Department for Business Innovation & Skills

Annual Report and Accounts 2010–11

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Department for Business, Innovation and Skills

Annual Report and Accounts 2010 –11

(For the year ended 31 March 2011)

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by Command of Her Majesty

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Foreword by the Secretary of State for Business, Innovation and Skills

Everything we do at the Department for Business, Innovation and Skills (BIS) is aimed in some way at supporting sustainable economic growth – the Government's top priority as we seek to recover from Britain's financial and economic crisis.

We see recovery across the economy and in every region of the country – growth which underpins the Government's broader commitments to fairness, social mobility and stronger communities.

We made good progress on this agenda in 2010-11.

Alongside the Treasury, we issued a plan for growth to run for the lifetime of this Parliament. It sets out what the Government will do to make the UK the best place in Europe to start or grow a business: how we are supporting the private sector, especially SMEs, in obtaining better access to banks and other sources of finance, and in decisions on tax, regulation and spending; how we are promoting trade particularly in the emerging markets' economies; and how we are investing in skills.

To this end, we have announced a Green Investment Bank, the first of its kind in the world, to accelerate private investment as the UK shifts to a low-carbon economy. We have exceeded our ambition to double the numbers of apprenticeship places, while the Higher Education White Paper sets out the future for the university and college sector – a major contributor to the success and wellbeing of this country. We have protected the science budget and given priority to a series of Technology Innovation Centres.

I am grateful to the talented, dedicated and hard-working staff throughout BIS and our partner organisations who have helped to deliver these achievements. Over the next year we will go further and faster in driving growth and informing the world that the UK is open for business.

Rt Hon Dr Vince Cable MP

Foreword by the Permanent Secretary of the Department for Business, Innovation and Skills

The Department for Business, Innovation and Skills is focussed on delivering the Government's goal of sustained and balanced growth. I and the executive team work closely with our Ministers to help deliver a robust recovery. We are directly supporting businesses by promoting enterprise and trade, greater innovation and fairer markets. And we aim to provide everyone with the opportunity, through training and learning, to get on in life and work.

Sustainable growth requires a series of inputs from BIS. We work to:

- Make it easier for enterprises to start, grow and invest in their future
- Create markets that serve the lasting interests of businesses and consumers
- Support inward investment and UK trade overseas
- Stimulate innovation, and commercialisation of science and research
- Promote more opportunities for individuals to realise their potential.

Over the past year we have taken a number of steps to support growth and higher skills across the economy. Since November 2010, BIS and HMT have, with business, undertaken fundamental assessments of what each part of Government is doing to create the best conditions for private sector growth. This rolling programme will last the lifetime of this Parliament. We are working closely with Higher and Further Education institutions to create a world class system that is sustainable for the future. In May 2011 we published a new strategy on consumer empowerment, putting more informed choice and decision-making powers into the hands of consumers – in turn driving greater innovation, competition and growth.

To deliver our growth objective most effectively within our Spending Review settlement we have reformed the way that the Department works. Since autumn 2010, BIS has gone through a major restructuring exercise: reducing staff numbers, focusing on priorities, redesigning teams to provide clearer accountabilities, and building our capability to be more flexible and better connected with key stakeholders.

Our partner organisations have also restructured and reformed to become more accountable, efficient and focused. They continue to play their vital role in making government policy happen and deliver a high quality service.

Throughout these changes, BIS staff both in the core Department and our colleagues in our partner organisations have continued to deliver an exceptional service. I am proud to lead a Department engaging on the vital growth agenda with great enthusiasm and professionalism.

Martin Donnelly

Introduction

1.1 About the Department for Business, Innovation & Skills

The financial year 2010 to 2011 was one that saw a number of significant challenges, changes and successes for BIS. The 2010 General Election produced a new Government, meaning a change of Ministerial Team and a new strategic direction for the Department.

The incoming Government confirmed that BIS would be the Department for Growth – the Government's number one priority. To deliver this overarching objective BIS has been tasked with delivering nine priorities that will support the sustainable growth of the UK economy.

These nine priorities are detailed in the Department's Business Plan[1], which was published in November 2010. This Annual Report and Accounts sets out how the Department spent its resources in 2010-11 in support of this Business Plan, and the success BIS has had in delivering these priorities.

BIS in 2010-11

In October the Government announced the Spending Review settlement for BIS, including significant reforms across all areas of BIS budgets, and in particular higher and further education. These announcements put the foundations in place to reduce the BIS budget by 25% and at the same time support sustainable growth.

Progress so far:

- Supporting universities, science and research in building a strong innovative economy:
  - In October 2010 BIS published the Government's response to the Browne review, setting out a package of reforms to ensure long-term growth by securing the future funding of world class universities. These reforms will deliver very significant savings across the higher education budget by 2014-15 and rebalance the funding of higher education from the taxpayer to the graduate.
  - To support the UK's innovative economy BIS has set out changes to the Research Excellence Framework, including a robust method for assessing the economic impact of research and demonstrating BIS's continued commitment to funding science and research as an engine of growth.

1 The BIS Business Plan can be found at http://www.bis.gov.uk/about/business-plan

- Building an internationally competitive skills base: BIS is investing in a world class skills base – including significant further investment in apprenticeships. Budget 2011 announced that £177 million would be available to fund an extra 50,000 apprenticeships by 2014-15.
- Rebalancing the economy across sectors and regions:
  - As part of the Department's role in leading the growth agenda BIS published the Government's *Plan for Growth* jointly with HM Treasury alongside Budget 2011 and established the Cabinet Banking Committee and Independent Banking Commission.
  - BIS published plans for a Regional Growth Fund, and proposals for Local Enterprise Partnerships as part of our work to rebalance the economy across the regions.
- Boosting enterprise: To further grow the UK economy BIS is working to create a business environment that encourages entrepreneurial activity, for example by working in partnership with Start Up Britain to promote and support an entrepreneurial culture.
- Safeguarding the future of Royal Mail and the Post Office: BIS has introduced the Postal Services Bill[2] to secure the long term sustainability of a universal postal service.
- Addressing global economic imbalances and stimulating trade and inward investment: BIS has published a Trade White Paper, which outlines the Government's strategy for trade agreements, promoting trade facilitation and cutting global red tape.
- Creating a positive business environment: BIS is helping to create a positive business environment by working with the Prime Minister's Childhood and Families Taskforce to develop proposals on shared parental leave and supporting the reduction of regulation through the introduction of a cabinet sub-committee to impose the Government's 'One-in, One-out' commitment.
- Protecting and empowering consumers: BIS launched a consultation on consumer credit and personal insolvency, and agreed the form and content of credit card statements and announced a timetable for implementation to ensure greater protection for consumers.

At the same time as delivering these and other achievements, BIS has also met the challenges of the June 2010 Emergency Budget, which committed BIS to over £800 million of in year savings, whilst still providing 10,000 extra student places at university this year.

2 The Postal Services Bill passed into legislation and became the Postal Services Act in June 2011.

Beyond 2010-11

The 2010 Spending Review commits the Department to a 25% real-terms reduction in our budgets by 2014-15 to make our contribution to the Government's deficit reduction targets – a challenge BIS is already meeting through significant reductions in staff and the streamlining of our partner organisations.

At the same time as delivering these significant savings BIS has an ambitious programme of reforms for the next Spending Review period including:

- Introducing significant reforms to the Higher Education system by May 2012
- Bringing the Green Investment Bank into operation in September 2012.
- Transferring or ceasing the functions of the Regional Development Authorities by April 2012
- Establishing a network of Technology and Innovation Centres to support growth by aiding the commercialisation of technology research by April 2012
- The establishment of a Business Growth Fund by July 2011
- Reforming the funding of Further Education qualifications through the provision of loans for learners.

How this report is structured

This Annual Report & Accounts brings together information on expenditure and performance of the Department for Business, Innovation & Skills over the period 1 April 2010 to 31 March 2011.

Chapter 1: Provides an **Introduction to the Department** by outlining our mission, Ministerial responsibilities and management team.

Chapter 2: Presents a **Performance Report** describing performance against our Business Plan in 2010-11.

Chapter 3: Focuses on **Managing the Department** by describing how BIS has been governed, structured and managed in 2010-11.

Chapter 4: Gives a **Financial Overview** of the Department's finances.

Chapter 5: Contains the audited **Consolidated Accounts** for BIS and a number of bodies consolidated with BIS for 2010-11.

How can you obtain copies of this report?

This report is available electronically from the Department's website. Hard copies can be obtained from The Stationery Office (TSO). Alternative formats can be made available on request.

1.2 The BIS Ministerial Team[3]

Rt Hon Dr Vince Cable MP

Secretary of State for Business, Innovation & Skills and President of the Board of Trade

Rt Hon David Willetts MP

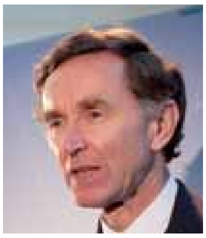
Minister of State for Universities and Science (attending Cabinet)

Mark Prisk MP

Minister of State for Business and Enterprise

John Hayes MP

Minister of State for Further Education, Skills and Lifelong Learning (jointly with the Department for Education)



Lord Green

Minister of State for Trade and Investment[4]

Edward Davey MP

Minister for Employment Relations, Consumer and Postal Affairs Parliamentary Under Secretary of State

Baroness Wilcox

Parliamentary Secretary for Business, Innovation and Skills Parliamentary Under Secretary of State

3 Details of the Previous Ministerial Team in 2010-11 can be found in Annex A.
4 Lord Green joined the Ministerial Team in January 2011.

1.3 The BIS Management Team

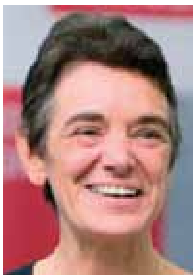
The day-to-day management of the Department is led by our Permanent Secretary, Martin Donnelly, supported by a Management Team of eight Director Generals, who each lead a management group.

Martin Donnelly

Permanent Secretary

Tera Allas

Director General, Economics, Strategy and Better Regulation[5]



Susan Haird

Acting Chief Executive UK Trade & Investment[6]

Bernadette Kelly

Director General, Market Frameworks

Stephen Lovegrove

Chief Executive, Shareholder Executive

Howard Orme

Director General, Finance and Commercial

Philip Rutnam

Director General, Business and Skills

Rachel Sandby-Thomas

Director General, Legal, People and Communications

Professor Sir Adrian Smith

Director General, Knowledge and Innovation

5 Tera Allas joined the Management Team in January 2011
6 Susan Haird became Acting Chief Executive of UKTI in December 2010

Chapter 2

Performance Report

2.1 Business Plan Reporting

BIS's Business Plan was published in November 2010. It detailed the Department's nine priorities for delivery.

As part of the Government's commitment to improve transparency, BIS's performance in delivering the actions and milestones that constitute the nine priorities has been reported on a monthly basis on both the Number 10[7] and BIS websites[8].

BIS's nine Business Plan priorities are as follows;

1. Rebalance the economy across sectors
Ensure new businesses and economic opportunities are more evenly shared, supporting growth and a low-carbon economy

2. Rebalance the economy across regions
Enable local authorities and businesses to determine the development strategies for their local area, in ways that support economic growth and help to rebalance the economy

3. Safeguard the future of Royal Mail and the Post Office
Secure the future of the universal postal service and create a sustainable future for Royal Mail and the Post Office network

4. Build an internationally competitive skills base
Create a dynamic and efficient skills system with informed, empowered learners and employers served by responsive colleges and other providers in their areas

5. Support universities, science and research in building a strong, innovative economy
Establish a higher education, science and research framework that promotes world-class competitiveness in teaching and research. Ensure progression, fair access and better quality for students. Strengthen links between universities and industries and support innovation and technology development

6. Boost enterprise and make this the decade of the entrepreneur
Help small and medium-sized businesses start and thrive through better business support, improved access to finance and stronger competition, with fewer market barriers to entry, creating a more entrepreneurial culture

7 http://transparency.number10.gov.uk/transparency/srp/view-srp/44
8 http://www.bis.gov.uk/about/business-plan

7. Stimulate exports and inward investment
Promote open and fair global markets, improve UK Trade & Investment's focus on generating high-value inward investment, and strengthen the capability of UK exporters

8. Create a positive business environment
Create a business environment that supports long term investment and sustainable growth, reducing regulation, creating more flexible labour markets, reforming corporate governance and ensuring that intellectual property laws promote commercial innovation

9. Protect and empower consumers
Strengthen consumer protections, especially for the most vulnerable, and promote more responsible corporate and consumer behaviour through greater transparency and by harnessing insights from behavioural economics and social psychology

For the year 2010-11 BIS's overall performance in delivering the actions and milestones which make up the Business Plan priorities was as follows.

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
88	65	15	3	5

Of the 88 actions and milestones BIS was due to complete in 2010-11 a total of 75 were completed by 31 March 2011.

In the following pages we have broken this down by each of the nine Business Plan Priorities, explaining those cases where an action or milestone has been missed by over a month. A full breakdown of BIS's performance is updated each month at http://www.bis.gov.uk/about/business-plan.

Priority 1: Rebalance the Economy Across the Sectors

"Today our economy is heavily reliant on just a few industries and a few regions – particularly London and the South East. This really matters. An economy with such a narrow foundation for growth is fundamentally unstable and wasteful – because we are not making use of the talent out there in all parts of our United Kingdom." David Cameron – 1 June 2010

As the Department for Growth, BIS is committed to delivering a balanced economy that is not over-reliant on a handful of sectors. As part of the Department's work under Priority 1, BIS will seek to ensure new businesses and economic opportunities are more evenly shared, supporting growth and a low-carbon economy.

A crucial element of BIS's work to rebalance the economy is our growth strategy, which confirms that the drive for sustainable economic growth is at the heart of the Government's agenda. It looks at the challenge of achieving growth, not from the perspective of individual departments or policies, but as a set of basic capabilities that will underpin growth in the British economy.

In support of this Priority we have:

- Published The *Plan for Growth* with HM Treasury alongside Budget 2011 following the initial phase of the Growth Review, with a new framework to enable broad-based economic growth
- Published a Green Paper with HM Treasury on business finance
- Established the Cabinet Banking Committee and Independent Banking Commission.

Overall, our performance against our Structural Reform Plan for this Priority has been as follows:

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
4	3	0	1[9]	0

9 Milestone H: The Manufacturing Framework was replaced by the Advanced Manufacturing strand of the Growth Review. The Growth Review Framework for Advanced Manufacturing was published in December to allow more time to consult and gather evidence from manufacturers

Priority 2: Rebalance the Economy Across the Regions

A key element in creating sustainable growth in the UK is rebalancing the economy across the regions. The UK economy has grown to be over-reliant on London and the South East. BIS is working to create an economy which allows all areas of the UK to grow to their full-potential.

BIS has announced 32 new Local Enterprise Partnerships (LEPs), who will empower local authorities to work with businesses in their area to improve their business environment. They will take responsibility for problems including planning, transport, housing, employment and skills as part of their role to tackle the issues that are preventing their area from growing to its full potential.

In support of this Priority we have:

- Published a White Paper in October 2010 outlining the Government's new approach to local growth, focused on shifting power away from central government to local communities and businesses
- Published plans for a Regional Growth Fund and proposals for the functions, governance, funding arrangements and responsibilities of LEPs
- Launched the first bidding round for the Regional Growth Fund in January 2011 and completed this in time for successful bids to be announced in early April 2011
- Announced 32 new LEPs, covering 90% of active enterprises in England and 90% of England's population
- Launched a LEP Capacity Fund in January 2011 and had received 32 first round bids for this by end March 2011
- Introduced the Public Bodies Bill and Localism Bill working in partnership with Cabinet Office and the Department for Communities and Local Government as the respective lead departments
- On 7 March, the Prime Minister hosted a National LEP Summit.

Overall, our performance against our Structural Reform Plan for this Priority has been as follows:

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
13	9	4	0	0

Priority 3: Safeguard the Future of the Royal Mail and the Post Office

The Government is committed to securing the future of a universal postal service and a sustainable future for the Royal Mail and Post Office. The Postal Services Act aims to ensure that this secure future is achieved.

In support of this Priority we have:

- Introduced the Postal Services Bill[10]
- Developed a new commercial strategy in partnership with Post Office Ltd, improving the long term financial sustainability of the network and improving the customer experience.

Overall, our performance against our Structural Reform Plan for this Priority has been as follows:

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
4	4	0	0	0

10 The Postal Services Bill passed into legislation and became the Postal Services Act in June 2011.

Priority 4: Build an Internationally Competitive Skills Base

BIS is working to build an internationally competitive skills base to help drive economic growth in the UK. Amongst the work done in support of this priority, BIS has introduced new statutory national standards that will increase the quality of apprenticeships and begun work to introduce loans for students in further education, which will provide vital financial support to students who previously did not receive any.

In support of this Priority we have:

- Developed and published a strategy for building an internationally competitive skills base, including the reform of further education
- Introduced new statutory national standards to increase the quality of Apprenticeships
- Reviewed funding and structure of the UK Commission for Employment and Skills, refocused on employer leadership and ambition
- Developed proposals to introduce a new workplace training programme to replace Train to Gain, targeted at small and medium-sized enterprises (SMEs)
- Developed proposals to introduce loans for further education students
- Launched an improved careers service to help people make informed choices
- Consulted on removing unnecessary controls and regulation attached to further education funding, auditing and monitoring.

Overall, our performance against our Structural Reform Plan for this Priority has been as follows:

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
10	9	1	0	0

Priority 5: Support Universities, Science and Research in Building a Strong, Innovative Economy

Successful Higher Education institutions are critical in helping to build a strong sustainable economy. BIS has worked to produce a response to the Browne review and on legislation which will secure the future of the Higher Education system. The Department is also providing support to the world leading research and innovation that exists in the UK.

In support of this Priority we have:

- Developed the Government's response to the Browne Review, including proposals for supporting students from disadvantaged backgrounds; support for lower-income graduates; and securing greater funding contributions from those who can afford to pay
- Consulted with the higher education sector on best ways to make information available, including through the existing Unistats website, enhancing and adding to the information already available through the website
- Set out changes to the Research Excellence Framework, including a robust method for assessing the economic impact of research
- Improved the efficiency of the research system
- Engaged the HE sector and stakeholders in a wide-ranging policy review. The proposed reforms will be published in a Higher Education White Paper, on which BIS will consult before bringing forward a Bill.

Overall, our performance against our Structural Reform Plan for this Priority has been as follows:

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
14	12	2	0	0

Priority 6: Boost Enterprise and Make this the Decade of the Entrepreneur

Entrepreneurs are a significant cause of wealth creation in the UK and play a crucial part in creating and sustaining growth in the UK. BIS is working to create a business environment, which encourages entrepreneurial activity and provides support to entrepreneurs.

BIS has begun work to encourage the entrepreneurs of the future and support those of today, by agreeing a new approach to embed enterprise culture from school onwards and continuing to provide the Enterprise Finance Guarantee.

In support of this Priority we have:

- Worked in partnership with the business-led Start Up Britain initiative to promote and support a culture of start-up and growth
- Agreed a new approach to embedding enterprise culture in schools, further education and higher education
- Made significant progress on securing British Bankers' Association support and funding for an initiative to help businesses find mentoring support more easily
- Continued to provide the Enterprise Finance Guarantee
- Developed proposals to support sustainable lending to business and improvements in service for Small and Medium-sized Enterprises (SME) customers, working with HM Treasury and industry
- Developed policy options to address market failures in provision of bank lending and equity finance to viable SMEs, improving access to finance
- Consulted on options for reform of the competition regime.

Overall, our performance against our Structural Reform Plan for this Priority has been as follows:

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
10	10	0	0	0

Priority 7: Stimulate Exports and Inward Investment

It is not only the domestic economy that is unbalanced. There are significant imbalances in the world economy too. The level of growth in the UK is dependent on growth in the wider world and BIS is working to ensure that the UK continues to promote trade facilitation, remove red tape and encourage free, fair and open markets from which the UK and other countries will benefit.

The Trade White Paper will cement these commitments in legislation, and BIS continues to play a leading role in EU Free-Trade Agreement negotiations with countries like India, Singapore and Canada.

In support of this Priority we have:

- Published the White Paper, *Trade and Investment for Growth*, in February 2011. This sets out the Government's overall strategy for growth through free, fair and open markets, including multilateral trade liberalisation, Free Trade Agreements, promoting trade facilitation and cutting global red tape
- Worked with EU partners to ensure an effective EU-India Summit in December 2010
- Set out our views on how to strengthen the EU's Single Market in the Government's response to the Commission's Single Market Act
- Ensured that trade and investment were fully reflected in the ambition of the Growth White Paper.

Overall, our performance against our Structural Reform Plan for this Priority has been as follows:

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
3	0	2	1[11]	0

11 Milestone 7A was delayed by two months. The Commission and India decided together that December was more mutually convenient timing for the summit.

Priority 8: Create a Positive Business Environment

A positive business environment is essential to encourage investment and create sustainable growth. BIS is helping to maximise the benefit brought to the UK through research and development by ensuring intellectual property law promotes commercial innovation. BIS is also working hard to ensure that regulation is reduced and labour markets have a level of flexibility which is required by a modern economy.

In support of this Priority we have:

- Developed proposals for a new system of shared parental leave, working with the Prime Minister's Childhood and Families Taskforce
- Completed consultation with business on these proposals for shared parental leave and the extension of the right to flexible working to all employees
- Completed consultation and introduced regulations to quickly phase out the default retirement age, demonstrating the wider economic benefits of the policy and publishing guidance for employers and individuals
- As part of the review of employment law, published consultation on 'Resolving Workplace Disputes', which included proposals to reform employment tribunals and extend the qualifying period for unfair dismissal from one to two years
- Developed options and published proposals to improve corporate accountability and transparency
- Developed and published strategy to increase the number of women on boards of UK listed companies
- Interim review published on corporate governance and economic short-termism
- Appointed an independent expert to lead a review to identify how to overcome barriers to growth in the intellectual property system, and to consider the role of the intellectual property framework in supporting new business models appropriate to the digital age
- Introduce a Reducing Regulation Cabinet sub-committee to impose the Government's 'One-in, One-out' commitment
- Developed guidance to impose 'sunset clauses' on new regulation.

Overall, our performance against our Structural Reform Plan for this Priority has been as follows:

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
25	17	4	1[12]	3[13]

12 Milestone 8K. Has been delayed due to an extended policy development process.
13 Milestone 8B/Action 8. Additional time was required for consultation with other departments and stakeholders. Milestone 8C. Additional time was required for consultation across Whitehall.

Priority 9: Protect and Empower Consumers

BIS is committed to providing consumers with more power and adequate protection. Empowered consumers make better choices and get better deals – this in turn contributes to more competitive markets and to long term growth.

In support of this Priority we have:

- Launched a consultation on consumer credit and personal insolvency
- Agreed the form and content of credit card statements and announced timetable for implementation
- Developed and published the Consumer Empowerment Strategy.

Overall, our performance against our Structural Reform Plan for this Priority has been as follows:

Number of Actions and Milestones	Number met on time	Number missed by ≤1 month	Number missed by <2 months	Number missed by >3 months
5	1	2	0	2[14]

14 Action 9.2i. Was delayed as information arising from research carried out by UK Cards required further consideration on how best to implement the policy for the benefit of consumers. Action 9.2ii. Was delayed due to the knock on effect of the previous action.

2.2 Input and Impact Indicators

In addition to the priorities detailed above, the BIS Business Plan also contains a set of input and impact indicators; which are designed to help the public to judge whether our policies and reforms are having the effect they want. The tables below and on the following page set out where we have baseline and the previous period's data available. The updates to each of these data sets will be published in BIS's Quarterly data Summary[15], where members of the public will be able to track movement against this baseline.

Input Indicators

Input Indicator[16]	Baseline Data	Previous Data
Offers made from the Regional Growth Fund[17]	GSE[1] £18m NWM[2] £435m	New Indicator
Government funding for the Post Office as a proportion of the Post Office's turnover	15.45%	14.55%
Average funding per course in government-funded adult further education	£987	£790
Administration costs of the Adult Further Education system as a proportion of total funding to FE providers	2.12%	2.42%
Number of government-funded learners participating in Further Education	3,540,500	3,771,200
Funding per student in higher education	£5,783	£5,621
Value Enterprise Finance Guarantee funds used by businesses[18]	£88.7m	£90.8m
Businesses assisted through BIS finance schemes as a proportion of those reporting being refused finance	Data Available Q2 2011-12	New Indicator
Expenditure on Research and Development performed in Higher Education	£7.2bn	£6.8bn

1 Greater South East
2 North, West and Midlands

15 QDS updates can be found at www.bis.gov.uk/transparency
16 Details of how these indicators are measured can be found at www.bis.gov.uk/assets/biscore/corporate/docs/6/11-p58d-bis-business-plan-annex-d-indicator-measurement.xls
17 Interim indictor. An indicator measuring the operational efficiency of the Regional Growth Fund will be developed once the institution is fully established.
18 Interim indicator. An indicator measuring the operational efficiency of Business Support activities will be developed once new schemes are in operation.

Impact Indicators

Impact Indicator[19]	Baseline Data	Previous data
Change in private sector share of potential workforce	69% share	69% share
International comparison of (a) the qualification levels of the working age population in the UK and (b) participation levels of 18-24 year olds in part-time or full-time education or training	a) 19th out of 30 OECD Members b) 12th out of 31 OECD Members	a) 18th out of 29 OECD Members b) 11th out of 30 OECD Members
The gaps between (a) non-free school meal (Non-FSM) and FSM 15 year olds going on to higher education and (b) between state and independent school students who go on to the 33% most selective higher education institutions	a) 18 percentage point gap between FSM and non-FSM 15 year olds going on to HE b) Data available in Q3 2011-12	b) 19 percentage point gap between FSM and non-FSM 15 year olds going on to HE b) Data available in Q3 2011-12
The UK share of highly cited papers	14.4%	13%
Proportion of firms who are innovation active	58%	63%
Social Mobility in Adulthood:	Under development	Under development
Early-stage Entrepreneurial activity rate	6.4%	5.7%
Ease of doing business in the UK, ranking of UK on World Bank Doing Business Report	2nd	2nd
Change in the net regulatory burden imposed on business by Government	Reduction of £3.2bn	New Indicator
Change in employment regulatory burden imposed on business by Government, measured from baseline provided by OECD Indicators of Employment Protection	An increase of £8 million	New Indicator
Openness to Trade: Exports plus imports as a share of GDP, ranked against major competitors	62.26%	58.17%
The value of the consumer benefits of the competition regime	£739m	£749m

19 Details of how these indicators are measured can be found at http://www.bis.gov.uk/assets/biscore/corporate/docs/b/11-p58d-bis-business-plan-annex-d-indicator-measurement.xls

2.3 Better Regulation

As the department responsible for Better Regulation, BIS is committed to the Government's policy of producing less regulation, better regulation and regulation as a last resort. The tables below demonstrate BIS's performance in 2010-11 in producing and removing regulation.

One-in, One-out

The Government is committed to removing one regulation for every new one created. BIS has removed one regulation within the scope of the Government's one-in, one-out commitment and created no new regulations within this scope[20].

Number of new regulations in scope of One in One Out	Number of regulations removed in scope of One In One Out	Balance in scope of One In One Out
0	1	- 1

Net savings to Business: £0.2m[21].

Regulatory Policy Committee

Since January 1st 2011 the Regulatory Policy Committee has been asked to provide opinions on whether impact assessments are fit for purpose. Their views are expressed in the table below[22].

Number of positive RPC opinions	Number of negative RPC opinions
9	4

Stock reviews

In reviewing existing legislation BIS has included provision in the Protection of Freedoms Bill to repeal the following powers of entry:

- Article 22 of the Distribution of German Enemy Property (No.1) Order 1950
- Regulation 24(6) of the Gas Appliances (Safety) Regulations 1995.

In addition:

- On 3 March the Government announced it will amend the Companies Act to bring small company audit rules in line with the EU minimum, saving UK companies up to £40 million in unnecessary audit fees.
- We plan to look at relaxing the audit and account rules for subsidiaries.

20 One In One Out came into force on 1 September 2010 and regulations above relate to the period from that date until 31 March 2011.
21 Value of 0.2m yet to be validated by the Regulatory Policy Committee
22 The table above only refers to the period 1st January 2011 to 31st March 2011. Only since 1st January 2011 has the RPC been asked by Ministers to be more explicit in their assessment as to whether an IA is fit for purpose or not fit for purpose

- Early outcomes from the Employment Law Review include:
  - The launch of a consultation document on resolving workplace disputes, without having to go to an employment tribunal, and a proposal to extend the qualifying period for unfair dismissal from one to two years.
  - The launch of the Employer's Charter, which sets out in straightforward language the steps any employer can take in managing their workforce legally and fairly.
  - The establishment of the Sickness Absence Management review.

Alternatives to regulation

The following are examples of BIS finding alternatives to regulation to produce policy results.

Ban on Unsolicited Credit Card Cheques

The previous Government had planned to introduce this measure with the objective of encouraging consumers to exercise more control over their financial affairs by banning companies from sending credit card cheques to consumers, unless they were specifically requested. The policy was reviewed as part of the Government's review of legacy regulations in the pipeline. BIS Ministers have since decided to introduce a voluntary code instead, which may save business up to £80 million per annum.

Estate agents record keeping requirements

The previous Government had planned to implement requirements for estate agents to keep records of their transactions with consumers. These were designed to make it easier for enforcers to obtain evidence to prove misconduct and take enforcement action. The measures were delayed by the previous Government until April 2011 to help business through the economic downturn. The policy was subsequently reviewed by the Government and dropped. Instead, a large majority of estate agents have signed up to a voluntary industry code of practice on keeping records. This, together with requirements of trading and professional bodies, means that the objective of keeping full records has largely been met by voluntary means. Costs to estate agents of legislating were estimated at between £0.5 million – £1.4 million per annum.

EU regulations

BIS leads on implementing much of the EU regulation that affects the UK. Below are examples of BIS having a positive effect on EU legislation and tackling gold-plating.

Pregnant Workers Directive

When a European Parliament (EP) Committee proposed uncosted amendments for a new requirement for fully paid maternity and paternity leave, BIS lobbied highlighting the significant additional costs that would be incurred (in excess of £2 billion per annum for the UK). As a result of concerns about the costs of the proposals, the EP Committee commissioned an Impact Assessment; an unusual but welcome step as the EP does not routinely carry out IAs on its amendments. BIS with Department for Work and Pensions then put together a formal note of projected UK costs. Other Member States followed with their own costing. This process raised awareness of the impact of EP proposals which were confirmed by the IA. Although the EP still supported the amendments at first reading, the vote was closer than expected. Having the proposals costed has informed consideration by the Council of Ministers with many Member States saying they will not accept the amendments. The negotiation is continuing.

Goldplating

BIS has stopped over-interpretation of EU law and gold-plating by introducing "copy-out" a straight transcription of EU law into domestic law.

As discussed above in the "Stock Reviews" section, we:

- have announced that we will amend the Companies Act to bring small company audit rules in line with the EU minimum, saving UK companies up to £40 million in unnecessary audit fees
- are considering taking advantage of existing exemptions in EU audit and accounting rules for subsidiaries (covered in the Growth Review (2.143)).

Chapter 3

Managing the Department

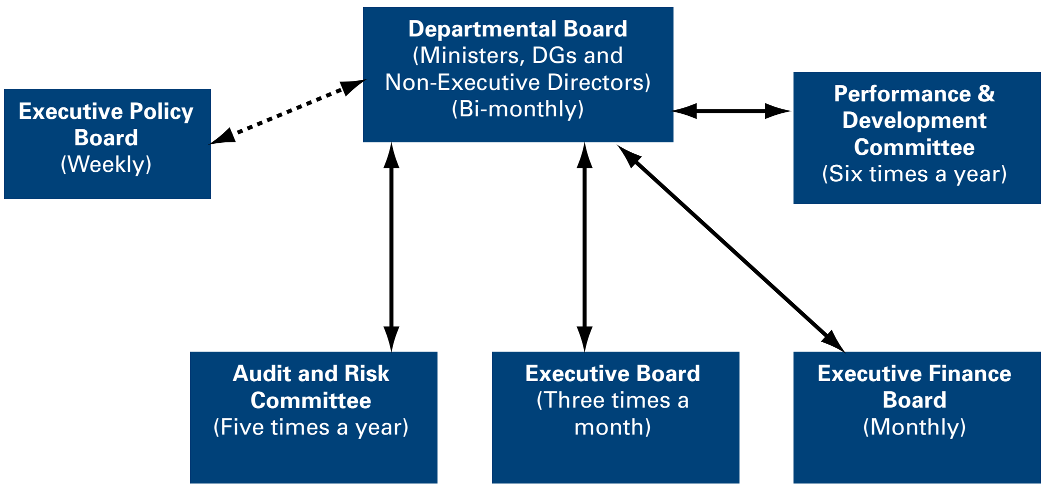
3.1 Introduction

This chapter describes how BIS has been governed, structured and managed over 2010-11. This was a year that saw a number of significant changes.

The May 2010 General Election brought a new Ministerial Team to BIS, headed by the Rt Hon Dr Vince Cable MP as Secretary of State. In October 2010, Martin Donnelly was appointed as our new Permanent Secretary. And in February 2011, a new Departmental Board was created – bringing together representatives of the Department's Ministerial and Management teams with our Non-Executive Directors – as the collective leadership of the Department. Andrew Witty, Chief Executive Officer of GlaxoSmithKline, was appointed as lead Non-Executive Director on this Board.

3.2 Corporate Governance Structure[23]:

The Departmental Board forms the collective strategic and operational leadership of the Department. The Board delegates some responsibilities to the other boards and committees within the BIS governance structure including Executive Committee, Audit and Risk Committee and the Performance and Development Committee.



