revalued every five years and where appropriate, in the intervening period relevant indices are used. Land and buildings held by the Core Department as at 31 March 2016 were last revalued by an independent Chartered Surveyor, Powis Hughes and Associates.

In accordance with the *FReM* the majority of Leasehold improvements, Information Technology, Furniture, Fixtures and Fittings and Plant and Machinery are held at depreciated historic cost as a proxy for fair value as the assets have short useful lives or low values. For Land, Freehold Buildings, Dwellings, Transport Equipment and the remainder of Plant and Machinery is held at fair value based on professional valuations.

Within the Departmental Group, a variety of valuation techniques are used depending upon whether the PPE asset is a specialised asset or a non-specialised asset. Where the PPE asset is a specialised asset then a depreciated replacement cost valuation is used for example scientific institutes. Where the PPE asset is a non-specialised asset then an existing use valuation is used, for example land and office buildings. Depreciated replacement cost ('DRC') valuations are based on a number of unobservable inputs; these would be classified as level 3 in accordance with IFRS 13. Existing use value ('EUV') valuations are based on a number of market corroborated but unobservable inputs, e.g. land valuations are based on similar prices per hectare adjusted for the specific location of the land, whilst other EUV valuations use specific unobservable inputs, e.g. rental yields. The EUV valuations inputs are classified as level 2 and level 3 in accordance with IFRS 13.

The Departmental Group does not hold any material individual property, plant and equipment assets. Therefore there are no individually material level 3 assumptions included in the overall Departmental Group fair value of property, plant and equipment. For there to be a material movement in the fair value of property, plant and equipment would require a significant increase in a number of level 3 valuation assumptions across the Departmental Group, which is unlikely, given that fair value movement in property, plant and equipment in 2015-16 was £124 million (2014-15: £120 million).

Further information can be found in the financial statements of the individual bodies' accounts.

7. Investment properties

2015-16	31 March 2016 £m		31 March 2015 £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Balance at 1 April	**-**	**97**	**-**	**318**
Additions	15	15	-	-
Disposals	(9)	(41)	-	(229)
Impairments	(4)	(4)	-	(1)
Revaluations	-	2	-	2
Reclassifications	32	32	-	7
Balance at reporting date	**34**	**101**	**-**	**97**

In accordance with the FReM, the Departmental Group has adopted the fair value model per IAS 40.

Core Department

Valuations of the properties of the Core Department as at March 2016 were undertaken by Bilfinger GVA and Lambert Smith Hampton. The valuations were undertaken by RICS qualified quantity surveyors in accordance with the Valuation Standards of the Royal Institute of Chartered Surveyors, IFRS and guidelines in HM Treasury's FReM.

In 2015-16 rental income of £1 million was generated by the Core Department (2014-15: nil). Nil expenditure was incurred in 2015-16 (2014-15:nil).

NDPBs and other designated bodies

At 31 March 2016 investment properties were held by the United Kingdom Atomic Energy Authority and Innovate UK either for rental yields or capital appreciation. At 31 March 2015 BIS (Postal Services Act 2011) Company Limited also held investment properties. Further detail can be found in the financial statements of the individual bodies' accounts.

During the year rental income of £3 million was generated by properties of NDPBs and other designated bodies (2014-15: £13 million). Expense of £1 million (2014-15: £3 million) was incurred.

The valuations are undertaken by professional valuers, using a variety of assumptions, including price per hectare of land and rental yields. In accordance with IFRS 13, these are level 3 assumptions. Individually an assumption would need to change by a significant amount to result in an overall material movement in the fair value of the investment properties.

8. Intangible Assets

Departmental Group 2015-16	Assets under Construction £m	Information Technology £m	Software Licences £m	Websites £m	Development Expenditure £m	Patents £m	Total £m
Cost or Valuation							
Balance at 1 April 2015	**31**	**233**	**29**	**5**	**3**	**247**	**548**
Additions	42	3	5	-	8	-	58
Disposals	-	(2)	(2)	-	-	-	(4)
Impairments	(8)	(1)	-	-	-	-	(9)
Reclassifications	(17)	22	1	-	-	-	6
Transfers in/(out)	(2)	-	-	-	2	-	-
Revaluations	-	-	-	-	-	21	21
At 31 March 2016	**46**	**255**	**33**	**5**	**13**	**268**	**620**
Amortisation							
Balance at 1 April 2015	**-**	**(159)**	**(19)**	**(2)**	**(1)**	**(189)**	**(370)**
Charged in year	-	(32)	(4)	(1)	(2)	(32)	(71)
Disposals	-	2	2	-	-	-	4
At 31 March 2016	**-**	**(189)**	**(21)**	**(3)**	**(3)**	**(221)**	**(437)**
Carrying amount at 31 March 2016	**46**	**66**	**12**	**2**	**10**	**47**	**183**
Carrying amount at 31 March 2015	**31**	**74**	**10**	**3**	**2**	**58**	**178**
Asset financing:							
Owned	46	66	12	2	10	47	183
Carrying amount at 31 March 2016	**46**	**66**	**12**	**2**	**10**	**47**	**183**
Of the total:							
Core Department and Agencies	7	47	-	-	-	-	54
NDPBs and other designated bodies	39	19	12	2	10	47	129
Carrying amount at 31 March 2016	**46**	**66**	**12**	**2**	**10**	**47**	**183**

Departmental Group	Assets under Construction	Information Technology	Software Licences	Websites	Development Expenditure	Patents	Total
2014-15	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation							
At 1 April 2014	**18**	**220**	**25**	**1**	**4**	**216**	**484**
Additions	31	-	4	-	3	-	38
Disposals	-	-	(1)	-	-	-	(1)
Impairments	(3)	(7)	-	-	-	-	(10)
Reclassifications	(15)	16	1	4	(4)	-	2
Revaluations	-	4	-	-	-	31	35
At 31 March 2015	**31**	**233**	**29**	**5**	**3**	**247**	**548**
Amortisation							
At 1 April 2014	**-**	**(129)**	**(16)**	**-**	**(2)**	**(166)**	**(313)**
Charged in year	-	(32)	(4)	-	(1)	(23)	(60)
Disposals	-	-	1	-	-	-	1
Impairments	-	6	-	-	-	-	6
Reclassifications	-	-	-	(2)	2	-	-
Revaluations	-	(4)	-	-	-	-	(4)
At 31 March 2015	**-**	**(159)**	**(19)**	**(2)**	**(1)**	**(189)**	**(370)**
Carrying amount at 31 March 2015	**31**	**74**	**10**	**3**	**2**	**58**	**178**
Carrying amount at 1 April 2014	**18**	**91**	**9**	**1**	**2**	**50**	**171**
Asset financing:							
Owned	31	74	10	3	2	58	178
Contracts	-	-	-	-	-	-	-
Carrying amount at 31 March 2015	**31**	**74**	**10**	**3**	**2**	**58**	**178**
Carrying amount at 1 April 2014	**18**	**91**	**9**	**1**	**2**	**50**	**171**
Of the total:							
Core Department and Agencies	11	51	1	-	-	-	63
NDPBs and other designated bodies	20	23	9	3	2	58	115
Carrying amount at 31 March 2015	**31**	**74**	**10**	**3**	**2**	**58**	**178**

All software licenses are acquired separately.

All Information Technology (IT) assets are internally generated. IT assets are initially classified as assets under construction and are not amortised until they are commissioned, at which time they are re-classified as IT.

The Departmental Group holds its intangible assets at valuation. In accordance with the FReM, the Departmental Group adopts cost less amortisation as a proxy for fair value for intangible assets as the intangible assets have short lives. The exception to this are patents which are held at fair value based on a valuation model.

The model uses a variety of assumptions to estimate the value of future income streams from the patents to determine the patent's fair value; these include an estimate for future royalty income derived from the consensus forecast data from industry specialists, which are adjusted for expected future USD/GBP exchange rates, the territories which the patents are applicable and potential threats to future income (such as competitor products and regulatory approval). In accordance with IFRS 13, these assumptions would be classed as level 3 assumptions. The carrying amount of the patents at year end are £47 million (2014-15 £58 million) and there would need to be a substantial increase in expected royalty income to result in a material increase in the fair value of the patents.

9. Capital and other Commitments

Total minimum payments in respect of capital, lease and other commitments

	Note	31 March 2016 £m		31 March 2015 £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Contracted capital commitments	9.1	121	2,108	89	1,910
Minimum future payments under:					
Operating leases	9.2	381	429	399	468
Finance leases		-	5	-	6
PFI contracts and service concession arrangements		7	7	10	10
Other financial commitments	9.3	2,141	2,538	1,859	2,231
Total		**2,650**	**5,087**	**2,357**	**4,625**

9.1. Capital Commitments

	31 March 2016 £m		31 March 2015 £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Contracted capital commitments not otherwise included in these financial statements:				
Property, plant and equipment	1	324	1	227
Intangible assets	-	66	1	18
Loans and Investments	120	1,718	87	1,665
Total	**121**	**2,108**	**89**	**1,910**

Core Department

The Core Department has not entered into any significant capital commitments.

NDPBs and other designated bodies

Capital commitments as at 31 March 2016 include the following significant commitments:

- Property, plant and equipment commitments for Biotechnology and Biological Sciences Research Council (BBSRC) of £165 million (31 March 2015: £184 million) relating to commitments on capital projects at the BBSRC Institute sites for the next four years and the Natural Environment Research Council (NERC) of £133 million (31 March 2015: nil), relating to commitment to build the new polar research vessel.
- Investment commitments of £834 million (31 March 2015: £907 million) for the British Business Bank plc (BBB) relating to undrawn investment commitments, £539 million (31 March 2015: £554 million) for the Green Investment Bank (GIB), relating to investment contracts where the borrower or investee entity may draw down committed capital over the contracted period, and £101 million (31 March 2015: £117 million) for the BIS (Postal Services Act 2011) Company Limited, which has capital calls relating to investments in respect of its private equity and property funds financial instruments.

9.2. Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2016 £m		31 March 2015 £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Obligations under operating leases comprise:				
Buildings:				
Not later than one year	71	81	59	73
Later than one year and not later than five years	257	271	236	271
Later than five years	52	63	103	119
	380	**415**	**398**	**463**
Other:				
Not later than one year	-	3	-	2
Later than one year and not later than five years	1	8	1	2
Later than five years	-	3	-	1
	1	**14**	**1**	**5**
Total	**381**	**429**	**399**	**468**

The Core Department is allowed to sub-lease and can assign leases, subject to the lease provisions. Further information about finance leases and sub-lease arrangements of the Agencies and NDPBs and other designated bodies can be found in the accounts of the relevant bodies.

9.3. Other financial commitments

BIS has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for subscriptions to international bodies and various other expenditures. Future payments to which BIS is committed are as follows:

	31 March 2016 £m		31 March 2015 restated £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Not later than one year	532	712	558	711
Later than one year and not later than five years	1,331	1,501	863	1,024
Later than five years	278	325	438	496
Total	**2,141**	**2,538**	**1,859**	**2,231**

9.3.1. International Subscriptions

The financial commitments payable include subscriptions payable to the following bodies, analysed by the period in which the payments are due:

Organisation	Note	Within 1 year £m	Later than 1 year and not later than 5 years £m	Later than 5 years £m	Total 2015-16 £m	Total 2014-15 restated £m
European Space Agency	a	194	543	-	737	224
European Organisation for Nuclear Research (CERN)	b	131	72	-	203	176
Institut Laue Langevin (ILL)	c	16	66	47	129	132
Total		**341**	**681**	**47**	**1,069**	**532**

Notes:

The Departmental Group is required to subscribe to a number of bodies on an on-going and continuous basis. These subscriptions are paid in Euros, Swiss Francs, and pounds sterling. The subscriptions described below are paid in Euros or Swiss Francs and amounts paid are subject to fluctuations due to exchange rate differences.

a) The UK Space Agency subscribes to the European Space Agency (ESA) programme. The UK shares research objectives with other European nations and collaborates with them to mitigate the high capital and running costs of facilities. There are agreements in place at national level to regulate annual contributions and the management of the facilities. These include a period of notice of withdrawal from the arrangement. ESA requires a 12 month notice period after the end of the current calendar year.

b) STFC shares the funding of the capital and running costs of CERN with other major scientific nations. There is a notice of withdrawal period of 12 months after the end of the current calendar year.

c) The UK, through STFC, has signed up to International Conventions, with respect to Institut Laue-Langevin (ILL). The 5th protocol of the Intergovernmental Convention was signed in July 2013 and will remain in force until 31 December 2023.

9.3.2. Non-cancellable contracts

The financial commitments payable in future years include payments due under non-cancellable contracts to the following organisations:

Organisation	Note	Within one year £m	Later than one year and not later than five years £m	Later than five years £m	Total 2015-16 £m	Total 2014-15 restated £m
Met Office	a	97	388	111	596	691
Ordnance Survey	b	73	279	-	352	428
NPL Management Limited	c	52	–	-	52	42
Met Office Supercomputer	d	47	-	-	47	97
Honours Trustee Limited		7	22	62	91	98
Finance for Higher Education Limited		5	17	49	71	77
Grant Thornton (Manufacturing Advisory Service)		-	-	-	-	18
Total		**281**	**706**	**222**	**1,209**	**1,451**

Notes:

The Departmental Group has entered into non-cancellable contracts with the above bodies. Contracts are paid in Euros and pounds sterling. Where payments are made in Euros, there are fluctuations due to exchange rate differences. The nature of the most significant contracts is described below:

a) The Core Department has agreements with the Met Office (a BIS owned trading fund) to provide meteorology services, including the Public Weather Service agreement which BIS manages on behalf of government. This agreement runs until 2021-22, but is reviewed on an annual basis.

b) The Core Department has agreements with Ordnance Survey Limited (a Government owned company in which BIS is the sole shareholder) to provide mapping data and access to its data base for the whole of government. The larger value Public Sector Mapping agreement expires 31 March 2021. The Open Data agreement expires 31 March 2020.

c) The Core Department has an ongoing non-cancellable contract with National Physical Laboratory Management Limited to operate the National Physical Laboratory and perform scientific metrology on the Teddington site. This contract has a 12 month notice period.

d) The Core Department has an agreement with the Met Office to fund the new supercomputer at a cost of £97 million until 2016-17.

No commitments are included here in respect of student loans, as loan payments only become due when student attendance is confirmed at the start of each term.

10. Financial instruments

The carrying amounts of financial instruments in each of the IAS 39 categories are as follows:

	Note	31 March 2016 £m		31 March 2015 restated £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Financial assets					
Loans and receivables:					
Cash and cash equivalents	16	908	1,529	1,694	2,495
Receivables (i)	14	699	875	736	1,127
HE student loans and advance learner loans	12.1	56,919	56,919	42,176	42,176
Loans to public sector bodies (ii)	11, 15	550	550	311	311
Other financial assets	12.3	146	641	58	443
Total loans and receivables		**59,222**	**60,514**	**44,975**	**46,552**
Public dividend capital:					
Public dividend capital	11.2	81	81	115	115
Total public dividend capital		**81**	**81**	**115**	**115**
Available for sale:					
Repayable launch investments	12.2	1,389	1,389	1,740	1,740
Ordinary shares in public sector companies	11.1	2,551	682	2,412	717
Other financial assets	12.3	183	2,523	116	3,829
Total available for sale		**4,123**	**4,594**	**4,268**	**6,286**
Derivatives:					
Forward contracts		74	77	(23)	(11)
Total derivatives		**74**	**77**	**(23)**	**(11)**
Fair value through profit or loss:					
Other financial assets	12.3	-	76	-	22
Total fair value through profit or loss		**-**	**76**	**-**	**22**
Held to maturity:					
Other financial assets	12.3	-	8	-	9
Total held to maturity		**-**	**8**	**-**	**9**
Financial liabilities					
Financial guarantees	20	92	92	116	116
Payables (i)	17	1,080	1,451	1,770	2,011
Debt sale subsidy	21	163	163	163	163
Total other financial liabilities		**1,335**	**1,706**	**2,049**	**2,290**

(i) The amounts disclosed above as payables and receivables exclude any assets or liabilities which do not arise from a contractual arrangement.

(ii) Loans to public sector bodies comprises the loans detailed in Note 15 and other loans and investments in other public sector bodies detailed in Note 11.

IFRS 7 Financial Instruments: Disclosure requires the disclosure of information which will allow users of financial statements to evaluate the significance of financial instruments on the Group's financial performance and position and the nature and extent of the Group's exposure to risks arising from these instruments.

As the cash requirements of the Departmental Group are largely met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Departmental Group is however exposed to credit, liquidity and market risk due to the specific programmes and activities undertaken in pursuance of the Group's objectives.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Departmental Group's total maximum exposure to credit risk as at 31 March 2016 is £83,892 million (31 March 2015 (restated): £74,170 million). The risk of non-payment is reflected in the carrying amounts of the assets and liabilities, where the Department is exposed to credit risk.

Significant credit risks can be summarised as follows:

Core Department

- Launch Investments – In the event of an investee company failure, the Core Department may not recover its initial investment in whole or in part. The Core Department seeks to offset this low probability risk by analysing the financial health of any applicant at the time of application for launch investment and reviewing financial health as part of the programme monitoring activity. In addition, contracts aim to contain provisions which will (as a minimum) not disadvantage the Core Department compared to other creditors in the event of a corporate failure. The Core Department takes steps to monitor the payments that become due to the companies under launch investment contracts to ensure they comply with the terms of the contracts. Finally, the contracts also require the company's auditors to confirm that all payments made to the Core Department have been made correctly and to identify any errors made.

- Student HE and FE loans – The Core Department has a statutory obligation to issue student loans and seek repayments in line with legislation. Eligible students can receive loans regardless of their credit rating, in order to support the Core Department's policy aim of encouraging students to enter higher and further education. There is no obligation to repay the loan until the borrower's income reaches a certain income threshold, but depending on the level of borrower earnings, the risk that some loans will not be repaid may increase. The Core Department estimates the percentage of loans which will not be repaid and impairs the loan asset when the loans are paid out. The Core Department is therefore exposed to the risk that some student loans will not be repaid, although this is largely mitigated by the fact that most repayments are collected by HMRC as part of the tax collection process. Write-offs are made in accordance with student loan policy as set out in the legislation and regulations governing the issue and repayment of loans. The Core Department models the impact of non-repayment when providing for impairment.

