



Department for
Business, Energy
& Industrial Strategy

ACCOUNTING OFFICER SYSTEM STATEMENT **2017**



As at 27 September 2017

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1. Scope of the System

- 1.1. The Department for Business, Energy and Industrial Strategy (BEIS) was created by the Prime Minister on 14 July 2016. This was part of a reorganisation of central government in response to changing priorities following the referendum vote in favour of leaving the European Union. BEIS brings together the business and science policy portfolios of the former Department for Business, Innovation and Skills (BIS) and the full policy portfolio of the former Department of Energy and Climate Change (DECC).
- 1.2. Our vision is an economy that works for everyone – so that there are great places in every part of the UK for people to work and for businesses to invest, innovate and grow. BEIS is responsible for:
 - developing and delivering a comprehensive industrial strategy and leading the government’s relationship with business;
 - ensuring that the country has secure energy supplies that are reliable, affordable and clean;
 - ensuring the UK remains at the leading edge of science, research and innovation; and
 - tackling climate change.
- 1.3. The Secretary of State for the Department for Business, Energy and Industrial Strategy and other Departmental ministers have a duty to Parliament to account, and be held to account, for the policies, decisions and actions of this Department and its agencies. Nothing in this document is intended to be, nor should be interpreted as, inconsistent with this constitutional principle of Parliament holding the executive to account. Instead this document is intended to explain how this principle of accountability is exercised in practice through the operational landscape of BEIS.

Principal Accounting Officer’s Statement

- 1.4. As Permanent Secretary, I am appointed by HM Treasury as the Principal Accounting Officer for the Department. I am personally responsible for safeguarding all public funds which fall under the auspices of the Department and its Trust Statements:
 - The Department’s Supply Estimates.
 - Receipts from the EU Emissions Trading Scheme.
 - Receipts from the Carbon Reduction Commitment.

- Receipts from the Climate Change Agreements Scheme.
 - Receipts from Petroleum Licensing Regime.
- 1.5. This Accounting Officer System Statement ('system statement') sets out all of the accountability relationships and processes within my Department, making clear who is accountable for what at all levels of the system, including where I have appointed additional Accounting Officers, who will have in place their own systems of accountability.
- 1.6. It covers my core Department, its arm's length bodies and other arm's length relationships, referred to collectively as 'partner organisations'. It describes accountability for all expenditure of public money through my Department's Supply Estimate, all public money raised as income, and the management of shareholding, financial investments and other publically owned assets for which I am responsible. It helps me ensure that I am fulfilling my responsibilities as an Accounting Officer, in accordance with HM Treasury guidance as set out in 'Managing Public Money', particularly Chapter 3.
- 1.7. The Secretary of State for BEIS and other departmental ministers look to me as the department's Principal Accounting Officer to delegate within the department and our partner organisations to deliver their decisions and to support them in making policy decisions and handling public funds. This is a role that involves personal responsibility and accountability on my part.
- 1.8. Parliament is rightly concerned to know not only where public money is spent but who is accountable for it at all levels of the system from the Principal Accounting Officer down. In large government departments this is not always obvious, so this system statement is an attempt to clarify that position for BEIS. At the risk of oversimplifying, the answer on accountability depends primarily on whether public money is being spent directly by the Department or through one of its partner organisations.
- 1.9. Within the core Department the line of accountability follows a traditional management cascade of authority from me as Permanent Secretary to Directors General and onwards through Directors and Deputy Directors as appropriate. Special arrangements exist under the so-called 'Osmotherly Rules' for Senior Responsible Owners of major projects to account directly to Parliament. However in general, whilst I may delegate responsibility within the Department, primary accountability for the use of public money rests with me.
- 1.10. BEIS has a large and diverse range of partner organisations. Some have been created specifically by Acts of Parliament, often with statutory provisions as to the degree of independence from Government and operational autonomy. Some are

simply administrative forms of separation from the core Department, created in the interests of organisational focus, specialisation or administrative efficiency.

- 1.11. Unless providing a purely advisory function, each BEIS partner organisation has a board or executive responsible for the proper operation of that entity. The permanent heads of these organisations will normally be appointed by me as a delegated Accounting Officer with responsibility for stewardship of that organisation's resources. This is the primary tier of accountability for the use of public money in these organisations. However, in most cases, I remain ultimately responsible to Parliament for the use of resources allocated to BEIS even if these are administered through partner organisations.
- 1.12. There are also rare cases where a partner organisation (e.g. Non-Ministerial Departments) has a separate Supply Estimate from Parliament in which case that Accounting Officer is solely accountable for use of those funds. However, these are the exception rather than the rule.
- 1.13. This statement describes the accountability and governance systems which are in place at the date of this statement and which will continue to apply until a revised statement is published. As this is the first ever system statement covering BEIS we would particularly welcome any feedback on whether its usefulness for readers could be improved. Please send any suggestions to enquiries@beis.gov.uk.