This structure has been in place since early 2011 before which the strategic direction of the Department was agreed by the Policy Strategy Board and delivered through the Management Board, which was supported by a range of committees reviewing policy issues, performance, risk and capability.

23 Details of BIS's previous governance structure before February 2011 can be found in Annex B.

Appointments

Members of the Departmental Board and committees who are senior civil servants are appointed in accordance with the Civil Service Management Code. The exceptions are the Ministers who attend Departmental Board and Non-Executive Board Members who attend the Departmental Board and specific committees. The remuneration report in section 3.3 provides details of remuneration and fees.

BIS's Non-Executive Board Members provide a valuable external perspective. As independent members of the Departmental Board and committees, they provide important advisory and challenge functions. They are recruited through fair and open competition. Biographies of the Non-Executive Board Members can be found on the BIS website (http://www.bis.gov.uk/about/governance/non-executive-board).

Appointments to the boards of the Department's partner organisations (Non-Departmental Public Bodies and agencies) are made by Ministers in accordance with the *Commissioner for Public Appointments Code for Practice for Ministerial Appointments to Public Bodes*. (http://www.publicappointmentscommissioner.org/Code_of_Practice/)

Lists of Interests

Information on Board interests can be obtained by contacting the Department's secretariat as follows:

By e-mail to: bis.secretariat@bis.gsi.gov.uk
By writing to: BIS Secretariat, Department for Business, Innovation and Skills, Bay 813, 1 Victoria Street, London, SW1H 0ET

Permanent Secretary

Following Simon Fraser's move to become Permanent Secretary of the Foreign and Commonwealth Office, Philip Rutnam was appointed acting Permanent Secretary of the Department for Business, Innovation and Skills for the period from 1 September 2010 to 20 October 2010.

Martin Donnelly was appointed as Permanent Secretary of BIS on 21 October 2010. He also became the Chair of the Executive Committee and Accounting Officer for BIS.

Departmental Board

The Departmental Board forms the collective strategic and operational leadership of the Department. Its remit is performance and delivery, including appropriate oversight of sponsored bodies. In particular, the Board has responsibility for performance, strategy and learning, resource and change, capability and risk. It does not decide policy but it will give advice on the operational implications and effectiveness of policy proposals.

The Departmental Board was set up in response to new Cabinet Office protocols for departmental governance. It meets bi-monthly, is chaired by the Secretary of State and includes the Permanent Secretary, all Directors General, four other Ministers and three Non-Executive Board Members. The first meeting of the Departmental Board was on 31 January 2011.

The members of the Departmental Board as at 31 March 2011 were:

Dr Vince Cable, Chair	Secretary of State for Business, Innovation and Skills
David Willetts	Minister of State for Universities and Science
Mark Prisk	Minister of State for Business and Enterprise
Lord Green	Minister of State for Trade and Development
Edward Davey	Minister for Employment Relations, Consumer and Postal Affairs
Martin Donnelly	Permanent Secretary
Tera Allas	Director General, Economics, Strategy & Better Regulation
Bernadette Kelly	Director General, Fair Markets
Stephen Lovegrove	Chief Executive, Shareholder Executive
Susan Haird	Acting Chief Executive, UK Trade and Investment
Howard Orme	Director General, Finance and Commercial
Philip Rutnam	Director General, Business and Skills
Rachel Sandby-Thomas	The Solicitor and Director General, Legal, People and Communications
Professor Sir Adrian Smith	Director General, Knowledge and Innovation
Andrew Witty	Non-Executive Board Member
Professor Julia King	Non-Executive Board Member
Dr Brian Woods-Scawen	Non-Executive Board Member

Executive Board

The Executive Board acts as a subcommittee of the Departmental Board. It takes forward the shorter-term, operational and management decisions and helps to shape the strategic issues for the Department. The decisions of the committee are reviewed regularly by the Departmental Board. It meets three times a month, is chaired by the Permanent Secretary and includes all Directors General. The first meeting of the Executive Board was on 3 March 2011.

The members of the Executive Board as at 31 March 2011 were:

Martin Donnelly, Chair	Permanent Secretary
Tera Allas	Director General, Economics, Strategy & Better Regulation
Bernadette Kelly	Director General, Fair Markets
Stephen Lovegrove	Chief Executive, Shareholder Executive
Susan Haird	Acting Chief Executive, UK Trade and Investment
Howard Orme	Director General, Finance and Commercial
Philip Rutnam	Director General, Business and Skills
Rachel Sandby-Thomas	The Solicitor and Director General, Legal, People and Communications
Professor Sir Adrian Smith	Director General, Knowledge and Innovation

Executive Finance Board

The Executive Finance Board acts as a subcommittee of the Departmental Board and considers in detail performance, risk and control in core BIS and in our partner organisations. The committee meets once a month, is chaired by the Permanent Secretary and includes all Director Generals and one Non-Executive Board Member. The first meeting of the Executive Finance Board was on 24 February 2011.

The members of the Executive Finance Board as at 31 March 2011 were:

Martin Donnelly, Chair	Permanent Secretary
Tera Allas	Director General, Economics, Strategy & Better Regulation
Bernadette Kelly	Director General, Fair Markets
Stephen Lovegrove	Chief Executive, Shareholder Executive
Susan Haird	Acting Chief Executive, UK Trade and Investment
Howard Orme	Director General, Finance and Commercial
Philip Rutnam	Director General, Business and Skills
Rachel Sandby-Thomas	The Solicitor and Director General, Legal, People and Communications
Professor Sir Adrian Smith	Director General, Knowledge and Innovation
Dr Brian Woods-Scawen	Non-Executive Board Member

Audit and Risk Committee

The Audit and Risk Committee advises the Permanent Secretary as Accounting Officer and the Board on the quality of the Department's governance and risk management arrangements. It is comprised entirely of Non-Executive members chaired by a Non-Executive Departmental Board Member. The Permanent Secretary, Director General Finance and Commercial, Head of Internal Audit and representatives of the National Audit Office also attended meetings of the Committee.

The members of the Audit and Risk Committee as at 31 March 2011 were:

Dr Brian Woods-Scawen CBE	Chair, Non-Executive Board Member
Alan Aubrey	Non-Executive Member
Dr Bryan Jackson OBE	Non-Executive Member
Hunada Nouss	Non-Executive Member

Executive Policy Board

The Executive Policy Board provides a forum for collective discussions and offers advice to ministers on major policy issues and programmes as they arise. It is an advisory body rather than part of the formal management system of the Department. It monitors delivery of major policy programmes. It meets weekly, is chaired by the Permanent Secretary and includes all Directors General. The first meeting of the Executive Policy Board was on 1 March 2011.

The members of the Executive Policy Board as at 31 March 2011 were:

Martin Donnelly, Chair	Permanent Secretary
Tera Allas	Director General, Economics, Strategy & Better Regulation
Bernadette Kelly	Director General, Fair Markets
Stephen Lovegrove	Chief Executive, Shareholder Executive
Susan Haird	Acting Chief Executive, UK Trade and Investment
Howard Orme	Director General, Finance and Commercial
Philip Rutnam	Director General, Business and Skills
Rachel Sandby-Thomas	The Solicitor and Director General, Legal, People and Communications
Professor Sir Adrian Smith	Director General, Knowledge and Innovation
David Allen	Director, Finance
Professor Brian Collins	Chief Scientific Adviser

3.3 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 (SSRB).

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
- 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. Those higher performing individuals were awarded a non-consolidated performance reward for their performance against objectives in 2009-10, which was paid in 2010-11. These awards varied in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government. In accordance with the 2010 Review Body recommendations no base pay awards were made to the SCS in 2010-11.

Further information about the performance and reward arrangement for Senior Civil Servants can be found at *http://www.civilservice.gov.uk/jobs/Entry/Experienced-Professionals/scs-pay.aspx*

The table below shows the number of SCS staff in the core Department by pay range as at 31 March 2011 and as at 31 March 2010. 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 2010	No of SCS staff within range as at 31 March 2011
Below £55,000	–	–
£55,000-£59,999	12	15
£60,000-£64,999	36	30
£65,000-£69,999	43	39
£70,000-£74,999	24	31
£75,000-£79,999	19	17
£80,000-£84,999	27	20
£85,000-£89,999	19	12
£90,000-£94,999	10	11
£95,000-£99,999	11	8
£100,000-£104,999	6	8
£105,000-£109,999	–	2
£110,000-£114,999	4	2
£115,000-£119,999	13	11
£120,000-£124,999	2	2
£125,000-£129,999	2	1
£130,000-£134,999	–	–
£135,000-£139,999	3	2
£140,000-£144,999	2	–
£145,000-£149,999	1	–
£150,000-£154,999	2	1
£155,000-£159,999	1	1
£160,000-£164,999	1	3
£165,000-£169,999	1	1
£170,000-£174,999	–	–
£175,000-£179,999	2	–
£180,000-£184,999	1	1
£185,000-£189,999	1	1
£190,000-£194,999	–	–
£195,000-£199,999	1	1
£200,000-£204,999	–	–
£205,000-£209,999	1	–
TOTAL	245	220

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 are:

Martin Donnelly	Permanent Secretary (from 21 October 2010)
Philip Rutnam	Director General, Business and Skills
Howard Orme	Director General, Finance and Commercial
Rachel Sandby-Thomas	The Solicitor and Director General, Legal, People and Communications
Tera Allas	Director General, Economics, Strategy and Better Regulation (from 1 January 2011)
Stephen Lovegrove	Chief Executive, Shareholder Executive
Professor Sir Adrian Smith	Director General, Knowledge and Innovation
Bernadette Kelly	Director General, Market Frameworks

In addition, Simon Fraser, Permanent Secretary was a member until 31 August 2010; Philip Rycroft , Director General, Innovation and Enterprise and Chief Executive, Better Regulation Executive was a member until 28 February 2011; Vicky Pryce, Director General Economics was a member until 31 August 2010; Sir Andrew Cahn, Chief Executive, UK Trade & Investment was a member until 13 February 2011; Stephen Marston, Director General, Universities and Skills was a member until 31 March 2011; and Jean Irvine, BIS non-executive member was a member until 31 July 2010.

The Committee's Terms of Reference are to:

- Ensure the SCS are rewarded fairly and differentially according to their contribution to the 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
- 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.civilservicecommissioners.org.uk*

- Sir Andrew Cahn was appointed on a four year contract commencing 27 March 2006. His contract was extended until 26 March 2011 during 2008-09. Sir Andrew Cahn resigned and left the Department on 13 February 2011. The notice period for the employee was three months. For the employer the notice period was six months or a period, if less, equal to the unexpired part of the fixed term contract
- Vicky Pryce was re-appointed on a three year contract commencing 10 March 2005. Her contract was extended until 26 August 2009 during 2007-08. Her contract was extended until 26 August 2010 during 2008-09. Vicky Pryce resigned and left the Department on 31 August 2010. The notice period for the employee and employer was three months
- Philip Rutnam was appointed on a three year contract commencing 23 March 2009. 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 Adrian Smith was appointed on a four year contract commencing 1 September 2008. The notice period for the employee and the employer is six months.

The remainder of this Remuneration Report contains audited information

Salary and Pension entitlements for Ministers of the 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 2011 were as follows:

	Accrued pension at age 65 at 31 March 2011	Real Increase in pension at age 65	CETV at 31 March 2011	CETV at 31 March 2010[24]	Real increase in CETV	Ministerial salary received 2010-11	Ministerial salary received 2009-10
	£000	£000	£000	£000	£000	£	£
Secretary of State							
Rt Hon Dr Vince Cable (from 12 May 2010)[25]	0-5	0-2.5	23	–	17	61,056	–
Ministers of State							
Lord Green of Hurstpierpoint (from 10 January 2011)[32]	–	–	–	–	–	–	–
John Hayes MP (from 13 May 2010)[26]	0-5	0-2.5	15	4	7	29,187	–
Mark Prisk MP (from 13 May 2010)[26]	0-5	0-2.5	9	–	5	29,187	–
Rt Hon David Willetts MP (from 13 May 2010)[26]	0-5	0-2.5	33	21	7	29,187	–
Parliamentary Under-Secretaries of State							
Edward Davey MP (from 14 May 2010)[27]	0-5	0-2.5	6	–	3	20,894	–
The Hon Ed Vaizey MP (from 14 May 2010)[28]	–	–	–	–	–	–	–
Baroness Wilcox (from 14 May 2010)[29]	0-5	0-2.5	27	–	19	63,898	–
Secretary of State							
Rt Hon Lord Mandelson (to 11 May 2010)[30]	5-10	0-2.5	118	115	3	12,008	106,356
Ministers of State							
Kevin Brennan MP (to 11 May 2010)[31]	–	–	–	–	–	–	–
Lord Davies of Abersoch CBE (to 11 May 2010)[32]	–	–	–	–	–	–	–
Lord Drayson (to 11 May 2010)[32]	–	–	–	–	–	–	–
Rt Hon David Lammy, MP (to 11 May 2010)[33]	5-10	0-2.5	44	44	–	4,589	40,646
Ian Lucas MP (to 11 May 2010)[34]	0-5	0-2.5	13	12	–	3,483	26,216
Pat McFadden, MP (to 11 May 2010)[35]	0-5	0-2.5	36	35	–	4,363	40,759
Rt Hon Rosie Winterton MP (until 11 May 2010)[36]	–	–	–	–	–	–	–

	Accrued pension at age 65 at 31 March 2011	Real Increase in pension at age 65	CETV at 31 March 2011	CETV at 31 March 2010[24]	Real increase in CETV	Ministerial salary received 2010-11	Ministerial salary received 2009-10
	£000	£000	£000	£000	£000	£	£
Parliamentary Under-Secretaries of State							
Lord Anthony Young (to 11 May 2010)[37]	–	–	–	–	–	–	–

Note

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

24 The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.
25 The full year equivalent is £68,827 in 2010-11.
26 The full year equivalent is £33,002 in 2010-11.
27 The full year equivalent is £23,697 in 2010-11.
28 Salary and pension details can be found in the 2010-11 Department for Culture, Media and Sport's accounts.
29 The full year equivalent is £68,710 in 2010-11.
30 The full year equivalent is £106,356 in 2010-11.
31 Salary and pension details can be found in the 2010-11 Department for Education's Accounts.
32 Elected not to draw a Ministerial salary and is not a member of the Parliamentary Contribution Pension Fund
33 The full year equivalent is £40,646 in 2010-11.
34 The full year equivalent is £30,851 in 2010-11.
35 The full year equivalent is £40,759 in 2010-11.
36 Salary and pension details can be found in the 2010-11 Department for Communities and Local Government's Accounts
37 Salary and pension details can be found in the 2010-11 HM Treasury's Accounts under Lords in Waiting

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 table below. 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.

	Accrued pension at pension age as at 31 March 2011 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2011	CETV at 31 March 2010[24]	Real increase in CETV	Salary 2010-11	Bonus Payments 2010-11	(Restated) Salary 2009-10	Bonus Payments 2009-10
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Martin Donnelly (from 21 October 2010)[38]	55-60 plus lump sum of 165-170	5-7.5 plus lump sum of 15-15.5	1,004	909	89	70-75 (155-160 full year equivalent)	–	–	–
Howard Orme	10-15	0-2.5	153	117	21	155-160	5-10	115-120 (155-160 full year equivalent	–
Rachel Sandby-Thomas	30-35 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	421	361	27	120-125	10-15	110-115	10-15
Sir Andrew Cahn (to 31 December 2010)	55-60	0-2.5	1,126	1,018	27	155-160 (205-210 full year equivalent)	15-20	205-210	40-45
Susan Haird (from 23 December 2010)	50-55 plus lump sum of 150-155	0-2.5 plus lump sum of 2.5-5	1,119	1,076	28	30-35 (125-130 full year equivalent)	–	–	–
Bernadette Kelly	35-40 plus lump sum of 105-110	2.5-5 plus lump sum of 10-15	521	430	53	110-115 (115-120 full year equivalent)	–	5-10 (115-120 full year equivalent)	–
Stephen Lovegrove	10-15	0-2.5	133	105	15	185-190	15-20	185-190	30-35
Stephen Marston (to 31 December 2010)[39]	45-50 plus lump sum of 140-145	0-2.5 plus lump sum of 0-2.5	755	700	2	100-105 (135-140 full year equivalent)	5-10	135-140	10-15
Philip Rutnam[40]	40-45	0-2.5	598	546	18	180-185	10-15	180-185	–
Philip Rycroft (to 31 December 2010)	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	525	483	6	115-120 (155-160 full year equivalent)	10-15	140-145 (155-160 full year equivalent)	–

	Accrued pension at pension age as at 31 March 2011 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2011	CETV at 31 March 2010[24]	Real increase in CETV	Salary 2010-11	Bonus Payments 2010-11	(Restated) Salary 2009-10	Bonus Payments 2009-10
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Professor Sir Adrian Smith	5-10	2.5-5	169	101	59	160-165	10-15	160-165	10-15
Ken Warwick (from 1 September 2010 to 31 December 2010)	40-45 plus lump sum of 130-135	0-2.5 plus lump sum of 2.5-5	870	827	27	35-40 (105-110 full year equivalent)	–	–	–
Tera Allas (from 1 January 2011)	10-15	0-2.5	123	115	6	25-30 (110-115 full year equivalent)	–	–	–
Simon Fraser (to 31 August 2010)[38,41]	55-60 plus lump sum of 170-175	0-2.5 plus lump sum of 2.5-5	1,014	936	29	65-70 (155-160 full year equivalent)	–	125-130 (155-160 full year equivalent)	10-15
David Hendon (from 1 September 2010 to 21 October 2010)	75-80	–	1,480	1,473	–	15-20 (125-130 full year equivalent)	–	–	–
Vicky Pryce (to 31 August 2010)	10-15 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	271	248	11	70-75 (175-180 full year equivalent)	10-15	175-180	25-30

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

38 Permanent Secretaries decided not to accept individual non-consolidated performance related pay awards (bonuses) in relation to the 2009-10 performance years

39 As part of the BIS voluntary early severance programme, Stephen Marston received, within his contractual terms, a lump sum payment of £140 thousand in respect of voluntary severance from 31 March 2011.

40 The pension includes a preserved pension award

41 Simon Fraser received a bonus payment in 2009-10 relating to his previous role as Director General in the Foreign and Commonwealth Office

taxation. This report is based on accrued payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

- Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09.
- None of the most senior managers of the 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 2009 members pay contributions of 5.9% of their Ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 28.7% of the Ministerial salary.

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.

The Cash Equivalent Transfer Value (CETV)

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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% 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 their 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.civilservice.gov.uk/my-civil-service/pensions/index.aspx

Cash Equivalent Transfer Values

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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

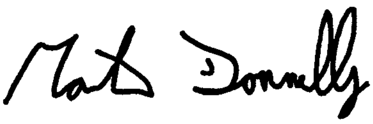
Real increase in CETV

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.

Fees paid to Non-Executive Board Members

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

Non-Executive Member	Fees for 2010-11	Fees for 2009-10
	£000	£000
Andrew Witty (from 1 January 2010)[42]	–	–
Dr Brian Woods-Scawen CBE	10-15	10-15
Professor Julia King CBE	10-15	10-15
Dame Julie Mellor CBE[42] (until 8 December 2010)	–	–
Alan Aubrey (until 21 July 2009)[43]	–	0-5
Arnoud De Meyer (until 21 July 2009)[44]	–	0-5
Roger Unwin CBE (until 21 July 2009)[44]	–	0-5



Martin Donnelly
Principal Accounting Officer and Permanent Secretary
7 July 2011

42 Dame Julie Mellor and Andrew Witty have chosen not to be remunerated.
43 Alan Aubrey was previously a member of the DIUS management board.
44 Arnoud De Meyer and Roger Unwin were previously members of the BERR management board.

3.4 People

Recruitment Practice

Recruitment into the Civil Service and therefore into the Department for Business, Innovation and Skills is regulated by the Constitutional Reform and Governance Act 2010. The Act established the Civil Service Commission with the role of regulating recruitment into the Civil Service. This is principally achieved through the Commission's Recruitment Principles. These specify the Commission's definition of what selection on merit on the basis of fair and open competition means, and when exceptions to the principle may be allowed.

The Government announced on 24 May 2010 that there would be a freeze on all recruitment into the Civil Service. This includes secondments, temporary staff and interims from recruitment agencies. BIS extended this freeze to cover recruitment from other Government departments. There are exemptions for "frontline" and "business critical" posts, consistent with the need to keep external recruitment to a bare minimum in order to deliver the Government's priorities and achieve cost savings and to facilitate the necessary reductions in the overall staff numbers in the Department.

Equality and Diversity

BIS is fully committed to equality and diversity. As an employer the Department set targets and monitors progress towards achievement of a workforce profile that mirrors the community we serve. The table below contains latest available information on BIS compliance with the diversity targets agreed with Cabinet Office.

	Ethnicity (BME)	Women	Staff recording disability
BIS (overall)	11.6%	46.4%	7.4%
BIS SCS	4.7%	41%	4.7%

As part of BIS's commitment towards equality and diversity the Department is funding three places on a 14-month leadership course for groups who are under-represented in the Senior Civil Service (SCS). The Leaders Unlimited scheme is designed to equip members of staff from under-represented groups – women, those from ethnic minorities, and those with a disability – with the skills they need to enter the SCS.

Number of Senior Civil Servants (SCS) by pay-band

SCS Payband	Number of SCS staff
SCS1	167
SCS2	42
SCS3	9
Permanent Secretary	2[45]

45 Professor John Beddington, The Government Chief Scientific Advisor, is also a Permanent Secretary.

In addition to this information BIS took part in the transparency exercise on senior pay, the results of which can be found at http://transparency.number10.gov.uk/resources/bis-chart.pdf

Sickness Absence

The latest sickness absence return for BIS and its four executive agencies shows that for the period 1 April 2010 until 31 March 2011 6 average working days were lost (3.2 in core BIS).

Expenditure on Consultancy and Temporary Staff

BIS expenditure on Consultancy in 2010-11 was £14million, a reduction of £13million from 2009-10.

BIS expenditure on Temporary Staff in 2010-11 was £4.5 million, a reduction of £2.5 million from 2009-10.

3.5 Health and Safety

The Department is committed to best practice with regard to occupational health and safety. The Department, in accordance with the Health and Safety Commission's Revitalising Health and Safety Strategy, summarises here its Health and Safety performance, as well as commenting on last year's commitments and laying out the objectives for the year to come.

The Department recognise that effective management of health and safety is essential in order to deliver an efficient government service which minimises unnecessary losses and liabilities.

Since BIS was formed the Department has reviewed the health and safety policies and implementation of the two former departments to inform the setting up of the BIS policy. Predominantly our staff are office based, therefore our main risks arise from the workplaces that we provide, and staff working practices conducted within them. We have in place procedures to ensure a safe working environment is maintained, and that those who are affected by our activity or visit our premises are not exposed to unacceptable risk.

Last year we met the following commitments:

- **Gaining board level agreement to BIS health and safety policy**.
- **Appointment of Departmental board level Health & Safety champion.**
- **Establishing a BIS health and safety committee**.
- **Developing structures for effective safety management** – *With ongoing structural change within the department this has been a challenging target however with improved stability and management training the objective should be completed in the near future.*

- **Continuing development and review of BIS policy and procedures** – *The development of departmental policy is continuing with the support of the Trade Unions*
- **Training senior managers throughout the department on new safety policy and procedures** – *Initial training has been developed and will be rolled out in 2011-12*
- **Benchmarking exercise on the performance of the new BIS Safety Management System (SMS) against HSE best practice** – *The departmental safety team is looking to establish benchmarking relationships with similar Whitehall departments such as Communities and Local Government and the Department for Education*
- **Regularly engaged with the trade unions, outside of the Corporate Safety Committee, in order to liaise on and co-ordinate safety issues, raise awareness and secure greater involvement from staff on health and safety matters**.

Health and Safety Performance

There were three reportable accidents and 33 minor accidents. RIDDOR accidents decreased as an indication of improved safety measures, however minor accidents continued to increase, attributable to an increase to reporting accidents.

Next year we will:

- Enhance our current risk assessment and auditing process across the entire BIS extended estate
- Review all Health and Safety costs and establish opportunities to deliver savings initiatives without compromising current standards
- Implement Health and Safety awareness promotion campaign across the BIS estate
- Introduce a quarterly Health & Safety newsletter and website
- Formulate a strategy for achieving OHSAS 18001 accreditation.

3.6 Communications

Performance in responding to the public

BIS aims to respond to official correspondence within 15 days working days. The table below demonstrates BIS performance in responding to Ministerial correspondence within this time frame.

BIS CORRESPONDENCE PERFORMANCE 2010-11			
Month	**Percentage within target**	**Number of Cases**	**Cases within target**
Apr-10	N/A	N/A	N/A
May-10	91%	349	318
Jun-10	98%	1183	1159
Jul-10	58%	533	309
Aug-10	63%	1733	1092
Sep-10	65%	1683	1094
Oct-10	71%	1659	1178
Nov-10	72%	2656	1912
Dec-10	74%	1239	917
Jan-11	84%	1326	1114
Feb-11	71%	1489	1057
Mar-11	73%	1733	1265
Total	**73%**	**15583**	**11415**

Publicity and Advertising

A government-wide marketing and advertising freeze was introduced in May 2010. This required a significant change to the way marketing was done by the Department, to support the Cabinet Office's Efficiency and Reform Group (ERG) objective of reducing spending in this area. The freeze applied to both BIS and its partner organisations, though some exemptions were permitted after rigorous analysis by the Director of Communications and his team.

That marketing activity which the Department did undertake nevertheless continued to be innovative, creative and cost effective. Increasingly, paid-for activity was supplanted by extensive use of low or no cost communications channels and an increase in stakeholder communications.

Sponsorship

Under the marketing freeze, the Department has encouraged policy teams and partner organisations to consider sponsorship within the broader context of partnership marketing, recommending this as an integral element of their communications planning. A particular example was the Queen's Awards for Enterprise campaign, which maximised BIS partner and stakeholder resources. By developing relationships with partners such as Businesslink and UKTI, and encouraging them to promote the campaign on their behalf, the Queen's Awards Office maintained the required volume and quality of applications despite a reduction in their marketing budget of 26%.

Personal Data Related Incidents

BIS had no reportable data related incidents in 2010-11.

3.7 Environmental Report and Sustainable Development

Greenest Government Ever – 10% Carbon Reduction Campaign

On 14th May 2010, the Prime Minister announced that the Government would be the 'greenest government ever' and pledged that all Headquarters buildings would display real time energy data on their websites and that Government would cut emissions across its estate by 10% within a year.

To achieve the 10% carbon emissions reduction target by May 2011, the Department undertook a series of energy reduction initiatives. These included: estate rationalisation, behavioural change and kit installation projects. The 10% carbon reduction campaign involved significant effort and collaboration between the Estates, Sustainable Development and Communications teams and discussions with building users, Unions, Health and Safety representatives and the Disability Advisory Group.

The Department has been able to report that carbon emissions reduced by 11.5% in the year to 14 May 2011, beating the 10% target.

One London Roof

The 'One London Roof' project entailed moving all staff from Kingsgate House into One Victoria Street. This was completed by 31 March and it is forecasted that by vacating a year before the lease expires savings of 2,000 tonnes of CO_2 will be made. Estate rationalisation also took place in Sheffield with BIS staff moving out of St Mary's House and into St Paul's Place. This will also assist in reducing emissions and help achieve the longer term target of reducing greenhouse gas emissions from travel and the estate by 25% by 2014-15, against baseline year of 2009-10.

Voltage Reduction Project

The installation of Voltage Reduction equipment at One Victoria Street took place over five weekends in September and October 2010. Seven units were installed at a total project cost of £382,000. This was funded through an interest free Salix loan, which will be paid back within five years using the savings achieved through the reduced electricity costs.

Partial Christmas Shutdown

Between Christmas and New Year, One Victoria Street remained open, but staff were restricted to the 'spur' area of the building. This meant that heating demand was significantly reduced and electricity usage limited as less plant was operating and lighting was not activated in large areas of the building. The project was a success with a saving of 44 tonnes of CO_2 achieved compared to the same period in the previous year. This reduction was the third largest of all Government departments.

Waste and recycling

In 2010-11 the amount of office waste produced by BIS dropped by 88 tonnes from the previous year to 650.63 tonnes. Of this the Department recycled 68.34%. A food waste collection service was also implemented at One Victoria Street, with food collected being processed off site through anaerobic digestion. Currently operating in teapoints on five floors, it will be rolled out to the whole building in 2011-12.

Accreditations

BIS's accreditation of its Environmental Management System (EMS) to the International Standard ISO 14001 continued following an external audit of the system in January 2011. The Department also achieved recertification to the Carbon Trust Standard, thereby underlining BIS's commitment to carbon management in order to make year on year carbon reductions.

Sustainable Development

BIS has continued throughout the year to embed sustainable development across the Department in line with the Government's drive for sustainable green growth, and the Government's commitment, announced in February 2011, to mainstream Sustainable Development (SD) across Government.

Key measures this year include:

- The new BIS Board level SD Champion undertook a series of meetings with other Directors General to address where SD was being addressed in policies and to explore where SD could be embedded further.
- Across BIS SD continues to be addressed in a range of policies. For example, on Climate Change BIS is one of the six main Government departments with responsibility for delivering the UK's five year Carbon Budgets and is working with stakeholders to ensure they are in a position to adapt to the inevitable effects of climate change.
- On trade, steps are being taken to advance sustainable growth which will also have intrinsic benefits for developing economies.

Raising Awareness

To further embed Sustainable Development across policies, operations and procurement the following actions took place:

- BIS ran an Energy Saving Week (October 2010), Environment Awareness Days (January 2011) and took part in Climate Week (March 2011) to encourage staff to be resource efficient both at work and in the home.
- To help staff understand Sustainable Development better and how to make policies for the long- term we have set up a dedicated intranet site. As well as addressing Sustainable Development in policy making it looks at the work of estates in meeting the new Greening Government targets and how we in BIS can lead by example to meet these targets and lead sustainable lives.

We developed the Green Guardian network to include some 50 staff to support changing behaviours and in turn to help BIS meet its targets for waste water and use of paper on the BIS estate.

3.8 Non-Departmental Public Bodies

A list of BIS's NDPBs can be found at *http://www.bis.gov.uk/partners/by/types*

3.9 PAC Recommendations

The Public Accounts Committee (PAC) is appointed by the House of Commons to examine accounts showing the appropriation of the sums granted by Parliament to meet public expenditure and of such other accounts laid before Parliament as the Committee may think fit. The PAC focuses on value for money by examining value for money reports undertaken by the NAO. Details of all outstanding PAC recommendations on reports on which the Government has formally replied can be found at *www.bis.gov.uk/annualreport2011*

3.10 Complaints

Dealing with complaints

BIS is committed to providing a high quality, accessible and responsive service to businesses and the community and takes all complaints very seriously. We give all of our staff guidance on how to deal with complaints in line with Cabinet Office guidance and the Freedom of Information Act.

The Department's policy on complaint handling can be found at *www.bis.gov.uk/contact/complaints*

Complaints to the Parliamentary Ombudsman

During 2010-11 there were no complaints about BIS upheld by the Parliamentary Ombudsman.

Chapter 4

Financial Overview

4.1 Introduction

This chapter provides an overview of the Department's financial performance in 2010-11 and looks ahead to the challenges the Department will face in managing its finances effectively in 2011-12.

BIS has faced significant financial challenges in 2010-11. The most significant of these included:

- Responding to the priorities of the incoming Government – in particular:
  - Delivery of £836 million of in-year savings as a contribution to the Emergency Budget announcement in June
  - Beginning the work on Public Bodies Reform – in particular the transition of responsibilities from the Regional Development Agencies (RDAs) to successor bodies
  - Implementing new controls on marketing and consultancy spending, and a freeze on public sector pay
  - Significantly reducing the administration budget for the Department, including Partner Organisations, with an 11% reduction in 2010-11 and a further 40% over the course of Spending Review 2010, including savings from the transition of responsibilities from the RDAs to successor bodies
- Managing increased risks around the BIS balance sheet – in particular critical decisions around the value of the student loan book and the impact of wider macroeconomic changes on repayment modelling
- Setting the full budget envelope for the next four years through the Spending Review 2010 negotiations with HM Treasury.

Against these challenges, BIS has remained within its reduced budget for 2010-11, with an outturn within 3% of DEL budget. However, as we enter the Spending Review 2010 period the pressures on the Department will become significantly greater.

In June 2010, as part of the Emergency Budget announcement, BIS contributed in-year savings of £836 million. At the same time BIS and its Partner Organisations implemented the spending controls established by the Cabinet Office and Treasury in May 2010. These included tight controls over pay and recruitment, advertising and marketing spend, consultancy, ICT, estates and procurement.

Looking Ahead

Looking ahead to the Spending Review 2010 period, BIS is facing significant challenges, given the scale of reductions in the BIS settlement and levels of ambition around reform. In recognition of this, BIS is extending its approach to risk management across the whole Department to ensure early warning of, and appropriate governance in, responding to emerging issues. The Department has also been preparing for Spending Review 2010 implementation during 2010-11 – for instance, responding to further substantial reductions in the BIS admin budget through a major staff restructuring programme, including a voluntary exit scheme.

About the financial information in this Report

The financial information in this Report is shown from two different perspectives:

- The Budgeting boundary, which is the Budgetary spend of the Departmental family i.e. the Department and its Partner Organisations
- The Accounting boundary, which comprises the Core Department and only those of its Partner Organisations that are consolidated in the Accounts.

