Department
for Business
Innovation & Skills

Annual Report and Accounts 2014-15

Department for Business, Innovation and Skills

Annual Report and Accounts 2014-15

For the year ended 31 March 2015

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Overview by the Secretary of State

Thanks to the hard work and dedication of British businesses, the UK's economy is growing faster than any of our G7 rivals, with more people in work than at any point in history.

Over the past five years we've gone from a record-breaking recession to record-breaking levels of employment, a fantastic achievement, but one that would not have come about without the tireless support of the the Department for Business, Innovation and Skills.

As this report shows, in 2014-15 we cut the cost of business regulation by more than £2 billion, issued the 25,000th Start-Up Loan, and helped treble the number of medium-sized businesses receiving export advice from our partners at UK Trade and Investment.

We've also been making sure Britain's employers can find the skilled workers of tomorrow right here in the UK. Last year we reached the landmark of two million apprenticeship starts and saw record numbers of young people enter higher education. And we created an extra 30,000 university places, so more people than ever can benefit from the world-class education on offer.

All this was achieved while also making considerable efficiency savings, helping to deliver more for taxpayers while spending less of their money and contributing to a halving of the deficit as a percentage of GDP.

It's a great record, and one that I look forward to building on as Secretary of State for Business, Innovation and Skills. Because although we have, together, pulled Britain's economy back from the brink, there is much more we can do to secure lasting growth.

So we will support the public and private sectors in the creation of three million more apprentices. We'll cut another £10 billion of burdensome regulation, and create a Small Business Conciliation Service to help resolve the kind of disputes that can all-too-easily spell disaster for small firms. The vehicle for much of this will be the Enterprise Bill, which I hope to introduce to Parliament later this year.

And we'll continue to play our part in cutting costs and eliminating the deficit, placing the economy on a sustainable footing and ensuring the UK is a better place for our children and grandchildren.

This Government wants to make Britain the best place in the world to start and grow a business. This report shows how, in 2014/15, BIS laid the groundwork for this ambitious goal. I'm immensely proud to have been asked to lead the department as we seek to make it a reality in the months and years ahead.

Rt Hon Sajid Javid MP
Secretary of State for
Business, Innovation and Skills

Permanent Secretary's Review

The Department for Business, Innovation & Skills (BIS) plays a key role in promoting sustainable economic growth across the UK. We have continued to invest in adult skills, boost innovation, promote trade and help people to start and grow a business. This year we have worked hard to complete delivery of the priorities we set out at the start of the last Parliament.

We have made good progress implementing the industrial strategy, setting out the long term direction needed to give businesses the confidence to invest. To date, the Automotive Investment Organisation has supported projects which secured over £1 billion of investment, creating and safeguarding over 10,000 jobs in the UK. The Agri-Tech strategy is also putting the UK at the forefront of global innovation in the agricultural sector.

This year saw the successful launch of the British Business Bank following State Aid clearance from the European Commission. The British Business Bank is helping unlock finance for smaller businesses, providing a greater choice of financing options and helping business finance markets work more effectively and dynamically. At the end of this year, the British Business Bank had supported £1.8 billion of finance to approximately 40,000 smaller businesses.

In 2014-15 we continued our programme to reform the higher education system with the aim of enabling all students with the aptitude and ability to go to university to do so. Through reforms to student number controls, record numbers of young people, including those from disadvantaged backgrounds, are now going to university. Plans were announced in the Autumn Statement 2014 and Budget 2015 to provide student loans for postgraduate taught and research qualifications. This will benefit industry and allow a greater number of students to develop the skills the country needs through postgraduate study.

As well as meeting our target to achieve 2 million people learning on an Apprenticeship, we are continuing to listen to employers when designing how Apprenticeships should be funded. In March 2015 we announced a new digital Apprenticeship voucher scheme, placing employers in direct control of how Government funding for Apprenticeships is spent. Plans to introduce degree Apprenticeships, bringing together the best of higher and further education, are also underway.

For the UK to deliver a more innovative economy we must continue to plan ahead. This year we have committed £5.9 billion in support for science through the publication of the Government's ten year Science and Innovation Strategy. Placing science at the heart of economic growth the Strategy sets out our plan to build on the UK's strengths in science and innovation and create high value jobs. The Strategy also recognises the need to invest in our skills pipeline, from primary to higher education, and creating the right environment for business to commercialise new technologies.

This year saw further progress on the Government's modern workplaces agenda through the introduction of new shared parental leave reforms, allowing nearly 300,000 working couples greater flexibility in how to share caring responsibilities in the first year of their child's life. We have also taken action to promote diversity in the UK's largest companies. In the last four years the percentage of companies with women on their Board has doubled, and by the end of this year we expect 25 per cent of FTSE 100 companies to have women represented on their Board.

BIS had developed a reform programme, spanning the previous parliament, which included a significant reshaping of policy and delivery landscape, a focus on coalition priorities and a financial strategy, balancing fiscal and policy objectives. 2014-15 was the last year of the programme, which has been delivered successfully. The Department's total outturn in 2014-15 was £25,896 million, a decrease of £1,202 million (4%) on the previous year.

Our staff continue to deliver high quality outcomes. I am particularly pleased that the 2014 People Survey showed the Department's level of engagement had increased for the third successive year. Over the course of the last Parliament, the Department's engagement levels increased by six percentage points, double the Civil Service average. We also want to ensure that our talented and diverse workforce reflects our increasingly diverse society. This year we ran six unconscious bias training sessions for line managers facilitated by a leading expert in the field, Professor Binna Kandola, and developed a series of unconscious bias training modules for all line managers. I am particularly proud that women now represent 50 per cent of the BIS senior leadership, reflecting our commitment to a more personal less hierarchical approach to management and effective teamwork based on our BIS values.

As we enter a new Parliament there will be new challenges and we continue to equip managers with the tools, training and skills needed to do their job well. We have continued to roll out our Management Matters programme, providing managers with guidance and tools as well launching the BIS Story, a clear and inspiring narrative that helps us articulate the Department's overall purpose. We have also continued to develop our award winning "Ways of Working" programme, focused on developing and implementing solutions that help BIS work more effectively and efficiently.

I am very proud of all the Department has achieved, and the level of dedication and hard work displayed by staff, both this year and over the life of the last Parliament.

Martin Donnelly

Key achievements in 2014-15

£1.8bn

40,000

smaller businesses

British Business Bank programmes include start-up, venture capital finance and lending initiatives. Its programmes are supporting **£1.8 billion** of finance to around **40,000** smaller businesses, with a further **£1.4 billion** of finance to mid-cap businesses.

In 2014, applications to higher education from 18 year olds were at an all-time high (307,000), with record numbers of applicants accepted to their firm, or first, choice course (73% of all acceptances).

Introduced a number of measures to better manage alternative higher education providers including the application of student number controls, stronger quality assurance reviews, and the foundation of an Intelligence Unit and 'Rapid Response Investigatory Team' to investigate any allegations of abuse of the system.

The announcement of Round 6 Regional Growth Fund (RGF) awards, bringing the amount allocated by RGF to **£2.85 billion** across 470 projects and programmes, delivering **581,000 jobs** and leveraging £16 billion of private sector investment by the mid-2020s.

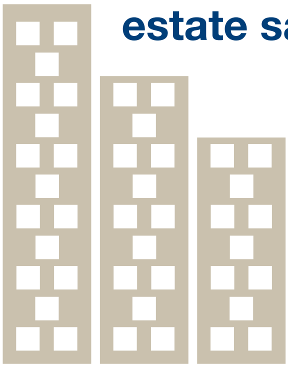
2,039

post offices modernised

2,039 Post Offices were modernised under the Post Offices' network transformation programme in 2014-15, bringing the total to more than **4,000**, with a further **1,000** having signed contracts to do the same.

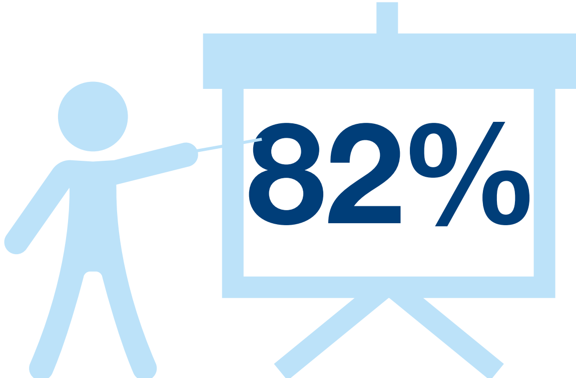
Increased staff engagement for the third year in a row. Staff engagement has increased by six percentage points over the course of the Parliament, **double** the Civil Service average.

£104m
estate savings



BIS has reduced the size of its eastate from 180 to 111 buildings since 2010, exceeding the £100 million savings target early and delivering **£104 million** of savings to the tax payer.

Enabled **new rights for fathers** to take shared parental leave and pay, as well as introducing changes to adoption leave and pay, and unpaid parental leave.

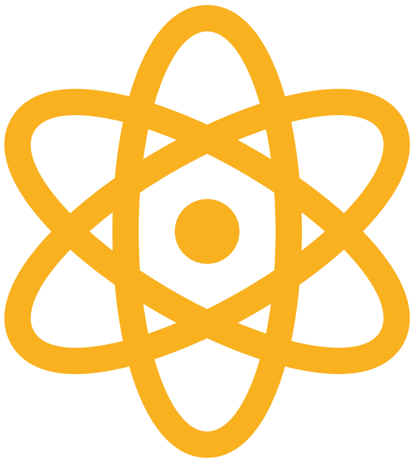


82% of 3.8 million students attended good or outstanding further education providers in 2013/14, up from 72% in 2012/13 and 64% in 2011/12.

Created two million Apprenticeships during the last Parliament, highlighting the continued success of Apprenticeships in giving people the skills they need to get on, and in supporting businesses of all sizes to grow their talent.

The Research Excellence Framework concluded this year, confirming the UK's world-leading research position.

22 per cent of UK research outputs are world leading, up from 14 per cent in 2008.



Published a new Science and Innovation Strategy setting out a long-term plan for expanding the UK's innovation infrastructure, creating high value jobs, putting science and innovation at the heart of economic growth and making the UK the best place in the world to do science and grow an innovative business.

The British Business Bank was launched as a government-owned public company on 1 November 2014. This delivered a major priority for the Department, which consisted of complex work streams, including a substantial State Aid approval.

2,000+

£1.2bn

Through the Red Tape Challenge, we have scrapped or improved over 2,000 regulations, bringing savings to business of over £1.2 billion per year.

We are on track to exceed the target to achieve a 25 per cent representation of women on FTSE 100 boards by the end of 2015.

Introduced a number of measures to better manage alternative higher education providers, including the application of student number controls, stronger quality assurance reviews, and the foundation of an Intelligence Unit and 'Rapid Response Investigatory Team' to investigate any allegations of abuse of the system.

Growth Vouchers

28,000+

businesses helped

Over 28,000 businesses helped through the Growth Voucher programme.

Successfully concluded EU trade negotiations with Canada, Singapore and a total of 27 African countries in three regional blocks.

Our Purpose

We are the Department for Business, Innovation and Skills. Put simply, we believe in business as a force for good in society. It creates wealth and employment, increases living standards, fuels creativity and builds the confidence for growth.

Our purpose is to **connect people to opportunity and prosperity** right across the country. It demands a huge variety of specialist expertise and resources 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. We're here to help open up and modernise the UK economy.

We also believe Government has a vital part to play in helping businesses succeed. As a partner that can see the bigger picture and actively shape the economy. Seeking out the growth opportunities. Creating the open, fertile and fair market frameworks in which companies can flourish. Delivering better regulation and breaking down the barriers to success. Boosting innovation and investing in the new technologies that will transform our lives. And by inspiring the talent that will ensure the UK has a world-class skills and research base.

Our role is to make the connections that bring together the right mix of skills and resources to deliver sustainable prosperity. One of our great strengths is the wide range of talent and expertise at our disposal, from our internal teams to our network of partner bodies. This variety gives us the insight and experience to identify and grasp opportunities quickly, to connect across the economy from large enterprises to start-ups, from higher education to research, from central to local Government.

Our business model

Connecting people to opportunity and prosperity means designing and delivering services and frameworks that create value for society beyond the level of taxpayer funding for BIS. We achieve this by using our relationships, financial, human and intellectual capital to design services and frameworks, deliver these services and drive sustainable changes through effective management and governance.

What we do

We produce high quality policy advice – we draw on a variety of knowledge, experience and expertise in BIS and our Partner Organisations to identify where and how Government can connect people to prosperity and help businesses succeed. This can be through designing legislative frameworks, amending or removing burdensome regulations and designing services that deliver specific interventions like advice or financial assistance. Our analytical, legal and financial teams work together with policy experts to drive the highest value from our resources. Regional offices around the country ensure local knowledge informs effective interventions.

We commission and deliver services – Implementation and service delivery is a core part of the BIS business model. A diverse network of 45 Partner Organisations draws on a wealth of expertise and experience to deliver over 250 services to a wide range of customers including students, businesses and universities. Where the commissioning of services to external suppliers is needed, commercial expertise in BIS informs the development of effective and value for money delivery models.

We implement effective management and governance – The long term sustainability and effectiveness of our frameworks and services are reliant on professional management and governance. Sponsor teams work with Partner Organisations to ensure priorities are delivered efficiently, risks are managed and that good business processes are in place. BIS draws on corporate finance expertise to manage the Government's shareholder relationships with businesses owned or part-owned by the Government working to secure best value for the taxpayer.

Our Partners

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. 79 per cent of BIS funding goes through our Partners and each Organisation has a specific purpose that is distinctly separate from BIS as their parent Department. 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 contribute to BIS's overall objectives including:

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 six different markets	Competition & Markets Authority Financial Reporting Council Office for Fair Access	National Measurement and 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 Limited UK Shared Business Services Limited Ordnance Survey Green Investment Bank

How we create value

The responsibilities of BIS and our Partner Organisations cross the lives of millions of people and businesses both in the UK and internationally on a daily basis. We're here to help open up and modernise the UK economy. We play a vital role in helping businesses succeed; breaking down barriers and offering support and investment across the economy from large enterprises to start-ups, from higher education to research, from central to local Government.

Our policies, services and frameworks connect people to opportunity and prosperity creating value around our five key outcomes.

Financial

Government funds
EU funding
Patent royalties
Investment returns

Human

A highly skilled and professional workforce
A network of partner organisations

Intellectual

Intellectual knowledge
Intellectual property
Brands

Relationships

A network of regional offices responsive to local opportunities
Strategic links to the FCO to access world markets

BIS value adding activities

HIgh quality policy analysis and advice

Professional management and governance

Effective commissioning and service delivery

Enterprise

Make it easier to start, grow and invest in the long term

Knowledge & Innovation

Excellent universities and research and increased businesses innovation

Markets

Create markets that serve businesses' and consumers' long-term interests

Skills

Promote more opportunities for individuals in realising their potential

Trade

Support UK trade overseas and inward investment

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 £26.0 billion expenditure 84 per cent is through our Partner Organisations with 16 per cent from the Core Department. Resources are provided from the UK Parliament with smaller amounts from EU Funding, Patent Royalties and Investment Returns.

Human
Creating value for society is only possible through the highly skilled and knowledgeable workforce of BIS and Partner Organisations. BIS is made up of 2,627 staff in the Core Department and 20,035 in our Partner Organisations.

Relationships
A network of relationships enriches the skills and knowledge of our staff helping deliver shared objectives. BIS Local Offices around the country build relationships with local economies to realise opportunities, build strong links with Universities and the research community help drive the highest value from science investment and international coordination between the Foreign and Commonwealth Office and UKTI. This helps UK business access international markets more easily and helps to promote inward investment to the UK. Whole of Government working in partnership with industry is also central to the delivery of the industrial strategy.

Intellectual
Our intellectual capital has built up over many years and is a key resource for creating value. Institutional knowledge of our key policy areas is unique allowing us to identify opportunities. Strong and respected brands such as the Met Office, Ordnance Survey and Companies House inspire confidence in their customers.

How we have performed

An efficient organisational structure which aligns the skills, sector expertise and relationships with our stakeholders is at the heart of achieving our purpose. In addition to leading on cross-cutting Government agendas, the heart of which is the industrial strategy and promoting growth, BIS is structured in seven groups, all contributing to our objectives of Enterprise, Skills, Knowledge and Innovation, Markets, and Trade, delivered by an effective BIS.

Much of the activity described in the following pages was set out in our Business Plan, published in May 2014. The Structural Reform Plan (SRP) section includes actions that the Department planned to undertake over the course of the year, to deliver our objectives. This plan also sets out our ambitions for delivering sustainable development and progress on how we are mainstreaming sustainability into our policies. Data is provided against each of the Department's Business Plan indicators throughout the report. Further information can be found on the performance indicator section of the GOV.UK website.

At the end of 2014-15, BIS maintained its position as one of the strongest performers across Government, against its Structural Reform Plan commitments. Of the 103 actions due for completion, 102 were completed on time.

The delayed action was regarding the completion of a Free Trade Agreement (FTA) negotiation with India as part of a wider action to complete a number of Free Trade Agreements. FTA negotiations are an EU competence and this negotiation has been ongoing since 2007, with all stakeholders aiming to find a solution in the near future.

Design services and frameworks

Implement effective management and governance

Deliver services

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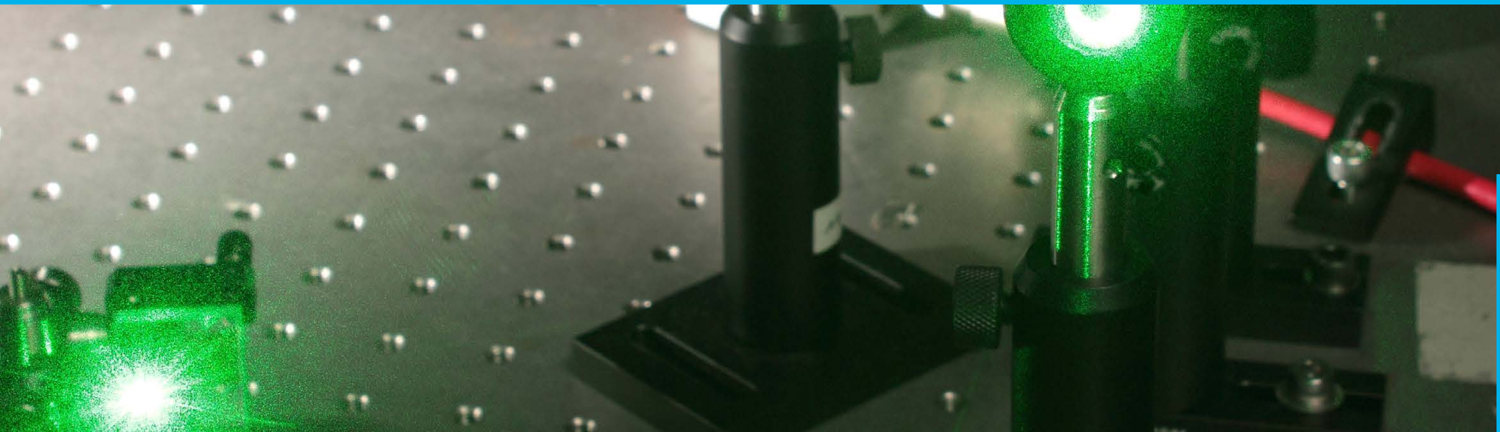
Knowledge and Innovation



The Knowledge and Innovation Group focuses on promoting excellent research and increasing innovation enabling people, organisations and systems to create, disseminate and exploit knowledge for economic growth and benefit to society.

Key Achievements

Science and Research

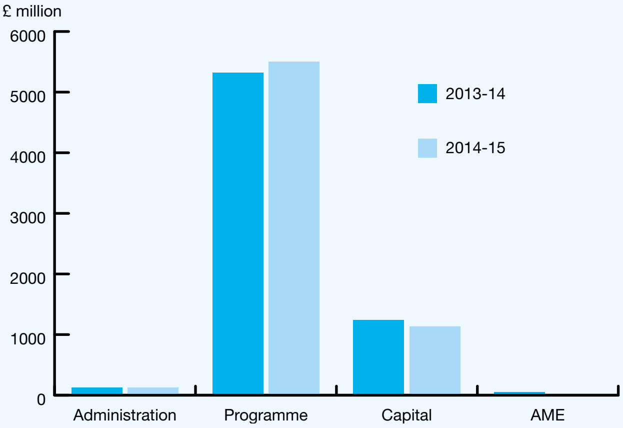
- The Research Excellence Framework (REF2014) concluded this year, confirming the UK's world leading research position. 22 per cent of UK research outputs are world-leading, up from 14 per cent in 2008.
- The Chancellor of the Exchequer officially opened the National Graphene Institute at the University of Manchester in March 2015 – supported by funding of £38 million from the Engineering and Physical Sciences Research Council (EPSRC).
- The "Your Life" campaign has helped persuade over 200 organisations to pledge action to increase the opportunities for all people, and particularly women, in pursuing a wide range of careers in science, technology, engineering and maths.
- The UK Research Partnership Investment Fund announced £200 million funding for 12 projects which will collectively lever nearly £600 million additional private co-investment, and support key industry sectors across the UK, including life sciences & healthcare, automotive, aerospace, construction, and novel materials and manufacturing.

Innovation

- Published a new Science and Innovation Strategy setting out a long-term plan for expanding the UK's innovation infrastructure, creating high value jobs, putting science and innovation at the heart of economic growth and making the UK the best place in the world to do science and grow an innovative business.

Key Data

Expenditure



SRP Actions	
Number of Actions Completed	5
Actions Overdue	0

Our Partner Organisations

- Arts and Humanities Research Council
- Biotechnology and Biological Sciences Research Council
- The Economic and Social Research Council
- Engineering and Physical Sciences Research Council
- Medical Research Council
- Natural Environment Research Council
- Intellectual Property Office
- Science and Technology Facilities Council
- Council for Science & Technology
- Copyright Tribunal
- National Measurement & Regulation Office
- British Hallmarking Council
- National Physical Laboratory
- UK Space Agency
- Innovate UK
- UK Atomic Energy Authority

Progress against our Business Plan 2014-15

- BIS has driven the expansion of the Small Business Research Initiative (SBRI) programme with £82 million of contracts awarded to companies that took part in 62 competitions during 2014. For example, Polyphotonix Ltd, used SBRI to create a light therapy sleep mask for the treatment of Diabetic Retinopathy and is planning to triple their workforce to over 60 employees as a consequence of the programme.

- Innovate UK and the Medical Research Council have committed over £200 million to develop the Biomedical Catalyst, bridging the gap between promising scientific ideas and translating research into products capable of attracting private finance.

- The National Physical Laboratory (NPL) became a Government-owned company on 1 January 2015, with a new strategic direction for the Laboratory, gained through a partnering agreement with the University of Strathclyde and the University of Surrey.

- Our investment in the UK's research and innovation system has made us the leading country in Europe for research: in the last two years of the EU's flagship Seventh Framework Programme (FP7), the UK moved from second to first place in the rankings.

Review of 2014-15

This year, the Government published its new Science and Innovation Strategy, setting out a long-term plan for expanding the UK's innovation infrastructure. Science and innovation spending have continued to be prioritised, but in order that the UK stays ahead, we must plan ahead. The Government committed to provide £5.9 billion in capital support for science and research to 2021, building on the UK's key strengths and creating high value jobs. The Strategy places science and innovation at the heart of economic growth and will help ensure the UK remains one of the best places in the world to do science and grow an innovative business.

The Research Excellence Framework concluded this year, a peer assessment of the quality of UK universities' research in all areas, with publication of the final outcomes in December 2014. 154 UK institutions made submissions in 36 subject based units of assessment, with outcomes demonstrating that the quality of research in the UK has continued to improve since the last exercise took place in 2008. This confirms other independent evidence of the UK's world-leading position and enhanced performance. In research outputs, 22 per cent of research was assessed as world-leading, up from 14 per cent in 2008, and a further 50 per cent of research rated internationally excellent, up from 37 per cent in 2008. For research impacts, 44 per cent were judged outstanding by over 250 external users of research, working jointly with the academic panel members, with a further 40 per cent judged very considerable.

The important work of Innovate UK in providing support for innovative SMEs with high growth potential continued to be a priority for the Department in 2014-15. Innovate UK's schemes are oversubscribed with applications that meet the quality standard. Working in a pioneering partnership with the Medical Research Council, Innovate UK has delivered the Biomedical Catalyst, bridging the gap between promising scientific ideas and commercial development. The Catalyst directly helps companies translate their research and development into products capable of attracting private finance to address important healthcare challenges. Over £200 million has been committed to date, leveraging a further £110 million in private finance. The Catalyst is making a real difference in the healthcare sector. A recipient of funding from the Catalyst, Autifony, has received a total of £1.9 million to carry out the early stages of development for a new type of drug that targets defects in the brain linked to schizophrenia, that is now being taken into clinical trials. Innovate UK have also launched the 'Improving SME Commercial Success' programme this year, which will ensure that all SMEs awarded Innovate UK grants will get the wrap-around business support they need to ensure success. This will be delivered by connecting the companies that receive Innovate UK funding to the new Business Growth Service in England.

BIS led the Science and Research Capital Consultation outlining how the Government will spend £5.9 billion of science and research capital from now until 2020-21. BIS are committed to investing in long term capital projects such as the Sir Henry Royce Institute for Advanced Materials in Manchester, which will boost the economy in the region and ensure the UK remains a world leader in the development of advanced materials. As a direct result of the consultation we will now drive forward major capital investments which address grand challenges, such as research in advanced materials, laser physics, space technology and life sciences. We will also maintain the flexibility to respond to opportunities as they emerge through the introduction of a Capital Agility Fund and further rounds of the Research Partnership Investment Fund.

In November 2014 a £120 million national network of university-led Quantum Technology

Case Study:
Research Excellence Framework 2014

Research Excellence Framework 2014 (REF2014) is a system for assessing the quality of research carried out in Higher Education Institutions in the UK. The four UK higher education funding bodies allocate around £2 billion per year of research funding to UK universities. The results from REF2014 will be used to allocate funding from 2015-16, supporting a dynamic and internationally competitive UK research sector. University submissions were made in November 2013; final peer reviewed, outcomes were published in December 2014.

REF2014 saw 36 expert panels involved in the assessment of submissions from 154 Universities, involving over 190,000 of the UK's research outputs generated by over 52,000 academic staff.

The results demonstrated that the quality of research undertaken in UK Universities has continued to improve. 99 per cent of research was recognised nationally or above, with 76 per cent internationally excellent or world leading:

- 30% world-leading (4*);
- 46% internationally excellent (3*)
- 20% recognised internationally (2*)
- 3% recognised nationally (1*)

These results are consistent with independent evidence on the quality and world-leading performance of the UK research base and the significant improvements made since the last full assessment in 2008.

REF2014 included, for the first time, assessment of the impact arising from excellent research which was demonstrated by some 7000 impact case studies. 44 per cent of submitted impacts were judged outstanding (4*) by over 250 external users of research, working jointly with the academic panel members, and a further 40 per cent were judged very considerable (3*).

Assessment Area	4*	3*	2*	1*	U
Overall Quality	30%	46%	20%	3%	1.0%
Outputs	22%	50%	24%	4%	0.6%
Impact	44%	40%	13%	2%	0.7%
Environment	45%	40%	13%	2%	0.1%

(QT) Hubs were launched. Located in Birmingham, Glasgow, Oxford and York, the Hubs include a further 13 universities and 132 companies, and have leveraged over £60 million in additional support. A quantum technology strategy was also published by the QT Strategic Advisory Board in March 2015, with £15 million allocated to train the next generation of quantum engineers.

Future Outlook

Over the coming year we will be implementing the outcomes of the Science and Research Capital Consultation and Science and Innovation Strategy, including the Sir Paul Nurse review of the Research Councils. We will also continue to review and examine how Government can best support the development of more effective collaborations between businesses and university researchers, led through a review by Professor Dame Ann Dowling.

At Budget 2015 the Government and industry each committed £100 million to fund research into autonomous vehicles of the future. The UK is a world leader in the field of autonomous transport technologies, an area currently growing at 16 per cent each year which is estimated to be worth £900 billion globally by 2025. Government and industry are working together to keep the UK at the forefront of innovation in this area, with the first collaborative research and development competition launched in 2015-16. The Government will continue to support underpinning fundamental research in this rapidly expanding area with over £10 million invested during 2014-15 and 2015-16.

The establishment of an Energy Research Accelerator (ERA) in the Midlands will focus efforts to provide support for research into new ways to reduce energy costs in manufacturing. The Accelerator will help provide a competitive advantage to the UK in today's global markets and undertake research in cold energy technology, low-carbon mobility and propulsion and energy storage and future urban systems. It will also create new technologies that can be deployed in growing manufacturing sectors in the Midlands, including automotive, aerospace, energy and rail.

Sustainability, Diversity and Equality

During 2014 NERC, BBSRC and ESRC launched a Sustainable Agriculture Research and Innovation Club (SARIC) which will commission research and translation projects that solve business challenges affecting the productivity, efficiency and sustainability of UK crop and livestock sectors. Thirteen companies have already joined the club including food producer associations, farm service suppliers, water companies and food retailers, and the first five projects have been awarded.

Innovate UK supports businesses to utilise resources effectively and to move towards a 'circular economy' whereby products and services (and the materials used in their manufacture and delivery) are designed to be used again rather than ending up as waste. The UK is well positioned to lead in the development of the circular economy with expertise in design, manufacturing and materials processing and recovery.

Under the BIS-funded STEM Diversity Programme the Royal Academy of Engineering has established a Diversity Leadership Group comprising senior representation from 38 engineering businesses. The Royal Society has published a study on the business case for equality and diversity and a major data study on the makeup of the UK scientific workforce.

Business Plan Indicators

With just 1 per cent of the global population, 4 per cent of the world's researchers and 3 per cent of global funding for research, the UK accounted for 16 per cent of the most highly cited articles in the world according to the 2013 International Comparative Performance of the UK Research Base. In addition, a recent World Economic Forum evaluation ranks the UK among the top 5 nations in the world for university-industry collaboration in research and development.

	2008	2012
The UK Share of Highly Cited Papers	14.9%	15.9%
	2011	2013
The proportion of firms who are Innovation Active	37%	45%

Enterprise and Skills

The Enterprise and Skills group focusses on building an internationally competitive skills base, a dynamic small business sector and reducing the impact of regulation on business creating the conditions for businesses to grow and individuals to succeed.

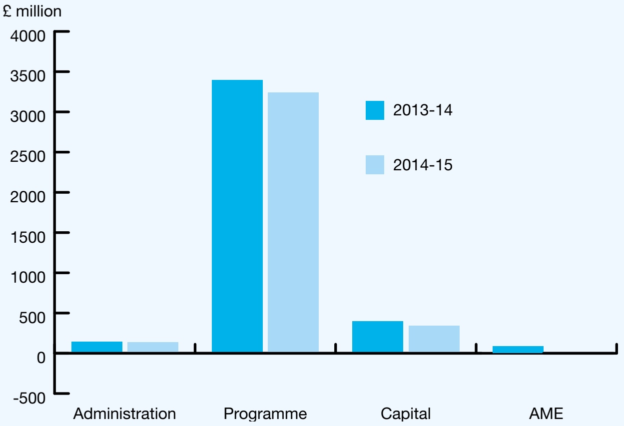
Key Achievements

Vocational Education

- In December 2014 we hit our landmark target to create 2 million Apprenticeship starts during the last Parliament, highlighting the continued success of Apprenticeships in giving people the skills they need to get on, and supporting businesses of all sizes to grow their talent.
- 82 per cent of 2.9 million students attended good or outstanding further education providers in 2013/14, up from 72 per cent in 2012/13 and 64 per cent in 2011/12.
- 24+ Advanced Learning loans continue to be accessed in large numbers. To the end February 2015, around 129,000 applications had been submitted in total (71,000 for academic year 2013/14 and nearly 58,000 to February 2015 for academic year 2014/15).
- Traineeships are showing positive results in terms of progression and jobs, with 10,400 in year 1 (2013/14); and 9,200 started in the first half of year 2 (2014/15) alone.
- In March 2015, the Prime Minister announced new degree Apprenticeships, which include a full bachelors or masters degree, in areas including digital, nuclear and aerospace engineering and a record-breaking 23,000 new Apprenticeships pledged by large and small employers during National Apprenticeships Week.
- Nearly 150 newly designed Apprenticeship standards by employer-led trailblazers have been agreed this year bringing the number of employers involved to over 1,200 across more than 100 sectors.

Key Data

Expenditure



SRP Actions	
Number of Actions Completed	17
Actions Overdue	0

Our Partner Organisations

- Skills Funding Agency
- UK Commission for Employment and Skills
- Construction Industry Training Board
- Engineering Construction Industry Training Board
- Film Industry Training Board
- Regulatory Policy Committee

Progress against our Business Plan in 2014-15

- In December 2014, we announced the Government's intention to support the establishment of four National Colleges, joining three National Colleges announced earlier in the year; specialising in High Speed Rail, Nuclear and Onshore Oil and Gas. National Colleges will be employer-led institutions, delivering higher level skills that meet the needs of employers and learners.

Enterprise

- Launched a refreshed GREATbusiness.gov website, providing a one stop shop for business support. The website has so far generated 1.5 million hits, and over 2.5 million page views.

- Since launch in 2012, the Growth Accelerator programme has helped over 23,000 businesses and is on track to deliver £2.2 billion of additional gross value added and over 55,000 new jobs to the economy.

- Introduced the Small Business, Enterprise and Employment Act which is designed to reduce the barriers that can hamper the ability of small businesses to innovate, grow and compete.

- Helped over 28,000 businesses find the right support through the Growth Voucher programme.

Regulation

- Through the Red Tape Challenge, we have scrapped or improved over 2,000 regulations, bringing savings to business of over £1.2 billion per annum.

- Over 3,000 businesses and 151 Local Authorities were in a primary authority partnership at the end of this year. 55 per cent of Primary Authority businesses are small or medium sized enterprises.

Review of 2014-15

This year we continued to successfully drive forward our programme to deliver a rigorous and responsive education and skills system. As well as meeting the 2 million Apprenticeship starts target, our focus this year has been on developing a new approach to funding Apprenticeships which will put employers in control of how Government funding for apprenticeships is spent. This work has resulted in a new Apprenticeship Voucher scheme, announced by the Prime Minister in March 2015. The Apprenticeship Voucher will support the new Standards being developed by employer-led Trailblazers and our ambition to grow and improve Apprenticeships. Substantial work has been undertaken to address the lack of high level technical skills through expanding higher Apprenticeships, reforming funding support for intermediate level training through Advanced Learning Loans and development of National Colleges. College performance is also improving through the work of the FE Commissioner.

Plans are being taken forward to establish a new National College for High Speed Rail which will train the next generation of world-class engineers to work on the construction of High Speed 2 (HS2). It will offer the necessary technical training to make HS2 a success and ensure it can be built by skilled British workers. In delivering the specialised training and qualifications needed for high speed rail which will benefit HS2, it will also benefit other future infrastructure projects across the country.

Reform of the education and skills system has brought greater contestability for public resources with funding driven by employers, learners and new entrants to the FE market. As FE colleges adjust to these changes, a number have experienced a deterioration in their financial health and have sought cash flow support from the Skills Funding Agency. To help safeguard learner provision and ensure transparency of public funding, BIS published its policy on 'FE College: Exceptional Financial Support (EFS)' in December 2014 which, through the work of the FE Commissioner, brings swift and decisive action in cases of poor financial performance. Aligned to our intervention strategy we are taking steps to provide, on an exceptional basis, limited cash flow support to FE Colleges by way of re-profiled grant payments for issues that can be resolved within 12 months or a repayable loan for a term of up to 5 years. As at 31 March 2015, three loans have been issued for a total of £6.2 million.

As well as overseeing the cross-Government implementation of the Small Business: GREATAmbition commitments, BIS have led a programme of work to make it quicker and easier for businesses to get the help they need. This included the launch of a redesigned and redeveloped GREATbusiness.gov website, supported by a helpline, where Government advice, guidance and support for all businesses are brought together in one place. We also launched a new single service – the Business Growth Service – for businesses with ambition and capacity to grow. This brought together the best in Government support covering everything from developing a business plan or new products, to help understanding different funding options and breaking into new markets. At local level, we supported the development of the first 25 of 39 growth hubs, simplifying access to local, national, public and private sector support for local businesses. The Business Growth Service will be embedded in growth hubs, so businesses receive a seamless journey when seeking help.

As key components of the Government's better regulation agenda, under One-in, Two-out and the Red Tape Challenge, £2.2 billion of savings per year have been achieved for business – a £10 billion cumulative saving – with over 2,000 reforms to scrap or improve regulations already implemented. Ten "Focus on Enforcement" reviews were published as well as 3 business focus on enforcement reviews, led by industry bodies and benefiting around 1 million business premises. 13 of the 30 recommendations of the Business Taskforce on EU Regulation have already been delivered, which will deliver £700 million of savings to UK business. There has been strong performance in regard to better regulation delivery targets with Primary Authority once again doubling in size this year with 3,000 partnerships now in place. This success brings challenges as we focus on ensuring we have the capacity and infrastructure to deliver a rapidly expanding scheme to meet the needs of customers. Work has also begun to establish a Centre of Excellence for technical regulation within BIS which will enhance the way in which BIS enforces technical regulations and deliver time and cost savings to business.

Case Study: Degree Apprenticeships

In March 2015, the Prime Minister announced the roll out of degree apprenticeships as part of the Higher Apprenticeships' programme. Businesses, universities, colleges and professional bodies have come together to develop practical degree courses, which will allow people to combine the academic knowledge from a traditional university degree and the practical experience that are both vital for success in the labour market, to achieve full occupational competency. Apprentices will split their time between normal university study and gain a full bachelor's or master's degree from a university while earning a wage from day one and getting real on-the-job experience in their chosen profession. In some cases, degree apprenticeships will also lead to professional registration or chartered status with a relevant professional body, such as chartered surveyor.

Over 100 companies have been working with over 20 universities and several colleges across the country to develop the programme so far. A further 70 universities have expressed an interest in offering degree apprenticeships in the future. The new degree apprenticeships are expected to be suitable for both small and large businesses, and SMEs involved in the programme so far have said that it will give them better access to graduate-level talent.

1,500 people are expected to start degree apprenticeships in September 2015. Degree apprenticeships already live or in development are in the following areas: digital technology solutions; chartered surveying; electronic systems engineering; aerospace engineering; aerospace software development; defence systems engineering; laboratory science; nuclear engineering; power engineering; public relations; automotive engineering; banking relationship management and construction site management.

Future Outlook

The major focus for further education will be apprenticeship growth. The reform of the FE sector will continue over the next year, with BIS continuing to ensure that views raised in the recent consultation on adult vocational education are considered in line with the priorities of the new administration. BIS will also be reviewing priorities for Government funding and continue to monitor the financial health of colleges to safeguard learner provision where necessary.

BIS will continue to work to make the UK the best place to start and grow a business, with a supportive business environment. We will continue to raise awareness of Government support and improve quality and ease of access nationally and locally. We will implement the measures in the Small Business, Enterprise and Employment Act and introduce further measures to reduce barriers to growth, drive productivity and make it easier for small businesses to resolve business to business disputes.

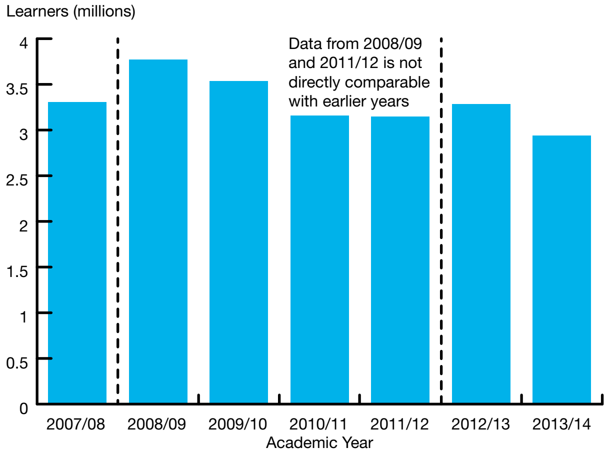
Mainstreaming Sustainability, Equality and Diversity

The GREATbusiness.gov website includes a new web page specifically aimed at potential and existing female entrepreneurs, with additional funding committed for targeted marketing to ensure women are aware of the new web page and the support they can access. BIS also achieved its target of ensuring that at least 35 per cent of the nominees for Queen's Birthday and New Year's honours were female.

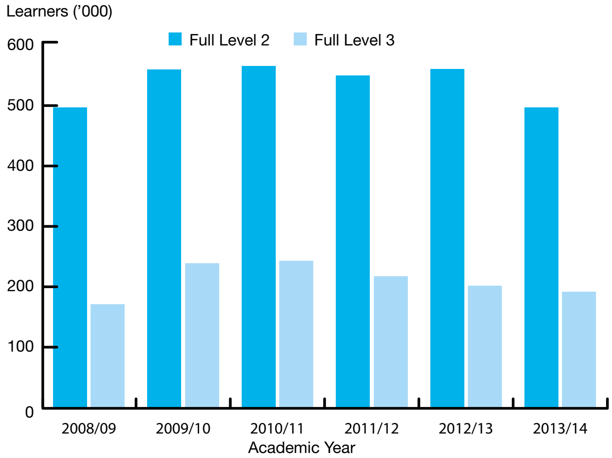
Skills Capital Funding is allocated to further education colleges on the basis that they are required to demonstrate engagement with the Government's sustainability and carbon reduction agenda, linking capital projects to formally recognised initiatives such as ISO14001. The Skills Funding Agency have also developed a carbon management plan for its operations and promoted an estate benchmarking tool, eMandate to all FE colleges. This tool enables colleges to compare estates data, including energy usage, against similar colleges, facilitating and sharing best practice in energy management and carbon reduction.

Business Plan Indicators

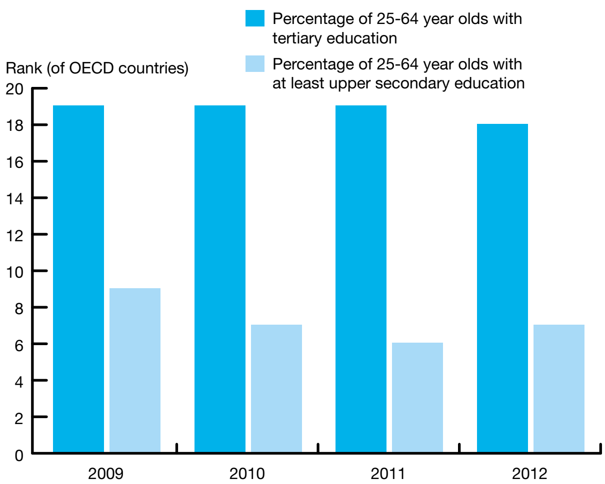
Number of Government-funded learners participating in further education



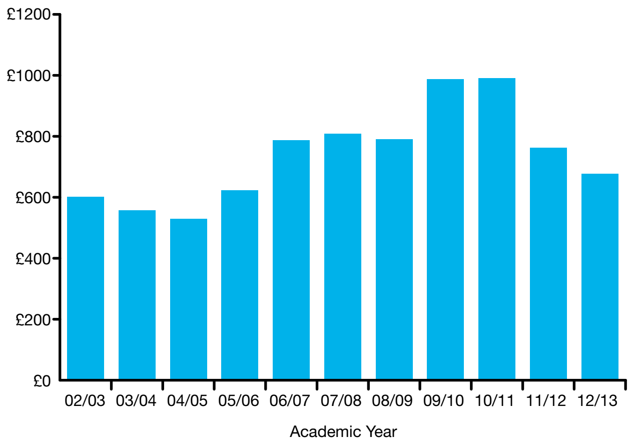
Total achievements in full Level 2 or 3 Further Education of people academic age 19 years and over



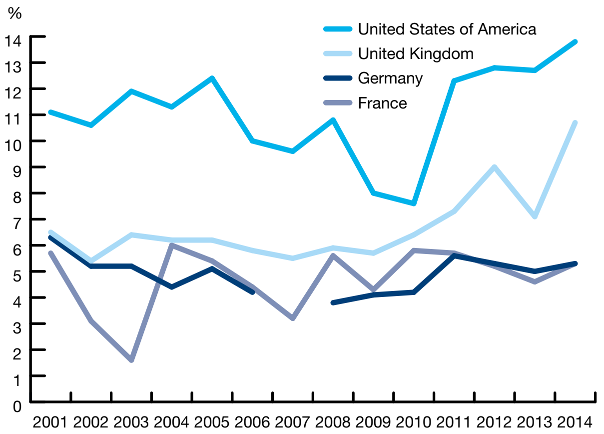
OECD comparison of the qualification levels of the working age population



Average funding per course in BIS-funded adult further education



Total early-stage Entrepreneurial Activity



Over 2.9 million learners aged 19 or older participated in some form of Government-funded further education in 2013/14. The estimated unit cost in 2012/13 was £678 per learning aim, down from £763 in the 2011/12 academic year. Maintaining a competitive skills base remains a primary goal of the Department. OECD evidence has suggested a lack of skills can lead to an increasing productivity gap. Since 2002, the UK rate of Total early stage Entrepreneurial Activity (TEA rate) has remained relatively stable with an increase of 3.6 percentage points between 2013 and 2014. There was a fall in 2013 to 7.1 per cent but the UK has reached a record high in 2014 and consistently higher than France and Germany.

Reducing BIS Regulation

BIS are committed to improving regulation and policies by ensuring any new regulation is effective, targeted and proportionate, and overall costs to business are kept to a minimum.

Under One-In, Two-Out, BIS maintained its efforts to deliver significant reductions in regulatory burdens on business. At the end of 2014, BIS' overall One-in, One-out and One-in, Two-out account delivered a net reduction of £428 million of regulatory cost savings to business. Full details of all measures implemented during the last Parliament are available in the BIS ninth statement of new regulation.[1]

Between 2011 and 2014, BIS have submitted a total of 302 Impact Assessments to the Regulatory Policy Committee, the highest across Whitehall. The assessments consisted of 50 fast track assessments, where eligibility is determined by whether a proposal can be considered to be deregulatory or have gross costs of less than £1 million in any year, and 252 full scrutiny impact assessments. During 2014-15, BIS submitted 49 impact assessments and 25 fast track measures.

	Jan 2011 – Jul 2013	Jan 2011 – Jul 2014
Change in the net regulatory burden imposed on business by Government (£ million)	-1,193	-1,522
	2009-2012	2014
Access to the Professions, % of 16-65 year olds who are in paid employment who are in managerial or professional positions by social background using fathers occupational group (percentage point gap)	16%	19%

1 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/393056/bis-15-19-bis-ninth-statement-of-new-regulation.pdf

One-in,One-Out/One-in,Two-out	
INs	19
OUTs	31
Zero Net Cost	35
Balance	-£428m
Impact Assessments	
Number (full scrutiny)	252
% fit for purpose	82%
Government average	78%
Red Tape Challenge	
Regulations reviewed	800
Identified changes	500
Changes implemented	319
EU Regulation	
Instances of "Gold Plating"	1

From 31 March 2014, all domestic measures that are expected to have a substantial regulatory impact on business have included a Small and Micro Business Assessment (SMBA). This assessment is intended to ensure that new regulatory proposals are designed and implemented to mitigate disproportionate burdens on small and micro businesses.

BIS have led on seven Red Tape Challenge themes – Challenger Businesses, Company and Commercial Law, Employment, Manufacturing, Retail, Insolvency, and Business services, delivering savings of over £100 million per year to business. BIS also played key role in a further two themes – Hospitality, Food & Drink and the Environment which have been led by other Government Departments.

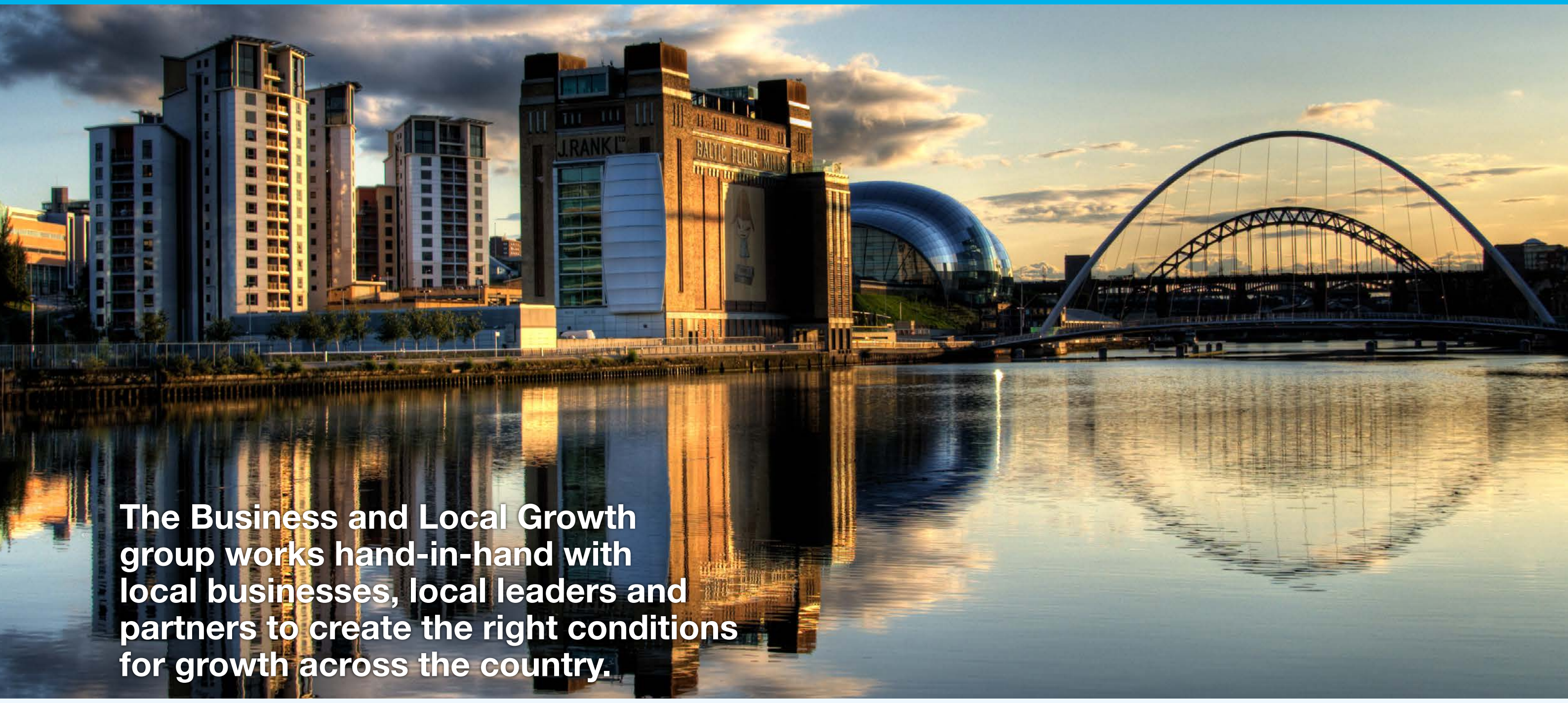
As at February 2015, BIS had made 24 statutory commitments with review dates ranging from 2014 to 2021, with full details on all the measures contained in the BIS 'Reviewing Regulation' publication[2]. We will continue to regularly review our statutory commitments and update the publication on an annual basis.