Alex Chisholm

Permanent Secretary and Principal Accounting Officer
Department for Business, Energy and Industrial Strategy

2. Accountability and Governance

- 2.1. BEIS accountability is provided through clear, evidence-based business planning, supported by strong governance, performance management, and risk processes. This is reinforced through assurance provided through internal and external audit.
- 2.2. BEIS Directors General, Directors and Accounting Officers of BEIS' partner organisations have the delegated authority to commit resources within predefined limits, together with the responsibility for proper stewardship of these resources and compliance with the requirements of HM Treasury's Managing Public Money. Accountability is formalised through letters of delegated authority at the start of the financial year. Directors General and Directors are accountable to the Permanent Secretary for ensuring that they deliver the departmental priorities within these delegations.
- 2.3. The Permanent Secretary and/or the Secretary of State confirms the appointment of the Chief Executive Officers (CEOs) of the Department's partner organisations, normally with the Permanent Secretary, as Principal Accounting Officer, appointing the CEOs as Accounting Officer for the organisations they lead. (There are some exceptions where the Accounting Officer is appointed directly by HM Treasury.)
- 2.4. Delivery plans for BEIS' vision and objectives are established through annual business planning processes which set out the actions, success measures and resource allocations against the departmental strategic objectives. It is supported by plans for each of the Directorates and partner organisations and, in turn, by more detailed delivery plans for the Department's portfolio of significant programmes and projects. Directors, CEOs and programme/project Senior Responsible Owners (SROs) report on their delivery through the performance reporting framework, and report on maintaining forecasted financial positions within budget limits. Where relevant, they are responsible for ensuring that their activities have been through an internal assurance process and/or the Government Major Projects Portfolio Gateway processes.
- 2.5. For each partner organisation, as well as the regular financial and delivery reporting through BEIS' performance management framework, there will be an ongoing relationship with the Department. This relationship is owned by named sponsors within BEIS to lead on discussions of relevant policy development and governance of the partner organisation itself. Interaction with the wider Department, either at a day-to-day administrative level with finance teams or strategically with senior management and ministers, is driven according to need and the level of risk to which the partner organisation and Department is exposed.

- 2.6. Management Information on the progress against BEIS' plans, in line with the Single Departmental Plan, and budgets is collated monthly and is discussed alongside significant risks or issues at a Departmental level. This is examined through executive committees and the Departmental Board.

Departmental Governance Structure

- 2.7. One of the policy responsibilities of BEIS is corporate responsibility and raising the standards of corporate governance. We have sought to be at the forefront for standards and diversity in the way that we have designed and implemented governance, which is consistent with the *Cabinet Office's Corporate Governance in Central Government Departments: Code of Good Practice*. Details of BEIS governance structure, Board and committees can be found in the Annual Reports and Accounts Governance Statement.



Risk Management

- 2.8. The Departmental Risk Framework sets out the processes and procedures to manage and escalate risk at all levels. Key risks from business areas are reported each month using a standard highlight report template. The Department also requires each major programme to define its overall risk appetite and all individual risks are required to have target reduction levels to reflect the level of exposure that can be tolerated.

2.9. This information is collated into a Departmental risk register, which includes risks identified and escalated by the business or those included directly by ExCo or one of its sub-committees. Mitigation measures are identified and all risks in the Departmental risk register have mitigation measures in place to reduce them to a target level by an agreed date. Key changes to the risks, including any new or escalated threats, are reviewed each month by the Performance, Finance and Risk Committee with escalation to ExCo and the Departmental Board as appropriate.

Project Management

2.10. All projects across BEIS and its partner organisations are required to obtain formal sign-off at pertinent points of their lifecycle, from initial mandate through to closure, following the Strategic, Outline and Final business case model. However, the guiding principal for BEIS' project governance and assurance is that the processes involved are proportionate to the value and risk profile of the project.

- Low risk projects and those below the delegation level of the relevant partner organisation or Director General can be authorised by the Director General or the partner organisation and would be monitored at the group or partner organisation level on either a monthly or quarterly basis, as appropriate.
- High risk projects and those above delegation limits are required to obtain approval through BEIS' Projects and Investments Committee and would be included in BEIS' programme and project portfolio, which is monitored on a monthly basis at the Departmental level.
- Projects on the Departmental portfolio, and potentially those at Group level, also undergo independent assurance, with BEIS Portfolio Office organising Gateway Reviews or health checks by teams outside the project at key lifecycle stages and decision points.

2.11. Additionally, projects above £70m are subject to HM Treasury approval. They may also be subject to review by the Infrastructure and Projects Authority (IPA), and may enter the Government Major Projects Portfolio (GMPP) for ongoing IPA monitoring and assurance.

Audit

2.12. Partner organisations' Audit and Risk Assurance Committees advise their Management Boards on governance, control and risk management for most bodies. A representative of internal audit regularly attends audit meetings for those

organisations with more significant budget share and associated risk, providing a valuable link into the assurance needs of the Principal Accounting Officer.

- 2.13. The BEIS internal audit function is provided by the Government Internal Audit Agency which undertakes a programme of risk-based internal audits and advisory work to provide assurance to the Permanent Secretary, ARAC and the Departmental Board.
- 2.14. The Head of Internal Audit provides ARAC with an annual report on the systems of governance, risk management and control operating in the Department based on the work undertaken during the year; the outcome of the annual review of corporate governance; knowledge of the business environment; known instances of fraud; and the work of others such as the National Audit Office (NAO), who provide the Department's external audit function.
- 2.15. NAO is responsible on behalf of Parliament for examining the economy, efficiency and effectiveness of the use of public money by BEIS. This is achieved primarily through the independent audit of BEIS' annual financial statements and through its programme of value for money reviews.

Relationships with Other Government Departments

- 2.16. BEIS Ministers have lead policy responsibility for the work of three Non-Ministerial Departments, all of which fall outside of the BEIS accounting boundary. These are:
- [Competition and Markets Authority](#);
 - [HM Land Registry](#); and
 - [Office of Gas and Electricity Markets](#) (Ofgem).
- 2.17. These bodies have been established under statute to operate independently of BEIS. Their chief executives are appointed directly by HM Treasury as Accounting Officers for these Departments, with personal accountability to Parliament.
- 2.18. Although independent from BEIS, members of these bodies' Boards are appointed by the Department through open competition, in accordance with the legislation under which each was created. Further details can be found in their respective annual reports to Parliament.