The Departmental family delivers on its objectives through its budgets. The Department is ultimately responsible for these resources and the bodies who spend them. The financial tables in Annex D of this report set out the total spend of all bodies within the Departmental family.

The budgetary spend shown here is published by HM Treasury in the 2011 Public Expenditure Outturn White Paper. The Department's audited consolidated Accounts in Chapter 5 include only the following bodies (which also produce their own Accounts):

- The Department
- The Department's elements of the administration expenditure of UK Trade & Investment, a joint operation of the Department and the Foreign and Commonwealth Office
- The Skills Funding Agency, the Insolvency Service[46] and the National Measurement Office, Executive Agencies of the Department
- The Advisory, Conciliation and Arbitration Service, which is a Crown Executive Non Departmental Public Body.

Whilst the Department's cash funding of other Partner Organisations within the Departmental family (i.e. grant in aid) is included in BIS's Consolidated Accounts, their gross expenditure and income is included within their own individual published accounts.

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46 The Insolvency Service also receives monies, under the Insolvency Service Act 1986, which are excluded from these accounts because they are subject to a different financial control framework. Under Section 403 of the Act, sums are received from the realisation of assets from bankruptcies and company liquidations. The monies are held by the Secretary of State and interest earned on balances is surrendered to HM Treasury in accordance with Section 405 of the Act. Further details are available in the published accounts of the Insolvency Service which can be obtained from http://www.insolvency.gov.uk.

From 2011-12, under the new Clear Line of Sight requirements, the consolidated Accounts will contain the financial results of around 40 additional Partner Organisations.

About the BIS Accounts 2010-11

In common with other central Government bodies, the Department's consolidated Accounts are audited by the National Audit Office on behalf of the Comptroller & Auditor General. Most of the Department's Partner Organisations that sit outside of the Accounting Boundary produce their own Annual Report and Accounts. Annex C provides the background to the way in which accounting and budgeting in Government is managed and controlled, and explains how this applies to the Department. It also looks specifically at the relationship between the Department's Estimates, budgets and Accounts. The following section provides the Department's financial review of the year, which gives further analysis of some of the key information in the Consolidated Accounts.

4.2 Financial Review

This Section reviews BIS's finances for 2010-11 and acts as a commentary to the Primary Statements found in the Accounts. It analyses the performance of the consolidated Department in the context of the Accounts, and compares the Department's outturn to its final Estimate.

The Primary Statements in the Consolidated Accounts comprise:

i. the Statement of Parliamentary Supply
ii. the Consolidated Statement of Comprehensive Net Expenditure
iii. the Consolidated Statement of Financial Position
iv. the Consolidated Statement of Cash Flows
v. the Consolidated Statement of Changes in Taxpayers' Equity.

i. Statement of Parliamentary Supply

This is the primary statement for which BIS is accountable to Parliament. It records the net resource outturn compared to Estimate and only includes expenditure and income (appropriations in aid) allowable against the Estimate. Explanation of why the outturn in 2010-11 was different from the Estimate is given below. This Statement also includes a comparison of non-operating cost appropriations in aid with the amount voted by Parliament in the Estimate, and discloses amounts payable to the Consolidated Fund as Extra Receipts (CFERs).

								2010-11 £'000	(Restated) 2009-10 £'000
			Estimate			Outturn	Net Total	Outturn
Request for Resources	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Outturn compared with Estimate: saving/ (excess)	Net Total
Total resources	**27,968,566**	**(3,645,938)**	**24,322,628**	**27,134,232**	**(3,618,793)**	**23,515,439**	**807,189**	**21,844,913**
Non-operating cost A in A			**(8,507,766)**			**(8,453,268)**	**(54,498)**	**(7,261,446)**

The net resource outturn for 2010-11 (as shown in the Statement of Parliamentary Supply) was £23,515 million. This is an increase of £1,670 million compared to the outturn for 2009-10 of £21,845 million, which has been restated to account for Machinery of Government changes. The increase was mainly the result of non cash income in respect of impairments made to the value of the Student Loan book offset by decreased expenditure across a wide range of programmes.

Non-operating cost appropriations in aid increased by £1,192 million, from £7,261 million in 2009-10 to £8,453 million mainly due to increases in the daily repayment levels of the Post Office Working Capital loan from the previous year (£971 million) and the higher repayments of Student Loans (£217 million).

Summary of income payable to the Consolidated Fund		2010-11		2010-11	
		£'000		£'000	
			Forecast		Outturn
		Income	***Receipts***	Income	***Receipts***
Total		**239,391**	***239,391***	**892,272**	***269,412***

Consolidated Fund Extra Receipts (CFERs) increased by £439 million (96%) from £453 million in 2009-10 to £892 million in 2010-11 mainly due to excess appropriations in aid which amounted to £604 million compared to £50 million in 2009-10, an increase of £554 million, offset by other smaller changes. The excess appropriations in aid resulted mainly from higher than forecast non cash income relating to the effective interest rate charged on student loans (previously classified as the unwinding of the discount).

The outturn of £23,515 million compares to a final Estimate of £24,323 million, resulting in an underspend of £807 million. The most significant reasons (where the DEL variance is greater than £0.5 million and 10% of the Estimate) for the underspend are given for each of the three Requests for Resources that comprise our Estimate below.

There was also a difference of £447 million between voted grant in aid and the amounts paid, which were based on the actual cashflow needs of Partner Organisations. The disclosure here is based on note 2 to the Accounts, on page 102.

Analysis of net outturns from the budgeting perspective is included in the expenditure tables in Annex D.

Request for Resources 1

Knowledge transfer and innovation (Estimate Function A)

- Net outturn was £22 million (22%) less than Estimate because the budget for the UK Innovation Fund (£25 million) remained largely unspent. The UK Innovation Fund was set up in 2009-10 to provide UK venture capital in tandem with private funds. Relatively small amounts were invested in 2010-11 while the fund was being established. Expenditure is planned to increase over the future 4 years.

Business creation and growth (Estimate Function B)

- Net outturn was £148 million (24%) less than Estimate mainly due to underspends on capital grant projects, the Small Firms Loan and Enterprise Finance Guarantee Schemes and Grants for Business Investment, largely as a result of lower than profiled demand; together with residual movements as we closed the Automotive Scrappage Scheme. This area of the budget was subject to a considerable degree of risk during the year with the associated need to ensure that adequate budget headroom was available.

Delivering free and fair markets (Estimate Function C)

- Net outturn was £26 million (15%) less than Estimate, due to the release of deferred income (fees recovered on cases prior to April 2004 that have not yet been recognised as income) brought to account by the Insolvency Service. This offset an overspend on the corresponding AME line in the Estimate, where bad debt write-offs were higher than initially forecast.

Providing the professional support, capability and infrastructure needed to deliver BIS's objectives and programmes (Estimate Function E)

- Net outturn was £36 million (12%) less than Estimate due to the differing treatment of payments from provisions between the Accounts (where payments from provisions appear only as a balance sheet item) and the Estimate and budget (where payments from provisions are charged to the in-year budget rather than being a balance sheet movement). The relevant amounts were £19 million for onerous leases and £5 million for early retirement costs. There was also an underspend in respect of depreciation costs (£6 million). This underspend is offset by a corresponding overspend in AME (Estimate Function J).

Request for Resources 2

Increasing scientific excellence in the UK and maximising its contribution to society – Research based initiatives (Estimate Function D)

- Net outturn was £2 million (35%) less than Estimate because expenditure was significantly less across the Foresight, International and Science Initiative programmes due to the impact of spending restraints in 2010-11.

Economic impact (Estimate Function F)

- Net outturn was £2 million (16%) less than Estimate because some projects failed to deliver on target or failed to meet the criteria for the release of funds; this has resulted in the deferral of some expenditure into 2011-12 (£1.5 million).

Research capital investment fund (Estimate Function G)

- Net outturn was £13 million (39%) less than Estimate because part of the forecast expenditure cost proved to be refundable Value Added Tax.

Excess appropriations in aid amounted to £500 thousand.

Request for Resources 3

To help to build a competitive economy by creating opportunities for everyone to develop their learning and skills and creating excellence in science, research and innovation – Higher Education Support for Students (Estimate Function B)

- Net outturn was £58 million (23%) less than Estimate due to an underspend on maintenance and dependants grants which are volatile as they are dependant on the number of student applications made and are subject to means testing.

Excess appropriations in aid amounted to £604 million.

Prior Period Adjustments

Additionally, the 2010-11 final Estimate included a prior period adjustment of £590 million. This is in respect of a change in the accounting policy relating to Student Loans and reflects the fact that the Financial Reporting Advisory Board have agreed that Student Loans should be accounted for in accordance with International Accounting Standard 39 *(Financial Instruments): Recognition and Measurement.* Further details are provided in Note 1.30.

There were three other prior period adjustments: one in respect of a provision for the National Physical Laboratory Management Ltd pension scheme deficit; one in respect of the discontinuation of (notional) cost of capital charges and the other in connection with Companies House which took on responsibility for preparing a Trust Statement to record the transactions for Late filing Penalties, including payment to the Consolidated Fund (see Note 1.30 to the accounting policy notes for further information on these prior period adjustments).

ii. Consolidated Statement of Comprehensive Net Expenditure

						2010-11 £'000		(Restated) 2009-10 £'000
	Core Department			Consolidated			Core Department	Consolidated
	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Totals	184,954	26,338,605	(3,917,862)	402,916	26,555,842	(4,439,334)	21,628,395	21,503,910
Net Operating cost for the year ending 31 March			22,605,697			22,519,424	21,628,395	21,503,910

The Consolidated Statement of Comprehensive Net Expenditure includes all operating income and expenditure relating to the consolidated bodies on an accruals accounting basis, including that which sits outside the Estimate. The net operating cost for 2010-11 was £22,519 million, an increase of £1,016 million compared to the restated figures (reflecting the MoG changes), for 2009-10 of £21,504 million. The differences between net operating cost and net resource outturn are disclosed in Note 3 to the Accounts. The main differences relate to prior period adjustments which are in the estimate but not in the operating cost statement and any income payable to the Consolidated Fund (including excess appropriations in aid) which are included in the net operating cost but not in the Estimate, and expenditure on redundancy payments funded from the National Insurance Fund, which is included in the operating cost statement but not in the resource outturn.

Operating income includes dividends declared by Companies House, UK Intellectual Property Office and British Nuclear Fuels Ltd. The Companies House dividend at £2 million, and UK Intellectual Property Office at £2 million, represent the return on investment of Public Dividend Capital (PDC), as shown in note 13 of the Accounts. It is calculated as a return of 3.5% on the average capital employed, except in the case of UK Intellectual Property Office which uses a rounded-up rate of return of 4%. The special dividend from British Nuclear Fuels Ltd amounting to £32 million represents the final amount agreed by its Board to be paid to the Department. The final closure of the company is underway.

Grant in aid (£12,617 million) and other grants (£8,200 million) represented 96% of gross expenditure for programmes in 2010-11 (excluding non cash items). This ratio is the same as 2009-10 based on the restated figure (the grant in aid in respect of the former Learning and Skills Council has been removed to align with the agency status of its replacement body, the Skills Funding Agency).

Total expenditure on consultancy (including BIS's executive agencies), according to definitions issued by the Office of Government Commerce, amounted to £14 million in 2010-11. This was £27 million in 2009-10 (restated to reflect the change in status between the former Learning and Skills Council and its replacement body as mentioned above). £7 million of Departmental expenditure on consultancy is recorded under administration costs (£11 million in 2009-10).

Total expenditure on research and development amounted to £66 million in 2010-11, the same as in 2009-10 (re-stated).

Spend on staff substitution/interim management amounted to £4.4 million (£8.6 million in 2009-10).

The majority of the net gain shown within Other Comprehensive Expenditure (£159 million) relates to the revaluation of Launch Investment assets available for sale of £156 million.

In note 3.2 to the Accounts, the Department is reporting an underspend against its administration budget of £27 million. In budget terms this was only £9 million but due to payments against provisions that are only a balance sheet movement in accounting terms but score against budgets, two different underspends are reported for different purposes.

iii. Consolidated Statement of Financial Position

Balance sheet risks

The Department has a substantial, complex balance sheet. The valuation of assets and liabilities in our accounts can vary significantly and can be influenced by circumstances beyond the Department's immediate control. At 31 March 2011 the Department's net assets were £26.5 billion.

The BIS balance sheet is dominated by the value of the student loan book. Student loans are held 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%. The student loan repayment model is used to determine the future cash flows. The value of the loan book has increased since last year due to the issue of £5.6 billion of new loans in the period. However, the valuation is also impacted by a number of macro economic assumptions used in modelling that are reviewed annually. In the event of an economic downturn and a reduction in growth, there is a risk to student loan repayments. Where there is a negative impact on earnings growth, the risk is that graduate earnings may not reach the levels predicted when student loans were issued. This can lengthen the time period before loans are in repayment and extend the repayment period impacting on the carrying value in the accounts. It can also lead to an increase in the 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.

The risk of the Government recovering the real value of student loans issued is further exacerbated when the Bank of England base rate is low and the rate of inflation is comparatively high, because a base rate cap comes into operation. The cap arises because students are charged interest equivalent to the rate of inflation, or the Bank of England base rate plus 1%; whichever is the lower. Details of the impairments made to the loan book in this financial year are set out in Note 19 to the Accounts.

Government is currently the 100% shareholder of Royal Mail and the BIS balance sheet shows a holding value of £430 million. BIS also acts as lender to Royal Mail, with approximately £1.7 billion of debt facilities extended to the company, £1.4 billion of which originated from the National Loans Fund.

The Department has been preparing for a future sale of shares to the private sector, for the Government to take on Royal Mail's historic pension burden and changes to regulation. It has also been preparing its State Aid notification to obtain approval from the European Commission to undertake the necessary reforms. In addition to preparing for these macro reforms, the Department has continued to monitor the ongoing performance of Royal Mail and its impact on the Department's finances.

The Department is also responsible for a complex series of liabilities. These include onerous leases relating to properties previously occupied by the Department (which have been vacated under our savings programme to save money) and nuclear decommissioning costs for the UK Atomic Energy Authority. Following the Department's restructuring and savings measures this year, the Department's provision for early departure costs has increased as set out in Note 27. The other substantial, unusual liability on the Department's balance sheet relates to a debt sale subsidy relating to the sale of the legacy mortgage-style student loan portfolio. This has been revalued down this year which again arises from changes in macro economic forecasts. Further information on this is available in Note 29 to the Accounts.

Looking ahead, balance sheet management will become even more important from 2011-12 when the HM Treasury's Clear Line of Sight reforms are implemented. From that time on, the assets and liabilities of around 40 additional Partner Organisations will be consolidated into the BIS balance sheet. This will make the value and type of assets more varied and extend the scope of the Board's responsibilities with regard to managing balance sheet risks.

Assets

The Consolidated Department had total assets of £32,299 million in 2010-11compared to £30,093 million in 2009-10 (re-stated). The main reasons for the £2,206 million increase are the value of the Student Loan book which is £1,440 million higher and an increase in current assets of £447 million.

	31 March 2011 £'000		31 March 2010 (restated) £'000		1 April 2009 (restated) £'000	
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Total non-current assets	***27,429,243***	***27,790,732***	***25,684,340***	***26,031,759***	***22,239,279***	***22,591,221***
Total current assets	***4,031,621***	***4,507,912***	***3,631,116***	***4,061,002***	***4,040,327***	***4,406,634***
Total assets	**31,460,864**	**32,298,644**	**29,315,456**	**30,092,761**	**26,279,606**	**26,997,855**

Departmental Investment and Loans in Public Bodies

Royal Mail Holdings plc, a public corporation, is a company that is wholly owned by Government (BIS holds 50,005 shares with a value of £430 million). Its core operating subsidiary is Royal Mail Group Ltd (the mails business) with Post Office Ltd (POL) being the subsidiary of the Group which operates the post office network. During 2010-11, the Department provided financial support to the Royal Mail group of companies via debt financing or direct subsidy:

- Debt financing for the Royal Mail mails business comprise the advance of the remaining £300 million of a £600 million National Loans Fund (NLF) loan, as well as in-year use of a £300 million revolving NLF loan. These NLF loans are part of a package put in place in 2007 to assist Royal Mail with transformation and modernisation. A £500 million NLF loan was advanced in 2001 to assist with the acquisition of General Logistics Systems (GLS). The NLF loans had an outstanding balance of £1,100 million on 31 March 2011 (with a nil balance on the NLF revolving loan). The 2007 package also included a £300 million Shareholder loan provided by BIS that was advanced in March 2009.
- Debt financing for Post Office Ltd to help fund daily in-branch working capital needs via a £1.15 billion revolving loan facility. The outstanding balance for this loan was £260 million at 31 March 2011. (31 March 2010: £489 million).
- A subsidy payment of £150 million to support the post office network, part of the package of support of up to £1.7 billion for the network to the end of 2010-11.

British Nuclear Fuels Ltd (BNFL), a public limited company wholly owned by Government which operated through various subsidiary companies with a focus on UK clean-up. The final closure of the company is underway.

- BIS has 50,000 shares in BNFL with a value of £50,000. The final annual special dividend of £32 million was paid to BIS in 2010-11.

Capital for Enterprise Limited (CfEL) has two subsidiaries: Capital for Enterprise GP Ltd (CfE GP Ltd) and Capital for Enterprise Fund Managers Ltd (CfE FM Ltd), which was set up to manage the Department's equity investment funds and Loan Guarantee programmes.

- BIS owns 49,901 shares in CfEL (with a value of £1 per share) and provides cash funding as grant in aid.

BIS has public dividend capital investments in Companies House (£16 million) and UKIPO (£6 million).

Other Financial Assets

Student Loans: The most significant item on the balance sheet at 31 March 2011 is the student loan book. Student loans account for £24,954 million of the total £26,985 million in 2010-11 (£23,514 million of the total £25,345 million in 2009-10 restated) of other financial assets. The outstanding student loan balances have increased by £1,440 million from £23,514 million.

The Government is currently examining the possibility of selling part of the student loans book. Any sale is subject to confirmation that this would provide value for money. These Accounts present the student loans portfolio valued on the basis that they will continue to be held by the Department until such time as a decision to sell the assets has been made. This is consistent with prior years, and reflects the requirements of the Accounting Standards. Should sales take place in 2011-12 or subsequently, it will be necessary to re-assess the carrying value in accordance with the relevant Accounting Standards.

Launch Investments: The Department's portfolio of Launch Investment contracts represents investments made in the development of aerospace products in the context of support provided to the aerospace industry. The investment is repayable to the Department at a real rate of return, usually via levies on subsequent sales of the products developed. The expected cash flow from levies is discounted, and forecasts of sales and the resulting levies, determine the value of the portfolio. During 2010-11, the value of the investment increased by £185 million from £1,715 million at the end of 2009-10 to £1,900 million at the end of 2010-11, as a result of a new investment amounting to £100 million, plus a valuation increase and effective interest offset by levy income received in the year.

Venture Capital Funds: The value of Venture Capital Funds increased from £116 million in 2009-10 to £131 million at the end of 2010-11. These comprise the following funds with values as at 31 March 2011: Regional Venture Capital Funds £9 million; Early Growth Funds £12 million; Community Development Funds £12 million; Enterprise Capital Funds £61 million; the Aspire Fund £3 million; the Capital for Enterprise Fund £28 million and the UK Innovation Investment Fund, set up in 2009-10, £5 million.

Liabilities

The Consolidated Department had total current liabilities of £3,515 million in 2010-11compared to £2,817 million in 2009-10 (re-stated).

	31 March 2011 £'000		31 March 2010 (restated) £'000		1 April 2009 (restated) £'000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Non Current Assets:						
Total current liabilities	***(3,060,835)***	***(3,515,105)***	***(2,303,019)***	***(2,816,943)***	***(2,838,207)***	***(3,416,435)***
Total non-current liabilities	***(2,150,301)***	***(2,237,527)***	***(1,689,505)***	***(1,770,941)***	***(1,404,642)***	***(1,488,461)***

Trade Payables and Other Current Liabilities

At 31 March 2011 the total payables for the consolidated Department amounted to £4,582 million compared to £3,491 million at 31 March 2010. The main reason for the £1,091 million increase was an increase in amounts payable to the Consolidated Fund.

Provisions and Financial Guarantees

United Kingdom Atomic Energy Authority: The Department has retained the liability to cover the costs of the nuclear decommissioning of the Culham site. In 2010-11, this amounted to £177 million. Additionally BIS underwrites the restructuring provision for which United Kingdom Atomic Energy Authority has responsibility. This amounted to £21 million in 2010-11 including an increase in provision of £1 million to cover future costs of in-year restructuring.

British Shipbuilders' Liabilities: BIS has responsibility for providing funds to the British Shipbuilders Corporation for liabilities arising from personal injury to former employees as a result of exposure to asbestos, to the extent that these liabilities cannot be met from residual funds of the Corporation. The total liability increased by £83 million from £113 million at the end of 2009-10 to £196 million at the end of 2010-11 as a result of the outcome of an actuarial review which significantly increased the valuation.

The Department's provision for onerous leases increased by £48 million from £146 million in 2009-10 (re-stated) to £194 million at the end of 2010-11 due to additional provisions made during the year of £76 million for properties previously leased by the now defunct Learning and Skills Council and the mothballing of Kingsgate House and St Mary's House, offset by payments made in-year. Other provisions have decreased by £7 million from £61 million in 2009-10 (re-stated) to £54 million at the end of 2010-11.

Information on exit packages, including early departure costs in relation to the Civil Service and other compensation schemes, may be found in note 9.1 of the Accounts.

Financial Guarantees

The Automotive Assistance Programme which was designed to support the automotive sector committed to the provision of a loan guarantee of £378 million in respect of a £450 million loan in 2010-11. This was to support its £1.5 billion investment in six projects for the development of lower carbon vehicle and engine technologies.

Enterprise Finance Guarantees (EFG) (designed to provide guarantees of up to £1.3 billion) were introduced in 2008-09 and succeeded the Small Firms Loan Guarantee Scheme (SFLGS). The value of guarantees in issue as at 31 March 2011 amounted to £162 million for EFG and £69 million for the SFLGS.

Professional and Career Development Loans, commercial bank loans with deferred repayment, were designed to enable learners to support further education. This scheme was launched in July 2009 and is administrated by the Skills Funding Agency in partnership with Barclays and The Co-Operative Bank. Outstanding loans at 31 March 2011 amounted to £32 million (compared to £31 million at 31 March 2010).

Other Financial Liabilities

The Student Loan debt sale subsidy of £191 million at 31 March 2011 (£270 million at 31 March 2010) represents the additional costs to the Department arising from the subsidy given by Government to the purchaser of the debts Government to the purchaser of the debts relating to the sale of mortgage-style loans in the 1990s so that the terms to students can be maintained (see Note 29 to the Accounts for further information).

Revaluation Reserves

The revaluation reserve, which records gains/losses on the revaluation of assets in the period, stands at £221 million at 31 March 2011, compared to £167 million at 31 March 2010, an increase of £54 million. The increase is mainly due to net changes to the value of the revaluation reserve in respect of the Launch Investment portfolio, which increased by £59 million from £112 million at 31 March 2010 to £171 million at 31 March 2011 reflecting the projected delivery of aerospace products in which past investment was made.

iv. Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows includes the net cash outflow from operating activities, capital expenditure and financial investment, receipts and payments to the Consolidated Fund and financing, resulting in the net increase or decrease in the Department's cash in-year. The Department also has to estimate how much cash it is going to need in the year (the net cash requirement). The amount of cash required to fund the Department's activities during 2010-11 was £23,325 million compared to an Estimate of £24,608 million, an underspend of £1,283 million, as shown in the Statement of Parliamentary Supply.

The majority of the underspend was due to movements on the working capital loan made available to the Post Office, for which the maximum amount could be £1.15 billion but for which only £260 million was outstanding at the end of the year. This is inherently difficult to forecast.

There was an increase in the cash balance of £680 million compared with a decrease of £907 million in 2009-10. The increase was due to a smaller balance than anticipated on the working capital loan to the Post Office and the receipt of un-forecast income.

v. Consolidated Statement of Changes in Taxpayers' Equity

This Statement includes the changes to the level of Taxpayers' Equity reflected in the General Fund, plus the unrealised element of revaluations to fixed assets and investments.

Reconciling Estimates, Budgets and Accounts

Financial Review

To the end of 2010-11 there are different boundaries for the Department's Estimates, Budgets and Accounts. The following text explains their relationship.

Estimates to Accounts

The Department's Estimate is reconciled to the Net Operating Cost Statement through four adjustments:

- The first adjustment adds expenditure which is included in net operating cost, but does not require formal approval by Parliament in the Supply Estimates. For the Department, this comprises expenditure on Statutory Redundancy Payments funded by the National Insurance Fund
- The second adjustment deducts any CFERs which are classified as operating income and, therefore, included in Net Operating Cost. These CFERs arise from the operating activities of the Department, but are not classified as income for Estimates purposes. The receipts are paid directly to HM Treasury
- The third adjustment shows the difference between the amount of operating income received and that authorised to be appropriated in aid of expenditure
- The fourth adjustment deducts any prior period adjustments which are included in the Estimate but not in the operating cost statement.

Accounts to Budgets

There are four main types of adjustment required to reconcile resource expenditure in the Consolidated Operating Cost Statement in the Accounts to the resource expenditure of the Departmental family in the Department's Budgets:

- The first adjustment removes capital grants, which are classed as resource items in the Accounts, but as capital items in the budgeting framework
- The second adjustment removes the cash grant in aid paid to the Department's Partner Organisations, which are not counted as budgetary expenditure
- The third adjustment adds the income and expenditure of these Partner Organisations on an accruals basis
- The fourth adjustment removes those CFERs that are classed as being outside of the budgeting boundary
- There are usually other adjustments depending on particular circumstances.

Other information

Risks and uncertainties that might affect the Department's long-term position

Following the creation of BIS, the Management Board took the lead in ensuring effective risk management arrangements were in place for the identification and management of the top level risks facing the organisation. Reviews of the top level risks that might impact on the successful delivery of the Department's objectives in the immediate or long term are reviewed each month by the

Executive Board (apart from in August when they do not meet) and bi-monthly by the Departmental Board. During the year risks have included:

- Responding to the economic situation
- Sponsorship of our Partner Organisations
- Internal change
- Planning for significant financial pressures.

The Department continues to operate under the BIS Performance & Risk Management Policy that was agreed with the Audit and Risk Committee in July 2010. The policy is continually reviewed to ensure that the strategies & processes remain relevant to BIS and support the achievement of its strategic objectives. The core principles are as follows:

- Awareness – real time management information and horizon scanning, no surprises
- Management – performance and risk management embedded in management practice and procedures. Responsibility for managing performance and risk sits with managers of business areas, projects and programmes
- Transparency – open and supportive approach to identify performance issues and risks and escalate as required. Performance reports and risk registers are shared across the business
- Pro-active – departmental performance in delivering its business plan is routinely monitored to enable objective owners to drive improvement, and risk management focuses on the actions taken to address the risks to delivery
- Accountability – all staff are responsible for their part in the delivery of the Department's business plan and contribute to the management of risk. Individual risk owners responsible for ensuring risks are managed effectively and supported by named action officers for individual controls
- Engaged – working with Partner Organisations to ensure BIS is informed of performance and included in the management of significant risks impacting on the Department's aims and objectives.

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. Further details can be found in note 9 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 5 working days of receipt. For the year 2010-11 99.7% (2009-10 98.3%) of undisputed invoices were paid within the 30 day target and 95.7% of undisputed invoices were paid within 5 working days (2009-10: 95.2% paid in 10 working days). The payment performance of the consolidated Department was 97.8% within 30 days (97.9% in 2009-10) and 86% within 5 days (95% paid within 10 working days in 2009-10).

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 0.98 days.

Charging Policy

BIS provides only a limited number of services within the core Department 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.

Events Reported Last Year

In the High Court proceedings were brought by The Trustee of the British Telecommunications (BT) Pension Scheme (BTPS), to clarify the terms and scope of the Crown Guarantee provided under section 68 of the Telecommunications Act 1984 (as amended by the Communications Act 2003), the first part of the judgment has now been given (October 2010). The judgment means that, in the event of the insolvent winding up of BT Group Plc, this would amount to a sum of more than twice the deficit, as at 31 December 2008, of £9 billion. However, the actuarial valuation of pension funds can vary quite rapidly. The Government is considering whether to appeal the court's ruling. This contingent liability is transferring to the Department for Culture Media and Sport with effect from 13 April 2011 as part of the Machinery of Government changes announced on 21 December 2010.

Events after the Reporting Period

Note 38 of the Consolidated Accounts outlines 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. The audit opinion is on pages 76 to 77. The notional cost to the Department of the external audit of the core Account by the National Audit Office for the C&AG was £420,000. The total cost of work on the Consolidated Account, including that on the core Account, was £766,000.

The Comptroller and Auditor General (C&AG) has issued an adverse audit opinion on the truth and fairness of the Skills Funding Agency's 2010-11 accounts due to non compliance with IAS 27. The Agency is deemed to have the ability to control the financial and operating activities of Further Education Colleges (FECs), which under the requirements of IAS 27: *Consolidated and Separate Financial Statements* would be consolidated into the Agency's accounts.

The Agency's accounts are included within the Department's Consolidated Accounts. However, there is no financial impact on the Accounts because, in accordance with the 2010-11 FReM, the Departmental boundary for accounting purposes is different from the concept of a group under generally accepted accounting practice; it is based on in-year budgetary control and not the criteria set out in IAS 27. The Department does not exercise in-year budgetary control thus there is no requirement to consolidate FECs, for 2010-11. More information can be found in Note 41 to the Consolidated Accounts.

During 2010-11 or soon afterwards, the Public Accounts Committee published two reports relating to the Department's core business:

- *Customer First Programme: Delivery of student finance*. The Committee concluded that the Student Loans Company's performance in 2009 had been completely unacceptable, and noted improvement in 2010 but that it expected further improvement in 2011. The Committee also concluded that governance arrangement had failed to identify and address emerging risks (HC 424, 8th Report of Session 2010-11).
- *Regulating financial sustainability in higher education*. The NAO concluded that the Funding Council has taken a cost-efficient approach and has delivered value for money in the context in which it had operated to date. The Committee concluded that a new system of regulation would be needed from 2012-13, when new higher education financing arrangements are introduced and there would be new risks to the financial health of higher education institutions. The Committee also reported that there was a potential funding gap if institution set fees that exceeded the Department's expectations *(HC 914,* 36th Report of Session 2010-12).

During 2010-11, the National Audit Office published two other reports relating to the Department:

- *Delivering Regulatory Reform*. The NAO reported that since its creation in 2005 the Better Regulation Executive (BRE) and departments had developed important elements of a planned and structured approach to reforming and reducing and have delivered significant benefits. However, they are not yet in a position to achieve value for money in their management of regulation as gaps remain in two important areas. The BRE and departments do not have adequate sight of the totality of regulation faced by businesses and there have been systematic weaknesses in estimating the costs and benefits of individual regulations with little review once regulations are implemented. There is also a lack of a coherent framework to manage regulatory reform including clear accountabilities, effective incentives on departments and a detailed plan for delivery and for long-term management of the flow of regulation (HC 758, Session 2010-2011, published 17 February 2011).
- *Assessing the impact of proposed new policies*. The BRE oversees the Impact Assessment process, while departments are responsible for delivering their own Impact Assessments. Of the 50 Impact Assessments for new legislation in 2008-09, covering 10 departments, the NAO found that 18 per cent did not provide sufficient, convincing evidence that the best regulatory option had been chosen, 54 per cent contained weaknesses and 28 per cent fully met the criteria set by NAO. While resources, analytical expertise and quantifications had improved since the previous NAO report, there were still indications that policy staff across Government did not see Impact Assessments as an important part of the policy making process. (HC 185 Session 2010-11, published 1 July 2010).

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 2011

Chapter 5

Consolidated Accounts

5.1 Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Business, Innovation and Skills (BIS) to prepare, for each financial year, Accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year.

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

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

HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department for Business, Innovation and Skills' assets, are set out in *Managing Public Money* as published by HM Treasury.

5.2 Statement on internal control

Introduction

This is the second annual Statement on Internal Control for the Department for Business, Innovation and Skills (BIS). I was appointed Accounting Officer on 21 October 2010, and was advised about the system of internal control in operation prior to my appointment by my predecessor, the Chairman of the Audit and Risk Committee and the Director of Internal Audit.

This Statement on Internal Control relates to the financial year from 1 April 2010 to 31 March 2011. This was a period of considerable change and challenge following on from the creation of BIS and we are continuing to work to implement the systems and structures to ensure a robust and consistent internal control environment.

During this new Spending Review period BIS will need to make significant savings (25% overall) whilst delivering far-reaching and challenging policy reforms, such as HE funding, RDA transition and establishing a Green Investment Bank. We will be doing this whilst reducing Departmental administration costs. It is my intention to ensure that our internal control processes are developed and focus on the risks we are facing as they evolve.

Scope of responsibility

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

I work with the Secretary of State, Ministers and the Department's top management team through the Departmental Board and its sub-committees, other Boards, meetings and correspondence. I involve Ministers in the management of risk at a strategic level, considering major factors that could prevent Departmental objectives being achieved.

In pursuit of the above, I am supported by:

- The new Departmental Board, chaired by the Secretary of State and attended by our Non-Executive Directors that meets bi-monthly and considers strategic policy and delivery issues
- Sub-committees of the Departmental Board with appropriate expert attendees. These regular meetings consider relevant management, policy delivery and assurance issues in support of the Departmental Board:
  - Executive Board
  - Executive Finance Board
  - Executive Policy Board
  - Audit and Risk Committee
  - Performance and Development Committee

- Other forums outside the formal Governance structure, including:
  - Ministerial Strategy Sessions
  - Partner Organisation Governance Board
  - Senior Remuneration Oversight Committee
- The Secretariat that manages BIS's Corporate Governance structure.