We look for alternatives to regulation where possible. We have recently adopted a business-led approach to work with voluntary targets set by the independent Davies Committee. Based on this work we have seen the percentage of women on Boards in FTSE 100 companies nearly double in just four years. A detailed description can be found on (p.41). The Government also made use of exemptions offered in the Micros Directive to greatly reduce the financial reporting obligations on micro-entities.

BIS transposed all applicable EU measures, and continued to take any opportunity to further reduce unnecessary costs to business. The Waste Electrical and Electronic Equipment (WEEE) Regulations 2013, coming into force on 1 January 2014, implemented a Red Tape Challenge commitment to reduce compliance costs for electrical producers by introducing a new Waste collection system and transposed the WEEE Recast Directive. Following completion of the first compliance period under the 2013 WEEE Regulations, we estimate this will deliver savings to producers of around £18 million. By transposing the WEEE Recast Directive, in line with the Government's Guiding Principles for EU Legislation, the new WEEE Regulations also relaxed some requirements placed on small producers, introducing a low cost compliance system for producers placing under 5 tonnes of equipment on the market. This has brought savings to those businesses estimated at almost £1 million so far.

2 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/409550/bis-15-156-summary-BIS-regulatory-review-commitments.pdf

Business and Local Growth



The Business and Local Growth group works hand-in-hand with local businesses, local leaders and partners to create the right conditions for growth across the country.

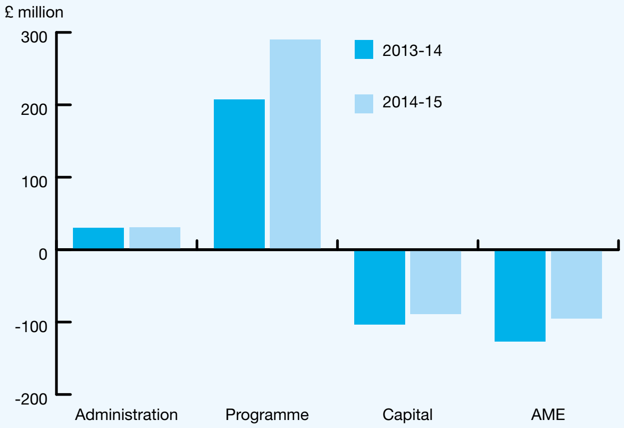
Key Achievements

Local Growth and Devolution

- The first wave of Growth Deals were announced in July 2014, with £6 billion of investment in local projects, including the complete allocation of £2 billion from the Local Growth Fund for 2015-16.
- The announcement of Round 6 Regional Growth Fund (RGF) awards, bringing the amount allocated by RGF to £2.85 billion across 470 projects and programmes, delivering 581,000 jobs and leveraging £16 billion of private sector investment by the mid-2020s.
- £1 billion of awards from the Local Growth Fund was announced in January 2015 to enable all 39 Local Enterprise Partnerships to expand their Growth Deals.
- Helping to shape and deliver the November 2014 Smith Agreement on devolution of powers to Scotland. BIS lead on devolving consumer advice and advocacy and the administration of certain tribunals, alongside giving Scottish Ministers the ability to require the CMA to carry out a market investigation.
- The implementation of the second wave of City Deals with 18 local areas across England, as well as a deal agreed with Glasgow.
- This was followed by announcements of Devolution deals with Greater Manchester, Leeds City Region and the Sheffield City Region.

Key Data

Expenditure



Our Partner Organisations

- Wave Hub Limited
- Industrial Development Advisory Board

Progress against our Business Plan in 2014-15

SRP Actions	
Number of Actions Completed	17
Actions Overdue	0

Business Sectors

- Through the work of the Construction Leadership Council a Construction Supply Chain Payment Charter is now agreed and includes a commitment to reduce payment terms to a supply chain to 30 days – helping give businesses of all sizes the confidence to invest.
- We have set up a national college for onshore oil and gas, headquartered in Blackpool and linked to five colleges across the UK. The College will train onshore oil and gas specialists in skills that will also be transferable to the offshore industry.
- The Advanced Manufacturing Supply Chain Initiative (AMSCI) has supported a total of 23 new projects this year with £100 million of BIS funding leveraging close to £200 million of private sector funding and supporting 146 organisations to create 1,500 new jobs and safeguard over 2,200.
- The Advanced Propulsion Centre (APC) is driving the joint investment of £1 billion from Government and industry to research, develop and commercialise technologies for the vehicles of the future. To date 10 projects have been supported with over £100 million of APC funding.
- The Agri-tech Catalyst has committed £40 million to 77 projects with over 200 companies and research organisations. Industry will also invest £20 million in these projects which are addressing priority issues such as controlling pests and livestock disease.
- Announced an ambitious package of support for the sharing economy, including £700,000 for 'sharing cities' in Manchester and Leeds that will pilot initiatives to use digital platforms to address social and economic challenges in new, innovative ways.

Review of 2014-15

Business and Local Growth Group's work spans five Government Departments – BIS, Cabinet Office, DCLG, DCMS, and DoH through its three joint units of Cities and Local Growth, Digital Economy Unit and the Office for Life Sciences. These joint units provide the opportunity to work coherently across Government and provide seamless policy making. For example, the Digital Economy Unit worked across BIS and DCMS on the Digital Communications Infrastructure Strategy, which set out the action required over the next 10 years to put in place the right fixed and wireless telecoms infrastructure to meet user demand, maintain international competitiveness and support the deployment of new technologies including 5G and the internet of things.

This has been a significant year for the Regional Growth Fund, increasing its overall investment to almost £3 billion. Around 350 operational projects and programmes have claimed almost £900 million of funding over the course of this year, with a further 120 projects and programmes selected for funding across Rounds 5 and 6 and through the exceptional fund. We have overseen further improvements in the speed of contracting processes, with 85 per cent of Round 5 awards contracted within six months compared to 28 per cent in Round 1. The RGF is making a real impact across the UK. Pharmaceutical company, Molplex received £1.2 million in Round 4 of the Regional Growth Fund to establish an Optiplex laboratory which will deliver new treatments against the growing threat of drug resistant infections. The project is expected to create and safeguard 130 jobs at the University of Sunderland's Sciences Complex and at the Biohub, in Alderley Edge, Cheshire. It will also attract over £3.5 million of private sector investment.

Through our industrial strategy we have enabled strategic partnership working across the whole-of-Government and industry and continued to help secure valuable long-term business investment into the UK. This has included deepening our understanding of Automotive supply chain opportunities and helping the Automotive Investment Organisation to secure over £1 billion of new investment and create or safeguard over 10,000 jobs. The Regional Growth Fund has also helped support the industrial strategy, with £1.1 billion of the total fund being allocated to companies in sectors such as automotive, aerospace and life sciences.

Evidence of the impact industrial strategy is having continues to grow. It is driving a number of positive investment decisions, including a £250 million investment by Geely's in a new research, assembly and development facility for the London Taxi Company, creating up to 1,000 new jobs in Coventry. In the construction industry, the Construction Leadership Council has coordinated the development and agreement of a Supply Chain Payment Charter that sets out payment terms of 30 days and eleven "fair payment commitments".

Domestically, we have been working with Local Enterprise Partnerships (LEPs) to support them in the implementation of Growth Deals and ensure they are ready to begin to successfully deliver on their commitments from April 2015. This has included bespoke support from the Department's Cities and Local Growth Unit, through its BIS Local teams around the country. The Unit has worked with LEPs to develop robust monitoring and evaluation plans, and to ensure that effective assurance frameworks are in place. Key challenges this year have included delays to European funding, which created some uncertainty for LEPs reliant on match funding for certain projects, although effective join-up across BIS and other Government Departments has ensured that the risks of European funding delays have been managed successfully.

The new Office for Life Sciences has made significant progress in driving forward the growth agenda within the Department of Health, resulting in the launch of two key programmes of work: the Accelerated Access Review, which aims to revolutionise the speed at which medicines, devices, and diagnostics get to patients, and NHS test beds, a worldwide call encouraging innovators to join up with local health and care systems to trial new healthcare solutions. The UK has attracted more than £3.5 billion of industry investment and is expected to create more than 11,000 jobs following the launch of the Strategy for Life Sciences in December 2011. There have been successes and challenges in Europe, particularly with the election of a new European Parliament and appointment of a new College of European Commissioners. By developing effective working relationships with the new Commission and MEPs, BIS has continued to influence policy in Brussels, taking a strong leadership position on the digital economy in Europe, liberalising the single market in services and realising the benefits from the single market for goods. This has seen positive early results through commitments made in the Commission's work programme on further single market reform and an explicit link to structural reform in the Commission's €315 billion European Investment Package.

Alongside working to help shape and deliver the November 2014 Smith Agreement, due to be taken forward in the Scotland Bill, BIS have also delivered contributions to the St David's Day Government Command Paper on further devolution to Wales. This includes cross-Department work on the UK Government's commitment to transfer the Welsh devolution settlement from a conferred to reserved model, which will be taken forward during the Parliament.

Future Outlook

There is a great deal still to do over the coming year, including continuing our work with LEPs to ensure successfully delivery of their projects and engaging in the progress of the Scotland and Wales Bills. In addition, we will ensure Round 6 contracts are finalised by mid-August when the projects and programmes will move into delivery and require close monitoring.

Sector work will continue with some key milestones expected, such as securing state aid approval by October 2015 for the Energy Intensive Industries (EIIs) compensation scheme, and supporting the growth of a competitive and innovative UK supply chain for offshore wind.

The EU Commission work programme for 2015 contains proposals including on Digital Single Market, Single Market for goods and services, trade, and better regulation which have the potential to make a significant impact on EU growth and competitiveness. We will continue to seek to influence them in a direction that is positive for the UK. The UK will also assume the Presidency of the European Union in 2017, with detailed planning for the Presidency commencing in the year ahead.

Mainstreaming Sustainability, Diversity and Equality

The Department supports investment in projects which involve the design, development and commercialisation of technologies in the low carbon and renewable energies sectors, with the Advanced Propulsion Centre (APC) providing £500 million over the next seven years to support low carbon powertrain development and production. The Advanced Manufacturing Supply Chain Initiative (AMSCI) and the Aerospace Technology Institute (ATI) also support low carbon technologies as does the Regional Growth Fund which since its creation in 2011 has awarded over £100 million, around 5 per cent of the total Fund, to such projects.

At the same time, the Department continues to work to ensure that assessments of new spending or regulatory policies as well as individual applications by business for grant or loan funding take into consideration the potential impacts on sustainability. For example, Round 6 of the Regional Growth Fund sought more information from applicants about the potential social and environmental cost and benefits of their project or programme.

The development of a competitive and innovative offshore wind sector in the UK is contributing to lowering carbon emissions. The last 12 months has seen a £400 million investment into the offshore wind supply chain, creating 1,600 jobs and plugging gaps in UK manufacturing capability. Costs have reduced even faster than anticipated, with industry well on track to deliver on the target of £100/MWh by 2020.

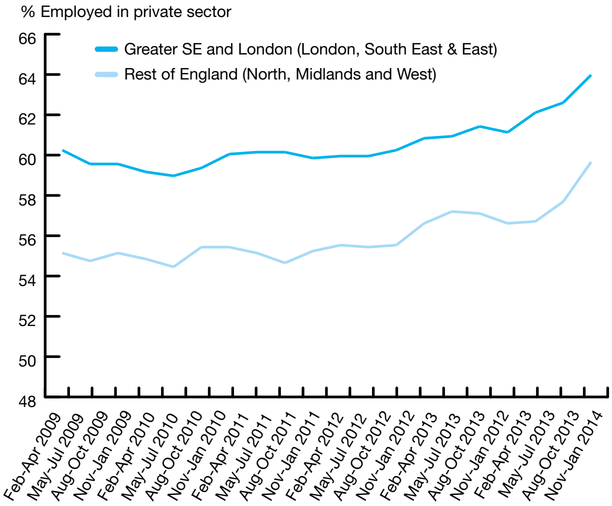
The Agri-Tech Strategy explicitly outlines its commitment to environmental sustainability, with sustainable intensification integral to its delivery. As stated above, £11.8 million is being awarded to a consortium of business and academia to establish and run the Centre for Agricultural Informatics and Sustainability Metrics which will use data science to build a more intelligent and productive, sustainable and efficient food system. This investment will unlock vast opportunities for the benefit of the UK economy and put the UK at the heart of a data revolution in agriculture.

Business Plan Indicators

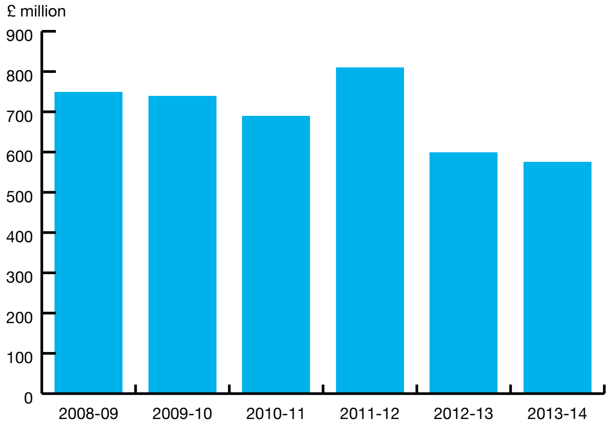
The Private Sector Employment Indicator for England was at its highest level since the series began in 2008. The OFT and Competition Commission estimate that the competition regime produced direct benefits to consumers of around £575 million in 2013-14 down from £598 million in 2012-13.

			Rounds 1-5
Offers made from the Regional Growth Fund (£ million)	London, South East, East and South West		480
	North East, North West, Yorkshire & Humber, Midlands		1,610
	Nationwide Programmes		670
Rounds 1, 2 & 4		Rounds 3	Round 5
Regional Growth Fund offers completed		98%	94%

Change in private sector employment share of total population aged 16-64 and those over 64 in the labour market



The value of the consumer benefits of the competition regime



Shareholder Executive

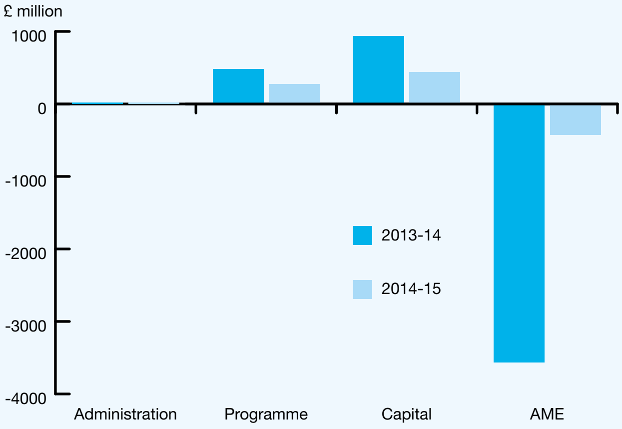
The Shareholder Executive manages the Government's shareholder relationships with businesses owned or part-owned by the Government and provides extensive corporate finance and commercial expertise across Government to deliver maximum value for the taxpayer.

Key Achievements

- The British Business Bank (BBB) was launched as a Government owned public company on 1st November 2014. This delivered a major priority for the Department, which consisted of complex work streams, including a substantial State Aid approval.
- British Business Bank programmes include start-up, venture capital finance and lending initiatives. Its programmes are supporting £1.8 billion of finance to approximately 40,000 smaller businesses, with a further £1.4 billion of finance to mid-cap businesses.
- The Start Up Loans Company issued the 25,000th Government Start Up Loan in 2014-15 and has now offered more than £135 million to entrepreneurs wanting to set up their own business.
- Companies House has opened up access to all statutory accounts filed digitally (over 1.5 million companies) announcing it will make all digital data it captures available for free from mid-2015.
- Land Registry launched two significant new products this year, MapSearch and PropertyAlert, with the latter winning multiple awards including the Civil Service Award for Innovation.
- Met Office has announced plans for a new super computer which is 13x faster than the current one. This world-class technology will enable the Met Office to produce more accurate weather forecasts and will improve resilience to high impact weather and other environmental events.

Key Data

Expenditure



SRP Business Plan Actions	
Number of Actions Completed	8
Actions Overdue	0

Our Partner Organisations

- British Business Bank
- Green Investment Bank
- Insolvency Service
- Met Office
- Land Registry
- Land Registry Rule Committee
- Companies House
- Ordnance Survey
- Post Office Limited
- Insolvency Practitioner Tribunal

Progress against our Business Plan in 2014-15

- Ordnance Survey has made re-use of its data simpler, creating a new GeoSpatial Innovation Hub to support developers and launching a range of new products including the world leading OpenMap designed for the latest web and mobile platforms. The new open data products were downloaded 10,000 times in the first 24 hours.

- ShEx continues to manage the Government's 30 per cent residual stake in Royal Mail, which is valued at £1.315 billion. In July, the Government received a dividend payment of nearly £40 million, the first time Government had received a dividend from the company.

- 2,039 Post Offices were modernised under the Post Offices' network transformation programme in 2014-15, bringing the total todate to more than 4,000, with a further 1,000 having signed contracts to do the same.

- In March 2015, the Green Investment Bank (GIB) announced the launch of the world's first managed fund for investment in offshore wind assets with a total of £463 million committed so far.

Review of 2014-15

The Shareholder Executive has maintained a strong relationship with the Green Investment Bank and provided effective shareholder input and oversight on a range of issues including strategic developments, investments, funding and recruitment, retention and remuneration issues. The Bank has further developed its portfolio of investments this year, committing £723 million in 2014-15 to 18 green infrastructure projects and 4 new lending programmes, helping to mobilise a further £1,748 million of private capital alongside this. Investments include £240 million to the Sheringham Shoal offshore wind farm, £64 million to a new energy from waste plant in Derby and £35 million to a new waste wood to energy plant at Tilbury. The Green Investment Bank have also committed £225 million to 4 new lending programmes in the energy efficiency and waste sectors as well as the small scale renewable energy sector having obtained European Commission approval in 2014 to add this sector to its remit. GIB is performing well in challenging market conditions, and the need to invest only where necessary to avoid crowding out private investors has meant GIB has not committed the full amount of funding available to it for the period to March 2015.

The Department's Public Data Group actively supports promoting open data and have sought to increase engagement with organisations, such as the Open Data Institute, that are key stakeholders in this agenda. The challenge of finding financially sustainable ways of releasing data remains, but as the IT transformation within Companies House and the move by Ordnance Survey (OS) from a Trading Fund to a Government owned company (with the purpose of increased flexibility and commercial focus and discipline) shows, they are actively seeking innovative ways to manage this. The recent GeoVation Challenges – in which entrepreneurs, developers, community groups and innovators were invited to compete for funding to develop their innovative ideas using OS data to solve a range of challenges, and other hack activity, demonstrate that we also remain focused on encouraging businesses to use their data to drive innovation.

The Government is providing Post Office Limited with the funding needed to maintain, modernise and protect the network, ensuring its long-term sustainability. There were around 11,700 Post Offices at the end of March 2015, with the network at its most stable for over two decades. The Post Office has made continued good progress with its network transformation programme, resulting in the modernisation of more than 4,000 Post Offices as at 31st March 2015, and bringing significant benefits to customers, subpostmasters and the taxpayer. In December 2014 the Department for Work and Pensions announced an extension of the Post Office card account (POCA) contract until at least 2022. This is one of Post Office's largest contracts, and this extension recognises the important role subpostmasters play in their communities while also protecting the revenue and footfall which POCA customers are responsible for.

Case Study: British Business Bank

The British Business Bank's programmes currently support over £1.8 billion of finance to approximately 40,000 smaller businesses, with a further £1.4 billion of finance to mid-cap businesses, and figures project this to increase further as new programmes come on stream. The British Business Bank uses market intelligence to design and improve its programmes to address market failures in the small business finance markets. Since launch, it has focused on three key areas:

Shift to support growth finance: Following extensive market analysis and engagement, the British Business Bank published a Request for Proposals at Budget in March 2015 seeking participants in a pilot aiming to generate at least £100 million of lending to growth firms. In addition, with £400 million of extra funding from Autumn Statement and following a review of the 'equity gap', the British Business Bank has been able to extend the Enterprise Capital Funds programme to allow £400 million of new commitments over 3 years, investing up to £50 million into individual funds and allowing the funds to invest up to £5 million into individual firms.

Increased focus on diversity: The Enable programmes are starting to come on stream, with the initial Enable Guarantee transaction, which uses securitisation techniques to incentivise lenders to extend more funds to smaller businesses, completed and announced in March 2015. The first Enable Funding transactions, which enable additional lease funding for smaller businesses, are due to take place in mid-2015.

Increased focus on the demand and information side: Following the successful launch of the British Business Finance Guide in June 2014, the British Business Bank is preparing to manage the designation process for alternative funding platforms, to which smaller businesses which have been rejected by the large banks will be referred. This will raise awareness for those firms who need it most, and will also more generally help to stimulate competition in the smaller business lending markets.

Equity finance unlocked by our Angel CoFund Gousto provides customers with fresh organic ingredients for a wide range of exciting menus, delivered straight to the door to cook at home. Customers choose recipes online and have all the ingredients delivered in the correct proportions, alongside recipe cards and cooking instructions. Founded in 2011, Gousto received a combined £500,000 from the Angel CoFund and an angel syndicate, which enabled Gousto to secure a further £1 million in institutional funding. This investment and a further £5m institutional investment last year has supported the company's growth plans. Gousto grew by 1,100 per cent last year, making it one of the UKs fastest growing start-ups.

Future Outlook

Over the coming year the Shareholder Executive 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. The Shareholder Executive will also consider future funding options and strategic objectives for the BBB and GIB, looking to ensure that the two organisations can build on the success achieved in 2014-15. With GIB's set up and initial operations phase complete, we are now looking at the next stage in GIB's development. Including what its strategic priorities should be and how best to meet its funding needs. We are seeking to obtain a revised state aid approval for GIB, providing for its continued operation beyond October 2016, and giving it an expanded scope so it can invest in a wider range of projects and sectors.

On the 4 June, the Chancellor announced the Government's intention to dispose of its remaining 30 per cent shareholding in Royal Mail and the Secretary of State laid a report in Parliament on the 8 June setting out the details of future sales. On 11 June 2015, BIS successfully completed the sale of half of the remaining stake, raising £750 million which will be paid to Exchequer funds.

The Post Office's Network Transformation programme continues and is due to be completed by March 2018; we will have a key role to play in supporting successful delivery of this programme in 2015-16, which is vital in ensuring the future success of the network. We will also support other work streams with a view to securing efficiencies and financial sustainability for the Post Office.

The BIS Public Data Group will seek to further increase the visibility, usability accessibility of their data through licencing simplification and improved communications. They will also explore new ways to strengthen support for businesses seeking to use PDG data.

Mainstreaming Sustainability, Diversity and Equality

By mobilising increased private investment in green infrastructure, GIB 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, GIB publishes a projection of anticipated green impacts. GIB's annual report also includes details of the projected green impact of its investments at the portfolio level. In March 2015, GIB published its Green Investment Handbook which explains in detail how GIB assesses, monitors and reports on the green impact of its investment activities. GIB hopes that publishing this handbook will help to establish common high standards among the investment community in the way the green impact of investments is assessed and measured.

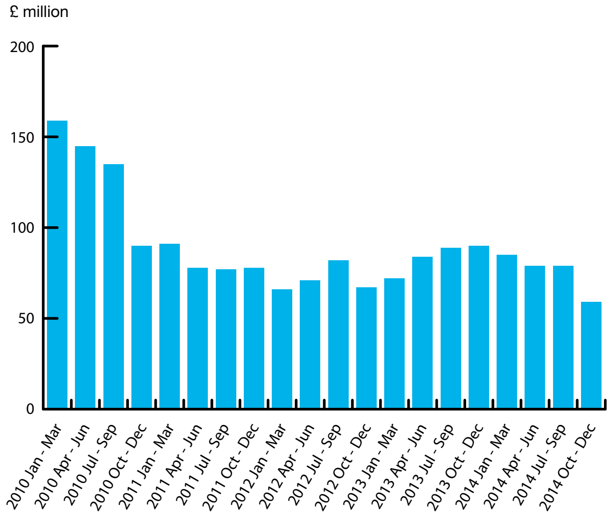
Through a widespread programme of transformation Post Office Limited is investing in communities across the United Kingdom, bringing benefits to customers including in particular in rural and urban deprived areas. As a result of this Network Transformation programme branches have access to significant 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.

The Met Office works hard to champion sustainability in the UK and around the world. For example, Met Office forecasts help save the world's airlines many tonnes of CO_2 and are estimated to save the aviation industry some £2.7 billion per year. Its products and services support the renewable energy industry to manage and optimise its outputs, whilst Met Office climate research informs decisions that should have a positive impact for decades to come. An example of this is advice to the Rail Safety and Standards Board and Network Rail to improve resilience to future changes in the frequency of high rainfall events, rail buckling in hot weather, and sea level rise impacts on coastal infrastructure. The Met Office also strives to make its own operations as sustainable as possible and, in recognition of this, last year it took the top Platinum Award as Most Sustainable Public Sector Organisation in the Public Sector Sustainability Awards.

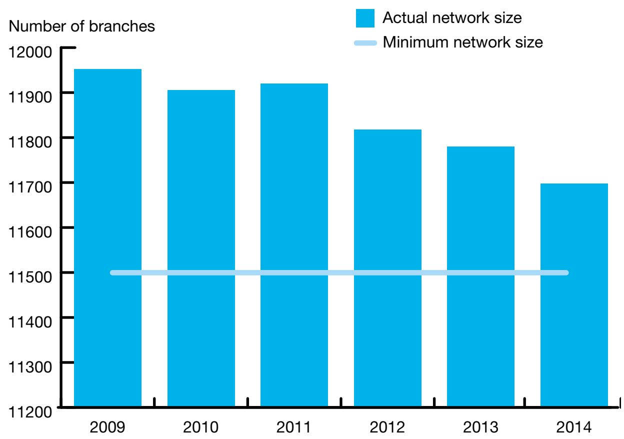
Business Plan Indicators

The British Business Bank's Enterprise Finance Guarantee (EFG) scheme supported £58.9 million of lending to businesses in the fourth quarter of 2014, with £2.4 billion of lending to date. There were 11,697 open and trading Post Office branches at the end of March 2014.

Value Enterprise Finance Guarantee funds used by businesses



Meeting the Government's commitment to maintaining the Post Office network



Economics and Markets

Economics and Markets Group is supporting the creation of open and competitive markets, providing wealth, employment, increased consumer choice, supporting enterprise and improved living standards in the UK. We also champion the use of high quality analysis so that BIS' policy choices are based on the best available evidence.

Key Achievements

Business Environment

- Introduced primary legislation to promote prompt payment and made changes to strengthen the impact of the "Prompt Payment Code".

- Implemented the UK's 2013 G8 commitments on corporate transparency, including primary legislation to create a publicly accessible central register of the people who exercise significant control over UK companies.

- We are on track to exceed the target to achieve a 25 percent representation of women on FTSE 100 boards by the end of 2015. There are now no all-male boards in the FTSE 100 and the number of FTSE 250 all male boards halved in 2014-15 and has continued to fall.

Consumer & Competition Policy

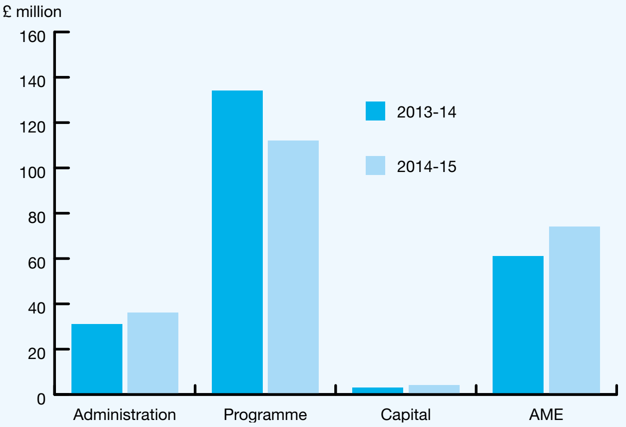
- Passed into legislation a Pubs Code and independent Adjudicator, which will deliver improved fairness and protections for the 13,000 tied tenants of large pub companies in England and Wales.

- Strengthened consumer rights and made them easier to understand in the Consumer Rights Act, including initiatives to protect consumers, such as National Consumer Week on doorstep crime.

- The Competition and Markets Authority (CMA) has launched two major market investigations, into the energy market and the retail banking market – both of which are on track for completion in line with the new, shorter statutory timeframes.

Key Data

Expenditure



SRP Business Plan Actions	
Number of Actions Completed	9
Actions Overdue	1

Our Partner Organisations

- Advisory, Conciliation and Arbitration Service
- Central Arbitration Committee
- Competition Service
- Competition Appeal Tribunal
- Competition and Markets Authority
- Financial Reporting Council
- Low Pay Commission

Progress against our Business Plan in 2014-15

- The Midata programme has made it easier for consumers to receive and understand energy consumption information to compare the market and switch providers more easily.
- International Trade and Export Control
- Successfully concluded EU trade negotiations with Canada, Singapore and a total of 27 African countries in three regional blocks.
- The Export Control Organisation has processed more than 17,000 licence applications for export of controlled goods worth around £11.8 billion in 2014; and led the design and enforcement of the sanctions packages implemented against Russia.

Labour Market

- Enabled new rights for fathers to take shared parental leave and pay, as well as introducing changes to adoption leave and pay and unpaid parental leave.
- Addressed concerns over zero hours contracts by bringing forward provisions to ban exclusivity clauses in these contracts.
- Increased compliance with the National Minimum Wage through the Small Business, Enterprise and Employment Act, increasing the maximum penalty for employers who pay less than the minimum wage to up to £20,000 per worker.
- Introduced the largest real-terms increase in the adult National Minimum Wage since 2007. To be increased to £6.70, for those over the age of 21 from 1st October 2015.

Analysis

- Publication of the Whitehall-leading 2015-16 Evaluation Strategy, setting out actions to evaluate the impacts of our policies; and for the first time publicly committing to review our regulatory policies.

Review of 2014-15

BIS supported the development of a healthy business environment through a number of initiatives, including improving trust and transparency, implementing rules requiring extractive companies to report payments they make to Governments and reducing the burden of company record-keeping. BIS has implemented the recommendations of the Lord Davies review and is on track to exceed the target of 25 per cent women on the boards of FTSE 100 companies this year. Although there has been excellent progress in this area, we realise there is still more to do to ensure women are better represented on the boards of our largest companies. We have responded to this through delivery of a ministerial-led campaign with FTSE companies and the media.

BIS worked to deliver a world-class competition framework and modern consumer rights. BIS has simplified and strengthened consumer law through the introduction of the Consumer Rights Act 2015 which gives consumers stronger rights when they buy faulty goods and services. The Act includes an innovative regime of consumer rights for digital content which for the first time protects people when they download music or play online games. Few Governments around the world have attempted to legislate in this area so the UK is setting the benchmark for regulation in this rapidly growing market. We have delivered legislation in the Small Business Act to introduce a statutory Pubs Code and independent Adjudicator to improve fairness for 13,000 tied tenants of large pubs. In a sector with a wide variety of stakeholders BIS has worked to ensure that all measures introduced were effective and avoided unintended consequences for both tenants and landlords.

BIS delivered the previous Government's Modern Workplace agenda, following the successful passage through Parliament of the Children and Family Act 2014. This included the introduction of shared parental leave and pay, broadening access to adoption leave and pay, and extending the right to request flexible working to all employees with 26 weeks service. To ensure new parents and their employers fully understand how these changes might benefit them, we provided a range of guidance products and tools and we also ran a targeted communications strategy to raise awareness of the new statutory rights with employers and parents.

BIS helped to ensure progress for the EU-US Free Trade Agreement. The level of public interest has been unprecedented, requiring BIS to adopt new ways of communicating the benefits of this trade deal. Through interaction with businesses and civil society and better use of social media we have built a strong foundation for our continued engagement in the public debate. We have also pressed UK interests in a range of other trade negotiations, helped shape sanctions against Russia following the intervention in Ukraine and exceeded our export licensing performance target.

BIS analysts have delivered high quality analysis and evidence, supporting the design and evaluation of policies. This year, we have published an evaluation strategy to ensure processes are robust and worked with governance teams and the Senior Leadership to ensure robust quality assurance of their models following the MacPherson Review.

Future Outlook

We will continue to improve the UK's business environment, encouraging the right sort of investment and greater competition and innovation in markets. We also plan to maintain our world-class competition framework and deliver modern consumer rights. We will continue to enhance the Department's public and business engagement on trade issues to maximise the benefits of trade deals. We also plan to continue our work on widening labour market participation and ensuring all groups in society have fair access. Our analysis will support the Department's policy-making through the development of the evidence base, effective monitoring and good evaluation.

Mainstreaming Sustainability, Equality and Diversity

BIS is delivering policies to widen labour market participation through implementation of the shared parental leave policy. We have published research outlining the business benefits of enhanced workplace wellbeing and also reduced exploitation, through strengthening enforcement, including legislating to ban exclusivity clauses in Zero Hours Contracts, strengthening the enforcement of Employment Tribunal awards and delivering measures to improve the protection of Whistleblowers.

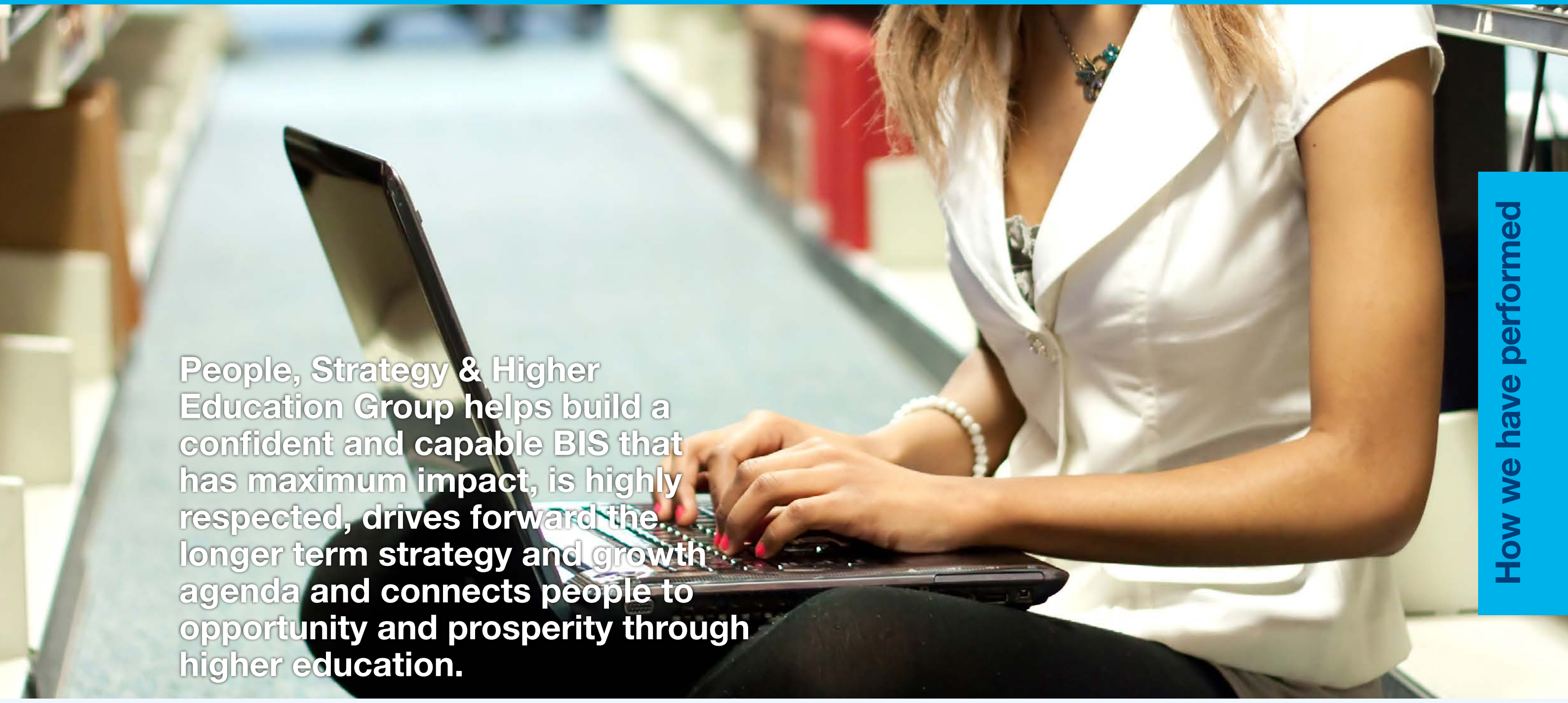
We are incentivising green business by pressing for an international agreement to eliminate barriers to trade in environmental goods. We are implementing recommendations for responsible business conduct covering human rights and supply chains. We promote international voluntary standards for responsible/sustainable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

Business Plan Indicators

The one-in, one-out and one-in, two-out position on employment regulation shows that there has been a net decrease in the regulatory burden on business of £67.9 million per annum from regulations implemented between January 2013 and October 2014.

	Jan 2012 – Jun 2012	Jan 2013 – Oct 2014
Change in the employment regulatory burden imposed on business by Government (£ million)	3.3	-67.9

People, Strategy & Higher Education



People, Strategy & Higher Education Group helps build a confident and capable BIS that has maximum impact, is highly respected, drives forward the longer term strategy and growth agenda and connects people to opportunity and prosperity through higher education.

Key Achievements

Higher Education

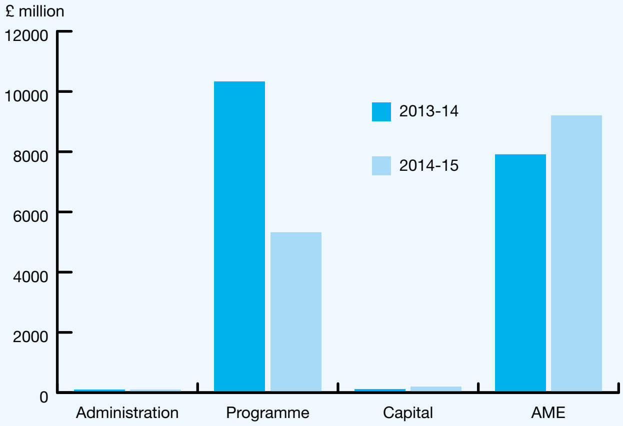
- In 2014, applications to higher education from 18 year olds were at an all-time high (307,000), with record numbers of applicants accepted to their firm, or first, choice course (73 per cent of all acceptances).
- Reforms, including to student number controls, are making it possible for record numbers of young people to enter university this year, with controls in publically funded institutions being removed in 2015/16.
- Young people living in the most disadvantaged fifth of areas became more likely to enter higher education in 2014 with the entry rate reaching a record level of 18.2 per cent.
- Autumn Statement 2014 announced that student loans will be available for masters degrees aiming to stimulate take-up in postgraduate master's study – benefitting students through higher wage prospects and industry through more innovative employees.
- Introduced a number of measures to better manage alternative higher education providers including the application of student number controls, stronger quality assurance reviews, and the foundation of an Intelligence Unit and `Rapid Response Investigatory Team' to investigate any allegations of abuse of the system.

People & Strategy

- We have overseen an improvement in the UK's ranking in the World Bank 'Doing Business 2014' report, now 8th best in the world.

Key Data

Expenditure



Our Partner Organisations

- Higher Education Funding Council for England (HEFCE)
- Student Loans Company
- Office for Fair Access

SRP Business Plan Actions	
Number of Actions Completed	3
Actions Overdue	0

Progress against our Business Plan in 2014-15

- Increased staff engagement for the 3rd year in a row. Staff engagement has increased by six percentage points over the course of the last Parliament, double the Civil Service average.
- Undertaken a comprehensive programme of activity to build BIS confidence and capability including our Management Matters programme, Ways of Working programme and creating our BIS Story to build understanding and pride in BIS achievements.
- Our Apprenticeships "Get in, Go Far" campaign to promote the value of apprenticeships and grow skills in the workplace has been highly successful. 59 per cent of Parents now actively encourage their child to do an apprenticeship, up from 49 per cent before the campaign and the Higher Education Student Finance Tour ensured prospective higher education students and their parents understand the financial support available.

Review of 2014-15

Our higher education (HE) system continues to be an international success story. Our strongest universities are among the best in the world, second only to the USA in all international rankings, and remaining the second most popular international destination for students. Both wage and employment returns for individuals are high, with graduates on average earning more and more likely to be employed.

There were 132 HEFCE grant-funded Higher Education Institutions (HEIs) in England in 2014-15, with 203 FE colleges in receipt of direct HEFCE grant funding for delivering HE in England. Providers can receive fee income via the Student Loan Company (SLC), including 102 alternative providers who have specifically designated courses which attract student support. Currently there are almost 1.9 million

Case Study: Higher Education

Our overall objective is to support an English higher education system with sustainable funding, free at the point of delivery; affordable for the taxpayer and delivering world-class teaching to people from all backgrounds that have the ability and aptitude to benefit.

Why do we fund students?

Graduates are also good for growth. Independent Research (National Institute of Economic and Social Research) shows countries which increased their share of graduates in the workforce saw labour productivity grow faster. For the UK, we estimate that roughly one-third of the increase in labour productivity between 1994 and 2005 can be attributed to the accumulation of graduate skills in the labour force. In other words, a substantial share of the UK's economic growth over this period was driven by the expansion of higher education and the resulting increase in the proportion of workers who have a graduate-level qualification. University graduates earn more – recent research estimates that on average, the lifetime net earnings benefit of completing a first degree is £165,000 for men and £250,000 for women compared to those who hold 2 or more A levels. There are also wider benefits for society as graduates are more likely to be employed, pay more tax and be more active citizens.

What have the changes to the system been?

Tuition fees have been a feature of our higher education system since 1998, but it wasn't until 2006/7 and the introduction of variable tuition fees that Government started offering student loans to help with the cost of study. The raising of the fee cap to £9,000 in 2010 shifted the balance of higher education funding away from direct grants to universities and towards the majority of university income coming from students, in the form of their Government subsidised tuition fee loan. The Government also contributes towards students living costs through grants and loans. All eligible full-time students can access a loan towards their living costs while studying.

Our higher education system continues to be a huge success story. The strong reputation for quality attracts large numbers of international students and researchers, who bring in revenue, expertise and stimulate growth. Despite predictions that student numbers would be affected by increased fees, applications to higher education from 18 year olds are at an all-time high, as are those from disadvantaged students.

Details of student loan expenditure can be found on page 138.

students at Higher Education institutions in England – of these around 445,000 (24 per cent) are postgraduate students, and of the total number around 480,000 (26 per cent) are studying part-time.

Alternative providers give a wider choice of higher education to students. The Department has taken number of steps to progressively improve our management and control of those alternative providers who, through meeting our specific designation arrangements, can indirectly access public funds. Our overall strategy is one of continuous improvement.

We have made up to 30,000 extra university places available this year and will completely remove student number controls for grant funded Higher Education Institutions in 2015/16. This provides an opportunity for growth, and improves choice for students. We have also launched the National Strategy for Fair Access and Success, to further improve access, achievement and progression in higher education for those from disadvantaged backgrounds. Activity is already underway on the implementation of collaborative national networks. A total of £22 million is being provided over the two years 2014-16 to support development of the infrastructure and single points of contact.

Our communications directorate has had 6 priorities: industrial strategy, small business support, science and innovation, modern workplaces, skills and trade. The Department has responded to several high profile events over the year following the sale of the Government's stake in Royal Mail, the closure of City Link, and the referendum on independence for Scotland. We also launched a fully integrated Apprenticeships campaign, aimed at reaching 5.6 million 15-24 year olds. So far, this campaign has been overwhelmingly successful, receiving over 1.7 million views on YouTube and 3.25 million views on the apprenticeships website. The GREAT business campaign, targeting small businesses, boosted confidence, with 50 per cent of businesses feeling that Britain was backing small business, 85 per cent feeling that the UK was a great place to start, succeed and grow a business and 2.3 million visitors to the greatbusiness.gov.uk website.

Future Outlook

There are a number of opportunities in higher education over the coming year including taking decisions on the outcomes of the postgraduate loans consultation, on how to better embed high quality vocational education in the cutting-edge research that our institutions are delivering in partnership with industry; and examining attitudes towards part-time study, with research commissioned by the previous Government and results expected in summer 2016.

Key challenges remain securing the removal of student number controls whilst continuing to manage the higher education budget. We are also seeking to improve the quality assurance process for both HEFCE funded institutions and alternative providers, so that standards continue to rise, and we move towards greater consistency in how we treat providers. The SLC continue to undergo a major change programme and must ensure that, alongside continuing to provide good customer service to its existing customer base, it successfully completes a demanding programme of work involving large scale ICT systems change, delivering the complex, potentially competing and evolving requirements of all four UK Administrations in respect of new policies.

Our Strategy and Growth directorate will continue to support the Department's financial and business planning activity in the year ahead. Our industrial strategy approach has been strongly supported by businesses and we are looking to further strengthen our partnership approach with industry to help British businesses thrive and compete in the global economy.

Mainstreaming Sustainability, Equality and Diversity

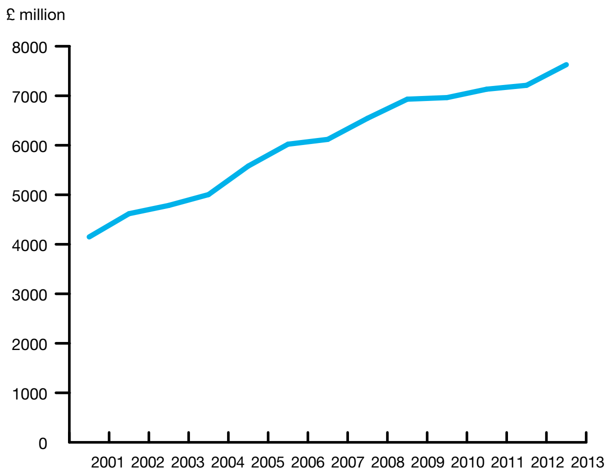
Reforms to Disabled Students Allowance are intended to ensure that limited public funding is targeted in the best way and achieve value for money, ensuring that those most in need get the help they require. We have set out the case for modernisation, but institutions will be expected to play their full part and meet the expectations of the Equality Act. For entry in 2015 publicly funded universities can choose to recruit as many students as have the ability and wish to apply. The latest data for entry in 2015 shows that applications are at a record high at this point in the cycle and that the application rate for 18 year olds from disadvantaged backgrounds is at a record level.

Business Plan Indicators

Latest data for 2013 shows £7.6 billion of Research and Development (R&D) was performed within the UK higher education sector, an increase compared with 2012. The flow of funding for higher education is changing from the HEFCE teaching grant to increased graduate contributions.

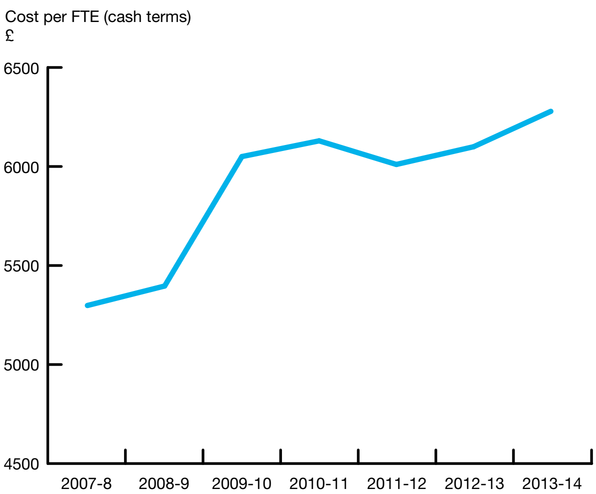
An estimated 73 per cent of those who came from the most advantaged backgrounds before higher education were in the most advantaged occupation groups six months after graduating in 2014 a gap of 6 percentage points from the least advantaged. 67 per cent of those from less advantaged backgrounds were in the most advantaged occupation groups.