UK Government Investments (UKGI)

- 2.19. UKGI is the Government's centre of expertise in corporate finance and corporate governance. It provides governance sponsorship to some of BEIS' partner

organisations across a number of classification groups, often acting on behalf of Ministers in a shareholder capacity.

2.20. UKGI began operating on 1 April 2016 as a government company. It is wholly owned by HM Treasury, bringing together the functions of the Shareholder Executive (formerly part of the Department for Business, Innovation and Skills) and UK Financial Investments under a single holding company.

2.21. UKGI's own activities are governed by its Board, of which the BEIS Principal Accounting Officer is a member, and underpinned by its articles of association and framework agreement with HM Treasury. UKGI is accountable via its independent Board to HM Treasury Ministers.

2.22. It provides a sponsorship role for BEIS partner organisations as part of its remit to act as shareholder for either those arm's length bodies of the UK government that are structured to allow a meaningful shareholder function or for other UK government assets facing complex transformations.

3. Relationships with Partner Organisations

- 3.1. Rather than use the term 'arm's length bodies', the network of organisations that BEIS Ministers answer in Parliament for are referred to instead as our 'partner organisations'.
- 3.2. The BEIS network of partner organisations is one of the largest and most diverse of any Government department. The organisations vary considerably in size, type, and level of independence, and operate in a complex and often changing environment. These organisations are essential to the Department's on-going success.
- 3.3. Each partner organisation is overseen by a sponsor team in the core department which agrees and captures the organisation's remit in a Framework Document. The sponsor also monitors and challenges performance, and works with the partner organisation to support its high level aims. All partner organisations are established with governance arrangements that are appropriate to both their mission and legal form, and processes for engagement with the Department that allow them to function and deliver with the appropriate balance of autonomy and accountability.
- 3.4. We have worked closely with the Cabinet Office in the development of '*Partnerships between Departments and Arm's-length Bodies: Code of good practice*' and are committed to the principles of the Code. We are working with partner organisations to agree the Department's approach to completing both Functional and Tailored Reviews.
 - Functional Reviews will look across Departments and examine the functions of several public bodies in similar or related areas of government, allowing consideration of opportunities for reform that cannot be revealed by reviewing bodies one by one.
 - Tailored Reviews will build on the previous triennial review programme and extend the scope of reviews to include executive agencies and non-ministerial departments. They challenge and give assurance on the continuing need for individual organisations in terms of both function and form. Whilst each body will be subject to a tailored review, the scope of that review will be proportionate to the organisation's risk profile and will take into account other audits and reviews that have already been carried out; e.g. the findings of functional reviews can feed into tailored reviews, reducing the work required for the latter and avoiding duplication.
- 3.5. The BEIS network of partner organisations crosses over many different classifications, with organisations found at various distances from 'the centre' and,

therefore, operating in a range of different ways appropriate to their statutory or administrative form.

- 3.6. While these partner organisations fall into a number of different classification groups many share similar funding and monitoring arrangements. The following categories provide, as far as possible, an account of the broad arrangements in place, with exceptions listed where appropriate.

Within or primarily supported by core BEIS

Within the core Department

- [Office of Manpower Economics](#)
- [Government Office for Science](#)

- 3.7. These two bodies operate within BEIS' management and pay structures and, therefore, are subject to BEIS budgetary, governance and assurance processes.

Executive Agencies

- [Insolvency Service](#)
- [UK Space Agency \(UKSA\)](#)

- 3.8. Each Executive Agency has an Accounting Officer responsible to Parliament. They are appointed by the Principal Accounting Officer, who receives assurance on the partner organisations' delivery through a sponsor team in the core Department, which monitors financial and performance data.
- 3.9. Funding arrangements vary and are reported on in the agencies' own annual reports. Insolvency Service is funded in part from BEIS, HMRC and through fees raised for its services. UKSA receives funding direct from BEIS.

Advisory Non-Departmental Bodies

- [Low Pay Commission](#)
- [Regulatory Policy Committee](#)

- 3.10. Although autonomous of BEIS, with the chairman or chief executive having accountability for the operation and budget of the organisation, these bodies are supported through secretariat functions within BEIS. They are supported by a sponsor team in the core department which monitors financial and performance data.

Expert Committees

- [Council for Science and Technology](#)

- [Industrial Development Advisory Board](#)

3.11. The Council for Science and Technology (CST) is supported by a secretariat based in the Government Office for Science in BEIS who are responsible for the day-to-day administration of the Panel's finances and a sponsor team who lead on policy discussions.

3.12. The Industrial Development Advisory Board (IDAB) is an advisory body whose members give a few hours of unpaid time each month to advise the Secretary of State on applications for forms of business support. Ministers are accountable for its overall performance, and arrangements are in place to achieve accountability for its work, and the way it does it. In particular the Chair makes an annual report to Parliament within the Secretary of State's overall report on the exercise of functions under the Industrial Development Act 1982 (IDA82). This provides visibility and accountability while respecting the commercial confidentiality of the cases that make up IDAB's workload.

Tribunals

- [Copyright Tribunal](#)

3.13. The tribunal's secretary is a member of staff of the Intellectual Property Office (IPO) and assurance of the tribunal's budgets is through monitoring by IPO and BEIS officers under Departmental processes. The tribunal consists of a chairman and two deputy chairmen who are appointed by the Lord Chancellor. The eight ordinary lay members are appointed by the Secretary of State for Business, Energy and Industrial Strategy.