In addition, significant policy reforms have robust governance structures in place to complement the wider BIS structures, ensuring that there is clear accountability for finance, risk and performance.

The purpose of the system of internal control

The system of internal control is an ongoing process designed to manage risks to Departmental objectives in an efficient, effective and economic manner but only to a reasonable level, rather than to eliminate all risk of failure; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in BIS for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts 2010-11, and accords with Treasury guidance.

The commentary on the control environment that follows should be understood within the context of leading the Department through a period of restructuring and significant change. The management of risk has had to address the need to satisfy new Departmental priorities with reduced budgets whilst realising operational efficiencies. This challenge will only increase over the next few years as BIS responds to the significant policy reforms, savings and operational efficiencies committed to in the Spending Review settlement.

Capacity to handle risk

Under the revised governance structure, there is a continued commitment to discussing the top level risks facing the Department. Both the new Departmental Board (DB) and the new Executive Finance Board (EFB) have identified risk management as a key part of their role. They both discuss key risks and during 2011-12 intend to better understand how well these risks are being managed.

To support the Board, a challenge panel made up of directors from across the Department meets monthly to challenge the strategic risks being identified by the Department. They have increased their focus on recognising cross cutting risks and ensuring they are reported to the Board.

The Department's approach to risk continues to be embedded within the organisation. This will be reviewed in 2011-12 to ensure maximum benefit can be gained by integrating risk management with operational planning, performance and financial management.

Following the SR10 settlement and the development of new strategic objectives for the Department, there is now a better understanding of the context in which BIS now operates. This has resulted in a focus on the effective management of financial risk.

Close oversight of high risk partner organisations has continued. A revised performance assessment framework has been established in order to create transparency of partner organisation risks and performance issues and improve our contingency planning in the event of failure.

The Cabinet Office requires all Ministerial and non-Ministerial departments to submit a 'Security Risk Management Overview' of performance against the Security Policy Framework, which includes compliance against mandatory data handling measures. The Departmental Security Policy Framework Manager and Internal Audit performed an assessment of the level of inherent information risk for each of BIS's Partner Organisations to enable resource to be focused on the areas of highest information risk.

Recently, the Department has been affected by a number of structural changes which has reduced the level of resource dedicated to information assurance and limited the progress towards achieving a greater level of maturity in managing information risk. Key elements still required are the implementation of an overarching information risk policy and associated culture plan, as well as establishing a robust compliance regime to ensure adequate coverage of the key areas of information risk and assess adherence to the policies and procedures implemented. With regard to the highest risk organisations, it has been reported by the senior management team of the Student Loans Company that there are a number of important areas that require attention to ensure a robust framework is in place to address the information risk that it faces.

The risk and control framework

The risk and control framework for the Department has been developed over the course of the year. The Department's approach is to assign risks to those best placed to manage them. Our approach is to establish clear accountability and ownership of risk so as to ensure the risk is managed at the appropriate level and mechanisms are in place to escalate significant risks to senior management, the Performance and Risk Challenge Panel and the Departmental Board.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, executive management within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review by the Board and the Audit and Risk Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of the system of internal control is reviewed in-year by my Directors General who each provide me with a Statement on Risk Management, Internal Control and Corporate Governance for their Group, informed by returns or opinions they themselves received from their Heads of Management Units through formal reviews. The Director of Internal Audit and the Chair of the Audit and Risk Committee review each Statement with the relevant Director General and discuss the key findings with me. Directors General provide me with an updated position statement on their return at year-end.

The Audit and Risk Committee provides independent advice to give assurance to the Departmental Board on matters of audit, corporate governance, risk management and internal control issues. I attend the Committee and maintain a dialogue with the Chairman. The Chairman also sits as a Non-Executive member on the Departmental Board.

The Department's Partner Organisations also conduct a review of the effectiveness of internal control in preparing a Statement on Internal Control for their Annual Accounts. A similar process is applied to that in the Department, and the signed statements from each Chief Executive form part of the Department's overall assurance on internal control.

The Director of Internal Audit has provided me with an Annual Report which incorporates an opinion on BIS's system of internal control. This opinion takes account of the residual risk carried by the Department during 2010-11 and the findings of audit reviews. The auditors issue one of three opinion ratings: satisfactory, improvement required, and unsatisfactory. In 2010-11 the auditors' assessment was that there was improvement required at BIS. We accept this assessment and have either implemented or are working to implement the improvements suggested by Internal Audit in their reports for the year.

In addition to the Internal Audit plan, the National Audit Office (NAO) produces a number of value–for-money reports. The most notable reports in 2010-11 were *Regulating Financial Sustainability in Higher Education* and *Delivering Regulatory Reform*. This work identifies opportunities for BIS to make improvements and, along with Office of Government Commerce gateway reviews, provide me with assurance that BIS is getting the most it can in key areas of the Department's work. Where recommendations are made by the NAO, and subsequently scrutinised by the Public Accounts Committee, remedial action has either been implemented or is in progress.

Governance

The new Departmental Board replaced the former Management Board in January 2011. This was in response to new Cabinet Office protocols for Departmental governance. It is chaired by the Secretary of State and members include three non-executives and me as Permanent Secretary. The Board meets bi-monthly and provides collective strategic and operational leadership across the areas of performance, strategy and learning, resources and change, capability and risk, including appropriate oversight of Partner Organisations. The Board gives advice on the operational implications and effectiveness of policy proposals but does not decide on policy. This continues to be determined separately by Ministers with advice from officials.

It is still very early to determine the extent of Board operational effectiveness in meeting its objectives. This will be part of the challenge of embedding and building its capability into departmental governance culture over time. We will need to ensure that the Board considers all areas where wider non-executive input would be helpful. If this is not possible through the Board, we will ensure that another forum is constituted to ensure that we get the required input from our non-executives.

Restructuring

BIS's restructuring processes have been implemented quickly to reduce costs, reduce the uncertainty for our staff and deliver structural changes. The organisation is still in the process of being shaped into a more flexible, connected, focused and skilled Department. This is being achieved through targeting resources on policy priorities and implementing 'confident teams' which reduce layers of line-management to emphasise personal accountability and responsibilities throughout the organisation, strengthening the control environment.

While benefits are widely recognised, the restructuring itself creates risks around loss of capability, expertise and low staff morale. My executive team has placed additional emphasis on regular communications with staff throughout this difficult period.

The challenge now remains to ensure delivery of work priorities to satisfy Ministerial requirements whilst managing the impact that significantly less resource and the scale and pace of change will have on staff and BIS's capacity to deliver its remit. Once all staff are matched into new roles, responsibilities and accountabilities will be clearly established.

Partner Organisations

BIS has a large portfolio of diverse and capable Partner Organisations and a priority, following the creation of BIS, has been to ensure a coherent framework in which this extensive network can be effectively managed as well as implementing Government policies on public body reform.

BIS's relationship with its partner network has improved by developing a more balanced approach to sponsorship that encourages increased joined-up working, transparency and mutual learning in line with the BIS Performance and Governance Manual.

In particular, a new performance assessment framework provides clarity and consistency about how partner organisations' performance and the Department's sponsorship capability will be measured. This framework has been co-created by BIS and Partner Organisations (POs) to improve dialogue and provide a greater transparency of partner organisation risks, performance and capability issues. It will help us to support high performing bodies to stay that way, and enable us to work with others to become high performing. It will also enable us to take a more risk-based approach to sponsoring POs.

An initial performance assessment has been considered by the Executive Finance Board and concluded that the vast majority of bodies are considered to present relatively low inherent risk and strong capability. However, there are some bodies that present both high inherent risk and low potential capability. These results will be explored in more detail and used to develop plans to address any areas of concern.

Differences in the policies and procedures followed by sponsor teams demonstrate the breadth and diversity of POs but also the level of perceived risk attached to them. There is an opportunity to review and standardise these, particularly following the public bodies reform and the consolidation of more partners' accounts into the Department's following implementation of the 'Clear Line of Sight' project for the 2011-12 Accounts.

The introduction of Clear Line of Sight (CLoS) in 2011-12 also brings significant challenges given the breadth and diversity of our Partner Organisations and the complexity of issues that will arise in consolidating their accounts into the Department's Consolidated Accounts. A formal CLoS project has been established and BIS is actively engaging with its partner organisations in ensuring the Accounts for 2011-12 are appropriately aligned.

Other matters relevant to my statement

During the year, the Board and the Audit and Risk Committee have paid particular attention to the following:

Regional Development Agency (RDA) transition

BIS has set up the National Transition Board (NTB) to oversee an orderly transition of policy, financial and operational responsibilities of RDAs to successor bodies. RDAs have presented to the NTB their planned approach to maintaining good governance and sound systems of internal control during this period, as well as their approach to identifying and responding to risks of winding down their activities.

BIS commissioned and used independent advice on the approach that it should take. Also, the Department has been communicating regularly with those departments that contribute to the RDA Single Programme Budget, including CLG. A 'Peer Review' process has been set up to promote dialogue between RDAs and BIS, coordinate a joint response to risks and identify and share good practice.

However, it is recognised that there are still challenges to resolve in both policy and delivery terms within a tight schedule, such as keeping some key RDA staff beyond March 2012 to ensure transition arrangements are not disrupted and transferring budgets, assets, liabilities and part-completed projects to successor bodies. BIS is working with other Government departments and CLG in particular to resolve these issues.

Student Loans Company

It was recognised in last year's Statement that the Student Loans Company (SLC) and the Department were found to be failing in their delivery of student finance. I have ensured that the Department's increased oversight and support of the SLC has remained in place and will continue to do so in light of the challenges it faces in helping us to deliver the significant Higher and Further Education Reform Programmes.

Despite these challenges the SLC has shown significant improvements in performance in 2010/11, meeting its published commitment to process more than 99% of applications received by the published deadlines before the start of term and exceeding its contact centre targets.

There were no other significant internal control problems in the Department or its Partner Organisations that impacted on the Department's Accounts.

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
7 July 2011

5.3 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 for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Consolidated Statement of Comprehensive Net Expenditure and the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- The financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and 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.

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 Business Plan Reporting, Input and Impact Indicators, Corporate Governance Structure, Environmental Report and Sustainable Development and Financial Overview sections within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- Adequate accounting records have not been kept; or
- The financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- The Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

15 July 2011

5.4 Primary Statements

Statement of Parliamentary Supply

Summary of Resource Outturn 2010-11

								2010–11 £'000	(Restated) 2009–10 £'000
				Estimate			Outturn		Outturn
Request for Resources	**Note**	**Gross Expenditure**	**A in A**	**Net Total**	**Gross Expenditure**	**A in A**	**Net Total**	**Net Total Outturn compared with Estimate: saving/ (excess)**	**Net Total**
RfR 1 Increasing UK Competitiveness	2	4,052,285	(1,436,278)	2,616,007	3,641,668	(1,409,133)	2,232,535	383,472	2,055,134
RfR 2 Scientific usage in UK	2	3,805,633	–	3,805,633	3,728,481	–	3,728,481	77,152	3,707,420
RfR 3 Learning and Skills	2	20,110,648	(2,209,660)	17,900,988	19,764,083	(2,209,660)	17,554,423	346,565	16,082,359
Total resources[47]	3	**27,968,566**	**(3,645,938)**	**24,322,628**	**27,134,232**	**(3,618,793)**	**23,515,439**	**807,189**	**21,844,913**
Non-operating cost A in A	8			**(8,507,766)**			**(8,453,268)**	**(54,498)**	**(7,261,446)**

Net cash requirement 2010-11

				2010–11 £'000	(Restated) 2009–10 £'000
	Note	**Estimate**	**Outturn**	**Net Total Outturn compared with Estimate: Saving/(excess)**	**Outturn**
Net cash requirement	4	24,607,933	23,324,621	1,283,312	24,538,666

Summary of income payable to the Consolidated Fund

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

			2010–11 £'000		2010–11 £'000
			Forecast		Outturn[48]
	Note	**Income**	***Receipts***	**Income**	***Receipts***
Total	5	239,391	*239,391*	892,272	*269,412*

Explanations of variances between Estimate and Outturn are given in Note 2 and in the Financial Overview in Chapter 4 of the Annual Report and Accounts.
The Notes on pages 87 to 203 form part of these Accounts.

47 Note 3.1 provides a reconciliation between total net resource outturn of £23,515,439 thousand in the Statement of Parliamentary Supply and the operating cost for the year of £22,519,424 thousand as stated in the Consolidated Statement of Comprehensive Net Expenditure.

48 Income and receipts payable to the Consolidated Fund include £5,759 thousand payable to Northern Ireland, the Isle of Man, Guernsey and Jersey.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

				2010–11 £'000					(Restated) 2009–10 £'000
		Core Department			Consolidated			Core Department	Consolidated
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Administration Costs:									
Staff costs	9	177,860			183,066			192,091	198,995
Other administration costs	10		131,770			139,908		179,302	186,735
Operating income	13			(18,967)			(27,634)	(31,353)	(43,134)
Programme Costs:									
Request for resources 1									
Staff costs	9	2,846			119,853			2,336	124,973
Programme costs	11		3,489,661			3,606,985		4,124,096	4,156,070
Income	13			(1,392,460)			(1,565,498)	(2,039,155)	(2,216,642)
Special dividend (BNFL)	13			(32,000)			(32,000)	(32,000)	(32,000)
Request for resources 2									
Staff costs	9	120			120			143	143
Programme costs	11		3,728,361			3,728,361		3,709,514	3,709,514
Income	13			(596)			(596)	(19,521)	(19,521)
Request for resources 3									
Staff costs	9	4,128			99,877			3,110	104,541
Programme costs	11		18,988,813			19,080,588		16,777,311	16,856,190
Income	13			(2,473,839)			(2,813,606)	(1,237,479)	(1,521,954)
Totals		**184,954**	**26,338,605**	**(3,917,862)**	**402,916**	**26,555,842**	**(4,439,334)**	**21,628,395**	**21,503,910**
Net Operating Cost for the year ended 31 March	3			**22,605,697**			**22,519,424**	**21,628,395**	**21,503,910**

All income and expenditure is derived from continuing operations.

Other Comprehensive Expenditure

		31 March 2011 £'000		(Restated) 31 March 2010 £'000	
	Note	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Net gain/(loss) on revaluation of Property, Plant and Equipment		–	3,022	–	1,145
Net gain/(loss) on revaluation of Intangibles		–	–	–	–
Net gain/(loss) on revaluation of available for sale financial assets	19	155,624	155,624	162,454	162,454
Total Other Comprehensive Expenditure for the year ended 31 March		**155,624**	**158,646**	**162,454**	**163,599**
Total Comprehensive Expenditure for the year ended 31 March		**22,761,321**	**22,678,070**	**21,790,849**	**21,667,509**

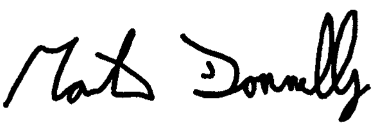
The Notes on pages 87 to 203 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2011

					31 March 2011 £'000		31 March 2010 (restated) £'000		1 April 2009 (restated) £'000
	Note	Core Department		Consolidated		Core Department	Consolidated	Core Department	Consolidated
Non Current Assets:									
Property, plant and equipment	15	53,167		252,635		53,772	259,671	70,790	278,723
Intangible assets	16	3,354		88,691		4,579	103,562	5,352	85,395
Investment and Loans in public bodies	18	1,932,437		1,932,437		1,592,330	1,592,330	1,258,764	1,258,764
Other financial assets	19	25,284,671		25,284,671		23,895,345	23,895,345	20,840,951	20,840,951
Trade and other receivables	22	155,614		232,298		138,314	180,851	63,422	127,388
Total non-current assets			***27,429,243***		***27,790,732***	***25,684,340***	***26,031,759***	***22,239,279***	***22,591,221***
Current assets:									
Inventories	21	–		13		–	60	–	51
Trade and other receivables	22	1,167,550		1,288,073		1,251,772	1,509,696	1,155,564	1,396,340
Investments and loans in public bodies	23	260,166		260,166		521,666	521,666	199,166	199,166
Other financial assets	19	1,700,000		1,700,000		1,450,000	1,450,000	1,324,060	1,324,060
Cash and cash equivalents	24	903,905		1,259,660		407,678	579,580	1,361,537	1,487,017
Total current Assets			***4,031,621***		***4,507,912***	***3,631,116***	***4,061,002***	***4,040,327***	***4,406,634***
Total assets			**31,460,864**		**32,298,644**	**29,315,456**	**30,092,761**	**26,279,606**	**26,997,855**
Current liabilities:									
Trade and other payables	26	(2,938,916)		(3,386,674)		(2,129,522)	(2,632,377)	(2,679,910)	(3,247,861)
Provisions	27	(58,276)		(64,788)		(44,749)	(55,818)	(37,988)	(48,265)
Financial guarantees	28	(54,519)		(54,519)		(105,316)	(105,316)	(101,689)	(101,689)
Other financial liabilities	29	(9,124)		(9,124)		(23,432)	(23,432)	(18,620)	(18,620)
Total current liabilities			***(3,060,835)***		***(3,515,105)***	***(2,303,019)***	***(2,816,943)***	***(2,838,207)***	***(3,416,435)***

		31 March 2011 £'000				31 March 2010 (restated) £'000		1 April 2009 (restated) £'000	
	Note	**Core Department**		**Consolidated**		**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Non-current assets plus/less net current assets/liabilities			**28,400,029**		**28,783,539**	**27,012,437**	**27,275,818**	**23,441,399**	**23,581,420**
Non-current liabilities:									
Trade and other payables	26	(1,178,471)		(1,195,463)		(846,702)	(858,722)	(537,369)	(545,121)
Provisions	27	(575,863)		(614,552)		(433,526)	(471,534)	(457,521)	(511,655)
Financial guarantees	28	(213,917)		(245,462)		(162,402)	(193,810)	(155,123)	(177,056)
Other financial liabilities	29	(182,050)		(182,050)		(246,875)	(246,875)	(254,629)	(254,629)
Total non-current liabilities			***(2,150,301)***		***(2,237,527)***	***(1,689,505)***	***(1,770,941)***	***(1,404,642)***	***(1,488,461)***
Assets less liabilities			**26,249,728**		**26,546,012**	**25,322,932**	**25,504,877**	**22,036,757**	**22,092,959**
Taxpayers' Equity:									
General fund			26,065,706		26,324,863	25,192,374	25,337,436	21,981,133	22,001,550
Revaluation reserve			184,022		221,149	130,558	167,441	55,624	91,409
Total Taxpayers' Equity			**26,249,728**		**26,546,012**	**25,322,932**	**25,504,877**	**22,036,757**	**22,092,959**



Martin Donnelly
Principal Accounting Officer and Permanent Secretary
7 July 2011

The Notes on pages 87 to 203 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2011

		2010–11	2009–10 (restated)
	Note	**£'000**	**£'000**
Cash flows from operating activities			
Net operating cost	3.1	(22,519,424)	(21,503,910)
Adjustments for non-cash expenditure	12	4,743,862	1,683,506
Adjustment for non-cash income	13	(1,701,166)	(475,967)
(Increase)/decrease in inventories	21	47	(9)
(Increase)/decrease in trade and other receivables	22	170,176	(166,819)
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		(210,793)	(117,021)
Increase/(decrease) in trade payables	26	1,091,038	(301,883)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(1,062,055)	565,361
Use of provisions	27	(60,627)	(37,415)
Financial guarantees called in	28	(64,463)	(91,945)
Financial liabilities realised	29	(10,437)	(14,558)
Non-cash expenditure funded by the National Insurance Fund	3.1	396,341	491,253
Interest received from Royal Mail on NLF loans	3.1	(42,123)	(30,180)
Interest paid to NLF on loans to Royal Mail	3.1	42,123	30,180
Net cash outflow from operating activities		**(19,227,501)**	**(19,969,407)**
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(16,293)	(29,422)
Purchase of intangible assets	16	(26,911)	(42,046)
Loan redeemed from Post Office Limited	23	7,006,000	6,035,000
Venture capital fund redemptions	19	7,853	1,200
Repayment of student loans		1,540,147	1,236,370
Repayments of other loans and investments	23	2,666	2,166
Launch investment receipts		35,094	37,114
Launch investments loans issued	19	(100,121)	(161,564)
Investments in venture capital funds	19	(39,318)	(57,162)
Student loans issued		(5,569,752)	(5,066,622)
Repurchase of sold loans		–	181
Investments and loans made to other public sector bodies	18	(5,000)	(6,500)
Loans made to Post Office Limited	23	(6,777,000)	(6,327,000)
Net cash outflow from investing activities		**(3,942,635)**	**(4,378,285)**

	Note	2010–11 £'000	2009–10 (restated) £'000
Cash flows from financing activities			
From Consolidated Fund (supply) – current year		24,052,232	23,550,380
Advances from the Contingencies Fund		–	77
Repayments to the Contingencies Fund		–	(77)
From the National Insurance Fund		396,341	491,253
Payments to the National Insurance Fund	11	(396,341)	(491,253)
Loans received from the National Loans Fund		390,000	2,498,000
Repayment of loans from the National Loans Fund	23	(120,000)	(2,168,000)
Loans received from the National Loans Fund on lent to Royal Mail		(390,000)	(2,498,000)
Repayment of National Loans Fund loans by Royal Mail		120,000	2,168,000
Capital element of payments in respect of finance leases, on-balance sheet PFI contracts, and service concession arrangements		(3,875)	(3,553)
Net Financing		**24,048,357**	**23,546,827**
Net increase/(decrease) in cash and cash equivalents in period before adjustment for receipts and payments to the Consolidated Fund		**878,221**	**(800,865)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities[49]		118,802	145,238
Payments of amounts due to the Consolidated Fund		(316,943)	(251,370)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**680,080**	**(906,997)**
Cash and cash equivalents at the beginning of the period	24	**579,580**	**1,486,577**
Cash and cash equivalents at the end of the period	24	**1,259,660**	**579,580**

The Notes on pages 87 to 203 form part of these Accounts.

49 Receipts due to the Consolidated Fund include £5,759 thousand (2009-10: £5,377 thousand) which is payable to Northern Ireland, the Isle of Man, Guernsey and Jersey; and payments of amounts due to the Consolidated Fund include £5,377 thousand (2009-10: £5,627 thousand), which was paid to Northern Ireland, the Isle of Man, Guernsey and Jersey.

Consolidated Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

		Core Department			Consolidated		
	Note	General Fund	Revaluation Reserve	Total Reserves	General Fund	Revaluation Reserve	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2009		22,107,887	55,624	22,163,511	22,158,623	91,409	22,250,032
Changes in Accounting policy:							
Student loans		(126,754)	–	(126,754)	(126,754)	–	(126,754)
Provisions		–	–	–	(30,319)	–	(30,319)
Restated balance at 1 April 2009		**21,981,133**	**55,624**	**22,036,757**	**22,001,550**	**91,409**	**22,092,959**
Net parliamentary funding – drawn down		23,550,380	–	23,550,380	23,550,380	–	23,550,380
Net parliamentary funding – deemed		1,366,685	–	1,366,685	1,366,685	–	1,366,685
National Insurance Fund	11	491,253	–	491,253	491,253	–	491,253
Supply (payable)/receivable adjustment	26	(379,923)	–	(379,923)	(379,923)	–	(379,923)
Launch Investments realised		–	(84,513)	(84,513)	–	(84,513)	(84,513)
Operating income payable to the Consolidated Fund	6	(222,352)	–	(222,352)	(222,352)	–	(222,352)
Increase in RPS Receivables		2,451	–	2,451	2,451	–	2,451
Comprehensive Expenditure for the year		(21,628,395)	–	(21,628,395)	(21,503,910)	–	(21,503,910)
Non-Cash Adjustments:							
Auditors' remuneration	12	450	–	450	563	–	563
Movements in Reserves							
Additions		–	–	–	–	–	–
Transfer of assets		(1,457)	–	(1,457)	(1,457)	–	(1,457)
Write off of deferred income		29,142	–	29,142	29,142	–	29,142
Recognised in Statement of Comprehensive Expenditure		–	162,454	162,454	–	163,599	163,599
Transfers between reserves		3,007	(3,007)	–	3,054	(3,054)	–
Restated Balance at 31 March 2010		**25,192,374**	**130,558**	**25,322,932**	**25,337,436**	**167,441**	**25,504,877**
Net parliamentary funding – drawn down		24,052,232	–	24,052,232	24,052,232	–	24,052,232
Net parliamentary funding – deemed		379,923	–	379,923	379,923	–	379,923
National Insurance Fund	11	396,341	–	396,341	396,341	–	396,341
Supply (payable)/receivable adjustment	26	(1,107,533)	–	(1,107,533)	(1,107,533)	–	(1,107,533)
Launch Investments realised		–	(99,248)	(99,248)	–	(99,248)	(99,248)
Operating income payable to the Consolidated Fund	6	(195,256)	–	(195,256)	(195,256)	–	(195,256)
Increase in RPS Receivables		15,528	–	15,528	15,528	–	15,528

		Core Department			Consolidated		
	Note	General Fund	Revaluation Reserve	Total Reserves	General Fund	Revaluation Reserve	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
Comprehensive Expenditure for the year		(22,605,697)	–	(22,605,697)	(22,519,424)	–	(22,519,424)
Non-Cash Adjustments:							
Auditors' remuneration	12	420	–	420	724	–	724
Movements in Reserves							
Additions		–	–	–	–	–	–
Transfer of liabilities		(36,938)		(36,938)	(36,938)		(36,938)
Working capital loan to INSS written off		(28,600)	–	(28,600)	8,971	–	8,971
INSS adjustment to General Fund		–	–	–	(12,831)	–	(12,831)
Recognised in Statement of Comprehensive Expenditure		–	155,624	155,624	–	158,646	158,646
Transfers between reserves		2,912	(2,912)	–	5,690	(5,690)	–
Balance at 31 March 2011		**26,065,706**	**184,022**	**26,249,728**	**26,324,863**	**221,149**	**26,546,012**

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, intangible assets and other financial assets (see Notes 15, 16 and 19). The balance on the Revaluation Reserve for the Core Department at 31 March 2011 is solely in respect of revaluations to investments. In addition, the consolidated position includes the revaluation adjustments arising on the revaluation of the Teddington Estate, which is reflected in the NMO's books and other non-current assets in Acas' books.

The Notes on pages 87 to 203 form part of these Accounts.

5.5 Notes

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 *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 for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. 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 Department to prepare an additional primary statement. The *Statement of Parliamentary Supply* and supporting notes show Outturn against Estimate in terms of the Net Resource Requirement and the Net Cash Requirement.

1.1 Accounting convention

These Accounts have been prepared under the historical cost convention modified to account for the revaluation of non-current assets, held by the consolidated bodies, and financial assets and financial liabilities, held outside the public sector.

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pound (£'000). The functional currency of the Department is pounds sterling.

1.2 Basis for consolidation

These Accounts comprise a consolidation of the core Department and those entities which fall within the Departmental boundary as defined in the FReM. The BIS consolidated entities are the Skills Funding Agency; the Insolvency Service; the National Measurement Office; and the Advisory, Conciliation and Arbitration Service. Transactions between entities, included in the consolidation boundary, are eliminated on consolidation.

1.3 Property, plant and equipment

In accordance with the FReM, the core Department has opted to value property, plant and equipment on a depreciated historical cost basis, as a proxy for current cost. This is considered to be an estimate of fair value. With the exception of the Insolvency Service, consolidated bodies continue to restate non-current assets, to current cost using indices.

The core Department's capitalisation threshold for property, plant and equipment is £3,000, except for furniture assets, where all expenditure in one financial year is pooled and capitalised and IT hardware, where a 'pack' of equipment purchased under the Department's Flexible Computing Programme (FCP), with a cost in excess of £3,000, is capitalised as one asset.

For the consolidated bodies, freehold land and buildings are revalued on an existing use basis using professional valuations every five years. They continue to restate to current cost in the intervening years based on indices.

The capitalisation thresholds for the consolidated bodies range from £500 to £5,000. Property, plant and equipment assets are revalued using relevant indices. INSS use depreciated historical costs as a proxy for current cost.

1.4 Depreciation

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

Property, plant and equipment are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over their estimated useful lives. For the core Department assets are normally depreciated over the following periods:

Leasehold improvements	Shorter of estimated remaining useful economic life or outstanding term of lease
Office machinery	5 years
Transport equipment	2–10 years
Plant and machinery	3–10 years
Computer equipment	3–5 years
Telecommunication equipment	5–10 years
Scientific equipment	10–50 years
Furniture, fixtures and fittings	7 years

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

The consolidated bodies also depreciate property, plant and equipment on a straight line basis to write them down to their estimated residual value over the estimated useful lives of the assets. Freehold land is not depreciated, and other assets are normally depreciated over the following periods:

Freehold buildings	50 years, or estimated useful life if shorter
Historic leaseholds	Residual term of lease
Leasehold improvements	Shorter of estimated remaining useful economic life, or outstanding term of lease
Office machinery	3–15 years
Plant and machinery	5–30 years
Computer equipment	3–10 years
Scientific equipment	5–110 years
Furniture, fixtures and fittings	7 years
Motor vehicles	5–10 years

In addition, the National Measurement Office (NMO) is required to hold assets for statutory purposes, which are not revalued or depreciated, as they have very long estimated useful lives.

1.5 Intangible assets

The core Department capitalises developed software in accordance with IAS 38, when it is not an integral part of computer hardware, if it is separately identifiable and the cost can be measured reliably. The useful economic life is usually five years and the cost is amortised on a straight line basis. The consolidated bodies also capitalise internally developed software systems, where the requirements of IAS 38 are met. They are amortised on a straight line basis, over the useful life of the development, from the date the system is brought into use.

Where computer software licences are purchased and have a useful life in excess of one year, they are capitalised as intangible assets, in accordance with IAS 38. With the exception of INSS, licences are revalued each year using relevant published indices. Licences are amortised over the shorter of the term of the licence and the useful economic life. The useful economic life is usually between three to ten years, and the value is amortised on a straight line basis. At 31 March 2011, all software licences were held by the consolidated bodies.

1.6 Heritage assets

The NMO has a number of non-operational heritage assets held for historical and cultural reasons only. They are recorded in the Accounts at fair value in accordance with the FReM. In the absence of a market for these assets fair value is derived using a valuation technique. Additional information is provided in the accounts of the NMO.

The assets are located at the National Physical Laboratory and the National Measurement Office Laboratories in Teddington. The assets comprise of the National Physical Laboratory Museum and Archives and some UK primary standard weights and measures. The assets are held in a secure building and access is limited to selected staff. The assets are listed separately on the NMO's asset register, their existence is verified annually and they require little maintenance.

1.7 Impairments of property, plant and equipment and intangible assets

At each year end, the Department reviews the carrying amounts of its property, plant and equipment and intangible assets, to determine whether there is any impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Recoverable amount is the higher of fair value less costs to sell, and value in use. Value in use is assumed to equal the cost of replacing the service potential provided by the asset. Impairment losses are charged to the Consolidated Statement of Comprehensive Net Expenditure.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Department becomes a party to the contractual provisions of an instrument. 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. Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the Department has transferred substantially all the risks and rewards of ownership.

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.

1.8.1 Financial assets

The Department classifies financial assets into the following four categories:

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

The classification depends on the purpose for which the financial asset is held or acquired. The Department determines the classification of financial assets at initial recognition and currently holds financial assets in the following categories:

- Loans and receivables. These are non derivative financial assets with fixed or determinable payments that are not traded in an active market.

Loans and receivables, held by the Department, comprise cash and cash equivalents, receivables and loans, including student loans. After initial recognition, they are carried at amortised cost in accordance with IAS 39. More information about the measurement techniques used to determine the carrying value of student loans, is provided in Note 19.1.

Recognition of student loans issued and repayments

The Department's accounting policy is to recognise an addition to the student loan book once the Student Loans Company (SLC) has issued the loan to the student. For maintenance loans, students are entitled, if eligible, to receive a loan instalment from SLC, for each term of the academic year that they are in attendance at a Higher Education Institution (HEI). At the Statement of Financial Position date, the Department has no obligation to fund the maintenance loan payment for the summer term, therefore there is no requirement to recognise a receivable in the accounts. For tuition fee loans, the Department recognises a receivable once it has an obligation to pay the tuition fee, for the academic year, on behalf of the student to the HEI. This obligation arises ninety days after the start of the academic year if the student has been in attendance for that period. The receivable is then amortised and impaired in the same way as if it was an addition to the student loan book, with a charge to expenditure to reflect the cost to the Government of issuing the loans.

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

Loans and receivables relating to other public bodies

The Department carries loans and receivables relating to other public bodies at historical cost in accordance with the FReM. All other loans and receivables are carried at amortised cost. If the time value of money is significant, the Department uses the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Net Expenditure when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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. The carrying amount of these assets approximates their fair value. Bank overdraft amounts are included within trade and other payables in the Statement of Financial Position.

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

When an asset is deemed to be impaired or derecognised, the associated gains and losses are recognised in the Statement of Comprehensive Net Expenditure.

- Available-for-sale assets

These 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. Available-for-sale assets, held by the Department comprise Launch Investments, Venture Capital Funds and Ordinary Shares. More information about the measurement techniques used to determine their carrying value in the Accounts, is provided in Note 19.

Gains and losses in fair value are recognised directly to equity except for impairment losses. Impairment losses are recognised in the Statement of Comprehensive Net Expenditure. On de-recognition, the cumulative gain or loss previously recognised in equity is recognised in the Statement of Comprehensive Net Expenditure.