Expenditure on research and development performed in higher education

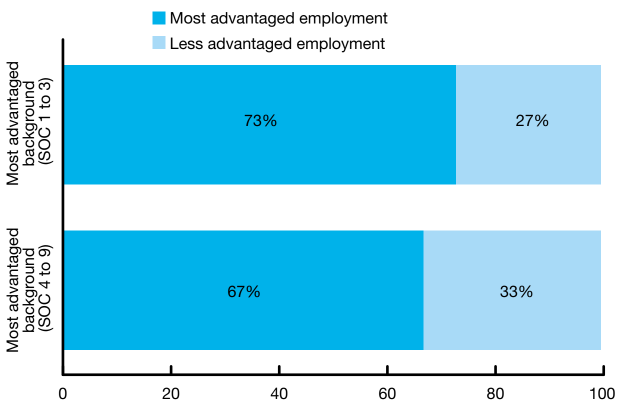


		2009/12	2014
18-24 participation in education by social background	Most advantaged groups (NS-SEC 1-2)	43%	54%
	Others	26%	40%
	Gap	17%	14%
		2010/11	2011/12
The proportion of 15 year olds from low income backgrounds in English maintained schools progressing to HE by the age of 19	Free School Meals	20%	21%
	Non-Free School Meals	38%	39%
	Gap	18%	18%

Funding per student in higher education



The gap between the proportion of young graduates from professional backgrounds who go on to a 'graduate job' 6 months after graduating and young graduates from non-professional backgrounds



People

Part of the Group's vision is to develop a confident and capable BIS that drives growth, and is highly respected and proud of what it does. Within this we divide our work into five themes: A single story and purpose for the Department; A clear offer and ask for all staff; confident and engaging managers; transformational senior leadership; and right people, right place, right time.

Engagement

In the 2014 People Survey, the Core Department achieved a 2 percentage point improvement in its overall engagement score, with the scores of 7 of the 9 survey themes remaining constant or increasing.

People Survey results		2013	2014	2014 Civil Service Median
Engagement Index (%)		54	56	59
Theme scores (%)	Leadership and managing change	43	45	43
	My work	78	79	75
	My manager	67	68	67
	Resources and workload	70	71	74
	Pay and benefits	29	26	28
	Learning and development	52	55	49
	Organisational objectives and purpose	83	83	83
	Inclusion and fair treatment	77	75	75
	My team	81	81	79

During 2015-16 we will be running a shorter 'pulse survey' to monitor our progress and to ensure we are on track to continuously improve the engagement levels of our staff. Over 2014-15, our actions to increase employee engagement have built upon programmes aimed at long-term cultural change that commenced the previous year. These include:

- **Vision, direction and pride:** In 2013-14, we launched the 'BIS Story', a clear and inspiring narrative to help us better articulate the Department's overall purpose, to engage and motivate staff, influence our stakeholders and enhance our wider reputation and impact. In 2014-15, directorates developed their 'Stories' and showcased these to interactively share how different parts of the Department contribute to the BIS objectives. This was followed by publicising the Stories of individual members of staff and a campaign featuring 5 years of BIS achievements.

- **Leadership:** All of our directors have attended a leadership development programme to enable the creation of clear linkages between good leadership and focussing on delivery and achievements and to develop staff engagement further. We are holding sessions at senior leaders events to further equip our senior cadre to manage change even more effectively within their teams.
- **Tools:** We have progressed with our 'Ways of Working' programme to continuously improve how we work as a Department. The programme aims to refresh the tools staff have to do their jobs, enhance the work environment to drive innovation, collaboration and efficiency, and remove the processes that get in the way of the Department working effectively. The Ways of Working programme continues and we will be rolling out further IT systems in the coming year, including a new document management system and video-conferencing.
- **Manager capability:** A key focus this year has been to further develop our managers' capability, delivered through additional guidance and tools within our 'Management Matters' programme launched in 2013. We have begun to mainstream the programme into business as usual practices. We will continue to mainstream the more mature elements of our Management Matters programme into business as usual, including the roll out of the 'New Managers Development Programme'. We shall also continue to develop an 'Aspiring Managers Programme' to ensure staff at grades SEO and HEO are better prepared for line management responsibility.

Based on the 2014 People Survey results, we identified that we are progressing in the right direction with the quality of management showing improvements. We are therefore continuing to build on the long-term programmes established in previous years, including:

Capability

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.

As part of our succession planning activity, we have continued to offer development centre and assessment centre opportunities, with a particular focus on those at Grade 7, 6 and Senior Civil Service level. Building on the internal Apprenticeship scheme launched in 2012 and continued participation in the Civil Service Fast track Apprenticeship scheme, as of March 2015 we had 47 staff undertaking an Apprenticeship within the Department.

Core BIS plus Agencies	Year ending 31 March 2014	Year ending 31 March 2015
Administrative Assistants and Administrative Officers	16%	14%
Executive Officers	12%	12%
Higher Executive Officers and Senior Executive Officers	38%	45%
Grade 7/6	29%	25%
Senior Civil Service	5%	4%
Part-time	13%	12%

In 2014-15, BIS and Agencies spent £6.2 million on consultants –a decrease from £11.4 million in 2013-14. Of this, the Core Department accounts for £6.1 million – a decrease from £11.2 million in 2013-14. Expenditure on temporary staff in 2014-15 was £12.1 million across BIS and Agencies – a decrease from £18.8 million in 2013-14. The Department publishes details about headcount and payroll costs for permanent staff and contractors on a monthly basis.[3]

Performance and talent management

Our investment in our people remains key to our success. We remain committed to the performance management approach that BIS and other Government Departments use as we believe that it will help all our staff to develop and support us in assessing performance consistently. In the coming year, BIS are making modifications to arrangements, reflecting what we have learned as staff have undertaken performance reviews in the last two years.

Talent management conversations have taken place with all our Senior Civil Servants and Grade 6 and 7 members of staff during the year. This enables BIS to identify people with the aspiration and ability to progress as part of our talent programmes. Strengthening our leadership cadre, we have delivered a programme for all BIS Directors and are extending this to the Deputy Director talent pool along with a new BIS specific programme which combines formal, work based learning and coaching approaches for top talent Deputy Directors. We have extended our succession planning by identifying critical roles and pipelines for all DG and Director posts and tested a number of new approaches to development including coaching provided by our Non-executive Board Members, secondments and continued support for people on Civil Service programmes.

Absence Management

In the last 12 months within Core BIS, the average working days lost through recorded sickness absence was 3.2 per employee (3.6 in 2013-14).

3 https://www.gov.uk/government/collections/bis-workforce-management-information-2014-to-2015

Recruitment practices

BIS continues to use the Civil Service Resourcing e-recruitment system, with plans currently underway to transfer line management recruitment support to Civil Service Resourcing in 2015. The Civil Service Resourcing e-recruitment system default is set to anonymity at sift stage meaning that candidates are judged on the merits of their application.

Recruitment into the Civil Service, and therefore into BIS at all levels, is regulated by the Civil Service Commission. BIS continues to abide by the principles of the freeze on all recruitment into the Civil Service, announced in May 2010, except where posts are to support frontline delivery of services or are business critical to the Department's objectives. 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 recruitment freeze expectations. Where external recruitment is necessary a clear business case is required. The Department undertook some one-off recruitments of senior/specialist expertise as required, whilst remaining within headcount and finance constraints. In February 2015, the Department advertised externally to recruit for a number of key Higher Executive Officer and Senior Executive Officer policy roles.

Partner Organisations are continuing to abide by the principles of the recruitment freeze and only recruiting externally where necessary. In 2014-15, half of the dispensation requests to the recruitment freeze for permanent staff related to the recruitment of specialist skills, with this figure rising to 74 per cent for contingent workers.

Dispensations to the recruitment freeze made across the BIS family	Permanent staff	Temporary staff
Posts requiring professional qualifications/ experience	54	140
Posts which do not require professional qualifications	56	50
Total	110	190

Learning and Development

The Department continues to place strong emphasis on developing the skills of its people, so that we continue to be a forward looking, learning organisation. BIS introduced a new approach to learning and development through a 'Building Capability Plan' (BCP) which has provided a focus on our three priority development areas of "Leadership and People", "Business of BIS" and "Excellence in the Civil Service" that enabled successful delivery of our priorities. Each of these themes offered a sustained programme of learning and development for clearly identified target audiences as well as a new series of planned interventions throughout the BCP where policy colleagues worked together with Digital and Science, Engineering and Technology professionals to deliver new learning opportunities. Successful profiling of the work of the Ministerial and Parliamentary Support Team has built better relationships with the business and improved staff understanding of working with Ministers.

Senior managers and line managers continue to play a key role in ensuring people accessed the appropriate learning and development opportunities. During 2014-15 we have continued to develop our talent in line with the Department's talent strategy. To support our identified talent cohorts we delivered a successful programme of SCS Leadership and Talent development events. Our Grade 6 and 7 cadre were offered an opportunity to attend development centres demonstrating BIS' commitment to identifying and developing talented individuals to ensure that there is a clear talent pipeline to its Senior Civil Service. We continue to support all key Civil Service Learning transition programmes for Grade 7s and above as part of the overall support to newly promoted people and encourage all our staff to refresh their skills and build capability as part of regular performance and development discussions.

Equality & Diversity

A talented and diverse workforce, that fully reflects our increasingly diverse society, is not only essential for the Department to continue to succeed but also to lead by example on its policies to increase diversity in the labour market, especially on boards.

To help achieve this, an independent review into internal equality, diversity and inclusion was conducted by a member of the BIS External Equalities Advisory Group. It suggested that whilst BIS is making good progress on improving gender diversity, (e.g. half of Core BIS senior managers are women) there was a need to do more to support staff from ethnic minority backgrounds, disabled staff and older workers (over the age of 55) to realise their potential.

Based on findings from the review a Departmental Equality, Diversity & Inclusion Strategy was developed and published in September 2014 (coinciding with the launching of the Civil Service Talent Action Plan).

In November last year we launched a Reverse Mentoring programme providing the opportunity for Directors General and Directors to receive mentoring from a junior Black and Minority Ethnic and/or disabled member of staff. The programme is further exposing our leaders to difference within BIS, and aims to lead to more inclusive decision making and a better understanding of perceptions and behaviour.

We are piloting non-executive board members' providing coaching and mentoring to under-represented SCS staff. The pilot will focus on two female Directors and two Deputy Directors from under-represented groups.

To further support different communities within BIS, we have established race, disability, age, LGBT and gender champions at Director level. These Champions will work with our Board level Equality, Diversity & Inclusion Champion and the Diversity Networks to support and highlight barriers faced by different groups so they can be addressed at an early stage.

In order to raise greater diversity awareness we ran six unconscious bias sessions for line managers (facilitated by Professor Binna Kandola). In addition, to ensure that we attain a baseline of awareness across all managers in BIS, CSL unconscious bias e-learning has been mandated for all line managers.

We secured places and funding for the positive action pathway "Levelling the Playing Field" development opportunity enabling Black and Minority Ethnic and disabled employees realise their potential. To date this has been offered to all grades at grade 6 and below.

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.

Diversity Data

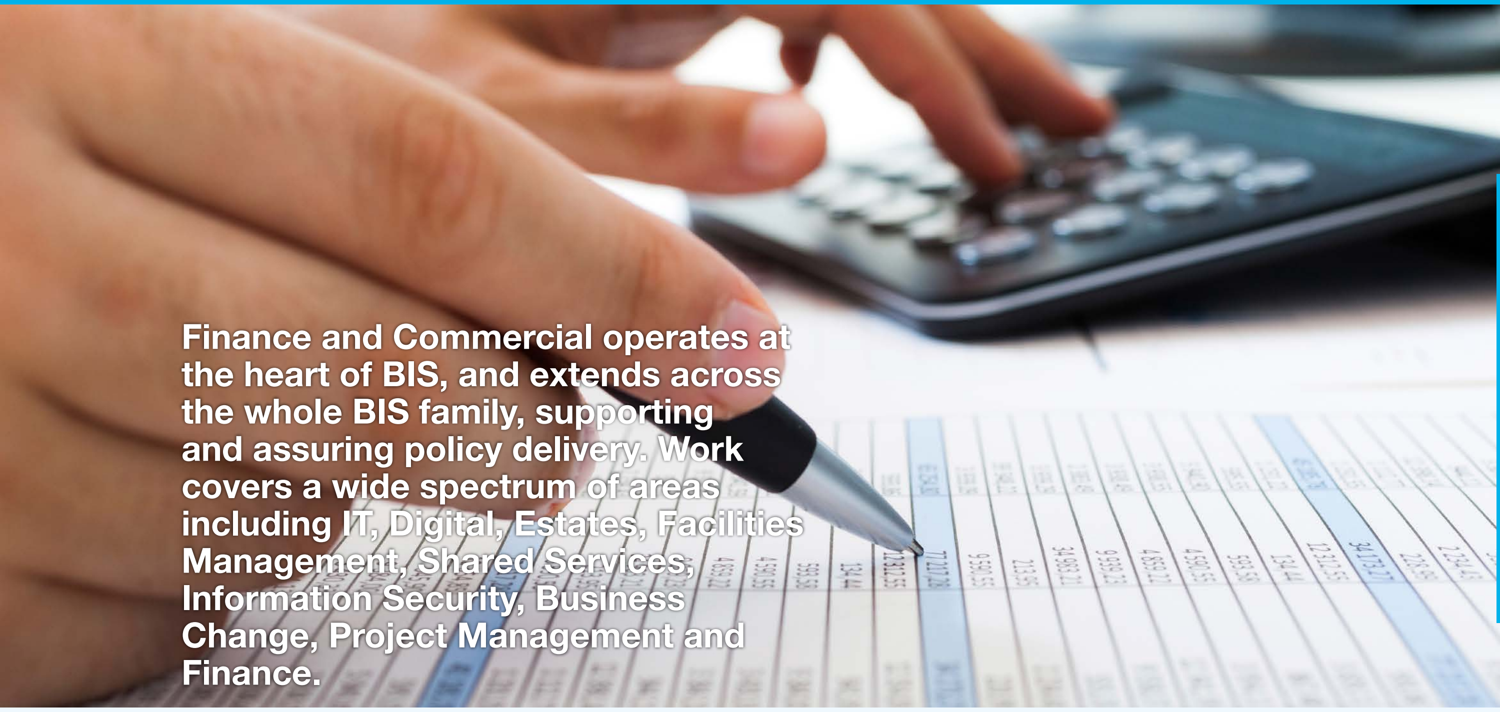
Workforce Diversity (% declared)	2013-14	2014-15
Black and Minority Ethnic	9%	6%
Women	53%	49%
Disabled	9%	6%

Workforce Diversity (% declared) Senior Civil Servants only	2013-14	2014-15
Black and Minority Ethnic	3%	3%
Women	38%	42%
Disabled	4%	5%
Women in top management posts*	32%	50%

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

BIS continues to ensure diversity is promoted throughout its network of Partner Organisations. During 2014 BIS implemented an Action Plan to meet the Government's aspiration of 50 per cent of new Office of the Commissioner for Public Appointments (OCPA) regulated appointments to be women and continues to make good progress on gender-diversity. From a starting position of 32 per cent of new female public appointments in 2012-13, BIS has moved to 55 per cent for the 6-month period ending March 2015.

Finance and Commercial



Finance and Commercial operates at the heart of BIS, and extends across the whole BIS family, supporting and assuring policy delivery. Work covers a wide spectrum of areas including IT, Digital, Estates, Facilities Management, Shared Services, Information Security, Business Change, Project Management and Finance.

Key Achievements

Efficiency

- The Department met its target to halve its administration budget in real terms over the last Parliament. Reductions in 2014-15 were driven by:

- Significant restructure of our shared services centre, UKSBS Limited, helping to deliver spending reductions through efficiency improvements to better fit BIS's needs;

- Reshaping of retained Finance and HR functions in Core BIS and some Partner Organisations; and

- Streamlining of our estate from 180 to 111 buildings.

- The Future Shape of BIS efficiency programme has also continued to make progress in 2014-15 taking significant steps to develop plans to deliver better, streamlined services at much lower cost.

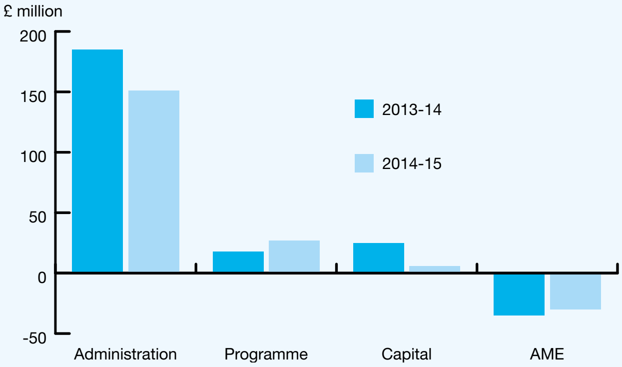
Digital and ICT

- BIS's five Digital Exemplars services, a group of the Department's key public-facing services, were made available to the public in March 2015. (see case study)

- Established a robust process for the Digital-by-Default Service, with 11 assessments completed this year. 52 Partner Organisation websites have also officially transitioned to GOV.UK to rationalise the web estate, bringing all BIS websites under GOV.UK.

Key Data

Expenditure



Our Partner Organisations

- UK Shared Business Services Limited

Partner Organisations

- Continued to reform our sponsorship function by separating and prioritising sponsorship into two distinct areas – Policy and Commercial & Governance.

- BIS are now delivering public appointments through a new Centre of Expertise that will drive professional end-to-end recruitment campaigns to appoint quality, diverse boards.

- A new centre of expertise for financial accounting and reporting is supporting financial accounting across Partner Organisations.

Sustainability

- BIS met four of the five Greening Government Commitments including reducing waste by 58 per cent; water consumption by 51 per cent; Greenhouse Gas Emissions by 34 per cent and paper by 57 per cent.
- Realised a 14 per cent reduction in the use of domestic flights, but missed our 20 per cent target.

Review of 2014-15

During the last Parliament the Department was challenged to reduce administration budgets by 47 per cent in real terms, in line with our 2010 spending review settlement. In 2014-15 we achieved the reductions in spending versus agreed budgets with total budgets falling from £1.1 billion to £0.6 billion over the Parliament. The Department's resource outturn in 2014-15 includes administration costs of £632 million compared with £675 million in 2013-14 (decrease of £43 million).

As anticipated at the end of 2013-14, this has been the most challenging year of the reductions in terms of implementation risks, combined with the need to invest in 2014-15 to help deliver an additional £80 million in spending reductions 2015-16. Our Executive Board managed this challenge closely over the year and as a result pressures have been managed to ensure BIS lived within its means.

The agreement to create a successful 'Invest-to-Save' programme enabled significant projects to be taken forward in 2014-15 to help deliver 2015-16 reductions, including:

- Significant ICT reforms across the BIS family which have led to exiting old inefficient contracts, efficiency gains and improved ways of working which will continue to drive savings in future years.
- Acceleration of estates disposal via an innovative Leasehold Liability Vehicle.
- Targeted efficiency and lean programmes enabling further headcount consolidation.
- Completed rationalisation of over 400 individual contracts into just one Total Facilities Management (TFM) contract covering seven Partner Organisations and 59 buildings.
- Strengthened functional leadership across BIS especially in Digital, Finance, Procurement and Programme management.

Over the life of the last Parliament BIS has had fourteen projects on the Government Major Project Portfolio (GMPP), eight of which have already been completed. Further information is available as part of the Major Projects Authority annual report.[4]

We have continued to implement the recommendations of the BIS Strategic Review through The Future Shape of BIS Programme, laying the foundations for a more streamlined, better connected Department. We have made significant progress in identifying opportunities for improving efficiency and effectiveness across BIS and its Partner Organisations.

The Finance and Commercial group leads on setting out and delivering the Department's overall framework for working with our portfolio of Partner Organisations. More detail on how we maintain robust oversight and governance of our Partner Organisations is available on pages 67 to 69 of the Governance Statement.

The Department published its second Open Data Strategy, outlining BIS and Partner Organisations' collective commitment to the agenda and the G8 Open Data Charter implementation. BIS delivered the Prime Minister's G8 extractive industries transparency commitment six months before the EU transposition deadline, which will mean that all UK registered large and listed companies will report payments to Governments when undertaking extractives activities globally.

Via the data.gov.uk web portal, 1,738 datasets from BIS and Partner Organisations are publicly available. By accessing BIS and Partner data, 23 applications have been developed, representing 14 per cent of all applications deployed since the portal's inception.

4 https://www.gov.uk/government/publications/major-projects-authority-annual-report-2014

Case Study: Transforming our Digital Services

BIS is building digital services that are simpler, clearer and faster to use. Of the 25 projects Government set out to transform, making each "digital by default", BIS has taken the lead on developing five. These focus on transforming key areas in which BIS engages with the public, covering Student Finance, Land Registry data, renewing patents, redundancy payments and Apprenticeships. By the end of this year BIS had met its target, with all five digital Exemplars either live or in public beta.

For example, the work we've done to improve the patent renewal process will bring significant benefits to driving innovation in the UK. UK and European patents must, once granted, be renewed annually from their 4th anniversary of their filing date to be kept in force. Each year there are around 400,000 transactions for renewals, which on the older, paper based service took up to 6 days to process, with a significant proportion of applications containing one or more errors.

The new digital patent renewal service allows patent owners and agents to complete this process online in just a few minutes. User satisfaction is high, with 92 per cent of users finding the system simple to use.

Future Outlook

The Department committed to a further £80 million reduction its administration budget in 2015-16, which will in part be delivered by the 'Invest-to-Save' initiatives established in 2014-15. The Department will face inevitable and challenging, further step changes in spending reductions and increased efficiency and will focus on further streamlining of BIS delivery systems, taking full advantage of digital opportunities consistent with Minister's policy choices.

Sustainability

BIS is committed to enabling sustainable economic growth. For economic growth to be sustainable in the long-term, it must support wellbeing and opportunity for all, and be achieved alongside protecting the environment, including the transition to a green, low-carbon economy. BIS's approach focuses on incorporating sustainable development in all aspects of wider BIS policy making and also how it operates the business it is directly responsible for.

Policy Making

The Department has embedded sustainability at the heart of its policy making agenda. We ensure that the social, environmental and financial impact that our policies might have on communities and businesses are fully considered before they are implemented. The case studies highlighted throughout the report are examples of where this has been put into practice.

Innovate UK (p.20) have taken steps to move the UK towards a circular economy, ensuring the value of goods is retained and reused rather than sending them to landfill. Innovate UK have allocated £800,000 to invest in feasibility studies that explore commercial models for a circular economy, as well as setting out plans to launch a second competition providing research and development funding for a small number of projects.

We are committing £11.8 million to establish and run the Centre for Agricultural Informatics and Sustainability Metrics (p.33) which will use data science to build a more intelligent and productive, sustainable and efficient food system. This investment will help the UK exploit the potential of data and informatics and become a global centre of excellence in the field.

The Green Investment Bank (p.36) was established to promote the move towards a green economy and has launched a number of policy initiatives during 2014-15. In March 2015 the Bank announced that a new £111 million recycling and waste plant will be developed at Forth by Lanark, one of the most advanced conversion technology projects to be built.

We are helping to liberalise trade and incentivise green business by pressing for an international agreement to eliminate barriers to trade in environmental goods (p.42). This measure will lead to the improved cost-effectiveness of new technologies as well as greater innovation in the sector and promote sustainable development in developing countries across the world.

In March 2014 the Government invited the Green Economy Council (GEC) to review industrial strategy from the perspective of sustainability. This was in response to a recommendation from the House of Commons Environmental Audit Committee's (EAC) report, Sustainability in BIS, published in November 2013. The review, which reached a number of important conclusions for the further development of industrial strategy policy, received ministerial endorsement and was sent to the EAC in February this year [5].

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. During the first 11 months of 2014-15 the BIS family achieved a total of 33 per cent. Action continues to be taken to develop SME engagement further both through active encouragement of SME participation in procurement activity and by analysing and recording second and third tier SME involvement in supply chains. This year we have also:

- Appointed a procurement sustainability champion;
- Added a sustainable procurement provision to the internal procurement gateway processes to support the commercial assurance of all sourcing activities;
- Conducted a review of the UK SBS Limited Sustainable Procurement Policy to ensure that Departmental obligations are properly reflected;
- Where appropriate, included sustainability obligations within contracts to enable performance to be monitored throughout the life of the contract;
- Implemented measures to ensure BIS comply with the requirements of the Government's Timber Procurement Policy (TPP.)

Governance

The Sustainability Committee and Sustainability Champion support the Executive Board in providing leadership, co-ordination and guidance to BIS in fulfilling the Department's sustainability commitments, Greening Government commitments and embedding sustainability principles in BIS policy making. The establishment of these arrangements has facilitated greater oversight of sustainability issues and provided visible leadership particularly on policy making. Looking forward the Sustainability Committee will be ensuring there is improved transparency in reporting through the business planning process and sustainable procurement.

5 http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environmental-audit-committee/a-201015-progress-report/oral/18182.html

Summary 2014-15		Core BIS		Core + Partners*	
Area		2013-14	2014-15	2013-14	2014-15
Total Greenhouse gas emissions (scopes 1, 2 and 3) (‘000 tCO_2e)		7.16	4.62	206.53	158.59
Estate Energy	Consumption (million kWh)	10.25	8.12	385.76	357.74
	Expenditure (£ million)	1.01	1.00	28.41	25.95
Estate Waste	Consumption (tonnes)	398.1	271.00	4,488.99	3,876.41
	Expenditure (£ thousand)	67.09	91.87	1,065.08	1350.20
Estate Water	Consumption (‘000 m^3)	18.24	28.44	576.20	592.87
	Expenditure (£ million)	41.66	34.42	315.17	375.89

* Data covers the Core Department, SFA, HEFCE, NERC, UKAEA, SLC, STFC, NMO and MRC. Data from 2013-14 additionally includes ACAS and INSS.

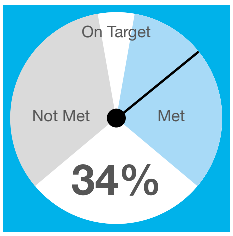
Greening Government Commitments

Greenhouse Gas Emissions

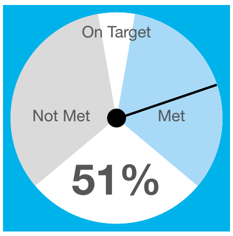
Emissions from the whole estate have reduced by 34 per cent, compared with the 2009-10 baseline. This is primarily due to estate optimisation and reduction in the number of sites across the BIS family. Investments in renewable energy including biomass boilers are now contributing towards reduced energy demands. Fleet emissions have reduced with a change to non-fleet (rented and leased cars) and changes in travel policy which have a greater promotion of public transport.

The ongoing partial Christmas shutdown of 1 Victoria Street was a success, saving significant energy and associated emissions over the 14 days. The initiative included reducing the available operational workspace, reducing catering services, closure of the staff entrance and reducing the number of lifts in operation. The reduction in services resulted in a reduction of 98,532.5kwh in gas and electricity and 18.25 tonnes of carbon. This initiative has now been operating for five years and has become embedded.

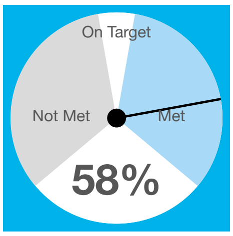
Greenhouse Gas Emissions
2014-2015
Target to reduce by **25%** by 2015 to 47,564 tonnes



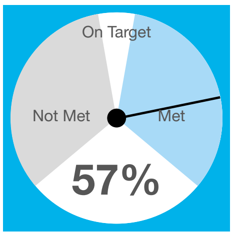
Water Whole Estate
2014-2015
No target – **274,954 m^3** used in baseline year 2009/10



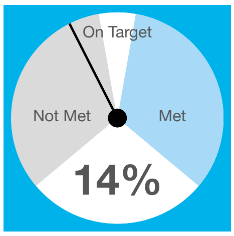
Waste
2014-2015
Target to reduce by **25%** by 2015 to 5,754 tonnes



Paper Usage
2014-2015
Target to reduce by **10%** by 2015 to 390,546



Domestic Flights
2014-2015
Target to reduce by **20%** by 2015 to 4,708



Waste & Recycling

Waste from the whole estate has reduced by 58 per cent compared to the 2009-10 baseline. Less waste is going to landfill as more is diverted to waste incineration with energy recovery, using the waste as a resource to provide energy and/or heat. Additionally there is a growing trend towards sending waste to composting and anaerobic digestion. The Core Department sends 15 per cent of its total waste to anaerobic digestion and no waste to landfill.

Recycling behaviours are promoted through communications and blogs, which encourage staff to increase recycling practices. Paper consumption from the whole estate has reduced by 53 per cent compared to the 2009-10 baseline. In the Core Department, we have now restricted paper purchasing to closed loop recycled paper only and Partner Organisations are being encouraged to join.

Water

Water consumption from the whole estate has reduced by 51 per cent compared to the 2009-10 baseline. The savings are attributable to both the reduction in estate and full time employees. Additionally water has been reduced through the installation of restricted flow taps and toilets.

Domestic Flights

BIS has staff located across the length and breadth of the UK. As well as key sites in London, Sheffield and Cardiff, we also have office sites as far apart as Exeter and Glasgow due to our network of Partner Organisations. BIS sought to reduce the use of domestic flights by 20 per cent from the beginning of the last Parliament. The Department responded well to the challenge and overall use of flights has reduced by 14 per cent. Although this does not reach our target, this is a good achievement given our range of locations. BIS will continue to focus on the use of alternatives to domestic flights wherever possible.

Changing Culture and behaviours in BIS

Throughout 2014-15 BIS ran a series of Climate awareness raising events, culminating in "Climate Week 2015", for which we developed a series of one off events, open to all staff, sharing best practice across BIS. These events included:

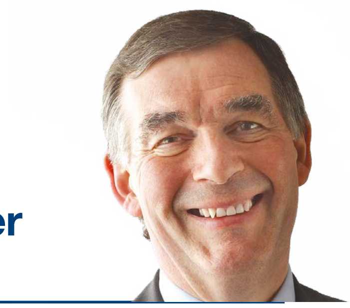
- An awareness raising session on 'Reduce, Reuse, Recycle', setting out best practice on waste management, and how BIS staff can contribute;
- Sharing best practice in developing policy, using the recent development of our industrial strategy as an example;
- Making the link between science and decision making. This event involved staff looking at the ways our world-leading weather service, the Met Office, used the data they collected to make a difference in people's lives throughout the UK.
- A health initiative called Step Jockey was installed on two main staircases in 1 Victoria Street to encourage stair use, by using an interactive mobile app to engage staff.

A 'Car Free Day' was also held in September 2014 encouraging staff to walk and cycle, rather than using their car.

BIS is also focussed on ensuring biodiversity exists in the areas in which we work. Working with the Victoria Business Improvement District and the Bat Conservation Trust BIS participated in the monitoring of bats as part of a wider project in Victoria. We have also helped to boost the dwindling bee population; particularly in London, through a beekeeping initiative set up in 2013 and continued throughout this year. With the support of a number of BIS volunteers, the Department has continued to keep bees on the 5th Floor roof of 1 Victoria Street. The hives produce honey, which is then sold at charity events and is very popular.

Accountability

Report from the lead Non-executive Board Member



I have now served my first full 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 that exists to promote economic growth and to continue to invest in science, skills and education.

This has been another busy year for the Department as it continues to connect people with prosperity and opportunity, implementing policies that have delivered benefits to businesses, entrepreneurs and individuals across the UK. BIS achievements over the past year have included the continued delivery, in partnership with industry, of a successful industrial strategy; the growth of our world-class higher education sector; an impressive increase in the number of Apprentices; and the support of growing businesses from start-ups to household names. I have been most impressed by the talent of the staff within the Department and the hard work and commitment demonstrated by them throughout a busy and eventful year.

Closer to home, the Board has paid particular attention to diversity this year. The pipeline of female talent within BIS is strong and women now comprise 50 per cent of the Executive Board and 50 per cent of Directors across the Department. There has also been a strong and sustained focus on leadership capability and a continued increase in levels of staff engagement for the third successive year.

We have seen a number of changes to the Departmental Board over the last year. Firstly, it is with regret that we say goodbye to Alan Aubrey, who I would like to thank for his hard work on the Board and in his capacity as Chair of the Audit and Risk Committee. Stephen Bligh has joined us as Non-Executive and kindly agreed to take over from Alan as Chair of the Audit and Risk Committee. I would also like to welcome Juergen Maier who has also joined us as a Non-Executive Board Member. I would also like to thank Wendy Purcell for her commitment in chairing the Nominations Committee. We have seen a number of Ministerial changes to the Board and I would like to thank Michael Fallon, Jenny Willott and David Willetts and to welcome Nick Boles and Greg Clark to our Board. 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

Lead non-executive board member

Ministers and 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 Small Business, Industry and Enterprise

Nick Boles MP
Minister of State for Skills and Equalities (joint with DFE)

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

Jo Johnson MP
Minister of State for Universities and Science

Ed Vaizey MP
Minister of State for Culture and the Digital Economy (joint with DCMS)

The Rt Hon Lord Maude of Horsham
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
Lead non-executive board member

Professor Dame Ann Dowling
Non-executive board member

Dale Murray CBE
Non-executive board member

Dalton Philips
Non-executive board member

Departmental board members

Martin Donnelly
Permanent Secretary

Sam Beckett
Director General, Economics and Markets

Bernadette Kelly
Director General, Business and Local Growth

Philippa Lloyd
Director General, People, Strategy and Higher Education

Gareth Davies
Director General, Knowledge and Innovation

Howard Orme
Director General, Finance and Commercial

Rachel Sandby-Thomas
Director General, Enterprise and Skills, and Legal

Mark Russell
Chief Executive, Shareholder Executive

Dominic Jermey OBE, CVO
Chief Executive, UK Trade & Investment

Professor Wendy Purcell
Non-executive board member

Juergen Maier
Non-executive board membe

Stephen Bligh
Non-executive board member

Changes to our Ministers and the Departmental Board during 2014-15 can be found in Annex D

Governance Statement

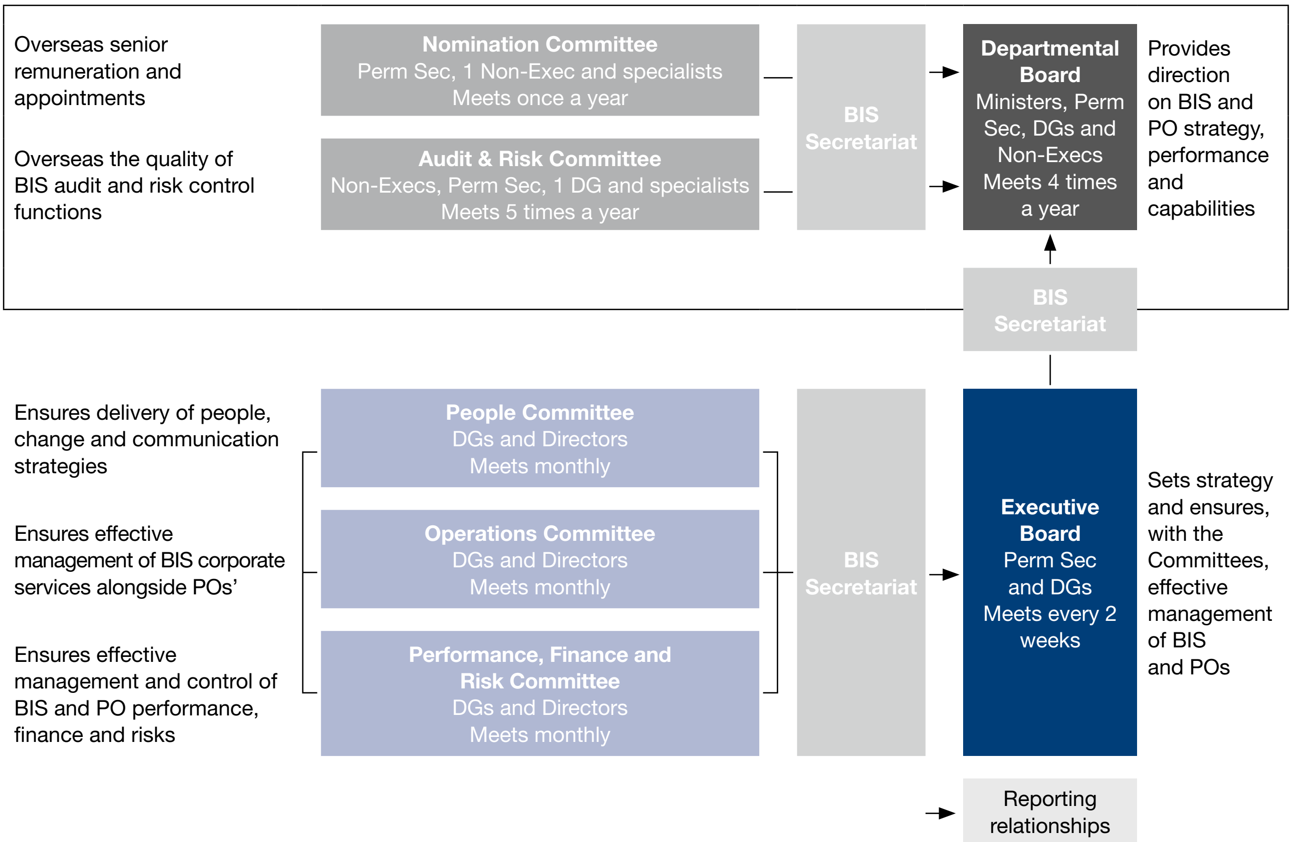
Introduction

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 2014 to 31 March 2015 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 programmes that we are delivering in innovative ways. The governance, structures, staffing and systems we have in place have needed to evolve as the Department focuses on developing and implementing policy through commissioning and delivering major programmes and projects.

BIS Governance Structures

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



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, from Ministers to Directors, ensuring that decisions are made on a sufficiently broad basis. An observer programme, open to all BIS staff, ensures visibility and transparency of the decisions we make in managing the Department.

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 (NEBMs) to provide support and challenge on our delivery of the Department's key operational and policy objectives. The Board met four times in 2014 – 15 and provided collective strategic leadership of the Department. The Board particularly focussed on the Industrial Strategy and local growth, including overseeing the agreement of growth deals with 39 Local Enterprise Partnerships.

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 data on its 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, including the digital economy and trade. Diversity continues to be a priority for the Department. The Board has been pleased to note the Department's success regarding gender equality, particularly in senior positions, and recognises the need to do more to make opportunities available to Black, Asian and Minority Ethnic, disabled and older staff.

The Secretary of State was pleased to welcome two new NEBMs to the Departmental Board in 2014 – 15, Juergen Maier and Stephen Bligh. BIS NEBMs are appointed through a process of fair and open competition in line with the Office of the Commissioner for Public Affairs (OCPA) guidelines. All NEBM positions are advertised openly and centrally through the Cabinet Office Public Appointments website. To ensure the independence of NEBMs is maintained they are appointed for a three year fixed period, which can be extended by a maximum of three further years.

NEBMs, 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 absents himself or herself from the meeting for the duration of that item of discussion.

Outside of the Board, NEBMs continued to add value to the Department across all priorities. In 2014-15 NEBMs have supported the continuation of work to redefine how BIS delivers its policy objectives through its Partner Organisations, the implementation of the Industrial Strategy, and provided support and advice on small business policy and support.

The Departmental Board has been supported by both the Audit and Risk, and the Nominations Committee in its work. During the financial year, the **Audit and Risk Committee (ARC)** met five 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 ARC and has considered the ARC's annual report to the Departmental Board. The ARC's meetings were attended by the Head of Internal Audit and representatives from the National Audit Office (NAO). In addition, two ARC surgeries provided assurance to the Departmental Board that appropriate accounting judgements are being made by the Department. The surgeries covered topics including: Business Bank creation; student loan valuation, and Further Education (FE) college support and accounting for joint ventures.

A review of the effectiveness of the ARC was undertaken, facilitated by the NAO, and the outcome confirmed that the ARC 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 SCS appointments, Board appointments, senior pay and the Senior Remuneration Oversight Committee[1].

The Departmental Board delegates some 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 sub-delegated some decision-making to the following three Committees, which are chaired by BIS Directors General, and drew membership both from the Executive Board and BIS Directors, who are closer to the day-to-day running of the Department.

- The **People Committee** ensures the delivery of people, change and communications strategies;
- The **Operations Committee** ensures the smooth running of operations in BIS and across our Partner Organisations; and
- The **Performance, Finance and Risk Committee** ensures the effective management and control of BIS and Partner Organisations' performance, finance and risks.

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 ARC reviewed the results of the assessment in May 2015 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 considerable focus in 2014-15 on reforming the Department's governance and sponsorship of its Partner Organisations; and that in 2015-16 focus will move to ensuring key existing documents with those organisations are all reviewed and reflective of those changes.

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

Board and Committee attendance

Board and Committee attendance for the Financial Year 1 April 2014 to 31 March 2015

	Meeting attendance per board member of meetings eligible to attend						
Name of *Board Member	**Departmental Board**	**Executive Board**	**Operations Committee**	**People Committee**	**Performance Finance & Risk Committee**	**Audit & Risk Committee**	**Nominations & Governance Committee**
Rt Hon MP Vince Cable	4/4						
Rt Hon MP Michael Fallon	1/2						
Lord Livingston	1/4						
MP Matthew Hancock	3/4						
MP Jenny Willott	2/2						
Rt Hon MP David Willetts	1/2						
MP Greg Clark	1/2						
MP Jo Swinson	2/2						
MP Nick Boles	1/2						
Allan Cook	4/4						
Alan Aubrey	2/2					2/2	
Dale Murray CBE	4/4						
Professor Dame Ann Dowling	2/4						
Stephen Bligh	2/2					4/4	
Dalton Philips	2/4						
Juergen Maier	1/2						
Professor Wendy Purcell	3/4						1/1
Grenville Hodge						4/5	
Nigel Johnson						5/5	
Martin Donnelly	4/4	25/27				4/5**	1/1
Bernadette Kelly	4/4	24/27		12/13			
Howard Orme	4/4	25/27	3/3		17/17	5/5**	
Rachel Sandby-Thomas	4/4	23/27	11/13				
Sam Beckett	4/4	26/27			10/10		
Sir John O'Reilly	2/3	18/22			11/13		
Philippa Lloyd	3/4	24/27	12/13	13/13			
Gareth Davies	1/1	7/7					
Mark Russell	4/4	21/27	5/13				
Dominic Jermey	1/3	15/21					
Crispin Simon	1/1	5/6		3/6			

Key

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

Note: Changes to Board membership throughout 2014-15 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 DG Finance and Commercial's attendance at the ARC is in an attendee not member capacity.

Approach to risk management

Our risk management approach is based on devolved accountability across the Director General led groups and our Partner Organisation network so that risks are assigned to those best placed to manage them, with overall strategic direction on risk management set centrally.

A Corporate Performance and Risk team acts as that central point for advice and guidance on effective risk management. The team coordinates the Departmental Top Level Risk Register, which is the route by which our most significant risks are escalated to the Boards and Committees. Risks for escalation to the Top Level Risk Register are proposed at all working levels of the Department – principally through monthly reports from Directors General and their teams across the Department. Only risks that could have a significant, cross-cutting impact on the Department are included.

Throughout 2014-15, we have continued to focus on building skills and capacity within our approach to risk management, providing training to all staff, bespoke workshops for individual teams and horizon scanning risk workshops for senior management teams. This has further enhanced consistency of the approach across the Department and our Partner Organisations. A continued emphasis on sharing good practice in risk management, supported by training and development for our staff has improved our agreed processes to risk management.

Over the year the Performance, Finance and Risk Committee (PFR) has provided the Executive Board with an overview of our top level risks. The Committee regularly scrutinised the risks and their mitigation strategies escalated to the Top Level Risk Register and further escalated our most significant risks for Executive Board management and action. PFR have been supported by the Corporate Performance and Risk Challenge Panel, a panel made up of Directors and Deputy Directors from across the Department, which met monthly to challenge the risks proposed for escalation to the Top Level Risk Register and to identify cross cutting and emerging risks. PFR had oversight of the key issues and commissioned a number of 'deep dives' (a detailed look at a particular risk or issue), including looking at our risk culture within the Department, to encourage staff to be even more curious and inquisitive and further understand particular subjects and their potential impacts.

The ARC 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. The ARC regularly review the Departments Top Level Risk Register, providing assurance to our Board that the way the Department and our Partner Organisations are identifying, escalating and managing our risks is appropriate and that they are given the right level of consideration.

The risk management processes have continued to work well in BIS and over the next 12 months we will continue to focus work to further embed the BIS risk management processes across the Department and our Partner Organisations.

Significant risks in 2014-15 and key mitigating factors

The section below indicates the key movements on the Top Level Risk Register during the financial year. BIS has 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. However, there are a number of risks that are being carried forward to 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.

Significant risks throughout 2014-15:

Higher Education (HE) – underlying affordability of the HE systems

There are risks of significant fluctuations within the Higher Education financial profiles due to the inherent volatility in the Student Loan Resource Account Budget (RAB) charge. Loan repayment is difficult to predict, using data on student outcomes and costs driven by changes to macroeconomic forecasts. The current RAB charge is around 45%. In order to calculate loan repayments and the RAB charge we have adapted the model to better take into account future earnings and make more effective use of earning history. Further work to review the RAB charge alongside future policy options is being developed to ensure we are able to maintain a sustainable loan system.

Student Loans Company (SLC)

There are several risks facing the SLC. The main risk relates to delays to the Transformation Programme (the introduction of a modern, integrated and flexible IT system to enable the safe delivery of Higher Education reform) meaning it would not be delivered on time and within budget. Further risks identify the challenge of delivering a significant portfolio of requests for BIS and the Devolved Administrations; and the SLC's capacity and capability to deliver these. Due to the significant amount of changes required within the Transformation Programme, we are working with HM Treasury, Cabinet Office and the SLC to take stock and identify further ways to stabilise the SLC systems with minimal disruption to operations or risk of failure.

Apprenticeships

Apprenticeships are being reformed to give employers more control and purchasing power to develop the skills of their workforce. There is a risk that the scale of the reforms being made to Apprenticeships could lead to employers disengaging from the programme if they find the new approach too burdensome, or it takes too long to implement the reforms. To mitigate this, BIS has been consulting widely on all aspects of the reforms and closely involving employers and experts in work to deliver them. A decision on the funding reforms was made in March 2015, which will put employers in control of the money for Apprenticeship training.

Further Education College resilience

There is a risk of financial instability in some areas of the FE college sector, adversely affecting learners, businesses and the communities the colleges serve. We have been actively managing a risk that some colleges may fail due to changes to policy, funding and poor financial management through an active intervention programme led by the FE Commissioner. We introduced an Exceptional Financial Support policy in December 2014 for colleges that cannot effectively manage their finances and stabilise.

Working Time Directive

During the year there have been significant risks arising from UK case law on holiday pay. This has resulted in ongoing costs to businesses and potentially large back-dated liabilities. The fear was that in some worst case scenarios this could lead to job losses and company closures. So far, the Government has introduced a backstop on holiday pay claims of two years on any claims made on or after 1 July 2015 in order to limit employer liability. BIS is continuing to monitor cases very closely.

Risks removed from the top level risk register in 2014-2015

During 2014-15 a number of risks were removed from the Department's Top Level Risk Register due to successful mitigation or managing down of the level of risk. These included: risks surrounding any potential exit of Cyprus in early 2014 from the Eurozone; operational risks for BIS with the introduction of a major Information Technology transformation; risks to successfully securing Growth Deals; risks to UK Businesses from Russia/Ukraine; on-going criticism of the sale of Royal Mail shares; and state aid clearance to create the British Business Bank.

Governance of our Partner Organisations

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. BIS has reduced its number of partners and driven reforms to improve the governance of the remaining portfolio. This has brought partners closer to BIS, improving ministerial oversight and delivering greater cross-cutting efficiency. The following section covers some of our work this year.

Reforming sponsorship

We have developed our sponsorship model by separating out two different types of sponsorship: policy sponsorship (whereby we support and challenge the delivery of BIS Ministerial policy objectives); and commercial and governance sponsorship, (where we support and challenge the performance of Partner Organisations as their shareholder). By ensuring these different elements of sponsorship are considered distinctly (mostly by separate individuals within the same team), we will avoid tensions where one priority pulls against the other. Alongside this, we are putting in place a comprehensive development package for sponsors to improve our capability in commercial and governance sponsorship, which includes leveraging existing expertise in the Shareholder Executive and throughout the Department, providing assurance that BIS public bodies are being run to the standards Parliament expects.

Appointments to Boards

Appointments to Boards of Partner Organisations are made by Ministers, in accordance with the Commissioner for Public Appointments' Code of Practice for Ministerial Appointments to Public Bodies. Over the course of the year we have developed plans for a centre of expertise for public appointments – which involves a new team undertaking the process of all appointments to public bodies, rather than the process being devolved to sponsor teams, as done previously. This will enable us to minimise the length of the process as much as possible, gain efficiencies through pooling knowledge and expertise, and collate and act on more management information in this area. The centre of expertise went live in April 2015.

Alongside this we have been reviewing our performance appraisal processes for Partner Organisation Chairs and Chief Executive Officers (CEOs) where we have found some good practice as well as inconsistent approaches. From April 2015, we have in place a clear framework across BIS about the expectations for CEO's and Chair's appraisals. We have also utilised this opportunity to 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. BIS Directors General will report back to the Executive Board on how they have complied against that framework for the organisations they sponsor.