Outside of core BEIS but within its accounting boundary

Executive Non-Departmental Public Bodies

- [Advisory, Conciliation & Arbitration Service](#)
- [Arts and Humanities Research Council](#)
- [Biotechnology and Biological Sciences Research Council](#)
- [British Hallmarking Council](#)
- [Civil Nuclear Police Authority](#)
- [Coal Authority](#)
- [Committee on Climate Change](#)
- [Competition Service](#)
- [Engineering and Physical Sciences Research Council](#)
- [Economic and Social Research Council](#)
- [Innovate UK](#)

- [Medical Research Council](#)
- [Natural Environment Research Council](#)
- [Nuclear Decommissioning Authority](#)
- [Science and Technology Facilities Council](#)
- [UK Atomic Energy Authority](#)

3.14. These Non-Departmental Public Bodies (NDPBs) receive grant-in-aid from the core department, and may charge for their services.

3.15. They vary significantly in size and scope, from organisations with thousands of employees and multi-billion pound budgets (e.g. the Nuclear Decommissioning Authority and the Research Councils), to small organisations that receive minimal funding (e.g. the British Hallmarking Council). Therefore, their sponsorship and engagement with BEIS/and or UKGI will also vary greatly; with BEIS Directors General on their Boards in some cases but minimal policy input in others.

3.16. However, each NDPB has an independent Board to oversee its delivery and provide assurance of financial probity and an Accounting Officer (normally the chief executive) who is formally responsible to Parliament for the funds allocated to them. This provides the primary tier of accountability for the organisation's use of public funds. In addition, respective sponsor teams in the core department monitor financial and performance data, engaging as necessary in matters relevant to the BEIS Principal Accounting Officer.

Central Government Companies

- [Electricity Settlements Company](#)
- [Low Carbon Contracts Company](#)
- [Financial Reporting Council](#)

3.17. Electricity Settlements Company and Low Carbon Contracts Company are private limited companies, wholly-owned by the Secretary of State each with their own AO. The two companies are separate legal entities, run by independent Boards, but to maximise operational efficiencies the companies share staff resources and corporate facilities. They are responsible for the successful operation of two key policies: the Contract for Difference scheme and the Capacity Market. Low Carbon Contracts Company provides services to Electricity Settlements Company to deliver settlement functions for the Capacity Market and charges for these services. BEIS sponsorship operates through the Clean Electricity Directorate. Both companies are funded by a levy on electricity suppliers and receive some BEIS capital (which is repaid via a depreciation charge on the levy).

3.18. The Financial Reporting Council is a company limited by guarantee, subject to the governance and assurance that this entails with its own AO. It sits within BEIS' consolidated accounts but no longer receives funding from the Department, instead funding its operations from a mixture of statutory and voluntary levies.

Government-Owned Companies (GovCos)

- [Oil and Gas Authority](#)

3.19. Responsibility to the Secretary of State for Business, Energy and Industrial Strategy for the performance of the Oil and Gas Authority rests with the OGA Board, membership of which includes the BEIS Deputy Director of Upstream Oil and Gas. The Authority operates in accordance with the terms of its Framework Document and a Memorandum of Understanding agreed between the OGA and BEIS. The BEIS Permanent Secretary, in his role as Principal Accounting Officer, has designated the OGA Chief Executive as the OGA Accounting Officer.

Public Bodies

- [British Business Bank](#)

3.20. British Business Bank plc is a public limited company registered in England and Wales. As the holding company of the group operating under the trading name of British Business Bank, it is a development bank wholly owned by HM Government but independently managed. It has its own Board and Audit and Risk Committee independent of BEIS. BEIS maintains a sponsorship role in the normal way.

Advisory Non-Departmental Bodies

- [Committee on Fuel Poverty](#)
- [Committee on Radioactive Waste Management](#)
- [Low Pay Commission](#)
- [Nuclear Liabilities Financing Assurance Board](#)
- [Regulatory Policy Committee](#)

3.21. The majority of these expert advisory bodies have no or very few staff, are supported through secretariat functions by BEIS, and receive minimal budgetary contributions from the Department. They are supported by a sponsor team in the core department which monitors financial and performance data.

Office Holders

- [Groceries Code Adjudicator](#)
- [Pubs Code Adjudicator](#)
- [Certification Officer](#)
- [Office of the Regulator of Community Interest Companies](#)

3.22. The two adjudicators both have their own AO and are funded through a levy on the appropriate industry. In the case of the Groceries Code Adjudicator (GCA) this is on groceries retailers with a turnover of more than £1bn and for the Pubs Code Adjudicator the levy falls in proportion to the number of tied pubs owned for all those pub-owning business with more than 500 tied pubs. Both bodies have accountability for their budgets with sponsorship within BEIS in the normal way.

3.23. The Certification Officer has eight staff and is responsible for the statutory functions relating to the probity and compliance with regulation of the trade unions and employers' associations. Decisions of the Certification Officer are a matter of public record.

3.24. The Office of the Regulator of Community Interest Companies is an independent statutory office-holder, supported by BEIS staff. It adopts BEIS' systems and controls and has a Memorandum of Understanding with the Department that sets out its corporate plan, the Grant in Aid funding from BEIS, operational and financial systems and reporting and internal audit procedure.

Tribunal Non-Departmental Public Body

- [Competition Appeal Tribunal \(and Competition Service\)](#)
- [Central Arbitration Committee](#)

3.25. Although in formal terms, the Competition Appeal Tribunal and the Competition Service are two separate bodies, in practice the Competition Service provides the means by which the Tribunal manages itself – the Service's entire staff, premises and other resources being fully deployed in the daily work of the Tribunal. The Principal Accounting Officer for BEIS has designated the Registrar of the Competition Appeal Tribunal as Accounting Officer for both the Tribunal and the Competition Service, with responsibility for the propriety and regularity of the public finances and for the keeping of proper records.