- Investment Funds – Investee companies may not perform as expected and the Departmental Group may not recover its initial investment. The Department minimises the risk by monitoring the overall performance of the Funds and to secure value for the Department as an investor. This includes a full evaluation of each business case submitted prior to committing funds.

- Financial Guarantees – Through the various loan guarantee schemes the Core Department is exposed to the risk that a recipient of the loan may default and the lending institution will call upon the Core Department to honour its guarantee. The Core Department minimises the credit risk for its most significant guarantees, the Enterprise Financial Guarantee (EFG) and legacy Small Firms Loan Guarantee Scheme (SFLGS), by devolving responsibility to the banks to determine whether any business applying for a loan is commercially viable. The banks are required to apply normal commercial practices. To establish that this is the case, for EFG the Core Department undertakes an independent audit of the lenders participating in the Scheme. This is done by sampling and checking guarantees granted and defaults arising using recognised statistical sampling and auditing techniques and by auditing individual default claims by exception. using the participating banks to determine whether any potential lender applying for a loan is commercially viable. Furthermore, any losses suffered on these loans are shared between the Department and the lending institution. The EFG is also subject to a cap which limits the Core Department's exposure.

NDPBs and other designated bodies

- BIS (Postal Services Act 2011) Company Limited is exposed to credit risk, from its investments in debt securities. At 31 March 2016, the Company held debt securities of mixed quality. The group is exposed to counter party credit risk on its high yield debt securities. Based on historic rates of market defaults a 2% to 4% default rate within the portfolio would not be unexpected. To manage the risk of loss, the investments are broadly diversified. There are specific parameters for the holding of the debt securities within particular sectors together with a limit on individual holdings as a percentage of the total portfolio. The investment managers also have significant expertise in managing default risk.

- The British Business Bank (BBB) investments are assessed by BBB's Valuation Committee. BBB produces credit risk ratings for its investments based upon a risk grading of the financial obligor and the estimated Loss Given Default on that investment. Risk drivers assessed in setting the ratings include the financial viability and lending safety of the investment and, if available, the rating assigned by an external credit agency. This is mitigated by new product approval processes that assess default and loss rates, due diligence of delivery partners underwriting methods, and portfolio monitoring and default models being put in place.

- The Green Investment Bank (GIB) is exposed to credit risk with respect to their debt investments. GIB minimises the risk of default by entering into loan arrangements with borrowers with strong credit ratings and who hold appropriate collateral.

Market risk

Market risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of:

Foreign Currency risk

Core Department

The Core Department is exposed to a small amount of currency risk with respect to Repayable Launch Investment contracts where income due from aircraft or engine sales may initially be based in US Dollars, but it is minimal in the context of the overall Repayable Launch Investment portfolio. Otherwise the Core Department's exposure to foreign currency risk during the year was insignificant. Foreign currency income was negligible, and foreign currency expenditure was a small percentage of total expenditure (less than 1%).

All material assets and liabilities are denominated in pounds sterling.

Agencies

Forward contracts

The UKSA pays an annual subscription in Euros to the European Space Agency (ESA) and has entered into forward contracts to mitigate the risk. These derivative contracts have been designated as cash flow hedges. At the reporting date the hedges met the IAS 39 effectiveness criteria.

NDPBs and other designated bodies

Forward contracts

STFC and BIS (Postal Services Act 2011) Company Limited are subject to foreign currency risks and have entered into forward contracts to help mitigate these risks. These derivative contracts have been designated as cash flow hedges by STFC and at the reporting date the hedges met the IAS 39 effectiveness criteria. BIS (Postal Services Act 2011) Company Limited does not apply hedge accounting.

Cash and cash equivalents held in foreign currency

BIS Postal Services Act Company, MRC, STFC, NERC and Nesta Trust are subject to minor foreign currency risk through the maintenance of bank accounts in foreign currencies (predominantly USD and EUR) to deal with day-to-day overseas transactions.

Investments
At 31 March 2016 Enrichment Holdings Limited (EHL) primary investment was in URENCO Limited, a company valued in Euros. A 5% movement in the EUR/GBP foreign exchange rate would result in an unrealised foreign exchange gain or loss of £30 million (31 March 2015: £22 million).

Interest Rate risk

Core Department

The Core Department does not invest or access funds from commercial sources, but it is exposed to interest rate risk with respect to the SFLGS, the EFG and student loans. For SFLGS and EFG, the Core Department is exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks' usual lending practices mean that fixed rate loans are usually available only for small value short term loans. To minimise the risk of default due to interest rate rises, accompanied by a decline in the economic environment, the Core Department relies on the lenders assessment using best commercial practice to manage the risk of default.

The interest rate on pre 2012 loans is the lower of RPI and the Bank of England base rate plus 1%. The amount of interest repayable is therefore subject to fluctuations in base rates and RPI. The risk of the Government recovering the real value of loans issued is increased when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans.

The impact of the interest rate risk for student loans issued under the pre 2012 scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if the UK experiences base rates that are lower than RPI the future cash flows will be impaired further. Additional information about student loans is provided in Note 12.1.

NDPBs and other designated bodies

For BIS (Postal Services Act 2011) Company Limited interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and future cash flows. The Company holds fixed interest securities that are exposed to fair value interest rate risk. The Company also holds floating rate securities that are exposed to cash flow interest rate risk. The principal strategy is to manage the fair value risk by holding the debt securities until maturity unless opportunities exist in the market for it to profit, for example, from any favourable interest rate movements. Interest rate risk is not expected to have a significant impact.

GIB and BBB each hold both fixed and variable rate investments. Interest rate risk is regularly monitored by each organisation to ensure that the mix of fixed and variable borrowing is appropriate. GIB has entered into swaps to hedge against interest rate risk. The counterparties to these swaps is the Core Department and so the Group is unaffected. BBB does not use derivatives to hedge interest rate risk.

The bonds held by CITB and ECITB are also subject to interest rate risk. The risk management strategy is to manage this risk by holding the high yield debt securities until maturity unless opportunities exist in the market for it to profit, for example, from any favourable market interest rate movements.

Other Market risk

Core Department

The Core Department is exposed to wider risks relating to the performance of the economy as a whole. The main risks resulting from a downward movement in the economy include failures of investee companies of investment funds, loan defaults under the Core Department's EFG Scheme and negative impacts on the Core Department's repayable launch investment income and valuations from the potential resultant decrease in demand in the aerospace industry.

The other main risks resulting from a downward movement in the economy relate to the potential increase in borrowers' unemployment impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the time period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in write offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

NDPBs and other designated bodies

GIB is exposed to market risk through the concentration of investments in the clean energy sector. GIB is also exposed to equity price risk due to its investments in businesses developing construction assets across its priority sectors. The company intends to withdraw from the investments when these assets are operational in order to recycle their capital. The risk is minimised by spreading investments across all of its priority sectors.

The Nesta Trust is exposed to equity price risk due to its investment of a portion of its endowment assets in publicly listed equity investments. Nesta Trust minimises this risk by investing for the medium to long term, diversifying its equity investments over a number of managers with complementary styles, and invests in investment funds with large institutional investors. The performance of these investment managers is monitored regularly.

EHL holds a one third stake in URENCO Limited. The other, equal shareholders, are effectively the Dutch Government (through Ultra-Centrifuge Nederland Limited), and German utilities (through Uranit UK Limited). URENCO Limited's principal activity is the provision of a service to enrich uranium to provide fuel for nuclear power utilities. Any change to this specialised market, such as a change in a country's energy policy, will impact the value of EHL's investment. EHL regularly monitors the performance of URENCO Limited.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Core Department and its Agencies

In common with other Government departments, the future financing of its liabilities is to be met by future grants of Supply, voted annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, therefore, on this basis the liquidity risk to the Core Department and its Agencies is minimal.

NDPBs and other designated bodies

Information about the Departmental Group's objectives, policies and processes for managing and measuring risk can be found in the Governance Statement.

Financial instruments: fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – uses quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – uses inputs for the assets or liabilities other quoted prices, that are observable either directly or indirectly;
- Level 3 – uses inputs for the assets or liabilities that are not based on observable market data, such as internal models or other valuation method.

The following table presents the Departmental Group's financial assets and liabilities that are measured at fair value at 31 March 2016 and 31 March 2015:

		31 March 2016 £m				31 March 2015 £m			
Asset / Liability	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets									
Available for sale									
Equity investments									
Ordinary shares in public sector bodies	11.1	–	682	–	682	–	717	–	717
Ordinary shares in listed equities	12.3	196	–	–	196	1,546	–	–	1,546
Ordinary shares in unlisted private equities	12.3	–	16	469	485	–	13	566	579
Debt and venture capital investments									
Repayable launch investments	12.2	–	–	1,389	1,389	–	–	1,740	1,740
Gilts and bonds	12.3	97	–	–	97	184	–	–	184
Property related holdings	12.3	–	3	81	84	–	5	209	214
Investment funds	12.3	–	–	978	978	–	–	743	743
Other investments	12.3	4	508	171	683	3	438	122	563
Total available for sale assets		**297**	**1,209**	**3,088**	**4,594**	**1,733**	**1,173**	**3,380**	**6,286**
Derivatives used for hedging									
Forward contracts		–	77	–	77	–	(11)	–	(11)
Total derivatives used for hedging		**–**	**77**	**–**	**77**	**–**	**(11)**	**–**	**(11)**
Fair value through profit or loss									
Ordinary shares in listed equities and Investment funds	12.3	9	–	67	76	13	–	9	22
Total fair value through profit or loss		**9**	**–**	**67**	**76**	**13**	**–**	**9**	**22**
Total assets		**306**	**1,286**	**3,155**	**4,747**	**1,746**	**1,162**	**3,389**	**6,297**

There were no transfers between level 1 and 2 during the year.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rate at the reporting date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis or for non-quoted ordinary shares that are not actively traded the net assets of the company are used. These are classified as level 3.

The following table presents the changes in level 3 instrument for the year ended 31 March 2016:

	Ordinary shares in unlisted private equities £m	Repayable launch investments £m	Property related holdings, Investment funds and Other financial assets £m	Total £m
Opening balance	566	1,740	1,083	3,389
Additions	20	–	406	426
Repayments/disposals	(162)	(112)	(219)	(493)
Gains and losses recognised in CSoCNE	45	(239)	27	(167)
Closing balance	**469**	**1,389**	**1,297**	**3,155**

The following table presents the changes in level 3 instrument for the year ended 31 March 2015:

	Ordinary shares in unlisted private equities £m	Repayable launch investments £m	Property related holdings, Investment funds and Other financial assets £m	Total £m
Opening balance	764	1,606	737	3,107
Additions	33	25	640	698
Repayments/disposals	(287)	(204)	(299)	(790)
Gains and losses recognised in CSoCNE	56	313	5	374
Closing balance	**566**	**1,740**	**1,083**	**3,389**

The most significant individual valuation using level 3 inputs in the Departmental Group is Repayable Launch Investments; sensitivity analysis is detailed in note 12.2.

The sensitivity analysis for the significant valuations using level 3 inputs for property related holdings and investment funds are detailed in the financial statements of British Business Bank Plc, Green Investment Bank and BIS (Postal Services Act 2011) Company Limited.

11. Investments and loans in other public sector bodies

	Ordinary Shares £m	Public Dividend Capital £m	Other Loans and Investments £m	Core Department and Agencies £m	Elimination of shares held in NDPBs £m	NDPBs Ordinary Shares £m	Departmental Group £m
Balance at 1 April 2014	**1,081**	**115**	**17**	**1,213**	**(759)**	**404**	**858**
Reclassification	-	-	-	-	-	(1)	**(1)**
Additions	1,716	-	-	**1,716**	(1,704)	-	**12**
Impairments	(386)	-	-	**(386)**	374	-	**(12)**
Revaluations	1	-	2	**3**	-	(9)	**(6)**
Loans repayable within 12 months transferred to current assets	-	-	(1)	**(1)**	-	-	**(1)**
Balance at 31 March 2015	**2,412**	**115**	**18**	**2,545**	**(2,089)**	**394**	**850**
Additions	462	-	17	**479**	(233)		**246**
Redemptions	-	(34)	-	**(34)**			**(34)**
Impairments	(327)	-	-	**(327)**	316	-	**(11)**
Revaluations	4	-	-	**4**	-	(257)	**(253)**
Loans repayable within 12 months transferred to current assets	-	-	(3)	**(3)**	-	-	**(3)**
Balance at 31 March 2016	**2,551**	**81**	**32**	**2,664**	**(2,006)**	**137**	**795**

11.1. Ordinary Shares in other public sector bodies

	31 March 2016 £m		31 March 2015 £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Balance at 1 April	2,412	717	1,081	726
Reclassification	-	-	-	(1)
Additions	462	229	1,716	12
Impairments	(327)	(11)	(386)	(12)
Revaluations	4	(253)	1	(8)
Balance at reporting date	**2,551**	**682**	**2,412**	**717**

Ordinary Shares in other public sector bodies held within the Departmental boundary

In accordance with the FReM, ordinary shares held within the Departmental boundary are carried at historical cost less any provision for impairment. They are eliminated on consolidation.

Green Investment Bank (GIB)

The Core Department holds 1,034,850,000 shares of £1 each (31 March 2015: 974,850,000), in the Green Investment Bank. BIS made £60 million capital injections into GIB during the period in exchange for share capital. The Core Department's holding had a cost of £1,035 million at 31 March 2016 (31 March 2015: £945 million).

The principal objective of the company is to accelerate private sector investment in the clean energy sector.

British Business Bank Plc (BBB)

BBB was registered as a public company on 29 October 2013. At 31 March 2016 the Core Department holds 837,525,846 ordinary shares (31 March 2015: 664,326,143), each with a nominal value of £1. BIS made capital injections in BBB during the period in exchange for share capital, to allow BBB to make investments that could not be financed with free capital. The Core Department's holding had an impaired cost of £815 million at 31 March 2016 (31 March 2015: £664 million).

The principal objective of the company is to address long-standing, structural gaps in the supply of finance and bring together in one place Government finance support for small and mid-sized businesses.

UK Shared Business Services Limited

The Core Department holds 62,016,358 non-voting shares and one voting share in UK Shared Business Services Limited, held at impaired cost of £12 million at 31 March 2016 (31 March 2015: £20 million).

The company is a specialist business services organisation that provides finance, procurement, grants, information systems and HR and payroll services to the public sector. Its main objective is to improve the economy, efficiency and effectiveness of corporate services to BIS bodies.

Postal Services Holding Company Limited (PSH)

The Secretary of State for BIS owns 50,005 ordinary shares in PSH which is 100% of the issued share capital at a historic cost of £430 million at 31 March 2016 (31 March 2015: £430 million). The Secretary of State for BIS also owns one special share in PSH, relating to certain areas for which Special Shareholder's consent is required. An impairment of £285 million (31 March 2016: £nil) was recognised during the year, reflecting the reduction in the value of investments held by PSH. This impairment is reversed in the Departmental Group accounts and recognised as a fair value movement. See Estimation techniques used and key judgements in the Accounting Policies note for further information.

The principal objective of the company during 2015-16 was to hold and manage its shares in POL and to dispose of its remaining shareholding in Royal Mail Plc.

Student Loans Company (SLC) Limited

The Core Department holds 17 shares with a nominal value of 50 pence each in SLC Limited. In addition Scottish Ministers, the Minister for Education and Skills (Wales) and the Minister for Employment and Learning (Northern Ireland) each hold one share.

The principal objective of the company is to make student loans to university students and manage their subsequent repayment.

Enrichment Holdings Limited (EHL)

The Core Department holds two shares of £1 each in Enrichment Holdings Limited (EHL).

EHL has been set up as a holding company, along with a subsidiary company, Enrichment Investments Limited (EIL), solely to hold the Government's one third share in Urenco Limited, an entity operating in the civil uranium enrichment sector.

BIS (Postal Services Act 2011) Company Limited and B Company Limited

The Core Department holds one ordinary share in BIS (Postal Services Act 2011) Company Limited with a nominal value of £1, which holds one ordinary share in BIS (Postal Services Act 2011) B Company Limited, with a nominal value of £1.

The principal objective of the company is to dispose of the assets transferred to it from the Royal Mail Pension Plan (RMPP).

Wave Hub Limited

The Core Department holds one share with a nominal value of £1 in Wave Hub Limited.

The principal objective of the company is to provide test platforms for companies performing research and development in wave energy technologies on the Cornwall coast.

Ordinary Shares held outside of the Departmental boundary

Shares held outside of the Departmental boundary are carried at fair value in accordance with IAS 39.

Post Office Limited (POL) and Royal Mail Plc

The Government, through the Secretary of State for BIS, owns 100% of the shares in the Postal Services Holding Company Limited (PSH), the company which wholly owns Post Office Limited (POL).

PSH holds 50,003 ordinary shares in POL at a nominal value of £1 each which is 100% of the issued share capital. There is a special share in POL (nominal value of £1) which is held directly by the Secretary of State for BIS. This shareholding is held at fair value, but as there is no active market for these shares the net asset value of POL is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2016 was £137 million (31 March 2015: £394 million).

The principal objective of POL is to provide retail post office services through its national network of branches.

PSH held 299,913,077 ordinary shares in Royal Mail Plc at 31 March 2015. During 2015-16 the shareholding in Royal Mail Plc was reduced to nil through a combination of sales (28% of issued Royal Mail Plc shares) and gifts to employees (2% of issued Royal Mail Plc shares). A total realised profit on disposal of £1,435 million was recognised in the year, as showing in the Statement of Comprehensive Net Expenditure. £93.89 million was incurred in year for the gift of shares to employees and is shown in Note 4.4 under other grants.

British Nuclear Fuels Limited (BNFL)

The Government holds 50,000 ordinary shares in BNFL at a nominal value of £1 each. The Secretary of State for BIS owns 49,999 ordinary shares and the Treasury Solicitor owns one ordinary share.

The Core Department's shareholding is held at fair value, but because there is no active market for these shares the net asset value of BNFL is considered to be a reasonable approximation of fair value. The fair value as at 31 March 2016 was £322 million (31 March 2015: £322 million).