Triennial Reviews

The Department has continued to undertake detailed reviews of both the function and form of Partner Organisations as part of the programme of Triennial Reviews. During the past year it has reviewed ten Non-Departmental Public Bodies (NDPBs) through seven reviews (two of the reviews looked at clusters of Partner Organisations where this was practicable and desirable). The reviews of the Council for Science & Technology and the joint review of the Competition Appeal Tribunal & the Competition Service were completed in November 2014; the review of the British Hallmarking Council was completed in February 2015 and the review of the Land Registration Rules Committee completed in March 2015. The recommendations of the reviews of the UK Atomic Energy Authority, the three Industrial Training Boards & the UK Commission for Employment & Skills will shortly be submitted to BIS and Cabinet Office Ministers prior to publication. With the exception of the Competition Service review, which recommended that the functions should be merged with the Competition Appeals Tribunal, the reviews all concluded that the organisations are fulfilling necessary functions and the NDPB model is the best way to deliver these. The Department plans to undertake a further five reviews in 2015-2016. As part of the new Spending Review the Department will also review the effectiveness of its portfolio of Partner Organisations, in alignment with the expectations of the Corporate Governance Code.

Partner Organisation assurance reviews

We review BIS Partner Organisation assurance assessments on a quarterly basis at a corporate level to understand our risk profile and identify which organisations to focus our sponsorship resource on. In April 2015 we also undertook an annual assurance review of all our Partner Organisations. The BIS Performance and Risk Challenge Panel and the Performance and Finance Risk Committee reviewed all assessments provided by sponsor teams. These full assessments included both the BIS sponsors' and Partner Organisations' views of the capabilities of the organisation, the risk the organisation poses to BIS, and their independent assessment of the relationship, enabling transparency and trust between the BIS sponsor teams and Partner Organisations.

For the Partner Organisations that came out on the risk grid as high/medium impact and likelihood, the common issues were around capacity and capability to effectively manage and deliver transformation and change; ability to buy in specialist and priority skills in the areas of science research, commercial, projects and change; and those facing significant funding issues.

BIS and Partner Organisations are actively managing these risks. We operate an Assurance Panel for reviewing our most significant Partner Organisations' risks. The panel has consisted of the Director General Finance and Commercial Group, the Head of Internal Audit and the Head of Sponsorship. It works with Partner Organisations to ensure key risks are identified and managed, especially those posing significant risks to finances or reputation, ensuring transparent and collaborative risk management across the organisation. The panel looks at the latest assurance assessment of the Partner Organisation by its sponsor team in BIS along with its risk register. The panel discusses these with the senior management of the Partner Organisation and their Audit Committee Chair, to identify and agree how they can work together to minimise any identified risks and their potential impact.

Board performance and effectiveness

In April and May 2015, Allan Cook, the Department's lead NEBM, carried out an 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 a number of BIS Directors General and NEBMs to provide their own assessment of the Board's effectiveness. In broad terms Allan asked for views on the following:

- What the Board does well and where there are areas for improvement;
- Whether the Board has become more effective in the past 12 months; and
- The one improvement that could be made which would improve the Board's effectiveness.

Allan noted a good relationship between the Executive Team and the NEBMs, which has been strengthened by the informal time they have spent together over the last 12 months. Allan also noted the value BIS places on the contribution of NEBMs through their continued engagement with the Department.

While the Board had continued to become more effective since the previous year, the evaluation highlighted some areas where the function and contribution of the Board could be strengthened further. These suggestions will be taken forward by the Department in the year ahead. They include:

- BIS Directors General and Ministers will play an increased role in forming Board agendas, with the agendas being structured to allow time for debate on strategic topics;
- Ensuring NEBMs are involved even earlier in discussions on key departmental issues; and
- The Board continuing to meet on an informal basis outside of formal Board meetings.

The Board will continue to look for ways to improve the efficiency and effectiveness in its duties.

Other key governance activities

Governance in the Higher Education (HE) sector

The HE sector has been the topic of two NAO reports this year, and considered at the Public Accounts Committee (PAC) twice.

The PAC hearings largely focussed on the consequences of the significant growth of student numbers at Alternative Providers between 2012/13 and 2013/14. The NAO identified some reduced quality of provision, and some abuse of the system within a small number of HE Alternative Providers within their report "Investigation into financial support for students at alternative higher education providers'. The Department welcomed the increased scrutiny and urgency the NAO and PAC brought to what the Department had been doing on these issues. The Department has tightened the conditions for course designation at these providers, as well as increasing the requirement for information to be provided to the Department and its Partner Organisations, such as HEFCE and the SLC. These new requirements were published in guidance in March 2015. The Department has also consulted (February 2015) on three further areas; English language requirements, better information for prospective students, and relating student number controls to provider performance. The outcomes of this consultation will be published in the summer. Internally we have established a new Intelligence Unit jointly with HEFCE, and we are more widely undertaking a review of fraud and error across the HE sector.

On 12 March 2015 the NAO separately published the findings from its investigation into potential conflicts of interest in the award of Disabled Students' Allowance (DSA), which were originally raised by a whistle-blower. The report examined the arrangements for disabled students at Plymouth University, whose support requirements were assessed by an assessment centre based on the University's main campus.

The report found that BIS had not taken sufficient action to mitigate fully the risk of a conflict of interest between the assessment centre and the provider of support to disabled students at Plymouth University. It concluded that whilst the average payment for students assessed at Plymouth was higher than the average at other institutions, the supplier was delivering the service it claimed public money for and so there was no evidence of misuse of funds. It also found that a higher proportion of students at Plymouth receive DSA compared to the national average, but this could be the result of a number of factors and was not relevant to the assessor or the supplier in question.

BIS has since taken a number of actions. At our request, the assessment centre at Plymouth is now providing multiple quotes for support to ensure other providers can bid for this work. We have asked all institutions with exclusive supplier arrangements to bring these to an end and are in the process of agreeing transitional arrangements with them. With the help of the NAO and Cabinet Office we have created a new, more robust process for managing conflicts of interest which will be overseen by a new oversight group which will improve the governance of DSA provision nationally. Finally, we are investigating with the SLC how analysis of data can be strengthened, in order to identify any anomalies that require further investigation to reveal earlier where conflicts of interest might be affecting the system.

Counter fraud and error

BIS and our Partner Organisations develop and manage a number of different funding and support schemes to assist businesses and individuals to reach their potential. These can potentially create fraud and error risks that need careful management. We are continuously evolving our approach to fraud and error and adapting it to new risks, building on the areas for improvement that were identified during the course of this year.

We believe that the key to success is to ensure closer joint working across BIS on prevention and early detection. 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. They also work closely with the Cabinet Office and other Departments on cross-cutting counter fraud issues.

We are building our end-to-end-capacity and capability to prevent, detect, investigate and recover fraud and error losses, and monitoring fraud and error rates across the BIS group. We are working flexibly with specialist staff inside and outside BIS, to improve the protection we give to the Accounting Officer and the public. Within the year we have enhanced the capability of the Student Loans Company in this area through the appointment of a Board level Director with responsibility for implementing the SLC's counter-fraud policy. This will be coupled with additional training for all staff to help them identify potential indicators of irregularity during processing to tackle these at an earlier stage and improved analytical capability to detect fraud. We will also be examining the methodology for calculating error rates at the SLC. This is in response to an increase in the error rate in 2014-15, attributable to delays in HE providers informing SLC when a student has left a course, following three years of falling error rates.

Our Partner Organisations reported a number of actual or attempted acts of fraud, either in or on their organisation. These include a unit of the Medical Research Council, Student Loans Company, the Skills Funding Agency, the Insolvency Service, and the delivery partners of the British Business Bank. None of the incidents were material to their financial position. In all cases we are looking to further strengthen controls and improve our management information, as well as carrying out independent investigations.

In response to fraud identified this year, including that identified in the growth of Alternative Providers, we have implemented a process whereby, for all new policies with financial implications, there should be Independent Challenge Panels. These will look at the design stage to determine whether the potential for fraud and error risks have been properly identified, along with strong countermeasures. We are also working with our Partner Organisations across the BIS family to identify how we can engage more efficiently and swiftly with whistle-blowers.

Within BIS, this year we have also clarified the guidance on anti-bribery and corruption following advice from the ARC, which has now been endorsed by the BIS Executive Board.

Major Projects Assurance

BIS has strengthened its oversight of, and support for, our portfolio of 41 major projects. The Senior Responsible Officer (SRO) community has been set up to support programme leadership with training, guidance, knowledge sharing and best practice. The

Department continues to share good practice and provide support to the most complex projects, and actively supports professional development, for example improving project leadership and commercial skills capability, drawing on Cabinet Office initiatives. Our portfolio management approach has better equipped the Department to support the projects which need it most. We are breaking new ground in the way we analyse and classify BIS projects and assess the resulting risks. BIS has implemented integrated assurance so projects have appropriate assurance, depending on their level of complexity and risk. This provides better and smarter assurance targeted where it is most required, and based on a '5 lines of defence' model. The BIS Executive Board has reviewed and endorsed this approach which helps ensure that projects are closely aligned to BIS and the Government's key objectives. BIS major projects continue to deliver, highlights this year include: the establishment of the Business Bank in November 2014; and the conclusion of the project establishing loan provision to those aged 24 and over who are undertaking further education. Further major projects are underway, including the new building for the Francis Crick Institute for biomedical research.

Shared Services

The Department's Shared Service Programme is part of a wider transformation of corporate services functions to arrange our capability across BIS and Partner Organisations in the most effective and efficient way.

UK Shared Business Service Ltd (UK SBS) is a BIS Partner Organisation and has played a key role in delivering our shared services strategy – providing finance, human resources (HR), payroll, grants and procurement services to BIS and a number of Partner Organisations. Significant achievements include:

- Around 50 percent of the total 32,000 headcount for BIS and its Partner Organisations has been consolidated within UK SBS HR transactional services (c. 40 per cent of finance transactions); and
- Between 2013-14 and 2015-16, UK SBS is expected to have reduced its core service charges to BIS by £7 million (from £39 million to £32 million).

There was operational uncertainty for UK SBS as transactional services were due to transfer to Shared Services Connected Ltd (SSCL) in 15-16. However a commercial agreement that worked for both parties could not be reached and therefore this transfer is no longer being pursued. A project (Shared Services 2020) is currently underway to develop options for the future provision of Finance, HR, Procurement and Estates services.

Information security

There have been no significant data losses, within the core Department or Partner Organisations within the accounting boundary, during the 2014-15 financial year that are required to be reported in this statement.

BIS has continued to build on the strong links it has made across its Senior Information Risk Owner (SIRO) community, ensuring we respond effectively to risks and incidents as a network. In particular, the BIS SIRO conference held in Jan 15 has assisted in ensuring BIS and POs remains at the forefront of the Government SIRO's strategic direction on Information Risk and system assurance. This was particularly important this year given the significant changes in approach as a result of the introduction of the new "Official" classification scheme.

Ministerial Directions

There was one Ministerial Direction made in 2014-15. This relates to the value for money of the financial assistance given to Hatfield Colliery Partnership Ltd. Full details are available at https://www.gov.uk/government/publications/funding-of-hatfield-colliery-partnership-ministerial-direction. A further Ministerial Direction has been issued in June 2015 in relation to the value for money of gifting Royal Mail shares to Royal Mail UK employees. Full details are available at https://www.gov.uk/government/publications/royal-mail-employee-share-gift-ministerial-direction.

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.

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

BIS Directors General provide 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 of the Audit & Risk Committee review each Statement with the relevant Director General and discuss key findings with me.

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 will be reflected in this statement as appropriate. The prepared statements from each Chief Executive form part of my overall assurance on internal control.

There is one significant point to note, which is raised in the Skills Funding Agency Governance Statement. This relates to the financial management of the capital grants made by the Agency to Further Education colleges. Colleges were given funding to an agreed profile, which is a standard approach used by the Agency. However, insufficient scrutiny in the final year of the capital programme led to £50 million of cash being paid out to colleges in 2014-15 for building work that was being undertaken in 2015-16. HM Treasury's guidance on Managing Public Money requires there to be a value for money case for making any such payments in advance of need.

HM Treasury has judged that there is not a sufficient value for money case for these payments; which I agree with. Separate controls are operating to ensure the £50 million is being spent on what it was intended for. However, the Agency did not have in place the full financial scrutiny required or expected and will be undertaking a full review to ensure lessons are learned, which we will share across our Partner Organisations as appropriate. The NAO will qualify the Skills Funding Agency's financial statements and will be drawing attention to this issue in the report on the Agency's accounts for 2014-2015.

Shared Services assurance

This year has seen stabilisation and improvement in the UK SBS services to BIS and Partner Organisations. The UKSBS Chief Executive provides me and other BIS Accounting Officers with quarterly assurance statements, advising on the control environment, details of internal audit reviews and how recommendations are being implemented. One audit review found the level of assurance was unsatisfactory, due to weaknesses in the procurement function governance. The Chief Executive has advised that nine of the eleven related recommendations have been addressed and the remaining two will be addressed in the first quarter of 2015-16.

The Head of Internal Audit has provided an overall moderate assurance opinion on the effectiveness of internal controls relating to customer processes, other than for procurement, where a limited assurance opinion was provided. I also noted a limited assurance opinion for the effectiveness of internal controls within the Company as a whole.

This, and ongoing experience at BIS and Partner Organisations demonstrates that further improvement is required, both in terms of service provision and the control environment. This reflects the challenging environment in which UK SBS is currently operating. Improvement will need to be delivered in tandem with BIS and Partner Organisations, and we will continue to make improvements in end-to-end processes and customer compliance, including developing a transition plan from certain unsupported legacy systems.

Quality assurance of analytical models in BIS

BIS continues to ensure the quality assurance of BIS analytical models is appropriate. Model Quality Assurance guidance has been provided for use in BIS and Partner Organisations (with adaptations, if necessary). We are also ensuring that the guidance is being followed for our business critical models. We have identified 15 models which are, or are likely to become during the forthcoming year, critical to BIS. A list of these models will be made available on the GOV.UK website. We have assigned a Senior Responsible Owner (SRO) to each of these models. Each model SRO has reported on the quality assurance that has been applied to their model and has either confirmed that, in their opinion, the quality assurance applied is appropriate and the model is fit for purpose, or that it will be when plans for further development or quality assurance are complete.

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. In response BIS took a zero tolerance approach and produced a tax assurance policy that was promulgated and implemented across the BIS family. Tax assurance evidence has been sought and scrutinised to ensure it is sufficient from all off-payroll appointees. Our Partner Organisations have also provided assurance of compliance with this tax policy within their annual governance statements. The review has found that we are broadly complaint across BIS and that action has been taken to address any slight deviations from the policy. A summary of the BIS tax assurance data is available at: https://www.gov.uk/government/publications/bis-tax-arrangements-for-off-payroll-appointees-april-2014-to-march-2015

Internal Audit Review

The Head of Internal Audit has provided me with an Annual Report that incorporates his opinion on the Department's system of governance, risk management and internal control. This opinion takes account of the residual risk carried by the Department during 2014-15 and has been informed by a range of internal and external reviews of the activities and management of the Department. Of four possible opinion ratings – 'Substantial', 'Moderate', 'Limited' and 'Unsatisfactory' – the rating given for BIS in 2014-15 is Moderate – some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Areas of particular challenge for BIS over the past year, highlighted by the Head of Internal Audit in his report, include:

- Risks associated with the future delivery and administration of post graduate loans;
- Risks associated with the capacity and capability of the Student Loans Company to deliver both business as usual and transformative change;
- Improving the quality of fraud risk management in the design and implementation of policy in the context of increased public scrutiny and rising expectations;
- The pressure of financial challenges to both BIS and Partner Organisations and the need to balance quality outcomes and efficiency; and
- Continuing to strengthen the control system for Alternative Providers of higher education.

I accept this assessment and the Department has either implemented or is working to implement the suggested improvements.

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.

Martin Donnelly

Principal Accounting Officer and Permanent Secretary

7 July 2015

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 2013-14 which was paid in 2014-15. 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 receiving a salary in the upper quartile of their pay band.

Further information about the performance and reward arrangement for Senior Civil Servants can be found at www.civilservice.gov.uk/recruitment/working/pay-and-reward/scs-pay.

Audited information

The following table shows the number of SCS staff in the Core Department by pay range as at 31 March 2015. 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 2015	No of SCS staff within range as at 31 March 2014
£60,000 – £64,999	32	39
£65,000 – £69,999	41	39
£70,000 – £74,999	29	31
£75,000 – £79,999	17	14
£80,000 – £84,999	2	15
£85,000 – £89,999	21	15
£90,000 – £94,999	11	10
£95,000 – £99,999	4	6
£100,000 – £104,999	10	11
£105,000 – £109,999	1	4
£110,000 – £114,999	3	6
£115,000 – £119,999	4	7
£120,000 – £124,999	1	1
£125,000 – £129,999	1	1
£130,000 – £134,999	2	2
£135,000 – £139,999	-	3
£140,000 – £144,999	-	6
£160,000 – £164,999	3	3
£170,000 – £174,999	-	2
Total	182	215

The remuneration of the Senior Civil Servants who are not members of the Management Board is determined by the Departmental Performance and Development Committee. The Members of the Committee for 2014-15 were:

Martin Donnelly	BIS Permanent Secretary
Howard Orme	Director General, Finance and Commercial
Rachel Sandby –Thomas	The Solicitor and Director General, Enterprise and Skills
Sam Beckett	Director General, Economics and Markets
Mark Russell	Chief Executive, Shareholder Executive
Bernadette Kelly	Director General, Business and Local Growth
Crispin Simon	Acting Chief Executive, UK Trade & Investment (to 8 June 2014)
Philippa Lloyd	Director General, People, Strategy and Higher Education
Professor Sir John O'Reilly	Director General, Knowledge and Innovation (to 31 January 2015)
Dominic Jermey	Chief Executive, UK Trade and Investment (from 9 June 2014)
Gareth Davies	Director General, Knowledge and Innovation (from 1 January 2015)

The Committee's Terms of Reference are to:

- ensure the SCS are rewarded fairly and differentially according to their contribution to the Core Department;
- authorise decisions on individual pay awards;
- ensure the average cost increases are within centrally determined budgets;
- monitor pay outcomes and identify SCS members needing extra help and support to improve performance;
- comment on the quality of managers' evidence and recommendations; and
- report to the Cabinet Office.

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

- Professor Sir John O'Reilly was appointed on a three year contract commencing 4 February 2013. The notice period for the employee is three months. For the employer, the notice period is six months or a period, if less, equal to the unexpired part of the fixed term contract Professor Sir John O'Reilly resigned. His last day of employment with the Department was 31 January 2015.
- Crispin Simon was appointed on a three year Director level contract commencing 2 February 2012. He temporarily covered a Chief Executive post from 14 December 2013 until 8 June 2014, returning to a Director level role. He then resigned and his last day of employment with BIS as a Director was 2 October 2014.

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 2015 were as follows:

Single total figure of remuneration						
Ministers	Salary (£)		Pension benefits (to nearest £1,000)[1]		Total (to nearest £1,000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Secretary of State						
Rt Hon Dr Vince Cable	67,505	68,169	22,000	25,000	90,000	93,000
Ministers of State						
Matthew Hancock MP	31,680	27,541	-	-	32,000	28,000
Lord Livingston [2]	-	-	-	-	-	-
Nick Boles MP (from 15 July 2014)	22,568[3]	-	-	-	23,000	-
Rt Hon Greg Clark MP (from 15 July 2014)[4]	-	-	-	-	-	-
Ed Vaizey MP (from 15 July 2014)[5]	-	-	-	-	-	-
Rt Hon David Willetts MP (until 14 July 2014)	9,197[3]	32,344	2,000	8,000	11,000	40,000
Rt Hon Michael Fallon MP (until 14 July 2014)	10,560[3]	32,344	3,000	12,000	14,000	44,000
Parliamentary Under-Secretaries of State						
Jo Swinson MP	22,375	23,039	8,000	9,000	30,000	32,000
George Freeman MP (from 15 July 2014)	15,939[6]	-	6,000	-	22,000	-
Baroness Neville-Rolfe DBE (from 17 July 2014)	51,235[7]	-	17,000	-	68,000	-
Viscount Younger of Leckie (until 15 July 2014)	30,788[8]	105,076	7,000	26,000	38,000	131,000
Jenny Willott (until 29 June 2014)[9]	-	-	-	-	-	-

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 Elected not to draw a Ministerial Salary.
3 The full year equivalent is £31,680.
4 Salary and pension details can be found in the Cabinet Office's 2014-15 Annual Report and Accounts.
5 Salary and pension benefits details can be found in the 2014-15 Department of Culture, Media and Sport's Annual Report and Accounts.
6 The full year equivalent is £22,375.
7 The full year equivalent is £72,470, which includes Lords Office-holders Allowance.
8 The full year equivalent is £105,076, which includes Lords Office-holders Allowance.
9 Unpaid, provided maternity cover until 29 June 2014.

Audited information

Ministers	Accrued pension at age 65 at 31 March 2015	Real Increase in pension at age 65	CETV at 31 March 2015	CETV at 31 March 2014	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Secretary of State					
Rt Hon Dr Vince Cable	5-10	0-2.5	132	107	15
Ministers of State					
Matthew Hancock MP [10]	-	-	-	-	-
Lord Livingston [10]	-	-	-	-	-
Nick Boles MP (from 15 July 2014)[10]	-	-	-	-	-
Rt Hon Greg Clark MP (from 15 July 2014)[11]	-	-	-	-	-
Ed Vaizey MP (from 15 July 2014)[12]	-	-	-	-	-
Rt Hon David Willetts MP (until 14 July 2014)	0-5	0-2.5	71	68	2
Rt Hon Michael Fallon MP (until 14 July 2014)	0-5	0-2.5	70	66	3
Parliamentary Under-Secretaries of State					
Jo Swinson MP	0-5	0-2.5	13	8	1
George Freeman MP (from 15 July 2014)	0-5	0-2.5	5	-	2
Baroness Neville-Rolfe DBE (from 17 July 2014)	0-5	0-2.5	21	-	14
Viscount Younger of Leckie (until 15 July 2014)	0-5	0-2.5	56	48	5
Jenny Willott (until 29 June 2014)[13]	-	-	-	-	-

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

10 Not a member of the Parliamentary Contribution Pension Fund.
11 Salary and pension details can be found in the Cabinet Office's 2014-15 Annual Report and Accounts.
12 Pension benefits details can be found in the 2014-15 Department of Culture, Media and Sport's Annual Report and Accounts.
13 Unpaid, provided maternity cover until 29 June 2014.

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 Management Board, this table also includes the former members who either left the Department during the year or ceased to be a member.

Audited information

Single total figure of remuneration								
Officials	Salary (£'000)		Bonus payments (£'000)		Pension benefits (to nearest £1,000)[14]		Total (to nearest £1,000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Martin Donnelly	160-165	160-165	-	-	35,000	13,000	195-200	175-180
Howard Orme	160-165	160-165	10-15	10-15	44,000	35,000	215-220	205-210
Rachel Sandby-Thomas	130-135	130 -135	10-15	-	47,000	29,000	190-195	160-165
Bernadette Kelly	120-125	120-125	10-15	10-15	50,000	11,000[15]	180-185	145-150
Philippa Lloyd	105-110 (110-115 full year equivalent)	110-115	10-15	-	64,000	44,000	180-185	155-160
Mark Russell	160-165	160-165	10-15	-	44,000	37,000[16]	215-220	200-205
Sam Beckett	115-120	35-40 (110-115 full year equivalent)	-	-	121,000	24,000	235-240	60-65
Dominic Jermey (from 1 January 2015)[17]	-	-	-	-	-	-	-	-
Gareth Davies (from 1 January 2015)	20-25 (120-125 full year equivalent)	-	-	-	3,000	-[18]	25-30	-
Professor Sir John O'Reilly (until 31 January 2015)	115-120 (140-145 full year equivalent)	140-145	-	-	-	-[19]	115-120	140-145
Crispin Simon (until 8 June 2014)[20]	-	-	-	-	-	-	-	-
Band of highest paid director's total remuneration (excluding pension benefits)	175-180	170-175	-	-	-	-	-	-
Median Total Remuneration	33,663	32,866	-	-	-	-	-	-
Ratio	5.27	5.25	-	-	-	-	-	-

14 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lumpsum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
15 Revised due to retrospective update to service history.
16 Revised due to retrospective update to added pension.
17 Salary and pension benefits details can be found in the 2014-15 Foreign and Commonwealth Office's Annual Report and Accounts.
18 Pension benefits for the period 1 January to 31 March 2015.
19 Not a member of PCSPS.
20 Member of partnership pension scheme. Salary and Pension details can be found in the 2014-15 UK Trade and Investment's Annual Report and Accounts.

Audited information

Pension Benefits						
Officials	Accrued pension at age 60 as at 31 March 2015 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2015	CETV at 31 March 2014	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Martin Donnelly	70-75 plus lump sum of 210-215	0-2.5 plus lump sum of 5-7.5	1,452	1,354	31	-
Howard Orme	20-25	2.5-5	380	318	36	-
Rachel Sandby-Thomas	40-45 plus lump sum of 45-50	2.5-5 plus lump sum 0-2.5	726	654	33	-
Bernadette Kelly	40-45 plus lump sum of 125-130	2.5-5 plus lump sum of 7.5-10	748	674[21]	36	-
Philippa Lloyd	35-40 plus lump sum of 45-50	2.5-5 plus lump sum of 0-2.5	635	553	50	-
Mark Russell	25-30	2.5-5	462	385[22]	30	-
Sam Beckett	30-35 plus lump sum of 100-105	5-7.5 plus lump sum of 15 -17.5	566	456	83	-
Dominic Jermey (from 1 January 2015)	-	-	-[23]	-	-	-
Gareth Davies (from 1 January 2015)	25-30	0-2.5	305	301	-	-
Professor Sir John O'Reilly (until 31 January 2015)[25]	-	-	-[24]	-	-	-
Crispin Simon (until 8 June 2014)[26]	–	–	–[25]	–	–	-

21 Revised due to retrospective update to service history.
22 Revised due to retrospective update to added pension.
23 Pension details can be found in the 2014-15 Foreign and Commonwealth Office's Annual Report and Accounts.
24 Not a member of PCSPS.
25 Member of partnership pension scheme. Salary and Pension details can be found in the 2014-15 UK Trade and Investment's Annual Report and Accounts.

Unaudited Information

Notes:

- The information relates only to the Management Board members of 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 Core 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 (£66,396 from 1 April 2013, £67,070 from 1 April 2014) 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 Core 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 2014-15 relate to performance in 2013-14 and the comparative bonuses reported for 2013-14 relate to the performance in 2012-13.
- 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 (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

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). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2014 members pay contributions between 8.4% and 17.9% depending on their level of seniority and chosen accrual rate.

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

In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015. The new scheme will be a Career Average pension scheme, have an accrual rate of 1.775%, revaluation based on the change in prices, a Normal Pension age equal to State Pension age and a member contribution rate of 11.1%.

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 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. 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 1.5% and 6.85% of pensionable earnings for **classic** and between 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. 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. 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% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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** and 65 for members of **nuvos**.

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

New Career Average pension arrangements were introduced from 1 April 2015 and the majority of **classic, premium, classic plus** and **nuvos** members will join the new scheme.

Further details of this new scheme are available at http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

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

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 permanent workforce.

The banded remuneration of the highest paid director in the Department for Business, Innovation and Skills in the financial year 2014-15 was £175,000 – £180,000 (2013-14: £170,000 – £175,000).

In 2014-15 one person (2013-14: one person) received remuneration in excess of the highest paid director. Remuneration ranged from £14,365 to £194,425 (2013-14: £12,531 to £307,500).

Total remuneration includes full year equivalent salary, non-consolidated performance related pay, benefits-in-kind as well as severance payments. It does not include 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 Core Department's Management Board. The total payments for the year to each person were in the following ranges:

Non-executive member	Fees for 2014-15 £'000	Fees for 2013-14 £'000
Allan Cook	20-25	-
Dalton Philips[26]	-	-
Alan Aubrey[27]	-	-
Dale Murray CBE	15-20	10-15
Professor Wendy Purcell	20-25	5-10
Professor Dame Ann Dowling	15-20	-
Juergen Maier	5-10	-
Stephen Bligh	10-15	-

26 Dalton Philips has chosen not to be remunerated.
27 Alan Aubrey stood down on completion of his term on 30 September 2014, and chose not to be remunerated.

Martin Donnelly
Principal Accounting Officer and Permanent Secretary

7 July 2015

Consolidated Accounts

Strategic Report

The Department has worked to deliver policies which promote long-term, sustainable growth throughout the course of the last Parliament. During the Spending Review we have 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 higher education, further education and consumer protection. Detailed information on the Department's financial position can be found in the Director General's Financial Review in the following pages. Information on the causes for variances in the outturn against estimate can be found in the Statement of Parliamentary Supply, with commentary on contingent liabilities available in Note 23 to the accounts.

Information on how the Department has performed against its key performance indicators has been provided throughout the performance report. A full disclosure of performance, including additional commentary on each metric, can be found at https://www.gov.uk/government/collections/bis-performance-indicators.

The Department has continued to prioritise sustainability in the running of the estate and ensured it remains at the heart of policy making. This year we have achieved a significant reduction in Greenhouse Gas Emissions, water usage, waste and domestic flights. Information on sustainable policy making has been provided throughout the report, with detailed data on page 216. The Department is committed to good practice in respect to human rights, social and community issues. We ensure that suppliers are selected on an ethically sound basis and consider the effect on the wider population during the implementation of policy – such our investment in smaller community Post Office branches. Further references to the information mentioned in the Strategic Report can be found below:

Strategic Report Index			
Topic	**Key Information**	**Chapter**	**Page Number**
Financial Management	The financing implications of significant changes in the department's objectives and activities, its investment strategy and our long term liabilities	(4) Consolidated Accounts	86
Financial Performance	A comparison of outturn against Estimate, a reconciliation of net resource expenditure between Estimates, budgets and accounts and commentary on the Department's significant remote contingent liabilities	(4) Consolidated Accounts	96 and 186 to 188
Our Reporting Boundary	A description of the reporting entities within the Departmental accounting boundary	(4) Consolidated Accounts	195
Sustainability	Information on environmental matters, social, community and human rights issues	(2) How we have performed	55
Performance	Progress against our key performance indicators	(2) How we have performed	Progress against our business plan is reported for each group, and is included in the wider group review information starting on page 19

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
7 July 2015

Consolidated Accounts

Director General's Financial Review

Introduction

BIS had developed a reform programme, spanning the previous Parliament, which included:

- A significant reshaping of policy and delivery landscape
- A focus on coalition priorities
- A financial strategy, balancing fiscal and policy objectives

2014-15 was the last year of the programme, which has been delivered successfully overall. The main factors driving changes to Departmental spending compared with previous years are:

- The last Government's programme of fiscal consolidation, to which we contributed through reform of our delivery model, by reducing running costs and programme cash expenditure throughout the duration of the last Parliament;
- Continuing to build on work done with our partners, such as HEFCE and the Student Loans Company, to implement reforms to higher education funding, reducing teaching grant payments and increasing funding provided through income contingent student loans. This reform, now in the second full year of implementation, is reflected in the continuing trend of a move away from Departmental Expenditure Limit funding towards Annually Managed Expenditure budgets;
- Building upon and expanding banking interventions including continuing investment in the Green Investment Bank in the priority sectors of offshore wind and energy efficiency and establishment of the British Business Bank, an operationally independent economic development bank, to assist Small to Medium Enterprises access to finance from a wider range of sources.

The Department's total managed expenditure in 2014-15 was £26,025 million. The combination of the factors above, in addition to a general improvement in macro-economic outlook, have led to an overall decrease of £1,073 million (4%) on the previous year's outturn of £27,098 million which had seen an increase of 3% over 2012-13.

The table below summarises the trends in the Department's spending this year compared to the previous three years. All figures are presented as reported in that years' accounts.

Type of Spend (£m)	2011-12 outturn	2012-13 outturn	2013-14 outturn	2014-15 outturn
Departmental Expenditure Limit				
Administration Expenditure	807	686	682	632
o/w Cash	*738*	*625*	*628*	*556*
o/w Non-Cash	*69*	*61*	*54*	*76*
Programme Expenditure	19,201	18,544	19,933	14,773
o/w Cash	*15,482*	*14,819*	*14,245*	*13,180*
o/w Non-Cash	*3,719*	*3,725*	*5,688*	*1,593*
Capital	1,153	1,240	2,156	2,011
Total Departmental Expenditure Limit	**21,161**	**20,470**	**22,771**	**17,416**
o/w Cash	*17,373*	*16,684*	*17,029*	*15,747*
o/w Non-Cash	*3,788*	*3,786*	*5,742*	*1,669*
Annually Managed Expenditure				
Resource	(1,420)	(356)	(348)	(965)
Capital	5,469	6,129	4,675	9,573
Total Annually Managed Expenditure	**4,049**	**5,773**	**4,327**	**8,609**
Total Managed Expenditure	**25,210**	**26,243**	**27,098**	**26,025**

Trends in Department Expenditure Limit Cash Programmes

Excluding non-cash costs, the 2014-15 total DEL outturn of £15,747 million is a decrease of 8% on the previous year's outturn of £17,029 million, and the lowest outturn by the Department, in this budget category, over the course of the previous Parliament. Over the four year period, resource DEL budgets (programme plus administration) expenditure has continued to fall year-on-year and now stands 15% lower than 2011-12. This is reflective of the continued delivery of savings agreed at Spending Review 2010, including the reduction of grant funding for Higher Education (HE) and Further Education (FE), streamlining the Department's administrative budgets, and delivering additional savings required by HM Treasury at subsequent fiscal events. Within this overall tightening of finances, the Department has delivered a number of high-priority policy reform initiatives.

In particular, BIS has reduced teaching grant spending by £1,033 million from 2013-14 outturn of £3,048 million (34%), replacing it with student-routed income-contingent repayment loans. This has been achieved whilst maintaining delivery of the Coalition Government's strategy in protecting funding for high-cost subjects – especially Science, Technology, Engineering and Mathematics (STEM), widening participation and safeguarding small and specialist institutions.

Whilst resource DEL budgets have seen a reduction, the Department has continued to maintain levels of capital investment expenditure broadly in-line with the previous year to deliver priority programmes in support of the Coalition Government's growth agenda and Industrial Strategy. These programmes, arising mainly from awards to the Department at Autumn Statement 2012 and Budget 2013, include:

- Launching and obtaining state aid approval for the British Business Bank, helping ensure businesses, particularly small and medium sized, can access finance and support from a wider range of sources;
- Investment in science and research to ensure the United Kingdom has a firm foundation to develop and expand in technological fields;
- Investing capital in Further Education colleges and Higher Education institutions.

Departmental Expenditure Limit Variance against Supplementary Estimate

The Department has a variance against Estimate of £5,107 million.

Driver of unutilised resource	£m
Student loans – Impairments (RAB)	3,755
GIB & BBB Financial Transactions	944
DoH Income for medical students	112
Underspends in other activities	295
Total	**5,107**

- *Student Loans Impairments (RAB) charges*
  The £3,755 million non-cash underspend comprises £2,021 million due to the revision made to the Office for Budget Responsibility forecast of long term inflation forecasts. This is explained in more detail under 'HE Student Loan Valuation Model' below. A further £1,498 million is due to changes to the repayments model increasing the value of pre-2012 loans. The remainder £236 million relates to student numbers, following increase in cap by 30,000, being less than provided for.
- *Green Investment Bank and British Business Bank financial transactions*
  An underspend of £944 million where the Department took funding cover to allow our banks to pursue a number of deals which in the event were not concluded in the year. The majority of the underspend (£684 million) is in the Green Investment Bank and is a combination of delays in concluding deals and disposal receipts from assets transferred into the offshore wind fund. The remainder of the underspend relates to deployment slippage in the British Business Bank.
- *Income from Department of Health*
  Income of £112 million to cover Department of Health's share of impairment costs for medical, dental and nursing student borrowing. The Department had an agreement with HMT that this income is retained but not recycled for use in other spending plans.
- *Underspends in other activities*
  Combined residual underspends of £295 million are spread across the business and all DEL budget types.

Administration Costs and Reform

The net DEL resource outturn in 2014-15 includes administration costs of £632 million compared with £682 million in 2013-14 (decrease of £50 million), £686 million in 2012-13 (decrease of £54 million) and £807 million in 2011-12 (decrease of £175 million).

A number of complex efficiency programmes have progressed sufficiently to reduce overall spending, although they have been challenging to implement. Significant cost reductions in Shared Services, Estates rationalisation and Skills Funding Agency have been realised. UK Trade & Investment and a number of research institutes have also moved outside BIS' consolidation boundary.

Higher Education Reform and Implications for the Accounts

The introduction of income-contingent loans over the course of the previous Parliament has resulted in a year-on-year increase in the net value of assets on the balance sheet. This trend has continued in 2014-15 with £10,655 million in HE student loans issued showing an increase of £1,628 million (18%) over last year.

In contrast to previous years, which showed increasing non-cash DEL expenditure, 2014-15 has seen a marked reduction. Improving macroeconomic forecasts from the Office for Budget Responsibility resulted in the Department having to impair loans (due to forecast non-repayment) at a significantly lower rate than 2013-14. These movements are explained in further detail below.

HE Student Loan Valuation Model

The Department uses the Stochastic Earnings Paths (StEP) model to estimate the likely future cash flows relating to student loans, and therefore the provisions required in the current year. Impairment to loans issued during the year is known as the Resource and Accounting Budget (RAB) charge. Adjustments made to previously issued loans, to ensure the carrying value of these loans is not greater than the value of estimated future cash flows, is known as the stock charge. The Department anticipates a material proportion of the face value of loans not to be repaid as some graduates may not reach and exceed the repayment earnings threshold sufficiently to repay the loan over its term.

The RAB and stock charges are volatile and sensitive to changes in macroeconomic forecasts of earnings growth and inflation made by the Office for Budgetary Responsibility, and modelling of graduate earnings paths. The value of loans and estimated impairment are also affected by continuous refinement of the student loans modelling process as more historical repayment and earnings data is made available. The RAB charge for post-2012 HE reform loans is now estimated to be around 45%. Total impairments of new and existing loans in 2014-15 were £1,865 million (2013-14 £6,141 million).

When setting budgets at the Supplementary Estimate, the Department must anticipate the outcome of the forecasts and modelling changes and agree cover with HM Treasury to ensure the required Parliamentary approval is in place for a range of eventual scenarios.

Student Loan Impairment Cover

Budget Type	Budget £m	Utilised £m	Unused £m
DEL	5,017	1,262	3,755
AME	1,985	603	1,382
Total	**7,002**	**1,865**	**5,137**

Budget cover was set to reflect a reasonable maximum requirement, rather than a central forecast estimate. The 2014-15 impairment turned out to be lower than this maximum for two main reasons. First, the value of impairments (RAB and stock charges) of student loans arising from the modelling changes was significantly lower than the maximum anticipated at the time of the Supplementary Estimate. Second, there was a marked improvement between December 2014 and March 2015 with a decrease in the Office for Budget Responsibility's projection of long run RPI rate which increased the gap between earnings and prices resulting in lower provisions.

Annually Managed Expenditure (AME)

HM Treasury defines AME budgets as covering spending that is demand-led, volatile, and so large that departments could not be expected to absorb costs within DEL budgets. The Department's ability to manage its AME budgets is constrained, particularly in the short term. As a result BIS agrees cover for a reasonable maximum requirement.

As shown in the Statement of Parliamentary Supply, our 2014-15 net AME outturn was £8,609 million, an increase of £4,282 million (99%) compared with the 2013-14 outturn of £4,327 million. There were increased AME costs this year arising from student loan outlays as the higher value post-2012 reform loans are issued in greater volume (£10,655 million compared with £9,027 million in the previous year). This has been slightly offset by impairments being £160 million lower than in 2013-14 (£764 million).

In 2014-15 the Department did not benefit from the one-off income stream which was realised in 2013-14 from the sale of the Government's controlling stake in Royal Mail plc (£1.95 billion). The Post Office Working Capital Loan was another factor contributing to the overall increase in AME outturn. The Department provides short-term loans to Post Office Limited (POL), to support the daily working capital needs of its branches. In 2014-15 this requirement accounted for a £583 million increase in outturn from 2013-14.

Annually Managed Expenditure Variance against Supplementary Estimate

The Department has a variance against Estimate of £2,815 million.

- *Student Loans Impairments (Stock) charges*
  £1,382 million of the budget for student loan impairments was not utilised in the year. This is explained in more detail under 'HE Student Loan Valuation Model' above.

- *Student Loans – New Loans*
  £671 million of the budget for new student loans not utilised in the year, mainly resulting from universities and students taking on 10,000 additional places, against a maximum expectation of 30,000.

- *Post Office Limited Working Capital Loan*
  BIS provides short-term loans to Post Office Limited (POL), to support the daily working capital needs of its branches. At the year-end the level of support required by POL was lower than the available facility by £363 million.

- *Unbudgeted receipts*
  £309 million of income was received from disposals of Royal Mail Pension Scheme legacy assets not forecast at the time of the Supplementary Estimate.

- *Underspends in other activities*
  Combined residual underspends, totalling £91 million across all budget types, including volatile and unpredictable AME expenditure on provisions.

Driver of unutilised resource	£m
Student Loans – Impairments	1,382
Student Loans – New Loans	671
Post Office Network – Working Loan Facility	363
Unbudgeted Receipts	309
Underspends in other activities	91
Total	**2,815**

Balance Sheet and Cash

The extract shows some of the trends that contribute to the changing shape of the Department's balance sheet.

Balance sheet item	2013-14 value (£m)	2014-15 value (£m)	2013-14 percentage of net assets (%)	2014-15 percentage of net assets (%)
Student loan book	33,350	42,072	76	79
Fixed assets (land, IT)	3,257	3,158	7	6
Launch investments	1,606	1,741	4	3
Green Investment Bank investments	390	560	1	1
British Business Bank investments	-	655	-	1
Royal Mail Group shareholding	1,689	1,315	4	3
Shares in public bodies such as Post Office Limited	859	1,143	2	2
Provisions and financial guarantees	(1,440)	(1,343)	(3)	(3)
Working Capital	437	1,381	1	3
Other financial assets	3,540	2,383	8	5
Total	**43,688**	**53,065**	**100%**	**100%**

Assets

The value of student loan assets, and their share of the balance sheet, has increased year-on-year as expected from 76% in 2013-14 to 79% in 2014-15 and accounts for 94% of the increase in the value. Other assets comprise a range of loans and investments such as launch investments and investments made by the Green Investment and British Business Banks. The Department also holds shares in a number of trading funds and Public Corporations as well as retaining a 30% stake in Royal Mail Group. Balances relating to fixed assets, such as buildings and IT, have reduced year-on-year, as the Department continues to rationalise its estate. The Department has however seen an increase in working capital requirements over 2014-15 resulting mainly from drawdown of full cover to fund Post Office Limited working capital requirements (£784 million) and cash requirements in British Business Bank for funding investments (£628 million).

Cash

The Departments cash outlay has increased by £2,791 million, from £23,401 million in 2013-14 to £26,192 million in 2014-15. This increase has primarily been primarily driven due to increased cash invested in student loans and to a lesser extent an increase in working capital requirements mentioned above.

Outturn against the Net Cash Requirement was £1,596 million lower than Estimate of £27,788 million mainly due to lower take up of additional student places, being only 10,000 as opposed to the planned increase of 30,000, and hence number of loans issued being lower. Further underspends arose from slippages in investment activities relating to the Green Investment and British Business Banks.

Looking Forward

Following the change of Government the Department will be aligning the resources available with the priorities of the new Government. Key parts of this process will be the July Budget and the Spending Review later in 2015-16.

On 4 June 2015, the Chancellor announced £4.5 billion of new measures which will bring down public debt in 2015-16. The Department's share of these reductions is £450 million, identified mainly from unallocated budgets and underspends, and efficiencies and reductions to lower value programmes. The Chancellor also announced that the Department will sell its remaining holding of Royal Mail shares, completing the privatisation begun with an Initial Public Offering of shares in October 2013. The Government holds a 30% stake in the company, with the remaining 70% held by a combination of employees (10%) and private investors. Further details can be found in Note 26 to the Accounts.

The Department will also be looking closely at administration budgets. The Department committed to a further £80 million reduction to administration budget in 2015-16, which will in part be delivered by the 'Invest-to-Save' initiatives established in 2014-15. The Department will face inevitable, and challenging, further step changes in spending reductions and increased efficiency which will focus on further streamlining of BIS delivery systems, taking full advantage of digital opportunities consistent with Minister's policy choices.

Howard Orme
Director General, Finance and Commercial

Other information

Pension liabilities

The Department's staff can become members of one of the Principal Civil Service Pension Schemes (PCSPS). The Department's employer's contributions into the Schemes are reflected in the Accounts within Staff Costs. The PCSPS 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 Statement of Financial Position although some smaller funded and unfunded schemes are recognised. Further details can be found in Note 1.14 to the Accounts.

Payment of suppliers

The Department's policy is to comply with the 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 2014-15 99.5 per cent (2013-14 99.1 per cent) of undisputed invoices were paid within the 30 day target and 96.3 per cent (2013-14 97.7 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 26 to the Consolidated Accounts for information on events after the reporting period.

Auditors

These 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 94. The external audit cost of the Departmental Group was £2,682,242 comprising £992,500 notional and £1,689,742 cash. The external audit cost of the UK Atomic Energy Authority Pension Scheme Accounts was a further £14,000 notional.

Disclosure of Audit Information

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.

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
7 July 2015

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 2014 no 531, as amended by Statutory Instrument 2014 no 3314 (together known as the 'Departmental Group', consisting of the Department and designated bodies listed in Note 29 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.

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 2015 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 2014. 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. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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.

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 2015 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 Departments and the Departmental Group's affairs as at 31 March 2015 and of the Department's net operating cost and Departmental Group's net operating cost 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 1.19 and 14.1 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. 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 part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the sections entitled How we have performed, Accountability, Strategic Report and Director General's Financial Review 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 part of the Remuneration Report 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

9 July 2015

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires BIS to prepare a Statement of Parliamentary Supply 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 2014-15

£'000								2014-15	2013-14 restated
				Estimate			Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
	SoPS Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Departmental Expenditure Limit									
– Resource	2.1	19,544,668	-	19,544,668	15,404,884	-	15,404,884	4,139,784	20,591,340
– Capital	2.2	2,977,949	-	2,977,949	2,011,189	-	2,011,189	966,760	2,156,621
Annually Managed Expenditure									
– Resource	2.1	476,142	252,000	728,142	(1,204,813)	239,776	(965,037)	1,680,955	(348,238)
– Capital	2.2	10,695,040	-	10,695,040	9,573,260	-	9,573,260	1,121,780	4,674,887
Total Budget		**33,693,799**	**252,000**	**33,945,799**	**25,784,520**	**239,776**	**26,024,296**	**7,909,279**	**27,074,610**
Non-Budget									
– Resource	2.1	-	-	-	-	-	-	-	-
Total		**33,693,799**	**252,000**	**33,945,799**	**25,784,520**	**239,776**	**26,024,296**	**7,909,279**	**27,074,610**
Total Resource	2.1	20,020,810	252,000	20,272,810	14,200,071	239,776	14,439,847	5,820,739	20,243,102
Total Capital	2.2	13,672,989	-	13,672,989	11,584,449	-	11,584,449	2,088,540	6,831,508
Total		**33,693,799**	**252,000**	**33,945,799**	**25,784,520**	**239,776**	**26,024,296**	**7,909,279**	**27,074,610**

Net Cash Requirement 2014-15

£'000		2014-15		2014-15	2013-14 restated
	SoPS Note	Estimate	Outturn	Voted outturn compared with Estimate: saving/ (excess)	Outturn
Net cash requirement	4	**27,787,587**	**26,193,152**	1,594,435	**23,400,962**

Administration Costs 2014-15

£'000	2014-15	2014-15	2013-14 restated
	Estimate	Outturn	Outturn
Total Administration costs	**641,177**	**631,615**	**675,142**

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 Machinery of Government change to transfer the outturn associated with the Competition Commission out of the Department.

There was one change in accounting policy in the reporting period and which is treated as a Prior Period Adjustment in the financial accounts. Previously, joint ventures and associates were recognised as other investments under IAS 39. However, the 2014-15 FReM requires that joint ventures and associates not classified to the public sector should be recognised. The change in accounting policy has no impact on 2013-14 net expenditure or on prior year outturn against control totals.

There was one prior period restatement. The Group revaluation reserve balance at 31 March 2014 incorrectly included £1,676 million relating to Post Office Holdings Limited assets that had been sold in 2013-14. These balances should have been transferred to the Statement of Comprehensive Net Expenditure upon the disposal of assets. The revaluation reserve and the Statement of Comprehensive Net Expenditure have been restated to correct this error for 2013-14. This resulted in a decrease of £1,676 million to the Departmental Group's net expenditure for 2013-14. This transfer from the reserves to Net Expenditure is treated as a non-budget movement. Therefore the impact on the Statement of Parliamentary Supply (SOPS) is an increase in the reconciling differences between prior year net resource outturn and net operating costs which can be seen in SOPS note 3.1.

For more information about the restatements and their impact, please see note 28 of the financial accounts.

Explanations of variances between Estimate and outturn are given in SoPS Note 2.

The Notes on pages 98 to 109 form part of these Accounts.

Statement of Parliamentary Supply Notes

SoPS 1. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual at

https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2014-to-2015 and

https://www.gov.uk/government/publications/supply-estimates-guidance-manual

1.1 Accounting convention

The Statement of Parliamentary Supply (SoPS) and related notes reflect HM Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

1.2 Restatement of outturn

Prior year outturn is restated where a function has transferred to (or from) the Department from (or to) another during the year, or where entities have been retrospectively reclassified in or out of the boundary by the Office for National Statistics. This ensures that outturn for that function or entity is presented consistently from year to year.