The Department carries Ordinary Shares and Public Dividend Capital (PDC) in other public bodies at historical cost in accordance with the FReM.

1.8.2 Financial liabilities

The Department classifies financial liabilities into the following categories:

- Financial liabilities at fair value through profit or loss
- Other financial liabilities.

The classification depends on the purpose for which the financial liability is held or acquired. Management determines the classification of financial liabilities at initial recognition. The Department holds financial liabilities in the following category:

- Other financial liabilities

Other financial liabilities comprise trade and other payables and the student debt sale subsidy.

The Department 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.

1.9 Impairments of financial assets

The Department assesses at the end of each reporting period whether there is objective evidence that loans and receivables or available for sale financial investments are impaired.

Evidence of impairment arises where there is observable data indicating that there is a measurable decrease in the estimated future cash flows from holding financial assets. For loans and receivables, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate method. The amount of the loss is recognised in the Consolidated Statement of Comprehensive Net Expenditure.

Gains and losses on available for sale assets are recognised as a separate component of Taxpayers’ Equity until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Consolidated Statement of Comprehensive Net Expenditure. The impairment is measured as the difference between the carrying amount and the new fair value.

1.10 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. At each Statement of Financial Position date they are subsequently measured at the higher of the amount determined in accordance with IAS 37, and the amount initially recognised, less when appropriate, cumulative amortisation.

The Department currently has a number of financial guarantees provided under the Small Firms Loan Guarantee Scheme; the Enterprise Finance Guarantee; guarantees given in relation to the UK High Technology Fund; the Trade Credit Insurance Scheme, Working Capital Scheme and the Automotive Assistance Package Guarantee. In addition, the Skills Funding Agency, an agency of the Department, has Professional and Career Development Loan Guarantees. More information is provided in Note 28 to these Accounts.

1.11 Inventories

Inventories are valued at the lower of cost or net realisable value. All inventories are held by the Advisory, Conciliation and Arbitration Service (Acas).

1.12 Provisions

In accordance with IAS 37, the Department makes provision for liabilities and charges where, at the Statement of Financial Position date, a legal or constructive obligation exists (i.e. a present obligation arising from past events), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, the Department discounts the provision to its present value using HM Treasury's real discount rate of 2.2%, except for early departure provisions where HM Treasury's pension rate is used for discounting. Each year the financing charges in the Statement of Comprehensive Net Expenditure include the adjustments to amortise one year's discount so that liabilities are shown at current price levels.

1.13 Research and development

Expenditure on research and development is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred, unless it meets the criteria set out under IAS 38, in which case it is capitalised.

1.14 Operating income

Operating income is income that relates directly to the operating activities of the Department and its consolidated bodies and is measured at the fair value of consideration received or receivable. It comprises, principally, fees and charges for services provided, on a full cost basis, to external customers and public sector repayment work, dividends and special dividends. It also includes other income such as income arising from the Department's investments. It includes both income Appropriated-in-Aid and income collected by the Department on behalf of HM Treasury, payable to the Consolidated Fund. This income is known as Consolidated Fund Extra Receipts (CFERs).

The Department is required to identify those CFERs that are negative public expenditure (amounts used to reduce the amount of expenditure the Department would otherwise have to spend) and those revenue CFERs that relate to the recovery of costs recorded in the Statement of Comprehensive Net Expenditure, or to returns on investments. These types of CFERs are credited to the Statement of Comprehensive Net Expenditure as income to the Department. The remaining CFERs are not included in the Department's Statement of Comprehensive Net Expenditure and are accounted for through the Statement of Financial Position as cash and payables.

1.15 Deferred Income

The Insolvency Service (INSS) has deferred income which is primarily made up of fees recovered on old cases (order dates before 1 April 2004) that have not yet been recognised as income. The amounts received are released to income when the service is delivered.

1.16 Administration and programme expenditure and income

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs as set out in the Consolidated Budgeting Guidance 2010-11.

1.17 Grants payable

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

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, including the level of household income. 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. The Department records grant overpayments as receivables and creates a doubtful debt provision, for the amount of overpayments which it estimates may not be recovered.

1.18 Foreign exchange

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 currency at the Statement of Financial Position date are translated at the rates ruling at that date. These translation differences are recognised in the Statement of Comprehensive Net Expenditure.

1.19 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) as described in Note 9**.** The defined benefit Schemes are unfunded. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the Schemes, the Department recognises the contributions payable for the year.

1.20 Early departure costs

The Department and its consolidating bodies are 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, the Department and the consolidating bodies provide in full for this cost when an early retirement programme has been announced and is binding. Early departure costs are discounted using HM Treasury's current pension rate.

1.21 Taxation

The Department is exempt from income and corporation tax by way of its 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 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 other receivables and trade payables within the Statement of Financial Position.

1.22 Statement of Parliamentary Supply

The information contained in the *Statement of Parliamentary Supply* and associated Notes are based on the Request for Resources information that forms part of the Parliamentary approval processes.

The differences between the Net Resource Outturn, as disclosed in the *Statement of Parliamentary Supply* and the Net Operating Costs, as disclosed in the Statement of Comprehensive Net Expenditure are disclosed in Note 3 to the Accounts.

1.23 Leases

Rentals due under operating leases are charged to the Statement of Comprehensive Net Expenditure over the lease term on a straight-line basis unless another systematic basis is more appropriate of the profile benefit (IAS 17). The amounts payable in the future, under these operating lease arrangements, which are disclosed in Note 33.1, are not discounted.

Where assets are financed by leasing agreements that transfer substantially all of the risks and rewards incidental to ownership ("finance 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. The core Department currently has no finance leases, however, the Insolvency Service, an Executive Agency of the Department, does have finance leases. Charges are made to the 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.

Where the Department is the lessor of an operating lease, amounts due under the operating lease are treated as amounts receivable and reported as receivables.

1.24 Inter-Departmental transfers of functions: Restatement of prior year comparators

Machinery of Government changes, which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with the FReM. They are outside the scope of IFRS 3 *Business Combinations*, as central Government bodies are deemed to be under common control.

Merger accounting requires the restatement of the opening Statement of Financial Position and the prior year's Statement of Comprehensive Net Expenditure, the Statement of Cash Flows and associated Notes to the Accounts. Where appropriate, the presentation of the Notes to the Accounts has also been changed in order to reflect a consistent approach to the disclosures.

The Machinery of Government changes, included in the Department's 2010-11 Account, relate to:

- The transfer of responsibility for further education from the Learning and Skills Council (LSC), an NDPB of the Department, following its closure to the Skills Funding Agency, a newly created agency of the Department
- The transfer of the Government Property Unit with responsibility for property efficiency across government from the Office of Government Commerce, an independent office of HM Treasury, to the Department.

The impact on the prior year comparatives is disclosed in Note 40 to these Accounts.

1.25 Service Concessions (PPP/PFI)

PFI transactions that meet the definition of a service concession arrangement are accounted for in accordance with the FReM. The service concession arrangement must contractually oblige the private sector operator to provide the services related to the infrastructure to the public on behalf of the grantor (IFRIC 12.3). Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost.

1.26 Contingent Liabilities

The contingent liabilities of the core Department and the consolidated bodies are included in these Accounts.

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

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

In accordance with the FReM, the Department does not disclose any contingent liabilities of its partner organisations that arise in the normal course of business.

1.27 Third Party Assets

The Department holds, as custodian or trustee, certain cash balances for third parties. These balances are not recognised in the Accounts since neither the Department nor Government more generally, has a direct beneficial interest in them.

1.28 Reporting by Operating Segment

The Department reports income and expenditure by segment, in accordance with IFRS 8: *Operating Segments.* Operating segments are components about which separate financial information is available and is evaluated regularly by the chief operating decision maker. The BIS Management Board, which is responsible for allocating resources and assessing the financial performance of the Department's business, has been identified as the chief operating decision maker. The Department has determined that separate business groups responsible for delivering its objectives are reportable segments. Information reported in the accounts is consistent with the internal reporting provided monthly to the Management Board, which is used internally for regularly evaluating operating segment performance. Income and expenditure directly associated with each segment is provided in Note 30 to these accounts.

1.29 Estimation techniques used and key judgements

The preparation of the Department's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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, 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 have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Management's assessment of the value of provisions (Note 27 refers)
- Management's judgements with regard to the impairment of assets (Notes 15, 16, 18 and 19 refer)
- Fluctuations in the fair values of assets, particularly with respect to Launch Investments, where an econometric model is used to determine estimated future cash flows and includes a number of assumptions, including economic growth indicators (Note 19 refers)

- 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 22 refers)
- Volatility resulting from fluctuations in the macroeconomic indicators used in models, for example, medium and long term Retail Price Index forecasts for student loans and Gross Domestic Product for financial guarantees (Notes 19 and 28 refer)
- Fluctuations in the fair value of financial liabilities/financial guarantees measured using modelling techniques (Notes 28 and 29 refer).

Changes in accounting estimates – student loans

During the reporting period, the Department changed the way in which it estimates future cash flows by modelling the impact of students' accounts accruing less interest due to the effect of the 'base rate cap'. The 'base rate cap' comes into effect when the Bank of England Base Rate plus 1% is lower than RPI. It results in the student loan subsidy being higher than expected and that less cash is received in the future than was originally anticipated. This has led to an adjustment to the net present value of estimated future cash flows of £1,483 million in 2010-11.

In addition to the adjustments for the base rate cap, during 2010-11 BIS management adopted the Office for Budget Responsibility (OBR) short term forecasts for earnings growth and RPI. New and more up to date information is therefore being used to derive a best estimate of future cash flows. The Department has also used a revised model for determining student loan repayments. The combined effect of changes in assumptions and modelling for the financial year led to an adjustment to the carrying value of loans of £1,123 million. More information is provided in Note 19.

Changes in accounting estimates – Redundancy Payments Bad Debt Provisioning

During the reporting period, the Insolvency Service (INSS) has, with HMRC approval, changed the way in which it estimates Redundancy Payments bad debt provisions, in order to take account of changes of the way in which preferential debt is recovered and that the debt continues to be recovered over a period greater than five years. This has resulted in an increase of £6.5 million in calculated recoverable debt as part of the total increase of £15.5 million from £138 million in 2009-10 to £154 million in 2010-11. Note 22 refers.

1.30 Changes in accounting policy

- Student loans

Prior to 2010-11, student loans had been accounted for in accordance with guidance received from the Financial Reporting Advisory Board (FRAB). The FRAB has since agreed that student loans should be accounted for in accordance with International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement.* This has led to the removal of the inflation adjustment and a change in the effective interest rate. These changes have been classified as a change in accounting policy in accordance with IAS 8 *Accounting Policies, Changes in Accounting*

Estimates and Errors, and have been treated as Prior Period Adjustments (PPAs). The impact of the adjustments which have been made to these accounts are shown below:

1 April 2009	**Statement of Comprehensive Net Expenditure**	**Statement of Financial Position**
	£'000	**£'000**
Prior Period Adjustment, in the Statement of Taxpayers' Equity	–	126,754
Student loans (Note 19)	–	(126,754)
2009-10	**Statement of Comprehensive Net Expenditure**	**Statement of Financial Position**
	£'000	**£'000**
Net movement in student loan charges	158,045	–
Net Comprehensive expenditure	–	(158,045)
Interest subsidy inflation adjustment	–	(298,820)
	158,045	(456,865)
Change in Statement of Taxpayers' Equity	–	(583,619)

- Cost of capital charges

The FReM no longer permits the inclusion of notional cost of capital charges when calculating the Department's expenditure. In accordance with Treasury guidance, a prior period adjustment has been made, and comparative amounts have been restated. As a result, for 2009-10, Net Resource outturn and operating costs are reduced by £84,095 thousand in the core Department and £91,397 thousand in the consolidated Department. There is no impact on Taxpayers' Equity as an equal and opposite entry was recorded in the General Fund.

In line with Treasury advice, the PPA arising from the removal of the cost of capital charge was not included in the Spring Supplementary Estimates for 2010-11, other than as a note, on the basis that that the PPA numbers could have been misleading. The impact on the Net resource outturn as disclosed in the Statement of Parliamentary Supply is included above. PPAs arising from changes in accounting policy were included in the Estimates in line with conventional arrangements.

- Companies House Late Filing Penalties

In accordance with the FReM, where material, payments to the Consolidated Fund for penalties or fines should be included in a separate Trust Statement. During the reporting period Companies House took on responsibility for preparing a Trust Statement to record the transactions for Late Filing Penalties, including payment to the Consolidated Fund. This has been treated as a prior period adjustment in the BIS Accounts and comparative amounts have been restated. The amounts held in the Department's bank account awaiting payment to the Consolidated Fund, in respect of Late Filing Penalties, at 1 April 2009 and at 31 March 2010 respectively, were £13,667 thousand and £27,026 thousand; and the same amounts were recorded as payable to the Consolidated Fund. There was no impact on Taxpayers' Equity.

- NMO

New provision for NPLML pension scheme deficit

Prior to 2010-11 the NPLM Ltd pension scheme deficit had not been recognised as a provision, as NMO considered that the liability resided with NPLM Ltd. After consultation with lawyers it was concluded that the deficit is the responsibility of NMO, although payments were already being made through the science contract to NPLM Ltd. At 1 April 2009 an adjustment of £30.3 million was made to the consolidated General Fund in order to establish the opening position and at 31 March 2010 the balance outstanding was £29.8 million. The Consolidated Statement of Comprehensive Net Expenditure for 2009-10 was reduced by £481 thousand because payments made through the science contract were reclassified as payments against provisions, which are balance sheet movements. This was offset by other movements on provisions which are now passing through the Consolidated Statement of Comprehensive Net Expenditure.

1.31 Changes to IFRS and the FReM

1.31.1 Changes to IFRS

The Department provides disclosure that it has not yet applied a new accounting standard and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Department's financial statements.

The following new standards will be adopted by BIS in full, when they are adopted by the FReM, unless the requirements are interpreted or adapted by the FReM:

- IFRS 9: *Financial instruments,* will replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The new standard will be effective for accounting periods beginning on or after 1 January 2013.

1.31.2 Changes to the FReM

In accordance with the 2011-12 FReM, BIS will be required to consolidate its NDPBs and other bodies' expenditure and income into the Department's Estimates and Accounts, where they are within the departmental boundary, from 2011-12. The Departmental boundary is similar to the concept of a group under generally accepted accounting practice.

2. Analysis of net resource outturn by section

						2010–11 £'000 Outturn	2010–11 £'000 Estimate	2010–11 £'000	(Restated) 2009–10 £'000
	Admini-stration	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total Outturn compared with Estimate	Prior year Outturn
Request for Resources 1									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A Knowledge Transfer and Innovation	–	86,610	5,367	91,977	(15,398)	76,579	**98,190**	21,611	75,523
B Business Creation and Growth	37,685	128,589	203,891	370,165	(1,135,643)	(765,478)	**(617,327)**	148,151	(1,172,665)
C Free and Fair Markets	13,490	234,650	70,898	319,038	(176,864)	142,174	**168,167**	25,993	168,719
D Government as shareholder	8,352	154,389	–	162,741	(445)	162,296	**172,882**	10,586	167,671
E Professional Support and Infrastructure	263,447	15,167	112	278,726	(17,679)	261,047	**297,079**	36,032	276,412
Support for Local Authorities									
F Business Creation and Growth	–	–	275,824	275,824	–	275,824	**278,394**	2,570	376,413
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
G Business Creation and Growth	–	142,657	–	142,657	(60,034)	82,623	**156,393**	73,770	(16,920)
H Free and Fair Markets	–	103,641	55,225	158,866	(1,478)	157,388	**129,923**	(27,465)	72,038
I Government as shareholder	–	14,678	–	14,678	(1,592)	13,086	**4,829**	(8,257)	2,247
J Professional Support and Infrastructure	–	64,026	–	64,026	–	64,026	**19,808**	(44,218)	4,867
Support for Local Authorities									
K Business Creation and Growth	–	–	3,000	3,000	–	3,000	**3,000**	–	3,000
Non-Budget									
L Knowledge Transfer and Innovation	–	601	337,640	338,241	–	338,241	**409,970**	71,729	263,550
M Business Creation and Growth	–	–	1,374,936	1,374,936	–	1,374,936	**1,433,290**	58,354	1,784,075

						2010–11 £'000 Outturn	2010–11 £'000 Estimate	2010–11 £'000	(Restated) 2009–10 £'000
	Admini-stration	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total Outturn compared with Estimate	Prior year Outturn
N Better Regulation	–	–	3,619	3,619	–	3,619	**4,400**	781	4,300
O Free and Fair Markets	–	–	34,895	34,895	–	34,895	**48,709**	13,814	41,384
P Government as shareholder	–	–	8,279	8,279	–	8,279	**8,300**	21	4,520
Total	**322,974**	**945,008**	**2,373,686**	**3,641,668**	**(1,409,133)**	**2,232,535**	**2,616,007**	**383,472**	**2,055,134**
Request for Resources 2									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A The Royal Society	–	–	48,558	48,558	–	48,558	**48,558**	–	45,823
B Royal Academy of Engineering	–	–	12,826	12,826	–	12,826	**12,826**	–	12,138
C British Academy	–	1,741	26,448	28,189	–	28,189	**28,188**	(1)	25,321
D Research Base Initiatives	–	3,683	264	3,947	–	3,947	**6,085**	2,138	7,813
E Science and Society	–	–	14,551	14,551	–	14,551	**14,645**	94	13,889
F Economic Impact	–	–	12,808	12,808	–	12,808	**15,200**	2,392	11,543
G Research Capital Investment Fund	–	–	19,855	19,855	–	19,855	**32,731**	12,876	43,015
Biotechnology and Biological Sciences Research Council (*contributions from DoH towards Institute of Animal Health no longer received after 31 March 2010*)	–	–	–	–	–	–	**–**	–	(2,237)
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
H Research Councils' Pension Scheme	–	34,100	–	34,100	–	34,100	**34,100**	–	37,000
Non-Budget									
I Arts and Humanities Research Council	–	–	109,000	109,000	–	109,000	**112,000**	3,000	105,097

						2010–11 £'000 Outturn	2010–11 £'000 Estimate	2010–11 £'000	(Restated) 2009–10 £'000
	Admini-stration	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total Outturn compared with Estimate	Prior year Outturn
J Biotechnology and Biological Sciences Research Council	–	–	448,800	448,800		448,800	**479,000**	30,200	468,630
K Economic and Social Research Council	–	–	188,000	188,000	–	188,000	**188,000**	–	178,652
L Engineering and Physical Sciences Research Council	–	–	817,000	817,000	–	817,000	**817,000**	–	799,000
M Medical Research Council	–	–	719,000	719,000	–	719,000	**719,000**	–	631,077
N Natural Environment Research Council	–	–	417,000	417,000	–	417,000	**417,000**	–	408,000
O Science and Technology Facilities Council	–	–	583,001	583,001	–	583,001	**610,000**	26,999	607,100
P Fees Payable under the Animals (Scientific Procedures) Act 1986	–	425	–	425	–	425	**300**	(125)	380
Q Higher Education Funding Council for England	–	–	271,421	271,421	–	271,421	**271,000**	(421)	315,179
Total	**–**	**39,949**	**3,688,532**	**3,728,481**	**–**	**3,728,481**	**3,805,633**	**77,152**	**3,707,420**
Request for Resources 3									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A Higher Education	–	2,705,254	2,870,785	5,576,039	(20,393)	5,555,646	**5,633,538**	77,892	2,749,172
B Higher Education Support for Students	–	–	225,941	225,941	(31,520)	194,421	**252,354**	57,933	180,238
C Further Education, Skills and International Programmes	–	263,404	5,494,942	5,758,346	(364,059)	5,394,287	**5,533,282**	138,995	5,854,392
D Further Education Receipts from Department for Education	–	4,921	–	4,921	(802,174)	(797,253)	**(812,175)**	(14,922)	(705,626)
Spending in Annually Managed Expenditure (AME)									
Central Government spending									

	Admini-stration	Other current	Grants	Gross resource expenditure	A in A	2010–11 £'000 Outturn Net Total	2010–11 £'000 Estimate Net Total	2010–11 £'000 Net Total Outturn compared with Estimate	(Restated) 2009–10 £'000 Prior year Outturn
E Loans to Students	–	265,918	–	265,918	(991,514)	(725,596)	**(929,708)**	(204,112)	498
F Further Education, Skills and International Programmes	–	45,192	–	45,192	–	45,192	**86,800**	41,608	–
Non-Budget									
G Higher Education Funding Council for England	–	–	7,133,852	7,133,852	–	7,133,852	**7,374,833**	240,981	7,560,513
H Office for Fair Access	–	–	484	484	–	484	**484**	–	476
I Student Loans Company	–	–	98,793	98,793	–	98,793	**99,854**	1,061	79,814
J UK Commission for Employment and Skills	–	–	70,978	70,978	–	70,978	**71,726**	748	92,405
K Prior Period Adjustment for Student Loans	–	583,619	–	583,619	–	583,619	**590,000**	6,381	265,875
Investors in People UK (*ceased operating from 31 March 2010*)	–	–	–	–	–	–	**–**	–	4,602
Total	**–**	**3,868,308**	**15,895,775**	**19,764,083**	**(2,209,660)**	**17,554,423**	**17,900,988**	**346,565**	**16,082,359**
Resource Outturn	**322,974**	**4,853,265**	**21,957,993**	**27,134,232**	**(3,618,793)**	**23,515,439**	**24,322,628**	**807,189**	**21,844,913**

Key to Request for Resources (RfRs)

RfR 1: To help ensure business success in an increasingly competitive world.

RfR 2: Increasing scientific excellence in the UK and maximising its contribution to society.

RfR 3: To help build a competitive economy by creating opportunities for everyone to develop their learning and skills and creating excellence in science, research and innovation.

The prior period adjustment for student loans relates to a change in accounting policy. Prior to 2010-11, student loans had been accounted for in accordance with guidance received from the Financial Reporting Advisory Board (FRAB). The FRAB has since agreed that student loans should be accounted for in accordance with International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement.* More information is provided in Note 1.30 and in the Financial Overview.

Explanations of the variation between Estimate and Outturn are given in the Financial Overview in Chapter 4 of these Accounts.

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

3.1 Reconciliation of net resource outturn to net operating cost

				2010–11 £'000	2009–10 £'000
	Note	**Outturn**	**Supply Estimate**	**Outturn compared with Estimate**	**Outturn**
Net Resource Outturn	2	**23,515,439**	**24,322,628**	**807,189**	**21,844,913**
Prior Period Adjustments	1.30	(613,938)	(590,000)	23,938	(265,875)
Non-supply income (CFERs)	5	(778,418)	(33,631)	744,787	(222,352)
Non-supply Expenditure – National Insurance Fund expenditure (RPS)		396,341	398,326	1,985	491,253
Restatement due to prior period adjustment		–	–	–	157,564
Restatement due to removal of cost of capital					(501,593)
*** Net Operating Cost**		**22,519,424**	**24,097,323**	**1,577,899**	**21,503,910**
*** Net Funding**					
Interest received on NLF loans to Royal Mail		(42,123)	–	(42,123)	(30,180)
Interest paid on NLF loans to Royal Mail		42,123	–	42,123	30,180
Total		**–**	**–**	**–**	**–**

The Redundancy Payments Service (RPS)

The Department is responsible for the approval and processing of claims under the Redundancy Payment Scheme, which is financed from the National Insurance Fund. Redundancy payments are made from the National Insurance (NI) Fund to employees whose employers have failed to make payments due or who were insolvent. The scheme is administered by the Insolvency Service (INSS) 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 2010-11 was £2,771 (2009-10: £1,903). An average amount of £1,289 was paid during 2010-11 for RP2 (2009-10: £1,322).

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 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 2010-11 totalled £445 million (2009-10: £531 million) against income of £49 million (2009-10: £40 million), the net of which is also disclosed in Note 11.

3.2 Outturn against final Administration Budget

			2010–11 £'000	(Restated) 2009–10 £'000
	Note	**Budget**	**Outturn**	**Outturn**
Gross Administration Budget	9,10	379,000	322,974	385,730
Income allowable against the Administration Budget	13	(56,331)	(27,634)	(43,134)
Net outturn against final Administration Budget		**322,669**	**295,340**	**342,596**

The administration expenditure outturn comprises £183 million (2009-10 restated: £199 million) of staff costs disclosed in Note 9 and £140 million (2009-10 restated: £187 million) of other costs disclosed in Note 10.

4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	2010–11 Net Total Outturn compared with Estimate: saving/ (excess)
		£'000	£'000	£'000
Resource Outturn	2	**24,322,628**	**23,515,439**	**807,189**
Less prior period adjustment	3	(590,000)	(613,938)	23,938
Capital:				
Acquisition of property, plant and equipment	15	–	20,133	(20,133)
Intangible assets	16	–	26,911	(26,911)
Investments	18, 19, 23	13,653,338	12,499,680	1,153,658
Non-operating A in A:				
Proceeds of asset disposals		–	–	–
Investments	8	(8,507,766)	(8,453,268)	(54,498)
Accruals adjustments:				
Non-cash items	12,13	(4,554,154)	(3,083,225)	(1,470,929)
Changes in working capital other than cash		231,382	(723,808)	955,190
Changes in payables falling due after more than one year		–	1,170	(1,170)
Use of provisions	27	52,505	60,627	(8,122)
Financial Liabilities – realised	29	–	10,437	(10,437)
Financial guarantees called in	28	–	64,463	(64,463)
Net cash requirement		**24,607,933**	**23,324,621**	**1,283,312**

5. Analysis of income payable to the Consolidated Fund

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

			Forecast 2010–11 £'000		Outturn 2010–11 £'000
	Note	**Income**	***Receipts***	**Income**	***Receipts***
Operating income and receipts – excess A in A		–	–	604,372	*21,210*
Other operating income and receipts not classified as A in A	13	33,631	*33,631*	174,046	*129,400*
		33,631	***33,631***	**778,418**	***150,610***
Non-operating income and receipts – excess A in A		–	–	–	–
Other Non-operating income and receipts not classified as A in A		145,760	*145,760*	–	–
Other amounts collected on behalf of the Consolidated Fund[50]		60,000	*60,000*	113,854	*118,802*
Total income payable to the Consolidated Fund		**239,391**	***239,391***	**892,272**	***269,412***

The outturn includes non-cash income of £583,161,779, which will not be received in cash. The forecast is an estimate of the CFERs the Department expected to collect in 2010-11. However, CFERs do not form part of the Departmental Supply Estimate.

A breakdown of other amounts payable to the Consolidated Fund is as follows:

	2010–11 £'000	(Restated) 2009–10 £'000
OFCOM Wireless Telegraphy Act[50]	108,805	95,201
Royal Mail and Post Office Ltd loan commitment fees	4,084	6,860
UKAEA Ltd sale proceeds	–	43,001
Other	965	3,392
Total	**113,854**	**148,454**

Companies House Late Filing Penalties, previously included in these accounts as other amounts collected on behalf of the Consolidated Fund, are no longer included in the Department's Accounts. A record of these transactions can be found in a Trust Statement prepared by Companies House.

50 Other amounts collectable on behalf of the Consolidated Fund include £5,759 thousand (2009-10: £5,377 thousand), which is payable to Northern Ireland, the Isle of Man, Guernsey and Jersey.

6. Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2010–11 £'000	(Restated) 2009–10 £'000
Operating income	13	(4,439,334)	(3,833,251)
Adjustments for transactions between RfRs		–	–
Income outside of the supply process	13	42,123	30,180
Gross income		**(4,397,211)**	**(3,803,071)**
Income authorised to be Appropriated in Aid		3,618,793	10,276,822
Income adjusted for machinery of government changes		–	(6,941,749)
Adjustments due to reclassifications of expenditure to income		–	245,646
Operating income payable		**(778,418)**	**(222,352)**
Adjusted for non cash excess Appropriation-in-Aid		583,162	–
Operating income payable to the Consolidated Fund		**(195,256)**	**(222,352)**

7. Consolidated Fund Income

Consolidated Fund income shown in note 5 above includes licence fees collected by the Department from Ofcom where it is acting as agent for the Consolidated Fund rather than as principal under the Wireless and Telegraphy Act. The amounts collected as are as follows:

	Note	2010–11 £'000	2009–10 £'000
Wireless Telegraphy Act			
Licence fees:			
Balance held at the start of the year		(94,884)	(48,144)
Amount collected during the year		(103,046)	(95,201)
Payments into the Consolidated Fund		100,094	48,461
Balance held at the end of the year		**(97,836)**	**(94,884)**

8. Non-operating income – classified as appropriations in aid

	Note	2010–11 £'000	(Restated) 2009–10 £'000
Repayment of Post Office Ltd working capital loan	23	(7,006,000)	(6,035,000)
Repayment of Companies House loan	23	(2,500)	(2,000)
Repayment of student loans	19	(1,403,098)	(1,185,919)
Repayment of UKIPO loans	23	(166)	(166)
Repayment of Launch Investments		(33,651)	(37,161)
Redemption of venture capital funds	19	(7,853)	(1,200)
Total		**(8,453,268)**	**(7,261,446)**

9. Staff numbers and related costs

Staff costs comprise:

					2010–11 £'000	(Restated) 2009–10 £'000
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total
Wages and salaries	309,596	8,987	246	172	319,001	342,552
Social security costs	25,343	33	36	24	25,436	26,544
Other pension costs	59,600	46	-	-	59,646	60,964
Sub-total	**394,539**	**9,066**	**282**	**196**	**404,083**	**430,060**
Less recoveries in respect of outward secondments	(1,167)	-	-	-	(1,167)	(1,408)
Total net costs	**393,372**	**9,066**	**282**	**196**	**402,916**	**428,652**
Of which: Core Department	**178,927**	**5,549**	**282**	**196**	**184,954**	**197,680**

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

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit Scheme, but the Department for Business, Innovation and Skills is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation (http://www.civilservice.gov.uk/Assets/Governance_Group_Annual_Report_2010_tcm6-37081.pdf).

For 2010-11, employers' contributions of £59,394,005 were payable to the PCSPS (2009-10: £59,949,844) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2009-10 were in the same range). 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 2010-11 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. Employer's contributions of £252,532 (2009-10: £232,616) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (the rates in 2009-10 were also between 3% and 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% (2009-10: also 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. There were £9,185 of contributions due to the partnership pension providers at the Statement of Financial Position date, but there were no contributions prepaid at that date.

In 2010-11, 6 persons (2009-10: 9 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £47,909 (2009-10: £11,202).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the Department as well as in Agencies and other bodies included within the Consolidated Departmental Account.

Number					**2010–11**	**(Restated) 2009–10**
	Permanent staff	**Others**	**Ministers**	**Special Advisers**	**Total**	**Total**
Total	**8,423.3**	**298.6**	**7.4**	**3.8**	**8,733.1**	**9,858.7**
Of which: Core Department	**3,323.0**	**153.6**	**7.4**	**3.8**	**3,487.8**	**3,899.0**

Staff Receivables

At 31 March 2011 1,446 (31 March 2010: 1,273) employees of the Department and its consolidated bodies were in receipt of advances of travel loans (e.g. advances for season tickets, car parking permits, purchase of bicycles) and housing loans, repayable to the employer. The staff receivable amount is disclosed in Note 22.

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Less than £10,000	–	–	100	3	100	3
£10,000 – £25,000	–	–	294	1	294	1
£25,000 – £50,000	–	–	226	5	226	5
£50,000 – £100,000	–	–	224	7	224	7
£100,000 – £150,000	–	–	117	4	117	4
£150,000 – £200,000	–	–	48	4	48	4
More than £200,000	–	–	15	11	15	11
Total number of exit packages by type	–	–	1,024	35	1,024	35
Total resource cost (£)	**–**	**–**	**57,069,927**	**3,918,988**	**57,069,927**	**3,918,988**

There is an additional cost of £9 million accrued in 2010-11 relating to agreed departures that will take place in 2011-12.

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 of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

10. Other Administration costs

		2010–11 £'000		(Restated) 2009–10 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases:					
Plant and Machinery		1,074	1,150	406	470
Other		21,279	22,798	27,219	28,162
PFI service charges		21,019	21,019	25,795	25,795
Accommodation		22,760	23,708	24,955	25,975
Professional services		11,595	11,576	14,924	13,087
Consultancy		6,554	6,090	10,451	10,526
IT support		8,687	10,400	10,346	12,802
Training and other staff costs		2,728	3,045	9,117	9,412
Severance payments		9,000	9,000	–	–
Travel and subsistence		5,421	5,695	8,981	9,389
Charges for shared services		1,300	1,300	8,221	8,221
Facilities Management contract		1,712	1,712	1,711	1,711
Telecommunications services		1,452	1,452	2,078	2,078
Hire of conference facilities		1,174	1,169	1,802	1,809
Advertising and publicity		945	975	1,997	2,021
Research and Development		38	38	1	1
Other		896	4,224	989	4,447
		117,634	**125,351**	**148,993**	**155,906**
Non-Cash Items:					
Depreciation	15	10,622	10,993	13,419	13,914
Amortisation	16	1,175	1,206	302	327
Impairments of property, plant and equipment		–	–	16,592	16,592
Profit on disposal of property, plant and equipment		–	–	(457)	(457)
Loss on disposal of property, plant and equipment		1,910	1,929	21	21
Loss on disposal of intangibles		9	9	1	1
Profit on disposal of intangibles		–	–	–	–
Auditors' remuneration and expenses		420	420	450	450
Bad debt write off		–	–	132	132
Provision for bad debts		–	–	(151)	(151)
Total non-cash		**14,136**	**14,557**	**30,309**	**30,829**
Total other administration costs		**131,770**	**139,908**	**179,302**	**186,735**

During the year, the Department did not purchase any non-audit services from its auditor, the National Audit Office. The auditors' remuneration represents the notional cost of the audit of the Department's Accounts, which was £420,000.