Ordnance Survey Limited (OSL)

The Government through the Secretary of State for BIS owns 34,000,001 ordinary shares in OSL at a nominal value of £1 each which is 100% of the issued share capital. BIS acquired the ordinary shares in OSL for £170 million on 1 April 2015 as part of the Ordnance Survey Trading Fund transferring its trade and assets into OSL.

The shareholding is held at fair value, but as there is no active market for these shares the net asset value of OS is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2016 was £174 million.

The principal objective of OSL is to produce mapping products and mapping data information.

NPL Management Limited (NPLML)

The Government through the Secretary of State for BIS owns 20 ordinary shares in NPLML at a nominal value of £1 each which is 100% of the issued share capital.

The shareholding is held at fair value, but as there is no active market for these shares the net asset value of NPLML is considered to be a reasonable approximation for fair value. The fair value as at 31 March 2016 was £49 million.

11.2. Public Dividend Capital (PDC)

	Companies House £m	UKIPO £m	Ordnance Survey £m	Met Office £m	Total £m
Balance at 1 April 2014	**16**	**6**	**34**	**59**	**115**
Additions	-	-	-	-	-
Redemptions	-	-	-	-	-
Impairments	-	-	-	-	-
Balance at 31 March 2015	**16**	**6**	**34**	**59**	**115**
Additions	-	-	-	-	-
Redemptions	-	-	(34)	-	**(34)**
Impairments	-	-	-	-	-
Balance at 31 March 2016	**16**	**6**	**-**	**59**	**81**

Public Dividend Capital is held by the Core Department.

In accordance with the FReM, Public Dividend Capital (PDC) is carried at historical cost less any impairment.

On 1 April 2015 the trade and assets of Ordnance Survey were transferred to the newly incorporated Limited Company, Ordnance Survey Limited ('OSL'). BIS is the sole shareholder of Ordnance Survey Limited. Ordnance Survey was a trading fund owned by BIS but outside of the departmental boundary; BIS's investment in the trading fund was recorded as PDC. The transfer of the trade and assets from Ordnance Survey to OSL resulted in the £34 million PDC investment BIS had in the Trading Fund being repaid and £170 million of ordinary share capital for OSL being recognised, 100% of the issued ordinary share capital in OSL. The £170 million ordinary share capital issued was equal to the net asset of Ordnance Survey trading fund at the date of the transfer.

11.3. Share of net assets for Public Dividend Capital holdings and results of bodies outside the consolidation boundary

The Department is required to disclose its share of the net assets and the results for the year of other public sector bodies, which are outside of the departmental boundary. The following disclosures relate to the Department's public corporations and trading funds.

	Companies House £m	UKIPO £m	Met Office £m
Net Assets/(Liabilities) at 31 March 2015 (restated)	77	89	229
Turnover (restated)	67	80	221
Surplus/profit (deficit/loss) for the year before financing (restated)	2	5	12
Net Assets/(Liabilities) at 31 March 2016	75	86	250
Turnover	66	83	227
Surplus/profit (deficit/loss) for the year before financing	(2)	4	9

For all bodies, information for 2015-16 was derived from their draft unaudited accounts. The information for 2014-15 was derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the *FReM*.

11.4. Special Shares

The Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body or their Articles of Association.

The Core Department does not recognise the special or 'golden' shares on its Statement of Financial Position.

Body in which Share is held and type and value of Share	Significant terms of Shareholding
Postal Services Holding Company Limited *£1 Special Rights Preference Share*	• Created in January 2001 (formerly called Royal Mail Holdings plc) • It may be redeemed at any time by the shareholder • The consent of the special shareholder is required for a number of decisions, including: – Appointments to the Board (the special shareholder can also make appointments to the Board) – Setting (and approving any material changes in) the remuneration packages of the Directors – Borrowing – Disposing of substantial assets of the business and shareholdings – Issuing or allotment of shares in the Post Office network company (Post Office Limited) – Voluntary winding-up of the company – Varying certain of the company's Articles of Association, including the rights of the special shareholder – Exercising of voting rights in Royal Mail plc

Body in which Share is held and type and value of Share	Significant terms of Shareholding
Post Office Limited ("POL") *£1 Special Rights Redeemable Preference Share*	• Created in April 2012 • Special Shareholder is entitled to attend and speak at any general meeting or any meeting of any other class of shareholders of POL, but the Special Share does not carry voting rights or any other rights at any such meeting. • It may be redeemed at any time by the Special Shareholder. POL cannot redeem the Special Share without prior consent of the Special Shareholder. • The consent of the special shareholder is required for a number of decisions, including: – Varying POL's Articles of Association, including the rights of the special shareholder; – Appointment or removal from office of any Director of POL; – Approval of (including material variations) Directors' remuneration and terms of employment; – Adoption of (and any material variation in) POL's strategic plan; – Substantial alterations in the nature of the business carried on by POL; – Sale of material assets in the absence of which POL would not be able to deliver its strategic plan; – Incurring of any borrowing exceeding pre-set limits as agreed with HM Treasury; – Issuing or allotment of shares or granting of share rights in the company; and – Voluntary winding-up of the company or member of the group.
BAE Systems plc *£1 Special Rights Preference Share*	• Created in 1985 (but subsequently amended). • No time limit. • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company. • Requires a simple majority of the Board and the Chief Executive to be British. • Requires any Executive Chairman to be British and, if both the Chairman and Deputy Chairman are non-executives, requires at least one of them to be British.
Rolls Royce Holdings plc *£1 Special Rights Non-Voting Share*	• Created in 1987 (but subsequently amended and transferred to Rolls-Royce Holdings plc). • No time limit. • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company. • Requires a simple majority of the Board to be British. • Allows either the Chairman or the Chief Executive to be either an EU or US citizen provided that the other is a British citizen. • Provides for a veto over the material disposal of assets of the group. • Provides for a veto for a proposed voluntary winding up.

12. Other financial assets

	Note	31 March 2016 £m		31 March 2015 restated £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Balance at 1 April (restated)		**44,090**	**48,219**	**35,336**	**40,094**
Transfers in		(35)	-	(175)	-
Reclassifications		(1)	(1)	-	(9)
Additions		12,152	12,913	10,957	12,095
Repayments		(1,965)	(4,234)	(2,026)	(3,674)
Capitalised interest		1,558	1,558	1,445	1,445
Effective interest		(439)	(439)	269	269
Revaluations		(296)	(24)	291	7
Other asset impairments		(25)	(47)	(62)	(63)
Impairment reversals		2	15	3	4
Write offs		(27)	(27)	(23)	(23)
Student loan (impairments)/impairment reversals	12.1	3,623	3,623	(1,925)	(1,925)
Loans provided for in the year		-	-	-	(1)
Balance at reporting date		**58,637**	**61,556**	**44,090**	**48,219**

Other financial assets analysed between current and non-current assets:

	31 March 2016 £m		31 March 2015 restated £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Due within twelve months	2,317	2,350	2,136	2,279
Due after twelve months	56,320	59,206	41,954	45,940
Total	**58,637**	**61,556**	**44,090**	**48,219**

12.1. Student Loans in Higher and Further Education

Advanced Learner loans, previously referred to as Further Education loans, and loans for students in higher education are held by the Core Department.

Features of Student Loans

There are two student loan schemes with different features – pre 2012 and post 2012 schemes:

	Pre 2012 loans scheme	Post 2012 loans scheme
Nature of repayments	Income contingent and generally through the tax system	
Students	Starters in Higher Education between academic years 1998/99 and 2011/12.	Starters in Higher Education from academic year 2012/13 onwards. Starters on eligible Level 3 and 4 courses aged 24 or over from academic year 2013/14 onwards.
Face value at 31 March 2016	£44,495 million	HE £30,867 million Advanced Learner Loans £393 million
Current year lending	£304 million	HE £11,460 million Advanced Learner Loans £162 million
Interest rate	Lower of RPI or Bank of England base rate plus 1%. If the latter applies, then the base rate cap is in operation. Currently 0.9%.	For borrowers in study and until the April after leaving their course RPI plus 3%. This rate is currently 3.9%. From the April after leaving their course, borrowers are charged a variable rate of interest between RPI and RPI plus 3%, depending on their income.
Repayment threshold	Currently £17,495	£21,000 frozen until 2021
Repayment rate	9% above repayment threshold	9% above repayment threshold

Measurement and carrying values

In accordance with IAS 39, student loans are classified as Loans and Receivables and are carried at amortised cost, with the gross value of loans issued discounted to net present value using the effective interest rate method.

The effective interest rate used is the higher of the rate intrinsic to the instrument, and the real long term discount rate as set by HM Treasury. As part of the Spending Review and Autumn Statement in November 2015, HM Treasury announced a new long term discount rate of RPI plus 0.7%.

The Core Department has reviewed its judgements in the light of this new discount rate and concluded that the long term discount rate is still the appropriate effective interest rate for student loans issued this year. The new discount rate is higher than the intrinsic interest rate, because the intrinsic rate reflects both the interest rate applied to student loans and the beneficial write-off conditions, which mean that many borrowers will not fully repay their loans. The effective interest rate of RPI plus 0.7% has been used to revalue the impairment of student loans held on the balance sheet and the impact is set out below.

The net present value calculation also takes into account an estimate of the value of student loans issued which will not be repaid because of policy reasons due to death, disability, age of the student or loan or other policies.

The carrying value is also considered to be a reasonable approximation of the fair value of student loans, in the absence of an active market, readily observable market trends or similar arm's length transactions. A valuation technique is used to estimate the present value of future cash flows and an estimate of irrecoverable amounts because of policy decisions.

	31 March 2016 £m				31 March 2015 £m			
	Pre 2012 Loans	Post 2012 Loans			Pre 2012 Loans	Post 2012 Loans		
	Higher Education Loans	Higher Education Loans	Advanced Learner Loans	Total All Student Loans	Higher Education loans	Higher Education loans	Advanced Learner Loans	Total All Student Loans
Balance at 1 April	**32,242**	**9,830**	**104**	**42,176**	**28,991**	**4,323**	**36**	**33,350**
Additions	304	11,460	162	**11,926**	1,278	9,377	144	**10,799**
Repayments[1]	(1,780)	(61)	-	**(1,841)**	(1,650)	(33)	-	**(1,683)**
Capitalised interest	503	1,046	9	**1,558**	692	746	7	**1,445**
Effective interest[2]	240	(738)	2	**(496)**	752	(540)	1	**213**
Write offs	(23)	(4)	-	**(27)**	(21)	(2)	-	**(23)**
Loan (impairments)/ impairment reversals[3]	2,194	1,462	(33)	**3,623**	2,200	(4,041)	(84)	**(1,925)**
Total	**33,680**	**22,995**	**244**	**56,919**	**32,242**	**9,830**	**104**	**42,176**

1 Repayments for pre 2012 loans are statutory collections through the tax system and voluntary repayments: repayments for post 2012 loans are voluntary repayments, as statutory repayments did not commence until 6 April 2016.

2 Effective interest for post 2012 loans in 2015-16 is a negative value because these loans currently attract interest up to RPI plus 3% (3.9%). This is greater than the effective interest rate of RPI plus 0.7%. This means that the value of capitalised interest for post 2012 loans is greater than the value of effective interest for the year, leaving a negative residual effective interest. This occurs because policy is that students in study attract interest up to RPI plus 3%. Over the lifetime of the loan, the full interest policy will come into effect with borrowers paying variable interest rates, depending on their income.

3 Impairments relate to the cost of new loans being issued and the revaluation of the stock of existing loans. Impairments recognise that, in aggregate, the impact of the interest rate charged to borrowers and of policy write offs are less than the Government's long term cost of borrowing. Loan impairments for HE loans in 2015-16 are positive because of a reversal to the impairment of the stock of loans following changes in the HM Treasury discount rate and policy change to the repayment threshold for post 2012 loans.

Face value of Student Loans

The table below provides a reconciliation between the carrying value and the face value of student loans issued:

	Pre 2012 HE loans		Post 2012 HE loans		Advanced Learner loans		Total
	£m	£m	£m	£m	£m	£m	£m
Opening face value of loan book as at 1 April 2015 (restated)		**45,490**		**18,427**		**224**	**64,141**
less:							
Opening value of loan impairments (restated)[1]		(13,248)		(8,597)		(120)	(21,965)
Opening carrying value of loan book		**32,242**		**9,830**		**104**	**42,176**
New loans issued	304		11,460		162		
less: Impairment of loans issued	(86)		(2,634)		(65)		
Fair value of new loans issued		218		8,826		97	9,141
Impairment adjustment to opening loan book		2,280		4,096		32	6,408
Capitalised interest		503		1,046		9	1,558
Effective interest		240		(738)		2	(496)
Write-offs		(23)		(4)		–	(27)
Repayments		(1,780)		(61)		–	(1,841)
Carrying value of loan book as at 31 March 2016		**33,680**		**22,995**		**244**	**56,919**
Add back:							
Closing value of loan impairments		10,815		7,872		149	18,836
Face value of loan book as at 31 March 2016		**44,495**		**30,867**		**393**	**75,755**

1 The difference between the value of opening impairments plus impairments in year and the closing value of impairments is the effective interest figure.

Risk

Student loans are subject to credit risk and interest rate risk. Details are provided in Note 10.

Forecasting models

The value of new higher education (HE) loans issued is calculated using a forecasting model (the HE student loan repayment model) which holds data on the demographic and behavioural characteristics of students in order to predict their likely repayments of loans. The model depends on a complex set of assumptions, and particularly on borrowers' earnings. The model is long term in nature, but uses the latest Office for Budget Responsibility (OBR) short and long term forecasts for RPI, base rates and earnings growth. The valuation of the student loan book is uncertain as it is highly dependent on macroeconomic circumstances and graduate earnings over the next 30 years, as well as a number of other complex assumptions, for around four million borrowers. Further information on these assumptions is provided on the Department's website http://tinyurl.com/stepmodelguide.

The value of new Advanced Learner loans issued is calculated using a separate Further Education (FE) loan repayment model. The model is a Monte Carlo simulation that uses assumptions on borrowers' characteristics and forecasts borrowers' incomes over the next 30 years to estimate likely repayments. 2013-14 was the first year Advanced Learner loans were issued. There is therefore little historic repayment data available for use and all repayments to date have been voluntary.

The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at 31 March 2016.

Assurance over the carrying value

Each year the carrying value of HE loans in the Accounts is compared with the latest outputs from the HE student loan repayment model, which is re-run using current assumptions. If there is a significant difference, a review is undertaken to determine the reasons for the variance. The carrying value would only be adjusted if there was sufficient evidence to suggest that the divergence constituted a permanent reduction in the carrying value.

Changes in assumptions and modelling

During 2015-16 changes in assumptions and modelling led to the following revisions to the opening carrying value for student loans:

- A change in the long term discount rate from RPI plus 2.2% to RPI plus 0.7% led to an increase in the value of pre 2012 HE loans of £4,256 million, an increase in the value of post 2012 HE loans of £2,886 million and an increase in the value of Advanced Learner loans of £16 million.
- The policy decision to freeze the £21,000 repayment threshold for all post 2012 loans for five years from 2016 to 2021 led to an increase in the value of post 2012 HE loans of £1,202 million and an increase in the value of Advanced Learner loans of £19 million.
- Revised short term forecasts for base rates, RPI and earnings growth were published in the OBR's Economic and Fiscal Outlooks in July 2015, November 2015 and March 2016. Revised long term forecasts were published in the OBR's Fiscal Sustainability Report in June 2015. Together these led to a decrease in the value of pre 2012 HE loans of £1,106 million, a decrease in the value of post 2012 HE loans of £271 million and a decrease in the value of Advanced Learner loans of £3 million.
- Modelling improvements led to a decrease in the value of pre 2012 HE loans of £893 million and an increase in the value of the post 2012 HE loans of £275 million.
- Updating assumptions on learners' characteristics led to a decrease in the value of Advanced Learner loans of £0.3 million.

Impact of changes in assumptions and modelling on loan impairments

	Pre 2012 HE loans	Post 2012 HE loans	Advanced learner loans	Total
	£m	£m	£m	£m
Impairments to existing loans arising from changes to:				
Long term discount rate	4,256	2,886	16	7,158
Post 2012 repayment threshold freeze	-	1,202	19	1,221
Revised OBR forecasts	(1,106)	(271)	(3)	(1,380)
Modelling improvements	(893)	275	-	(618)
Sub-total	**2,257**	**4,092**	**32**	**6,381**
Write-off utilisation	23	4	-	27
Impairments to loans issued during the year	(86)	(2,634)	(65)	(2,785)
Total loan impairments for year	**2,194**	**1,462**	**(33)**	**3,623**

Assumptions used to calculate the student loan balance at 31 March 2016

Key assumptions that affect the value of the student loan books are graduate earnings growth, RPI inflation and the Bank of England base rate. The tables below indicate the sensitivity of the valuation of future cash flows to these assumptions. Other assumptions, for example, that future graduate earnings will mimic the available data on historical graduate earnings, cannot be easily varied.

The sections below show the changes required in graduate earnings growth, RPI inflation and Bank of England base rate assumptions to create an increase/decrease in the carrying value of each loan book of 1%. A 1% shift in the carrying value is a relevant deviation to consider as it is larger than the magnitude of the inherent random variation present in the forecasting model. The assumptions could change by a larger amount, causing the carrying value to change by more than 1%. There are no earnings growth forecasts specifically for graduates, so the assumptions include both graduates and non-graduates.

Figures are split into pre 2012 and post 2012 loan books, as the impact of these assumptions differ between the books. For post 2012 loans, only full-time loans are analysed since they are, by far, the largest part of the value in the book. The carrying values at 31 March 2016 were £33,680 million for the HE pre 2012 loan book and £22,536 million for the HE post 2012 full-time loan book.

The sensitivity analysis shows the relative changes in the underlying assumptions (RPI, earnings, bank base rate) which results in a 1% change in the carrying amount of the full time HE loan books. This has been split into pre 2012 loans (£337 million) and post 2012 loans (£225 million). The changes in the tables below are relative percentage changes of the underlying assumptions. For example, a 10% increase in RPI would change an RPI value of 3.0% to 3.3%. To increase the carrying value of HE pre-2012 loans by +1% (+£337 million) would require a 3.9% decrease in RPI. RPI assumptions currently range from 1.5% in 2015-16 to a peak of 3.0% in 2018-19. After applying the 3.9% decrease, this range becomes 1.4% to 3.3%.