1.3 Comparison with IFRS-based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences. A reconciliation of the department's outturn as recorded in the SoPS compared to the IFRS-based Consolidated Statement of Comprehensive Net Expenditure is provided in SoPS notes 3.1 and 3.2.

- **Capital Grants**

Grant expenditure used for capital purposes are treated as capital (CDEL) items in the SoPS. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure. Payments in settlement of financial guarantees are classified as capital grants for budgeting purposes. In financial accounting these are treated as balance sheet movements and do not impact on the performance statement.

- **Equity Withdrawals**

Dividends received from investments will typically be recorded as resource income in IFRS-based accounts, but they may occasionally be recorded as capital equity withdrawals (repayment of capital from an investee to the Department) in the SoPS where the dividend is greater than the investee profits for the current reporting period and previous two periods.

- **Prior Period Adjustments (PPAs)**

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the department, need to be voted by Parliament in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.

- **Receipts in excess of HM Treasury agreement**

This applies where HM Treasury has agreed a limit to income retainable by the department, with any excess income scoring outside of budgets, and consequently outside of the SoPS. IFRS-based accounts will record all of the income, regardless of the budgetary limit. This situation may arise in the following areas: (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above netting-off agreements.

- **Provisions – Administration and Programme expenditure**

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash is recognised. To meet the requirements of both resource accounting and National Accounts, additional data entries are made in the SoPS across AME and DEL control totals, which do not affect the Consolidated Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the SoPS will differ from that reported in the IFRS-based accounts.

A reconciliation between the IFRS-based accounts and the SoPS is provided in SoPS notes 3.1 and 3.2.

1.4 Reconciliation between Estimates and accounts

The following reconciling items are included in SoPS note 3.1:

- Capital Grants – these are grants paid out by members of the group for capital purposes and score to the capital budget. These are accounted for as resource items in financial accounts.
- Utilisation of Financial Guarantees – financial guarantees are capital items, and movements in valuation are accounted for through the balance sheet. The release of these guarantees scores to the resource budget, but not as an expense in financial accounts.
- Expected return on Pension Scheme assets – expected return on Pension Scheme assets is accounted for as resource income in the financial accounts, but is recognised as capital income for budgeting purposes.
- Share of profit/loss of joint ventures and associates – the share of profit or loss from joint ventures is accounted for as resource income in the financial accounts, but is recognised as non-budget for budgeting purposes.
- Minority interest – the recognition of the minority interest share in organisations is treated as non-budget for budgeting purposes.
- Amortisation of financial guarantees – amortisation of financial guarantees is treated as resource in financial accounts, but is treated as a capital movement in budgets.
- Investments realised – income realised in respect of investments is accounted for as income in the financial accounts, but is treated as a capital receipt for budgeting purposes when cash is received.
- Non-budgetary income – income in relation to profit on forward contracts and overage payment is treated as non-budgetary income for budgetary purposes but as resource income in the financial accounts.

- Non-budget, non-voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited – certain activities of the BIS (Postal Services Act 2011) Company Limited and B Company Limited are accounted for as income and expense in the financial accounts. There is an agreement with HM Treasury that these activities should be classified as non-budget for budgeting purposes.
- Impact of intra-group transactions – in financial accounts all intra-group transactions are eliminated. For budgeting purposes the estimates manual requires intra-group transactions to eliminate only if those transactions are within the same budget class. Consequently items that eliminate in financial accounts do not necessarily eliminate for budgeting purposes, giving rise to reconciling differences.

The following reconciling item is included in SoPS note 3.2:

- Provisions utilised – this is treated as programme expenditure in the financial accounts, but split out into the relevant programme and admin budgetary classification in the SoPS.

SoPS 2. Net Outturn

SoPS 2.1 Analysis of net resource outturn by section

											2014-15 £'000	2013-14 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	2,920	-	2,920	502,319	(1,599)	500,720	503,640	518,897	15,257	9,042	434,185
B	Innovation, Enterprise and Business	1,951	(18)	1,933	340,004	(33,254)	306,750	308,683	487,814	179,131	140,315	292,358
C	Market Frameworks	13,276	(9,374)	3,902	165,293	(74,105)	91,188	95,090	128,423	33,333	33,682	126,304
D	Higher Education	-	-	-	3,372,021	(171,829)	3,200,192	3,200,192	7,172,953	3,972,761	3,867,705	7,224,308
E	Further Education	-	-	-	177,514	(807,063)	(629,549)	(629,549)	(636,286)	(6,737)	2,991	(617,936)
F	Capability	306,920	(49,898)	257,022	51,064	(6,385)	44,679	301,701	353,463	51,762	2,268	279,468
G	Government as Shareholder	-	-	-	246,075	(34,213)	211,862	211,862	237,002	25,140	25,140	350,246
H	Science and Research (NDPB) net	85,344	-	85,344	4,564,850	-	4,564,850	4,650,194	4,650,570	376	3,408	4,608,771
I	Innovation, Enterprise and Business (NDPB) net	21,170	-	21,170	502,851	-	502,851	524,021	540,488	16,467	17,295	438,360
J	Market Frameworks (NDPB) net	10,104	-	10,104	39,786	-	39,786	49,890	53,679	3,789	5,922	86,392
K	Higher Education (NDPB) net	78,823	-	78,823	2,104,294	-	2,104,294	2,183,117	2,079,688	(103,429)	342	3,193,489
L	Further Education (NDPB) net	110,861	-	110,861	3,820,485	-	3,820,485	3,931,346	3,904,123	(27,223)	2,782	4,038,253
M	Capability (NDPB) net	59,269	-	59,269	-	-	-	59,269	9,800	(49,469)	-	68,595
N	Government as Shareholder (NDPB) net	267	-	267	15,161	-	15,161	15,428	44,054	28,626	28,892	68,797
	Total Voted	*690,905*	*(59,290)*	*631,615*	*15,901,717*	*(1,128,448)*	*14,773,269*	*15,404,884*	*19,544,668*	*4,139,784*	*4,139,784*	*20,591,590*
Non-voted												
	Capability (Contingency Fund Advance)	-	-	-	-	-	-	-	-	-	-	**(250)**
	Total Non-voted	-	-	-	-	-	-	-	-	-	-	*(250)*
Total spending in Departmental Expenditure Limit		**690,905**	**(59,290)**	**631,615**	**15,901,717**	**(1,128,448)**	**14,773,269**	**15,404,884**	**19,544,668**	**4,139,784**	**4,139,784**	**20,591,340**

Consolidated Accounts

		2014-15 £'000										2013-14 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	-	-	-	87,580	-	87,580	87,580	57,824	(29,756)	-	33,807
P	Innovation, Enterprise and Business	-	-	-	(84,393)	(57,321)	(141,714)	(141,714)	3,310	145,024	870	(160,788)
Q	Market Frameworks	-	-	-	72,424	-	72,424	72,424	119,147	46,723	46,689	65,297
R	Higher Education	-	-	-	550,208	(1,649,902)	(1,099,694)	(1,099,694)	452,527	1,552,221	1,552,221	(534,596)
S	Further Education	-	-	-	(15)	(7,955)	(7,970)	(7,970)	(18)	7,952	7,952	(702)
T	Capability	-	-	-	(29,813)	-	(29,813)	(29,813)	(8,837)	20,976	4,613	(34,766)
U	Government as Shareholder	-	-	-	75,728	(1,015)	74,713	74,713	2,373	(72,340)	-	(84)
V	Science and Research (NDPB) net	-	-	-	23,870	-	23,870	23,870	6,380	(17,490)	23,700	(24,689)
W	Innovation, Business and Enterprise (NDPB) net	-	-	-	(4,309)	-	(4,309)	(4,309)	19,972	24,281	12,591	2,417
X	Market Frameworks (NDPB) net	-	-	-	(243)	-	(243)	(243)	(703)	(460)	-	(685)
Y	Higher Education (NDPB) net	-	-	-	(28,772)	-	(28,772)	(28,772)	(16,432)	12,340	12,340	33,209
Z	Further Education (NDPB) net	-	-	-	(2,851)	-	(2,851)	(2,851)	(5,014)	(2,163)	14,200	10,715
AA	Government as Shareholder (NDPB) net	-	-	-	(148,034)	-	(148,034)	(148,034)	(154,388)	(6,354)	5,778	(130,672)
AB	Capability (NDPB) net	-	-	-	-	-	-	-	1	1	1	(113)
	Total Voted	-	-	-	*511,380*	*(1,716,193)*	*(1,204,813)*	*(1,204,813)*	*476,142*	*1,680,955*	*1,680,955*	*(741,650)*
Non-voted												
AC	Market Frameworks	-	-	-	239,776	-	239,776	239,776	252,000	12,224	12,224	316,071
	Government as Shareholder	-	-	-	-	-	-	-	-	-	-	77,341
	Total Non-voted	-	-	-	*239,776*	-	*239,776*	*239,776*	*252,000*	*12,224*	*12,224*	*393,412*
Total spending in Annually Managed Expenditure		**-**	**-**	**-**	**751,156**	**(1,716,193)**	**(965,037)**	**(965,037)**	**728,142**	**1,693,179**	**1,693,179**	**(348,238)**
Non-budget												
Voted												
	Prior Period Adjustments	-	-	-	-	-	-	-	-	-	-	-
Total		**690,905**	**(59,290)**	**631,615**	**16,652,873**	**(2,844,641)**	**13,808,232**	**14,439,847**	**20,272,810**	**5,832,963**	**5,832,963**	**20,243,102**

Net resource outturn

The Department has a net resource outturn (voted DEL and AME spend less income) of £14,200 million, which represents 70% of the Main Estimate allocation of £20,021 million and an underspend of £5,821 million. The main factor (£5,137 million) contributing to the underspend is Non-Cash resource costs associated with Student Loans impairments. The Department agreed a significant reserve claim with HM Treasury in-year, to ensure cover was provided for a maximum reasonable level of exposure.

Variance between resource DEL outturn and Estimate

The net voted resource DEL outturn of £15,405 million represents 79% of the Main Estimate allocation of £19,545 million and an underspend of £4,140 million. The most significant reasons for the net resource DEL underspend are given below.

- **Science and Research (Estimate lines A and H)**

The key components of Science and Research are the activities of the seven Research Councils, research activities of the Higher Education Funding Council for England (HEFCE), the UK Space Agency and the United Kingdom Atomic Energy Authority.

The outturn on Lines A and H is £15.6 million (0.3%) less than Estimate.

- **Innovation, Enterprise and Business (Estimate lines B and I)**

The key components of Innovation, Enterprise and Business are the activities of Innovate UK (formerly the Technology Strategy Board) and the Core Department's Launch Investments and Financial Guarantees.

The outturn on Lines B and I is £196 million (19%) less than Estimate. The main contributor of the variance is non-cash impairment charges of £172 million being less than planned due to take-up of Advanced Learning Loans being lower than expected. An additional factor being Industrial Strategy programmes underspending by £20 million over the course of the year.

- **Market Frameworks (Estimate lines C and J)**

The key components of Market Frameworks are the activities of the Insolvency Service, and the Advisory, Conciliation and Arbitration Service.

Outturn on Lines C and J is £37 million (20%) less than Estimate. This is due to non-cash budget underspend of £3 million and a £15 million write-back of admin income within the Insolvency Service which was previously written off.

- **Higher Education (Estimate lines D and K)**

The key components of Higher Education are teaching and learning grants provided by HEFCE and the student support system of loans and grants, which includes the activities of the Student Loans Company.

Outturn on Lines D and K is £3,869 million (42%) less than Estimate. The main factors contributing to the underspend are; £2,021 million due to the Office of Budget Responsibility (OBR) forecast movement in March because of the unexpected revision of long term inflation forecasts; a further £1,498 million is due to changes to the repayments model increasing the value of pre-2012 loans; and £236 million relates to student numbers, following increase in cap by 30,000, being less than planned. All these underspends are non-cash.

- **Further Education (Estimate lines E and L)**

The key components of Further Education are the activities of the Skills Funding Agency and UK Commission for Employment and Skills.

Outturn on Lines E and L is £34 million (1%) more than Estimate. The main contributor to this overspend was against Exceptional Financial Support (£38 million), where the Department was not able to convert to loans advances made to Further Education Colleges. This overspend is matched by an underspend in DEL Capital.

- **Capability (Estimate lines F and M)**

The largest contributor to Capability is the Core Department.

Outturn on Lines F and M is £2 million (1%) less than Estimate, mainly resulting from unutilised Departmental Core Admin Non-Cash Budget.

- **Government as Shareholder (Estimate lines G and N)**

The key elements of Government as Shareholder are the activities of the Green Investment Bank, British Business Bank, BIS (Postal Services Act 2011) Company Limited and BIS (Postal Services Act 2011) B Company Limited.

Outturn is £54 million (19%) less than Estimate. Underspends have arisen due to the transfer of the Polar Satellite asset from the Department to the Met Office in March 2014. The non-cash budget (£17 million) was not transferred out of the BIS Group, and is no longer required. The remainder relates to the realigning of the Departmental budgets during the year, which was not reflected in the Estimate.

Variance between voted resource AME outturn and Estimate

AME budgets are volatile and demand-led. They are therefore challenging to forecast accurately.

An underspend of £1,681 million is primarily driven by changes to student loan outlay; £1,381 million of this relates to movements in impairments on student loans which have been impacted on due to favourable movements in the long-term Office for Budget Responsibility (OBR) macroeconomic forecasts and also modelling changes.

SoPS 2.2 Analysis of net capital outturn by section

		2014-15 £'000						2013-14 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	133,886	(18,000)	115,886	114,570	(1,316)	-	31,746
B	Innovation, Enterprise and Business	270,789	(625,046)	(354,257)	282,283	636,540	318,910	7,337
C	Market Frameworks	4,468	(105)	4,363	6,160	1,797	1,797	42,305
D	Higher Education	-	-	-	8,831	8,831	8,831	(1,500)
E	Further Education	8,641	-	8,641	58,050	49,409	38,192	250
F	Capability	4,948	(176)	4,772	4,499	(273)	-	18,039
G	Government as Shareholder	99,505	(1,056)	98,449	(228,056)	(326,505)	495	76,903
H	Science and Research (NDPB) net	920,961	-	920,961	922,730	1,769	453	821,173
I	Innovation, Enterprise and Business (NDPB) net	80,489	-	80,489	60,274	(20,215)	-	138,374
J	Market Frameworks (NDPB) net	3,573	-	3,573	1,172	(2,401)	-	2,569
K	Higher Education (NDPB) net	192,597	-	192,597	249,617	57,020	35,205	115,869
L	Further Education (NDPB) net	320,919	-	320,919	321,540	621	621	397,083
M	Capability (NDPB) net	773	-	773	-	(773)	-	7,256
N	Government as Shareholder (NDPB) net	614,023	-	614,023	1,176,279	562,256	562,256	499,217
Total spending in Departmental Expenditure Limit		**2,655,572**	**(644,383)**	**2,011,189**	**2,977,949**	**966,760**	**966,760**	**2,156,621**
Annually Managed Expenditure by section								
Voted								
O	Science and Research	-	-	-	-	-	-	-
P	Innovation, Enterprise and Business	-	(35,442)	(35,442)	(10,000)	25,442	25,442	-
Q	Market Frameworks	-	-	-	-	-	-	-
R	Higher Education	12,093,382	(1,683,338)	10,410,044	10,797,002	386,958	402,423	8,406,836
S	Further Education	150,961	(149)	150,812	144,999	(5,813)	789	72,732
T	Capability	-	-	-	-	-	-	-
U	Government as Shareholder	4,889,000	(4,597,000)	292,000	655,000	363,000	363,000	(763,521)
V	Science and Research (NDPB) net	(46,387)	-	(46,387)	-	46,387	16,682	(1,108)
W	Innovation, Enterprise and Business (NDPB) net	7,159	-	7,159	2,378	(4,781)	-	-
X	Market Frameworks (NDPB) net	-	-	-	-	-	-	-
Y	Higher Education (NDPB) net	-	-	-	(2,857)	(2,857)	-	-
Z	Further Education (NDPB) net	1,753	-	1,753	6,060	4,307	4,307	3,197
AA	Government as Shareholder (NDPB) net	(1,206,679)	-	(1,206,679)	(897,542)	309,137	309,137	(1,063,420)
AB	Capability (NDPB) net	-	-	-	-	-	-	-
	Total Voted	*15,889,189*	*(6,315,929)*	*9,573,260*	*10,695,040*	*1,121,780*	*1,121,780*	*6,654,716*
Non-voted								
AC	Market Frameworks	-	-	-	-	-	-	-
	Government as Shareholder	-	-	-	-	-	-	(1,979,829)
	Total Non-voted	-	-	-	-	-	-	*(1,979,829)*
Total spending in Annually Managed Expenditure		**15,889,189**	**(6,315,929)**	**9,573,260**	**10,695,040**	**1,121,780**	**1,121,780**	**4,674,887**
Total		**18,544,761**	**(6,960,312)**	**11,584,449**	**13,672,989**	**2,088,540**	**2,088,540**	**6,831,508**

Variance between voted capital DEL outturn and Estimate

The net voted capital DEL outturn of £2,011 million represents 67% of the final Estimate allocation of £2,978 million and an underspend £967 million. The most significant reasons for the net capital DEL underspend are given below.

- **Science and Research (Estimate lines A and H)**

Outturn on Lines A and H is £453,000 (0%) less than Estimate.

- **Innovation, Enterprise and Business (Estimate lines B and I)**

Outturn on Lines B and I is £616 million (180%) less than Estimate, of which a £395 million underspend on British Business Bank activities, including a transfer of £372 million for Business Finance Partnership, the expenditure for which is included in Estimate Line G (below). The remainder relates to the redistribution of the Departmental budgets towards the end of the year, which was not reflected in the Estimate.

- **Market Frameworks (Estimate lines C and J)**

Outturn on Lines C and J is £604,000 (8%) more than Estimate. This overspend is offset by underspends elsewhere in the Department.

- **Higher Education (Estimate lines D and K)**

Outturn on Lines D and K is £66 million (25%) less than Estimate. The main contributor to this underspend being slippage on the Student Loans Company transformation project (£21 million). The remainder relates to the redistribution of Departmental budgets towards the end of the year, which was not reflected in the Estimate.

- **Further Education (Estimate lines E and L)**

Outturn on Lines E and L is £50 million (13%) less than Estimate. This has mainly resulted from the Department not being able to convert Exceptional Financial Support advances made to Further Education Colleges into loans (£38 million underspend). In addition there was no expenditure on National Colleges this financial year (£5 million) and an expected transfer in respect of Jisc did not take place at the Supplementary Estimate, leading to a further underspend of £8 million against this line.

- **Capability (Estimate lines F and M)**

Outturn on Lines F and M is £1 million (23%) more than Estimate, due to increased expenditure on the Department's Infrastructure, including on-going improvements of our IT systems and implementing an Enterprise Performance Management system to improve financial reporting. This reallocation of resources is covered by underspends elsewhere in the Department.

- **Government as Shareholder (Estimate lines G and N)**

Outturn on Lines G and N was £236 million (25%) less than Estimate. This is due to slippage in signing deals at the Green Investment Bank and the disposal of the Offshore Wind Fund assets (£631 million). This is offset by expenditure on Business Finance Partnership (£372 million), the budget for which is included in Line B (Innovation and Business.)

Variance between voted capital AME outturn and Estimate

The outturn on voted capital AME is £1,122 million (10%) less than the Estimate of £10,695 million. Of this, £300 million is due to the unbudgeted disposal of legacy Royal Mail Pension Fund assets. £363 million relates to provision of working capital to the Post Office network which is very difficult to forecast. £671 million resulted from a reduction in anticipated 2014-15 loan outlay following updated data on student numbers and loan take-up. This is offset by £264 million due to lower repayments of student loans than budgeted for.

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

SoPS 3.1 Reconciliation of net resource outturn to net operating cost

		Note	2014-15 £'000 Outturn	2013-14 restated £'000 Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget	SoPS 2.1	14,439,847	20,243,102
	Non-Budget	SoPS 2.1	-	-
			14,439,847	**20,243,102**
Add:	Capital grants		1,286,416	1,463,524
	Other:			
	Utilisation of financial guarantees	21	16,059	36,194
	Expected return on pension scheme assets		(46,479)	-
	Share of profit/loss of joint ventures and associates		16,203	-
	Share of minority interest		(2,496)	(455)
Less:	Amortisation of financial guarantees	21	(11,745)	(29,294)
	Investments realised	6	(133,715)	(123,346)
	Non-budgetary income		(26,911)	-
	Non-budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited		(261,660)	(292,327)
	Postal Services Holdings net profit on disposal of Royal Mail		-	(1,979,829)
	Other:			
	Impact of intra group transactions		(576)	(2,486)
	Other differences		76	-
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**15,275,019**	**19,315,083**

The prior year comparatives present the Net Operating Cost as reported at 31 March 2014. This has been restated following a Machinery of Government change.

SoPS 3.2 Outturn against final Administration Budget and Administration net operating costs

	Note	2014-15 £'000	2013-14 restated £'000
Estimate – Administration costs limit		641,177	713,574
Outturn – Gross Administration Costs	SoPS 2.1	690,906	736,017
Outturn – Gross Income relating to administration costs	SoPS 2.1	(59,291)	(60,875)
Outturn – Net administration costs		**631,615**	**675,142**
Reconciliation to operating costs:			
Add:			
Less:			
Provisions utilised		(26,991)	(28,731)
Impact of intra group transactions		4,211	(857)
Other differences		1,000	199
Administration Net Operating Costs		**609,835**	**645,753**

SoPS 4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £'000	2014-15 Outturn £'000	Net total outturn compared with Estimate: saving/(excess) £'000
Resource Outturn	SoPS 2.1	20,272,810	14,439,847	5,832,963
Capital Outturn	SoPS 2.2	13,672,989	11,584,449	2,088,540
		33,945,799	26,024,296	7,921,503
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(7,437,773)	(20,452)	(7,417,321)
New provisions and adjustments to previous provisions		30,675	5,942	24,733
Prior Period Adjustments		-	-	-
Other non-cash items		124,194	(2,248,152)	2,372,346
Remove voted resource and capital		(12,971,869)	(11,863,111)	(1,108,758)
Add cash grant-in-aid		14,291,931	12,873,492	1,418,439
Green Investment Bank and British Business Bank share purchase		-	1,704,027	(1,704,027)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		-	(349,844)	349,844
(Increase)/decrease in payables		-	238,122	(238,122)
Use of provisions		(336,183)	47,467	(383,650)
Financial guarantees called in		336,183	11,603	324,580
Financial liabilities realised		56,630	9,538	47,092
		28,039,587	26,432,928	1,606,659
Adjustment to ALBs				
Removal of non-voted budget items:		-	(239,776)	239,776
Other adjustments:				
Advances from the Contingencies Fund		(252,000)	-	(252,000)
Net cash requirement		**27,787,587**	**26,193,152**	**1,594,435**

SoPS 5. Income payable to the Consolidated Fund

SoPS 5.1 Analysis of income payable to the Consolidated Fund

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

	Outturn 2014-15 £'000		Outturn 2013-14 £'000	
	Income	*Receipts*	Income	*Receipts*
Operating income outside the ambit of the Estimate	1,580,713	*1,580,863*	4,477,738	*4,477,925*
Total income payable to the Consolidated Fund	**1,580,713**	***1,580,863***	**4,477,738**	***4,477,925***

During 2014-15, £1.5 billion (2013-14: £1.2 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.

In the prior year, £3.2 billion was received from Postal Services Holdings Limited (formerly Royal Mail Holdings plc) following the sale of shares in Royal Mail plc. The income was classified as non-budget in the prior year and was payable to the Consolidated Fund.

Primary Statements

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

				2014-15 £m			2013-14 restated £m
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Administration costs							
Staff costs	3	144	155	350	178	189	402
Other costs	4	179	187	329	194	203	315
Income	6	(52)	(60)	(69)	(55)	(63)	(71)
Total net administration costs		*271*	*282*	*610*	*317*	*329*	*646*
Programme expenditure							
Staff costs	3	8	69	676	5	74	704
Other costs	5	5,576	5,953	18,614	9,954	10,354	23,543
Income	6	(3,337)	(3,418)	(4,586)	(2,685)	(2,764)	(5,539)
Special dividends	6	-	-	-	(3,206)	(3,206)	-
Public Dividend Capital dividends	6	(37)	(37)	(37)	(39)	(39)	(39)
less minority interest	5	-	-	(2)	-	-	-
Grant in aid to NDPBs	5	12,873	12,873	-	13,588	13,588	-
Total net programme costs		*15,083*	*15,440*	*14,665*	*17,617*	*18,007*	*18,669*
Net operating costs for the period		**15,354**	**15,722**	**15,275**	**17,934**	**18,336**	**19,315**
Total expenditure		18,780	19,237	19,967	23,919	24,408	24,964
Total income		(3,426)	(3,515)	(4,692)	(5,985)	(6,072)	(5,649)
Net operating costs for the period		**15,354**	**15,722**	**15,275**	**17,934**	**18,336**	**19,315**
Non operating activities							
(Gain)/loss on net assets transferred		-	-	-	46	46	46
Non operating (gains)/losses		**-**	**-**	**-**	**46**	**46**	**46**
Net expenditure for the period		**15,354**	**15,722**	**15,275**	**17,980**	**18,382**	**19,361**
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		1	(9)	(120)	(5)	(12)	(84)
– revaluation of intangible assets		-	-	(31)	-	-	6
Items that may be reclassified subsequently to net operating costs:							
Net (gain)/loss on:							
– revaluation of investments		(195)	(195)	181	247	247	(1,812)
– actuarial (gains)/losses		-	-	88	-	-	(98)
– other movements in fair value		-	22	22	-	2	7
Total other comprehensive net income and expenditure		**(194)**	**(182)**	**140**	**242**	**237**	**(1,981)**
Total comprehensive expenditure for the period		**15,160**	**15,540**	**15,415**	**18,222**	**18,619**	**17,380**

The Notes on pages 119 to 197 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2015

	Note	31 March 2015 £m			31 March 2014 restated £m			1 April 2013 restated £m		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Non-current assets:										
Property, plant and equipment	7	86	295	2,882	97	294	2,768	140	330	2,757
Investment properties	8	-	-	97	-	-	318	-	-	367
Intangible assets	9	4	10	178	3	10	171	3	12	193
Investment and loans in public bodies	12	2,545	2,545	850	1,213	1,213	858	2,053	2,053	3,135
Other financial assets	14	41,954	41,954	46,065	33,190	33,190	37,760	31,022	31,022	34,337
Derivative financial instruments		-	-	7	-	-	4	-	-	-
Investment in joint ventures and associates	13	-	-	392	-	-	487	(19)	(19)	201
Trade and other receivables	15	233	217	236	272	254	273	220	182	205
Total non-current assets		**44,822**	**45,021**	**50,707**	**34,775**	**34,961**	**42,639**	**33,419**	**33,580**	**41,195**
Current assets:										
Inventories		-	-	-	-	-	2	-	-	1
Non current assets held for sale		-	-	3	-	-	30	-	-	5
Trade and other receivables	15	944	992	2,027	813	848	1,478	597	648	1,180
Investments and loans in public bodies	16	293	293	293	1	1	1	291	291	291
Other financial assets	14	2,136	2,136	2,279	2,146	2,146	2,334	1,806	1,806	2,472
Derivative financial instruments		-	(23)	(18)	-	(2)	(10)	-	-	6
Cash and cash equivalents	17	1,512	1,596	2,495	730	801	1,567	610	660	2,833
Total current assets		**4,885**	**4,994**	**7,079**	**3,690**	**3,794**	**5,402**	**3,304**	**3,405**	**6,788**
Total assets		**49,707**	**50,015**	**57,786**	**38,465**	**38,755**	**48,041**	**36,723**	**36,985**	**47,983**
Current liabilities:										
Trade and other payables	18	(2,001)	(2,136)	(3,296)	(1,470)	(1,578)	(2,833)	(995)	(1,067)	(2,268)
Provisions	19	(35)	(36)	(102)	(60)	(64)	(122)	(45)	(50)	(99)
Financial guarantees	21	(27)	(27)	(30)	(39)	(39)	(47)	(48)	(48)	(49)
Other financial liabilities	22	(10)	(10)	(10)	(10)	(10)	(10)	(9)	(9)	(9)
Total current liabilities		**(2,073)**	**(2,209)**	**(3,438)**	**(1,579)**	**(1,691)**	**(3,012)**	**(1,097)**	**(1,174)**	**(2,425)**

	Note	31 March 2015 £m			31 March 2014 restated £m			1 April 2013 restated £m		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Non-current assets plus/ less net current assets/ liabilities		**47,634**	**47,806**	**54,348**	**36,886**	**37,064**	**45,029**	**35,626**	**35,811**	**45,558**
Non-current Liabilities:										
Trade and other payables	18	(1)	(2)	(83)	(3)	(3)	(80)	(501)	(501)	(564)
Provisions	19	(624)	(627)	(961)	(578)	(613)	(936)	(666)	(717)	(1,013)
Financial guarantees	21	(60)	(60)	(86)	(127)	(127)	(148)	(152)	(152)	(183)
Retirement benefit obligations	20	-	-	-	-	-	57	-	-	(49)
Other financial liabilities	22	(153)	(153)	(153)	(234)	(234)	(234)	(243)	(243)	(243)
Total non-current liabilities		**(838)**	**(842)**	**(1,283)**	**(942)**	**(977)**	**(1,341)**	**(1,562)**	**(1,613)**	**(2,052)**
Total assets less liabilities		**46,796**	**46,964**	**53,065**	**35,944**	**36,087**	**43,688**	**34,064**	**34,198**	**43,506**
Taxpayers' equity and other reserves:										
General fund		46,260	46,397	48,805	35,602	35,699	39,212	33,480	33,571	39,149
Revaluation reserve		536	567	3,783	342	388	3,877	584	627	3,756
Charitable funds		-	-	433	-	-	555	-	-	556
Minority interest		-	-	44	-	-	44	-	-	45
Total equity		**46,796**	**46,964**	**53,065**	**35,944**	**36,087**	**43,688**	**34,064**	**34,198**	**43,506**

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
7 July 2015

The Notes on pages 119 to 197 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2015

	Note	2014-15 £m		2013-14 restated £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Cash flows from operating activities					
Net operating cost		(15,722)	(15,275)	(18,336)	(19,315)
Adjustments for non-cash administration expenditure	4	23	76	24	55
Adjustments for non-cash programme expenditure	5	1,880	2,029	6,198	6,054
Adjustment for non-cash programme income	6	(1,826)	(1,872)	(1,577)	(3,260)
Adjustment for non-cash pension costs		-	56	-	23
(Increase)/decrease in inventories		-	1	-	-
(Increase)/decrease in trade and other receivables	15	(107)	(512)	(272)	(366)
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		50	(443)	303	299
Increase/(decrease) in trade and other payables	18	557	466	13	81
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(784)	(766)	350	365
Adjustment for proceeds from Royal Mail shareholding disposal		-	-	(1,958)	(1,958)
Adjustment for retained earnings received from Postal Services Holding Company Limited		-	-	(1,248)	-
Use of provisions	19	(48)	(100)	(53)	(104)
Financial guarantees called in	21	(12)	(16)	(30)	(36)
Financial liabilities realised	22	(10)	(10)	(8)	(8)
Expenditure funded by the National Insurance Fund (RPS)	5	240	240	316	316
Employers contributions for funded pensions		-	(53)	-	(28)
Increase/(decrease) in deferred tax liability		-	(1)	-	-
Net cash outflow from operating activities		**(15,759)**	**(16,180)**	**(16,278)**	**(17,882)**
Cash flows from investing activities					
Purchase of property, plant and equipment		(15)	(213)	(24)	(248)
Purchase of investment property	8	-	-	-	(3)
Purchase of intangible assets		(5)	(42)	(2)	(51)
Proceeds of disposal of property, plant and equipment		1	1	2	35
Proceeds of disposal of investment property		-	301	-	131
Proceeds of disposal of assets held for sale		-	31	-	6
Loan redeemed from Post Office Limited	16	4,597	4,597	1,433	1,433
Repayments of other current loans and investments	16	1	1	-	-
Repayments of other non current loans and investments	12	-	-	473	473
Repayment of HE loans		1,683	1,683	1,354	1,354
Proceeds from disposal of student loans		-	-	128	128
Launch investment receipts		204	204	131	131
Venture capital fund redemptions		55	40	27	27
Venture capital fund transfers out		123	-	-	-
Repayments of other loans and investments		87	1,828	31	3,789
Disposal of joint venture and associates		-	449	-	-
Launch investments loans issued		(36)	(36)	(37)	(37)
Venture capital fund investments		(73)	(74)	(69)	(69)
Student loans issued		(10,247)	(10,247)	(9,131)	(9,131)
FE loans issued		(144)	(144)	(72)	(72)
Investment in joint ventures and associates	13	-	(420)	-	(232)
Proceeds from disposal of Royal Mail shareholding		-	-	1,958	1,958

	Note	2014-15 £m		2013-14 restated £m	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Retained earnings from Postal Services Holding Company Limited		-	-	1,248	-
Loans made to Post Office Limited	16	(4,889)	(4,889)	(1,142)	(1,142)
Investment in shares		(1,716)	(12)	(156)	-
Other investments and loans made		(60)	(1,323)	(63)	(921)
Net cash outflow from investing activities		**(10,434)**	**(8,265)**	**(3,911)**	**(2,441)**
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		26,987	26,987	23,546	23,546
Advances from the Contingencies Fund		-	-	2	2
Repayments to the Contingencies Fund		-	-	(2)	(2)
From the National Insurance Fund		240	240	316	316
Payments to the National Insurance Fund		(240)	(240)	(316)	(316)
Repayment of loans from the National Loans Fund (including interest and commitment fees)		-	-	(520)	(520)
Repayment of National Loans Fund loans by Royal Mail (including interest and commitment fees)		-	-	520	520
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		-	(1)	(5)	(6)
Net Financing		***26,987***	***26,986***	***23,541***	***23,540***
Effects of exchange rates on foreign currency cash and cash equivalents		-	2	-	(1)
Minority interest capital contribution		-	3	-	-
Cash transferred out in the year		-	(40)	-	-
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**794**	**2,506**	**3,352**	**3,216**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		1,581	2	1,272	1
Payments of amounts due to the Consolidated Fund		(1,580)	(1,580)	(4,483)	(4,483)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**795**	**928**	**141**	**(1,266)**
Cash and cash equivalents at the beginning of the period	17	**801**	**1,567**	**660**	**2,833**
Cash and cash equivalents at the end of the period	17	**1,596**	**2,495**	**801**	**1,567**

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 119 to 197 form part of these Accounts.

Statement of Changes in Taxpayers' Equity (Core Department)

for the year ended 31 March 2015

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' equity £m	Total Reserves £m
Balance at 1 April 2013 (restated)		**33,480**	**584**	**34,064**	**34,064**
Net parliamentary funding – drawn down		23,547	-	23,547	23,547
Agency funding		(427)	-	(427)	(427)
Net parliamentary funding – deemed		605	-	605	605
National Insurance Fund – RPS	5	316	-	316	316
Supply (payable)/receivable adjustment	18	(730)	-	(730)	(730)
Operating income payable to the Consolidated Fund		(3,206)	-	(3,206)	(3,206)
Decrease in RPS receivables	15	(4)	-	(4)	(4)
Net expenditure for the year		(17,980)	-	(17,980)	(17,980)
Non-Cash Adjustments:					
Auditors' remuneration	4	1	-	1	1
Movements in Reserves:					
Other Comprehensive Net Income for the year		-	(242)	(242)	(242)
Balance at 31 March 2014 (restated)		**35,602**	**342**	**35,944**	**35,944**
Balance at 1 April 2014 (restated)		**35,602**	**342**	**35,944**	**35,944**
Net parliamentary funding – drawn down		26,987	-	26,987	26,987
Agency funding		(418)	-	(418)	(418)
Net parliamentary funding – deemed		730	-	730	730
National Insurance Fund – RPS	5	240	-	240	240
Supply (payable)/receivable adjustment	18	(1,511)	-	(1,511)	(1,511)
Increase/(decrease) in RPS receivables	15	(17)	-	(17)	(17)
Net expenditure for the year		(15,354)	-	(15,354)	(15,354)
Non-Cash Adjustments:					
Auditors' remuneration	4	1	-	1	1
Movements in Reserves:					
Other Comprehensive Net Income for the year		-	194	194	194
Balance at 31 March 2015		**46,260**	**536**	**46,796**	**46,796**

The balances at 1 April 2013 and 31 March 2014 have been re-presented to reflect Machinery of Government changes following changes in the Departmental boundary, prior period adjustments and to reflect the change in accounting policy for joint venture and associates.

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items. The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, investment properties, intangible assets, investments and loans in other public sector bodies and financial assets (see Notes 7, 8, 9, 12 and 14). There are no Charitable Fund reserves for the Core Department.

The Notes on pages 119 to 197 form part of these Accounts.

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

for the year ended 31 March 2015

	Note	General Fund £m	Revaluation Reserve £m	Taxpayers' equity £m	Total Reserves £m
Balance at 1 April 2013 (restated)		**33,571**	**627**	**34,198**	**34,198**
Net parliamentary funding – drawn down		23,546	-	23,546	23,546
Net parliamentary funding – deemed		655	-	655	655
National Insurance Fund – RPS	5	316	-	316	316
Supply (payable)/receivable adjustment	18	(800)	-	(800)	(800)
Operating income payable to the Consolidated Fund		(3,206)	-	(3,206)	(3,206)
Decrease in RPS receivables	15	(4)	-	(4)	(4)
Net expenditure for the year		(18,382)	-	(18,382)	(18,382)
Non-Cash Adjustments:					
Auditors' remuneration	4	1	-	1	1
Movements in Reserves:					
Other Comprehensive Net Income for the year		-	(237)	(237)	(237)
Transfers between reserves		2	(2)	-	-
Balance at 31 March 2014 (restated)		**35,699**	**388**	**36,087**	**36,087**
Net parliamentary funding – drawn down		26,987	-	26,987	26,987
Net parliamentary funding – deemed		800	-	800	800
National Insurance Fund – RPS	5	240	-	240	240
Supply (payable)/receivable adjustment	18	(1,594)	-	(1,594)	(1,594)
Decrease in RPS receivables	15	(17)	-	(17)	(17)
Net expenditure for the year		(15,722)	-	(15,722)	(15,722)
Non-Cash Adjustments:					
Auditors' remuneration	4	1	-	1	1
Movements in Reserves:					
Other Comprehensive Net Income for the year		-	182	182	182
Transfers between reserves		3	(3)	-	-
Balance at 31 March 2015		**46,397**	**567**	**46,964**	**46,964**

The balances at 1 April 2013 and 31 March 2014 have been re-presented to reflect Machinery of Government changes following changes in the Departmental boundary, prior period adjustments and to reflect the change in accounting policy for joint venture and associates.

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items. The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, investment properties, intangible assets, investments and loans in other public sector bodies and financial assets (see Notes 7, 8, 9, 12 and 14). There are no Charitable Fund reserves for the Core Department and Agencies.

The Notes on pages 119 to 197 form part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity (Departmental Group)

for the year ended 31 March 2015

	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 2013 (restated)		**39,149**	**3,756**	**42,905**	**49**	**507**	**45**	**43,506**
Net parliamentary funding – drawn down		23,546	-	23,546	-	-	-	23,546
Net parliamentary funding – deemed		655	-	655	-	-	-	655
National Insurance Fund – RPS	5	316	-	316	-	-	-	316
Supply (payable)/receivable adjustment	18	(800)	-	(800)	-	-	-	(800)
Income payable to the Consolidated Fund		(3,206)	-	(3,206)	-	-	-	(3,206)
Decrease in RPS receivables	15	(4)	-	(4)	-	-	-	(4)
Net expenditure for the year		(19,361)	-	(19,361)	-	-	-	(19,361)
Amounts paid from distributable reserves		(1,271)	-	(1,271)	-	-	-	(1,271)
Non-Cash Adjustments:								
Auditors' remuneration	4	1	-	1	-	-	-	1
Movements in Reserves:								
Other Comprehensive Net Income for the year		98	1,883	1,981	-	-	-	1,981
Transfers between reserves		86	(86)	-	(50)	50	-	-
Minority interest		-	-	-	-	-	(1)	(1)
Transfer to Statement of Comprehensive Net Expenditure		-	(1,676)	(1,676)	(1)	-	-	(1,677)
Other movements		3	-	3	-	-	-	3
Balance at 31 March 2014 (restated)		**39,212**	**3,877**	**43,089**	**(2)**	**557**	**44**	**43,688**
Net parliamentary funding – drawn down		26,987	-	26,987	-	-	-	26,987
Net parliamentary funding – deemed		800	-	800	-	-	-	800
National Insurance Fund – RPS	5	240	-	240	-	-	-	240
Supply (payable)/receivable adjustment	18	(1,594)	-	(1,594)	-	-	-	(1,594)
Decrease in RPS receivables	15	(17)	-	(17)	-	-	-	(17)
Net expenditure for the year		(15,275)	-	(15,275)	-	-	-	(15,275)
Amounts paid from distributable reserves		(1,579)	-	(1,579)	-	-	-	(1,579)

The Notes on pages 119 to 197 form part of these Accounts.

	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
Non-Cash Adjustments:								
Auditors' remuneration	4	1	-	1	-	-	-	1
Movements in Reserves:								
Other Comprehensive Net Expenditure/Income for the year		(88)	(52)	(140)	-	-	-	(140)
Transfers between reserves		103	(91)	12	3	(15)	-	-
Issue of share capital		(2)	-	(2)	-	-	-	(2)
Other movements		17	49	66	(2)	(108)	-	(44)
Balance at 31 March 2015		**48,805**	**3,783**	**52,588**	**(1)**	**434**	**44**	**53,065**

The balances at 1 April 2013 and 31 March 2014 have been re-presented to reflect Machinery of Government changes following changes in the Departmental boundary, prior period adjustments and to reflect the change in accounting policy for joint venture and associates.

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items. The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment, investment properties, intangible assets, investments and loans in other public sector bodies and financial assets (see Notes 7, 8, 9, 12 and 14). Restricted charitable funds can only be used for the purposes for which they were given. Unrestricted charitable funds available to an individual charity can be used at the discretion of the trustees or management in accordance with the stated objectives of the charity.

The Notes on pages 119 to 197 form part of these Accounts.

Notes

1. Statement of accounting policies

1.1 Basis of accounting

These Accounts have been prepared in accordance with the 2014-15 *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 valuation 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. This is the first year the accounts have been prepared to the nearest million pounds and prior year figures have been re-presented.

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 29.

The BIS Departmental Group is defined by Statute. For 2014-15 see Statutory Instrument SI 2014/531, available at: http://www.legislation.gov.uk/uksi/2014/531/contents/made. This statutory instrument was subsequently amended by SI 2014/3314, available at: http://www.legislation.gov.uk/uksi/2014/3314/contents/made. A list of significant bodies is also given in Note 29.

1.5 Foreign exchange

The Core Department and the Departmental Group applies IAS 21 *The Effects of Changes in Foreign Exchange Rates* and transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Monetary assets and liabilities denominated in foreign currencies at the Consolidated Statement of Financial Position date are retranslated at the rates of exchange ruling at that date. These translation differences are recognised in the Consolidated Statement of Comprehensive Net Expenditure.

1.6 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

1.7 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

1.8 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.

Where bodies within the Departmental Group boundary have joint venture entities, which are accounted for on an equity basis, and are also included in the Departmental Group, by virtue of the Designation Order, the share of net assets and the results for the year of the joint venture entity are reversed out and replaced by the results and balances of consolidated body, which are consolidated on a line by line basis.

1.9 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.

1.9.1 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

1.9.1.1 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.

1.9.1.2 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.

1.9.1.3 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.

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.*

1.9.1.4 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.

1.9.1.5 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 made 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 the annual amounts which 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. This is a change from 2013-14, where the Core Department recognised the amounts which HMRC estimated as being due to the Core Department for the financial year using their model. The change in relation to PAYE borrowers is expected to yield more accurate repayment figures and has been recommended by the NAO. This is a change in accounting estimates, not accounting policy.

More information about the measurement techniques used to determine the carrying value of student loans is provided in Note 14.1.

1.9.2 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.

1.9.3 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.

1.9.4 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*.

1.9.5 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 Employee benefits

In accordance with IAS 19 *Employee benefits*, a body is required to recognise short term employee benefits when an employee has rendered service in exchange for those benefits. An example of this is the employee annual leave accrual.

1.16 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.

1.17 Leases

Leases are recognised in accordance with IAS 17 *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.

For other leases the assets are treated as if they had been purchased outright at the present value of the total rentals payable during the primary period of the lease. The corresponding leasing commitments are shown as obligations to the lessor. Charges are made to the Consolidated Statement of Comprehensive Net Expenditure in respect of:

- Depreciation, which is charged on a straight line basis over the useful economic life of the asset
- The total finance charge, which is allocated over the primary period of the lease using the sum of digits method.

Finance leases are recognised at inception at the lower of fair value or the present value of the minimum lease payments, each determined at the inception of the lease.

1.18 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.

1.19 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. 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 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 forecasts, base rates and average earnings growth for HE and FE student loans (Note 14 refers).
- The value of the HE student loan book is derived using a modelling technique and details of the key assumptions can be found in Note 14.
- Fluctuations in the fair values of available for sale assets, such as corporate bonds, where quoted prices are used; 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. (Note 14 refers).
- Management's judgements with regard to the impairment of assets (Notes 4, 5, 7, 9, 12 and 14 refer).
- 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 (Note 15 refers).
- 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 (Note 19 refers).
- 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 (Note 19 refers).
- Fluctuations in the fair value of financial liabilities/ guarantees measured using modelling techniques (Notes 21 and 22 refer).
- Provisions are calculated using the discount rates issued by HM Treasury.

1.20 Changes in accounting policy

There was one change in accounting policy in the reporting period and in accordance with IAS 8 this change has been accounted for as a Prior Period Adjustment.

Following the full implementation of IAS 28, IFRS 11 and IFRS 12, the presentation of balances in relation to joint ventures and associates has changed. In 2013-14, where the Departmental Group had a formal investment in another public sector entity that does not meet the criteria for consolidation, the investment was reported in line with the requirements of IAS 39. However, departments are now required to recognise joint ventures and associates that do not meet the criteria for consolidation in accordance with the requirements of IAS 28, IFRS 11 and IFRS 12. The impact of the change in accounting policy is detailed in Note 28.

1.21 Changes to IFRS and the FReM

1.21.1 Changes to IFRS

In accordance with the *FReM*, these accounts apply EU adopted IFRS and Interpretations in place as at 1 January 2014. These Accounts have not applied the new IFRS 13 (Fair Value Management) which had been issued but is not yet effective (as it is applicable for the 2015-16 FReM). The Department has reviewed the potential effects of new accounting standards on its financial statements and no material impact is expected.

The standards to which changes are likely to have a significant impact in the Departmental Group would be IFRS 13 *Fair Value Measurement* and IFRS 15 *Revenue from Contracts with Customers*.

A full list of new accounting standards can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/426524/HM_Treasury_review_of_new_IFRS_issued_and_or_effective_during_2014-15.pdf.

1.21.2 Changes to the FReM

Apart from the change in accounting policy above, no other changes in IFRS were adopted by the *FReM* during 2014-15.

1.22 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 28.

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:

- Knowledge and Innovation Group, reporting expenditure on:
  - Activities undertaken by the Core Department (Knowledge and Information)
  - Science and Research including the Government Office for Science and the Research Councils
  - Innovation including Innovate UK and National Measurement Office
  - Knowledge and Innovation activities of UK Space Agency
  - Knowledge and Innovation activities of UK Atomic Energy Authority
- Enterprise and Skills 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
- Legal Services Group, providing a high quality legal service and a focal point for legal policy.
- Business and Local Growth Group, reporting expenditure on initiatives to assist business and support rebalancing of the economy in UK regions, including:
  - Industrial Strategies
  - Automotive Assistance Programme
  - Launch investments
  - Local economic growth activity
  - Energy Intensive Industry compensation
  - European reform

- – Consumer Support and Competition policy and bodies
- – Office of Life Sciences
- – Public Data Corporations customer function

- 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
  - – Economic and Markets activities of ACAS
  - – Frameworks for corporate reporting, governance and responsibility
- 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. This information was reported against the Knowledge and Innovation Group in 2013-14.
  - – Human Resources, strategy, external communications
  - – The Department's Secretariat and corporate effectiveness
  - – Change programmes and internal communications.
  - – Ministerial and Parliamentary Support Team (MPST), directly supporting Ministers and the Permanent Secretary. This information was reported within its own group in 2013-14.
- Finance and Commercial Group, reporting expenditure on finance programmes and corporate services including BIS's accommodation, facilities management, ICT costs and depreciation
  - – Activities reported against Finance and Commercial Partner Organisation 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 2013-14 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 28.