With the exception of expenditure relating to the Redundancy Payment Service (RPS), administration costs do not include the costs of the Arbitration and Conciliation Service (Acas), the National Measurement Office (NMO), the Insolvency Service (INSS) and the Skills Funding Agency. These agency costs are recorded as programme expenditure and hence are excluded from the administration budget regime.

11. Programme costs

		2010–11 £'000		(Restated) 2009–10 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
Grant in Aid		12,616,696	12,616,696	13,418,447	13,418,447
Other grants		8,354,603	8,199,934	8,808,291	8,665,415
Redundancy Payments Service		396,341	396,341	491,253	491,253
Outsourced Programme Management		29,985	29,869	69,282	69,282
Paternity and adoption pay		57,039	57,039	47,670	47,670
Investigation Costs		–	17,180	38,619	22,597
International Subscriptions		36,789	36,789	30,607	30,607
Interest on NLF loans on-lent to Royal Mail Holdings plc		42,123	42,123	30,180	30,180
EU Division Payments		33,048	33,048	21,824	21,824
Research and Development		12,304	65,773	8,936	66,306
Severance payments		10,582	24,287	(300)	(299)
IT Costs		8,203	15,565	19,007	35,795
Advertising and publicity		587	1,778	13,167	15,125
Consultancy		1,464	8,370	3,185	16,757
Accommodation		(533)	29,751	865	39,755
PFI service charges		194	194	338	338
Net loss/(gain) on foreign exchange		(126)	(125)	122	122
Charges under finance leases		–	86	–	136
Auditors' remuneration		–	42	–	183
Rental under operating leases – plant and machinery		14	1,472	24	1,878
Media and Design services		11,907	11,910	9,150	9,150
Sponsorship		7,573	7,573	3,361	3,361
Enforcement		7,248	7,248	900	900
Outsourced technical support		7,168	10,492	1,015	8,730
Administration of Grants and Awards		5,097	5,097	7,836	7,836
Contributions to other programmes		4,136	4,652	1	1
Legal costs		2,994	3,076	2,623	2,728
Economic research		1,839	1,839	2,760	2,760
Other		12,197	58,530	11,124	60,260
		21,659,472	**21,686,629**	**23,040,287**	**23,069,097**

	Note	2010–11 £'000 Core Department	Consolidated	(Restated) 2009–10 £'000 Core Department	Consolidated
Non-cash items					
Depreciation	15	67	13,495	67	14,792
Amortisation	16	–	25,461	–	20,608
Revaluations		–	762	–	11
Loss on disposal of property, plant and equipment		–	677	–	4,094
Loss on disposal of intangible assets		–	15,018	–	2,144
Impairments of property, plant and equipment		–	2,424	–	–
Investment impairments		20,134	20,134	23,836	23,836
Bad debt write off		18	98,633	5,907	5,907
Bad debt provision		–	3,058	–	25,028
Movement in bad debt provision for student grants		24,591	24,591	71,316	71,316
Auditors' remuneration		–	304	–	113
Student loans:	19				
Policy write-off impairment charge for year		678,110	678,110	449,134	449,134
Amortisation of loans issued		1,021,639	1,021,639	899,017	899,017
Tuition fee loan accrual adjustment		76,862	76,862	50,650	50,650
Base rate cap impairment		503,485	503,485	–	–
Base rate cap impairment provision		979,622	979,622	–	–
Changes in assumptions and modelling		1,123,146	1,123,146	–	–
HMRC employer recoveries written off	36.1	888	888	–	–
Other		–	–	498	498
Financial guarantees:					
Movement in bad debt provision		14,675	14,675	6,623	6,623
Student loan debt sale subsidy:					
Unwinding of discount	29	5,947	5,947	6,011	6,011
Provided for/(released) in year	29	(74,643)	(74,643)	5,605	5,605
Provisions:					
Provided for/(released) in year		158,260	180,388	36,648	50,537
Unwinding of discount	27,28	14,562	14,629	15,322	16,753
Total non-cash		**4,547,363**	**4,729,305**	**1,570,634**	**1,652,677**
Total programme expenditure		**26,206,835**	**26,415,934**	**24,610,921**	**24,721,774**

The auditors' remuneration of £42,000 relates to Acas and represents the cost of the audit of their accounts.

The non-cash auditors' remuneration of £304,000 (rounded) represents the notional cost of the audit of the Accounts of NMO (£30,000), the Insolvency Service (£75,500) and the Skills Funding Agency (£198,000).

The unwinding of the discount on financial assets, which was previously classified as expenditure is now classified as effective interest in income. Prior year amounts have been restated. (Note 13 refers.)

12. Administration and Programme non-cash costs summary

The total for non cash costs in Note 10 (Other Administration costs) and Note 11 (Programme costs) is as follows:

		2010–11 £'000		(Restated) 2009–10 £'000	
	Note	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Auditors' remuneration	10,11	420	724	450	563
Depreciation and amortisation	10,11	11,864	51,155	13,788	49,641
Profit on the disposal of property, plant and equipment and intangibles	10	–	–	(457)	(457)
Loss on the disposal of property, plant and equipment and intangibles	10,11	1,919	17,633	22	6,260
Revaluations of property, plant and equipment and intangibles	10,11	–	762	–	11
Impairments	10,11	20,134	22,558	40,428	40,428
Bad debt provision movement	10,11	39,266	42,324	77,788	102,816
Bad debt write off	10,11	18	98,633	6,039	6,039
Student loans	11	4,383,752	4,383,752	1,399,299	1,399,299
Student loan debt sale subsidy	11	5,947	5,947	6,011	6,011
Debt sale provided/(released) in year	11	(74,643)	(74,643)	5,605	5,605
Movements on provisions	10,11	172,822	195,017	51,970	67,290
Total		**4,561,499**	**4,743,862**	**1,600,943**	**1,683,506**

13. Income

					2010–11 £'000				2010–11 £'000		2009–10 £'000
					Core Department				Consolidated	Core Department	Consolidated
	Note	RfR 1	RfR 2	RfR 3	Total	RfR 1	RfR 2	RfR 3	Total		
Administration Income:											
Recoveries of conference and catering costs		1,413	–	–	**1,413**	1,396	–	–	**1,396**	1,691	1,691
Fee Income		385	–	–	**385**	10,272	–	–	**10,272**	2,232	14,032
Other		1,618	–	–	**1,618**	1,498	–	–	**1,498**	1,483	1,464
Other Fees and Charges receivable from Other Departments		15,484	–	–	**15,484**	14,401	–	–	**14,401**	25,816	25,816
Other administration income		67	–	–	**67**	67	–	–	**67**	131	131
Total Administration Income (A in A)	3.2	***18,967***	**–**	**–**	***18,967***	***27,634***	**–**	**–**	***27,634***	***31,353***	***43,134***
Programme Income:											
Funding from Other Government Departments for:											
RDAs/LDA		1,014,345	–	–	**1,014,345**	1,014,345	–	–	**1,014,345**	1,721,757	1,721,757
UKCES		–	–	3,020	**3,020**	–	–	3,020	**3,020**	9,236	9,236
LSIS		–	–	16,949	**16,949**	–	–	16,949	**16,949**	40,929	40,929
HEFCE		–	–	823	**823**	–	–	823	**823**	1,674	1,674
European Union Funding		–	–	1,156	**1,156**	–	–	299,411	**299,411**	52	239,771
Skills Funding Agency		–	–	802,174	**802,174**	–	–	845,058	**845,058**	705,700	750,456
Other income from Other Government Departments		–	–	15,498	**15,498**	813	–	15,498	**16,311**	3,073	3,073
Dividend income from UKIPO		1,920	–	–	**1,920**	1,920	–	–	**1,920**	2,582	2,582
Interest on loan advance to IPO		126	–	–	**126**	126	–	–	**126**	143	143
Interest Received from loan to Post Office Ltd		1,592	–	–	**1,592**	1,592	–	–	**1,592**	2,158	2,158
INSS receipts		–	–	–	**–**	148,547	–	–	**148,547**	–	159,181
NPL rental income		–	–	–	**–**	10,231	–	–	**10,231**	–	10,791
Student loans capitalised interest		–	–	246,574	**246,574**	–	–	246,574	**246,574**	178,778	178,778
Student grant recoveries		–	–	45,035	**45,035**	–	–	45,035	**45,035**	96,978	96,978

					2010–11 £'000				2010–11 £'000		2009–10 £'000
					Core Department				Consolidated	Core Department	Consolidated
	Note	RfR 1	RfR 2	RfR 3	Total	RfR 1	RfR 2	RfR 3	Total		
Ofcom receipts		97,809	–	–	**97,809**	97,809	–	–	**97,809**	73,783	73,783
Consumer Focus Recoveries		7,377	–	–	**7,377**	7,377	–	–	**7,377**	10,116	10,116
Effective interest – financial guarantees		20,417	–	–	**20,417**	20,417	–	–	**20,417**	15,387	15,387
Effective interest-launch investments		60,034	–	–	**60,034**	60,034	–	–	**60,034**	51,566	51,566
Effective interest – student loans		–	–	1,328,101	**1,328,101**	–	–	1,328,101	**1,328,101**	190,676	190,676
SFLG/EFG – unwinding of discount		622	–	–	**622**	622	–	–	**622**	782	782
Effective interest-fee income (INSS)		–	–	–	**–**	4,889	–	–	**4,889**	–	2,622
Other		4,220	500	14,434	**19,154**	12,778	500	13,062	**26,340**	20,708	25,601
Programme Income (A in A)		***1,208,462***	***500***	***2,473,764***	***3,682,726***	***1,381,500***	***500***	***2,813,531***	***4,195,531***	***3,126,078***	***3,588,040***
Programme Income outside of the supply process											
Interest received on NLF loan on-lent to Royal Mail	6	42,123	–	–	**42,123**	42,123	–	–	**42,123**	30,180	30,180
Consolidated Fund Extra Receipts (CFERs):	5										
Launch investments		99,248	–	–	**99,248**	99,248	–	–	**99,248**	84,513	84,513
Companies House dividend		2,098	–	–	**2,098**	2,098	–	–	**2,098**	1,944	1,944
Interest Receivable from Royal Mail shareholder loan (non-cash)		40,529	–	–	**40,529**	40,529	–	–	**40,529**	36,156	36,156
Other interest receivable		–	96	75	**171**	–	96	75	**171**	17,284	17,284
Special dividend (BNFL)		32,000	–	–	**32,000**	32,000	–	–	**32,000**	32,000	32,000
Total income outside of the supply process		*215,998*	*96*	*75*	***216,169***	*215,998*	*96*	*75*	***216,169***	*202,077*	*202,077*
Total programme Income		***1,424,460***	***596***	***2,473,839***	***3,898,895***	***1,597,498***	***596***	***2,813,606***	***4,411,700***	***3,328,155***	***3,790,117***
Total operating Income	**6**	**1,443,427**	**596**	**2,473,839**	**3,917,862**	**1,625,132**	**596**	***2,813,606***	**4,439,334**	**3,359,508**	**3,833,251**

Effective interest arising from financial assets was previously classified as expenditure in programme costs. Prior year amounts have been restated.

14. Analysis of net operating cost by spending body

	Note		2010–11 £'000	(Restated) 2009–10 £'000
		Estimate	Outturn	Outturn
Spending body:				
Core Department		6,986,520	4,889,285	2,515,209
Advisory, Conciliation and Arbitration Service		43,027	50,138	51,178
Insolvency Service		114,004	105,173	36,031
National Measurement Office		73,404	58,446	69,911
Skills Funding Agency		4,575,388	5,191,090	5,560,728
Non-Departmental Public Bodies (NDPBs):				
The Design Council		6,115	5,640	6,444
Higher Education Funding Council for England (HEFCE)		7,645,833	7,405,272	7,875,692
Investors in People UK (IiP UK)		–	–	4,602
Office for Fair Access (OFFA)		484	484	476
Student Loans Company (SLC)		99,854	98,793	79,665
UK Commission for Employment and Skills (UKCES)		71,726	70,978	92,405
Technology Strategy Board (TSB)		403,355	332,000	251,496
The United Kingdom Atomic Energy Authority		8,300	8,279	4,520
The Competition Commission		20,170	16,886	20,000
The Competition Service		4,577	3,640	3,854
The Local Better Regulation Office		4,400	3,619	4,300
The Regional Development Agencies		1,430,745	1,372,001	1,781,879
Capital for Enterprise		2,545	2,934	2,196
Consumer Focus		23,162	14,084	16,804
Research Councils		3,342,000	3,281,801	3,197,556
Low Pay Commission		–	720	872
SITPRO		800	285	726
Local Authorities:				
London Development Agency		278,394	275,824	376,413
Other				
Citizens Advice Bureau		–	28,743	32,443
Communities Interest Companies Regulator		–	298	417
Financial Reporting Council		–	1,200	2,255
Learning and Skills Improvement Service		–	–	141,962
Ofcom		–	98,953	79,336
Royal Society for the Prevention of Accidents		–	111	166
Further Education receipts from Department for Education		(812,175)	(797,253)	(705,626)
Net operating cost		**24,322,628**	**22,519,424**	**21,503,910**

15. Property, plant and equipment

	Land	Buildings	Leasehold Improvements	Plant and Machinery	Information Technology	Transport Equipment	Furniture, Fixtures and Fittings	Assets under Construction	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation (restated)									
At 1 April 2010	8,859	133,411	37,114	111,898	42,380	42	22,406	38,289	394,399
Additions	–	275	933	(46)	881	2	297	17,791	20,133
Disposals	–	(148)	(4,279)	(700)	(2,427)	–	(5,906)	–	(13,460)
Impairments	–	–	–	–	–	–	–	(2,424)	(2,424)
Reclassifications	–	(1,196)	5,936	11,387	1,193	–	1,040	(18,466)	(106)
Transfers	–	–	–	–	–	–	–	–	–
Revaluations	443	1,110	328	3,163	(269)	(1)	6	–	4,780
At 31 March 2011	**9,302**	**133,452**	**40,032**	**125,702**	**41,758**	**43**	**17,843**	**35,190**	**403,322**
Depreciation (restated)									
At 1 April 2010	–	(38,896)	(12,061)	(42,238)	(26,464)	(40)	(15,029)	–	(134,728)
Charged in year	–	(2,823)	(5,787)	(4,346)	(9,416)	(1)	(2,115)	–	(24,488)
Disposals	–	148	2,424	519	1,944	–	5,819	–	10,854
Impairments	–	–	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–	–	–
Reclassifications	–	2,092	–	(2,090)	(2)	–	–	–	–
Revaluations	–	(1,041)	(116)	(1,331)	165		(2)	–	(2,325)
At 31 March 2011	**–**	**(40,520)**	**(15,540)**	**(49,486)**	**(33,773)**	**(41)**	**(11,327)**	**–**	**(150,687)**
Net book value at 31 March 2011	**9,302**	**92,932**	**24,492**	**76,216**	**7,985**	**2**	**6,516**	**35,190**	**252,635**
Net book value at 31 March 2010	**8,859**	**94,515**	**25,053**	**69,660**	**15,916**	**2**	**7,377**	**38,289**	**259,671**
Asset financing									
Owned	9,302	92,932	24,492	76,216	4,538	2	6,516	35,190	249,188
On balance sheet (SoFP) PFI and other service concession arrangements	–	–	–	–	3,447	–	–	–	3,447
Net book value at 31 March 2011	**9,302**	**92,932**	**24,492**	**76,216**	**7,985**	**2**	**6,516**	**35,190**	**252,635**

	Land	Buildings	Leasehold Improvements	Plant and Machinery	Information Technology	Transport Equipment	Furniture, Fixtures and Fittings	Assets under Construction	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation (restated)									
At 1 April 2009	9,459	123,573	68,478	113,478	42,641	42	35,239	30,023	422,933
Additions	–	9,363	956	554	2,225	–	550	15,780	29,428
Disposals	–	–	(6,566)	(991)	(2,955)	–	(8,598)	–	(19,110)
Impairments	–	–	(32,381)	(915)	(168)	–	(5,054)	–	(38,518)
Reclassifications	–	–	6,566	368	321	–	259	(7,514)	–
Transfers	(600)	(880)	–	–	–	–	–	–	(1,480)
Revaluations	–	1,355	61	(596)	316	–	10	–	1,146
At 31 March 2010	**8,859**	**133,411**	**37,114**	**111,898**	**42,380**	**42**	**22,406**	**38,289**	**394,399**
Depreciation (restated)									
At 1 April 2009	–	(36,558)	(27,478)	(39,164)	(19,607)	(39)	(21,364)	–	(144,210)
Charged in year	–	(2,226)	(7,429)	(5,050)	(10,421)	(1)	(3,579)	–	(28,706)
Disposals	–	–	6,843	934	2,813	–	4,862	–	15,452
Impairments	–	–	15,890	851	130	–	5,055	–	21,926
Transfers	–	23	–	–	–	–	–	–	23
Reclassifications	–	–	135	–	769	–	–	–	904
Revaluations	–	(135)	(22)	191	(148)	–	(3)	–	(117)
At 31 March 2010	**–**	**(38,896)**	**(12,061)**	**(42,238)**	**(26,464)**	**(40)**	**(15,029)**	**–**	**(134,728)**
Net book value at 31 March 2010	**8,859**	**94,515**	**25,053**	**69,660**	**15,916**	**2**	**7,377**	**38,289**	**259,671**
Net book value at 1 April 2009	**9,459**	**87,015**	**41,000**	**74,314**	**23,034**	**3**	**13,875**	**30,023**	**278,723**
Asset financing									
Owned	8,859	94,515	25,053	69,660	9,708	2	7,377	38,289	253,463
On balance sheet (SoFP) PFI and other service concession arrangements	–	–	–	–	6,208	–	–	–	6,208
Net book value at 31 March 2010	**8,859**	**94,515**	**25,053**	**69,660**	**15,916**	**2**	**7,377**	**38,289**	**259,671**

Analysis of property, plant and equipment

The net book value of property, plant and equipment comprises:

	Land	Buildings	Leasehold Improvements	Plant and Machinery	Information Technology	Transport Equipment	Furniture, Fixtures and Fittings	Assets under Construction	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Core Department 31 March 2011	–	–	20,103	151	1,671	-	1,921	29,321	53,167
Consolidated Bodies 31 March 2011	9,302	92,932	4,389	76,065	6,314	2	4,595	5,869	199,468
Core Department 31 March 2010 (restated)	–	–	21,050	156	5,566	–	1,463	25,537	53,772
Consolidated Bodies 31 March 2010 (restated)	8,859	94,515	4,003	69,504	10,350	2	5,914	12,752	205,899
Core Department 1 April 2009 (restated)	600	880	37,260	157	10,478	-	1,919	19,496	70,790
Consolidated Bodies 1 April 2009 (restated)	8,859	86,135	3,740	74,157	12,556	3	11,956	10,527	207,933

The total property, plant and equipment and intangible asset additions as disclosed in Notes 15 and 16, amounting to £47,044,000 (2009-10: £71,474,000 after restatement), can be reconciled to the cash payments made during the year as follows:

	Note	2010–11	2009–10
		£'000	**£'000**
Cash payments made to purchase:			
Property, plant and equipment		16,293	29,422
Intangible assets		26,911	42,046
		43,204	**71,468**
Movement in payables		(6)	6
Accrued expenditure		3,846	–
Additions, as disclosed in Notes 15 and 16	15,16	**47,044**	**71,474**

15.1 The net book value of land and buildings comprises:

	31 March 2011		31 March 2010		1 April 2009	
	Land	**Buildings**	**Land**	**Buildings**	**Land**	**Buildings**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Freehold	9,302	92,932	8,859	94,515	9,459	87,015
Total	**9,302**	**92,932**	**8,859**	**94,515**	**9,459**	**87,015**

As at 31 March 2011, the core Department did not own any land and buildings.

The land and buildings, held by NMO, were valued as at 31 March 2009, by Powis, Hughes and Associates, an independent Chartered Surveyor. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (6th Edition) as amended, March 2009. All land and buildings were valued on an existing use basis. Market indices issued by the Valuation Office, National Statistics or Building Cost Information Service (BCIS) and published professional opinion, as appropriate, are applied in the intervening years between full professional valuations.

Non-operational Heritage Assets

The National Physical Laboratory Museum and Archives, including some former UK primary standard weights and measures, are non-operational heritage assets held for historical and cultural association alone. These are recorded in the NMO's asset register at fair value in accordance with the FReM. As at the 31 March 2011 the net book value of the heritage assets included in the consolidated accounts is £847 thousand (31 March 2010: £145 thousand).

16. Intangible Assets

	Assets under Construction	Information Technology	Software Licences	Total
	£'000	£'000	£'000	£'000
Cost or Valuation (restated)				
At 1 April 2009	22,779	98,314	5,855	126,948
Additions	13,706	27,647	693	42,046
Disposals	–	(12,643)	(619)	(13,262)
Transfers	(13,327)	12,062	1,265	–
Revaluations	–	–	182	182
At 31 March 2010	**23,158**	**125,380**	**7,376**	**155,914**
Amortisation (restated)				
At 1 April 2009	–	(37,133)	(4,420)	(41,553)
Charged in year	–	(19,904)	(1,031)	(20,935)
Disposals	–	10,527	590	11,117
Transfers	–	(904)	–	(904)
Revaluations	–	–	(77)	(77)
At 31 March 2010	**–**	**(47,414)**	**(4,938)**	**(52,352)**
Net Book Value at 31 March 2010	**23,158**	**77,966**	**2,438**	**103,562**
Net Book Value at 1 April 2009	**22,779**	**61,181**	**1,435**	**85,395**
Asset Financing:				
Owned	20,676	77,966	2,438	101,080
Finance leases	2,482	–	–	2,482
Net Book Value at 31 March 2010	**23,158**	**77,966**	**2,438**	**103,562**
Cost or Valuation				
At 1 April 2010 (restated)	23,158	125,380	7,376	155,914
Additions	9,451	16,470	990	26,911
Disposals	–	(34,164)	(309)	(34,473)
Transfers	(20,339)	21,412	(967)	106
Revaluations	–	–	(135)	(135)
At 31 March 2011	**12,270**	**129,098**	**6,955**	**148,323**
Amortisation				
At 1 April 2010 (restated)	–	(47,414)	(4,938)	(52,352)
Charged in year	–	(25,843)	(824)	(26,667)
Disposals	–	19,139	307	19,446
Transfers	–	(169)	169	–
Revaluations	–	(131)	72	(59)
At 31 March 2011	–	**(54,418)**	**(5,214)**	**(59,632)**
Net Book Value at 31 March 2011	**12,270**	**74,680**	**1,741**	**88,691**
Asset Financing:				
Owned	12,270	72,376	1,741	86,387
Finance leases	–	2,304	–	2,304
Net Book Value at 31 March 2011	**12,270**	**74,680**	**1,741**	**88,691**

All software licences are acquired separately and all Information Technology (IT) assets are internally generated. IT assets are initially classified as assets under construction and are not amortised until they are commissioned, at which time they are re-classified as IT.

Analysis of Intangible Assets

The net book value of intangible assets comprises:

	Assets under Construction	Information Technology	Software Licences	Total
	£'000	£'000	£'000	£'000
Core Department at 31 March 2011	2,131	1,223	–	**3,354**
Consolidated Bodies at 31 March 2011	10,139	73,457	1,741	**85,337**
Core Department at 31 March 2010	4,252	327	–	**4,579**
Consolidated Bodies at 31 March 2010 (restated)	18,906	77,639	2,438	**98,983**
Core Department at 1 April 2009	3,817	1,535	–	**5,352**
Consolidated Bodies at 1 April 2009 (restated)	18,962	59,646	1,435	**80,043**

17. Financial instruments

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

		31 March 2011 £'000		(Restated) 31 March 2010 £'000		(Restated) 1 April 2009 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Financial assets							
Loans and receivables:							
Cash and cash equivalents	24	903,905	1,259,660	407,678	579,580	1,361,537	1,487,017
Receivables		1,118,421	1,354,226	1,019,991	1,215,195	985,146	1,231,429
Loans	18,23	1,762,180	1,762,180	1,683,573	1,683,573	1,027,507	1,027,507
Other financial assets	19	24,953,970	24,953,970	23,513,855	23,513,855	20,626,057	20,626,057
Total loans and receivables		**28,738,476**	**29,330,036**	**26,625,097**	**26,992,203**	**24,000,247**	**24,372,010**
Available for Sale:							
Launch Investments	19	1,900,154	1,900,154	1,715,252	1,715,252	1,473,303	1,473,303
Venture Capital Funds (VCF)	19	130,547	130,547	116,238	116,238	65,651	65,651
Ordinary Shares	18	430,423	430,423	430,423	430,423	430,423	430,423
Total available for sale		**2,461,124**	**2,461,124**	**2,261,913**	**2,261,913**	**1,969,377**	**1,969,377**
Financial liabilities							
Financial Guarantees							
Small Firms Loan Guarantee Scheme (SFLGS)	28	69,031	69,031	131,984	131,984	249,606	249,606
Enterprise Finance Guarantee (EFG)	28	161,746	161,746	118,546	118,546	6,534	6,534
UK High Technology Fund	28	1,122	1,122	672	672	672	672
Other	28	36,537	36,537	16,516	16,516	–	–
Professional and Career Development Loan guarantees (PCDLs)	28	–	31,545	–	31,408	–	21,933
Total financial guarantees		**268,436**	**299,981**	**267,718**	**299,126**	**256,812**	**278,745**
Other Financial Liabilities							
Debt sale subsidy	29	191,174	191,174	270,307	270,307	273,249	273,249
Payables		1,510,826	2,031,179	1,421,384	1,832,988	1,108,282	1,601,441
Total other financial liabilities		**1,702,000**	**2,222,353**	**1,691,691**	**2,103,295**	**1,381,531**	**1,874,690**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The amounts disclosed above as payables and receivables therefore exclude any assets or liabilities which do not arise from a contractual arrangement. Payable and receivable transactions with other Government departments are excluded, as Government departments are all part of the same legal entity.

IFRS 7 Financial Instruments: Disclosure requires the Department to disclose information which will allow users of these financial statements to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to risks arising from financial instruments.

As the cash requirements of the Department are 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 Department is however exposed to some forms of credit, liquidity and market risk via specific programmes/activities undertaken in pursuance of the Department'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 Department is subject to credit risk in the areas of Launch Investments; Student Loans; Venture Capital Funds and Financial Guarantees as follows:

- Launch Investments – Investee Companies may not perform as expected and the Department may not recover its initial investment in whole or in part. The Department seeks to offset this risk by analysing corporate financial health as part of its appraisals of launch investment applications and thereafter reviewing financial health as part of contract monitoring and its wider relationship management activity. Contracts for launch investment contain provisions which will (as a minimum) not disadvantage the Department compared to other creditors in the event of a company failure. The Department takes steps to monitor regular payments made by companies under launch investment contracts to ensure they comply with the terms of the contracts, which includes payments of eligible amounts. The contracts also require the company's auditors to confirm that all payments made to the Department have been made correctly and to identify any errors made.
- Student Loans – Eligible students can get student loans regardless of their credit rating. This increases the risk that some loans will not be repaid. The Department estimates the percentage of loans which will not be repaid and impairs the loan asset when the loans are paid out. Further detail on student loans credit risk is given in Note 19.1.

- Venture Capital Funds – Investee companies may not perform as expected and the Department may not recover its initial investment. The Department minimises the risk, by using Capital for Enterprise Limited (CfEL), an asset management business, and a delivery partner of the Department. CfEL monitor the overall performance of the Funds and will act to secure value for the Department as an investor.
- Financial Guarantees – Through the various financial guarantee schemes, the Department is exposed to the risk that a recipient of the loan may default and the lending institution will call upon the Department to honour its guarantee. The Department minimises the credit risk, for the WCS, EFG, PCDLs and legacy SFLG Scheme, by using the participating banks to determine whether any potential lender applying for a loan is commercially viable. Prior to entering into the AAP guarantee the beneficiary company was assessed using a professional credit appraisal with quarterly credit assessments throughout the duration of the loan to ensure no deterioration in credit risk.

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

- The Department's exposure to foreign currency risk during the year was insignificant. Foreign currency income was negligible and foreign currency expenditure was a very small percentage of total expenditure (less than 1%). All material assets and liabilities are denominated in pounds sterling.
- The main area where the Department is exposed to a small amount of currency risk is Launch Investments. The Department has a number of older contracts which are based on a share of component spares and support income which is not originally denominated in pounds sterling. However, this risk is minimal in the context of the overall Launch Investment portfolio.

Interest Rate risk

- The Department does not invest or access funds from commercial sources, but it is exposed to interest rate risk with respect to WCS, the SFLGS, the EFG and student loans. For WCS, SFLG and EFG, to minimise the risk of default due to interest rate rises, coupled with a downturn in the economy, the Department relies on the lenders assessment using best commercial practice to manage the risk of default. For student loans, the Department relies on short term assumptions up to 2016 and long term assumptions after 2016 to determine the impact of interest rate changes both on the borrower's ability to pay, and the Department's forecasts of future payment streams. The impact of the interest rate risk on student loans is quantified in the policy write off impairment provision which models the impact of interest rate rises on expected future cash flows.

Other Market risk

- The Department is exposed to wider risks relating to the performance of the economy as a whole. Any downward movement in the economy could result in failures of investee companies under the VCF schemes and loan defaults under the WCS, SFLGS, EFG and AAP Schemes. In addition, a downward movement in the economy could result in a decrease in demand throughout the aerospace industry, potentially impacting the income and valuation of the Department's Launch Investments and could impact on the borrower's ability to repay student loans and PCDLs if there is unemployment.
- In the event of an economic downturn and a reduction in growth, there is a risk to student loan repayments. Where there is a negative impact on earnings growth, the risk is that graduate earnings may not reach the levels predicted when student loans were issued. This can lengthen the time period before loans are in repayment and extend the repayment period impacting on the carrying value in the accounts. It can also lead to an increase in the 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.
- The risk of the Government recovering the real value of student loans issued is further exacerbated 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. Additional information on the risks relating to student loan repayments are contained in Note 19.1.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. 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 Department is not exposed to liquidity risks.

Information about the Department's objectives, policies and processes for managing and measuring risk can be found in the Statement on Internal Control.

18. Investments and loans in other public bodies

	Ordinary Shares	Public Dividend Capital	Other Loans and Investments	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2009	**430,423**	**22,214**	**806,127**	**1,258,764**
Additions	–	6,500	300,000	306,500
Disposals	–	–	–	–
Repayments	–	–	–	–
Interest capitalised	–	–	36,232	36,232
Impairments	–	(6,500)	–	(6,500)
Loans repayable within 12 months transferred to current assets	–	–	(2,666)	(2,666)
Balance at 31 March 2010	**430,423**	**22,214**	**1,139,693**	**1,592,330**
Additions	–	5,000	300,000	305,000
Disposals	–	–	–	–
Repayments	–	–	–	–
Interest capitalised	–	–	40,273	40,273
Impairments	–	(5,000)	–	(5,000)
Loans repayable within 12 months transferred to current assets	–	–	(166)	(166)
Balance at 31 March 2011	**430,423**	**22,214**	**1,479,800**	**1,932,437**

18.1 Ordinary Shares

	British Nuclear Fuels Limited	Royal Mail Holdings plc	CfEL Ltd	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2009	**50**	**430,323**	**50**	**430,423**
Additions	–	–	–	–
Disposals	–	–	–	–
Impairments	–	–	–	–
Balance at 31 March 2010	**50**	**430,323**	**50**	**430,423**
Additions	–	–	–	–
Disposals	–	–	–	–
Impairments	–	–	–	–
Balance at 31 March 2011	**50**	**430,323**	**50**	**430,423**

In accordance with the FReM, ordinary shares are carried at historical cost less any provision for impairment.

The Government holds 50,000 ordinary shares in British Nuclear Fuels Limited (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 holds one ordinary share. Following the establishment of the Nuclear Decommissioning Authority in 2005, British Nuclear Fuels plc held those parts of BNFL that did not pass to the Nuclear Decommissioning Authority (NDA), including, inter alia, British Nuclear Group Sellafield Limited (formerly British Nuclear Fuels). British Nuclear Fuels plc progressively divested all its businesses and ran down its corporate centre, and in December 2008 re-registered as a private company with the name British Nuclear Fuels Limited. The last business interest transferred out of the group in May 2009, and BNFL has no remaining operational activities or staff. All that remains is the efficient handling of its remaining assets and liabilities prior to a winding up of the company. The timing of the winding up depends on the outcome of discussions regarding the handling of the remaining assets and liabilities.

The Government owns 100% of the shares in Royal Mail Holdings plc. The Secretary of State for Business, Innovation and Skills owns 50,004 ordinary shares and the Treasury Solicitor holds one ordinary share. The Secretary of State also owns one Special Share, relating to certain areas for which Special Shareholder's consent is required (see Note 18.4). The Department undertakes an annual review of the value of its holding in Royal Mail.

Capital for Enterprise Limited (CfEL) manages the Department's equity investment funds and loan guarantee programmes. The Department owns 49,901 shares and provides cash funding as Grant in Aid. CfEL has two wholly owned subsidiaries: Capital for Enterprise GP Ltd (CfE GP) and also the Capital for Enterprise Fund Managers Ltd (CfE FM Ltd) which facilitate co-investment with the private sector through the Capital for Enterprise Fund.

The Department holds 5 shares with a nominal value of £1 in the Student Loans Company Limited.