RPI

A higher RPI will increase interest in the following year for post 2012 loans. It will also increase it for pre 2012 loans, unless RPI is higher than the base rate+1%, in which case RPI does not determine the interest rate. The repayment threshold for pre 2012 loans increases in line with RPI each year, so a higher RPI results in lower repayments. The OBR forecast for March RPI in 2015-16 is 1.5%, rising to 3.4% in 2018-19 before falling to 3.0% over the long term. The table below shows the relative percentage changes in RPI that would cause a 1% shift in the carrying value of each loan book.

Impact on carrying value	HE pre 2012 loans *1% change = £337 million*	HE post 2012 full time loans *1% change = £225 million*
Increase by 1%	-3.9%	-4.3%
Decrease by 1%	3.9%	4.3%

Earnings growth

Higher earnings growth will increase repayments for both pre and post 2012 loans. The post 2012 interest rate following graduation is linked to a borrower's earnings, so higher earnings will also increase post 2012 interest. The OBR forecast for 2015-16 average earnings growth is 2.4%, rising to 4.5% in the long term. The table below shows the relative percentage changes in earnings growth that would cause a 1% shift in the carrying value of each loan book.

Impact on carrying value	HE pre 2012 loans *1% change = £337 million*	HE post 2012 full time loans *1% change = £225 million*
Increase by 1%	4.7%	2.4%
Decrease by 1%	-4.4%	-2.4%

Bank of England base rate

A higher base rate will increase interest for pre 2012 loans, unless RPI is higher than the base rate+1%, in which case the interest rate is determined by RPI. The OBR forecast for the Bank of England base rate in 2015-16 is 0.5%, rising to 5.0% in the long term. The table below shows the relative percentage changes in the Bank of England base rate that would cause a 1% shift in the carrying value of each loan book. Note that these figures are larger than the earnings growth and RPI changes, because the base rate is not forecast to impact the pre 2012 interest rate in the long term. A large short term impact is needed to cause a 1% shift in the carrying value.

Impact on carrying value	HE pre 2012 loans *1% change = £337 million*	HE post 2012 full time loans *1% change = £225 million*
Increase by 1%	45.6%	No impact
Decrease by 1%	-31.4%	No impact

Historical data over the last five years shows the extent of change to earnings growth, RPI rates and base rates compared to current levels is:

- The long term OBR assumption for earnings growth is currently 4.5%. Since 2010, the ONS outturn figures for the financial year average of earnings growth have varied between 1.32% and 1.98%.
- The long term OBR assumption for RPI is currently 3.0%. Since 2010, the ONS outturn figures for March RPI have varied between 0.9% and 5.3%.
- The long term OBR assumption for base rates is currently 5.0%. Since 2010, the outturns have all equalled 0.5%.

Another important assumption is the discount rate used to calculate impairments on student loans. This is the long term cost of Government borrowing, which is set by HM Treasury. This changes infrequently, with the last changes occurring in 2005 and 2015. In 2015, the discount rate dropped from RPI plus 2.2% to RPI plus 0.7%, which increased the carrying value of the total loan book (HE and Advanced Learner Loans) by £7,158 million.

The carrying amount of the Advanced Learner loan book is determined by comparing the amortised cost carrying amount of the advance learner loans book with the discounted cash flows from a microsimulation repayment model. The accuracy of the model depends on using the most up-to-date assumptions underpinning the impairment estimates. These assumptions fall into four categories: learners' characteristics and loan details; macro-economic assumptions; annual income post learning; and loan policy assumptions.

Of these, the annual income post learning category could potentially have the largest impact on the value of impairments. We currently have very limited data on repayments (compulsory repayments commenced in April 2016). We therefore use historic Labour Force Survey data to estimate transitions in employment status and the distribution of income. These assumptions on income are not only the most uncertain but their potential impact is less reliably predictable.

12.2. Repayable Launch Investments

	31 March 2016 £m	31 March 2015 £m
Balance at 1 April	**1,740**	**1,606**
Additions	-	25
Repayments	(112)	(204)
Effective interest	57	56
Revaluations	(296)	276
Impairments	-	(19)
Balance at period end date	**1,389**	**1,740**

Repayable Launch investments are held by the Core Department.

The Core Department has determined that repayable launch investments are to be classified as 'available for sale financial assets' and measured at fair value, in accordance with IAS 39.

The Core Department, under the provisions of the 1982 Civil Aviation Act, provides repayable launch investment to companies to fund a proportion of the non-recurring eligible design and development capital costs on civil aerospace development products. Each product supported is covered by separate contractual terms and conditions. Under these contracts, periodic repayments become due when products are delivered; or at other specific points. The portfolio of investments is valued twice annually and the valuations are based on forecast annual income, arising under each contract.

Measurement and carrying values

Repayable launch investment contracts are initially recognised at fair value which is the transaction price. After initial recognition, the value is the discounted forecast value of future income streams, excluding accrued income which is included in receivables when products are delivered. The value of future income streams is predominantly driven by the Core Department's view of the applicable programme's performance in the global market over the period of the contract's life; a number of activities inform this view and some are described below.

The Core Department uses a model to forecast global demand for aircraft and then an aircraft supply model which provides a forecast of deliveries for individual aircraft types. The model uses drivers such as airline fleet evolution over time and economic growth. The key input data source is Ascend Online Fleets.

The market forecast outputs are benchmarked with external sources to ensure fitness for purpose. This includes reviewing publicly available aircraft forecasts, consultant forecasts and through discussions with experts in the industry. The market forecast model's ultimate outputs (aircraft deliveries) are included in the income forecast valuation where appropriate according to the nature of individual contracts.

Other valuation variables include inflation measures – or proxies (such as RPI, RPIX, gilt rates and GDP deflators). Some contracts entitle the Core Department to a share of aircraft or engine spare part and support income, and the valuation of these contracts is based on analysis of past income streams and forecasts of future demand. The forecast income streams are adjusted by inflation (2.2%) and are discounted to present value using a discount rate of 3.5%.

The carrying value of launch investments is influenced by the interaction of key drivers such as deliveries and economic variables. The Core Department uses Monte-Carlo simulation to understand the effect of different scenarios for these drivers on the valuation of each contract. The Core Department considers that the carrying value is a reasonable approximation of the fair value of launch investments.

Where the valuation exceeds historical cost, increases in value are taken to the revaluation reserve and are released to the Consolidated Statement of Comprehensive Net Expenditure, as investments are realised. Any permanent diminution in value is charged to the Consolidated Statement of Comprehensive Net Expenditure. Fluctuations in fair value are adjusted through the revaluation reserve. The balance on the Revaluation Reserve pertaining to launch investments was a £115 million debit at 31 March 2016 (31 March 2015: £112 million credit).

The carrying value of the investments at 31 March 2016 was £1,389 million (31 March 2015: £1,740 million). The historic cost valuation of the portfolio at 31 March 2016 was £706 million (31 March 2015: £782 million).

Sensitivity analysis

The Core Department has developed a Monte-Carlo based approach which uses the software package @Risk to assess the impact of uncertainty on forecast income and overall contract values and enhance the robustness of the valuation process. Uncertainties are addressed by constructing different scenarios for the key drivers and then assigning probabilities to these scenarios to implement a Monte-Carlo simulation of the contracts on a contract-by-contract basis. The key variables include: programme development delays, changes to entry into service and out of service dates, production levels, market shares and economic variables used as inflation measures.

The contracts are highly complex and generally distinct from each other in their terms and structure, yet there are cases of significant interdependencies between contracts and correlations between variables.

The model is iterated ten thousand times to produce distributions of income for each contract and thus the overall portfolio. Each iteration of the model produces an income forecast. These are collated and used to form an income distribution. It is from this distribution that the value of the portfolio is calculated. The distribution is also used to derive a confidence interval. This interval allows an assessment of the potential volatility around the portfolio's valuation. The Core Department has selected to use a 90% confidence interval (CI); this captures 90% of all the iterations outputted from the model. Thus, there is a 90% probability that the mean falls within this range. The lower and upper confidence limits which define this CI were £1,353 million and £1,410 million respectively, at 31 March 2016 (2014-15: £1,557 million and £1,771 million).

Risk

Market Risk

This constitutes the largest area of potential risk in the portfolio as the primary method of the calculation of income streams is based on the forecasts of aircraft or engine deliveries. The Core Department uses internal analysis, company information and third party information to forecast deliveries and ultimately future income on each investment over the life of the investment period. Deliveries in the short term are driven by variables which include manufacturer production plans, market cycles, customer demand and availability of financing. Medium and longer-term deliveries will be affected by overall market growth and the market attractiveness of an aircraft programme. A negative shift in outlook may result in the Core Department not being able to recover its investment in whole or in part, although once deliveries have commenced some level of income is usually due to the Core Department. The Core Department aims to minimise risk of under-recovery of investments by carrying out a full evaluation of each business case submitted for launch investment support and by monitoring programmes for the substantive life of the contracts to allow it to assess exposure to risks (including project risk, market risk and technical risk).

Interest Rate Risk

A number of the contracts use retail price indexes (such as RPI and RPIX) or other surrogates as a tool to inflate the value of income due to the Core Department over time. As such there is a risk relating to the forecasting of these indexes and surrogates within the valuation, although we estimate that the risk is relatively low and the overall impact relatively minor.

Foreign Exchange Risk

The Core Department has a small number of contracts which may deliver a US Dollar denominated income in their later stages which would be translated into pounds sterling. We assess these income streams as relatively low value and low likelihood, thus exchange rate risk exists but is minimal in the context of the overall portfolio.

Credit Risk

Company failure could result in the Core Department's investment not being recovered in whole or in part. The Core Department seeks to offset this low probability risk by analysing the financial health of any applicant at the time of application for launch investment and reviewing financial health as part of the programme monitoring activity. In addition, contracts aim to contain provisions which will (as a minimum) not disadvantage the Core Department compared to other creditors in the event of a corporate failure. The Core Department takes steps to monitor the payments that become due to companies under launch investment contracts to ensure they comply with the terms of the contracts. Finally, the contracts also require the company's auditors to confirm that all payments have been made correctly and to identify any errors made.

Other Risk

The Core Department's investments are exposed to wider risks such as economic downturns or market shocks from natural or non-natural events. These risks may adversely impact the value and timing of the income received by the Core Department. The Core Department seeks to manage this risk by actively monitoring such events when they arise to assess any potential impact.

12.3. Other loans and investments

	Gilts and bonds £m	Term Deposits £m	Private Sector Loans £m	Property related holdings £m	Equitities (listed securities) £m	Private equities £m	Investment funds £m	Other investments £m	Total £m
Balance at 1 April 2014 restated	**770**	**128**	**282**	**416**	**1,958**	**775**	**302**	**507**	**5,138**
Reclassifications	-	-	-	(34)	34	-	(10)	1	**(9)**
Additions	143	271	141	1	41	35	578	61	**1,271**
Redemptions	(720)	(325)	(47)	(188)	(116)	(289)	(102)	-	**(1,787)**
Revaluations	(7)	-	-	19	(358)	58	25	(6)	**(269)**
Impairments	(2)	-	-	-	-	-	(42)	-	**(44)**
Impairment reversals	-	-	3	-	-	-	1	-	**4**
Loans provided for in year	-	-	(1)	-	-	-	-	-	**(1)**
Balance at 1 April 2015 restated	**184**	**74**	**378**	**214**	**1,559**	**579**	**752**	**563**	**4,303**
Reclassifications	-	-	-	-	-	-	(1)	-	**(1)**
Additions	61	215	282	1	-	23	344	61	**987**
Redemptions	(154)	(222)	(57)	(132)	(1,466)	(163)	(78)	(9)	**(2,281)**
Revaluations	7	-	-	1	112	46	34	72	**272**
Impairments	(1)	-	(23)	-	-	-	(19)	(4)	**(47)**
Impairment reversals	-	-	2	-	-	-	13	-	**15**
Balance at 31 March 2016	**97**	**67**	**582**	**84**	**205**	**485**	**1,045**	**683**	**3,248**
Of the total:									
Core Department and Agencies	-	-	146	-	-	-	183	-	**329**
NDPBs and other designated bodies	97	67	436	84	205	485	862	683	**2,919**
Balance at 31 March 2016	**97**	**67**	**582**	**84**	**205**	**485**	**1,045**	**683**	**3,248**

Core Department

Investment Funds

Investment Funds are classified as 'available for sale financial assets' and measured at fair value in accordance with IAS 39. After initial recognition the carrying value is based upon the valuations prepared by the fund managers. They are taken from the most recent set of annual Accounts for each of the funds and, where available, updated with interim fund manager valuations. These investments support private sector led venture capital to stimulate private investment into early stage small and medium sized enterprise (SME) businesses.

The UK Innovation Investment Fund (UKIIF) is the largest Investment Fund of the Core Department. The Fund was announced in June 2009 to drive economic growth and create highly-skilled jobs by enabling investment in growing small businesses start-ups and spin-outs in key technology areas such as life sciences, clean technology and low carbon, digital technologies and advanced manufacturing. The funds are managed by two private sector fund managers – Hermes GPE and the European Investment Fund. The UKIIF was valued at £84 million at 31 March 2016 (31 March 2015: £65 million).

British Business Bank

The British Business Bank plc (BBB) is a Partner Organisation within the Departmental Group. Its purpose is to provide financial support for small and medium sized businesses and to bring together in one place Government's financial support and intervention schemes. BBB was established in July 2013 and first consolidated along with its subsidiaries into the Departmental Group accounts in 2014-15.

In 2014-15 Investment Funds with a value of £327 million were transferred to British Business Bank Investments Limited (BBBIL), a subsidiary of BBB, from Infrastructure Finance Unit Limited (IFUL), a wholly owned HM Treasury company. In addition, net assets valued at £140 million were either transferred or sold to subsidiaries of BBB by the Core Department. These assets were made up of the £184 million of Investment Funds noted above, £4 million of private sector loans and a provision of £48 million in respect of the Enterprise Capital Fund.

NDPBs and other designated bodies

Private sector loans

GIB, HEFCE, BBB, STFC, and Nesta Trust have entered into loan agreements with parties within the private sector. The loans within the Departmental Group are carried at historic cost as a proxy for amortised cost because the NDPBs and other designated bodies have determined that there is no material difference between historical cost and amortised cost. As at 31 March 2016, £436 million of loans were held by NDPBs and other designated bodies (31 March 2015: £320 million).

During the reporting period GIB made loans of £55 million (31 March 2015: £61 million) to organisations engaged in fulfilling its investment obligations. The fair value of loans held by GIB as at 31 March 2016 was £285 million (31 March 2015: £240 million). The conditions attached to each loan vary depending on the details of the arrangement. Repayment schedules have been agreed and all loans are expected to be repaid at the end of the loan term.

Bonds

BIS (Postal Services Act 2011) Company Limited, CITB, ECITB and Nesta Trust hold investments in bonds. The investments in corporate bonds are classified as 'available-for-sale financial assets', and are measured at fair value in accordance with IAS 39 based on market quotes. The value of bonds held by the NDPBs and other designated bodies as at 31 March 2016 was £86 million (31 March 2015: £160 million).

During the period, BIS (Postal Services Act 2011) Company Limited invested £5 million in bonds and disposed of £124 million bonds. The fair value of the remaining investments in corporate bonds held by BIS (Postal Services Act 2011) Company Limited as at 31 March 2016 was £1 million (31 March 2015: £115 million).

Property related holdings

BIS (Postal Services Act 2011) Company Limited and Nesta Trust have property related holdings. At 31 March 2016 the value of the holdings was £84 million (31 March 2015: £214 million).

During the period, BIS (Postal Services Act 2011) Company Limited disposed of £130 million of property related investments. The fair value of the investments held by BIS (Postal Services Act 2011) Company Limited and BIS (Postal Services Act 2011) B Company Limited as at 31 March 2016 was £78 million (31 March 2015: £208 million). These investments relate to holdings in a number of marketable real estate investment funds and are held as 'available for sale financial assets' in accordance with IAS 39.

Equities (listed securities)

At 31 March 2016 the Departmental Group held £205 million of listed equities (31 March 2015: £1,559 million). The investments are held by BIS (Postal Services Act 2011) Company Limited, PSH and Nesta Trust.

During 2015-16 PSH's shareholding in Royal Mail Plc was reduced to nil through a combination of sales (28% of issued Royal Mail Plc shares) and gifts to employees (2% of issued Royal Mail Plc shares). Further details are disclosed in Note 11.1.

Private Equities

BIS (Postal Services Act 2011) Company Limited, Nesta Trust, STFC and NERC have investments in private equity. These investments have been classified as 'available for sale' assets in accordance with IAS 39. The value invested at 31 March 2016 was £485 million (31 March 2015: £579 million).

The fair value of the remaining investments in BIS (Postal Services Act 2011) Company Limited as at 31 March 2016 was £469 million (31 March 2015: £563 million). These investments primarily comprised investments in European and North American unquoted shares.

The fair values are estimated based on a variety of valuation techniques, adopted by the investment managers that comply with the International Private Equity and Venture Capital (PEVC) Valuation Guidelines or the valuation guidelines produced by the British Venture Capital Association (BVCA). Valuation techniques used include the use of earnings multiples, discounted cash flows analysis, and net asset values.

Investment Funds

BBB, GIB, Nesta Trust and BIS (Postal Services Act 2011) Company Limited hold investment funds. The value invested at 31 March 2016 was £862 million (31 March 2015: £637 million). In accordance with IAS 39, the investments of BBB and Nesta Trust are classified as 'available for sale' assets, those of GIB and BIS (Postal Services Act 2011) Company Limited held at 'fair value through profit and loss'.

BBB held investment funds valued at £764 million at 31 March 2016 (31 March 2015: £626 million). The most significant investment is in the Business Finance Partnership (BFP) for medium sized businesses at 31 March 2016, this was valued at £502 million (31 March 2015: £426 million). The BFP aims to increase the supply of capital through non-bank lending channels and, in the longer term, to help to diversify the sources of finance available to businesses. BBB also has an investment fund in the Enterprise Capital Fund which was valued at £151 million at 31 March 2016 (31 March 2015: £136 million).

Other investments

The most significant component of other investments is Enrichment Holdings Limited investment in URENCO. This is measured as 'available for sale' in accordance with IAS 39. The fair value of this investment at 31 March 2016 was £508 million (31 March 2015: £438 million).