Net expenditure reported to the Board as at 31 March 2015

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 2015

Group	2014-15	2013-14 (restated)
	Net expenditure £m	Net expenditure £m
Knowledge & Innovation	125	128
Enterprise & Skills	134	145
Legal Services	11	10
Business & Local Growth	31	30
Economics & Markets	38	31
Shareholder Executive	14	18
Office of Manpower Economics	2	2
People, Strategy and Higher Education	97	93
Finance & Commercial	180	183
UKTI	-	35
Total	**632**	**675**
Of which:		
Core Department	257	280
Agencies, NDPBs and other designated bodies	375	395
Total	**632**	**675**

(b) Programme

Programme DEL resource outturn by Group for the period ending 31 March 2015

Group	2014-15			2013-14 (restated)		
	Near cash £m	Non cash £m	Net expenditure £m	Near cash £m	Non cash £m	Net expenditure £m
Knowledge & Innovation	5,290	217	5,507	5,141	184	5,325
Enterprise & Skills	3,166	75	3,241	3,351	44	3,395
Legal Services	1	-	1	2	-	2
Business & Local Growth	268	23	291	167	40	207
Economics & Markets	109	2	111	134	-	134
Shareholder Executive	267	11	278	473	4	477
People, Strategy and Higher Education	4,050	1,265	5,315	4,942	5,380	10,322
Finance & Commercial	29	-	29	18	-	18
Total	**13,180**	**1,593**	**14,773**	**14,228**	**5,652**	**19,880**

(c) Capital

Capital DEL outturn by Group for the period ending 31 March 2015

Group	2014-15 Net expenditure £m	2013-14 (restated) Net expenditure £m
Knowledge & Innovation	1,107	1,245
Enterprise & Skills	345	398
Business & Local Growth	(89)	(103)
Economics & Markets	4	3
Shareholder Executive	447	932
People, Strategy and Higher Education	191	114
Finance & Commercial	6	25
Total	**2,011**	**2,614**

(d) Annually Managed Expenditure (AME)

Annually managed expenditure outturn by Group for the period ending 31 March 2015

Group	2014-15			2013-14 (restated)		
	AME Programme £m	AME Capital £m	Total AME expenditure £m	AME Programme £m	AME Capital £m	Total AME expenditure £m
Knowledge & Innovation	110	(39)	71	1	(1)	-
Enterprise & Skills	(11)	153	142	10	76	86
Business & Local Growth	(60)	(35)	(95)	(127)	-	(127)
Economics & Markets	74	-	74	61	-	61
Shareholder Executive	81	(915)	(834)	242	(3,807)	(3,565)
People, Strategy and Higher Education	(1,129)	10,409	9,280	(501)	8,407	7,906
Finance & Commercial	(30)	-	(30)	(35)	-	(35)
Total	**(965)**	**9,573**	**8,608**	**(349)**	**4,675**	**4,326**

(e) Summary

Summary of outturn by Group for the period ending 31 March 2015

Group	2014-15 Net expenditure £m	2013-14 (restated) Net expenditure £m
Knowledge & Innovation	6,810	6,698
Enterprise & Skills	3,862	4,024
Legal Services	12	12
Business & Local Growth	138	7
Economics & Markets	227	229
Shareholder Executive	(95)	(2,138)
Office of Manpower Economics	2	2
People, Strategy and Higher Education	14,883	18,435
Finance & Commercial	185	191
UKTI	-	35
Total	**26,024**	**27,495**

2.1 Reconciliation between Operating Segments and the Consolidated Statement of Comprehensive Net Expenditure

	Knowledge & Innovation £m	People, Strategy & Higher Education £m	Enterprise & Skills £m	Business & Local Growth £m	Economics & Markets £m	Shareholder Executive £m	Finance & Commercial £m	Legal Services £m	Office of Manpower Economics £m	UKTI £m	Total £m
2014-15											
Total net expenditure per summary of operating cost by reporting segment	6,810	14,883	3,862	138	227	(95)	185	12	2	-	**26,024**
Less Capital DEL and AME expenditure	(1,068)	(10,600)	(498)	124	(4)	468	(6)	-	-	-	**(11,584)**
Total net operating costs by reporting segment	**5,742**	**4,283**	**3,364**	**262**	**223**	**373**	**179**	**12**	**2**	**-**	**14,440**
Reconciling items:											
Income											
Amortisation of Financial Guarantees	-	-	-	(6)	-	(6)	-	-	-	-	**(12)**
Launch investments and other investments realised	-	-	-	(86)	-	(45)	-	-	-	-	**(131)**
Share of minority interest	(3)	-	-	-	-	-	-	-	-	-	**(3)**
Profit on forward contracts	(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	899	173	317	75	-	(177)	-	-	-	-	**1,287**
Utilisation of Financial Guarantees	-	-	4	-	-	12	-	-	-	-	**16**
Share of profit/loss of joint ventures & associates	28	-	-	(9)	-	(3)	-	-	-	-	**16**
Expected return on pension scheme assets	(46)	-	-	-	-	-	-	-	-	-	**(46)**
Other differences	-	-	-	-	-	(3)	-	-	-	-	**(3)**
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure	**6,593**	**4,456**	**3,685**	**236**	**223**	**(111)**	**179**	**12**	**2**	**-**	**15,275**

	Knowledge & Innovation £m	People, Strategy & Higher Education £m	Enterprise & Skills £m	Business & Local Growth £m	Economics & Markets £m	Shareholder Executive £m	Finance & Commercial £m	Legal Services £m	Office of Manpower Economics £m	UKTI £m	Total £m
2013-14 (restated)											
Total net expenditure per summary of operating cost by reporting segment	6,698	18,435	4,024	7	229	(2,138)	193	12	2	35	**27,497**
Less Capital DEL and AME expenditure	(1,244)	(8,521)	(474)	103	(3)	2,875	(25)	-	-	-	**(7,289)**
Total net operating costs by reporting segment	**5,454**	**9,914**	**3,550**	**110**	**226**	**737**	**168**	**12**	**2**	**35**	**20,208**
Reconciling items:											
Income											
Amortisation of Financial Guarantees	-	-	-	(9)	-	(20)	-	-	-	-	**(29)**
Launch investments realised	-	-	-	(107)	-	(17)	-	-	-	-	**(124)**
Non budget, non voted items in respect of BIS (Postal Services Act 2011) Company Ltd and Company B Ltd	-	-	-	-	-	(292)	-	-	-	-	**(292)**
Expenditure											
Capital grants	917	-	364	59	-	123	-	-	-	-	**1,463**
Utilisation of Financial Guarantees	-	-	7	-	-	29	-	-	-	-	**36**
Impact of intra-Group transactions	-	-	-	-	-	-	(2)	-	-	-	**(2)**
Prior year adjustments	35	-	-	-	-	(1,980)	-	-	-	-	**(1,945)**
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure	**6,406**	**9,914**	**3,921**	**53**	**226**	**(1,420)**	**166**	**12**	**2**	**35**	**19,315**

3. Staff numbers and related costs

Staff costs comprise:

	2014-15					2013-14 restated
	Permanently employed staff £m	Others £m	Total £m			Total £m
Wages and salaries	743	71	**814**			882
Social security costs	63	-	**63**			67
Other pension costs	150	-	**150**			159
Sub total	***956***	***71***	***1,027***			***1,108***
Less recoveries in respect of outward secondments	(1)	-	**(1)**			(2)
Total net costs	**955**	**71**	**1,026**			**1,106**
Of which:						
Core Department	146	6	**152**			**183**
Agencies	67	5	**72**			**80**
NDPBs and other designated bodies	742	60	**802**			**843**
Total net costs	**955**	**71**	**1,026**			**1,106**
Of which:	2014-15			2013-14 restated		
	Core Department £m	Core Department and Agencies £m	Departmental Group £m	Core Department £m	Core Department and Agencies £m	Departmental Group £m
Admin	144	155	350	178	189	402
Programme	8	69	676	5	74	704
Total net costs	**152**	**224**	**1,026**	**183**	**263**	**1,106**

During the year, £9,355,879 of staff costs were capitalised (2013-14: £8,373,441) and 184 employees (2013-14: 200 employees) in the Departmental Group were engaged on capital projects during the reporting period.

Staff costs include an accrual for holiday pay in accordance with IAS 19.

Included within the total net costs of other staff shown above are Ministers' total net costs of £288,829 (2013-14: £262,128).

In 2014-15 the direct overheads of UK Trade & Investment (UKTI) that were previously included in the resources voted to BIS and the Foreign & Commonwealth Office (FCO) were included in UKTI budgets and annual accounts. In the next financial year the indirect overheads of the overseas network will also be transferred from the FCO to UKTI budgets. The goal is that from 2015-16, UKTI will have in place a single budget, voted by Parliament to UKTI's Chief Executive. This will bring a number of benefits including:

- Clear accountability to Parliament for all UKTI expenditure through the UKTI Chief Executive
- The ability to mobilise resources quickly and respond to commercial opportunities
- Much clearer public transparency around costs and performance of the organisation.

Due to these changes, there were no staff costs included for UKTI in 2014-15 (2013-14: £28,618,547). Included within staff numbers for 2013-14 were 517 staff for UKTI for which there were none in 2014-15. The staff costs and staff numbers for 2014-15 are included within the UKTI annual accounts.

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit Scheme, but the participating employers within the Departmental Group are unable to identify their 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.civilservice-pensions.gov.uk).

For 2014-15, employer contributions of £47,904,406 were payable to the PCSPS (2013-14: restated £55,172,063) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (2013-14: 16.7% to 24.3%). The employer contributions payable to the PCSPS were split across the Group as follows:

	2014-15 £	2013-14 restated £
Core Department	22,497,754	25,963,472
Agencies	10,000,406	10,894,290
NDPBs and other designated bodies	15,406,246	18,314,301
Total	**47,904,406**	**55,172,063**

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 2014-15 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 £550,888 (2013-14: restated £696,455) 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 pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £8,326, 0.8% of pensionable pay 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 2015 were £5,051. No contributions were prepaid at that date.

In 2014-15, 7 persons (2013-14: 4) across the Departmental Group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £39,295 (2013-14: £62,990).

Across the Departmental Group, 6,310 persons (2013-14:restated 7,669 persons) contributed to the PCSPS.

Other Pension Schemes

Employer contributions to other pension schemes in the year amounted to £112,276,978 (2013-14: £106,704,005). 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 29.

Average number of persons employed

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

Number of staff by Group	2014-15					2013-14 restated
	Permanent employed staff	Others	Ministers	Special Advisers	Total	Total
Knowledge & Innovation	10,100	1,072	-	-	**11,172**	**11,428**
Government Office for Science	66	7	-	-	**73**	**65**
Business & Local Growth	446	38	-	-	**484**	**625**
Legal	170	1	-	-	**171**	**162**
Economics & Markets	1,227	119	-	-	**1,346**	**1,255**
Enterprise & Skills	2,892	117	-	-	**3,009**	**3,381**
Shareholder Executive	1,923	165	-	-	**2,088**	**2,165**
Office of Manpower Economics	31	1	-	-	**32**	**31**
UKTI	-	-	-	-	**-**	**517**
People, Strategy and Higher Education	2,706	608	6	3	**3,323**	**3,080**
Finance & Commercial	878	86	-	-	**964**	**1,097**
Total	**20,439**	**2,214**	**6**	**3**	**22,662**	**23,806**
Of which:						
Core Department	2,435	183	6	3	**2,627**	**3,011**
Agencies	1,829	133	-	-	**1,962**	**2,081**
NDPBs and other designated bodies	16,175	1,898	-	-	**18,073**	**18,714**
Total	**20,439**	**2,214**	**6**	**3**	**22,662**	**23,806**

3.1 Reporting of Civil Service and other compensation schemes – exit packages

Exit packages: Departmental Group

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014-15	2013-14 restated	2014-15	2013-14 restated	2014-15	2013-14 restated
Less than £10,000	5	13	113	56	118	69
£10,000 – £25,000	31	18	263	195	294	213
£25,000 – £50,000	72	14	155	216	228	230
£50,000 – £100,000	27	7	100	152	126	159
£100,000 – £150,000	5	-	15	40	20	40
£150,000 – £200,000	-	-	1	4	1	4
More than £200,000	1	1	2	2	3	3
Total number of exit packages	**141**	**53**	**649**	**665**	**790**	**718**
Of which:						
Core Department	-	-	55	36	55	36
Agencies	1	1	167	169	168	170
NDPBs and other designated bodies	140	52	427	460	567	512
Total number of exit packages	**141**	**53**	**649**	**665**	**790**	**718**
Total cost (£)	**5,988,985**	**1,639,950**	**20,272,369**	**28,160,295**	**26,261,354**	**29,800,245**
Of which:						
Core Department	-	-	3,787,467	1,390,261	3,787,467	1,390,261
Agencies	22,686	12,831	5,436,691	6,149,864	5,459,376	6,162,695
NDPBs and other designated bodies	5,966,299	1,627,119	11,048,211	20,620,170	17,014,511	22,247,289
Total	**5,988,985**	**1,639,950**	**20,272,369**	**28,160,295**	**26,261,354**	**29,800,245**

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 Departmental Group has agreed early retirements, the additional costs are met by the Departmental Group 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.

4. Other Administration Costs

	2014-15 £m			2013-14 restated £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
IT support	15	18	62	24	27	67
Accommodation	30	32	42	33	34	45
Rentals under operating leases	27	28	33	20	21	21
Travel and subsistence	6	7	16	7	8	18
Consultancy	8	8	13	12	13	23
Training and other staff costs	6	7	13	6	6	14
Telecommunications services	3	3	12	2	2	11
Professional services	3	3	11	4	4	9
Bank charges	-	-	-	-	-	1
Finance and HR services	47	47	6	57	57	5
Severance payments	-	-	4	1	1	15
Advertising and publicity	1	1	3	1	1	4
Auditors' remuneration and expenses	-	-	1	-	-	1
Other	11	10	37	4	5	26
	157	**164**	**253**	**171**	**179**	**260**
Non-cash expenditure	22	23	76	23	24	55
Total other administration costs	**179**	**187**	**329**	**194**	**203**	**315**

Non-cash expenditure is analysed as follows:

		2014-15 £m			2013-14 £m		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Amortisation	9	2	2	34	1	2	33
Specific bad debt write off		-	-	21	-	-	-
Depreciation	7	8	9	15	11	11	18
Impairment of intangible assets	9	-	-	4	-	-	3
Impairment of property plant and equipment		4	4	1	-	-	-
Auditors' remuneration and expenses		1	1	1	1	1	1
Impairment of investments		7	7	-	10	10	-
Total non-cash expenditure		**22**	**23**	**76**	**23**	**24**	**55**

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 £714,000 (2013-14: £764,000) comprises £700,000 (2013-14: £750,000) for the cost of the audit of the Departmental Group accounts and £14,000 (2013-14: £14,000) for the audit of the UK Atomic Energy Authority Pension Scheme Accounts.

During 2014-15, the Core Department rolled out a new ICT system, Evolve, for use by all staff. This replaced the IT service previously provided by Fujitsu. The total cost of the Evolve rollout was £3.5 million (£1.3 million capital, £2.2 million resource) and the resource element is included with the administration costs.

In order to ensure continuity of service, the Core Department also extended the service provision from Fujitsu for three months, at a cost of £3.75 million.

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 £142,500 (2013-14: £142,500) can be found in the accounts of the individual agencies.

NDPBs and other designated bodies

Non-cash auditors' remuneration for 2014-15 was £150,000 (2013-14: £150,000). This relates to the statutory audit of the Skills Funding Agency.

The cash remuneration of £1,091,575 (2013-14 restated: £1,260,274) relates to the statutory audit of NDPBs and other designated bodies. Of this amount, £992,000 (2013-14 restated: £1,147,332) was payable to the NAO and £99,575 (2013-14: £112,942) was payable to auditors other than the NAO.

In 2014-15 no amounts were payable to the NAO (2013-14: nil) and £168,730 was payable to auditors other than the NAO (2013-14 restated: £52,926) for non-audit services. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

5. Programme Costs

	Note	2014-15 £m			2013-14 restated £m		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Research funding		48	48	4,583	38	38	4,404
Payments to FE institutions		-	-	2,502	-	-	2,724
Payments to HE institutions		20	20	2,183	17	17	3,139
Student Support		2,082	2,082	2,082	1,944	1,944	1,944
Payments for apprenticeship		-	-	1,495	-	-	1,406
Direct support for innovation		-	-	584	-	-	560
Post Office Network Reform		100	100	100	72	72	72
Other grants		517	653	661	485	628	799
EU grant expenditure		-	-	273	-	-	136
Subsidies to other bodies		229	229	366	350	350	350
International subscriptions		10	186	329	10	184	332
Redundancy Payments Service		240	240	240	316	316	316
Research and development		6	61	165	11	67	162
Accommodation		11	24	133	8	27	142
IT costs		5	12	98	6	13	79
Equipment support for Public Weather service and Polar satellite		93	93	93	84	84	84
Purchase of geographic and mapping information		78	78	78	75	75	75
Paternity and adoption pay		74	74	74	62	62	62
Project and programme management		28	28	55	24	24	45
Advertising and publicity		29	30	48	9	9	23
Administration of grants and awards		41	41	44	43	43	44
Consultancy		15	16	38	9	11	38
CITB training costs		-	-	38	-	-	37
Travel and subsistence		1	2	34	1	2	36
Severance payments		4	9	19	-	7	15
Sponsorship		1	1	3	26	26	29
Losses and compensation		1	1	1	109	110	110
Auditors' remuneration		-	-	1	1	1	-
Grant in aid		12,873	12,873	-	13,588	13,588	-
Interest and commitment fees on NLF loans on-lent to Royal Mail Holdings plc	6	-	-	-	18	18	18
Other		29	45	263	21	28	308
		16,535	**16,946**	**16,583**	**17,327**	**17,744**	**17,489**
Non-cash expenditure		1,914	1,880	2,029	6,215	6,198	6,054
Total other programme costs		**18,449**	**18,826**	**18,612**	**23,542**	**23,942**	**23,543**

Programme costs reflect non-administration costs, including payment of grant-in-aid, grants and other disbursements in support of policy initiatives.

Core Department

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 2014-15 was £2,950 (2013-14: £3,410). An average amount of £1,278 was paid during 2014-15 for RP2 (2013-14: £1,334).

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 2014-15 totalled £277 million (2013-14: £355 million) against income of £37 million (2013-14: £39 million). The net amount totalled £240 million (2013-14: £316 million).

NDPBs and other designated bodies

Auditors' remuneration

The cash remuneration of £598,167 (2013-14: £324,847) relates to the statutory audit of NDPBs and other designated bodies. £542,392 (2013-14: £229,211) was payable to the NAO and £55,775 (2013-14: £95,636) was payable to auditors other than the NAO.

During the reporting period fees of £1,000 (2013-14: £1,000) in relation to non-audit work were payable to the NAO and fees of £5,670 (2013-14: £21,300) were payable to auditors other than the NAO. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

Non-cash expenditure is analysed as follows:

	Note	2014-15 £m Core Department	Core Department and Agencies	Departmental Group	2013-14 restated £m Core Department	Core Department and Agencies	Departmental Group
HE and FE loan impairments		1,948	1,948	1,948	6,177	6,177	6,177
Depreciation and amortisation	7, 9	-	9	211	6	18	216
Impairment of assets:							
Property, plant and equipment		-	2	8	-	1	5
Investments(i)		448	448	82	55	55	57
Movement in provisions	19	114	82	106	(25)	(37)	50
Movement in bad debt provision		39	40	26	20	20	13
Share of loss/(gain) on associates and joint ventures		(9)	(9)	15	(19)	(19)	7
Revaluation of assets		-	-	7	-	-	(49)
Bad debt write off/(write back)(ii)		(468)	(483)	(9)	3	(15)	(5)
Unrealised net loss/(gain) on foreign exchange		-	-	(40)	-	-	82
Movement in HE loan debt sale subsidy	22	(71)	(71)	(71)	-	-	-
Movement in financial guarantees		(88)	(88)	(83)	10	10	13
Net loss/(gain) on disposal of assets		-	1	(217)	(12)	(12)	(514)
Other non-cash expenditure		1	1	46	-	-	2
Total non-cash expenditure		**1,914**	**1,880**	**2,029**	**6,215**	**6,198**	**6,054**

(i) The 2014-15 investments impairment figure included £417 million written back in relation to BBB, for which further details are disclosed in note 14.3.
(ii) The 2014-15 figure includes £477 million written back in relation to BBB, for which further details are disclosed in note 14.3.

6. Income

	Note	2014-15 £m Core Department	Core Department and Agencies	Departmental Group	2013-14 restated £m Core Department	Core Department and Agencies	Departmental Group
Administration Income:							
Other fees and charges receivable from central Government organisations		32	31	28	32	30	28
Fees and charges from external customers		6	14	19	11	19	21
Admin grant funding from devolved administrations		11	11	11	10	10	10
Other administration income		3	4	11	-	2	10
Levy income		-	-	-	2	2	2
Total Administration income		***52***	***60***	***69***	***55***	***63***	***71***
Programme Income:							
Funding from other Government Departments for:							
Skills Funding Agency		801	801	801	729	729	729
European Union funding		2	2	273	-	-	187
Other income from other Government Departments		351	349	432	11	11	79
Department of Health income		134	134	134	186	186	186
Levy income		7	7	231	-	-	197
Sales of goods and services		-	-	232	-	-	259
Dividend income:							
Public Dividend Capital dividends		37	37	37	39	39	39

	Note	2014-15 £m			2013-14 restated £m		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Special dividends		-	-	-	3,206	3,206	-
Other dividend income		122	122	149	76	76	179
Interest income		7	7	83	2	2	90
INSS receipts		-	64	64	-	61	61
Student grant recoveries		46	46	46	67	67	67
Rental income		-	12	39	-	12	53
Interest and commitment fees received on NLF loan on-lent to PSH Company Limited	5	-	-	-	18	18	18
Other income		41	48	230	21	25	174
Programme income excluding non-cash		***1,548***	***1,629***	***2,751***	***4,355***	***4,432***	***2,318***
Non-cash:							
Student loans capitalised interest	14.1	1,445	1,445	1,445	987	987	987
Effective interest – HE and FE loans	14.1	213	213	213	341	341	341
Effective interest – launch investments	14.2	56	56	56	64	64	64
Launch investment income realised		51	51	51	107	107	107
Venture Capital income realised		45	45	45	17	17	17
Amortisation of financial guarantees		12	12	12	29	29	29
Realised income from sale of shareholding in Royal Mail plc		-	-	-	-	-	1,676
Interest receivable from Royal Mail shareholder loan		-	-	-	31	31	31
Other non-cash income		4	4	50	(1)	1	8
Non-cash programme income		***1,826***	***1,826***	***1,872***	***1,575***	***1,577***	***3,260***
Total programme income		***3,374***	***3,455***	***4,623***	***5,930***	***6,009***	***5,578***
Total operating income		**3,426**	**3,515**	**4,692**	**5,985**	**6,072**	**5,649**

In the prior year, a special dividend of £3.2 billion was received from Postal Services Holding Company Limited, following the disposal of 70% of its shareholding in Royal Mail plc. This dividend comprised the sales proceeds of £1.95 billion, and a balance of £1.25 billion held in a custodian account at the start of the year. As the dividend was paid to the Department from an entity within the Departmental Group, it is eliminated upon consolidation.

The majority of the funding from other Government Departments for the Skills Funding Agency of £801 million (2013-14: £729 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.

£327 million (2013-14: nil) of the £432 million of Other income from Other Government Departments (2013-14: £79 million) relates to income recognised on 30 June 2014 when financial assets to that value were transferred to British Business Bank Investments Limited (BBBIL) from Infrastructure Finance Unit Limited (IFUL), a company wholly owned by HM Treasury. This was a one-off event, connected to the creation of the British Business Bank. Further details of this can be found in note 14.3.

Within the Departmental Group's other dividend income total of £149 million (2013-14: £179 million) is £60 million of dividend income (2013-14: nil) from Royal Mail plc to Postal Services Holdings Company Limited. Other dividend income also includes £82 million of dividend income from URENCO Limited to Enrichment Holdings Limited (2013-14: £127 million, with £76 million in respect of 2013-14 dividend and £51 million in respect of 2012-13 dividend).

7. Property, plant and equipment

2014-15	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										
At 31 March 2014 (restated)	**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	-	(6)	-	(4)	-	-	(2)	-	1	(11)
Transfers in/(out) of boundary	-	(1)	-	-	(1)	(15)	-	-	13	(4)
Reclassifications	5	162	(1)	(2)	25	35	-	5	(241)	(12)
Revaluations	54	51	4	-	1	39	-	6	20	175
At 31 March 2015	**348**	**1,988**	**37**	**61**	**250**	**1,691**	**27**	**314**	**285**	**5,001**
Depreciation										
Balance at 1 April 2014 (restated)	**(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 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 31 March 2014 (restated)	**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	28	3	-	20	5	-	1	-	29	86
Agencies	18	102	-	-	7	78	-	-	4	209
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**

2013-14	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 2013 (restated)	**297**	**1,772**	**32**	**62**	**248**	**1,676**	**29**	**235**	**374**	4,725
Additions	6	7	-	5	23	41	2	12	152	248
Disposals	(2)	(90)	-	-	(74)	(58)	(2)	(39)	-	(265)
Impairments	1	(5)	-	-	(1)	(36)	(1)	(1)	-	(43)
Transfers in/(out) of boundary	-	-	-	-	-	(93)	-	-	-	(93)
Reclassifications	(28)	13	-	1	28	49	-	71	(165)	(31)
Revaluations	16	73	2	-	(1)	71	-	22	-	183
At 31 March 2014	**290**	**1,770**	**34**	**68**	**223**	**1,650**	**28**	**300**	**361**	**4,724**
Depreciation										
Balance at 1 April 2013 (restated)	**(5)**	**(710)**	**-**	**(21)**	**(155)**	**(903)**	**(20)**	**(154)**	**-**	**(1,968)**
Charged in year	-	(50)	-	(7)	(40)	(95)	(3)	(12)	-	(207)
Disposals	-	69	-	-	73	47	1	39	-	229
Impairments	-	2	-	-	1	8	-	-	-	11
Transfers (in)/out of the boundary	-	-	-	-	-	47	-	-	-	47
Reclassifications	-	2	(1)	-	-	-	-	-	-	1
Revaluations	2	(21)	-	-	1	(43)	-	(8)	-	(69)
At 31 March 2014 (restated)	**(3)**	**(708)**	**(1)**	**(28)**	**(120)**	**(939)**	**(22)**	**(135)**	**-**	**(1,956)**
Carrying amount at 31 March 2014 (restated)	**287**	**1,062**	**33**	**40**	**103**	**711**	**6**	**165**	**361**	**2,768**
Carrying amount at 1 April 2013 (restated)	**292**	**1,062**	**32**	**41**	**93**	**773**	**9**	**81**	**374**	**2,757**
Asset financing:										
Owned	275	1,062	33	40	100	711	6	160	360	2,747
Finance leased	12	-	-	-	-	-	-	5	-	17
On balance sheet (SoFP) PFI and other service concession arrangements	-	-	-	-	3	-	-	-	1	4
Carrying amount at 31 March 2014 (restated)	**287**	**1,062**	**33**	**40**	**103**	**711**	**6**	**165**	**361**	**2,768**
Of the total:										
Core Department	30	3	-	30	8	-	1	-	25	97
Agencies	18	96	-	-	5	75	-	-	3	197
NDPBs and other designated bodies	239	963	33	10	90	636	5	165	333	2,474
Carrying amount at 31 March 2014 (restated)	**287**	**1,062**	**33**	**40**	**103**	**711**	**6**	**165**	**361**	**2,768**
Carrying amount at 1 April 2013 (restated)	**292**	**1,062**	**32**	**41**	**93**	**773**	**9**	**81**	**374**	**2,757**

2013-14	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
Of the total:										
Core Department	28	3	-	33	8	52	1	-	15	140
Agencies	9	101	-	-	1	77	-	-	2	190
NDPBs and other designated bodies	255	958	32	8	84	644	8	81	357	2,427
Carrying amount at 1 April 2013 (restated)	**292**	**1,062**	**32**	**41**	**93**	**773**	**9**	**81**	**374**	**2,757**

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. Valuations of assets held by the Core Department as at 31 March 2015 were undertaken by GVA Grimley Limited. Further information can be found in the financial statements of the individual bodies' accounts.

8. Investment properties

	Note	£m Departmental Group
Balance at 1 April 2013		**367**
Additions		3
Disposals		(111)
Revaluations		59
Balance at 31 March 2014		**318**
Disposals		(230)
Revaluations		2
Reclassifications		7
Balance at 31 March 2015		**97**

All investment properties are held by the NDPBs and other designated bodies. The Departmental Group has adopted the fair value model per IAS 40, in accordance with the FReM.

Investment properties are held by the BIS (Postal Services Act 2011) Company Limited, the United Kingdom Atomic Energy Authority and Innovate UK either for rental yields or capital appreciation.

Details of valuations of investment properties can be found in the notes of the individual bodies' financial statements.

At 1 April 2014 the most significant investment properties were held by BIS (Postal Services Act 2011) Company Limited. It disposed of investment property in the reporting period with a fair value of £230 million (2013-14: £111 million), generating sale proceeds of £301 million (2013-14: £131 million) and leading to a profit on disposal of £71 million (2013-14: £20 million).

At 31 March 2015 the fair value of BIS (Postal Services Act 2011) Company Limited's investment properties was £32 million (31 March 2014: £265 million) following a fair value decrease as a result of revaluation in the reporting period of £3 million (2013-14: increase of £51 million).

The remaining fair value of investment properties as at 31 March 2015 relates to UK Atomic Energy Authority (£60 million) and Innovate UK (£5 million) (31 March 2014: £48 million and £5 million respectively).

In 2014-15 all of the Departmental Group's properties generated rental income. During the year rental income of £13 million (2013-14: £18 million) was generated from these properties and expenses of £3 million (2013-14: £3 million) were incurred.

9. Intangible Assets

Consolidated 2014-15	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 2014 (restated)	**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							
Balance at 1 April 2014 (restated)	**-**	**(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 31 March 2014 (restated)	**18**	**91**	**9**	**1**	**2**	**50**	**171**
Asset financing:							
Owned	31	74	10	3	2	58	178
Carrying amount at 31 March 2015	**31**	**74**	**10**	**3**	**2**	**58**	**178**
Of the total:							
Core Department	1	2	1	-	-	-	4
Agencies	2	3	1	-	-	-	6
NDPBs and other designated bodies	28	69	8	3	2	58	168
Carrying amount at 31 March 2015	**31**	**74**	**10**	**3**	**2**	**58**	**178**

Consolidated	Assets under Construction	Information Technology	Software Licences	Websites	Development Expenditure	Patents	Total
2013-14	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cost or Valuation							
At 1 April 2013 (restated)	**15**	**186**	**23**	**1**	**2**	**222**	**449**
Additions	37	6	4	-	2	-	49
Disposals	-	-	(1)	-	-	-	(1)
Impairments	(3)	(2)	-	-	-	-	(5)
Reclassifications	(31)	30	-	-	-	-	(1)
Revaluations	-	-	(1)	-	-	(6)	(7)
At 31 March 2014 (restated)	**18**	**220**	**25**	**1**	**4**	**216**	**484**
Amortisation							
At 1 April 2013 (restated)	**-**	**(98)**	**(14)**	**-**	**(2)**	**(142)**	**(256)**
Charged in year	-	(33)	(3)	-	-	(24)	(60)
Disposals	-	-	1	-	-	-	1
Impairments	-	2	-	-	-	-	2
At 31 March 2014 (restated)	**-**	**(129)**	**(16)**	**-**	**(2)**	**(166)**	**(313)**
Carrying amount at 31 March 2014 (restated)	**18**	**91**	**9**	**1**	**2**	**50**	**171**
Carrying amount at 1 April 2013 (restated)	**15**	**88**	**9**	**1**	**-**	**80**	**193**
Asset financing:							
Owned	18	91	9	1	2	50	171
Carrying amount at 31 March 2014 (restated)	**18**	**91**	**9**	**1**	**2**	**50**	**171**
Of the total:							
Core Department	3	-	-	-	-	-	3
Agencies	1	5	1	-	-	-	7
NDPBs and other designated bodies	14	86	8	1	2	50	161
Carrying amount at 31 March 2014 (restated)	**18**	**91**	**9**	**1**	**2**	**50**	**171**
Carrying amount at 1 April 2013 (restated)	**15**	**88**	**9**	**1**	**-**	**80**	**193**
Of the total:							
Core Department	-	1	2	-	-	-	3
Agencies	1	7	1	-	-	-	9
NDPBs and other designated bodies	14	80	6	1	-	80	181
Carrying amount at 1 April 2013 (restated)	**15**	**88**	**9**	**1**	**-**	**80**	**193**

10. Capital and other Commitments

Total minimum payments in respect of capital and lease commitments

	31 March 2015 £m			31 March 2014 £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Contracted capital commitments	1	2	1,823	1	4	1,172
Minimum future payments under:						
Operating leases	359	399	468	384	419	562
Finance leases	-	-	6	-	-	7
PFI contracts and service concession arrangements	-	10	10	-	3	3
Total	**360**	**411**	**2,307**	**385**	**426**	**1,744**

Total payments in the next financial year in respect of other financial commitments

	31 March 2015 £m			31 March 2014 £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Other financial commitments payable in the next financial year	89	359	513	67	289	442
Total	**89**	**359**	**513**	**67**	**289**	**442**

10.1 Capital Commitments

	31 March 2015 £m			31 March 2014 £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Contracted capital commitments not otherwise included in these financial statements:						
Property, plant and equipment	-	1	227	1	4	290
Intangible assets	1	1	18	-	-	3
Investments	-	-	1,578	-	-	879
Total	**1**	**2**	**1,823**	**1**	**4**	**1,172**

Capital commitments as at 31 March 2015 include the following significant commitments:

- Property, plant and equipment commitments for Biotechnology and Biological Sciences Research Council (BBSRC) of £184 million (31 March 2014: £195 million), relating to commitments on capital projects at the BBSRC Institute sites for the next four years.
- Investment commitments of £907 million (31 March 2014: nil) for the British Business Bank plc (BBB) relating to undrawn investment commitments, £554 million (31 March 2014: £720 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 £117 million (31 March 2014: £159 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.

10.2 Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2015 £m			31 March 2014 £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Obligations under operating leases comprise:						
Buildings:						
Not later than one year	53	59	73	54	60	80
Later than one year and not later than five years	218	236	271	196	213	281
Later than five years	87	103	119	133	145	197
	358	**398**	**463**	**383**	**418**	**558**
Other:						
Not later than one year	-	-	2	-	-	2
Later than one year and not later than five years	1	1	2	1	1	2
Later than five years	-	-	1	-	-	-
	1	**1**	**5**	**1**	**1**	**4**

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, NDPBs and other designated bodies can be found in the accounts of the relevant bodies.

10.3 Other financial commitments

The Core Department 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. The most significant payments to which the Core Department is committed during the next financial year, analysed by the period during which the commitments expire, are as follows:

	31 March 2015 £m			31 March 2014 £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Not later than one year	2	272	274	5	177	179
Later than one year and not later than five years	62	62	198	31	74	210
Later than five years	25	25	40	31	38	53
Total	**89**	**359**	**512**	**67**	**289**	**442**

10.3.1 International Subscriptions

The financial commitments payable in the next financial year include subscriptions payable to the following bodies, analysed by the period in which the commitments expire:

Organisation	Note	Within 1 Year £m	Later than 1 year and not later than 5 years £m	Later than 5 Years £m	Total 2014-15 £m	Total 2013-14 (restated) £m
European Space Agency	a	224	-	-	224	167
European Organisation for Nuclear Research (CERN)	b	-	109	-	109	106
Institut Laue Langevin (ILL)	c	-	-	16	16	15
Total		**224**	**109**	**16**	**349**	**288**

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, US dollars 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 4th protocol of the Intergovernmental Convention was signed in July 2013 and will remain in force until 31 December 2023.

10.3.2 Non-cancellable contracts

The amounts disclosed above include payments due in the next financial year 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 2014-15 £m	Total 2013-14 £m
Grant Thornton (Manufacturing Advisory Service)		-	18	-	18	15
UK Innovation Investment Fund	a	25	-	-	25	-
Honours Trustee Limited		-	-	5	5	5
Finance for Higher Education Limited		-	-	5	5	5
EC Harris		-	11	-	11	6
NPL Management Limited (NPLM Limited)	b	42	-	-	42	42
European Commission		-	-	-	-	7
Total		**67**	**29**	**10**	**106**	**80**

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 UK Innovation Investment Fund (UKIIF) 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. UKIIF became fully operational in February 2010. The funds are managed by two private sector fund managers – Hermes GPE and the European Investment Fund. The two funds raised £180 million of private investment, in addition to the Government's £150 million cornerstone investment, which is being invested on the same terms as the private investors. This has resulted to a combined total of £330 million to invest.

b) NMO had a non-cancellable contract with NPL Management Limited to operate the National Physical Laboratory and perform scientific metrology on the Teddington site which ended on 31 December 2014. This has been replaced by smaller contracts for which responsibility transferred to BIS from 1 April 2015.

11. Financial instruments

The carrying amounts of financial instruments in each of the IAS 39 categories are as follows:

	Note	31 March 2015 £m			31 March 2014 restated £m			1 April 2013 restated £m		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Financial assets										
Loans and receivables:										
Cash and cash equivalents	17	1,512	1,596	2,495	730	801	1,567	610	660	2,833
Receivables		696	687	2,011	725	720	1,262	441	473	925
HE student loans	14.1	42,072	42,072	42,072	33,314	33,314	33,314	30,696	30,696	30,696
Other loans		305	305	305	16	16	16	1,267	1,267	1,267
Other financial assets		162	162	481	68	68	318	9	9	142
Total loans and receivables		**44,747**	**44,822**	**47,364**	**34,853**	**34,919**	**36,477**	**33,023**	**33,105**	**35,863**
Available for Sale:										
Launch Investments	14.2	1,740	1,740	1,740	1,606	1,606	1,606	1,826	1,826	1,826
Ordinary Shares	12.1	2,412	2,412	717	1,081	1,081	726	958	958	2,040
Joint Ventures and Associates	13	-	-	392	-	-	487	(19)	(19)	201
Public Dividend Capital	12.2	115	115	115	115	115	115	115	115	115
Other financial assets		119	119	4,023	354	354	4,831	302	302	3,624
Total available for sale		**4,386**	**4,386**	**6,987**	**3,156**	**3,156**	**7,765**	**3,182**	**3,182**	**7,806**
Derivatives:										
Derivatives:		-	(23)	(11)	-	(2)	(6)	-	-	6
Total derivatives		**-**	**(23)**	**(11)**	**-**	**(2)**	**(6)**	**-**	**-**	**6**
Fair value through profit or loss:										
Other financial assets		-	-	21	-	-	19	-	-	526
Total fair value through profit or loss		**-**	**-**	**21**	**-**	**-**	**19**	**-**	**-**	**526**
Held to maturity:										
Other financial assets		-	-	10	-	-	9	-	-	-
Total held to maturity		**-**	**-**	**10**	**-**	**-**	**9**	**-**	**-**	**-**
Financial liabilities										
Financial Guarantees	21	87	87	116	166	166	195	200	200	232
Debt sale subsidy	22	163	163	163	244	244	244	252	252	252
Payables		468	594	1,794	642	749	1,975	272	296	1,430
Total other financial liabilities		**718**	**844**	**2,073**	**1,052**	**1,159**	**2,414**	**724**	**748**	**1,914**

The amounts disclosed above as payables and receivables exclude any assets or liabilities which do not arise from a contractual arrangement. Payable and receivable transactions with the Core Department and its Agencies and other Government departments are excluded, as Government departments are part of the same legal entity.

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 2015 is £74,645 million (31 March 2014 restated: £63,702 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 companies' 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 get 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 partly 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 the policy write-off impairment.

- Investment Funds – Venture Capital Funds and Venture Capital Loan Funds held by the Core Department and Departmental Group have been reclassified as Investment Funds following a review of the classification of financial assets. 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. Many funds were transferred from the Core Department to the British Business Bank (BBB) in the period so the associated risk remains within the Departmental Group.

- 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 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 as detailed in Note 21. The EFG is also subject to a cap which limits the Core Department's exposure. In addition, prior to entering into the AAP guarantee the beneficiary company was assessed using a professional credit appraisal. This is followed up with quarterly credit assessments throughout the duration of the loan to ensure no deterioration in credit risk.

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 2015, 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 Launch Investments for contracts initially based in US Dollars, but it is minimal in the context of the overall 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 2015 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 £22 million (31 March 2014: £27 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, to minimise the risk of default due to interest rate rises, coupled with a downturn in the economy, the Core Department relies on the lenders assessment using best commercial practice to manage the risk of default.

The interest rate on pre HE Reform loans is RPI with the proviso that the interest rate can never be more than 1% above the Bank of England base rate. 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 HE Reform scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate rises on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if the UK continues to experience base rates that are lower than RPI by more or for longer than currently forecast the future cash flows will be impaired further. Additional information about student loans is provided in Note 14.1.

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. In 2014-15, GIB has entered into three swaps to hedge against interest rate risk. The counterparties to these swaps was 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 SFLG, EFG and AAP Schemes and negative impacts on the Core Department's launch investments 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 the required provision for 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

The Postal Services Holding Company Limited (PSH) has a 30% shareholding in Royal Mail Group, which is a listed company. PSH is therefore exposed to equity price risk arising from stock market movements.

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.

12. Investments and loans in other public sector bodies

	Ordinary Shares £m	Public Dividend Capital £m	Other Loans and Investments £m	Core Department £m	Core Department and Agencies £m	Elimination of shares held in NDPBs £m	NDPBs Ordinary Shares £m	Departmental Group £m
Balance at 1 April 2013 (restated)	**958**	**115**	**980**	**2,053**	**2,053**	**(613)**	**1,695**	**3,135**
Reclassification	-	-	-	**-**	**-**	-	(2,394)	**(2,394)**
Additions	156	-	12	**168**	**168**	(156)	-	**12**
Redemptions	-	-	(973)	**(973)**	**(973)**	-	-	**(973)**
Impairments	(10)	-	(1)	**(11)**	**(11)**	10	-	**(1)**
Revaluations	(23)	-	-	**(23)**	**(23)**	-	1,103	**1,080**
Loans repayable within 12 months transferred to current assets	-	-	(1)	**(1)**	**(1)**	-	-	**(1)**
Balance at 31 March 2014 (restated)	**1,081**	**115**	**17**	**1,213**	**1,213**	**(759)**	**404**	**858**
Reclassification	-	-	-	**-**	**-**	-	(1)	**(1)**
Additions	1,716	-	-	**1,716**	**1,716**	(1,704)	-	**12**
Redemptions	-	-	-	**-**	**-**	-	-	**-**
Impairments	(386)	-	-	**(386)**	**(386)**	374	-	**(12)**
Revaluations	1	-	2	**3**	**3**	-	(9)	**(6)**
Loans repayable within 12 months transferred to current assets	-	-	(1)	**(1)**	**(1)**	-	-	**(1)**
Balance at 31 March 2015	**2,412**	**115**	**18**	**2,545**	**2,545**	**(2,089)**	**394**	**850**

12.1 Ordinary Shares in other public sector bodies

	31 March 2015 £m			31 March 2014 £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April (restated)	1,081	1,081	726	958	958	2,040
Reclassification	-	-	(1)	-	-	(2,394)
Additions	1,716	1,716	12	156	156	-
Impairments	(386)	(386)	(12)	(10)	(10)	-
Revaluations	1	1	(8)	(23)	(23)	1,080
Balance at reporting date	**2,412**	**2,412**	**717**	**1,081**	**1,081**	**726**

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 owns Post Office Limited (POL) and 30% of the shares in Royal Mail Plc.

PSH holds 50,003 ordinary shares and one special share in POL at a nominal value of £1 each which is 100% of the issued share capital. 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 2015 was £394 million (31 March 2014: £404 million).

The principal objective of the company is to provide retail post office services through its national network of branches.

PSH holds 299,913,077 ordinary shares in Royal Mail Plc (31 March 2014: 299,913,077), which is 30% of the issued share capital, following the disposal of 70% of the shareholding by PSH during 2013-14. As these shares are traded on the active market, this shareholding is held at fair value based on the active market price of the shares. The fair value of these shares as at 31 March 2015 was £1,315 million (31 March 2014: £1,689 million). Prior to the disposal during 2013-14, the value of the shareholding was reclassified to 'other loans and investments', disclosed under Equities (listed securities) in Note 14.3.

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 Business, Innovation and Skills 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 2015 was £322 million (31 March 2014: £321 million).

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 974,850,000 shares of £1 each (31 March 2014: 301,850,000), in the Green Investment Bank (GIB). BIS made capital injections in GIB during the period in exchange for share capital, to allow GIB to make investments that could not be financed with free capital.

The principal objective of the company is to accelerate private sector investment in the green economy.

British Business Bank Plc (BBB)

BBB was registered as a public company on 29 October 2013. At 31 March 2015 the Core Department holds 664,326,143 ordinary shares (31 March 2014: 50,001), 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 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.

Capital for Enterprise Limited (CfEL)

The Core Department owned 49,901 shares in Capital for Enterprise Limited (CfEL), which managed the Core Department's equity investment funds and loan guarantee programmes until 1 November 2014 at which point it transferred that ownership to the British Business Bank.

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, valued at £20 million at 31 March 2015 (31 March 2014: £27 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 UK 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. 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.

The principal objective of the company is to hold and manage assets including POL and 30% of 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.

12.2 Public Dividend Capital (PDC)

	Companies House £m	UKIPO £m	Ordnance Survey £m	Met Office £m	Total £m
Balance at 1 April 2013	**16**	**6**	**34**	**59**	**115**
Additions	-	-	-	-	-
Redemptions	-	-	-	-	-
Balance at 31 March 2014	**16**	**6**	**34**	**59**	**115**
Additions	-	-	-	-	-
Redemptions	-	-	-	-	-
Balance at 31 March 2015	**16**	**6**	**34**	**59**	**115**

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.

12.3 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	Ordnance Survey £m	Met Office £m
Net Assets/(Liabilities) at 31 March 2014 (restated)	74	86	158	225
Turnover (restated)	64	76	144	208
Surplus/profit (deficit/loss) for the year before financing (restated)	7	-	32	11
Net Assets/(Liabilities) at 31 March 2015	77	89	161	226
Turnover	67	80	146	221
Surplus/profit (deficit/loss) for the year before financing	2	5	31	12

- For all bodies, information for 2014-15 was derived from their draft unaudited accounts. The information for 2013-14 was derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the *FReM*.

12.4 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.

12.5 Other investments and loans

	Royal Mail Holdings plc NLF loans £m	Royal Mail shareholder loan £m	Other investments £m	Total £m
Balance as at 1 April 2013 (restated)	**500**	**473**	**7**	**980**
Additions	-	-	12	**12**
Redemptions	(500)	(473)	-	**(973)**
Impairments	-	-	(1)	**(1)**
Loans repayable within 12 months transferred to current assets	-	-	(1)	**(1)**
Balance as at 31 March 2014 (restated)	**-**	**-**	**17**	**17**
Additions	-	-	-	**-**
Redemptions	-	-	-	**-**
Impairments	-	-	-	**-**
Revaluations	-	-	2	**2**
Loans repayable within 12 months transferred to current assets	-	-	(1)	**(1)**
Balance as at 31 March 2015	**-**	**-**	**18**	**18**

All other investments and loans are held by the Core Department.

Loans

In accordance with IAS 39 loans are carried at amortised cost. Where the difference between amortised cost and historic cost is not material historic cost is considered to be a proxy for amortised cost.

13. Investments in Joint Ventures and Associates

	31 March 2015			31 March 2014 restated		
	Core Department £m	Core Department and Agencies £m	Departmental Group £m	Core Department £m	Core Department and Agencies £m	Departmental Group £m
Balance at 1 April (restated)	**-**	**-**	**487**	**(19)**	**(19)**	**201**
Additions	-	-	420	-	-	232
Dividends	-	-	(4)	-	-	(3)
Disposals	9	9	(466)	-	-	(4)
Impairments	(9)	(9)	(10)	-	-	(1)
Revaluations	-	-	(35)	19	19	62
Balance at period end date	**-**	**-**	**392**	**-**	**-**	**487**

Joint ventures and associates have been restated due to an accounting policy change. The change in accounting policy has no impact on 2013-14 net expenditure or Taxpayers' equity. Please see note 28 for more detail concerning the accounting policy change.

Core Department

At 1 April 2014 the Core Department held joint ventures and associates whose valuations netted to nil. During 2014-15 a joint venture, which had net liabilities of £9 million, was disposed of resulting in an increase in net value.

NDPBs and other designated bodies

Green Investment Bank, MRC, BBSRC, STFC, UKAEA, BBB plc and BIS (Postal Services Act 2011) Company Limited have joint ventures and/or associates. The most significant holdings are:

The Francis Crick Institute Limited (formerly UKCMRI Limited)

UKCMRI Limited was established in 2010 to deliver a world class interdisciplinary biomedical research centre (the Francis Crick Institute). MRC holds 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 investment is held at cost of shares as the Francis Crick Institute is yet to become operational. The value of the investment in the Francis Crick Institute at 31 March 2015 is £268 million (31 March 2014: £230 million).

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. This investment was part of GIB's wider strategy to strengthen the UK offshore wind sector. Subsequently in March 2015 GIB sold their holding with a fair value of £231 million in Sheringham Shoal to the Offshore Wind Fund in which GIB have a holding. GIB's holding in the Offshore Wind Fund is included as an investment fund and disclosed in Note 14.3.