3.26. The Central Arbitration Committee's secretariat and other resources are provided by the Advisory, Conciliation & Arbitration Service (ACAS), and the Committee complies with ACAS's corporate governance requirements. The relationship with ACAS is set out in a Memorandum of Understanding, which is refreshed periodically.

Public Sector

- [Independent Complaints Reviewer](#)

3.27. While contributions to the running costs of the Independent Complaints Reviewer are made by each Department and organisation for which their service is provided,

financial accountability is through HM Land Registry. Financial information is presented annually in the Independent Complaints Reviewer's Annual Report for HM Land Registry. However, its staff are managerially accountable to the Independent Complaints Reviewer and are entirely independent of any other organisation.

Wider Departmental group

3.28. Some BEIS partner organisations sit outside of the BEIS accounting boundary entirely because of the nature of their assigned classification in the National Accounts. (This includes three Non-Ministerial Departments, detailed in section 2.)

Trading Funds

- [Companies House](#)
- [Intellectual Property Office](#)
- [Met Office](#)

3.29. Each trading fund has an Accounting Officer responsible to Parliament, appointed by the Principal Accounting Officer. BEIS receives assurance on these partner organisations' delivery through a sponsor team in the core Department, which monitors financial and performance data.

3.30. These trading funds derive their income from charges for their services. The commercial nature of their business means that they receive governance sponsorship from UKGI in addition to policy sponsorship from BEIS.

Public Corporations

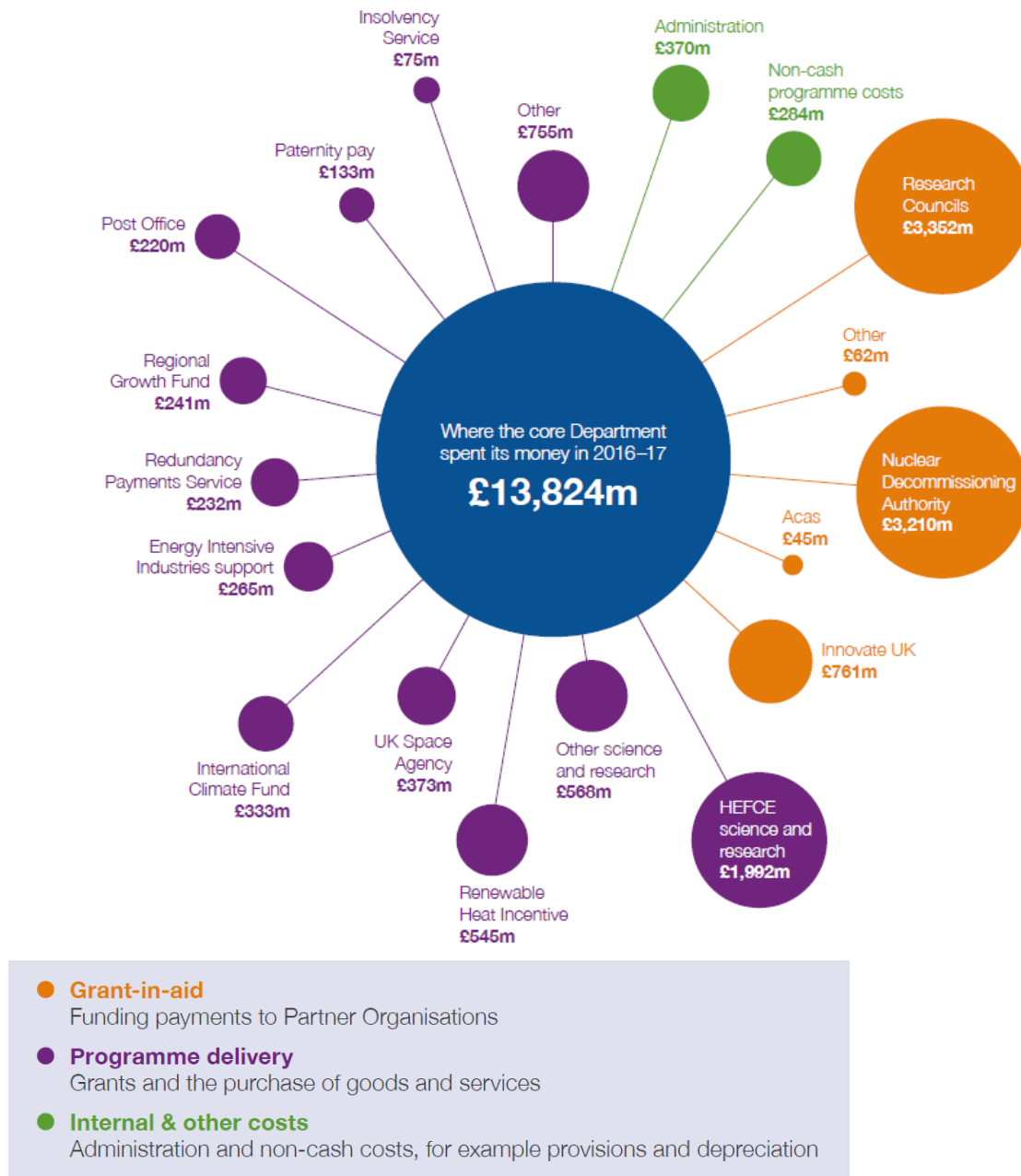
- [Ordnance Survey](#)
- [National Nuclear Laboratory](#)
- [National Physical Laboratory](#)
- [Nuclear Liabilities Fund](#)
- [Post Office Ltd](#)
- [British Nuclear Fuels Limited](#)

3.31. Public corporations are required to derive more than 50 per cent of their production costs from the sale of goods, services or regulatory activities. They have substantial day-to-day operating independence and are viewed as institutional units separate from BEIS. However, BEIS and/or UKGI maintain a policy and governance sponsorship role, including regular monitoring of performance. The Department is also responsible for approving some senior appointments to these bodies.