The remaining other investments are held by GIB, Nesta Trust, UKAEA and the Medical Research Council, and are classified as 'available for sale' in accordance with IAS 39. The fair value of these other investments at 31 March 2016 was £175 million (31 March 2015: £125 million).

13. Investments in Joint Ventures and Associates

	31 March 2016 £m		31 March 2015 restated £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Balance at 1 April	**-**	**680**	**-**	**487**
Additions	-	171	-	420
Dividends	-	(5)	-	(4)
Disposals	-	(16)	9	(152)
Profit/(Loss)	-	(25)	-	(26)
Impairments	-	-	(9)	(10)
Revaluations	-	37	-	(35)
Balance at reporting date	**-**	**842**	**-**	**680**

Joint ventures and associates have been restated in the prior year due to changes in the departmental boundary. In 2014-15, the Offshore Wind Fund was not classified to the Central Government sector and as such not consolidated as part of the Departmental Group. In 2015-16, the Offshore Wind Farm was classified to Central Government. We have restated the prior year comparatives to reflect this. The impact of this change in departmental group boundary is shown in Note 26.

NDPBs and other designated bodies

Green Investment Bank, MRC, STFC, UKAEA and BBB plc have joint ventures and/or associates. The most significant holdings are:

The Francis Crick Institute Limited (formerly UKCMRI Limited)

The Francis Crick Institute was established in 2010 to deliver a world class interdisciplinary biomedical research centre. MRC holds 42% (31 March 2015: 47%) of the ordinary shares in UKCMRI Limited. The remaining shares are held by Cancer Research UK, University College London, the Wellcome Trust, Kings College London and Imperial College of Science, Technology and Medicine. The Institute will become fully operational in 2016-17, following the completion of the £750 million Crick building. As the Institute is not fully operational, the investment is held at cost of shares held in UKCMRI Limited. The value of this investment at 31 March 2016 is £268 million (31 March 2015: £268 million), and once the Institute is operational we will revalue the investment to our share of net assets.

Scira Offshore Energy Limited (Sheringham Shoal Wind Farm)

In November 2014, the Green Investment Bank (GIB) purchased a 20% share in Sheringham Shoal, a wind farm operator based off the coast of Norfolk, through its wholly owned subsidiary UK Green Investment Sheringham Shoal Limited. This investment was part of GIB's wider strategy to strengthen the UK offshore wind sector. Subsequently in March 2015 GIB sold their holding in UK Green Investment Sheringham Shoal Limited to the Offshore Wind Fund in which GIB have a holding. A portion of the entities that encompass the Offshore Wind Fund have been retrospectively classified to Central Government and are therefore consolidated within the Departmental Group in 2015-16. The value of the Offshore Wind Fund at 31 March 2016 is £220 million (31 March 2015: £231 million).

WMR JV Holdco Limited

The Green Investment Bank (GIB) holds a 50% share in WMR JV Holdco Limited. GIB accounts for this asset under IFRS 11 (equity method), with a carrying value of £87 million at 31 March 2016 (31 March 2015: £75 million). This investment is part of GIB's wider strategy to strengthen the UK offshore wind sector. The company, whose principal activity is the purchase and sale of electricity and associated benefits generated from wind farms situated on the Holderness coast, moved from construction to operation during the year.

Rampion Offshore Wind Limited

The Green Investment Bank (GIB) holds a 25% share in Rampion Offshore Wind Limited through its wholly owned subsidiary UK Green Investment Rampion Limited. GIB accounts for this asset under IFRS 11 (equity method), with a carrying value of £75 million at 31 March 2016 (31 March 2015: nil). This investment is part of GIB's wider strategy to strengthen the UK offshore wind sector. Construction of this project commenced in May 2015 and is progressing in line with expectations. The wind farm is expected to become fully operational during 2018.

14. Trade and other receivables

	31 March 2016 £m		31 March 2015 restated £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Amounts falling due within one year:				
Trade receivables	417	482	341	618
Deposits and advances	-	5	-	-
Other receivables:				
VAT and other taxation	31	44	23	34
Staff receivables	1	3	1	13
RPS receivables	140	140	146	146
Other	19	119	8	95
Prepayments and accrued income	1,002	1,214	793	1,011
	1,610	**2,007**	**1,312**	**1,917**
Amounts falling due after more than one year:				
Trade receivables	14	5	138	140
Other receivables	77	77	79	81
Prepayments and accrued income	-	15	-	15
	91	**97**	**217**	**236**
Total Receivables	**1,701**	**2,104**	**1,529**	**2,153**

The Redundancy Payment Scheme (RPS) receivable is shown net of an annual impairment.

The impairment is calculated by the Insolvency Service using a model which is approved by HMRC. The model calculates the recoverable debt as £140 million as at 31 March 2016 (31 March 2015: £146 million). There is a risk that the estimation of 14% is over-optimistic and therefore would result in a downward revision in future years. Additionally the model has been created using only ten years of available data with 14 years of data required for a full model to be effective. However, the model is designed to self check against recovery rates and for data available there is only a small annual variation from the 14% target. This variation is not material and therefore does not render the model invalid. The model is also designed to be monitored and amended annually as required. Additionally, reporting is on a monthly basis to ensure early warning of any trends outside the parameters set in the model.

15. Investments and loans in public sector bodies: current

	31 March 2016 £m	31 March 2015 £m
Balance at 1 April	**293**	**1**
Additions	7,512	4,889
Repayments	(7,290)	(4,598)
Loans repayable within 12 months transferred from non-current assets	3	1
Balance at reporting date	**518**	**293**

Loans in public sector bodies are held by the Core Department. Of the £518 million balance at 31 March 2016, £515 million relates to loans to Post Office Limited (POL).

Since October 2003 the Core Department has made available to POL a revolving loan facility of up to £1.15 billion. This is to help the company fund its daily in-branch working capital requirements to deliver services through the network, such as social benefits payments and access to cash. The facility currently matures in March 2018. The outstanding balance at 31 March 2016 was £515 million (31 March 2015: £292 million).

16. Cash and cash equivalents

	31 March 2016 £m		31 March 2015 £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Balance as at 1 April	**1,694**	**2,495**	**950**	**1,567**
Net change in cash and cash equivalent balances	(786)	(966)	744	928
Balance as at period end date	**908**	**1,529**	**1,694**	**2,495**
The following balances at 31 March were held at:				
The Government Banking Service (GBS)	907	1,377	1,691	2,265
Commercial banks and cash in hand	1	152	3	232
Balance at period end date	**908**	**1,529**	**1,694**	**2,497**
Less overdraft	-	-	-	(2)
Total	**908**	**1,529**	**1,694**	**2,495**

17. Trade payables and other current liabilities

	31 March 2016		31 March 2015 restated	
	£m		£m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Amounts falling due within one year:				
VAT, social security and other taxation	2	34	6	41
Trade payables	1	137	5	137
Other payables	169	366	66	130
Accruals and deferred income	674	1,237	740	1,279
Amounts issued from the Consolidated Fund for supply but not spent at year end	908	908	1,692	1,692
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:				
Received	-	-	1	1
	1,754	**2,682**	**2,510**	**3,280**
Amounts falling due after more than one year:				
Trade Payables	-	3	-	5
Other payables, accruals and deferred income	1	193	2	238
Finance leases	-	3	-	5
	1	**199**	**2**	**248**
Total payables	**1,755**	**2,881**	**2,512**	**3,528**

18. Provisions for liabilities and charges

	31 March 2016 £m		31 March 2015 restated £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Balance at 1 April	**674**	**1,063**	**703**	**1,058**
Transferred in	-	-	(48)	(1)
Provided in the year	53	133	102	136
Provisions not required written back	(63)	(74)	(43)	(62)
Provisions utilised in the year	(69)	(102)	(58)	(100)
Changes in price level	83	117	5	13
Borrowing costs (unwinding of discount)	9	13	13	19
Balance at reporting date	**687**	**1,150**	**674**	**1,063**

Analysis of expected timing of discounted cash flows

	31 March 2016 £m		31 March 2015 restated £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Current liabilities:				
Not later than one year	42	85	43	102
Non-current liabilities:				
Later than one year and not later than five years	155	271	213	385
Later than five years	490	794	418	576
Total non-current liabilities	**645**	**1,065**	**631**	**961**
Total	**687**	**1,150**	**674**	**1,063**

Provisions of the Departmental Group

	UK Atomic Energy Authority Decommissioning	HEI staff liabilities	British Shipbuilders	Onerous Leases	Enterprise Capital Fund	Other	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2014	**242**	**257**	**188**	**151**	**-**	**220**	**1,058**
Transferred in	-	-	-	-	46	(47)	**(1)**
Provided in the year	2	-	2	10	27	95	**136**
Provisions not required written back	-	(6)	-	(2)	(6)	(48)	**(62)**
Provisions utilised in the year	-	(29)	(10)	(25)	-	(36)	**(100)**
Borrowing costs (unwinding of discounts)	10	5	3	-	-	1	**19**
Changes in price level	3	8	1	(1)	-	2	**13**
Balance at 31 March 2015	**257**	**235**	**184**	**133**	**67**	**187**	**1,063**
Provided in the year	-	-	-	5	52	76	**133**
Provisions not required written back	(15)	(4)	(20)	(5)	-	(30)	**(74)**
Provisions utilised in the year	-	(28)	(10)	(16)	-	(48)	**(102)**
Borrowing costs (unwinding of discounts)	7	3	3	(2)	-	2	**13**
Changes in price level	34	-	46	-	(10)	47	**117**
Balance at 31 March 2016	**283**	**206**	**203**	**115**	**109**	**234**	**1,150**

18.1. UK Atomic Energy Authority Decommissioning

The decommissioning provision represents the estimated costs of decommissioning fusion research facilities at the UK Atomic Energy Authority's Culham site, including the storage, processing and eventual disposal of radioactive wastes. The Core Department retains the liability for these costs.

Calculation of the liabilities is based on the technical assessments of the processes and methods likely to be used in the future to carry out the work. Estimates are derived from the latest technical knowledge and commercial information available, taking into account current legislation, regulations and Government policy. Summary figures are built up by aggregating detailed estimates for individual liabilities. Allowance is also made for infrastructure costs, which are an appropriate share of site running costs and other overhead costs attributable to plant and buildings. The calculation is reassessed annually. The best estimate of the cost of the liabilities is discounted using HM Treasury's discount rates which range from – 1.5% to – 0.80% depending on the term of the provision. The undiscounted cost of the provisions as at 31 March 2016 was £258 million (31 March 2015: £257 million).

Since much of the work required to deal with the liabilities will not be undertaken until well into the future, there is a significant uncertainty as to the amount of the provision. In addition, timing of expenditure on the decommissioning provision is dependent on the closure date of the Joint European Torus (JET) facility which is to be decommissioned.

18.2. Higher Education Institutions (HEI) Staff Liabilities

These are certain staff related commitments of Higher Education Institutions (HEIs) that were previously Local Authority (LA) maintained. These liabilities were transferred from LAs to HEIs on incorporation and the Education Reform Act 1988 gave powers to the Polytechnics and Colleges Funding Council (PCFC) to reimburse institutions and LAs for such liabilities. Upon its formation HEFCE assumed the PCFC's main responsibilities and now provides funding for reimbursements as follows:

- Early retirement or redundancy compensation payments
- Protection of salary
- Pension increases under the Local Government Superannuation Scheme for former non teaching staff of institutions formerly funded by the PCFC.

HEFCE has provided for these ongoing reimbursements. As the provision estimate is based on data of all pension scheme members and uses various assumptions, the valuation obtained may vary from that which would be obtained if the data of all pension scheme members was made available to allow a full actuarial valuation. An analytical review is undertaken annually in order to verify the reasonableness of the provision. The provision value is an estimate based upon projected payments, mortality rates and other actuarial assumptions. Current assumptions mean that payments are expected to continue until at least 2041. The provision is discounted using HM Treasury's pension discount rate of 1.37% (31 March 2015: 1.30%). The undiscounted value of the provision as at 31 March 2016 was £225 million (31 March 2015: £256 million).

18.3. British Shipbuilders

British Shipbuilders had liabilities arising from personal injury to former employees resulting from exposure to asbestos during the course of their work. The Core Department has taken on full responsibility for the liabilities of the former Corporation, which was abolished in March 2013. The best estimate of the cost of the liabilities is discounted using HM Treasury's discount rates which range from – 1.5% to – 0.80% depending on the term of the provision. The undiscounted liability as at 31 March 2016 was £183 million (31 March 2015: £217 million).

The Department's approach to accounting for the personal injury compensation claims against British Shipbuilders and its subsidiaries has been to provide for those costs of resolution which are both probable and reliably estimable. An actuarial review of asbestos and other disease liabilities as at 31 March 2016 was reported in April 2016. This report identified a range of undiscounted liabilities from £118 million to £389 million. The current estimate is that the liabilities will extend for up to 35 years.

In the light of significant uncertainty associated with asbestos claims, there can be no guarantee that the assumptions used to estimate the provisions for the cost of resolving asbestos claims will be an accurate prediction of the actual cost that may be incurred and, as a result, the provisions are the subject of an actuarial review when a condition changes materially.

The Core Department is also responsible for compensation claims made against former British Shipbuilders' companies. The Financial Services Compensation Scheme does not compensate former employees in respect of periods of employment with nationalised industries and the Department assumed liability for this compensation by way of a Minute to Parliament in 2003. The undiscounted liability at 31 March 2016 was £9 million (31 March 2015: £8 million) and is included within other provisions.

18.4. Onerous Leases

The Core Department has onerous leases in respect of leased offices at 151 Buckingham Palace Road (BPR), 10-18 Victoria Street (10VS) and various leases transferred from other bodies following their winding up. The Department provides for these leases in full when the lease becomes onerous by establishing a provision for the future estimated payments discounted by HM Treasury's discount rate in the range – 1.5% to – 0.80% in real terms, depending on the provision term. The current estimate is that is that the liabilities will extend up to 2026.

The Core Department has attempted to mitigate any potential losses through subletting against the existing head leases for the buildings, and has sublet BPR, 10VS and some of the properties transferred into the Department. However, given current market conditions and future forecasts the Core Department has determined that at the reporting date neither the current nor future potential subleases will recover the full costs incurred by BIS.

Work is also on-going to dispose of some of the leases to a specialist company, which primarily deals with surplus buildings.

The Core Department is also undergoing a program to rationalise the impact of onerous leases going forward.

The undiscounted liability as at 31 March 2016 was £111 million (31 March 2015: £128 million). The discounted value is higher than the undiscounted liability due to the negative discount rates used for the short and medium term.

18.5. Enterprise Capital Fund

The British Business Bank plc (BBB) recognises a provision for loan commitments relating to Enterprise Capital Fund (ECF) investments. The British Business Bank accepts a lower return from ECF investments in order to encourage private sector investors to invest. Although BBB expects to make a positive return from these investments, this return is less than that required by the private sector. Accounting standards require BBB to recognise a liability when it makes a commitment to a fund. BBB records this liability as a provision. When a commitment is drawn, BBB subsequently impairs the resulting investment and utilises the provision by a corresponding amount. This results in significant upfront expenditure when new ECF commitments are entered into. This expenditure gradually reverses over the lifetime of the investment as the impairment is reversed and does not relate to an underlying loss on ECF investments.

The undiscounted liability as at 31 March 2016 was £109 million (31 March 2015: £67 million).

19. Retirement benefit obligations

	31 March 2016 £m	31 March 2015 £m
	Funded pension schemes	Funded pension schemes
Balance at 1 April	**-**	**(57)**
Current service cost	33	25
Interest cost	41	44
Actuarial (gains) and losses	(112)	87
Return on assets	(41)	(46)
Income from contributions	(30)	(53)
Payment of pensions	1	-
Balance at reporting date	**(108)**	**-**

All retirement benefit obligations relate to the NDPBs and other designated bodies in the Departmental Group.

Details of the most significant bodies to which the funded pension schemes relate are shown below.

Funded pension schemes

The Student Loans Company (SLC) operates the SLC Limited Retirement and Death Benefits Scheme for all permanent staff which is a defined benefits scheme that provides benefits based on final pensionable salary. The scheme deficit as at 31 March 2016 was £16 million (31 March 2015: £23 million). Further details of the SLC pension scheme can be found in the accounts of the SLC.

The Medical Research Council (MRC) operates the MRC Pension Scheme (MRCPS), for all permanent staff providing benefits based on service and final pensionable salary. The MRCPS is a defined benefit scheme. A full actuarial valuation was undertaken as at 31 March 2016. The scheme surplus as at 31 March 2016 was £124 million (31 March 2015: £23 million). Further details of the MRCPS can be found in the accounts of the MRC.

The assets of the schemes are held separately from the assets of the Departmental Group, being invested by the Trustees of the schemes.

20. Financial guarantees

	31 March 2016 £m		31 March 2015 restated £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Balance at 1 April	**116**	**116**	**195**	**195**
Reclassification	(1)	(1)	-	-
Provided in year	23	23	37	37
Financial guarantees not required written back	(17)	(17)	(88)	(88)
Guarantees called	(15)	(15)	(16)	(16)
Amortisation of financial guarantees	(14)	(14)	(12)	(12)
Balance at period end date	**92**	**92**	**116**	**116**

Financial guarantees analysed between current and non-current liabilities

	31 March 2016 £m		31 March 2015 restated £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Payable not later than one year	18	18	30	30
Payable after more than one year	74	74	86	86
Total	**92**	**92**	**116**	**116**

Financial guarantees are held by the Core Department and the SFA. All significant financial guarantees are held by the Core Department.

Enterprise Finance Guarantee (EFG)

The Enterprise Finance Guarantee (EFG), held by the Core Department and managed by the British Business Bank, is a guarantee scheme to facilitate lending to viable businesses that have been turned down for a loan or other form of debt finance due to inadequate security or a proven track record. Under the scheme, BIS guarantees 75% of the value of each individual loan a lender makes to a small business, subject to a cap. In return BIS receives a 2% annual premium. Further information on the scheme is available on the British Business Bank's website: www.british-business-bank.co.uk.