14. Other financial assets

		31 March 2015 £m			31 March 2014 restated £m		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April (restated)		**35,336**	**35,336**	**40,094**	**32,828**	**32,828**	**36,809**
Transfers in		(175)	(175)	-	-	-	-
Reclassifications		-	-	(9)	-	-	2,394
Additions		10,957	10,957	12,221	9,265	9,265	10,124
Disposals		-	-	-	(116)	(116)	(116)
Repayments		(2,026)	(2,026)	(3,674)	(1,727)	(1,727)	(5,034)
Capitalised interest		1,445	1,445	1,445	987	987	987
Effective interest		269	269	269	405	405	405
Revaluations		291	291	90	(108)	(108)	894
Student loan impairments	14.1	(1,925)	(1,925)	(1,925)	(6,155)	(6,155)	(6,155)
Other asset impairments		(62)	(62)	(146)	(18)	(18)	(187)
Impairment reversals		3	3	3	-	-	-
Write offs		(23)	(23)	(23)	(23)	(23)	(23)
Loans provided for in the year		-	-	(1)	(2)	(2)	(4)
Balance at reporting date		**44,090**	**44,090**	**48,344**	**35,336**	**35,336**	**40,094**

Other financial assets analysed between current and non-current assets:

	31 March 2015 £m			31 March 2014 restated £m			1 April 2013 restated £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Due within twelve months	2,136	2,136	2,279	2,146	2,146	2,334	1,806	1,806	2,472
Due after twelve months	41,954	41,954	46,065	33,190	33,190	37,760	31,022	31,022	34,337
Total	**44,090**	**44,090**	**48,344**	**35,336**	**35,336**	**40,094**	**32,828**	**32,828**	**36,809**

14.1 Student Loans in Higher and Further Education

24+ Advanced Learning Loans, referred to below as further education loans, and loans for students in higher education are held by the Core Department.

Measurement and carrying values

In accordance with IAS 39, student loans are classified as Loans and Receivables and are carried at amortised cost. This involves the gross value of the loans issued being discounted to net present value using the effective interest rate. The effective interest rate for student loans is RPI plus 2.2%, which is the Government's cost of financing them over the long term. Student loans are subsidised because in aggregate, borrowers are charged a rate of interest that does not cover the long term cost of borrowing.

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 ("policy write off impairment") 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 2015 £m			31 March 2014 restated £m		
	Higher Education loans	Further Education loans	Total	Higher Education loans	Further Education loans	Total
Balance at 1 April	**33,314**	**36**	**33,350**	**30,696**	**-**	**30,696**
Additions	10,655	144	**10,799**	9,027	72	**9,099**
Disposals	-	-	**-**	(116)	-	**(116)**
Repayments	(1,683)	-	**(1,683)**	(1,479)	-	**(1,479)**
Capitalised interest	1,438	7	**1,445**	986	1	**987**
Effective interest	212	1	**213**	341	-	**341**
Write offs	(23)	-	**(23)**	(22)	(1)	**(23)**
Loan impairments	(1,841)	(84)	**(1,925)**	(6,119)	(36)	**(6,155)**
Total	**42,072**	**104**	**42,176**	**33,314**	**36**	**33,350**

Risk

Student loans are subject to credit risk and interest rate risk. Details are provided in Note 11.

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 further education (FE) loans issued is calculated using a separate 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. As 2013-14 was the first year FE loans were issued, there is no historic repayment data available for use.

The assumptions used in the repayment models are formally reviewed each year and the amounts provided reflect the estimate as at 31 March 2015.

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 2014-15 changes in assumptions and modelling led to the following revisions to the carrying value for student loans:

- An increase of £1,355 million in the value of HE loans to reflect the revised long and short term forecasts for base rates, RPI and earnings published in the OBR's Economic and Fiscal Outlook in December 2014 and March 2015
- An increase of £1,401 million in the value of HE loans to reflect modelling improvements, mainly to earnings forecasts, in response to suggestions by the National Audit Office
- A decrease of £2 million in the value of FE loans to reflect the changes in modelling assumptions and forecasts for RPI and earnings published in the OBR's Economic and Fiscal Outlook in December 2014.

Impairments

Impairments shown in the table above relate to the cost of new loans being issued and the revaluation of the stock of existing loans. This covers figures previously reported separately for the movement in policy write-off impairment and for amortisation (referred to as interest subsidy provision).

The write-off element reflects the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or other causes. Each year the Core Department estimates the future cost of policy write offs based on a percentage of new loans issued during the financial year. This is offset by impairment reversals for the actual debts written off by the SLC and for the favourable impact of OBR forecasts and modelling changes. The interest subsidy provision recognises that, in aggregate, borrowers are charged a rate of interest which is less than the Government long term cost of borrowing.

Assumptions used to calculate the student loan balance at 31 March 2015

The key assumptions that impact on the value of the loan books are the discount rate, RPI inflation, graduate income distributions, graduate earnings and the base rates. The assumptions are set out in the table below, with an indication of the impact of change on future cash flows.

There are a number of other assumptions used in the modelling, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan books. Many of the assumptions are independent of each other and could change at the same time.

Sensitivity analysis

	Assumption used	Sensitivity to change for HE loans	Sensitivity to change for FE loans
Discount rate	HM Treasury long term discount rate of 2.2% plus RPI, representing the Government's cost of capital	If the discount rate applied was greater than 2.2% the fair value of the student loans on issue would be lower than the values calculated on the basis applied here. An increase in the discount rate to 2.3% would lead to a reduction in the value of the loan book of approximately £400 million. The relationship between the discount rate and the carrying value of the loan book is not linear, and further increases in the discount rate would have smaller additional impacts.	If the discount rate applied was greater than 2.2% the fair value of the student loans on issue would be lower than the values calculated on the basis applied here. An increase in the discount rate to 2.3% would lead to a reduction in the value of the loan book of approximately £0.4 million. The relationship between the discount rate and the carrying value of the loan book is not linear, and further increases in the discount rate would have smaller additional impacts.
RPI Inflation	The Student Loan Repayment model assumes short-term RPI rates will be in line with OBR forecasts until 2020-21. Future RPI is then assumed to be 3.0% from 2025-26, as this is the long-term forecast, with a linear change from the 2020-21 value each year up to 2025-26.	If RPI was 0.5 percentage points lower than assumed in every year, this would lead to an increase in the value of the loan book of approximately £1,500 million.	If RPI was 0.5 percentage points lower than assumed in every year, this would lead to an increase in the value of the loan book of approximately £0.4 million.
Graduate earnings	The Student Loan Repayment model assumes short-term average nominal earnings growth will be in line with OBR forecasts until 2020-21. Future earnings growth is then assumed to be 4.4% from 2025-26, as this is the long-term forecast, with a linear change from the 2020-21 value each year up to 2025-26.	If real earnings growth was 0.5 percentage points lower than assumed in every year, this would lead to a reduction in the value of the loan book of approximately £1,200 million. The relationship between the earnings growth and the carrying value of the loan book is not linear and further decreases in long-term earnings growth would have greater additional impacts.	If real earnings growth was 0.5 percentage points lower than assumed in every year, this would lead to a reduction in the value of the loan book of approximately £5 million. The relationship between the earnings growth and the carrying value of the loan book is not linear and further decreases in long-term earnings growth would have greater additional impacts.
Graduate Income Distribution	The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical data for the Labour Force Survey, the British Household Panel and administrative data held by the Student Loans Company.	If these income profiles were 5% lower than previously assumed in every year, this would lead to a reduction in the value of the loan book of approximately £1,600 million. The relationship between the level of earnings and the carrying value of the loan book is not linear and further decreases in long-term earnings would have greater additional impacts.	If a borrower is fixed to the same point on the income distribution for whole life (instead of changing position every year in line with current probability distributions) this would lead to a reduction in the value of the loan book of approximately £10 million.
Base rates	The model assumes that Bank of England base rates will be in line with OBR forecasts up to 2020-21. The base rate is assumed to equal the long term OBR forecast of 5.0% from 2025-26, with linear change from the 2020-21 value each year up to 2025-26. The base rate cap is forecast to apply intermittently until 2020-21.	If base rates were 0.5 percentage points lower than forecast for each year this would lead to a reduction in the value of the loan book of approximately £400 million. The relationship between the base rate assumptions and the carrying value of the book is not linear and the impact of any changes also depends on the relative difference between the base rates and RPI.	Not applicable for FE loans as no base rate cap applies.

The interest rate chargeable to pre-2012 loans is the lower of RPI or Bank of England base rate plus 1%. If the latter applies, then the base rate cap is in operation.

Face value of Student Loans

The table below provides a reconciliation between the carrying value and the face value of student loans issued:

		HE loans		FE loans	Total
	£m	£m	£m	£m	£m
Opening face value of loan book as at 1 April 2014 (restated)		**53,530**		**72**	**53,602**
less:					
Opening value of loan impairments		(20,216)		(36)	(20,252)
Opening carrying value of loan book (restated)		**33,314**		**36**	**33,350**
New loans issued	10,655		144		10,799
less: Impairment of loans issued	(4,619)		(83)		(4,702)
Fair value of new loans issued		6,036		61	6,097
Impairment adjustment to opening loan book		2,778		(1)	2,777
Capitalised interest		1,438		7	1,445
Effective interest		212		1	213
Write-offs		(23)		-	(23)
Repayments		(1,683)		-	(1,683)
Carrying value of loan book as at 31 March 2015		**42,072**		**104**	**42,176**
Add back:					
Closing value of loan impairments		21,845		123	21,968
Face value of loan book as at 31 March 2015		**63,917**		**227**	**64,144**

The difference between the value of opening impairments plus impairments in year and the closing value of impairments is the effective interest figure.

Features of Student Loans

There are two student loan schemes: HE and FE schemes have different repayment thresholds and interest rates. In both schemes, repayments are income-contingent and borrowers generally repay through the tax system. Students who started in HE between academic years 1998/99 and 2011/12 received pre-2012 loans: these constitute the largest part of the loan asset, with a face value of £45,490 million at 31 March 2015. Most current lending is on the post-2012 scheme, to HE students and FE students aged 24 or over. The value of post-2012 loans issued in the financial year at 31 March 2015 was £9,521 million (HE and FE). The face value of the post-2012 loans asset at 31 March 2015 was £18,654 million (HE and FE).

14.2 Launch Investments

	31 March 2015	31 March 2014
	£m	£m
	Core Department	Core Department
Balance at 1 April	**1,606**	**1,826**
Additions	25	46
Repayments	(204)	(200)
Effective interest	56	64
Revaluations	276	(130)
Impairments	(19)	-
Balance at period end date	**1,740**	**1,606**

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. 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

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 £112 million credit at 31 March 2015 (31 March 2014: £55 million debit).

The carrying value of the investments at 31 March 2015 was £1,740 million (31 March 2014: £1,606 million). The historic cost valuation of the portfolio at 31 March 2015 was £782 million (31 March 2014: £907 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 £1,557 million and £1,771 million respectively, at 31 March 2015 (2013-14: £1,487 million and £1,687 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.

14.3 Other loans and investments

	Gilts £m	Term Deposits £m	Private Sector Loans £m	Bonds £m	Property related holdings £m	Equities (listed securities) £m	Private equities £m	Investment funds £m	Other investments £m	Total £m
Balance at 1 April 2013 (restated)	**137**	**105**	**142**	**1,057**	**467**	**270**	**833**	**736**	**540**	4,287
Reclassifications	-	-	-	-	-	2,394	-	-	-	**2,394**
Additions	-	429	202	144	1	38	59	70	36	**979**
Redemptions	(20)	(406)	(52)	(421)	(53)	(1,717)	(172)	(512)	(2)	**(3,355)**
Revaluations	(6)	-	-	(119)	1	973	55	19	101	**1,024**
Impairments	(2)	-	(6)	-	-	-	-	(11)	(168)	**(187)**
Loans provided for in year	-	-	(4)	-	-	-	-	-	-	**(4)**
Balance at 31 March 2014 (restated)	**109**	**128**	**282**	**661**	**416**	**1,958**	**775**	**302**	**507**	**5,138**
Reclassifications	-	-	-	-	(34)	34	-	(10)	1	**(9)**
Additions	76	271	141	67	1	41	35	703	61	**1,396**
Redemptions	(153)	(325)	(47)	(567)	(188)	(116)	(289)	(102)	-	**(1,787)**
Revaluations	(6)	-	-	(1)	19	(358)	58	25	77	**(186)**
Impairments	(2)	-	-	-	-	-	-	(42)	(83)	**(127)**
Impairment reversals	-	-	3	-	-	-	-	1	-	**4**
Loans provided for in year	-	-	(1)	-	-	-	-	-	-	**(1)**
Balance at 31 March 2015	**24**	**74**	**378**	**160**	**214**	**1,559**	**579**	**877**	**563**	**4,428**
Of the total:										
Core Department	-	-	58	-	-	-	-	114	-	**172**
NDPBs and other designated bodies	24	74	320	160	214	1,559	579	763	563	**4,256**
Balance at 31 March 2015	**24**	**74**	**378**	**160**	**214**	**1,559**	**579**	**877**	**563**	**4,428**

Consolidated Accounts

Venture Capital Funds and Venture Capital Loan Funds held by the Core Department and Departmental Group have been reclassified as Investment Funds following a review of the classification of financial assets.

Core Department

The Core Department held other financial assets valued at £172 million at 31 March 2015 (31 March 2014: £381 million). These assets were comprised predominantly of investment funds, with a carrying value of £114 million (31 March 2014 restated: £299 million).

Investment Funds

The Core Department and the Departmental Group has determined that 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 £65 million at 31 March 2015 (31 March 2014: £45 million).

Investment Funds, with a net asset value of £184 million at the point of transfer, were transferred or sold by the Core Department during the period to British Business Bank Investments Ltd or British Business Finance Ltd, wholly owned subsidiary companies of the Core Department.

Funds transferred include the Enterprise Capital Fund (ECFs). ECFs, first launched in 2006, were established to address a market weakness in the provision of equity finance to SMEs. Government funding is used alongside private sector funds to create funds that operate within the equity gap, targeting investments up to £2 million that have the potential to provide a commercial return. The Department made a commitment to allocate £200 million to the ECF programme in the four year period until 31 March 2015. The ECFs of £136 million were transferred (31 March 2014 carrying value: £150 million). A £48 million provision in respect of the Enterprise Capital Fund was also transferred.

The following Funds were also transferred;

- Community Development Venture Funds: Provides support to viable SMEs with links to the 25% most disadvantaged wards in England.
- Aspire Fund: A co-investment fund that was established to provide equity investments of up to £2 million (as a total investment round) to women-led SMEs. The Government investment will at least be matched by the private sector.
- Capital for Enterprise Fund: support viable business with equity or mezzanine investment aimed at releasing and sustaining growth. It became operational in April 2009 in response to the economic downturn.
- Catalyst Fund: Targets commercially viable venture capital funds which might otherwise fail to raise enough money to begin making investments in businesses.
- Business Finance Partnership (small cap): Invests in fund managers that provide an alternative source of lending for small businesses with turnover up to £75 million. Its investments are matched by private sector investment.
- Investment Programme: This builds on the Business Finance Partnership. It makes commercial investments which stimulate at least the same investment from the private sector, encouraging new lenders to the market.

Creation of the 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 works alongside over 80 private sector investors to deliver investment and programmes to businesses which are start-up, high-growth or simply viable but underfunded and will play a key part in the Department's work to support business.

BBB was established in July 2013, but remained dormant as State Aid approval was sought for its proposed activities. Prior to obtaining State Aid approval from the European Union to operate the BBB, the financial assets and associated activities were brought together within BIS, and specific BIS controlled institutions. These institutions were:

- British Business Bank Investments Ltd (BBBIL), (previously known as British Business Investments Ltd until 4 November 2014).
- British Business Finance Ltd (BBFL)
- British Business HoldCo Ltd (HoldCo)
- British Business Financial Services Ltd (BBFSL)
- British Business Aspire HoldCo Ltd (BBAHL)
- Capital for Enterprise Fund Ltd
- Capital for Enterprise Fund Managers Ltd
- Capital for Enterprise (GP) Ltd

On 30 June 2014 financial assets with a value of £327 million were transferred to British Business Bank Investments Limited (BBBIL) from Infrastructure Finance Unit Limited (IFUL), a wholly owned HM Treasury company. A loan to IFUL from HM Treasury, valued at £320 million, was novated to the Core Department at the same date, to ensure that BBBIL's loan commitment was to the Core Department, rather than to HM Treasury.

During the period from 31 August 2014 to 31 October 2014, net assets valued at £140 million were either transferred or sold to BBBIL or BBFL 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. Prior to 1 November 2014, additions and disposals by BBBIL and BBFL, plus revaluations to financial assets, led to a further £10 million of financial assets being recognised in these entities.

The European Union granted State Aid approval on 15 October 2014, following which a series of assets transfers and sales took place from the Core Department to BBB on 1 November 2014. These include:

- the transfer of the Core Department shareholding in CfEL
- the sale of the Core Department's ownership of BBBIL and BBFL and all associates subsidiaries
- the transfer of a number of Investment Funds and some loans to the private sector.

On 1 November 2014 BBBIL, BBFL and associated subsidiaries were sold to BBB for £477 million by British Business HoldCo Ltd, HoldCo being 100% owned by the Core Department. On the same day BBB issued the Core Department with £477 million of share capital in respect of assets obtained. The £477 million payable by the Core Department to BBB in respect of the share capital has been written back as shown in note 5. However, from a Departmental Group position there is no impact as this is eliminated on consolidation. The £320 million loan payable by the HoldCo to the Core Department, in respect of the assets obtained from IFUL, had previously been cancelled when the Core Department purchased the British Business HoldCo Ltd.

NDPBs and other designated bodies

Gilts

The Nesta Trust held Government gilts with a value of £24 million as at 31 March 2015 (31 March 2014: £109 million). They are classified as 'available for sale assets' in accordance with IAS 39.

Term Deposits

CITB, FRC, ECITB and the United Kingdom Atomic Energy Authority hold investments in term deposits with major UK and International banks. As at 31 March 2015 the Departmental Group held £74 million (31 March 2014: £128 million). £55 million (31 March 2014: £108 million) of this balance was held by CITB. Term deposits of CITB, ECITB and FRC are classified as 'available for sale assets' in accordance with IAS 39 whereas those of United Kingdom Atomic Energy Authority are classified as 'held to maturity'.

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 2015 £320 million of loans were held by NDPBs and other designated bodies (31 March 2014: £251 million).

During the reporting period GIB made loans of £61 million (31 March 2014: £136 million) to organisations engaged in fulfilling its investment obligations. The fair value of loans held by GIB as at 31 March 2015 was £240 million (31 March 2014: £186 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 and ECITB 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 2015 was £160 million (31 March 2014: £661 million).

The fair value of the remaining investments in corporate bonds held by BIS (Postal Services Act 2011) Company Limited as at 31 March 2015 was £115 million (31 March 2014: £622 million).

Property related holdings

BIS (Postal Services Act 2011) Company Limited and Nesta Trust have property related holdings. At 31 March 2015 the value of the holdings amounted to £214 million (31 March 2014: £416 million).

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 2015 was £208 million (31 March 2014: £411 million). These investments relate to holdings in a number of marketable real estate investment funds and unit trusts, and are held as 'available for sale financial assets' in accordance with IAS 39.

Equities (listed securities)

At 31 March 2015 the Department Group held £1,559 million of listed equities (31 March 2014: £1,958 million). All holdings at 31 March 2015 were held by NDPBs and other designated bodies (31 March 2014: £1,906 million). £1,315 million of this relates to the 30% shareholding in Royal Mail Group (31 March 2014: £1,689 million), and £232 million was held by Nesta Trust (31 March 2014: £199 million). BIS (Postal Services Act 2011) Company Limited also have listed equities. These equities are classified as 'available for sale' in accordance with IAS 39.

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 2015 was £579 million (31 March 2014: £775 million, including investments of the Pirbright Institute which left the Departmental Group on 1 April 2014).

The fair value of the remaining investments in BIS (Postal Services Act 2011) Company Limited as at 31 March 2015 was £563 million (31 March 2014: £762 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 2015 was £763 million (31 March 2014: £5 million). In accordance with IAS 39, the investments of BBB and Nesta Trust are classified as 'available for sale' assets, those of BIS (Postal Services Act 2011) Company Limited held at 'fair value through profit and loss'.

BBB held investment funds valued at £626 million at 31 March 2015. The largest investment is in the Business Finance Partnership (BFP) for medium sized businesses and at 31 March 2015 was valued at £425 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. The next largest investment fund holding of BBB is the Enterprise Capital Fund which was valued at £135 million at 31 March 2015.

In March 2015 GIB invested in the UK Green Investment Bank Offshore Wind Fund. Launched by GIB's wholly owned subsidiary UK Green Investment Bank Financial Services Limited, the Fund is the world's first fund dedicated to investments in offshore wind assets power generation. At 31 March 2015 GIB's investment in the Fund was valued, based on their share of the net assets, at £125 million (31 March 2014: nil).

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 2015 was £438 million (31 March 2014: £447 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 2015 was £125 million (31 March 2014 Restated: £60 million).

15. Trade receivables, financial and other assets

	31 March 2015 £m			31 March 2014 (restated) £m			1 April 2013 (restated) £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Amounts falling due within one year:									
Trade receivables	201	206	740	138	153	353	58	90	261
Deposits and advances									
Other receivables:									
VAT and other taxation	19	22	22	18	22	27	20	25	32
Staff receivables	1	1	13	1	1	3	1	1	2
RPS receivables	146	146	146	163	163	163	167	167	167
Other	8	9	95	20	20	66	30	29	55
Prepayments and accrued income	569	608	1,011	473	489	866	321	336	663
	944	**992**	**2,027**	**813**	**848**	**1,478**	**597**	**648**	**1,180**
Amounts falling due after more than one year:									
Trade receivables	154	138	140	192	174	171	147	109	109
Other receivables	79	79	81	80	80	83	73	73	78
Prepayments and accrued income	-	-	15	-	-	19	-	-	18
	233	**217**	**236**	**272**	**254**	**273**	**220**	**182**	**205**
Total Receivables	**1,177**	**1,209**	**2,263**	**1,085**	**1,102**	**1,751**	**817**	**830**	**1,385**

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 £146 million as at 31 March 2015 (31 March 2014: £163 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 nine 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.

15.1 Intra-Government Balances (Departmental Group)

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2015	31 March 2014 restated	1 April 2013 restated	31 March 2015	31 March 2014 restated	1 April 2013 restated
	£m	£m	£m	£m	£m	£m
Balances with:						
Other central Government bodies	291	203	283	34	34	6
Local authorities	3	3	16	-	-	-
Public corporations and trading funds	6	7	21	-	-	-
Subtotal: Intra-Government balances	*300*	*213*	*320*	*34*	*34*	*6*
Bodies external to Government	1,727	1,265	860	202	239	199
Total receivable at period end date	**2,027**	**1,478**	**1,180**	**236**	**273**	**205**

16. Investments and loans in public sector bodies: current

	31 March 2015 £m			31 March 2014 £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**1**	**1**	**1**	**291**	**291**	**291**
Additions	4,889	4,889	4,889	1,142	1,142	1,142
Repayments	(4,598)	(4,598)	(4,598)	(1,433)	(1,433)	(1,433)
Loans repayable within 12 months transferred from non-current assets	1	1	1	1	1	1
Balance at reporting date	**293**	**293**	**293**	**1**	**1**	**1**

Loans in public sector bodies are held by the Core Department. Of the £293 million balance at 31 March 2015, £292 million relates to loans to Post Office Limited.

Since October 2003 the Core Department has made available to Post Office Limited (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 2015 was £292 million (31 March 2014: nil).

17. Cash and cash equivalents

	31 March 2015 £m			31 March 2014 restated £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance as at 1 April (restated)	**730**	**801**	**1,567**	**610**	**660**	**2,833**
Net change in cash balances	782	795	928	120	141	(1,266)
Balance as at period end date	**1,512**	**1,596**	**2,495**	**730**	**801**	**1,567**
The following balances were held with:						
The Government Banking Service (GBS)	1,509	1,593	2,265	724	747	1,323
Commercial banks and cash in hand	3	3	232	6	54	244
Balance at period end date	**1,512**	**1,596**	**2,497**	**730**	**801**	**1,567**
Less overdraft	-	-	(2)	-	-	-
Total	**1,512**	**1,596**	**2,495**	**730**	**801**	**1,567**

18. Trade payables and other current liabilities

	31 March 2015			31 March 2014 restated			1 April 2013 restated		
	£m			£m			£m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Amounts falling due within one year:									
VAT, social security and other taxation	5	5	29	4	4	23	-	-	21
Trade payables	1	2	137	6	-	186	9	9	153
Other payables	62	64	254	286	296	449	146	147	307
Commercial bank overdraft	-	-	-	-	-	-	-	-	2
Accruals and deferred income	421	470	1,281	444	478	1,375	230	251	1,123
Current part of finance leases	-	-	-	-	-	-	-	-	2
Amounts issued from the Consolidated Fund for supply but not spent at year end	1,511	1,594	1,594	730	800	800	605	655	655
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:									
Received	1	1	1	-	-	-	5	5	5
	2,001	**2,136**	**3,296**	**1,470**	**1,578**	**2,833**	**995**	**1,067**	**2,268**
Amounts falling due after more than one year:									
Trade Payables	-	-	5	-	-	9	-	-	12
Other payables, accruals and deferred income	1	2	73	3	3	65	1	1	45
Finance leases	-	-	5	-	-	6	-	-	7
Royal Mail NLF loans	-	-	-	-	-	-	500	500	500
	1	**2**	**83**	**3**	**3**	**80**	**501**	**501**	**564**
Total payables	**2,002**	**2,138**	**3,379**	**1,473**	**1,581**	**2,913**	**1,496**	**1,568**	**2,832**

18.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2015	31 March 2014 restated	1 April 2013 restated	31 March 2015	31 March 2014 restated	1 April 2013 restated
	£m	£m	£m	£m	£m	£m
Balances with:						
Other central government bodies	1,569	880	835	7	21	525
Local authorities	15	15	25	-	-	-
NHS bodies	-	-	1	-	-	-
Public corporations and trading funds	10	47	64	-	-	-
Subtotal: Intra-Government balances	*1,594*	*942*	*925*	*7*	*21*	*525*
Bodies external to government	1,702	1,891	1,343	76	59	39
Total payables at period end date	**3,296**	**2,833**	**2,268**	**83**	**80**	**564**

19. Provisions for Liabilities and Charges

	Note	31 March 2015 £m			31 March 2014 restated £m		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April		**638**	**677**	**1,058**	**711**	**767**	**1,112**
Transferred out		(48)	(48)	(1)	-	-	-
Provided in the year	5	98	99	136	7	9	100
Provisions not required written back	5	(3)	(35)	(62)	(30)	(46)	(61)
Provisions utilised in the year		(45)	(48)	(100)	(48)	(53)	(104)
Borrowing costs (unwinding of discounts)	5	14	13	19	2	4	10
Changes in price level	5	5	5	13	(4)	(4)	1
Balance at reporting date		**659**	**663**	**1,063**	**638**	**677**	**1,058**

Analysis of expected timing of discounted cash flows

	31 March 2015 £m			31 March 2014 restated £m			1 April 2013 restated £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Current liabilities:									
Not later than one year	35	36	102	60	64	122	45	50	99
Non current liabilities:									
Later than one year and not later than five years	207	210	385	153	169	316	154	176	310
Later than five years	417	417	576	425	444	620	512	541	703
Total non current liabilities	624	627	961	578	613	936	666	717	1,013
Total	**659**	**663**	**1,063**	**638**	**677**	**1,058**	**711**	**767**	**1,112**

Provisions of the Departmental Group

	UK Atomic Energy Authority Decommissioning	HEI staff liabilities	British Shipbuilders	Onerous Leases	Other	Total
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2013	**235**	**228**	**215**	**194**	**240**	**1,112**
Provided in the year	5	43	-	-	52	**100**
Provisions not required written back	-	-	(12)	(15)	(34)	**(61)**
Provisions utilised in the year	-	(29)	(10)	(27)	(38)	**(104)**
Borrowing costs (unwinding of discounts)	5	5	(4)	-	4	**10**
Changes in price level	(3)	10	(1)	(1)	(4)	**1**
Balance at 31 March 2014	**242**	**257**	**188**	**151**	**220**	**1,058**
Transferred in/(out)	-	-	-	-	(1)	**(1)**
Provided in the year	2	-	2	10	122	**136**
Provisions not required written back	-	(6)	-	(2)	(54)	**(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**	**254**	**1,063**

19.1 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 2.2% depending on the term of the provision. The undiscounted cost of the provisions as at 31 March 2015 was £257 million (31 March 2014: £255 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.

19.2 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 a sample 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 independent review is undertaken periodically in order to verify the reasonableness of the provision. The value is an estimate based upon a sample of the underlying population, projected payments, mortality rates and other actuarial assumptions. The latest review was carried out during 2013-14. The provision is discounted using HM Treasury's pension discount rate of 1.30% (31 March 2014: 1.80%). The undiscounted value of the provision as at 31 March 2015 was £256 million (31 March 2014: £300 million).

19.3 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 undiscounted liability as at 31 March 2015 was £217 million (31 March 2014: £225 million). The current estimate is that the liabilities will extend for up to 32 years.

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 liabilities as at 31 March 2013 was reported in December 2013. This report coupled with the existing known liabilities for Noise Induced Hearing Loss identified a range of undiscounted liabilities from £147 million to £456 million.

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 2015 was £8 million (31 March 2014: £9 million) and is included within other provisions.

19.4 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 2.2% in real terms, depending on the provision term. The expiry dates for the onerous leases within the Department range from 2015 to 2027.

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 2015 was £128 million (31 March 2014: £145 million). The discounted value is higher than the undiscounted liability due to the negative discount rates used for the short and medium term.

20. Retirement benefit obligations

	31 March 2015 £m	31 March 2014 restated £m
	Funded pension schemes	Funded pension schemes
Balance at 1 April	**(57)**	**49**
Current service cost	25	26
Interest cost	44	2
Actuarial (gains) and losses	87	(98)
Return on assets	(46)	-
Income from contributions	(53)	(36)
Balance at reporting date	**-**	**(57)**

All retirement benefit obligations relate to the NDPBs and other designated bodies.

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 2015 was £23 million (31 March 2014: £17 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 2015. The scheme surplus as at 31 March 2015 was £23 million (31 March 2014: £74 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.

21. Financial guarantees

	31 March 2015 £m			31 March 2014 £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**166**	**166**	**195**	**200**	**200**	**232**
Provided in year	33	33	37	30	30	38
Financial guarantees not required written back	(88)	(88)	(88)	(4)	(4)	(9)
Guarantees called	(12)	(12)	(16)	(30)	(30)	(36)
Amortisation of financial guarantees	(12)	(12)	(12)	(29)	(29)	(29)
Unwinding of discount	-	-	-	(1)	(1)	(1)
Balance at period end date	**87**	**87**	**116**	**166**	**166**	**195**

Financial guarantees analysed between current and non-current liabilities

	31 March 2015 £m			31 March 2014 £m			1 April 2013 £m		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Payable not later than one year	27	27	30	39	39	47	48	48	49
Payable after more than one year	60	60	86	127	127	148	152	152	183
Total	**87**	**87**	**116**	**166**	**166**	**195**	**200**	**200**	**232**

All significant financial guarantees are held by the Core Department.

Measurement

The Small Firms Loan Guarantee Scheme (SFLGS), Enterprise Finance Guarantee (EFG) and Automotive Assistance Programme (AAP) are initially recognised at fair value, which is equal to the premium income over the life of the guarantee.

All guarantees as at 31 March 2015 are carried at fair value. Where fees are set at a commercial rate the fair value is based upon the net present value of premium income. Otherwise fair value is estimated by forecasting future payouts under the guarantee.

Guarantees provided by the Core Department

21.1 Enterprise Finance Guarantee (EFG)

The EFG 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.

Carrying values

As at 31 March 2015 BIS has £839 million of guarantees outstanding (31 March 2014: £896 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 £286 million (31 March 2014: £245 million). However, not all loans are expected to payout and BIS has estimated its liability to be £74 million (31 March 2014: £84 million). In addition, BIS has estimated that it will have future fees receivable of £36 million after allowing for bad debts (31 March 2014: £37 million). Both the liability for expected payouts and asset for future fees are recognised on the Statement of Financial Position.

21.2 Small Firms Loan Guarantee Scheme (SFLGS)

The SFLGS was replaced by the EFG in January 2009. By providing a Government backed guarantee, the Scheme enabled lenders to assist small business, with viable business proposals, to gain access to finance where they lacked security or a track record.

Carrying values

As at 31 March 2015, BIS has £25 million of guarantees outstanding (31 March 2014: £49 million). The maximum amount that could be paid out if all loans defaulted is £19 million (31 March 2014: £37 million). BIS has estimated its expected liability for payouts to be £9 million (31 March 2014: £15 million), which is included on the Consolidated Statement of Financial Position. There are no fees receivable.

Forecasting models

The estimated liability arising from the guarantees outstanding is based on the default probability, the outstanding guaranteed loan balance and the time taken to process the claim. The default probability is determined by using a statistical forecasting model known as 'Cox Regression'.

Risks

Due to the nature of these guarantees, the Core Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Core Department to honour its guarantee. The Core Department minimises the credit risk 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. In addition, the Core Department also shares the risk on each individual guaranteed facility and limits the risk at the portfolio level for EFG because its exposure is capped.

In addition, 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 relating to a rise in interest rates, accompanied by a decline in the economic environment, the Core Department relies on the lenders applying best commercial practice when assessing the risk of default.

21.3 Other

Automotive Assistance Programme (AAP)

On 27 January 2009, the then Secretary of State announced the creation of the AAP, to make possible loans and guarantees enabling up to £2.3 billion in lending to Britain's automotive manufacturers and suppliers. Following the signing of an agreement in July 2010, the Core Department provided a guarantee to the European Investment Bank (EIB) for £378 million in respect of a £450 million loan. The loan is due to be repaid by September 2015.

Carrying value

At 31 March 2015, the fair value of the Core Department's other financial guarantees was £4 million (31 March 2014: £10 million).

Risks

Credit Risk

Due to the nature of the AAP guarantee, the Core Department is exposed to credit risk, which could trigger a call on the guarantee if the business defaults or if other financial covenants set out in the loan agreement are not met. This risk is mitigated by the Core Department assessing the company's credit rating according to professional rating agencies. At 31 March 2015 the likelihood of default was assessed as 0.6%. The loan is also secured on assets.

22. Other Financial Liabilities

	Note	Debt sale subsidy £m
Balance at 1 April 2013		**252**
Decrease in year	5	(6)
Utilisation in year		(8)
Borrowing costs (unwinding of discounts)	5	6
Value at 31 March 2014		**244**
Decrease in year	5	(82)
Utilisation in year		(10)
Borrowing costs (unwinding of discounts)	5	11
Value at 31 March 2015		**163**

Financial liabilities analysed between current and non-current liabilities:

	31 March 2015 £m	31 March 2014 £m	1 April 2013 £m
Payable not later than one year	10	10	9
Payable after more than one year	153	234	243
Total	**163**	**244**	**252**

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.

23. Contingent Liabilities

23.1 Contingent liabilities disclosed under IAS37

The Departmental Group has the following contingent liabilities:

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.
International collaborations – technical facilities	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). The contingent liability is unquantifiable.
National Physical Laboratory	NMO 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. During 2014-15, a prospective amendment to the Outer Space Act 1986 was made, which will come into force from 1 October 2015 (common commencement date). Licensees' currently unlimited liability for third party costs will be capped to 60 million euro for the majority of missions. This amendment was designed to adequately balance the risk to the UK Government whilst ensuring UK space operators remain competitive internationally.
Student Loans	The Core Department has a contingent liability for student loans in a legal case currently before the Supreme Court. The case concerns a foreign national, who by virtue of her immigration status (discretionary leave to remain), is ineligible for a student loan. The appeal decision is pending: the date of the decision is not known. The contingent liability is unquantifiable, as the amount of any liability would depend on the nature of any decision against the Department.
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 £10 million (31 March 2014: £11 million).
Decommissioning and Dilapidations	The Departmental Group has a number of contingent liabilities associated with cost of decommissioning and restoring sites once they are no longer in use. The estimated combined value of these liabilities is £7 million (31 March 2014: £5 million).
Restructuring Costs	Where Institutes/Sites that were previously part of BBSRC were transferred to other organisations, BBSRC agreed to meet certain costs for a limited period. The maximum payable under these agreements was £3 million and all of the agreements will end by 2016-17 (31 March 2014: £3 million).
Lease payments	The Core Department is responsible for paying the rent in respect of a lease in the event that the current tenant defaults. The cost the Core Department is estimated to be in the region of £1 million, which is the estimated total value of the amounts payable until the lease expires in November 2016 (31 March 2014: £2 million).
Lease agreement	The Departmental Group has a contingent liability relating to a lease agreement. The liability is estimated to be £1 million (31 March 2014: nil).

23.2 Contingent liabilities arising through financial guarantees, indemnities and letters of comfort

Quantifiable

The Departmental Group has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities. 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 contacts be reported to Parliament. These costs are reproduced in the table below.

	1 April 2014 £m	Increase in year £m	Liabilities crystallised in year £m	Obligations expired in year £m	31 March 2015 £m	Amount Reported to Parliament by Departmental minute £m
Warranties were granted by the Department and the SLC to the purchaser of the mortgage style HE loans sold in 2013-14. These warranties related to the accuracy of information and were limited to 10% of the purchase price of £129 million between sale and 31 March 2015. The maximum level of liability was £12.9 million.	13	-	-	13	-	-
GIB has provided indemnities relating to costs of decommissioning and restoring sites once they are no longer in use. The maximum liability is £57 million.	5	52			57	
Other	6	-	-	-	6	-
Total	**24**	**52**	**-**	**13**	**63**	**-**

Obligations expired in year relate to cases closed and/or completed contracts.

Unquantifiable

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

Statutory Guarantees

- A guarantee has been given to the Financial Reporting Council that if the amount held in the Legal Costs Fund falls below £1 million in any year, an additional grant will be made to cover legal costs subsequently incurred in that year.
- Any liabilities imposed by 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.
- 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 (the Company), 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. None of the indemnities are quantifiable.
- An indemnity has been given by 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.

24. Losses and special payments

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

24.1 Losses Statement

	2014-15			2013-14		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Total number of losses	17,948	18,126	18,330	19,265	19,502	19,732
RPS receivable impairment	257	257	257	320	320	320
Other losses	42	43	45	142	145	150
Total value of losses (£m)	299	300	302	462	465	470

Details of cases over £300,000

Cash losses

Core Department

During the financial year 2014-15, after a review to clarify contractual terms, £13.68 million was written off from trade debtors and is included in the bad debts written off total shown in the programme expenditure note.

NDPBs and other designated bodies

Included in cash losses for 2014-15 are 13 cases with a value of £1,417,669 (2013-14: 28 cases with a value of £2,607,067) paid to organisations by the Skills Funding Agency where recovery was not possible because the organisations have gone into liquidation. Of this total, individual losses in excess of £300,000 were recorded for the following organisations:

- Elmfield Training (£562,860)
- Management and Personnel Services Limited (£422,823)

Claims abandoned

Core Department

HMRC pays to BIS the amount of student loan repayments collected from borrowers by employers through the tax system. During the reporting period £1,524,778 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 amount written off in 2013-14 was £406,336.

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 2014-15 is £257 million (2013-14: £319 million).

Administrative losses

Core Department

The scrappage incentive scheme was launched in the 2009 Budget. Scrapping of an old car (registered on or before 31 July 1999) would allow for a £2,000 cash incentive. The money burden is shared with £1,000 funded by the Government and £1,000 funded by the automobile industry. The programme was limited to £400 million allowing for about 400,000 customers to benefit. At the end of the scheme, BIS undertook a final audit exercise. Following further analysis, BIS has calculated the expected value of any write-off to be £433,000.

£516,771 has been written off in respect of an entry relating to the European Social Fund programme that was erroneously included in debtor balances transferred from the South East England Development Agency (SEEDA) to BIS as at 31 March 2012. SEEDA was formally wound up on 1 July 2012.

Fruitless payments

NDPBs and other designated bodies

A fruitless payment of £490,000 was made by Science and Technology Facilities Council (STFC). STFC had pre-paid SWETS (UK), a library subscription management company, to manage STFC's 2015 library subscriptions for about 150 journals managed by 30 publishers. On 22 September 2014 the parent holding company (SWETS Information Services B.V) went into administration, and on 9 October 2014, the UK subsidiary followed.

Constructive losses

Core Department

The Core Department holds onerous leases for properties on the Department's estate, for which we have provided £133 million, as disclosed in Note 19. The payments made during the course of 2014-15 in respect of these leases amounted to £24,574,893 (2013-14: £28,143,618).

Exchange rate fluctuations

Core Department

The Core Department is required to subscribe to the World Trade Organisation on an on-going and continuous basis. The subscription is paid in Swiss Francs and the Core Department incurred an exchange rate loss of £897,835 on payment of the 2015 subscription.

24.2 Special Payments

Special payments include extra-contractual, ex gratia and compensation payments. 732 special payments totalling £1,660,900 were made by the Departmental Group during 2014-15 (2013-14 re-presented: 998 special payments totalling £252,638).

Details of cases over £300,000

Extra-contractual payments

During 2014-15, UK SBS made a special payment of £500,000 to an organisation to cover legal costs as a result of a UK SBS procurement exercise.

24.3 Student loans and grants remitted (written off) in year

Loans and grants totalling £23 million were written off in 2014-15.

	2014-15 £m	2013-14 £m
Because of death	14	10
Because of age	7	7
Because of disability	1	2
Because of bankruptcy	-	1
On completion of Individual Voluntary Arrangement (IVA)	1	2
Other	-	1
Total	**23**	**23**

25. Related-party transactions

The Core Department is the parent of the bodies listed in Note 29 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's Consolidated Fund, Education and Funding Agency, Post Office Limited, HM Revenue and Customs, the Met Office, Health Education England and the Department of Health.

None of the Core Department's Ministers or other Departmental Board members 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 an employee of University of Cambridge, and Chair Main Panel B in HEFCE's REF 2014. The University of Cambridge receives funding from various members of the Departmental Group including HEFCE and the Research Councils. The University of Cambridge received £178.4 million in funding from HEFCE 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.

26. Events after the Reporting Period

Change of Government

Following the formation of a new Government on 8 May 2015, The Rt Hon Sajid Javid MP was appointed Secretary of State for Business Innovation and Skills (BIS). The following appointments and changes in responsibilities have also been made:

- The Rt Hon Lord Maude appointed as Minister of State for Trade and Investment at BIS and Foreign Office
- Nick Boles MP remains Minister of State for Skills at BIS and Department for Education with additional responsibility for employment and trade unions
- Jo Johnson MP appointed as Minister for Universities and Science (Minister of State)
- The Rt Hon Anna Soubry MP appointed as Minister for Small Business, Industry and Enterprise.
- Ed Vaizey MP appointed Minister of State (jointly with the Department for Culture, Media and Sport)
- George Freeman MP appointed Parliamentary Under Secretary of State (jointly with the Department of Health)
- Baroness Neville-Rolfe DBE appointed Parliamentary Under Secretary of State (jointly with the Department for Culture, Media and Sport)

Machinery of Government Changes

Shareholder Executive Group to transfer to new HM Treasury owned company

On 20 May 2015 the Prime Minister agreed the Shareholder Executive Group will transfer from the Secretary of State for Business, Innovation and Skills (BIS) to the Chancellor of the Exchequer. The new vehicle created will combine the activities of the Shareholder Executive and UK Financial Investments.

Digital Economy Unit to transfer to Department for Culture, Media and Sport

On 19 May 2015 a ministerial statement announced that the BIS Digital Economy Unit will become part of the Department for Culture, Media and Sport (DCMS). A budget of £25.1m will transfer with the unit.

Other events after the Reporting Period

Sale of Royal Mail

On 4 June 2015 the Chancellor of the Exchequer announced that the Government will sell its remaining 30% shareholding in the Royal Mail plc in this Parliament, with the first tranche in 2015-16, and complete the privatisation begun in October 2013. The Government has appointed Rothschild to advise the Department on this process. The fair value of these shares as at 31 March 2015 was £1,315 million (31 March 2014: £1,689 million). On 11 June 2015 the Government sold half of its 30% shareholding in the Royal Mail plc, at a price of 500 pence per share. The disposal proceeds were £750 million.

Privatisation of the UK Green Investment Bank

On 25 June 2015 the Secretary of State for Business Innovation and Skills announced through a written statement the Government's intention to move the UK Green Investment Bank (GIB) into private ownership, subject to the Government ensuring that it achieves value for money. The aim is to give GIB greater freedom to operate across a wider range of green sectors. The details and timing of the transaction have not been finalised. At 31 March 2015, the Core Department held £975 million of ordinary shares in GIB (31 March 2014: £302 million).

Vesting of Ordnance Survey

On 22 January 2015 Rt Hon Matthew Hancock MP announced the Government's intention to change the Ordnance Survey from a Trading Fund to a Government Company at the end of the financial year. The intention was for the Ordnance Survey to remain under 100% public ownership, with ultimate accountability for the organisation staying with the Department. On 1 April 2015, the Government Company began operations, trading as Ordnance Survey Limited. During 2014-15, the Core Department received £21 million of Public Dividend Capital dividend from Ordnance Survey (2013-14: £20 million). At 31 March 2015, the Core Department had a Public Dividend Capital investment of £34 million in Ordnance Survey (31 March 2014: £34 million).

26.1 Date Accounts authorised for issue

The Accounting Officer of the Department has authorised these Accounts to be issued on the same day as they were certified.

27. Third-party assets

The following are balances on accounts held in BIS's name at banks but which are not BIS monies. They are held or controlled for the benefit of third parties and are not included in BIS's Accounts.

	31 March 2015			31 March 2014		
	Core Department £m	Core Department and Agencies £m	Departmental Group £m	Core Department £m	Core Department and Agencies £m	Departmental Group £m
Monetary assets such as bank balances and monies on deposit	8	8	176	5	5	15
Total	**8**	**8**	**176**	**5**	**5**	**15**

28. 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 one MoG change affecting its Estimate and Accounts for the year ended 31 March 2015, 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.

Under the MoG change, the management of the Competition Commission transferred to the Competition and Markets Authority, a non-ministerial department with its own Estimates and Accounts. The effective date of the transfer was 1 April 2014. To reflect this change, in 2013-14, the Core Department net expenditure was reduced by £25 million. There was no impact on the Core Department net assets. The Departmental Group net expenditure for 2013-14 was reduced by £23 million and net assets reduced by £8 million for 2013-14.

Changes in the Designation Order

No bodies were added to or removed from the Designation Order 2014-15 with a retrospective reclassification.

Changes in accounting policy

There was one change in accounting policy in the reporting period and in accordance with IAS 8 the change has been treated as a Prior Period Adjustment. Accounting for joint ventures or associates that are classified to the private sector in the 2014-15 FReM differs from the 2013-14 FReM. Previously, joint ventures and associates were recognised as other investments under IAS 39. However, the 2014-15 FReM requires that joint ventures and associates not classified to the public sector should be recognised under IAS 28, IFRS 11 and IFRS 12. The change in accounting policy has no impact on 2013-14 net expenditure or Taxpayers' equity as investments in accordance with IAS 39 are measured on the same basis as joint ventures and associates in accordance with IAS 28, IFRS 11 and IFRS 12 with the Core Department and the Departmental Group. In accordance with IAS 8, the change has been re-presented with effect from the earliest opening period, which is 1 April 2013.

This change in accounting policy resulted in a re-presentation of £220 million from Note 14.3 to Note 13 in 2012-13 and £488 million from Note 14.3 to Note 13 in 2013-14.

Prior period restatement

The Group revaluation reserve balance at 31 March 2014 incorrectly included £1,676 million relating to Post Office Holdings Limited assets that had been sold in 2013-14. In accordance with IAS 16 and the FReM, these balances should have been transferred to the Statement of Comprehensive Net Expenditure upon the disposal of assets. In accordance with IAS 8, the revaluation reserve and the Statement of Comprehensive Net Expenditure have been restated to correct this error for 2013-14. This resulted in a decrease of £1,676 million to the Departmental Group's net expenditure for 2013-14. There was no impact on net assets for 2013-14.

Impact of restatements on opening balances for the Departmental Group

	Balance at 31 March 2014 per 2013-14 signed accounts	Nature of restatement				Restated balance at 31 March 2014
		Machinery of Government change	Accounting policy change	Changes in the boundary	Other prior period adjustments	
	£m	£m	£m	£m	£m	£m
Consolidated Statement of Comprehensive Net Expenditure						
Net operating costs	21,014	(23)	-	-	(1,676)	19,315
Net expenditure for the period	21,060	(23)	-	-	(1,676)	19,361
Other comprehensive net income and expenditure	(1,981)	-	-	-	-	(1,981)
Total comprehensive expenditure	19,079	(23)	-	-	(1,676)	17,380
Consolidated Statement of Financial Position						
Non-current assets	42,644	(5)	-	-	-	42,639
Current assets	5,404	(2)	-	-	-	5,402
Current liabilities	(3,014)	2	-	-	-	(3,012)
Non-current liabilities	(1,354)	13	-	-	-	(1,341)
General fund	(37,528)	(8)	-	-	(1,676)	(39,212)
Revaluation reserve	(5,553)	-	-	-	1,676	(3,877)
Charitable funds	(555)	-	-	-	-	(555)
Minority interest	(44)	-	-	-	-	(44)
Statement of Parliamentary Supply						
Resource DEL	20,614	(23)	-	-	-	20,591
Capital DEL	2,157	-	-	-	-	2,157
Resource AME	(348)	-	-	-	-	(348)
Capital AME	4,675	-	-	-	-	4,675
Net outturn for the year	**27,098**	**(23)**	**-**	**-**	**-**	**27,075**

29. 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 2014, 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 (https://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 2015, 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 2014-15, is provided at page 15.

As a result of changes made in the 2014-15 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 28.