4. The Distribution of Funding

- 4.1. As with other Government Departments, BEIS' annual funding is agreed by Parliament. The Permanent Secretary (as Principal Accounting Officer) is accountable for ensuring that expenditure is in accordance with the requirements of regularity, propriety, value for money and feasibility (as set out in 'Managing Public Money').
- 4.2. On an annual basis, the Appropriations Act (Main Estimates) provides the annual breakdown of the Department's overall funding settlement. There is an opportunity to redistribute funds between control totals once a year through the Supplementary Estimate process, if agreed by HM Treasury.
- 4.3. Allocation of resources to Departmental priorities is decided by Ministers, supported by advice from the Board and the Executive Committee (ExCo). Within the core department the Principal Accounting Officer delegates to Directors General the authority to commit these resources in line with plans to achieve Departmental objectives. Accountability is formalised through letters of delegation, onwards to Directors and Deputy Directors as appropriate.
- 4.4. Separate budget delegations are made to partner organisations as appropriate. Accountability is formalised through a letter of delegation, allocating budgets subject to certain controls, and outlining expectations and areas of responsibility and accountability.

Core Department Spend 2016-17



Monitoring expenditure

4.5. The Department's internal forecasting process ensures timely and robust reporting of under-spends and cost pressures. Forecasts are analysed and reported monthly to

the Performance, Finance and Risk Committee and to ExCo, as well as more detailed Quarterly Reviews led by the Finance Director. They provide the opportunity for scrutiny and challenge of financial forecasts, informing an agreed BEIS forecast position and recommendations to ExCo for intervention as necessary to protect the Department's budgetary control totals. These reviews are an important part of the system that enables BEIS to make effective strategic funding decisions.

- 4.6. Departmental forecasts are also reported to HM Treasury through its OSCAR reporting system, to assist with the taut management of public finances. This information feeds into the fiscal reporting to Parliament by HM Treasury.

Local Funding Arrangements

- 4.7. For local authority services in which BEIS has a policy interest, central government funding is generally provided either through the Revenue Support Grant (from the local government budget) or through specific revenue grants (from the BEIS budget), although capital grants are also provided.
- 4.8. The Department of Communities and Local Government's Accounting Officer, as lead Accounting Officer across central government with respect to local government, provides the assurance that a core framework is in place that requires local authorities to act with regularity, propriety and value for money in the use of all of these resources.
- 4.9. As well as the accountability provided through this framework, specific BEIS grants, for example those provided through Salix or from a range of funds administered by the Department and its partner organisations, are often provided in recognition of a statutory obligation on local authorities to perform a function or provide a service. In such cases value for money is scrutinised in the relevant approvals process and outcomes are specified explicitly in the agreement and claim processes. These arrangements are established in a way that allows local authorities the flexibility to respond to local priorities, pursue balanced outcomes and choose their own methods of achieving desired outcomes, whilst taking into account BEIS' policy intentions.

Grants to Private and Voluntary Sector Bodies

- 4.10. Most BEIS grants to private and voluntary sector bodies are allocated by those partner organisations that are responsible for taking individual decisions on which proposals should and should not receive grant support. About 75 per cent of applications are rejected in order to prioritise those proposals which best meet the

policy criteria for grant support. The Department's role is to fund the partner organisations in question (mainly the Research Councils and Innovate UK) through grant-in-aid and to oversee the overall funding framework under which grants are issued. A minority of grants are issued directly by the Department for purposes authorised by Parliament under the Estimate processes.

4.11. All grants issued by both the Department and its partner organisations are intended to comply with the requirements set out in Managing Public Money as regards propriety, regularity and value for money. The Department has worked closely with its grant-giving teams and partner organisations to help the Cabinet Office design a set of guiding principles (Annex A) for the administration of grants.

4.12. A particularly useful feature of the arrangements which we already adopting is the ability to draw on independent panels providing challenge and advice at the design stage of new policies and grant schemes, not least to take full account of previous NAO/Select Committee criticism of any shortcomings in other grant schemes or awards to particular private or voluntary sector bodies. We will make increasing use of such advice going forward to support the Principal Accounting Officer's responsibilities.

Major Contracts and Outsourced Services

Major contracts

4.13. BEIS has robust processes in place for entering into major contracts. These have been assessed against the Government Commercial Operating Standards, which cover the lifecycle from identifying the need, through procurement and contracting to subsequent management. One of these standards requires that value for money be obtained and this is ensured in a number of ways.

- Market engagement prior to large contracts ensures that the market is understood and requirements for goods and services that are fit for purpose can be set without attracting undue cost.
- Procurement regulations require competitive procurement wherever possible. Depending on the requirement, this may be by use of a Crown Commercial Service or other framework that has been pre-competed or by undertaking an Official Journal of the European Union (OJEU) procurement. OJEU is the publication in which all tenders from the public sector, valued above a certain financial threshold according to EU legislation, must be published.