As at 31 March 2016 BIS has £755 million of guarantees outstanding (31 March 2015: £839 million) which will expire over the next 10 years as the underlying debt matures. Due to the cap on payouts, the maximum amount that could be paid out if all loans defaulted is £189 million (31 March 2015 restated: £169 million). However, not all loans are expected to payout and BIS has estimated its liability to be £61 million (31 March 2015: £74 million). In addition, BIS has estimated that it will have future fees receivable of £31 million after allowing for bad debts (31 March 2015: £36 million). Both the liability for expected payouts and asset for future fees are recognised on the Statement of Financial Position.

21. Other Financial Liabilities

	Debt sale subsidy £m
Balance at 1 April 2014	**244**
Decrease in year	(82)
Utilisation in year	(10)
Borrowing costs (unwinding of discounts)	11
Value at 31 March 2015	**163**
Increase in year	8
Utilisation in year	(12)
Borrowing costs (unwinding of discounts)	4
Value at 31 March 2016	**163**

Financial liabilities analysed between current and non-current liabilities:

	31 March 2016 £m	31 March 2015 £m
Payable not later than one year	12	10
Payable after more than one year	151	153
Total	**163**	**163**

Other financial liabilities relate to the Core Department. The student loan debt sale subsidy is classified within other financial liabilities and is measured at amortised cost in accordance with IAS 39.

The student debt sale subsidy is the additional cost to the Core Department arising from the Government subsidising the purchaser of the debts beyond the cost that the Government would have incurred had the debts remained in the public sector. This liability arose from loan sales in 1998 and 1999. The subsidy will continue until all the loans are extinguished which is expected to be no earlier than 2028, which is the 30 year duration of the first debt sale agreement.

The annual debt sale subsidy payments are calculated according to a formula set out in the debt sale contracts signed in 1998 and 1999. The subsidy consists of two elements. The interest subsidy element of the payment is calculated as LIBOR plus margin less RPI. Margin is calculated as a percentage of the portfolio with different rates for each contract. The key risk is therefore that the gap between LIBOR and RPI increases. The other key element relates to compensation payable for loan repayments which are deferred or written off, under the terms of the original loan contracts with borrowers.

22. Contingent liabilities disclosed under IAS37

The Departmental Group has the following most significant contingent liabilities. Other liabilities are disclosed in our partner organisation accounts.

Basis of Recognition	Description
Unquantifiable	
Nuclear	The Core Department has a range of civil nuclear liabilities arising through its association with the United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited as well as ensuring that the Government complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable.
National Physical Laboratory	The Core Department is responsible for the disposal of all radioactive waste arising from scientific projects undertaken at the National Physical Laboratory. These costs cannot be reliably estimated.
Outer Space Act 1986	The UKSA has an obligation to third parties if they are accidentally damaged by space activities. The low probability of this occurring means a cost cannot be reliably estimated. In March 2015 the Outer Space Act 1986 was amended to cap licensees' previously unlimited liability for third party costs at 60 million euro for the majority of missions, for the duration of the licensed activity. This amendment was designed to adequately balance the risk to the UK Government whilst ensuring UK space operators remain competitive internationally.
Quantifiable	
Reprocessing and staff commitments	STFC is responsible for Institut Laue-Langevin (ILL) staff related commitments and costs associated with reprocessing fuel elements. The contingent liability is estimated to be £12 million (31 March 2015: £11 million).

23. Related-party transactions

The Core Department is the parent of the bodies listed in Note 26 and during the reporting period made payments to these bodies. The Core Department is also the sponsor of Companies House, UKIPO, Ordnance Survey, the Met Office (Trading Funds), and BNFL.

The Core Department has also had various material transactions with other Government departments and Government bodies. The most significant of these transactions have been with HM Treasury, HM Treasury's consolidated fund, Department of Health and HM Revenue and Customs.

No minister, board member, key manager or other related party has undertaken any material transactions with the Core Department during the year.

Professor Dame Ann Dowling, Non-Executive Director on the BIS Departmental Board is the President and Chairman of the Board of Trustees of the Royal Academy of Engineering. The Royal Academy of Engineering received £17 million in grants from the Core Department during the year.

In the course of allocating funding during the year, HEFCE and the seven research councils entered into material transactions with various Higher Education Institutions. Where these bodies have board members who are also members of university councils, each body operates a policy that precludes interested parties from voting on the funding to the university in which they have an interest. Further details of the transactions can be found in the statutory accounts of the individual bodies.

24. Third-party assets

The following are balances on accounts held in BIS's name at banks but which are not BIS's monies. They are held or controlled for the benefit of third parties and are not included in BIS's Accounts.

	31 March 2016 £m		31 March 2015 restated £m	
	Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Monetary assets such as bank balances and monies on deposit	7	19	8	11
Total	**7**	**19**	**8**	**11**

25. Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure as a result of Machinery of Government (MoG) changes, changes to the Designation Order and other restatements

Machinery of Government (MoG) changes

BIS had two MoG changes affecting its Estimate and Accounts for the year ended 31 March 2016, where functions or responsibilities have been merged or transferred within Government. A function is an identifiable business operation with an integrated set of activities, staff and recognised assets and liabilities, and changes are accounted for using merger accounting in accordance with the FReM. This requires the restatement of the Primary Statements and the associated Notes to the Accounts.

The first MoG change relates to the transfer of the Digital Economy Unit from BIS to the Department for Culture, Media and Sport (DCMS). The effective date of the transfer was 1 April 2015. To reflect the change in 2014-15 comparative figures, the Departmental Group net expenditure for 2014-15 was reduced by £11 million and net assets increased by £2 million for 2014-15.

The second MoG change relates to the transfer of responsibility for scientific metrology from the National Measurement and Regulation Office (NMRO) to BIS Innovation Directorate following a strategic review of the Executive Agency. The effective date of the transfer was 1 April 2015. The functions that were moved included the management of the science programmes and the ownership of the Teddington estate. The estate transfer was considered a transfer by absorption so no prior year restatement was required. In addition, as this was a transfer between the Core Department and one of its Executive Agencies, this transfer had no net effect on the presentation of financial statements.

Changes to the Designation Order

Three bodies were added to the Designation Order in 2015-16 with a retrospective classification. These are:

- UK Green Investment (OSW) GP Limited
- UK Green Investment Bank Offshore Wind Fund LP
- UK Green Investment Offshore Wind B L.P

In 2014-15, the UK Green Investment Bank plc formed three subsidiaries: the UK Green Investment (OSW) GP Limited, the UK Green Investment Bank Offshore Wind Fund LP and the UK Green Investment Offshore Wind B L.P to hold its investment in supporting the offshore wind sector. In July 2015, the ONS indicatively classified all three subsidiaries as Central Government bodies. The prior year figures have therefore been restated to reflect this indicative ONS classification decision.

Changes in legal status

The Skills Funding Agency (SFA) was a Non Departmental Public Body prior to 1 April 2015. However, as part of the Deregulation Act 2015, the office of the Chief Executive of Skills Funding was abolished (with the previous power reverting to the Secretary of State), resulting in the SFA being reclassified as an Executive Agency. To reflect this change in the 2014-15 comparative figures, the Core Department and Agencies net expenditure was reduced by £82 million and net assets increased by £55 million. There was no impact on the Departmental Group net expenditure and net assets positions.

Changes in accounting policy

In accordance with the *FReM 2015-16,* the Departmental Group has adopted IFRS 13. In accordance with IAS 8, the change has been re-presented with effect from the earliest opening period, which is 1 April 2014. This has not resulted in any material difference to the amounts and balances reported for the financial year ended 31 March 2015 or 31 March 2014.

Prior period restatement

No prior period errors have been identified between the prior year accounts being signed and preparing the 2015-16 accounts, as such no prior period restatements are required.

Re-presentation as a result of changes to the FReM

In accordance with the *FReM 2015-16* and HM Treasury's *Simplifying and Streamlining Project,* the SoCNE and supporting notes have been re-presented from the prior year. The *FReM 2015-16* has removed the requirement to split income and expenditure between administration and programme. In accordance with HM Treasury guidance, these are now presented under the headings Operating income, Operating expenditure, Finance income and Finance expense. This has resulted in no change in the net expenditure for the period. However, expenditure is now presented as Purchase of goods and services, Depreciation and impairment charges, Provision expense, Grants, Other operating expenditure or Finance expense. Income is now presented as either Operating income or Finance income. This is based on the nature of the income and expenditure. The prior period has been re-presented on the same basis.

Impact of restatements on opening balances for the Departmental Group at 31 March 2015

	Balance at 31 March 2015 per 2014-15 signed accounts £m	Nature of restatement			Restated balance at 31 March 2015 £m
		Machinery of Government change £m	Changes in the boundary and re-presentation £m	Changes in the legal status £m	
Consolidated Statement of Comprehensive Net Expenditure					
Net operating costs	15,275	(11)	2,081	-	17,345
Net expenditure for the period	15,275	(11)	-	-	15,264
Other comprehensive net income and expenditure	140	-	-	-	140
Total comprehensive expenditure	15,415	(11)	-	-	15,404
Consolidated Statement of Financial Position					
Non-current assets	50,707	-	163	-	50,870
Current assets	7,079	-	(110)	-	6,969
Current liabilities	(3,438)	2	112	(98)	(3,422)
Non-current liabilities	(1,283)	-	(165)	-	(1,448)
General fund	(48,805)	(2)	-	98	(48,709)
Revaluation reserve	(3,783)	-	-	-	(3,783)
Charitable funds	(433)	-	-	-	(433)
Minority interest	(44)	-	-	-	(44)
Statement of Parliamentary Supply					
Resource DEL	15,405	(11)	-	-	15,394
Capital DEL	2,011	-	287	-	2,298
Resource AME	(965)	-	-	-	(965)
Capital AME	9,573	-	-	-	9,573
Net outturn for the year	**26,024**	**(11)**	**287**	**-**	**26,300**

Impact of restatements on opening balances for Core Department and Agencies at 31 March 2015

	Balance at 31 March 2015 per 2014-15 signed accounts £m	Nature of restatement			Restated balance at 31 March 2015 £m
		Machinery of Government change £m	Changes in the boundary and re-presentation £m	Changes in the legal status £m	
Consolidated Statement of Comprehensive Net Expenditure					
Net operating costs	15,722	(11)	1,941	(80)	17,572
Net expenditure for the period	15,722	(11)	-	(80)	15,631
Other comprehensive net income and expenditure	(182)	-	-	(2)	(184)
Total comprehensive expenditure	15,540	(11)	-	(82)	15,447
Consolidated Statement of Financial Position					
Non-current assets	45,021	-	-	53	45,074
Current assets	4,994	-	1	417	5,412
Current liabilities	(2,209)	2	(1)	(385)	(2,593)
Non-current liabilities	(842)	-	-	(30)	(872)
General fund	(46,397)	(2)	-	(55)	(46,454)
Revaluation reserve	(567)	-	-	-	(567)

Impact of restatements on opening balances for the Departmental Group at 1 April 2014

	Balance at 31 March 2014 per 2014-15 signed accounts £m	Nature of restatement			Restated balance at 31 March 2014 £m
		Machinery of Government change £m	Changes in the boundary and re-presentation £m	Changes in the legal status £m	
Consolidated Statement of Financial Position					
Non-current assets	42,639	-	-	-	42,639
Current assets	5,402	-	-	-	5,402
Current liabilities	(3,012)	-	-	(150)	(3,162)
Non-current liabilities	(1,341)	-	-	-	(1,341)
General fund	(39,212)	-	-	150	(39,062)
Revaluation reserve	(3,877)	-	-	-	(3,877)
Charitable funds	(555)	-	-	-	(555)
Minority interest	(44)	-	-	-	(44)

Impact of restatements on opening balances for Core Department and Agencies at 1 April 2014

	Balance at 31 March 2014 per 2014-15 signed accounts £m	Nature of restatement			Restated balance at 31 March 2014 £m
		Machinery of Government change £m	Changes in the boundary and re-presentation £m	Changes in the legal status £m	
Consolidated Statement of Financial Position					
Non-current assets	34,961	-	-	65	35,026
Current assets	3,794	-	-	329	4,123
Current liabilities	(1,691)	-	-	(440)	(2,131)
Non-current liabilities	(977)	-	-	(35)	(1,012)
General fund	(35,699)	-	-	81	(35,618)
Revaluation reserve	(388)	-	-	-	(388)

26. List of bodies within the Departmental Group

The table below shows the list of BIS organisations that are included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2015, known as the Designation Order. The individual Annual Report and Accounts for each of these bodies can be found on their own websites or via the Inside Government website (www.gov.uk/government/organisations/department-for-business-innovation-skills).

The bodies whose accounts have been consolidated within the Departmental Group accounts are shown in section (a) of the table. Bodies within the Departmental Group but not consolidated, such as where net assets are not considered material to the Departmental Group accounts, are indicated separately in section (b) of this table.

A list of all BIS Partner Organisations as at 31 March 2016, including those that are not in the Designation Order and are therefore outside the Departmental Group accounts boundary, and excluding those which ceased to operate during 2015-16, is provided at page 12.

As a result of changes made in the 2015-16 Designation Order, some bodies are no longer included in the Departmental Group accounts boundary. Where boundary changes have an impact on previously reported financial results, these are shown in Note 25.

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
(a) Bodies consolidated in Departmental Group accounts for 2015-16		
Executive Agencies		
Insolvency Service	Executive Agency	gov.uk/government/organisations/insolvency-service
National Measurement and Regulation Office	Executive Agency	gov.uk/government/organisations/national-measurement-and-regulation-office
UK Space Agency	Executive Agency	gov.uk/government/organisations/uk-space-agency
Skills Funding Agency	Executive Agency	skillsfundingagency.bis.gov.uk
Crown Executive Non Departmental Public Bodies (NDPBs)		
Advisory Conciliation and Arbitration Service (ACAS)	Crown Executive NDPB	acas.org.uk
Central Arbitration Committee	*Linked but independent institution of ACAS*	*Consolidated by ACAS*
Certification Office for Trade Union and Employers' Associations	*Linked but independent institution of ACAS*	*Consolidated by ACAS*
NDPBs and other designated bodies		
The Arts and Humanities Research Council	Executive NDPB	ahrc.ac.uk
Biotechnology and Biological Sciences Research Council	Executive NDPB	bbsrc.ac.uk
BIS (Postal Services Act 2011) Company Limited	Limited Company owned by BIS	*Website not yet available*
BIS (Postal Services Act 2011) B Company Limited	*Limited Company*	*Consolidated by BIS (Postal Services Act 2011) Company Limited*
British Business Bank plc	Public Limited Company owned by BIS	british-business-bank.co.uk
British Business Investments Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
British Business Finance Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
British Business Financial Services Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
British Business Aspire Holdco Ltd	*Limited Company*	*Consolidated by British Business Bank plc*
Capital for Enterprise Limited (CfEL)	*Limited Company*	*Consolidated by British Business Bank plc from 1 November 2014. Prior to this date, CfEL was a subsidiary of the Core Department*
Capital for Enterprise Fund Managers Limited	*Limited Company*	*Consolidated by British Business Bank plc*
Capital for Enterprise (GP) Limited	*Limited Company*	*Consolidated by British Business Bank plc*
British Business HoldCo Ltd	Limited Company	*Website not yet available*
Competition Service	Executive NDPB	catribunal.org.uk/244/Competition-Service.html
Competition Appeal Tribunal	Tribunal NDPB	catribunal.org.uk
The Construction Industry Training Board (CITB) (established under the Industrial Training Act 1964)	Executive NDPB and Charity	cskills.org

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
Diamond Light Source Limited	Limited Company	diamond.ac.uk
The Economic and Social Research Council	Executive NDPB	esrc.ac.uk
The Engineering and Physical Sciences Research Council	Executive NDPB	epsrc.ac.uk
Engineering Construction Industry Training Board	Executive NDPB and Charity	ecitb.org.uk
Enrichment Holdings Ltd	Limited Company owned by BIS	*This is a vehicle for the Government's investment in Urenco Limited.*
Enrichment Investments Limited	*Limited Company*	*Consolidated by Enrichment Holdings Limited*
The Financial Reporting Council Limited	Limited Company	frc.org.uk
Harwell Science and Innovation Campus Public Sector Limited Partnership	Limited Partnership	Joint venture owned by STFC and UK Atomic Energy Authority
Higher Education Funding Council for England (HEFCE)	Executive NDPB	hefce.ac.uk
Medical Research Council	Executive NDPB	mrc.ac.uk
The Natural Environment Research Council	Executive NDPB	nerc.ac.uk
The NESTA Trust	Charitable Trust	nesta.org.uk/faqs/what_is_the_nesta_trust
Office for Fair Access (operating name of Director of Fair Access to Higher Education)	Executive NDPB	offa.org.uk
Postal Services Holding Company Limited	Limited Company owned by BIS	*This is a vehicle for the Government's investment in Royal Mail Plc and Post Office Limited.*
The Science and Technology Facilities Council (STFC)	Executive NDPB	stfc.ac.uk
STFC Innovations Limited	*Limited Company*	*Consolidated by STFC*
Student Loans Company Limited	Executive NDPB and Limited Company	slc.co.uk
Innovate UK (trading name of the Technology Strategy Board)	Executive NDPB	innovateuk.org
UK Green Investment Bank plc	Public Limited Company owned by BIS	greeninvestmentbank.com
Aviva Investors Realm Energy Centres Limited Partnership	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Energy Efficiency Investments 1 L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
Energy Savings Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Bank Financial Services Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Rhyl Flats Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc. On 31 March 2015, UK GIB Rhyl Flats Investments Limited was sold to UK Green Investment (OSW) GP Limited.*
UK Green Sustainable Waste and Energy Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Waste Resources and Energy Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Green Community Lending Ltd	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Rampion Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Gwynt y Mor Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Climate International Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
The Recycling and Waste L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
The Waste Asset L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
Green Investment Bank Offshore Wind Fund LP	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Offshore Wind B L.P.	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Shared Business Services Limited	Limited Company	http://www.uksbs.co.uk
RCUK Shared Services Centre Limited	*Limited Company*	*Consolidated by UK Shared Business Services Limited*
United Kingdom Atomic Energy Authority	Executive NDPB	https://www.gov.uk/government/organisations/uk-atomic-energy-authority (corporate) ccfe.ac.uk (fusion research)
AEA Insurance Limited	*Limited Company*	*Consolidated by UK Atomic Energy Authority*
UK Commission for Employment and Skills	Executive NDPB	https://www.gov.uk/government/organisations/uk-commission-for-employment-and-skills