Designated Body (*linked bodies are indicated in italics below their parent body*)	**Status**	**Website** (*further information about linked bodies or those closed during 2014-15 is also included*)
(a) Bodies consolidated in Departmental Group accounts for 2014-15		
Executive Agencies		
Insolvency Service	Executive Agency	gov.uk/government/organisations/insolvency-service
National Measurement Office	Executive Agency	gov.uk/government/organisations/national-measurement-and-regulation-office
UK Space Agency	Executive Agency	gov.uk/government/organisations/uk-space-agency
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*
Skills Funding Agency (operating name of the Chief Executive of Skills Funding)	Crown Executive NDPB	skillsfundingagency.bis.gov.uk
NDPBs and other designated bodies		
The Arts and Humanities Research Council	Executive NDPB	ahrc.ac.uk
The Biotechnical 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 Bank 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 Holdings 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

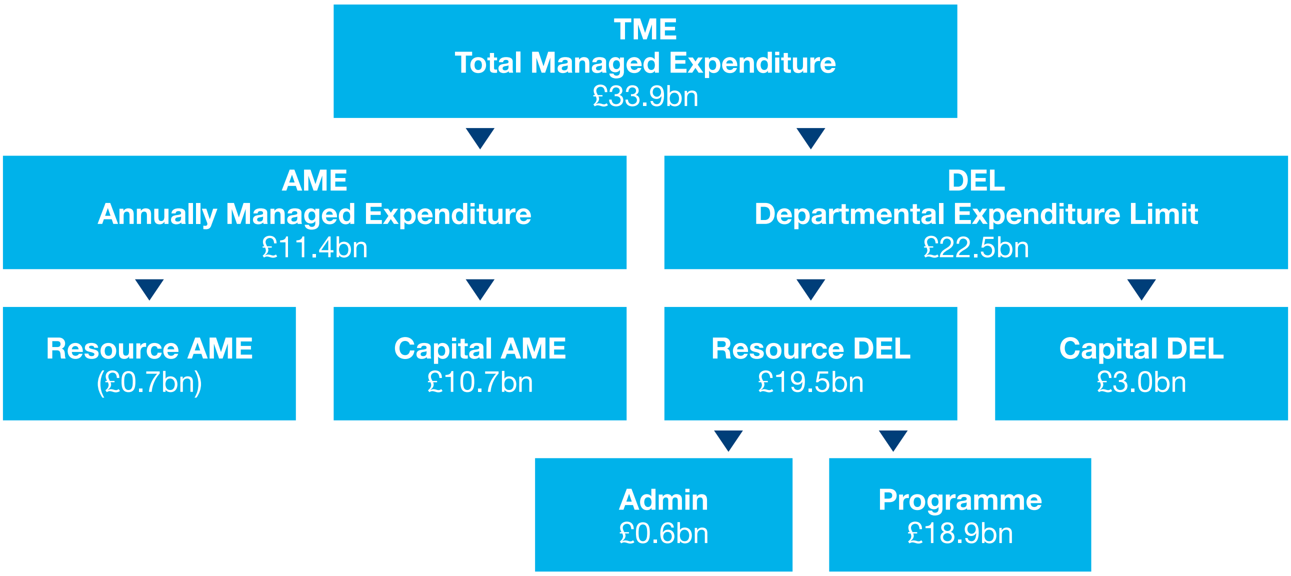
Designated Body (*linked bodies are indicated in italics below their parent body*)	**Status**	**Website** (*further information about linked bodies or those closed during 2014-15 is also included*)
Competition Appeals Tribunal	Tribunal NDPB	catribunal.org.uk
The Construction Industry Training Board (CITB) (established under the Industrial Training Act 1964)	Executive NDPB and Charity	cskills.org
Diamond Light Source Limited	Limited Company	diamond.ac.uk
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 Limited	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 GIB 1 Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK Green Investment Community Lending Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK GIB 3 Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK GIB Financial Services Limited	*Limited Company*	*Consolidated by UK Green Investment Bank plc*
UK GIB Rhyl Flats Investments 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 Shared Business Services Limited	Limited Company	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 2014-15 is also included*)
(b) Bodies not consolidated in Departmental Group accounts for 2014-15		
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 (Scie-Tech Daresbury)	Company Limited by Guarantee	http://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.*
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.*

Annex A:
Annex to Financial Overview, including glossary of financial terms

Budgets

Total Managed Expenditure (TME) represents the total funds available to the Department.



Departmental Expenditure Limit (DEL)

DEL budgets are firm, planned budgets set for multi-year periods in Spending Reviews. They are linked to the Department's objectives and their limits may not be exceeded. The majority of BIS spending falls within DEL.

The DEL budget can be split into **Resource DEL** and **Capital DEL**.

Capital DEL is for spending on assets and investment. By having a separate total for Capital DEL, funding for capital investment is both protected and controlled.

Resource DEL is spent on either:

- Programme: Largely the delivery of the Department's frontline objectives, including funding for many partner organisations
- Administration: Running costs of the Department and its partner organisations, including back office staff, accommodation and ICT.

Annually Managed Expenditure (AME)

AME budgets are volatile or demand-led in a way that the Department cannot control. Examples of AME budgets for BIS are:

- Student Loans (cash paid out and repayments received)
- Post Office working capital loan
- Redundancy payments service
- Paternity and adoption pay

Consolidated Fund Extra Receipts (CFERs)

CFERs are receipts not authorised to be retained by the Department and which are paid over to the Consolidated Fund.

Estimates

Supply Estimates are the means by which Parliament gives approval to (and grants resources for) Departmental Spending Plans. The amount approved by Parliament is often termed **the Vote**. The resources granted in the Vote are specifically for the set of Departmental operations covered under the **ambits**. The Vote also includes the **Net Cash Requirement.** The Net Cash Requirement relates to spending within the Estimate as a whole, and is not ring-fenced between any of the other voted limits.

Budgets may be amended via the annual **Supplementary Estimate**. This allows the Department to make various changes, including: taking account of new internal allocations, for example due to Machinery of Government changes; increasing or decreasing the net cash requirement; and Reserve claims to increase funding.

Note that BIS has a separate Estimate for the effective management of the United Kingdom Atomic Energy Authority pension schemes. This is separate from the consolidated accounts contained in this volume. Copies of the United Kingdom Atomic Energy Authority Pension accounts are available at http://www.official-documents.gov.uk

Financial Management

BIS is responsible for all of the resources allocated to the Departmental Group. The Department has put in place a strong budgetary control process to effectively discharge this responsibility. The Department allocates annual budgets in March of each year and monitors them on a monthly basis. Forecasts of expenditure are reviewed monthly and updated where appropriate.

More in-depth reviews of forecasts are carried out quarterly with particular emphasis on mid year and end December reviews (as these are used by HM Treasury as a basis for total spend across Government for the year and to identify changes to be made through the Supplementary Estimate). In 2014-15, a formal mid year review process was carried out to confirm or adjust in-year budgets to align with revised forecasts, and to assess risks and opportunities in the future years of the Spending Review.

The Finance Director delivered monthly finance reports to the Performance, Finance and Risk Committee following the 2014-15 mid-year review exercise. These reports gave the strategic context for managing expenditure over the remainder of the year and provided assurance that forecast expenditure would remain within budget.

Annex B:
Expenditure Tables

These Tables present actual expenditure by the Department for the years 2009-10 to 2014-15 and planned expenditure for 2015-16. The data relates to the Department's expenditure on an Estimate and budgeting basis. From 2011-12 Estimates and budgets are aligned, and the administration costs of partner organisations are shown as such rather than as programme.

The format of the Tables is determined by HM Treasury, and the disclosure format in Tables 1, 2 and 4 follows that of the Supply Estimate sections.

The data in the Tables has been restated to take account of machinery of government changes over the period.

Table 1 Total Departmental Spending - summarises expenditure on functions administered by the Department, covering the period from 2009-10 to 2015-16. Consumption of resources includes programme and administration costs. Total Departmental expenditure is analysed by Departmental Supply Estimates, and any unallocated provision.

Table 2 Resource Budget - is complementary to Table 1 and shows 2014-15 figures against the original and final budgetary control limits.

Table 3 Total Capital Employed - shows capital employed by the Department in Statement of Financial Position format as disclosed in the Department's Accounts. It also shows as a separate line the net capital employed by its Partner Organisations to give a total figure for capital employed by the Departmental Group.

Table 4 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. One of the classification changes resulting from the SR2010 Settlement was the movement of the administration costs of Partner Organisations from programme funding into administration. Table 4 shows assumed equivalent figures for 2009-10.

Table 5 Staff Numbers - shows staff numbers employed by the main Department and its Agencies. Until 2013-14 this included UKTI Admin staff. From 2014-15 UKTI has its own Estimate, and its staff numbers and costs are included in the UKTI annual accounts.

Tables 6, 7, and 8 Country and Regional Analysis Tables - show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in November 2014 as part of the National Statistics release [https://www.gov.uk/government/statistics/country-and-regional-analysis-2014]. The figures were largely taken from the Online System for Central Accounting and Reporting (OSCAR) during the summer of 2014 and the regional distributions were completed by the following autumn (taking on board any revisions to departmental totals). Please note that totals may not sum due to rounding.

The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department, its executive agencies and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.

TES is a cash equivalent measure of public spending. The tables do not include depreciation or movements in provisions that are in Departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2014 [https://www.gov.uk/government/statistics/public-expenditure-statistical-analyses-2014].

The data feature both identifiable and non-identifiable spending:

a. identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.

b. Expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter A of the CRA November 2014 release. These are not the same as the strategic priorities shown elsewhere in the report.

Table 6 Expenditure by Country and Region – shows identifiable expenditure on services, i.e. expenditure which can be shown as being for the benefit of specific countries and regions. It also includes, for completeness, a line for non-identifiable expenditure i.e. that which is deemed to be on behalf of the United Kingdom as a whole.

Table 7 Expenditure per Head by Country and Region - analyses the identifiable expenditure underlying Table 6, per head of population.

Table 8 Expenditure by Function/Programme by Country and Region - shows the outturns in Table 6 analysed into functional categories. These categories are the standard COFOG categories.

Table 1 – Department for Business Innovation and Skills

Total departmental spending, 2009-10 to 2015-16

	2009-10 Outturn £'000	2010-11 Outturn £'000	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Outturn £'000	2015-16 Plans £'000
Resource DEL							
Science and Research	130,557	144,538	297,666	468,055	433,988	503,643	561,706
Innovation, Enterprise and Business	33,599	(187,186)	142,507	213,509	315,092	308,683	446,878
Market Frameworks	111,200	94,815	114,528	108,753	119,103	95,094	92,989
Higher Education	2,251,300	5,663,480	5,220,117	5,130,779	7,224,310	3,200,191	6,321,912
Further Education	(6,717,968)	(406,072)	(647,879)	(631,748)	(617,933)	(629,550)	(430,893)
Capability	350,509	326,629	318,956	312,081	305,778	301,705	314,503
Government as Shareholder	151,333	166,947	169,509	346,335	350,245	211,863	173,593
Science and Research (NDPB) net	4,495,987	4,701,130	4,562,207	4,604,803	4,581,889	4,650,198	4,644,825
Innovation, Enterprise and Business (NDPB) net	1,182,390	1,022,336	670,894	377,168	438,734	524,020	480,629
Market Frameworks (NDPB) net	71,487	65,291	60,047	62,905	60,086	49,882	53,527
Higher Education (NDPB) net	5,188,422	5,238,170	4,895,021	3,979,002	3,193,488	2,183,118	1,777,486
Further Education (NDPB) net	11,078,149	4,440,540	4,188,952	4,127,044	4,033,540	3,931,343	3,694,548
Capability (NDPB) Net	-	-	-	-	68,597	59,268	9,800
Government as Shareholder (NDPB) net	-	-	-	96,715	69,182	15,426	41,976
Total Resource DEL	**18,326,965**	**21,270,618**	**19,992,525**	**19,195,401**	**20,576,099**	**15,404,884**	**18,183,479**
Of which:							
Staff costs	1,231,760	1,002,708	1,046,398	1,050,956	1,064,838	1,009,160	830,623
Purchase of goods and services	1,488,118	1,291,751	1,260,932	1,078,983	1,290,116	1,219,583	1,261,824
Income from sales of goods and services	(941,505)	(732,891)	(272,835)	(276,676)	(142,963)	(159,264)	(126,526)
Current grants to local government (net)	2,463,921	254,218	97,520	394	376,479	356,627	-
Current grants to persons and non-profit bodies (net)	20,672,106	16,478,686	15,188,412	14,033,212	12,990,329	12,406,385	12,090,319
Current grants abroad (net)	(12,499)	(2,079)	2,134	175,295	145,049	58,071	312,694
Subsidies to private sector companies	406,066	(12,720)	1,415	3,627	8,043	9,538	75,407
Subsidies to public corporations	156,891	247,117	180,000	350,000	349,798	229,164	180,000
Net public service pensions[2]	-	-	25	15,967	27,640	(7)	-
Rentals	(18,120)	(10,888)	12,036	33,563	(56,470)	(55,962)	8,823
Depreciation[1]	1,031,002	4,260,246	3,784,936	3,751,930	5,739,698	1,649,151	4,741,000
Take up of provisions	-	-	(1,011)	(2,577)	(25)	23	-
Change in pension scheme liabilities	-	-	-	204	37	12	-

	2009-10 Outturn £'000	2010-11 Outturn £'000	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Outturn £'000	2015-16 Plans £'000
Other resource	(8,150,775)	(1,505,530)	(1,307,437)	(1,019,477)	(1,216,470)	(1,317,597)	(1,190,685)
Resource AME							
Science and Research	47,690	46,351	50,607	82,814	34,544	87,581	45,787
Innovation, Enterprise and Business	(80,761)	8,417	(77,181)	(36,343)	(161,520)	(141,716)	18,497
Market Frameworks	559,055	545,100	448,791	39,139	66,234	72,723	102,000
Higher Education	432,252	(1,294,604)	(1,842,686)	(904,330)	(534,597)	(1,099,695)	(438,002)
Further Education	(28)	(28)	(888)	(18)	(702)	(7,970)	(90)
Capability	(13,401)	27,703	8,015	(9,347)	(34,767)	(29,808)	(16,218)
Government as Shareholder	(57,081)	(19,937)	(25,402)	52,349	(84)	74,713	(78,721)
Science and Research (NDPB) net	2,179	19,209	(10,769)	43,575	(24,687)	23,870	12,944
Innovation, Enterprise and Business (NDPB) net	135,051	193,230	38,935	-	2,479	(4,309)	19,937
Market Frameworks (NDPB) net	(5,813)	(1,094)	(1,694)	(11,657)	(561)	(243)	573
Higher Education (NDPB) net	(18,841)	(23,566)	(21,731)	(14,015)	33,210	(28,771)	(18,264)
Further Education (NDPB) net	54,261	(27,564)	(12,112)	(3,268)	15,428	(2,855)	4,581
Capability (NDPB) Net	-	-	-	-	(113)	-	-
Government as Shareholder (NDPB) net	-	-	-	-	(130,671)	(148,034)	(58,761)
Market Frameworks	-	-	-	415,257	316,071	239,776	267,000
Government as Shareholder	-	-	-	-	77,341	-	-
Total Resource AME	**1,054,563**	**(526,783)**	**(1,446,115)**	**(345,844)**	**(342,395)**	**(964,738)**	**(138,737)**
Of which:	130,557	130,557	130,557	130,557	130,557	130,557	130,557
Staff costs	91,314	85,320	73,562	60,711	65,271	33,703	69,423
Purchase of goods and services	103,743	92,071	83,073	63,243	225,048	113,680	226,777
Income from sales of goods and services	(142,379)	(115,170)	(116,157)	(64,439)	(114,343)	(101,178)	(113,255)
Current grants to local government (net)	-	3,000	-	-	-	-	-
Current grants to persons and non-profit bodies (net)	738,455	582,884	590,949	623,803	432,692	387,245	414,180
Current grants abroad (net)	-	-	-	8	-	-	-
Subsidies to private sector companies	-	-	-	-	-	137,080	-
Net public service pensions[2]	706	601	-	(3,785)	-	-	787
Rentals	-	-	-	1,150	516	524	-
Depreciation[1]	689,289	423,184	(1,251,174)	(164,509)	714,639	668,402	1,165,612
Take up of provisions	132,427	315,078	51,201	253,310	75,157	(10,878)	97,929
Release of provision	(165,979)	(176,717)	(171,530)	(156,156)	(148,833)	(126,024)	(93,979)
Change in pension scheme liabilities	-	511	507	22,745	26,425	25,497	4,912

	2009-10 Outturn £'000	2010-11 Outturn £'000	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Outturn £'000	2015-16 Plans £'000
Unwinding of the discount rate on pension scheme liabilities	-	701	(12,602)	43,316	2,024	44,001	3,655
Release of provisions covering payments of pension benefits	-	-	-	(15,991)	(27,758)	-	-
Other resource	(393,013)	(1,738,246)	(693,944)	(1,009,250)	(1,593,233)	(2,136,790)	(1,914,778)
Total Resource Budget	**19,381,528**	**20,743,835**	**18,546,410**	**18,849,557**	**20,233,704**	**14,440,146**	**18,044,742**
Of which:							
Depreciation[1]	1,720,291	4,683,430	2,533,762	3,587,421	6,454,337	2,317,553	5,906,612
Capital DEL							
Science and Research	106,988	88,121	(21,206)	(60,788)	31,747	108,739	88,503
Innovation, Enterprise and Business	(671,613)	(209,229)	(169,683)	(15,307)	45,850	(347,110)	302,393
Market Frameworks	3,419	(586)	2,465	12,378	3,789	4,364	20,300
Higher Education	10,000	34,384	(3,534)	(517)	(1,500)	-	-
Further Education	(210,900)	(32,144)	3,210	4,732	250	8,641	39,857
Capability	13,943	10,083	7,133	53,355	18,040	4,771	4,502
Government as Shareholder	(3,681)	11,803	(1,105)	113,263	76,902	98,449	486,635
Science and Research (NDPB) net	1,340,930	841,466	777,147	607,975	946,347	920,962	1,034,496
Innovation, Enterprise and Business (NDPB) net	894,674	454,418	59,859	37,334	138,375	80,489	69,100
Market Frameworks (NDPB) net	4,270	2,393	1,286	910	2,564	3,573	1,100
Higher Education (NDPB) net	371,972	209,689	100,709	76,406	115,869	192,596	294,500
Further Education (NDPB) net	1,167,080	692,695	396,610	290,608	397,082	320,920	40,143
Capability (NDPB) Net	-	-	-	-	7,257	773	-
Government as Shareholder (NDPB) net	-	-	-	119,716	602,562	614,021	1,401,611
Total Capital DEL	**3,027,082**	**2,103,093**	**1,152,891**	**1,240,065**	**2,385,134**	**2,011,188**	**3,783,140**
Of which:							
Capital support for local government (net)	503,280	242,972	186,667	1,193	772	1,048	-
Capital grants to persons & non-profit bodies (net)	2,678,884	1,692,080	837,053	781,357	1,728,482	1,387,494	1,341,077
Capital grants to private sector companies (net)	554,768	270,133	335,899	112,074	84,839	110,344	355,350
Capital grants abroad (net)	53,823	77,736	55,136	26,087	39,158	29,650	148,321
Capital support for public corporations	59,367	75,916	5,427	6,401	128,332	98,778	165,000
Purchase of assets	482,653	468,553	314,083	285,755	293,067	247,539	(26,928)
Income from sales of assets	(74,727)	(142,717)	(102,504)	(19,504)	(84,302)	(34,717)	-

	2009-10 Outturn £'000	2010-11 Outturn £'000	2011-12 Outturn £'000	2012-13 Outturn £'000	2013-14 Outturn £'000	2014-15 Outturn £'000	2015-16 Plans £'000
Net lending to the private sector and abroad	73,411	13,573	(218,009)	153,041	304,784	506,975	1,232,982
Other capital	(1,304,377)	(595,153)	(260,861)	(106,339)	(109,998)	(335,923)	567,338
Capital AME							
Innovation, Enterprise and Business	-	-	-	-	-	(35,441)	(32,277)
Higher Education	4,045,771	4,418,158	5,222,590	6,243,383	8,406,836	10,410,042	11,713,000
Further Education	-	-	-	-	72,732	150,811	202,000
Government as Shareholder	260,000	(261,000)	239,000	(61,368)	(763,521)	292,000	-
Science and Research (NDPB) net	-	-	-	(57,492)	(1,108)	(46,387)	-
Innovation, Enterprise and Business (NDPB) net	-	-	115	-	-	7,159	(9,858)
Higher Education (NDPB) net	-	-	-	(2,133)	-	-	(2,921)
Further Education (NDPB) net	494	1,196	7,221	6,333	3,196	1,754	14,269
Government as Shareholder (NDPB) net	-	-	-	-	(1,063,420)	(1,206,678)	(469,630)
Government as Shareholder	-	-	-	-	(1,979,829)	-	
Total Capital AME	**4,306,265**	**4,158,354**	**5,468,926**	**6,128,723**	**4,674,886**	**9,573,260**	**11,414,583**
Of which:							
Capital grants to private sector companies (net)	-	-	-	-	(315,546)	(441)	-
Capital support for public corporations	260,000	(261,000)	239,000	(157,373)	(763,521)	292,000	-
Purchase of assets	494	1,196	7,336	11,227	6,579	1,871	(18,008)
Income from sales of assets	-	-	-	(126)	(111,495)	(264,442)	(36,000)
Net lending to the private sector and abroad	4,045,771	4,418,158	5,222,590	6,334,620	6,359,998	9,619,835	11,471,512
Other capital	-	-	-	(59,625)	(501,129)	(75,563)	(2,921)
Total Capital Budget	**7,333,347**	**6,261,447**	**6,621,817**	**7,368,788**	**7,060,020**	**11,584,448**	**15,197,723**
Total departmental spending[3]	**24,994,584**	**22,321,852**	**22,634,465**	**22,630,924**	**20,839,387**	**23,707,041**	**27,335,853**
Of which:							
Total DEL[3]	20,323,045	19,113,465	17,360,480	16,683,536	17,221,535	15,766,921	17,225,619
Total AME[3]	4,671,539	3,208,387	5,273,985	5,947,388	3,617,852	7,940,120	10,110,234

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 – Department for Business, Innovation and Skills

Outturn 2014-15		2014-15		2014-15		2014-15		2014-15
£'000	Original Plans Resource	Original Plans Capital	Adjusted plans † Resource	Adjusted plans † Capital	Final plans Resource	Final plans Capital	Outturn Resource	Outturn Capital
Spending in Departmental Expenditure Limits (DEL)								
Voted expenditure	**17,272,555**	**2,999,969**	**17,969,503**	**2,902,635**	**19,544,668**	**2,977,949**	**15,404,884**	**2,011,188**
of which:								
Science and Research	565,595	97,570	1,756,827	86,678	518,897	114,570	503,643	108,739
Innovation, Enterprise and Business	401,242	459,164	389,342	396,164	487,814	282,283	308,683	(347,110)
Market Frameworks	97,061	226,812	(13,490)	224,412	128,423	6,160	95,094	4,364
Higher Education	5,116,107	-	5,116,107	-	7,172,953	8,831	3,200,191	-
Further Education	(476,934)	-	(476,934)	-	(636,286)	58,050	(629,550)	8,641
Capability	263,882	4,750	27,387	4,750	353,463	4,499	301,705	4,771
Government as Shareholder	341,433	396,000	293,133	396,000	237,002	(228,056)	211,863	98,449
Science and Research (NDPB) net	4,620,579	548,230	4,620,579	548,230	4,650,570	922,730	4,650,198	920,962
Innovation, Enterprise and Business (NDPB) net	330,060	44,074	275,761	23,032	540,488	60,274	524,020	80,489
Market Frameworks (NDPB) net	54,221	1,100	21,482	1,100	53,679	1,172	49,882	3,573
Higher Education (NDPB) net	2,088,177	185,169	2,088,177	185,169	2,079,688	249,617	2,183,118	192,596
Further Education (NDPB) net	3,836,916	357,000	3,836,916	357,000	3,904,123	321,540	3,931,343	320,920
Capability (NDPB) Net	-	100	-	100	9,800	-	59,268	773
Government as Shareholder (NDPB) net	34,216	680,000	34,216	680,000	44,054	1,176,279	15,426	614,021
Total Spending in DEL	**17,272,555**	**2,999,969**	**17,969,503**	**2,902,635**	**19,544,668**	**2,977,949**	**15,404,884**	**2,011,188**
Spending in Annually Managed Expenditure (AME)								
Voted expenditure	**(1,466,376)**	**10,747,207**	**(1,443,465)**	**10,747,207**	**476,142**	**10,695,040**	**(1,204,514)**	**9,573,260**
of which:								
Science and Research	35,500	-	58,411	-	57,824	-	87,581	-
Innovation, Enterprise and Business	(112,805)	-	(112,805)	-	3,310	(10,000)	(141,716)	(35,441)
Market Frameworks	61,400	-	61,400	-	119,147	-	72,723	-
Higher Education	(1,415,307)	10,278,000	(1,415,307)	10,278,000	452,527	10,797,002	(1,099,695)	10,410,042
Further Education	(22)	-	(22)	-	(18)	144,999	(7,970)	150,811
Capability	(24,814)	-	(24,814)	-	(8,837)	-	(29,808)	-
Government as Shareholder	-	50,404	-	50,404	2,373	655,000	74,713	292,000
Science and Research (NDPB) net	3,083	-	3,083	-	6,380	-	23,870	(46,387)
Innovation, Enterprise and Business (NDPB) net	16,870	-	16,870	-	19,972	2,378	(4,309)	7,159
Market Frameworks (NDPB) net	673	-	673	-	(703)	-	(243)	-
Higher Education (NDPB) net	(21,133)	-	(21,133)	-	(16,432)	(2,857)	(28,771)	-
Further Education (NDPB) net	(12,921)	418,803	(12,921)	418,803	(5,014)	6,060	(2,855)	1,754
Government as Shareholder (NDPB) net	3,000	-	3,000	-	(154,388)	(897,542)	(148,034)	(1,206,678)
Capability (NDPB) Net	100	-	100	-	1	-	-	-
Non-voted expenditure								
Market Frameworks	368,000	-	368,000	-	252,000	-	239,776	-
Total Spending in AME	**(1,098,376)**	**10,747,207**	**(1,075,465)**	**10,747,207**	**728,142**	**10,695,040**	**(964,738)**	**9,573,260**
Total	**16,174,179**	**13,747,176**	**16,894,038**	**13,649,842**	**20,272,810**	**13,672,989**	**14,440,146**	**11,584,448**
of which:								
Voted expenditure	15,806,179	13,747,176	16,526,038	13,649,842	20,020,810	13,672,989	14,200,370	11,584,448
Non-voted expenditure	368,000	-	368,000	-	252,000	-	239,776	-

† Figures for Adjusted Plans have been adjusted for Machinery of Government changes effected during the financial year to reflect the Final Plans structure where applicable

Table 3 – Total Capital Employed

Assets and Liabilities on the Statement of Financial Position at end of year:

£000	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 outturn	2014-15 outturn	2015-16 plans
Assets							
Non-Current assets							
Intangible	4,579	3,354	2,511	3,237	3,526	4,396	4,576
Tangible	25,826,228	27,584,505	30,686,955	33,415,559	34,771,385	44,817,553	55,033,953
of which:							
Land and Buildings	-	-	-	27,908	30,480	28,432	27,010
Plant and Machinery	126,267	118,916	59,142	52,364	59	23	22
Freehold Buildings			-	2,900	2,912	3,094	2,939
Leasehold Improvements			14,326	33,419	30,284	20,104	19,099
Information Technology			10,046	7,592	7,896	5,455	5,182
Furniture, Fixtures and Fittings			1,402	1,068	836	501	476
Assets under Construction			27,949	15,090	24,575	28,513	36,212
Other Financial Assets and Trade and other Receivables	24,033,659	25,440,285	28,498,409	31,242,769	33,462,096	42,187,444	52,195,498
Investments	1,666,302	2,025,304	2,075,681	2,032,449	1,212,247	2,543,987	2,747,515
Current assets	3,455,274	3,887,372	4,050,315	3,304,164	3,690,462	4,885,471	4,641,197
Liabilities							
Payables (<1 year)	(1,919,069)	(2,485,915)	(2,224,945)	(1,051,599)	(1,519,082)	(2,039,312)	(1,937,346)
Payables (>1 year)	(1,218,343)	(1,496,274)	(1,466,037)	(895,527)	(363,852)	(213,896)	(203,201)
Provisions	(471,994)	(629,001)	(640,598)	(711,422)	(637,911)	(658,547)	(625,620)
Capital employed within Core Department	**25,676,675**	**26,864,041**	**30,408,201**	**34,064,412**	**35,944,528**	**46,795,665**	**56,913,559**
Partner organisation net assets	2,364,627	2,899,777	2,761,020	9,441,752	7,743,889	6,269,584	7,067,728
Total capital employed in Departmental Group	**28,041,302**	**29,763,818**	**33,169,221**	**43,506,164**	**43,688,417**	**53,065,249**	**63,981,287**

Notes:
Reporting categories within the Statement of Financial Position were changed from 2011-12

Table 4 – Administration Costs

£'000	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Outturn	2015-16 Plans
Science and Research	-	-	39,938	2,407	3,145	2,921	3,545
Innovation, Enterprise and Business	2,899	-	1,525	1,941	2,662	1,935	1,760
Market Frameworks	9,349	2,033	(110)	5,175	2,937	3,904	4,828
Capability	345,997	307,203	310,598	292,542	278,979	257,018	279,231
Science and Research (NDPB) net	127,456	-	96,940	153,285	93,668	85,344	82,411
Innovation, Enterprise and Business (NDPB) net	254,296	-	127,484	24,406	20,411	21,171	25,977
Market Frameworks (NDPB) net	15,133	-	16,195	8,532	12,206	10,102	8,767
Higher Education (NDPB) net	49,187	-	58,773	60,157	69,129	78,827	84,338
Further Education (NDPB) net	8,180	119,302	150,351	129,311	120,008	110,858	105,767
Capability (NDPB) Net	-	-	-	-	68,597	59,268	9,800
Government as Shareholder (NDPB) net	-	-	-	-	4,345	267	230
Total administration budget	**812,497**	**428,538**	**801,694**	**677,756**	**676,087**	**631,615**	**606,654**
Of which:							
Staff costs	515,592	249,938	420,665	416,827	422,137	361,867	322,130
Purchase of goods and services	313,818	150,306	269,703	230,310	231,920	215,842	208,121
Income from sales of goods and services	(24,419)	(16,840)	(5,115)	(35,313)	(39,888)	(39,697)	(31,138)
Current grants to persons and non-profit bodies (net)	-	-	-	-	6,952	(1,166)	2,840
Current grants abroad (net)	-	-	-	-	(279)	(408)	-
Net public service pensions	-	-	25	1,532	1,219	(7)	-
Rentals	(18,120)	(10,888)	87,727	28,332	21,093	32,885	53,410
Depreciation	25,222	53,540	39,844	51,057	53,645	53,038	82,000
Take up of provisions	-	-	-	-	-	(12)	-
Change in pension scheme liabilities	-	-	-	-	(12)	(65)	-
Other resource	404	2,482	(11,155)	(14,989)	(20,700)	9,338	(30,709)

Table 5 – Staff Numbers

	2012-13	2013-14	2014-15
Department for Business, Innovation and Skills (gross control area)			
CS FTEs	2,468.0	2,325.0	2,435.0
Others	224.0	169.0	192.0
Total	**2,692.0**	**2,494.0**	**2,627.0**
UK Trade & Investment (gross control area)			
CS FTEs	579.0	500.0	-
Others	8.0	17.0	-
Total	**587.0**	**517.0**	**-**
The Insolvency Service (gross control area)			
CS FTEs	1,970.0	1,807.0	1,695.0
Others	148.0	151.0	131.0
Total	**2,118.0**	**1,958.0**	**1,826.0**
National Measurement Office (gross control area)			
CS FTEs	64.3	72.5	78.0
Others	1.5	1.4	-
Total	**65.8**	**73.9**	**78.0**
UK Space Agency (gross control area)			
CS FTEs	38.8	46.2	56.0
Others	1.5	3.0	2.0
Total	**40.3**	**49.2**	**58.0**

Notes:
In 2014-15 the direct overheads of UK Trade & Investment (UKTI) that were previously included in the resources voted to BIS and the Foreign & Commonwealth Office (FCO) were included in UKTI budgets and annual accounts.
Included within staff numbers for 2013-14 were 517 staff for UKTI for which there were none in 2014-15. The staff costs and staff numbers for 2014-15 are included within the UKTI annual accounts.

Table 6 – Expenditure on services by country and region, 2009-10 to 2013-14

Department for Business, Innovation and Skills					National Statistics
£ million	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 outturn
North East	1,384	1,197	1,019	979	1,034
North West	3,562	3,139	2,656	2,599	2,925
Yorkshire and the Humber	2,726	2,361	1,975	1,924	2,076
East Midlands	2,250	1,971	1,646	1,605	1,786
West Midlands	2,755	2,274	1,904	1,878	2,084
East	2,831	2,466	2,113	2,101	2,336
London	5,135	4,804	4,137	4,086	4,548
South East	4,401	3,829	3,234	3,214	3,594
South West	2,540	2,200	1,852	1,818	2,023
Total England	**27,584**	**24,241**	**20,536**	**20,205**	**22,408**
Scotland	494	529	576	533	591
Wales	203	208	178	181	286
Northern Ireland	74	76	62	77	83
UK identifiable expenditure	**28,354**	**25,053**	**21,352**	**20,995**	**23,367**
Outside UK	404	381	373	249	291
Total identifiable expenditure	**28,758**	**25,434**	**21,725**	**21,245**	**23,659**
Non-identifiable expenditure	743	577	621	965	862
Total expenditure on services	**29,502**	**26,011**	**22,346**	**22,210**	**24,521**

Note: numbers may not sum, due to rounding.

Table 7 – Total identifiable expenditure on services by country and region, per head 2009-10 to 2013-14

	National Statistics				£ per head
Department for Business, Innovation and Skills	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 outturn
North East	537	463	392	376	396
North West	510	447	376	367	412
Yorkshire and the Humber	522	449	373	362	389
East Midlands	503	437	363	351	388
West Midlands	498	409	340	333	367
East	492	425	360	356	392
London	647	596	504	492	540
South East	518	446	374	368	409
South West	486	418	349	341	376
England	528	460	387	378	416
Scotland	94	100	109	100	111
Wales	67	68	58	59	93
Northern Ireland	41	42	34	42	45
UK identifiable expenditure	455	399	337	330	365

Table 8 – Expenditure on services by sub-function, country and region, for 2013-14

	National Statistics data															£ million
Department for Business, Innovation and Skills	**North East**	**North West**	**Yorkshire and The Humber**	**East Midlands**	**West Midlands**	**East**	**London**	**South East**	**South West**	**England**	**Scotland**	**Wales**	**Northern Ireland**	**Outside UK**	**Not Identifiable**	**Grand Total**
1. General public services																
1.1 Executive and legislative organs, financial and fiscal affairs, external affairs	-	-	-	-	-	-	-	-	-	2	-	-	-	2	-	4
1.3 General services	4	12	9	8	9	10	14	14	9	88	8	5	3	-	65	169
1.6 General public services n.e.c.	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-	3
Total general public services	**4**	**12**	**9**	**8**	**10**	**10**	**14**	**15**	**9**	**93**	**8**	**5**	**3**	**2**	**65**	**176**
4. Economic affairs																
4.1 General economic, commercial and labour affairs	21	53	40	32	41	40	64	58	36	386	40	21	8	-	32	488
4.4 Mining, manufacturing and construction	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1
4.5 Transport	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1
of which: other transport	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1
4.6 Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	558	558
4.8 R&D economic affairs	140	356	271	224	230	439	616	577	266	3,119	333	101	43	259	105	3,960
4.9 Economic affairs n.e.c	14	32	34	23	28	27	38	39	24	259	18	12	6	-	-	295
Total economic affairs	**176**	**441**	**345**	**279**	**300**	**506**	**717**	**675**	**326**	**3,765**	**391**	**135**	**57**	**259**	**696**	**5,303**
5. Environment protection																
5.1 Waste management	-	12	-	-	-	-	-	2	2	17	3	1	-	-	-	21
5.5 R&D environment protection	16	42	32	27	34	36	50	53	32	322	32	18	11	-	-	383
Total environment protection	**16**	**55**	**32**	**27**	**34**	**36**	**50**	**54**	**35**	**339**	**35**	**19**	**11**	**-**	**-**	**404**
7. Health																
7.B Medical research	15	40	22	26	22	52	292	104	26	600	102	14	5	31	-	752
Total Health	**15**	**40**	**22**	**26**	**22**	**52**	**292**	**104**	**26**	**600**	**102**	**14**	**5**	**31**	**-**	**752**
8. Recreation, culture and religion																
8.5 R&D recreation, culture and religion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	101	101
Total recreation, culture and religion	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**101**	**101**
9. Education																
9.2 Secondary education	197	535	402	347	428	449	634	662	405	4,058	-	82	-	-	-	4,140

	National Statistics data															£ million
Department for Business, Innovation and Skills	**North East**	**North West**	**Yorkshire and The Humber**	**East Midlands**	**West Midlands**	**East**	**London**	**South East**	**South West**	**England**	**Scotland**	**Wales**	**Northern Ireland**	**Outside UK**	**Not Identifiable**	**Grand Total**
9.4 Tertiary education	600	1,771	1,209	1,052	1,234	1,223	2,752	1,994	1,167	13,001	2	1	1	-	-	13,006
9.5 Education not definable by level	11	29	24	19	23	24	38	36	22	224	20	12	4	-	-	260
9.8 Education n.e.c.	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	1
Total education	**807**	**2,335**	**1,636**	**1,417**	**1,685**	**1,696**	**3,424**	**2,692**	**1,595**	**17,285**	**22**	**95**	**5**	**-**	**-**	**17,407**
10. Social protection																
10.4 Family and children	3	7	5	4	5	6	8	9	5	52	5	3	2	-	-	62
of which: family benefits, income support and tax credits	3	7	5	4	5	6	8	9	5	52	5	3	2	-	-	62
10.5 Unemployment	13	36	27	23	29	30	43	45	27	273	27	16	-	-	-	316
of which: other unemployment benefits	13	36	27	23	29	30	43	45	27	273	27	16	-	-	-	316
Total social protection	**16**	**43**	**32**	**28**	**34**	**36**	**51**	**53**	**32**	**325**	**32**	**19**	**2**	**-**	**-**	**378**
Total Department for Business, Innovation & Skills Expenditure on Services	**1,034**	**2,925**	**2,076**	**1,786**	**2,084**	**2,336**	**4,548**	**3,594**	**2,023**	**22,408**	**591**	**286**	**83**	**291**	**862**	**24,521**

Note: numbers may not sum, due to rounding.

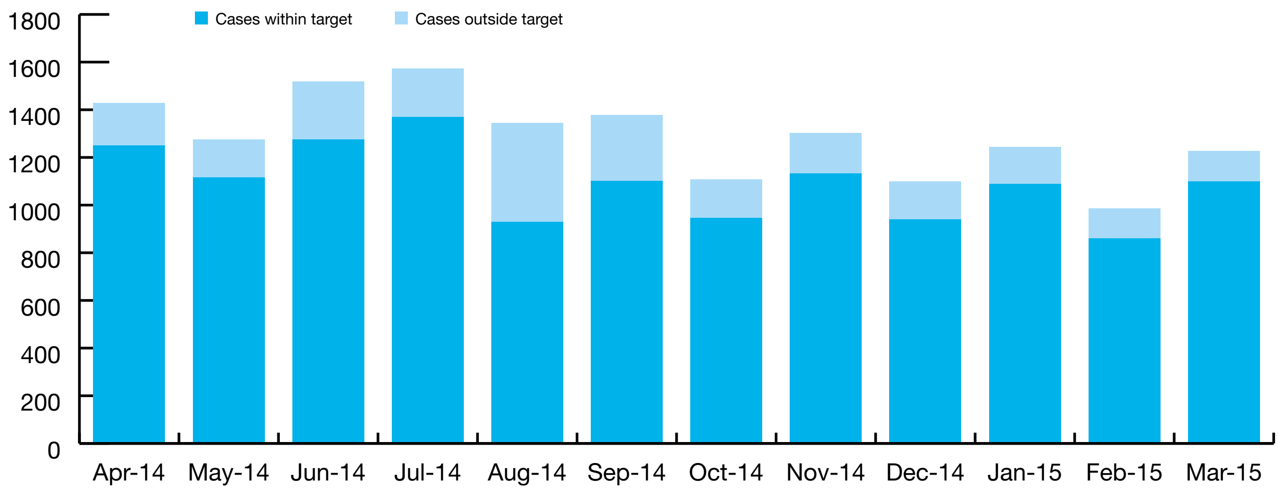
Annex C:
Other Annual Report Data

BIS strive to deliver high performance in all of our operations. The following information sets out how BIS is performing in key functions, important to meeting spending control requirements, and how we are complying with our obligations as an employer.

Correspondence

BIS has a target to respond to 80 per cent of correspondence cases within 15 working days. In 2014-15, we responded to 15,482 correspondence cases, with 85 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.

BIS Correspondence Apr-14 to Mar-15



Complaints

Complaints made against the Core Department	136
Complaints accepted for investigation by the Parliamentary Ombudsman	15
Complaints Assessed	19
Complaints Upheld in full	1 (1%)
Complaints upheld in part	0 (0%)
Complaints not upheld	7 (5%)
Ombudsman recommendations complied with	1
Ombudsman recommendations not complied with	0

Health and Safety

The majority of staff within the BIS family are predominantly office based and our main risks arise from the workplaces that we provide. We have procedures in place to ensure a safe working environment is maintained, and that those who are affected by our activities or visit our premises are not exposed to unacceptable risk.

We have a range of Partner Organisations within the BIS family, some of which require more specialist health and safety measures. Responsibility for health and safety is with each Partner Organisation. The UK Atomic Energy Authority monitors the radiation dose to over 500 monitored staff, consistently remaining substantially below the legal and Culham Site dose limits. Within the Science and Technology Facilities Council (STFC) health and safety at each of the major laboratories is overseen by a Director, to maintain an independent overview and monitor implementation of STFC policy.

The level of near misses reported has declined on previous years, now zero. The Department intends to promote near miss reporting across all of the estate in the next financial year to continue this low level of near misses.

Our achievements in 2014-15:

- 1 & 10 Victoria Street: Asbestos review undertaken, which incorporated identification of known asbestos materials, its location and remedial works completed i.e. encapsulation/labelling resulting in detailed registers being readily available for each site;
- Total Facilities Management contract continues to demonstrate compliance with legal duties for BIS and TFM Partner Organisations and provide assurance;
- SHEQ site audit completed for each building within the BIS TFM contract;
- Fire Risk Assessments undertaken across the South East region within the BIS TFM contract; and
- 1 Victoria St: BIS First aid arrangements now incorporate the use of Automatic Emergency Defibrillators.

Year	Reportable	Minor Accidents	Near Misses
2011-12	2	35	4
2012-13	0	22	7
2013-14	0	14	3
2014-15	0	13	0

Detailed sustainability data

Greenhouse Gas Emissions		2012-13		2013-14		2014-15	
		Core	Core + Partners	Core	Core + Partners	Core	Core + Partners
Non-financial indicators (1,000 tCO2e)	Total gross emissions	7.72	208.28	7.16	206.53	4.61	199.38
	Total net emissions	-	166.30	-	151.46	-	256.24
	Gross emissions Scope 1 (direct)	0.77	118.79	0.32	99.89	0.52	47.11
	Gross emissions Scope 2 & 3 (indirect)	6.95	116.98	6.84	134.39	4.10	111.48
Related energy consumption (million kWh)	Electricity: non-renewable	-	248.51	-	268.84		249.80
	Electricity: renewable	7.16	10.68	7.28	10.33	5.65	5.85
	Gas	3.96	100.91	2.97	106.65	2.47	101.78
	LPG	-	0.02	-	0.03	-	14.58
	Other	-	0.37	-	0.50	-	0.90
	Total Energy Consumption	11.12	359.38	10.25	385.76	8.12	357.74
Financial indicators (£m)	Expenditure on energy	0.92	27.04	1.01	28.41	1.00	25.95
	CRC licence expenditure (2010 onwards)	0.12	9.718	0.13	1.89	0.19	11.62
	Expenditure on accredited offsets	0.003	0.003	-	-	-	1.46
	Expenditure on official business travel	4.9	14.14	5.65	16.91	4.70	13.45

Waste			2012-13		2013-14		2014-15	
			Core	Core + Partners	Core	Core + Partners	Core	Core + Partners
Non-financial indicators (tonnes)	Total waste		774.08	5610.38	398.1	4,488.99	271.00	3876.41
	Hazardous waste	Total	-	133.341	318.27	318.27	-	297.83
	Non-hazardous waste	Landfill	8.99	1078.51	1.15	887.00	1.00	677.09
		Reused/recycled	570.30	4036.99	223.7	2,695.27	196.00	2,394.50
		Composted	20.41	61.37	22.04	119.69	20.00	129.04
		Incinerated with energy recovery	174.38	231.61	151.21	337.46	54.00	280.90
		Incinerated without energy recovery	-	0.10	-	130.00	-	117.18
Financial indicators (£'000)	Total disposal cost		121.88	752.94	67.09	1,065.08	91.87	1,350.20
	Hazardous waste		-	48.16	-	310.22	-	122.23
	Non-hazardous waste	Landfill	-	48.16	-	102.08	-	66.55
		Reused/recycled	102.56	241.65	46.49	46.49	91.87	159.83
		Composted	-	1.00	-	6.57	-	8.10
		Incinerated with energy recovery	15.36	15.36	10.68	26.03	-	18.55
		Incinerated without energy recovery	-	6.67	-	23.35	-	-

Finite Resource Consumption			2012-13		2013-14		2014-15	
			Core	Core + Partners	Core	Core + Partners	Core	Core + Partners
Non-financial indicators ('000m3)	Water consumption (office estate)	Supplied	18.27	244.50	18.24	188.24	28.44	233.97
		Abstracted	-	-	-	-		105.46
		per FTE	0.005	5.31	0.008	3.04	0.01	4.55
	Water consumption (non-office estate)	Supplied	-	79.48	-	386.17		350.80
		Abstracted	-	-	-	-	-	-
	Total Consumption		18.27	650.40	18.24	580.76	28.44	592.87
Financial indicators (£'000)	Water supply costs (office estate)		43.44	337.99	41.66	315.17	34.32	375.98
	Water supply costs (non-office estate)		-	799.85	-	759.88	-	752.57

Quarterly Data Summary

The Quarterly Data Summary (QDS) is a Cabinet Office led data collection exercise, to enable comparison across Whitehall on common areas of spending. These data are used for benchmarking Government Departments. The primary purpose of the QDS is to make more of the management information currently held by Government available to members of the public on a regular basis. Results for the 2014-15 financial year for QDS categories are in the table below. Figures show expenditure within Core BIS only. Departments are required only to report their headline spend against that part of their Department that was in scope for the Quarterly Data Summary, rather than on the entire accounts boundary.

QDS Headline Spend Data	£ million
Total 2014-15 Spend	12,391.33
(A1) Organisation's own budget (DEL), Sub-Total	2,104.99
(A2) Expenditure managed by the organisation (AME), Sub-Total	10,286.42
(A3) Other expenditure outside DEL and AME	0.00
(A1 + A2 + A3) Total Spend	12,391.33
(B1) Cost of running the estate, Sub-Total	22.86
(B2) Cost of running IT, Sub-Total	29.23
(B3) Cost of corporate services, Sub-Total	46.18
(B4) Policy and policy implementation, Sub-Total	13,041.29
(B5) Other costs	-748.23
(B1 + B2 + B3 + B4 + B5) Total Spend	12,391.33
(C1) Procurement Costs, Sub-Total	451.97
(C2) People costs, Sub-Total	149.67
(C3) Grants, Sub-Total	3,015.23
(C4) Other costs	2593.53
(C1 + C2 + C3 + C4) Total Spend	3,652.88

Changes to the Departmental Board in 2014-15

Ministers

- **Rt Hon Dr Vince Cable MP**, Secretary of State for Business Innovation and Skills until 11/05/2015
- **Rt Hon David Willetts MP**, Minister of State for Universities and Science until 14/07/2014
- **Rt Hon Greg Clark MP**, Minister of State for Universities, Science and Cities, from 15/07/2014 until 11/05/2015
- **Rt Hon Michael Fallon MP**, Minister of State for Business and Energy (Joint with Department for Energy and Climate Change, until 15/07/2014
- **Rt Hon Matthew Hancock MP**, Minister of State for Skills and Enterprise until 15/07/2014 and Minister of State for Enterprise and Skills (Jointly with Department for Education) from 15/07/2014 until 11/05/2015
- **Lord Livingston**, Minister of State for Trade and Investment (Jointly with the Foreign and Commonwealth Office) until 11/05/2015
- **Viscount Younger of Leckie**, Parliamentary Under Secretary of State for Intellectual Property until 11/05/2015
- **Jo Swinson MP**, Parliamentary Under Secretary of State for Employment Relations and Consumer Affairs (jointly with the Department for Culture, Media and Sport), until 08/05/2015
- **Jenny Willott MP**, Parliamentary Under Secretary of State for Employment Relations and Consumer Affairs (jointly with the Department for Culture, Media and Sport), until 04/11/2015

Non-Executive Board Members

- **Alan Aubrey**, Non-Executive Board Member, CEO of IP Group, until 30/08/2014

Departmental Board Members

- **Sir John O’Reilly**, Director General Knowledge and Innovation, until 31/01/2015

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