- If it is proposed instead to extend a contract, this requires specific commercial and financial approval depending on value to ensure this is not a preferred option.
- Procurements subject to Government spend control are subject to additional scrutiny by functional groups that ensure alignment to Government and BEIS strategy and those over £10m or more are subject to particular commercial scrutiny at Director level as well as requiring Cabinet Office approval.

Outsourced services

- 4.14. BEIS has relatively few major contracts for outsourced services to deliver its key services to the public. Those that are essential to the Department's work tend to be for services for its staff, such as facilities management of its buildings and provision of ICT services.
- 4.15. Such services are covered by Government spend control and are subject to scrutiny by the relevant functional groups. BEIS has introduced category leadership to establish and follow group-wide strategies in areas like ICT and facilities management to make full use of opportunities for collaboration and economies of scale to drive value.
- 4.16. BEIS is developing a strategy to strengthen its contract management capability. BEIS contracts will be categorised, according to value and business impact, to facilitate a risk-based approach to contract management and provision of appropriate resources. The Department will lead and support contract managers of major contracts to monitor performance, ensure contract compliance and encourage continuous improvement and innovation. This will reduce risk and enhance value for money for these contracts.

Investments, Joint Ventures and Other Assets

- 4.17. BEIS is involved in or oversees a range of investments, joint ventures and partnership funds on behalf of Government, either directly or through bodies such as the Research Councils. The Department employs a range of options to ensure it can maintain assurance on the allocation and delivery of its investment – through responsibility for Board and/or senior management appointments, direct BEIS membership of Boards for significant bodies and the ownership of “special shares” in a variety of public companies.
- 4.18. Additionally, for many investments, the Department receives formal monthly or quarterly reporting as part of its performance management framework and,

increasingly, the Projects and Investment Committee will have approved either the individual investment or, in the case of funds, the investment criteria.

Climate Partnership

- Asia Climate Partnership Fund (ACPF)
- Global Climate Partnership Fund (GCPF)
- UK Climate Investments LLP

Government Owned Companies granting loans to private sector

- The Start Up Loans Company
- British Business Bank Finance Limited
- Northern Powerhouse Investments Limited
- Midlands Engine Investments Limited
- East Midlands Early Growth Fund Ltd
- Fleetbank Funding Limited
- North West Venture Capital Loan Fund (NW VCLF HF LLP)

Government Owned Companies holding investments on behalf of Government

- BIS (Postal Services Act 2011) Company Limited
- Enrichment Holdings Ltd
- The NESTA Trust
- Postal Services Holding Company Limited
- UK Green Infrastructure Platform Limited

Government Owned Companies other

- Aerospace Technology Institute
- South Tees Site Company Limited
- UK Shared Business Services Limited

Minority Shareholdings

- BAE Systems plc - £1 Special Rights Preference Share
- Rolls Royce Holdings plc - £1 Special Rights Non-Voting Share
- EDF Energy Nuclear Generation Group Limited (formerly British Energy Group plc) - £1 Special Share
- British Energy Limited (formerly British Energy Holdings plc) - £1 Special Share

Joint Ventures & Associates

- Tilbury Green Power Holdings Limited
- The Francis Crick Institute Ltd (UKCMRI LTD)
- Imanova Ltd
- Institute Laue-Langevin
- Diamond Light Source Limited
- Harwell Science and Innovation Campus LLP
- Daresbury Science and Innovation Campus LLP

ANNEX A – Partner Organisations within BEIS Annual Report and Accounts 2016-17

Core Department and agencies	
The Copyright Tribunal	Regulatory Policy Committee
Council for Science and Technology	UK Space Agency
Industrial Development Advisory Board	Government Office for Science
Low Pay Commission	Insolvency Service
Office of Manpower Economics	
Consolidated Departmental group	
Advisory, Conciliation and Arbitration Service	Postal Services Holding Company
BIS (Postal Services Act 2011) Company	South Tees Site Company
British Business Bank	Innovate UK
Civil Nuclear Police Authority	UK Shared Business Services
Coal Authority	UK Atomic Energy Authority
Committee on Fuel Poverty	Harwell Science and Innovation Campus Public Sector
Committee on Radioactive Waste Management	UK Climate Investments
Competition Appeal Tribunal	Research Councils
Competition Service	The Arts and Humanities Research Council
Electricity Settlements Company	The Biotechnology and Biological Sciences Research Council
Enrichment Holdings Ltd	The Economic and Social Research Council
Fleetbank Funding	The Engineering and Physical Sciences Research Council
The Financial Reporting Council	The Medical Research Council
Low Carbon Contracts Company	The Natural Environment Research Council
Midlands Engine Investments	The Science and Technology Facilities Council
The NESTA Trust	Nuclear site licence companies
Northern Powerhouse Investments	Dounreay Site Restoration
Nuclear Decommissioning Authority	LLW Repository
Nuclear Liabilities Financing Assurance Board	Magnox
Oil and Gas Authority	Sellafield
Wider Departmental Group	
Ordinance Survey	Competition and Market Authority
National Nuclear Laboratory	HM Land Registry
Companies House	Gas and Electricity markets Authority (Ofgem)
UK Intellectual Property Office	National Physical Laboratory
Post Office Ltd	Nuclear Liabilities Fund
Met office	

The following Partner Organisations were not included in the Annual Report and Accounts.