Designated Body (*linked bodies are indicated in italics below their parent body*)	**Status**	**Website** (*further information about linked bodies or those closed during the year is also included*)
(b) Bodies not consolidated in Departmental Group accounts for 2015-16		
Advanced Propulsion Centre UK Limited	Limited Company	http://www.apcuk.co.uk/ *Turnover and net assets are not material to Departmental Group accounts.*
Aerospace Technology Institute	Limited Company	http://www.ati.org.uk/ *Turnover and net assets are not material to Departmental Group accounts.*
British Hallmarking Council	Executive NDPB	bis.gov.uk/britishhallmarkingcouncil *Turnover and net assets are not material to Departmental Group accounts.*
Copyright Tribunal	Tribunal NDPB	ipo.gov.uk/ctribunal.htm *No accounts produced as costs are included in the Core Department's expenditure. It is funded by BIS and operated by UK Intellectual Property Office.*
Council for Science and Technology	Advisory NDPB	bis.gov.uk/cst *No accounts produced as costs are included in the Core Department's expenditure.*
Film Industry Training Board for England and Wales	Executive NDPB and Charity	*No website available. Established by statute but has not begun operations yet.*
Groceries Code Adjudicator	Office Holder and Corporation Sole	gov.uk/government/organisations/groceries-code-adjudicator *Turnover and net assets are not material to Departmental Group accounts.*
Industrial Development Advisory Board	Advisory NDPB	bis.gov.uk/policies/economic-development/industrial-development-advisory-board *No accounts produced. Funded by BIS and operated by the Insolvency Service. Costs are included as part of the Core Department.*
Insolvency Practioners Tribunal	Tribunal NDPB	gov.uk/government/organisations/insolvency-practitioners-tribunal *No accounts produced as costs are included in the Core Department's expenditure. It is funded by BIS and operated by the Insolvency Service.*
Low Pay Commission	Advisory NDPB	lowpay.gov.uk *No accounts produced as costs are included in the Core Department's expenditure*
NW VCLF HF LLP	Limited Liability Partnership	*Recorded as investment in Core Department accounts. Turnover and net assets are not material to Departmental Group accounts.*
Office for Manpower Economics	Advisory NDPB	https://www.gov.uk/government/organisations/office-of-manpower-economics *No accounts produced as costs are included in the Core Department's expenditure.*
Regulatory Policy Committee	Advisory NDPB	regulatorypolicycommittee.independent.gov.uk/ *No accounts produced as costs are included in the Core Department's expenditure.*
Wave Hub Limited	Limited Company	wavehub.co.uk *Turnover and net assets are not material to Departmental Group accounts.*
Daresbury SIC (Pub Sec) LLP (Daresbury Science and Innovation Campus Public Sector Limited Liability Partnership)	Limited Liability Partnership	*A joint venture between the Science and Technology Facilities Council and Halton Borough Council. Turnover and net assets are not material to Departmental Group accounts.*
Daresbury Science & Innovation Campus Limited (Daresbury Science and Innovation Campus Limited Liability Partnership (Sci-Tech Daresbury)	Company Limited by Guarantee	ttp://www.sci-techdaresbury.com/ *A joint venture between the Science and Technology Facilities Council and Langtree. Turnover and net assets are not material to Departmental Group accounts.*

Designated Body *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during the year is also included)*
Talke General Partner Limited	Limited Company	*A joint venture between BIS (Postal Services Act 2011) Company Limited and BT Pension Scheme. Turnover and net assets are not material to Departmental Group accounts.*
Hermes Factory Outlets GP Limited	Limited Company	*A joint venture between BIS (Postal Services Act 2011) Company Limited and BT Pension Scheme. Turnover and net assets are not material to Departmental Group accounts.*

27. Events after the Reporting Period

Machinery of Government Changes

Transfer of Offender Learning and Skills Service to Ministry of Justice

As a result of the Spending Review 2015, the Offender Learning and Skills Service programme will transfer from Secretary of State for Business, Innovation and Skills (BIS) to the Secretary of State for the Ministry of Justice in the summer of 2016. A budget of £130 million will be transferred with the programme.

Transfer of Shareholder Executive Group to UK Government Investments

On 1 April 2016, the function of the Shareholder Executive transferred from the Secretary of State for Business, Innovation and Skills (BIS) to the Chancellor of the Exchequer under a new body called UK Government Investments. UK Government Investments brings together the activities of both the Shareholder Executive and UK Financial Investments and is wholly owned by the Chancellor of the Exchequer. A budget of £11 million was transferred with the group.

Transfer of Environmental Regulation to the Department for Environment, Food and Rural Affairs

On 1 April 2016, Environmental Regulation transferred from the Secretary of State for Business, Innovation and Skills (BIS) to the Secretary of State for Environment, Food and Rural Affairs. A budget of £2 million was transferred with the group.

Departmental Group Changes

Institute for Apprenticeships

On 25 November 2015, during the SR and Autumn Statement, the Chancellor of the Exchequer announced the Institute for Apprenticeships would be set up on 1 April 2017. The Institute for Apprenticeships will work on behalf of employers to support the delivery of quality apprenticeships in England. It is to be established as a Crown body, independent of Government and employer-led with a mandate set by Ministers. In 2016-17, the Institute for Apprenticeships has £3 million funding to set up the body.

Other Events after the Reporting Period

The EU Referendum

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made. Sensitivity analysis around the key financial assumptions underpinning the values of significant assets that may potentially be affected by this decision can be found in Notes 10 and 12.

Restructure of the Department

On 26 May 2016, following an initial proposal in January, the Executive Board announced the closure of the Sheffield office by January 2018. This decision was taken in order to achieve the operational savings and head count agreed as part of the Spending Review 2015. The Departmental Board agreed BIS will:

- occupy fewer locations, moving from over 80 offices to 7 centres plus a regional footprint
- have fewer than half the current number, 45, of Partner Organisations
- have 30-40% fewer staff with staff reducing from 20,000 across the BIS family to 14,000
- achieve operating cost savings of £350 million

On 17 March, the Departmental Board agreed to run a Voluntary Exit Scheme, open to those affected by the office closure.

27.1. Date Accounts authorised for issue

BIS's Accounting Officer has authorised these Accounts to be issued on the same day as they were certified.

Annex A:
Expenditure Tables

These tables present actual expenditure by the Department for the years 2011-12 to 2015-16 and planned expenditure for 2016-17 to 2019-20. The data relate to the Department's expenditure on an Estimate and budgeting basis.

The format of the tables is determined by HM Treasury, and the disclosure format in tables 1 and 2 follows that of the Supply Estimate sections. Our Supply Estimate lines are on a different basis to the priorities set out in the Single Departmental Plan. For more information about how the Department has performed against its priorities and the forward look at trends over the Spending Review 2015, please see the "How we have performed" section of this report.

The data in the tables are restated to take account of machinery of government changes and other restatements over the period. Following a change to the European System of Accounts in 2010 (ESA10), effective from 1 April 2016, the Department is required to recognise all future cash spend on research and development in capital budgets, rather than resource. This significantly affects how we record our expenditure on science and research, such as the activities of the Research Councils, Innovate UK and UK Space Agency. The impact of this is to increase capital DEL budgets and expenditure with a corresponding reduction in resource DEL. In order to enable comparability across all years the impact of ESA10 is reflected in the prior and current years' outturn and future years' planned expenditure in these tables.

Table 1 Total Departmental Spending – summarises expenditure on functions administered by the Department, covering the period from 2011-12 to 2019-20. Consumption of resources includes programme and administration costs. Total departmental expenditure is analysed by departmental Supply Estimates.

Table 2 Administration Costs – provides a more detailed analysis of the administration costs of the Department. It retains the high level functional analysis used in Table 1.

Following HM Treasury direction, we are no longer required to publish Country and Regional Analysis Tables in this section of the annual report and accounts. These tables continue to be published by HM Treasury as part of the National Statistics release. The latest data were published in November 2015 and can be accessed at https://www.gov.uk/government/statistics/country-and-regional-analysis-2015.

Table 1 – Department for Business Innovation and Skills

Total departmental spending, 2011-12 to 2019-20

	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Outturn £'000	2015-16 Outturn £'000	2016-17 Plans £'000	2017-18 Plans £'000	2018-19 Plans £'000	2019-20 Plans £'000
Resource DEL									
Science and Research	72,951	57,281	(12,178)	12,540	18,426	41,927	130,836	174,224	188,903
Innovation, Enterprise and Business	(57,731)	207,349	306,839	291,749	435,335	602,673	203,808	190,321	170,021
Market Frameworks	115,078	108,753	119,103	95,094	99,301	132,030	130,023	129,001	130,160
Higher Education	5,217,777	5,130,284	7,223,722	3,199,265	5,417,121	4,748,121	4,563,438	4,479,078	4,616,868
Further Education	(650,468)	(634,334)	(621,518)	(633,184)	2,710,072	3,096,425	3,192,818	3,329,578	3,479,351
Capability	300,998	318,952	288,266	283,055	250,603	465,328	405,904	403,960	333,319
Government as Shareholder	177,175	344,715	351,066	218,869	176,890	137,710	92,045	56,710	47,110
Science and Research (ALB) net	139,902	365,092	84,291	80,272	82,787	222,356	305,684	297,139	292,824
Innovation, Enterprise and Business (ALB) net	383,041	19,574	(32,360)	(37,880)	5,619	3,000	22,348	21,975	21,561
Market Frameworks (ALB) net	60,047	62,905	60,086	49,882	49,041	54,050	53,609	53,651	53,691
Higher Education (ALB) net	4,895,021	3,979,002	3,193,488	2,183,118	1,711,643	1,638,004	1,639,661	1,569,932	1,586,458
Further Education (ALB) net	4,188,952	4,127,044	4,033,540	3,931,343	19,848	11,364	2,250	1,750	1,438
Capability (ALB) Net	39,455	59,591	68,597	59,268	39,218	9,802	9,800	9,800	9,800
Government as Shareholder (ALB) net	-	96,715	69,182	15,426	(29,769)	(36,690)	(45,670)	(44,642)	(40,351)
Total Resource DEL	**14,882,198**	**14,242,923**	**15,132,124**	**9,748,817**	**10,986,135**	**11,126,100**	**10,706,554**	**10,672,477**	**10,891,153**
Of which:									
Staff costs	691,143	551,966	571,494	498,934	499,970	524,889	567,944	564,279	547,077
Purchase of goods and services	640,160	584,748	675,377	599,802	537,898	377,080	222,965	217,722	216,327
Income from sales of goods and services	(263,783)	(912)	(33,414)	(38,543)	(43,159)	(12,193)	(39,225)	(39,177)	(46,114)
Current grants to local government (net)	97,520	394	376,479	356,787	331,796	11,000	-	-	-
Current grants to persons and non-profit bodies (net)	11,068,858	9,809,374	8,776,137	7,977,892	6,901,515	7,374,927	6,065,083	5,656,847	5,560,876
Current grants abroad (net)	(101,693)	(133,862)	(149,226)	(237,116)	(187,261)	6,292	6,709	6,808	6,965
Subsidies to private sector companies	1,415	3,627	8,043	9,538	143,398	347,027	10,210	10,406	10,622
Subsidies to public corporations	180,000	350,000	350,250	230,402	183,035	140,000	95,000	60,000	50,000
Net public service pensions[2]	25	15,967	27,640	(7)	-	-	-	-	-
Rentals	12,314	36,887	(54,881)	(54,898)	(42,902)	54,924	32,584	32,134	30,848
Depreciation[1]	3,784,935	3,751,929	5,739,697	1,649,043	3,849,413	3,380,000	3,784,000	4,202,000	4,548,000
Take up of provisions	(1,093)	(2,577)	(25)	23	(30)	200	-	-	-
Change in pension scheme liabilities	-	204	37	12	35	-	-	-	-
Other resource	(1,227,603)	(724,822)	(1,155,484)	(1,243,052)	(1,187,573)	(1,078,046)	(38,716)	(38,542)	(33,448)
Resource AME									
Science and Research	50,607	82,814	34,544	87,581	49,871	(10,654)	69,500	74,000	85,000
Innovation, Enterprise and Business	(77,181)	(36,343)	(161,520)	(141,716)	(68,033)	47,849	43,050	(54,238)	(62,002)

	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Outturn £'000	2015-16 Outturn £'000	2016-17 Plans £'000	2017-18 Plans £'000	2018-19 Plans £'000	2019-20 Plans £'000
Market Frameworks	448,791	39,139	66,234	72,723	101,525	134,799	141,299	145,457	151,109
Higher Education	(1,842,686)	(904,330)	(534,597)	(1,099,695)	(8,152,061)	(1,445,310)	(2,278,594)	(3,130,720)	(3,489,360)
Further Education	(888)	(18)	(702)	(7,970)	(23,088)	1,500	(2,649)	(1,336)	(483)
Capability	8,015	(9,347)	(34,767)	(29,808)	(21,806)	(7,198)	(19,213)	(19,013)	(19,771)
Government as Shareholder	(25,402)	52,349	(84)	74,713	562	10,791	3,104	(3,892)	(10,171)
Science and Research (ALB) net	(10,769)	43,462	(24,687)	48,980	107,307	36,362	7,990	7,552	8,985
Innovation, Enterprise and Business (ALB) net	38,935	-	2,479	(4,309)	7,721	(11,300)	(11,300)	(11,300)	(11,300)
Market Frameworks (ALB) net	(1,694)	(11,657)	(561)	(243)	(161)	160	18	785	181
Higher Education (ALB) net	(21,731)	(14,015)	33,210	(28,771)	(19,080)	(17,237)	(16,452)	(13,023)	(11,348)
Further Education (ALB) net	(12,112)	(3,268)	15,428	(2,855)	2,340	9,072	12,351	(3,883)	(336)
Capability (ALB) Net	-	113	(113)	-	2	-	-	-	-
Government as Shareholder (ALB) net	-	-	(130,671)	(148,034)	(56,337)	(51,824)	(51,825)	(51,825)	(51,825)
Market Frameworks	-	415,257	316,071	239,776	254,256	243,000	224,000	217,000	212,000
Government as Shareholder	-	-	77,341	-	-	-	-	-	-
Total Resource AME	**(1,446,115)**	**(345,844)**	**(342,395)**	**(939,628)**	**(7,816,982)**	**(1,059,990)**	**(1,878,721)**	**(2,844,436)**	**(3,199,321)**
Of which:									
Staff costs	73,562	60,711	65,271	58,813	64,453	1,706	56,038	51,077	46,118
Purchase of goods and services	83,073	63,243	225,048	113,680	99,670	11,241	232,619	227,700	237,782
Income from sales of goods and services	(116,157)	(64,439)	(114,343)	(101,178)	(115,724)	152	(92,848)	(88,848)	(84,848)
Current grants to persons and non-profit bodies (net)	590,949	623,803	432,692	387,245	336,138	487,842	477,959	480,108	491,572
Current grants abroad (net)	-	8	-	-	-	-	-	-	-
Subsidies to private sector companies	-	-	-	137,080	156,744	-	-	-	-
Net public service pensions [2]	-	(3,785)	-	-	-	-	-	-	-
Rentals	-	1,150	516	524	527	5	-	-	-
Depreciation [1]	(1,251,174)	(164,509)	714,639	668,402	(7,200,054)	75,555	105,830	11,576	4,338
Take up of provisions	51,201	253,310	75,157	(10,878)	228,760	99,675	122,005	129,863	137,551
Release of provision	(171,530)	(156,156)	(148,833)	(126,024)	(124,803)	(83,909)	(71,111)	(73,786)	(77,916)
Change in pension scheme liabilities	507	22,745	26,425	25,497	33,143	9,135	5,130	5,243	5,358
Unwinding of the discount rate on pension scheme liabilities	(12,602)	43,316	2,024	44,001	40,923	-	3,814	3,896	3,980
Release of provisions covering payments of pension benefits	-	(15,991)	(27,758)	-	-	-	-	-	-
Other resource	(693,944)	(1,009,250)	(1,593,233)	(2,136,790)	(1,336,759)	(1,661,392)	(2,718,157)	(3,591,265)	(3,963,256)
Total Resource Budget	**13,436,083**	**13,897,079**	**14,789,729**	**8,809,189**	**3,169,153**	**10,066,110**	**8,827,833**	**7,828,041**	**7,691,832**
Of which:									
Depreciation [1]	2,533,761	3,587,420	6,454,336	2,317,445	(3,350,641)	3,455,555	3,889,830	4,213,576	4,552,338