18.2 Public Dividend Capital (PDC)

	British Shipbuilders	Companies House	UKIPO	Total
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2009 (restated)	**–**	**15,889**	**6,325**	**22,214**
Additions	6,500	–	–	6,500
Redemptions	–	–	–	–
Revaluations	–	–	–	–
Impairments	(6,500)	–	–	(6,500)
Balance at 31 March 2010	**–**	**15,889**	**6,325**	**22,214**
Additions	5,000	–	–	5,000
Redemptions	–	–	–	–
Revaluations	–	–	–	–
Impairments	(5,000)	–	–	(5,000)
Balance at 31 March 2011	**–**	**15,889**	**6,325**	**22,214**

In accordance with the FReM, Public Dividend Capital (PDC) is carried at historical cost less any impairment.

The British Shipbuilders Corporation requires equity injections to maintain its solvency. The Department makes payments of PDC to allow the Corporation to discharge its liabilities under the Aircraft and Shipbuilding Industries Act 1977. Consequently, the PDC has been fully impaired. The Department expects to continue to make equity injections to maintain the Corporation's solvency, in accordance with the statement to Parliament of July 1988 until the corporation is abolished. The abolition depends on the timing of the Public Bodies Bill receiving Royal Assent. The historic cost of PDC payments made as at 31 March 2011 is £1,629,069,000 (£1,624,069,000 at 31 March 2010).

18.3 Share of net assets and results of bodies outside the consolidation boundary

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

	British Shipbuilders	Companies House	British Nuclear Fuels Ltd	Royal Mail Holdings plc	CfEL Ltd	UKIPO
	£'000	£'000	£'000	£'000	£'000	£'000
Net Assets/(Liabilities) at 31 March 2010	(118,073)	55,092	374,000	(6,281,000)	94	65,384
Turnover	–	66,401	–	9,199,000	2,196	61,202
Surplus/profit (deficit/loss) for the year before financing	(99)	1,718	95,300	118,000	29	4,445
Net Assets/(Liabilities) at 31 March 2011	(164,197)	61,095	342,800	(3,107,000)	172	74,292
Turnover	–	66,562	–	9,006,000	2,072	66,641
Surplus/profit (deficit/loss) for the year before financing	(48)	7,741	–	60,000	78	11,100

Notes:

- British Shipbuilders information for 2010-11 and 2009-10 is derived from their audited Accounts. British Shipbuilder's Accounts were prepared in accordance with UK GAAP.
- Companies House information for 2010-11 is derived from their 2010-11 draft Annual Accounts. For 2009-10 the information is derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the Government Financial Reporting Manual (FReM).
- British Nuclear Fuels Limited (BNFL) information for 2010-11 is derived from their draft Annual Accounts. For 2009-10 the information is derived from their audited accounts. The accounts were prepared on an IFRS basis and on a break-up basis, reflecting that, following the sale or distribution of all its operating assets, BNFL is a company with no full-time staff and sufficient assets to meet the liabilities arising from the various business disposals until the final closure of the company.
- Royal Mail Holdings plc information for 2010-11 and 2009-10 is derived from their audited accounts. Royal Mail's Accounts were prepared in accordance with International Financial Reporting Standards (IFRS).
- Capital for Enterprise Limited information for 2010-11 is derived from their draft accounts. For 2009-10 the information is derived from their audited accounts. The accounts were prepared on an IFRS basis.

- UK Intellectual Property Office (UKIPO) information for 2010-11 is derived from their draft accounts. For 2009-10 the information is derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the Government Financial Reporting Manual (FReM).

18.4 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.

The Department does not recognise the special or 'golden' shares on its Statement of Financial Position in accordance with paragraph 7.4.45 (e) of the FReM.

Body in which Share is held and type and value of Share	Terms of Shareholding
Royal Mail Holdings plc £1 Special Rights Preference Share	• Created in January 2001 • It may be redeemed at any time by the shareholder • The consent of the shareholder is required for a number of decisions, including: – Appointing the Chairman of the company, and the remainder of the Board (after consulting the Chairman) – Setting (and approving any material changes in) the remuneration packages of the Directors – Borrowing in excess of certain pre-set limits (as agreed with the HM Treasury) – Adopting and implementing the company's strategic plan; – Disposing of substantial assets of the business or any "relevant subsidiaries" or substantial parts of the business of such subsidiaries – Voluntary winding-up of any subsidiary – Varying certain of the company's Articles of Association, including the rights of the special shareholder.

Body in which Share is held and type and value of Share	**Terms of Shareholding**
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 Group plc £1 Special Rights Non-Voting Redeemable Preference Share	• Created in 1987 (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, including the Chief Executive and any Executive Chairman, to be British • Allows the appointment of a non-British Non-Executive Chairman • Provides for a veto over the material disposal of assets • Provides for a veto of any voluntary winding up.

18.5 Other investments and loans

	Companies House loan	Royal Mail Holdings plc NLF Loans	Royal Mail Shareholder loan	UKIPO loans	Other loans	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009 (restated)	**2,500**	**500,000**	**300,296**	**1,331**	**2,000**	**806,127**
Additions	–	300,000	–	–	–	300,000
Redemptions	–	–	–	–	–	–
Interest capitalised	–	–	36,232	–	–	36,232
Impairments	–	–	–	–	–	–
Loans repayable within 12 months transferred to current assets	(2,500)	–	–	(166)	–	(2,666)
Balance at 31 March 2010	**–**	**800,000**	**336,528**	**1,165**	**2,000**	**1,139,693**
Additions	–	300,000	–	–	–	300,000
Redemptions	–	–	–	–	–	–
Interest capitalised	–	–	40,273	–	–	40,273
Impairments	–	–	–	–	–	–
Loans repayable within 12 months transferred to current assets	–	–	–	(166)	–	(166)
Balance at 31 March 2011	**–**	**1,100,000**	**376,801**	**999**	**2,000**	**1,479,800**

Other investments and loans are held by the Core Department.

Companies House loan

During 2008-09, the Department advanced the sum of £4.5 million to Companies House as an interest bearing loan, repayable in full by 2010 -11. The loan was issued under the Companies House Trading Fund Order 1991 to assist Companies House's capital investment programme. The loan was repaid in full by 31 March 2011. Note 23 refers.

Royal Mail Loans

- Royal Mail Holdings plc NLF Loans

A £600 million NLF long-term interest rollover facility was made available to Royal Mail as part of the financing framework for Royal Mail, announced in 2007, to assist with transformation and modernisation. The company has now utilised the full £600 million of this facility (£300 million in 2009-10 and the remaining £300 million in 2010-11). A £300 million NLF revolving loan facility was also made available as part of this framework. The company has made low level use of the revolving facility during 2010-11 and the outstanding balance as at 31 March 2011 was nil. Both of these facilities mature in March 2014.

A £500 million NLF loan was advanced to Royal Mail in February 2001, primarily to assist it with the acquisition of General Logistics Systems (GLS). The facility comprises twenty tranches of £25 million, which mature individually at periods between March 2021 and September 2025.

- Royal Mail shareholder loan

A £300 million shareholder loan was advanced to Royal Mail in March 2009, which also formed part of the financing framework announced in 2007. The loan matures in March 2016 and interest accruing on the loan is capitalised once a year.

In accordance with the FReM, loans to Royal Mail are valued at historic cost. Further details on the Royal Mail Holdings plc's NLF loan facilities can be found in the Financial Overview in Chapter 4 of these accounts.

UKIPO loan

In 1992, the Department advanced two loans amounting to £4.3 million to the UKIPO, repayable over 26 years, in 52 instalments of principal amounting to £166,000 per annum. The balance outstanding at 31 March 2011 is £999,000. The amounts falling due within one year (£166,000) are disclosed in Note 23.

18.6 Partnership arrangements

The Department is a partner in the Energy Technology Institute. This partnership is funded via the Technology Strategy Board and the Engineering and Physical Sciences Research Council, and the contributions are disclosed in the Accounts of those bodies.

19. Other financial assets

	Student loans (restated)	Launch investments	Venture capital funds	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2009	**20,626,057**	**1,473,303**	**65,651**	**22,165,011**
Additions	5,049,051	161,564	57,162	**5,267,777**
Amortisation	(899,017)	–	–	**(899,017)**
Disposals	–	–	–	**–**
Repayments	(1,185,919)	(121,674)	(1,200)	**(1,308,793)**
Capitalised interest	178,778	–	–	**178,778**
Effective interest	190,676	51,566		**242,242**
Revaluations	–	150,493	12,617	**163,110**
Impairments	–	–	(17,992)	**(17,992)**
Write offs	(17,393)	–	–	**(17,393)**
Movement in Policy write-off impairment	(431,741)	–	–	**(431,741)**
Other	3,363	–	–	**3,363**
Balance at 31 March 2010	**23,513,855**	**1,715,252**	**116,238**	**25,345,345**
Additions	5,578,241	100,121	39,318	**5,717,680**
Amortisation	(1,021,639)	–	–	**(1,021,639)**
Disposals	–	–	–	**–**
Repayments	(1,403,098)	(132,899)	(7,853)	**(1,543,850)**
Capitalised interest	246,574	–	–	**246,574**
Effective interest	1,328,101	60,034	–	**1,388,135**
Revaluations	–	157,646	(2,022)	**155,624**
Impairments	–	–	(15,134)	**(15,134)**
Write offs	(16,439)	–	–	**(16,439)**
Base rate cap impairment	(503,485)	–	–	**(503,485)**
Base rate cap impairment provision	(979,622)			**(979,622)**
Movement in Policy write-off impairment	(661,671)	–	–	**(661,671)**
Changes in assumptions and modelling	(1,123,146)	–	–	**(1,123,146)**
Other	(3,701)	–	–	**(3,701)**
Balance at 31 March 2011	**24,953,970**	**1,900,154**	**130,547**	**26,984,671**

Student Loans analysed between current and non-current assets:

	31 March 2011	31 March 2010	1 April 2009
	£'000	£'000	£'000
Other financial assets			
Due within twelve months	1,700,000	1,450,000	1,324,060
Due after twelve months	23,253,970	22,063,855	19,301,997
Total	**24,953,970**	**23,513,855**	**20,626,057**

19.1 Student Loans

In accordance with IAS 39, student loans are classified as Loans and Receivables and are recorded in the Accounts at amortised cost.

Student loans are currently issued under Section 22 of the Teaching and Higher Education (THE) Act 1998. They were first issued in 1990-91. The Department initially issued mortgage style loans, which required borrowers to repay a fixed amount each year until the loan was repaid with repayments being collected by the Student Loans Company. From 1998-99 onwards the Department has issued income contingent loans where repayments are calculated as a percentage of earnings in excess of a threshold (currently £15,000) and are collected by HMRC through the tax system.

Measurement and carrying values

Student loans are held 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 HMT discount rate. The Treasury has directed the Department to use this rate for student loans as this is the Government's long term cost of borrowing.

The value of student loans issued is also reduced based on an estimate of the future cost of policy write offs ("policy write off impairment"). This reflects the fact that not all of the loans issued will be recoverable due to death, disability or age of the student.

The Department considers that the carrying value as described above is 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 the outputs of this modelling provide the basis for the net present value calculations and the estimate of irrecoverable amounts due to policy decisions.

During the financial year, the Department took the decision to use the latest Office for Budget Responsibility (OBR) short term forecasts for RPI and average earnings growth, forecasts for the modelling of borrower earnings growth, loan interest, discounting and uplifting the repayment threshold. The OBR was formed in May 2010 to make an independent assessment of the public finances and the economy, the public sector balance sheet and the long term sustainability of the public finances.

Subsidised loans

Student loans are subsidised as students are only charged interest equivalent to the rate of inflation, or Bank of England base rate plus 1% whichever is the lower ('the base rate cap'). The Department estimates the future cash flows arising from repayments, and discounts these at 2.2% plus RPI to represent the Government's cost of borrowing and therefore to determine the current value of the loans. The Department increases the accumulated amortisation based on a percentage of loans issued in year. The percentage is calculated using a modelling tool which takes into account borrower behaviour, earnings on graduation and other assumptions. More information on these assumptions is given below.

Assurance over the carrying value

Each year the Department compares the carrying value in the Accounts with the latest outputs from the student loan repayment model, which is re-run using current assumptions. If there is a significant difference, the Department undertakes a review to determine the reasons for the variance. The Department would only adjust the carrying value if there was sufficient evidence to suggest that the divergence constituted a permanent reduction in the carrying value of the asset.

Base Rate cap adjustments

During 2010-11, an adjustment was made to the figures generated by the model, in order to reflect the fact that the future cash flows have been permanently impaired due to the base rate cap being effective. The amounts are impaired because the interest received will be lower than the RPI assumed in the forecast in prior years. The effect of this change is to recognise an additional charge of £503 million and a provision to cover the continuance of the base rate cap in the short term of £980 million. The impairment is calculated by computing the value of the revised future cash flows using the original effective interest rate, and comparing this to the computed value using the same effective interest rate but with an assumed interest charge to borrowers of RPI i.e. assuming the base rate cap does not exist.

Changes in assumptions and modelling

An adjustment was also made to the carrying amount to reflect the change in the modelling of future cash flows from using long-term RPI and average earnings growth assumptions to short-term (up to 2015-16) forecasts published by the OBR in March in tables 1.3 and 1.4 of 'March 2011 economic and fiscal outlook supplementary fiscal tables'. This led to a further impairment of £873 million as a result of lower earnings growth and higher RPI than had previously been assumed. Prior to the change it was assumed that due to the length of the loan period any fluctuations in macroeconomic assumptions would even out over time. However, new earnings growth and RPI forecasts obtained from the OBR, indicated that because of the prevailing economic conditions, if long term assumptions continued to be used then the predicted repayments profile could be significantly overstated as the short term forecasts were indicating lower levels of repayment could be expected in the near term that may not be recovered over the life of the loan. Management therefore decided to move away from using long term assumptions in the short term in order to reflect the current economic conditions and to provide a more accurate assessment of the net present value of future cash flows.

In addition improvements to the student loan repayment model led to an impairment of £116 million and an adjustment to reflect changes in the long term rate of RPI resulted in an impairment of £134 million.

Policy write off impairment

The student loan policy write-off impairment provision 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 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 the actual debts written off by the Student Loans Company.

Policy write off impairment value

	£'000
Balance at 1 April 2009 (restated)	**(1,887,199)**
Increase in the year	(449,135)
Interest added/unwinding	7,549
Loans written off in the year	17,393
Movement in the year	**(424,193)**
Balance at 31 March 2010 (restated)	**(2,311,392)**
Increase in the year	(678,110)
Interest added/unwinding	(101,700)
Loans written off in the year	16,439
Movement in the year	**(763,371)**
Balance at 31 March 2011	**(3,074,763)**

The movement in the year in Note 19 differs from this note because interest added/ unwinding is included in effective interest.

The estimates underpinning these impairments are based on a forecasting model (the Student Loan Repayment model) which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimates the likely repayments of student loans. The valuation is based on a set of simulated borrower profiles, derived from a complex set of assumptions, including earnings on graduation and their likely earnings growth over the life of the loan (which could be 25 years or longer). Any changes to these assumptions could have an impact on the value of the loan book included in these Accounts. As described below, the model is long term in nature, but the Department now uses the latest short-term Office of Budget Responsibility (OBR) RPI and average earnings growth forecasts for the modelling of borrower earnings growth, loan interest, discounting and uplifting the repayment threshold.

The assumptions used are formally reviewed by the Department each year and the amounts provided reflect the Department's current estimate as at 31 March 2011.

Key assumptions used to calculate the student loan balance at 31 March 2011

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

Discount rate

To value the future cash flows, the Department has used the HM Treasury's long-term discount rate of 2.2% plus RPI, which represents 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. For example, an increase in the discount rate to 2.3% would lead to a reduction in the value of the loan book of approximately £150 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.

Graduate earnings and employment

The Student Loan Repayment model assumes short-term average nominal earnings growth will be in line with OBR forecasts until 2015-16. Future real earnings growth (net of RPI inflation) is then assumed to be 2 percentage points, as this is the long-term forecast. 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 £350 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.

Base Rate Cap

The model assumes that Bank of England base rates will be in line with the average of forecasts produced by a panel of independent forecasters published by HM Treasury up to 2015. The base rate cap is therefore currently assumed to continue to apply until 2013-14. If base rates were 0.5pp lower than forecast each year until 2015 this would lead to a reduction in the value of the loan book of approximately £200 million. The relationship between the base rate assumptions and the carrying value of the loan book is not linear and the impact of any changes also depends on the relative difference between the base rates and RPI.

Other assumptions

There are a number of other assumptions used in the modelling, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan book. It should be noted that many of the assumptions are independent of each other and could change at the same time. However, changes in earnings, unemployment and other macroeconomic factors would only have a significant impact on the value of the loan book if they were long term.

Risk

Credit Risk

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

There are two types of student loan; "mortgage style", which is paid back to the Student Loans Company (SLC) in monthly instalments once a certain earnings threshold has been crossed, and "income-contingent", whereby a percentage of income above the earnings threshold is collected by HMRC via the Pay As You Earn or Self Assessment processes. At 31st March 2011, the face value of "mortgage-style" loans was £787 million (31 March 2010: £844 million), whereas income-contingent loans represent £33,550 million or 98% (31 March 2010: £29,087 million or 97%) of the outstanding loan book.

Management of credit risk

The Department works together with the SLC and HMRC to manage the collection of student loan repayments and manage the associated credit risks.

There is a Memorandum of Understanding in place between the Department and the devolved administrations, who have their own loan books, the SLC who administer the loan books, and HMRC. This sets out the responsibilities of all parties and contains performance targets and indicators, which are revised annually.

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

Interest Rate Risk

Income contingent loans are repayable at the same interest rate as the RPI as at March each year, with the proviso that the interest rate can never be more than 1% above the Bank of England base rate. The amount of student loan interest repayable is therefore subject to the fluctuations in the market interest rate. This can lead to a risk in forecasting the amount of interest payable. Furthermore, if the UK continues to experience interest rates that are lower than RPI and therefore, the interest rate cap reoccurs with frequency, the future cash flows will be impaired as the modelling assumes, that interest is added in line with RPI. The Department has assessed the risk of further impairment in the short term (up to 2014) to be £980 million, which has been provided for as at 31 March 2011.

Mortgage style student loans debt recovery and arrears

Mortgage style loans were provided to students until academic year 1997/98, when they were replaced by income contingent loans. Borrowers whose income exceeds the repayment threshold, which is set at 85% of average earnings, are required to repay a fixed instalment each month. Borrowers who earn less than the repayment threshold are eligible to apply to the SLC for deferment of repayments for one year at a time. The application must be supported by evidence of the borrower's income. The main risks around repayments are from borrowers who do not apply for deferment of repayments, who apply late or who fail to maintain contact with the SLC.

If repayments due are not made and deferment has not been granted, the borrower falls into arrears. The value of payments in arrears as at 31 March 2011 was £198.9 million (31 March 2010: £194.6 million). During the year £65.6 million was repaid (2009-10: £86.1 million), including £11.9 million of repayments of arrears (2009-10: £15.9 million).

Potential Sale of Student Loans

The Government is continuing to assess how best to manage its holding of current and future income contingent repayment loans, including the potential to realise value for the taxpayer from a sale of its portfolio.

These Accounts present the student loans portfolio valued on the basis that they will continue to be held by the Department until such time as a decision to sell the assets has been made. The valuation basis reflects the requirements of IAS 39 to hold the loans at amortised cost. Should sales take place in 2011-12 or subsequently, it will be necessary to re-assess the basis for the carrying value, in accordance with the relevant Accounting Standards.

19.2 Launch Investments

The 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 Department, under the 1982 Civil Aviation Act, provides repayable launch investment to companies for a proportion of non-recurring eligible design and development costs on civil aerospace projects. Each project supported is covered by separate contractual terms and conditions. Under these contracts, periodic repayments become due when products are sold. The portfolio of existing investments is valued twice annually and the valuations are based on forecast annual income, arising under each contract.

Measurement and carrying values

Repayable launch investment contracts are initially recognised at fair value which is the transaction price. This is in accordance with IAS 39 which explains that the best estimate of fair value at initial recognition of a financial instrument that is not quoted in an active market, is not evidenced by or based on other observable market transactions, is the transaction price. After initial recognition, the value is the discounted forecast value of future income streams. The value of future income streams is predominantly based on the Department's view of the programme's short-term delivery outlooks and longer-term market forecasts. Longer-term forecasting uses an econometric model to forecast air traffic growth to estimate the overall 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 market forecasting models are benchmarked with external sources to ensure fitness for purpose, using the following as core sources: ICAO (International Civil Aviation Organisation), IATA (International Air Transport Association), ATA (Air Transport Association), AEA (Association of European Airlines), APAA (Asia Pacific Airlines Association), IMF (International Monetary Fund) GDP forecasts, Ascend Online Fleets and the Avsoft ACAS database. The market forecast model 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 or RPIX). Some contracts entitle the 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 deliveries. The forecast income streams are adjusted by inflation and are discounted to present value using HM Treasury's discount rate for financial assets of 3.5%.

The carrying value of launch investments is influenced by analysis of numerous variables, which can impact on forecasts of aircraft or engine deliveries, for example macroeconomic variables such as GDP. The relationship between the variables and the valuation is complex and a sensitivity analysis of changes to all the variables has not been provided for 2010-11; analysis of changes to key variables is however an element of each valuation.

Where the valuation exceeds historical cost, increases in value are taken to the revaluation reserve and are released to HM Treasury as investments are realised. Any permanent diminution in value is charged to the 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 £171 million at 31 March 2011 (31 March 2010: £112 million).

The value of the investments at 31 March 2011 was £1,900 million (31 March 2010: £1,715 million). The historic cost valuation of the portfolio at the end of March 2011 was £1,164 million (31 March 2010: £1,098 million).

Sensitivity analysis

The Department is in the process of developing a Monte-Carlo based approach to assess the impact of uncertainties in key contracts on forecast income and overall contract values and enhance the robustness of our valuation process. Uncertainties are addressed by assignment of probability distributions to major variables which can include: programme delays, production levels, market shares and more detailed analysis of appropriate, economic variables.

It must be stressed that the contracts are highly complex and generally distinct from each other.

The Department considers that the carrying value is a reasonable approximation of the fair value of Launch Investments.

Risk

Market Risk

This constitutes the largest area of potential risk in the portfolio, because the primary method of the calculation of repayments is based on the forecast numbers of aircraft or engine deliveries. The Department uses internal analysis, company information and third party information to forecast deliveries and ultimately annual 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 can change due to variables including overall market growth and the competitiveness of a given programme. This can result in the 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 Department. The 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 maintaining a programme monitoring activity for the substantive life of the contracts to monitor risk exposure to project, market and technical issues.

Interest Rate Risk

A number of the contracts use retail price indexes (RPI and RPIX) or other surrogates as a tool to inflate the value of income due to the Department over time. As such there is a risk relating to the forecasting of these indexes and surrogates, although we estimate that the risk is low and impact relatively minor.

Foreign Exchange Risk

The aerospace sector is predominately US Dollars denominated and the Department has a number of older contracts of relatively low value which are based on a share of dollar denominated spares and support income which it ultimately receives in pounds sterling. Therefore exchange rate risk exists but is minimal in the context of the overall portfolio.

Credit Risk

Company failure could result in the Department's investment not being recovered in whole or in part. The Department seeks to offset this low probability risk by analysing a company's financial health and outlook at the time of application for launch investment and reviewing financial health as part of contract monitoring and its wider relationship management activity. Contracts for launch investment aim to contain provisions which will (as a minimum) not disadvantage the Department compared to other creditors in the event of a corporate failure. The Department takes steps to monitor the regular payments made by companies under launch investment contracts to ensure they comply with the terms of the contracts, which includes payment of eligible amounts. The contracts also require the company's auditors to confirm that all payments made to the Department have been made correctly and to identify any errors made.

Other Risk

The Department's investments are exposed to wider risks such as economic downturns or market shocks from natural or non-natural causes. These risks may adversely impact the value and timing of the income received by the Department.

19.3 Venture Capital Funds

	Regional Venture Capital Funds	Early Growth Funds	Community Development Venture Funds	Enterprise Capital Funds	Aspire Fund	Capital for Enterprise Fund	UK Innovation Investment Fund	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2009 (restated)	**5,961**	**17,792**	**11,319**	**30,579**	**–**	**–**	**–**	**65,651**
Additions	–	746	450	23,848	1,709	30,409	**–**	**57,162**
Redemptions	(44)	–	(500)	(656)	–	–	**–**	**(1,200)**
Revaluations	3,950	6,285	261	2,121	–	–	**–**	**12,617**
Impairments	(5,356)	(4,882)	–	(7,095)	–	(659)	**–**	**(17,992)**
Balance at 31 March 2010	**4,511**	**19,941**	**11,530**	**48,797**	**1,709**	**29,750**	**–**	**116,238**
Additions	–	119	745	21,791	953	9,554	6,156	**39,318**
Redemptions	–	–	(3,225)	(1,082)	(16)	(3,530)	**–**	**(7,853)**
Revaluations	5,283	(2,063)	4,241	(1,976)	69	(7,527)	(49)	**(2,022)**
Impairments	(817)	(5,634)	(893)	(6,153)	–	(267)	(1,370)	**(15,134)**
Balance at 31 March 2011	**8,977**	**12,363**	**12,398**	**61,377**	**2,715**	**27,980**	**4,737**	**130,547**

Venture Capital Funds

The Department has determined that the Venture Capital Funds are to be classified as 'available for sale financial assets' and measured at fair value in accordance with IAS 39.

The Department's investment in the Venture Capital Funds supports private sector led venture capital to stimulate private investment into early stage small and medium size enterprises (SME) businesses as follows:

Regional Venture Capital Funds (RVCF)

RVCFs are an England-wide programme to provide risk capital in amounts up to £500,000 to small and medium size enterprises (SMEs) that demonstrate growth potential. The funds are managed by experienced venture capital professionals, making commercial returns. The objective was to have at least one viable commercial fund in each of the nine English regions which increases the amount of equity gap venture capital available to SMEs and which does not displace any existing funding activity in this sector. All nine funds have ceased making initial investments and all the government funds have been drawn down, however Fund Managers are still able to make follow on investments from other committed monies. The value of the Department's interest in these funds at 31 March 2011 is £9 million (31 March 2010: £5 million).

In the event of erosion in the fund's capital base the Department's investment suffers first. Government funds are subordinated to reduce the risk to other investors in the light of historically less attractive returns from this sector. This is done to attract other investors to invest in this 'equity gap' sector.

Early Growth Funds (EGF)

This programme was developed to encourage risk funding for start-ups and growth firms, to increase the availability of small amounts of risk capital of on average £50,000 for innovative and knowledge intensive businesses and businesses in other growth areas. Fund managers make all of the investment decisions and will be looking to make a commercial return on investments. The period of the initial investment has now closed but follow on investments will be made. The value of the Department's interest in the funds as at 31 March 2011 is £12 million (31 March 2010: £20 million).

Community Development Venture Funds (CDVF)

The CDVF, launched in 2002-03, is a £40 million venture capital fund aimed to widen and deepen the provisions of venture capital finance and entrepreneurial support to viable small and medium sized enterprises (SMEs) capable of growth that are located in, and have economic links with, the 25% most disadvantaged wards in England. Of the £40 million capital investment available to the fund, £20 million is Government investment, alongside private sector investors through pound for pound matched funding. The funds range of investment can be from £100,000 up to £2 million. The initial investment period ended in May 2009 and in September 2012 the fund will be reviewed. At this point the fund will either be wound up or the fund life will be extended for a further two years as is provided for in the Limited Partnership Agreement, in order to maximise the returns to investors from the fund. If wound up, all investments will be redeemed and the assets distributed to investors. The value of the Department's interest in the funds as at 31 March 2011 is £12 million (31 March 2010: £12 million).

Enterprise Capital Funds (ECF)

The ECF, first launched in 2006-07, was 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. Ten funds have had ECF funding allocated to them. The value of the Department's interest in the funds at 31 March 2011 is £61 million (31 March 2010: £49 million).

The Department has made a commitment to allocate a further £200 million to the ECF programme in the four year period until 31 March 2015.

Aspire

The Aspire fund is a co-investment fund that became operational in November 2008 and made its first investment in July 2009. It was established to provide equity investments of up to £2 million (as a total investment round) to women-led SME businesses. £12.5 million has been made available by the Government. The Government investment will at least be matched by the private sector. The value of the Department's investments at 31st March 2011 is £3 million (31 March 2010: £2 million).

Capital for Enterprise Fund (CfEF)

The CfEF was announced in January 2009 and became operational in April 2009. CfEF supports viable business with equity or mezzanine investment aimed at releasing and sustaining growth. The purpose of the fund is to provide equity and quasi equity of between £200,000 and £2 million where the business has exhausted its borrowing capacity with lenders. The fund will provide £75 million of equity or mezzanine funding of which £50 million has been committed by Government. The value of the Department's investments as at 31 March 2011 is £28 million (31 March 2010: £30 million).

UK Innovation Investment Fund

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, low carbon, digital technologies and advanced manufacturing. UKIIF became fully operational in February 2010, however the value of the Department's investment as at 31 March 2010 was nil. The funds are managed by two private sector fund managers – Hermes GPE and the European Investment Fund. The two funds raised £175 million of private investment, leading to a combined total of £325 million to invest, including the Government's £150 million cornerstone investment, which is being invested on the same terms as the private investors. The value of the Department's investments as at 31 March 2011 is £5 million.

Measurement and carrying amounts

The Venture Capital Funds are initially recognised at fair value, which is the transaction price. This is in accordance with IAS 39 which explains that the best estimate of fair value at initial recognition of a financial instrument that is not quoted in an active market, is not evidenced by or based on other observable market transactions, is the transaction price. 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. All Venture Capital Funds are valued in accordance with the International Private Equity and Venture Capital Guidelines.

The Department considers that the carrying value is a reasonable approximation of the fair value of these investments.

The Impairment of the Venture Capital Funds during 2010-11 of £15 million (2009-10: £18 million), considered a permanent diminution, is based upon a downward revaluation of the funds at 31 March 2011. Movements in fair value are adjusted though the revaluation reserve. The balance on the revaluation reserve pertaining to Venture Capital Funds was £13 million as at 31 March 2011 (31 March 2010: £19 million).

Risks

The Department is exposed to credit risk because the investee companies may not perform as expected and the Department may not recover its investment. The Department minimises the risk, by using Capital for Enterprise Limited (CfEL), an asset management business, and a delivery partner of the Department, to carry out a full evaluation of each business case submitted.

Further information on the Department's exposure to financial instrument risk is included in Note 17.

20. Impairments

During the year the Department impaired its assets to the value of £3,465,977 thousand (2009-10 restated: £522,464 thousand). The total impairment change for the year was charged direct to the Statement of Comprehensive Net Expenditure or via the Revaluation Reserve (£3,574 thousand). The details of the investments impaired are:

		2010-11 £'000		(Restated) 2009-10 £'000	
		Core	**Consolidated**	**Core**	**Consolidated**
	Note				
British Shipbuilder's Public Dividend Capital	18.2	5,000	5,000	6,500	6,500
Venture Capital Funds	19	15,134	15,134	17,992	17,992
Movement in student loans policy write off	11,19	661,671	661,671	424,193	424,193
Change in student loan impairment movement due to actual write offs	19	16,439	16,439	17,393	17,393
Student loan write offs	19.1	(16,439)	(16,439)	(17,393)	(17,393)
Student loan other	11	–	–	498	498
Tuition fee loan adjustment	11	76,862	76,862	50,650	50,650
Student loan base rate impairment	11,19	503,485	503,485	–	–
Base rate cap impairment provision	11,19	979,622	979,622	–	–
Changes to assumptions and modelling	11,19	1,123,146	1,123,146	–	–
Bad debt write off	12	18	98,633	6,039	6,039
Property, plant and equipment	15	–	2,424	16,592	16,592
Total impairments		**3,364,938**	**3,465,977**	**522,464**	**522,464**

Impairments have increased significantly due to the impairment of student loans to reflect the effects of the current economic conditions. The impairments are due to accounting for the base rate cap, the change from using long term assumptions to short-term assumptions in the near term; and other modelling and assumption changes. These impairments relate to loans issued in previous years, where the opening balance is impacted.

Further information about these impairments is included in the disclosure notes indicated.

21. Inventories

	31 March 2011 £'000		31 March 2010 £'000		(Restated) 1 April 2009 £'000	
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Inventories	–	13	–	60	–	51
Total	**–**	**13**	**–**	**60**	**–**	**51**

Inventories are held by Advisory, Conciliation and Arbitration Service (Acas) who currently hold inventories of publications.

22. Trade receivables and other current assets

	31 March 2011 £'000		31 March 2010 £'000		(Restated) 1 April 2009 £'000	
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:						
Trade receivables	16,464	83,779	18,873	238,892	46,633	255,892
Deposits and advances	–	–	–	–	–	–
Other receivables:						
VAT	9,167	15,399	7,494	11,826	8,782	10,394
CFER receivables	20,506	20,506	21,337	21,337	20,956	20,956
Staff receivables	1,125	1,723	1,410	2,017	1,570	2,281
Tuition fee loan receivable	835,947	835,947	813,921	813,921	683,679	683,679
RPS receivables	153,943	153,943	138,415	138,415	135,964	135,964
Other	172	16,944	39,567	38,947	24,940	24,625
Prepayments and accrued income	130,226	159,832	210,755	244,341	233,040	262,549
	1,167,550	**1,288,073**	**1,251,772**	**1,509,696**	**1,155,564**	**1,396,340**
Amounts falling due after more than one year:						
Trade receivables	72,132	74,778	91,247	–	45,247	537
Deposits and advances	–	74,038	51	133,835	5	108,681
Other receivables	83,482	83,482	47,016	47,016	18,170	18,170
	155,614	**232,298**	**138,314**	**180,851**	**63,422**	**127,388**
Total Receivables	**1,323,164**	**1,520,371**	**1,390,086**	**1,690,547**	**1,218,986**	**1,523,728**

The tuition fee loan receivable represents the amount of the tuition fee loans to be added to student loans when payments are made to the institutions, less the interest rate subsidy and write off impairments, which reflect the cost to Government of issuing the loans.