Aerospace Technology Institute, Asia Climate Partnership Fund (ACPF), BAE Systems plc, British Business Bank Finance Ltd, British Energy, British Hallmarking Council, British Nuclear Fuels Ltd, Central Arbitration Committee, Certification Officer, Committee on Climate Change, Daresbury Science and Innovation Campus LLP, Diamond Light Source Ltd, East Midlands Early Growth Fund Ltd, EDF Energy Nuclear Generation Group Ltd, Financial Reporting Council, Global Climate Funding Ltd, Groceries Code Adjudicator, Imanova Ltd, Independent Complaints Reviewer, Institute Laue-Lagevin, North West Venture Capital Loan Fund, Office of the Regulator of Community Interest Companies, Pubs Code Adjudicator, Rolls Royce Holdings plc, The Start Up Loans Company, The Francis Crick Institute Ltd, Tilbury Green Power Holdings Ltd, UK Green Infrastructure Platform Ltd.

ANNEX B – Alphabetical list of Partner Organisations

Partner Organisation	Category
Advisory, Conciliation & Arbitration Service	Executive Non-Departmental Public Body
Aerospace Technology Institute	Government Owned Company
Arts and Humanities Research Council	Executive Non-Departmental Public Body
Asia Climate Partnership Fund (ACPF)	Climate partnership
BAE Systems plc - £1 Special Rights Preference Share	Minority Shareholding
Biotechnology and Biological Sciences Research Council	Executive Non-Departmental Public Body
BIS (Postal Services Act 2011) Company Limited	Government Owned Company
British Business Bank	Public Body
British Business Bank Finance Limited	Government Owned Company
British Energy Limited - £1 Special Share	Minority Shareholding
British Hallmarking Council	Executive Non-Departmental Public Body
British Nuclear Fuels Limited	Public Corporation
Central Arbitration Committee	Tribunal Non-Departmental Public Body
Certification Officer	Office Holder
Civil Nuclear Police Authority	Executive Non-Departmental Public Body
Coal Authority	Executive Non-Departmental Public Body
Committee on Climate Change	Executive Non-Departmental Public Body
Committee on Fuel Poverty	Advisory Non-Departmental Body
Committee on Radioactive Waste Management	Advisory Non-Departmental Body
Companies House	Trading Fund
Competition and Markets Authority	Non-Ministerial Department
Competition Appeal Tribunal (and Competition Service)	Tribunal Non-Departmental Public Body
Competition Service	Executive Non-Departmental Public Body
Copyright Tribunal	Tribunal
Council for Science and Technology	Expert Committee
Daresbury Science and Innovation Campus LLP	Joint Ventures & Associates
Diamond Light Source Limited	Joint Ventures & Associates
East Midlands Early Growth Fund Ltd	Government Owned Company
Economic and Social Research Council	Executive Non-Departmental Public Body
EDF Energy Nuclear Generation Group Limited - £1 Special Share	Minority Shareholding
Electricity Settlements Company	Central Government Company
Engineering and Physical Sciences Research Council	Executive Non-Departmental Public Body
Enrichment Holdings Ltd	Government Owned Company
Financial Reporting Council	Central Government Company
Fleetbank Funding Limited	Government Owned Company
Global Climate Partnership Fund	Climate partnership
Government Office for Science	BEIS
Groceries Code Adjudicator	Office Holder
Harwell Science and Innovation Campus Public Sector Limited Partnership	Joint Ventures & Associates

BEIS ACCOUNTING OFFICER SYSTEM STATEMENT

HM Land Registry	Non-Ministerial Department
Imanova Ltd	Joint Ventures & Associates
Independent Complaints Reviewer	Public Sector
Industrial Development Advisory Board	Expert Committee
Innovate UK	Executive Non-Departmental Public Body
Insolvency Service	Executive Agency
Institute Laue-Langevin	Joint Ventures & Associates
Intellectual Property Office	Trading Fund
Low Carbon Contracts Company	Central Government Company
Low Pay Commission	Advisory Non-Departmental Body
Medical Research Council	Executive Non-Departmental Public Body
Met Office	Trading Fund
Midlands Engine Investments Limited	Government Owned Company
National Nuclear Laboratory	Public Corporation
National Physical Laboratory	Public Corporation
Natural Environment Research Council	Executive Non-Departmental Public Body
North West Venture Capital Loan Fund	Government Owned Company
Northern Powerhouse Investments Limited	Government Owned Company
Nuclear Decommissioning Authority	Executive Non-Departmental Public Body
Nuclear Liabilities Financing Assurance Board	Advisory Non-Departmental Body
Nuclear Liabilities Fund	Public Corporations
Office of Gas and Electricity Markets	Non-Ministerial Department
Office of Manpower Economics	BEIS
Office of the Regulator of Community Interest Companies	Office Holders
Oil and Gas Authority	Government Owned Company
Ordnance Survey	Public Corporation
Post Office Ltd	Public Corporation
Postal Services Holding Company Limited	Government Owned Company
Pubs Code Adjudicator	Office Holder
Regulatory Policy Committee	Advisory Non-Departmental Body
Rolls Royce Holdings plc - £1 Special Rights Non-Voting Share	Minority Shareholding
Science and Technology Facilities Council	Executive Non-Departmental Public Body
South Tees Site Company Limited	Government Owned Company
The Francis Crick Institute Ltd (UKCMRI LTD)	Joint Ventures & Associates
The NESTA Trust	Government Owned Company
The Start Up Loans Company	Government Owned Company
Tilbury Green Power Holdings Limited	Joint Ventures & Associates
UK Atomic Energy Authority	Executive Non-Departmental Public Body
UK Climate Investments LLP	Climate partnership
UK Government Investments	HM Treasury owned government company
UK Green Infrastructure Platform Limited	Government Owned Company
UK Shared Business Services Limited	Government Owned Company
UK Space Agency	Executive Agency