	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Outturn £'000	2015-16 Outturn £'000	2016-17 Plans £'000	2017-18 Plans £'000	2018-19 Plans £'000	2019-20 Plans £'000
Capital DEL									
Science and Research	392,810	328,823	475,141	597,152	572,129	879,548	1,009,288	1,043,951	1,180,975
Innovation, Enterprise and Business	(195,399)	(11,086)	52,029	(332,592)	353,835	401,866	294,454	(106,276)	(31,517)
Market Frameworks	2,465	12,378	3,789	4,364	(10,906)	7,900	-	-	-
Higher Education	(1,194)	(22)	(912)	926	397	22,445	(58,506)	(134,624)	(179,069)
Further Education	5,799	7,318	3,835	12,275	96,316	161,300	230,293	209,881	195,278
Capability	7,133	53,355	22,056	8,834	8,844	32,125	35,520	45,870	24,470
Government as Shareholder	(8,771)	114,883	75,054	89,571	108,116	89,944	63,247	21,240	33,629
Science and Research (ALB) net	5,199,452	4,786,495	5,443,945	5,490,888	5,531,882	5,344,241	5,159,960	5,267,942	5,229,247
Innovation, Enterprise and Business (ALB) net	348,200	394,928	609,469	642,389	728,903	812,893	794,400	745,500	648,000
Market Frameworks (ALB) net	1,286	910	2,564	3,573	1,050	831	-	-	-
Higher Education (ALB) net	100,709	76,406	115,869	192,596	318,459	141,400	150,000	150,000	100,000
Further Education (ALB) net	396,610	290,608	397,082	320,920	188	60	-	-	-
Capability (ALB) Net	-	1,600	7,257	773	641	-	-	-	-
Government as Shareholder (ALB) net	-	119,716	602,562	614,021	595,079	972,306	315,000	208,000	87,000
Total Capital DEL	**6,249,100**	**6,176,312**	**7,809,740**	**7,645,690**	**8,304,933**	**8,866,859**	**7,993,656**	**7,451,484**	**7,288,013**
Of which:									
Staff costs	368,217	486,510	481,265	499,390	480,269	344,366	299,742	299,916	299,614
Purchase of goods and services	591,015	485,692	602,538	609,509	652,558	354,463	267,038	268,729	270,006
Income from sales of goods and services	(4,667)	(275,173)	(107,129)	(122,637)	(131,102)	(249,580)	(245,487)	(247,493)	(248,899)
Current grants to persons and non-profit bodies (net)	4,122,034	4,223,838	4,248,076	4,465,923	4,666,325	4,912,954	5,048,053	5,082,641	5,081,484
Current grants abroad (net)	323,849	333,655	321,542	317,714	302,460	297,242	297,139	295,964	294,719
Subsidies to private sector companies	-	-	-	-	-	3,822	6,496	9,748	13,406
Subsidies to public corporations	-	-	(452)	(1,238)	(2,655)	152,178	154,882	157,826	161,142
Capital support for local government (net)	181,097	1,193	772	888	5,500	3,000	3,000	-	-
Capital grants to persons & non-profit bodies (net)	865,726	781,357	1,694,598	1,350,064	1,274,870	1,127,867	1,250,133	1,195,626	1,146,048
Capital grants to private sector companies (net)	312,805	54,659	54,071	80,876	97,276	307,239	109,975	60,669	58,455
Capital grants abroad (net)	27,319	1,589	11,891	7,123	102,819	201,556	74,740	83,452	78,326
Capital support for public corporations	(2,239)	(1,229)	118,832	90,278	170,203	143,010	22,865	(25,978)	(24,764)
Purchase of assets	314,082	285,755	293,067	247,539	257,443	282,542	277,638	275,816	209,716
Income from sales of assets	(102,512)	(19,504)	(84,302)	(34,717)	(39,110)	(4,800)	(8,693)	(8,410)	(5,004)
Net lending to the private sector and abroad	(218,009)	153,041	304,784	506,975	643,594	991,000	436,135	2,978	(46,236)
Other capital	(529,617)	(335,071)	(129,813)	(371,997)	(175,517)	-	-	-	-
Capital AME									
Innovation, Enterprise and Business	-	-	-	(35,441)	(12,798)	-	-	-	-
Higher Education	5,222,590	6,243,383	8,406,836	10,410,042	11,472,178	13,204,000	15,557,000	18,288,000	21,098,000
Further Education	-	-	72,732	150,811	170,877	260,000	317,191	417,720	440,611

	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Outturn £'000	2015-16 Outturn £'000	2016-17 Plans £'000	2017-18 Plans £'000	2018-19 Plans £'000	2019-20 Plans £'000
Government as Shareholder	239,000	(61,368)	(763,521)	292,000	223,000	-	-	-	-
Science and Research (ALB) net	-	(57,492)	(1,108)	(71,497)	(55,972)	-	-	-	-
Innovation, Enterprise and Business (ALB) net	115	-	-	7,159	17,299	40,000	40,000	40,000	40,000
Higher Education (ALB) net	-	(2,133)	-	-	(2,834)	(2,985)	(3,051)	(3,118)	(3,187)
Further Education (ALB) net	7,221	6,333	3,196	1,754	2,000	3,600	4,602	2,404	2,106
Government as Shareholder (ALB) net	-	-	(1,063,420)	(1,206,678)	(430,678)	(243,330)	(166,530)	(109,240)	(77,070)
Government as Shareholder	-	-	(1,979,829)	-	-	-	-	-	-
Government as Shareholder (ALB) net	-	-	-	-	(1,434,995)	-	-	-	-
Total Capital AME	**5,468,926**	**6,128,723**	**4,674,886**	**9,548,150**	**9,948,077**	**13,261,285**	**15,749,212**	**18,635,766**	**21,500,460**
Of which:									
Staff costs	-	-	-	(25,110)	(16,992)	-	-	-	-
Capital grants to private sector companies (net)	-	-	(315,546)	(441)	(12,798)	-	-	-	-
Capital support for public corporations	239,000	(157,373)	(763,521)	292,000	53,248	-	-	-	-
Purchase of assets	7,336	11,227	6,579	1,871	2,771	3,600	4,602	2,404	2,106
Income from sales of assets	-	(126)	(111,495)	(264,442)	(32,571)	-	-	-	-
Net lending to the private sector and abroad	5,222,590	6,334,620	6,359,998	9,619,835	10,003,446	13,260,670	15,747,661	18,636,480	21,501,541
Other capital	-	(59,625)	(501,129)	(75,563)	(49,027)	(2,985)	(3,051)	(3,118)	(3,187)
Total Capital Budget	**11,718,026**	**12,305,035**	**12,484,626**	**17,193,840**	**18,253,010**	**22,128,144**	**23,742,868**	**26,087,250**	**28,788,473**
Total departmental spending[3]	**22,620,348**	**22,614,694**	**20,820,019**	**23,685,584**	**24,772,804**	**28,738,699**	**28,680,871**	**29,701,715**	**31,927,967**
Of which:									
Total DEL[3]	17,346,363	16,667,306	17,202,167	15,745,464	15,441,655	16,612,959	14,916,210	13,921,961	13,631,166
Total AME[3]	5,273,985	5,947,388	3,617,852	7,940,120	9,331,149	12,125,740	13,764,661	15,779,754	18,296,801

Notes:
1 Includes impairments
2 Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items.
3 Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

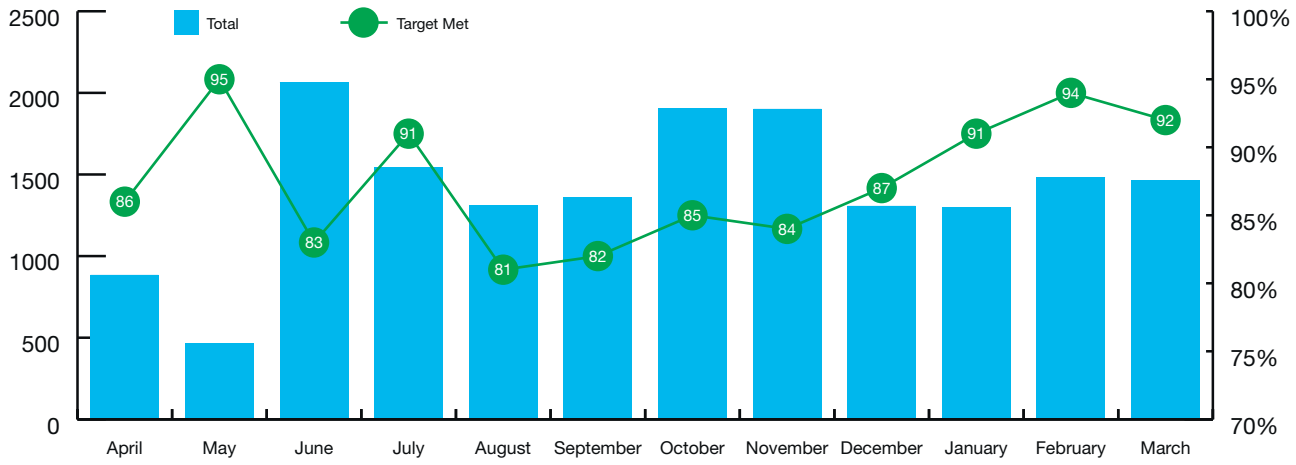
Table 2 – Administration Costs

£'000	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Outturn	2016-17 Plans	2017-18 Plans	2018-19 Plans	2019-20 Plans
Science and Research	181	51	53	58	59	-	3,547	3,571	3,594
Innovation, Enterprise and Business	2,018	1,941	2,662	1,935	583	-	-	-	-
Market Frameworks	(110)	5,175	2,937	3,904	4,703	5,229	5,486	5,494	5,501
Further Education	-	-	-	-	88,930	75,591	76,537	77,004	66,827
Capability	292,640	299,413	261,467	238,368	230,932	272,299	250,779	244,357	250,619
Science and Research (ALB) net	93,593	(813)	(1,350)	4,740	3,649	1,111	83,045	77,103	69,191
Innovation, Enterprise and Business (ALB) net	104,186	6,331	2,249	2,565	1,036	3,000	22,348	21,975	21,561
Market Frameworks (ALB) net	16,195	8,532	12,206	10,102	8,630	8,979	8,538	8,580	8,620
Higher Education (ALB) net	58,773	60,157	69,129	78,827	71,223	73,081	85,204	85,389	83,901
Further Education (ALB) net	150,351	129,311	120,008	110,858	5,076	4,498	-	-	-
Capability (ALB) Net	39,455	56,252	68,597	59,268	39,218	9,802	9,800	9,800	9,800
Government as Shareholder (ALB) net	-	-	4,345	267	251	230	235	238	239
Total administration budget	**757,282**	**566,350**	**542,303**	**510,892**	**454,290**	**453,820**	**545,519**	**533,511**	**519,853**
Of which:									
Staff costs	412,773	328,335	334,160	275,350	280,171	265,345	366,117	361,516	343,211
Purchase of goods and services	226,691	171,785	181,123	174,405	120,474	133,630	123,021	120,867	119,950
Income from sales of goods and services	-	9	(28,202)	(33,504)	(33,450)	(2,214)	(32,316)	(32,268)	(39,205)
Current grants to persons and non-profit bodies (net)	-	-	(429)	55	17	12,635	349	(6,214)	7,663
Current grants abroad (net)	-	-	2	17	69	-	-	-	-
Net public service pensions	25	1,532	1,219	(7)	-	-	-	-	-
Rentals	88,000	27,744	20,474	32,235	34,400	43,954	27,340	26,190	23,910
Depreciation	39,843	51,056	53,644	52,930	50,114	56,455	59,946	61,938	62,280
Take up of provisions	-	-	-	(12)	2	200	-	-	-
Change in pension scheme liabilities	-	-	(12)	(65)	25	-	-	-	-
Other resource	(10,050)	(14,111)	(19,676)	9,488	2,468	(56,185)	1,062	1,482	2,044

Annex B:
Other Annual Report Data

Correspondence

BIS has a target to respond to 80 per cent of correspondence cases within 15 working days. In 2015-16, we responded to 16692 correspondence cases, with 87 per cent replied to within the deadline. The chart below shows BIS performance in responding to correspondence received by the core Department in the year. This includes correspondence responded to by both Ministers and officials.



Complaints

Complaints made against the Department and organisations that are accountable to the Department	403
Complaints Assessed	38
Complaints accepted for investigation by the Parliamentary Ombudsman	22
Investigations upheld or partly upheld	3
Investigations not upheld	18

This data refers to complaints received about the Department for Business, Innovations and Skills (BIS) and organisations that are accountable to the Department, which were handled by the Parliamentary and Health Service Ombudsman in 2014-15 (latest available data).

Within the overall figures, the proportion of complaints received about BIS headquarters was 4.2%. A total of 17 complaints were received and two complaints were assessed. No complaints were accepted for investigation by the Parliamentary Ombudsman.

Health and Safety

The overall management of Health and Safety falls to the Department. Over the past year, a number of gaps have been identified in the quality with which we are able to manage the Health and Safety system. Consequently, over the next year, the Department will be aligning itself more closely with the OHSAS 18001 guidance so that it can demonstrate tighter control of its overall management of Health and Safety, which will include quarterly Health and Safety Boards with all interested parties invited and consultation with the Departmental Trade Unions.

The UK SBS Property Asset Management (PAM) team deliver operational facilities contract management services through the management of the BIS TFM contract, ensuring the safe and comfortable working environment of occupants and visitors at BIS & Participating Partner Organisations' premises and efficient and legally compliant operations of the buildings within the BIS estate. Further UK SBS deliver landlord operational compliance management services for BIS estate occupations that receive facilities management services.

BIS 2015 Summary of performance against the TFM contract requirements

TFM Performance – General, Critical & Statutory Maintenance	2014	2015	Risk	Measure/ Management
Building Planned Maintenance	90%	99%	Low	85% (Exceeds KPI by 14%)
Building Statutory Maintenance	96%	100%	Low	100% (Meets KPI requirements)
TFM Performance – General, Critical & Statutory Maintenance	**2014**	**2015**	**Risk**	**Measure/ Management**
SHEQ Audit	100%	100%	Medium	Audit plan meets contractual requirement. Medium risk -certain buildings have bi-annual audit plan. Risk mitigation – UKSBS annual audit programme and contract bi-annual review.
SHEQ non-conformance requiring resolution	0	0	Low	0
UK SBS – Building Statutory Compliance Audit	**2014**	**2015**	**Risk**	**Measure/ Management**
Site Audit Programme in place	0	100%	Low	Low risk – no previous programme in place prior to PAM.
Site Audits Completed	0	85%	Low	Low risk – estate audit management plan in place 2015/16.
Site Audit non-conformance requiring resolution	n/a	1	Low	BIS duty holder now in place.
BIS 1VS Accident/Incident	**2014**	**2015**	**Risk**	**Measure/ Management**
1VS Accident/ Incident	11	20	High	High risk – data only recorded by TFM for 1VS.

TABLE ONE: compliance with Health and Safety performance monitoring by UKSBS under the TFM contract.

BIS performance on Wellbeing

As an organisation, BIS is committed to the promotion of the wellbeing of its staff. We manage our wellbeing responsibilities through a variety of ways. We monitor information on absence levels through the BIS online HR reporting tool, and also identify potential concerns through 1-2-1 line manager discussions. Data on absence levels is included in a dashboard which is made available to, and discussed by, People Committee on a regular basis.

The Department provides a range of tools and interventions to support its staff including:

- Access to the Employee Assistance Programme,
- Policy guidance,
- Monitoring individual responses through People and Pulse Surveys,
- Risk assessment tools, and
- Awareness raising sessions, e.g. the Department supports the Time to Change agenda and BIS recently ran a series of events to demystify mental health.

Over the next year we will be supporting line managers to better deal with stress related issues for their staff in work and during periods of absence. There will be a focus on making effective workplace adjustments to both prevent absence and provide a supportive return to work. This is currently being addressed by the awareness raising workshops for line managers, enabling them to understand workplace adjustments. Piloted in the autumn of 2015, these workshops are now being rolled out across the Department.

The Department is also considering the current level of detail with which it can differentiate between personal and work-related stress. As part of the Health and Wellbeing agenda, the data is under review and will continue to be so, especially as the Department moves towards BIS 2020.

Detailed Sustainability Data

GREENHOUSE GAS EMISSIONS		2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non-financial indicators (1,000 tCO2e)	Total gross emissions	8.89	7.58	7.72	7.16	4.61	3.79
	Total net emissions	0	0	0	0	0	0
	Gross emissions Scope 1 (direct)	1.13	0.48	0.77	0.32	0.52	0.60
	Gross emissions Scope 2 & 3 (indirect)	7.76	7.1	6.95	6.84	4.10	3.19
Related energy consumption (million kWh)	Electricity: non-renewable	0	0	0	0	0	0
	Electricity: renewable	10.8	6.93	7.16	7.28	5.65	5.31
	Gas	6.08	1.95	3.96	2.97	2.47	2.03
	LPG	0	0	0	0	0	0
	Other	0	0	0	0	0	0
	Total Energy Consumption	16.88	8.88	11.12	10.25	8.12	7.34
Financial indicators (£m)	Expenditure on energy	1.210	0.880	0.920	1.005	1.003	0.772
	CRC licence expenditure (2010 onwards)	0.030	-	0.120	0.130	0.187	0.186
	Expenditure on accredited offsets	0.030	-	0.003	0	0	0
	Expenditure on official business travel	5.520	7.050	4.900	5.648	4.703	4.

WASTE			2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non-financial indicators (tonnes)	**Total waste**		554	417	774.08	398.1	271	347.02
	Hazardous waste	Total	0.88	0.35	0	0	0	0
	Non-hazardous waste	Landfill	0.88	0	8.99	1.15	1	0
		Reused/recycled	346	236	570.3	223.7	196	238.02
		Composted	0	15.82	20.41	22.04	20	24
		Incinerated with energy recovery	206	166	174.38	151.21	54	85
		Incinerated without energy recovery	0	0	0	0	0	0
Financial indicators (£k)	**Total disposal cost**		77.00	67.10	121.88	67.09	91.87	92.53
	Hazardous waste		0.00	0.00	0.00	0.00	0.00	0.00
	Non-hazardous waste	Landfill	0.00	0.00	0.00	0.00	0.00	0
		Reused/recycled	0.00	0.00	102.56	56.42	91.87	92.53
		Composted	0.00	0.00	0.00	0.00	0.00	0.00
		Incinerated with energy recovery	0.00	0.00	15.36	10.68	0.00	0.00
		Incinerated without energy recovery	0.00	0.00	0.00	0.00	0.00	0.00

FINITE RESOURCE CONSUMPTION			2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Non-financial indicators ('000m³)	Water consumption (office estate)	Supplied	37.52	22.06	18.27	18.24	28.44	27.38
		Abstracted	0	0	0	0	0	0
		per FTE	0.013	0.010	0.005	0.008	0.011	0.011
	Water consumption (non-office estate)	Supplied	0	0	0	0	0	0
		Abstracted	0	0	0	0	0	0
	Total Consumption		37.52	22.06	18.27	18.24	28.44	27.38
Financial indicators (£k)	Water supply costs (office estate)		64.02	22.54	43.44	41.66	34.42	39.24
	Water supply costs (non-office estate)		0.00	0.00	0.00	0.00	0.00	0.00

Changes to the Departmental Board in 2015-16

Ministers

- Rt Hon Lord Maude of Horsham, Minister of State for Trade and Investment (Jointly with the Foreign and Commonwealth Office) until 11 March 2016.

Non-Executive Board Members

- Dalton Philips, Non-executive board member, CEO of Morrisons until 31 August 2015.

Departmental Board Members

- Dominic Jermey OBE, CVO, Chief Executive, UK Trade & Investment until 03 September 2015.
- Bernadette Kelly, Director General Business and Local Growth until 13 September 2015.
- Rachel Sandby-Thomas, Director General Legal, Enterprise & Skills until 18 April 2016.

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