The Redundancy Payment receivable is shown net of an annual impairment.

The impairment is calculated by the Insolvency Service using a model which is approved by HMRC. Up to and including 2009-10 there was a basic five year model based on active debt, payments, receipts and the percentage recovery. A number of issues have arisen recently that have made the current basic model less reliable, namely:

- The Enterprise Act 2004 changed the way preferential debt is recovered
- Software changes have resulted in the model using a pot of all debt over the previous five years rather than active debt which means that there appears to have been some double counting of potential recoveries
- Recent data shows recoveries after more than 20 years albeit on a greatly reducing basis
- The model was producing a constantly increasing value of recoverable debt which could not be fully explained.

During the accounting period the model has been revised for 2010-11 using improved data. The updated model now includes the following:

- A management estimation that 14% of debt incurred each financial year to be recovered over a ten year period
- Recognition that debt will continue to be recovered for the following ten years. Therefore all debt over 10 years old is pooled
- Improved software means that receipts can be matched to financial years and rate of recovery recorded annually against forecast recovery figures
- Recognition that the amount of debt recovered increases where payments increase but at a slowing percentage rate
- The model is designed to be updated and reviewed annually including average assumptions used and over/under recoveries on an annual year basis.

The introduction of the revised model has raised some risks; the most obvious being the increase in calculated recoverable debt from £138 million in 2009-10 to £154 million in 2010-11. However of the total increase of £15.5 million, £6.5 million is as a result of including recoveries beyond year five that were excluded in the previous model. There is also 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 five 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 to be run on a monthly basis to ensure early warning of any trends outside the parameters set in the model.

22.1 Intra-Government Balances

	Amounts falling due within one year:			Amounts falling due after more than one year:		
	31 March 2011	**(Restated) 31 March 2010**	**(Restated) 1 April 2009**	**31 March 2011**	**(Restated) 31 March 2010**	**(Restated) 1 April 2009**
Balances with:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other central government bodies	61,052	251,200	167,675	–	24,374	200
Local authorities	456	11,647	23,733	–	–	–
NHS Trusts	103	148	289	–	–	–
Public corporations and trading funds	49,605	117,131	100,402	–	–	–
Subtotal: Intra-government balances	*111,216*	*380,126*	*292,099*	–	*24,374*	*200*
Bodies external to government	1,176,857	1,129,570	1,104,241	232,298	156,477	127,188
Total receivables at period end date	**1,288,073**	**1,509,696**	**1,396,340**	**232,298**	**180,851**	**127,388**

23. Investments and loans in public bodies: current

	Post Office Ltd loan	**Royal Mail Holdings plc NLF loans**	**Companies House loan**	**UKIPO loans**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2009 (restated)	**197,000**	**–**	**2,000**	**166**	**199,166**
Additions	6,327,000	2,198,000	–	–	**8,525,000**
Repayments	(6,035,000)	(2,168,000)	(2,000)	(166)	**(8,205,166)**
Revaluations	–	–	–	–	**–**
Loans repayable within 12 months transferred from non-current assets	–	–	2,500	166	**2,666**
Balance as at 31 March 2010	**489,000**	**30,000**	**2,500**	**166**	**521,666**
Additions	6,777,000	90,000	–	–	**6,867,000**
Repayments	(7,006,000)	(120,000)	(2,500)	(166)	**(7,128,666)**
Revaluations	–	–	–	–	**–**
Loans repayable within 12 months transferred from non-current assets	–	–	–	166	**166**
Balance as at 31 March 2011	**260,000**	**–**	**–**	**166**	**260,166**

Other investments and loans are held by the Core Department.

23.1 Post Office Limited loan

Since October 2003 the Department has made available to Post Office Ltd (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 the extent they are connected with the provision of services of general economic interest (such as social benefits payments). The facility matures in March 2016, subject to State aid clearance and the outstanding balance at 31 March 2011 was £260 million (31 March 2010: £489 million).

23.2 Companies House loan

During 2008-09, the Department advanced the sum of £4.5 million to Companies House as an interest bearing loan, repayable in full in six-monthly installments by 2010-11, in accordance with the loan repayment schedule. The loan was issued under the Companies House Trading Fund Order 1991 to assist Companies House's capital investment programme. Companies House has now met its obligation to repay the loan and the balance at 31 March 2011 is nil (31 March 2010: £2.5 million).

23.3 UKIPO loans

In 1992, the Department advanced two loans amounting to £4.3 million, to the UKIPO, repayable over 26 years, in 52 instalments of principal. £166,000 was repaid during 2010-11, with a further £166,000 due to be repaid by 31 March 2012. The balance outstanding at 31 March 2011 is £1.2 million (of which £166,000 is repayable within 12 months). The amounts falling due after more than one year are disclosed in Note 18.

24. Cash and cash equivalents

	31 March 2011 £'000		(Restated) 31 March 2010 £'000		(Restated) 1 April 2009 £'000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Balance at 1 April	**407,678**	**579,580**	**1,361,537**	**1,486,577**	**1,117,393**	**1,255,955**
Net change in cash balances	496,227	680,080	(953,859)	(906,997)	244,144	230,622
Balance as at 31 March	**903,905**	**1,259,660**	**407,678**	**579,580**	**1,361,537**	**1,486,577**
The following balances were held with:						
The Government Banking Service (GBS)	903,437	1,237,150	407,180	380,767	1,361,023	1,366,085
Commercial banks and cash in hand	468	22,510	498	198,813	514	120,932
Balance at 31 March	**903,905**	**1,259,660**	**407,678**	**579,580**	**1,361,537**	**1,487,017**
Less overdraft	–	–	–	–	–	(440)
Total	**903,905**	**1,259,660**	**407,678**	**579,580**	**1,361,537**	**1,486,577**

The Department does not hold any cash equivalent balances.

25. Reconciliation of Net Cash Requirement to increase/(decrease) in cash

	31 March 2011 £'000	31 March 2010 £'000
Net cash requirement	(23,324,621)	(24,538,666)
From the Consolidated Fund (Supply) – current year	24,052,232	23,550,380
From the Consolidated Fund (Supply) – prior year	–	–
Amounts due to the Consolidated Fund received in prior year and paid over	(199,657)	(116,886)
Amounts due to the Consolidated Fund received and not paid over	152,126	199,657
Adjustment for Royal Mail interest	–	(1,482)
Increase/(decrease) in cash	**680,080**	**(906,997)**

26. Trade payables and other current liabilities

		31 March 2011 £'000		31 March 2010 £'000		1 April 2009 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:							
Other taxation and social security		36	36	63	63	708	708
Trade payables		51,569	71,961	14,052	186,941	14,110	218,453
Tuition fee loan obligation		1,229,715	1,229,715	1,130,446	1,130,446	949,554	949,554
Other payables		118,738	127,717	44,293	52,025	21,186	63,501
Commercial bank overdraft		–	–	–	–	–	440
Accruals and deferred Income		258,693	674,459	309,751	628,115	189,825	507,301
Royal Mail NLF loan		–	–	30,000	30,000	–	–
Current part of finance leases		–	315	–	867	–	956
On Balance Sheet (SoFP) PFI and other service concession arrangements contracts		–	2,306	–	3,003	–	2,421
Advances from contingencies fund		–	–	–	–	–	–
Amounts issued from the Consolidated Fund for supply but not spent at year end		1,107,533	1,107,533	379,923	379,923	1,366,685	1,366,685
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:							
Received		146,367	146,367	194,281	194,281	111,259	111,259
Receivable		20,506	20,506	21,337	21,337	20,956	20,956
Other Consolidated Fund Extra Receipts[51]		5,759	5,759	5,376	5,376	5,627	5,627
		2,938,916	**3,386,674**	**2,129,522**	**2,632,377**	**2,679,910**	**3,247,861**
Amounts falling due after more than one year:							
Trade Payables		–	–	–	–	–	564
Other payables, accruals and deferred income		307	16,214	9,067	17,384	35,888	36,022
Finance leases		–	36	–	348	–	1,225

51 Other Consolidated Fund Extra Receipts represent amounts payable to Northern Ireland, the Isle of Man, Guernsey and Jersey.

		31 March 2011 £'000		31 March 2010 £'000		1 April 2009 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Imputed finance lease element of on-balance sheet (SoFP) PFI and other service concession arrangements contracts		–	1,049	–	3,355	–	5,829
Royal Mail NLF loans		1,100,000	1,100,000	800,000	800,000	500,000	500,000
Consolidated Fund Extra Receipts over one year due to be paid to the Consolidated Fund		78,164	78,164	37,635	37,635	1,481	1,481
		1,178,471	**1,195,463**	**846,702**	**858,722**	**537,369**	**545,121**
Total payables		**4,117,387**	**4,582,137**	**2,976,224**	**3,491,099**	**3,217,279**	**3,792,982**

The tuition fee loan obligation represents the amounts which the Department has accrued for the May payment of tuition fee loans.

26.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2011	31 March 2010	1 April 2009	31 March 2011	31 March 2010	1 April 2009
Balances with:	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**
Other central government bodies	1,290,946	656,778	1,527,905	1,178,164	845,953	508,010
Local authorities	9,782	16,230	29,016	–	–	–
NHS Trusts	111	166	429	–	–	–
Public corporations and trading funds	2,292	77,804	68,206	–	–	–
Subtotal: Intra-Government balances	*1,303,131*	*750,978*	*1,625,556*	*1,178,164*	*845,953*	*508,010*
Bodies external to government	2,083,543	1,881,399	1,622,305	17,299	12,769	37,111
Total payables at 31 March	**3,386,674**	**2,632,377**	**3,247,861**	**1,195,463**	**858,722**	**545,121**

27. Provisions for Liabilities and Charges

	Core Department						
	UK Atomic Energy Authority Restructuring	**UK Atomic Energy Authority Decommissioning**	**Early Departure Costs**	**British Shipbuilders**	**Onerous Leases**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2009 (restated)	**26,121**	**154,403**	**21,231**	**117,999**	**154,366**	**21,389**	**495,509**
Provided in the year	–	6,587	3,182	–	–	–	**9,769**
Provisions not required written back	(684)	–	–	(7,541)	(969)	(1,810)	**(11,004)**
Provisions utilised in the year	(2,717)	–	(8,144)	–	(13,115)	(2,506)	**(26,482)**
Unwinding of discount	470	3,397	382	2,596	3,382	256	**10,483**
Balance at 31 March 2010	**23,190**	**164,387**	**16,651**	**113,054**	**143,664**	**17,329**	**478,275**
Transferred in	–	–	–	–	36,938	–	**36,938**
Provided in the year	1,213	9,176	21,490	86,402	37,883	3,096	**159,260**
Provisions not required written back	–	–	(5)	(5,734)	–	(71)	**(5,810)**
Provisions utilised in the year	(4,538)	–	(7,434)	–	(29,602)	(3,580)	**(45,154)**
Unwinding of discount	672	3,616	485	2,487	3,200	170	**10,630**
Balance at 31 March 2011	**20,537**	**177,179**	**31,187**	**196,209**	**192,083**	**16,944**	**634,139**

	Consolidated						
	UK Atomic Energy Authority Restructuring	UK Atomic Energy Authority Decommissioning	Early Departure Costs	British Shipbuilders	Onerous Leases	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009 (restated)	**26,121**	**154,403**	**25,353**	**117,999**	**154,366**	**81,678**	**559,920**
Provided in the year	–	6,587	3,182	–	2,717	2,322	**14,808**
Provisions not required written back	(684)	–	–	(7,541)	(1,520)	(12,129)	**(21,874)**
Provisions utilised in the year	(2,717)	–	(9,314)	–	(13,115)	(12,269)	**(37,415)**
Unwinding of discount	470	3,397	382	2,596	3,382	1,686	**11,913**
Balance at 31 March 2010	**23,190**	**164,387**	**19,603**	**113,054**	**145,830**	**61,288**	**527,352**
Transferred in	–	–	–	–	36,938	–	**36,938**
Provided in the year	1,213	9,176	26,001	86,402	39,558	8,741	**171,091**
Provisions not required written back	–	–	–	(5,734)	–	(377)	**(6,111)**
Provisions utilised in the year	(4,538)	–	(8,563)	–	(31,488)	(16,038)	**(60,627)**
Unwinding of discount	672	3,616	551	2,487	3,200	171	**10,697**
Balance at 31 March 2011	**20,537**	**177,179**	**37,592**	**196,209**	**194,038**	**53,785**	**679,340**

Provisions analysed between Current and Non-current

	31 March 2011		31 March 2010		1 April 2009	
	Core	Consolidated	Core	Consolidated	Core	Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000
Current liabilities	58,276	64,788	44,749	55,818	37,988	48,265
Non current liabilities	575,863	614,552	433,526	471,534	457,521	511,655
Total	**634,139**	**679,340**	**478,275**	**527,352**	**495,509**	**559,920**

Analysis of expected timing of discounted cash flows

							Core Department
	UK Atomic Energy Authority restructuring	UK Atomic Energy Authority decommissioning	Early Retirement	British Shipbuilders	Onerous Lease	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	4,482	21	8,294	7,636	31,593	6,250	**58,276**
Later than one year and not later than five years	10,602	2,503	20,219	41,600	93,780	4,461	**173,165**
Later than five years	5,453	174,655	2,674	146,973	66,710	6,233	**402,698**
Balance at 31 March 2011	**20,537**	**177,179**	**31,187**	**196,209**	**192,083**	**16,944**	**634,139**

							Consolidated
	UK Atomic Energy Authority restructuring	UK Atomic Energy Authority decommissioning	Early Retirement	British Shipbuilders	Onerous Lease	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	4,482	21	10,064	7,636	32,511	10,074	**64,788**
Later than one year and not later than five years	10,602	2,503	24,181	41,600	94,817	14,850	**188,553**
Later than five years	5,453	174,655	3,347	146,973	66,710	28,861	**425,999**
Balance at 31 March 2011	**20,537**	**177,179**	**37,592**	**196,209**	**194,038**	**53,785**	**679,340**

27.1 UK Atomic Energy Authority Restructuring

The majority of the restructuring provisions represent termination benefits payable under early retirement arrangements to Authority employees who had retired early, or had accepted early retirement, before 31 March 2004. In addition, a smaller provision of £1.1 million has been made in the Authority's 2010-11 accounts, relating to employees who have retired, or accepted early retirement, in 2010-11 and 2011-12. These benefits continue at least until the date at which the employee would have reached normal retirement age, and for the duration of the pensioner's life where there is entitlement to enhancements (where enhancements are payable, the provision is calculated using the actuarial assumption of age 76). The restructuring provisions have been discounted at the pension discount rate of 2.9% to the reporting date. The undiscounted cost of the provisions as at 31 March 2011 is £23.3 million (31 March 2010: £25.3 million) and the benefits are estimated to be payable over a period up to 25 years.

27.2 UK Atomic Energy Authority Decommissioning Provisions

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. BIS 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, so the estimated liabilities reflect the March 2011 calculation, as shown in the Authority's accounts at 31 March 2011. The best estimate of the cost of dealing with the liabilities is discounted at 2.2% to the reporting date and expressed in 2010-11 money values. The undiscounted cost of the provisions is £233.3 million (2009-10: £221.2 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.

27.3 Early Departure Costs

The Department and its consolidated bodies meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Department and its Consolidated bodies provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury's pension discount rate of 2.9 per cent in real terms.

During the reporting period the Department created two new provisions for early departure costs as staff accepted offers of early retirement following schemes launched by the Department in July 2010 and February 2011.

The provisions are required in order to meet the costs of pension enhancements and lump sum payments for staff departing under these Schemes. The liabilities extend for up to ten years. The total value of the provisions at 31 March 2011 is £33 million (31 March 2010: £19.5 million), of which £11.7 million relates to the Department's former schemes, £19.4 million to the new BIS schemes launched in July 2010 and February 2011 and £2 million to Acas schemes.

During the reporting period INSS created a new provision for early departure costs in respect of staff accepting offers of early retirement in relation to a new scheme offered by INSS.

The provision is required in order to meet the costs of pension enhancements and lump sum payments for INSS staff leaving under the scheme. The liability extends for ten years. The total value of the provision at 31 March 2011 is £4.2 million (31 March 2010: nil).

27.4 British Shipbuilders

British Shipbuilders has liabilities arising from personal injury to former employees resulting from exposure to asbestos during the course of their work. The Department has taken on responsibility for the liabilities of the British Shipbuilders Corporation to the extent that they cannot be met from the residual funds of the Corporation. The undiscounted liability is £264.1 million (2009-10: £142 million). The current estimate is that the liabilities will extend for up to 30 years.

The Corporation's approach to accounting for the asbestos-related claims against the Corporation and its subsidiaries is to provide for those costs of resolution which are both probable and reliably estimable. A valuation was carried out in December 2010 which identified a range of liabilities from £112 million to £300 million (£149 million to £432 million undiscounted). The provision is based on the central element of the undiscounted revised forecast, discounted at the Treasury rate of 2.2%. In addition The Damages (Scotland) Bill received Royal Assent on Thursday 7 April 2011 and the substantive provisions of the Act came into force on 7 July 2011. This is an adjusting event after the reporting period because it increases the estimated level of damages awarded for cases already in existence at 31 March 2011. The undiscounted provision for future liabilities has increased by £40 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 reviewed by an actuary when a condition changes materially. Further information can be found in the British Shipbuilders' Accounts.

27.5 Onerous Leases

During the reporting period additional onerous lease provisions with a value of £36 million, formerly the responsibility of the Learning and Skills Council (LSC), transferred to the Department. These buildings have been mothballed to reduce costs and to limit potential damage to the fabric, and are being marketed both within Government and on the commercial market, although due to the economic conditions there has been limited interest. The expiry dates for these leases range from 2012 to 2021.

Following the transfer of the Government Property Unit (GPU) as a result of a machinery of government change, the Department took on responsibility for sixteen onerous leases. The discounted cost of the onerous lease provisions as at 31 March 2011 is £5.1 million (31 March 2010: £6.3 million).

The Department, under its accommodation strategy, has determined that leased offices at 151 Buckingham Palace Road (BPR), 10-18 Victoria Street (10VS), St Mary's House, Sheffield and Kingsgate House, Victoria Street are surplus to existing and future operating requirements. The lease for BPR expires in 2021, the lease for 10VS expires in 2026, the lease for St Mary's House expires in 2013 and the lease for Kingsgate House expires in 2012.

The Department has attempted to mitigate any potential losses through subletting against the existing head leases for the buildings, and has sublet BPR and 10VS. However, given market conditions at the time and future forecasts, neither the current nor future potential subleases recover the full costs incurred by BIS.

Kingsgate House in Victoria Street in Central London was vacated in March 2011 and has also been subsequently mothballed to reduce running costs. The site is to be redeveloped by the Landlord, when the lease expires in March 2012. Given the short residual term, it is unlikely that an occupier could be found for a term of less than a year. St Mary's House, Sheffield which was vacated in September 2010 has also been mothballed as staff moved to the new building, St Paul's Place, due to the very short term of the lease and limited prospects of finding a tenant for the building.

Value of provisions

The onerous lease provisions transferred from LSC at a value of £36 million, and the Department has increased these provisions by a further £8 million during the year.

The total provision of £194 million has been made for the discounted gross costs less the discounted expected income. The undiscounted cost of these onerous lease provisions at 31 March 2011 is £212.1 million (31 March 2010: £154.7 million).

27.6 Other

This relates to a range of liabilities arising from the Department's normal business. It includes Agency provisions arising through consolidation and provisions for various minor other Departmental Programmes and Administration costs.

Trawlermen Compensation Scheme

Following a report in February 2007 by the Ombudsman on the Trawlermen's Compensation Scheme set up in 2000, the Department agreed to review the scheme rules and eligibility criteria.

A new scheme was launched in July 2009, with a deadline for submission of claims of April 2010. Almost all of these claims have now been paid. £2.55 million has been paid this financial year. The undiscounted liability as at 31 March 2011 for the remaining claims is £0.2 million (2009-10: £2.7 million).

There is no specific legislative authority for these payments and the Department was advised that it could not rely on the sole authority of the Appropriation Act, which it did when running the previous Schemes. The Secretary of State therefore directed the Accounting Officer in 2009 to proceed.

The National Dock Labour Board (NDLB)

Responsibility for the National Dock Labour Board (NDLB), which was set up in 1948 and abolished in 1989, rests with BIS. Over the past few years a number of former dockers have developed diseases, mainly asbestos related, which they believe arose as a result of their dock work. A test case in the High Court in December 2008 established that the NDLB did owe a duty of care to these dockers. As a result the

Department recorded a provision in the 2008-09 Accounts to cover future compensation payments. In March 2010 agreement was reached with Zurich Insurance on the coverage of the public liability policies originally taken out by the NDLB. No payments have yet been made by the Department, and few cases have yet been settled, but the estimated cost to BIS of those cases which have come forward so far is around £7 million. Although it is likely that the majority of cases are now known, it is possible that new cases could continue to arise for the next 15-20 years, given the long gestation period for asbestos related illnesses. On this basis the Department has provided for a £7.9 million liability as at 31 March 2011 (2009-10: £8.8 million).

NMO Pensions provision

The NMO is responsible for any deficit arising on the NPLML Pension Scheme when the NPLML contract ends in 2014. Therefore NMO has provided for the liability. As at 31 March 2011 the discounted value of the provision is £29 million (31 March 2010: £29 million).

28. Financial Guarantees

					Core		Consolidated
	SFLGS	**EFG**	**UK High Technology Fund**	**Other**	**Total**	**PCDLs**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2009 (restated)	**249,606**	**6,534**	**672**	**–**	**256,812**	**21,933**	**278,745**
Provided in year	3,448	115,396	–	23,629	142,473	19,722	162,195
Financial guarantees not required written back	(39,322)	–	–	–	(39,322)	–	(39,322)
Guarantees called	(81,617)	–	–	(81)	(81,698)	(10,247)	(91,945)
Amortisation of financial guarantees	(4,872)	(3,483)	–	(7,032)	(15,387)	–	(15,387)
Unwinding of discount	4,741	99	–	–	4,840	–	4,840
Balance at 31 March 2010 (restated)	**131,984**	**118,546**	**672**	**16,516**	**267,718**	**31,408**	**299,126**
Provided in year	–	60,829	450	35,635	96,914	10,598	107,512
Financial guarantees not required written back	(18,660)	–	–	(7,049)	(25,709)	–	(25,709)
Guarantees called	(44,524)	(9,450)	–	(28)	(54,002)	(10,461)	(64,463)
Amortisation of financial guarantees	(1,954)	(9,926)	–	(8,537)	(20,417)	–	(20,417)
Unwinding of discount	2,185	1,747	–	–	3,932	–	3,932
Balance at 31 March 2011	**69,031**	**161,746**	**1,122**	**36,537**	**268,436**	**31,545**	**299,981**

Financial guarantees analysed between current and non-current liabilities

	31 March 2011		31 March 2010 (restated)		1 April 2009 (restated)	
	Core	**Consolidated**	**Core**	**Consolidated**	**Core**	**Consolidated**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current liabilities	54,519	54,519	105,316	105,316	101,689	101,689
Non current liabilities	213,917	245,462	162,402	193,810	155,123	177,056
Total	**268,436**	**299,981**	**267,718**	**299,126**	**256,812**	**278,745**

The Small Firms Loans Guarantee Scheme (SFLGS), the Enterprise Finance Guarantee (EFG) and Professional and Career Development Loans (PCDLs), and those guarantees included in the category of other, are classified as financial guarantees in accordance with IAS 39. The other guarantees are the Trade Credit Insurance Scheme (TCIS), the Working Capital Scheme (WCS) and the Automotive Assistance Programme (AAP) loan guarantee.

Measurement

The TCIS, WCS, SFLGS, EFG and AAP are initially recognised at fair value, which is equal to the premium income over the life of the guarantee. After initial recognition, the individual guarantees are measured at the higher of:

a) The amount determined in accordance with IAS37, (Provisions, Contingent Liabilities and Contingent Assets)

b) The amount initially recognised, which for the Department is the value of the premiums over the life of the guarantee.

The discounted premium income is also disclosed as a fee receivable. The fees receivable under the Working Capital Scheme and the Trade Credit Insurance Scheme were not discounted as all amounts fell due within twelve months of the period end.

Those guarantees that are not expected to default are carried at fair value and those guarantees that are expected to default are carried at an amount determined in accordance with IAS 37. The fair value is based upon the net present value of premium income. The value of the amounts determined, under IAS 37, is based on the expected value of defaults discounted using HM Treasury's effective interest rate, currently 2.2%, where material.

28.1 Small Firms Loan Guarantee Scheme (SFLGS)

The SFLGS is now a legacy scheme, as it was replaced by the new Enterprise Finance Guarantee in January 2009. It was previously the Department's main instrument for supporting debt finance for small businesses. 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

The total value of loans outstanding as at 31 March 2011 is £265 million (2009-10: £408 million) however, BIS's total liability under the Scheme is limited to approximately 75% of the total value of the loans outstanding which is £199 million (2009-10: £308 million). The total value of the expected defaults is £38 million (2009-10: £99 million), and the fair value of those guarantees not expected to default is £31 million (2009-10: £33 million). The amounts outstanding will be utilised over the next eight years, to 2018-19.

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'. The model predicts the probability of default for each loan period.

Risks

Due to the nature of these guarantees, the Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Department to honour its guarantee. The Department minimised this credit risk, by devolving responsibility to the banks to determine whether any business applying for a loan is commercially viable. The banks were required to apply their normal commercial criteria and practices. To establish that this was the case, the Department commissioned periodic independent audits of the participating lenders. A sample of guarantees granted, were examined annually and samples of defaults arising continue to be examined at least annually. The Department shares the risk, setting its maximum exposure at 75% of the outstanding balance of the loan at default plus up to six months of interest. The lenders bear the risk on the remaining 25%.

The Department is also 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 Department relies on the lenders applying best commercial practice when assessing the risk of default.

Gross Domestic Product

SFLG is sensitive to changes in GDP. The table below shows the impact on the results generated by the model which predicts defaults of a 1% fall in GDP on the number and value of loans expected to default. If GDP were to fall by 2% the values would simply be multiplied by two.

	Additional loans expected to default	**Value of loans expected to default**
	Numbers	**£'000**
2010-11	50	1,814
2011-12	32	930
2012 -20	43	862
Total	**125**	**3,606**

28.2 Enterprise Finance Guarantee (EFG)

The Enterprise Finance Guarantee (EFG) was introduced in January 2009. The initial approval enabled up to £1.3 billion of lending to businesses up to the end of March 2010. Actual lending under the scheme for that period was £850 million. In December 2009 the then Government announced a continuation of EFG that from April 2010 would guarantee up to £500 million of lending through to the end of March 2011. This amount was then increased to £700 million in the June 2010 Budget announcement. Actual lending under the scheme for the year was £459 million. In the October 2010 Spending Review (SR), the Government made a commitment to continue EFG until 2014-15 and, subject to demand, will guarantee up to £2 billion in lending over the four year SR period.

EFG may be used to facilitate new term loans (either unsecured or partially secured), to transfer long term debt out of an overdraft or to refinance an existing secured loan which would otherwise be withdrawn due to deterioration in the quality of the security. The lending terms for the EFG require a business meets an approved EFG lender's commercial lending criteria, have an annual turnover of up to £25 million and to be seeking a facility of between £1,000 and £1 million. An EFG facility may be for any term of between three months and ten years (except for the invoice finance and overdraft guarantee facilities which operate over maximum terms of three years and two years respectively).

The EFG is available for most business purposes and to businesses in most sectors. However, the EFG is subject to certain restrictions arising from the EU De Minimis State Aid rules, the Industrial Development Act 1982, (which provides the statutory basis for EFG) and also national policy reasons, which are detailed on the Department's website.

Measurement

Carrying values

The total value of loans outstanding as at 31 March 2011 is £905 million (2009-10: £700 million). The Department's liability is capped at 9.75% of the total lent under the scheme. This is calculated as 9.75% of the total lent less the amount paid to date. At 31 March 2011 the Department's maximum exposure was £111 million based on total lending of £1.24 billion.

£45 million of EFG loan offers had been made prior to 31 March 2011 which had yet to be drawn. It is estimated that up to £39 million worth of these loans will ultimately be drawn down by borrowers. At 31 March 2011 the total value of the expected defaults, adjusted for claims already made, is £114 million (2009-10: £79 million), and the fair value of those guarantees not expected to default is £48 million (2009-10: £40 million).

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'. The model predicts the probability of default for each loan period, but the liability is capped to 13% of the overall portfolio therefore reducing the total exposure. The timing of the calls on the guarantees are impacted by the requirement for lenders to undertake all reasonable steps to recover outstanding debt and to realise security before a claim is made. This has led to differences between forecast and actual expenditure.

Risks

Due to the nature of these guarantees, the Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Department to honour its guarantee. The 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, the 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 Department also shares the risk on each individual guaranteed facility with the lender in the ratio 75%:25% and limits the risk at the portfolio level because its exposure is capped at 9.75% of the total value of the guaranteed facilities.

In addition, the 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 Department relies on the lenders applying best commercial practice when assessing the risk of default.

Gross Domestic Product

Historical evidence shows that minor changes in GDP do not impact on EFG default rates and therefore adjustments for economic conditions will only apply in exceptional economic conditions.

28.3 UK High Technology Fund Guarantee

The Department has issued a guarantee to investors in the UK High Technology Fund which has been classified as a financial guarantee. In the event of the fund not generating sufficient income to meet the other investors' guaranteed rates of return, the Fund Manager would make a call on the Department's share of investment income, resulting in the income being returned to the Fund Manager.

Carrying value and measurement

The financial guarantee is carried at fair value. Fair value is calculated as being the product of the maximum amount payable and the likely risk of a call on the guarantee being made. The carrying value at 31 March 2011 reflects the maximum possible repayment of £1.12 million of income received from the UK High Technology Fund which is expected to be repaid to the fund in full during 2011-12.

Risks

Due to the nature of this guarantee, the Department is exposed to other market risk, which could trigger a call on the guarantee given if the fund underperforms due to market conditions. The Department minimises the risk for the UK High Technology Fund through its delivery partner, Capital for Enterprise Limited (CfEL), an asset management company. CfEL monitor the overall performance of the UK High Technology Fund and, as appropriate, will act to secure value for the Department as an investor in the Fund.

28.4 Other

Trade Credit Insurance Scheme (TCI)

As part of the 'real help for business' package, the Department introduced the Trade Credit Insurance Top-up Scheme on 1 May 2009, to provide support to businesses that had seen their whole-turnover policy trade credit insurance cover reduced by their insurance provider after 1 October 2008. The Scheme was closed to all new policies (including renewals) on 31 December 2009, with all the remaining policies expiring by 30th June 2010. To date there have been defaults of £109,000.

Working Capital Scheme

The Working Capital Scheme (WCS) guaranteed 50% of bank portfolios of loans to businesses, in order that 'regulatory capital' was freed up to enable banks to increase working capital facilities to business. The scheme came to an end on 31 March 2011. However, the guarantees remain extant for a further six weeks for notification of default and to 31 July 2011 for notification of restructuring, where the bank takes charge of the company and reorganises its affairs in order to recover as much of the debt as possible. The Department is required to pay half the amount owed to the bank on notification of restructuring and is repaid after two years if the money is recovered through the restructuring process.

A £1 billion capital guarantee was signed with the Royal Bank of Scotland and Lloyds Banking Group for portfolios of up to £2 billion on 1 April 2009. A second tranche was signed with Lloyds Banking Group on 31 July 2009. As at 31 March 2011 there were no defaults and no notification of restructuring.

Automotive Assistance Programme

On 27th January 2009, the then Secretary of State, announced the creation of the Automotive Assistance Programme (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 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.

The AAP Programme closed on 31 December 2010 with no other guarantees provided.

Other financial guarantees: risks

With respect to the WCS the Department is exposed to credit risk if a business defaults on a loan. This risk was mitigated through setting out clear eligibility criteria in the contracts with the banks and the standard credit checks that the banks carry out on the businesses before loans were granted. The Department is also exposed to a greater risk of default in periods of economic downturn.

Due to the nature of the AAP guarantee, the 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 Department assessing the company's credit rating according to professional rating agencies. At 31 March 2011 the likelihood of default was assessed as 3.65%. The loan is also secured on assets.

Other financial guarantees: Carrying values

At 31 March 2011, the fair value of these guarantees is £35 million (31 March 2010: £7.5 million), and the total value of the expected defaults is £2 million (31 March 2010: £8.9 million).

28.5 Professional and Career Development Loans

The Professional and Career Development (PCDLs) programme is administered by the Skills Funding Agency. PCDLs provide loans to students of £300 to £10,000, to enable them to complete a course of study from approved learning providers, lasting up to two years (three years if one year's work experience is included). High street banks provide the loans to students at a rate of interest below what might ordinarily be offered to them in such circumstances – currently 12.9% (2009-10: 9.9%). The Skills Funding Agency is liable for the cost of defaults on these loans and for the interest costs of the loans while the students are in learning and for up to one month after the course of study finishes.

Measurement

Carrying Values

The financial guarantee is carried at an amount determined in accordance with IAS 37 which is calculated as being the product of the maximum amount payable and the likely risk of a call on the guarantee being made. The total value of the loans outstanding as at 31 March 2011 is £210 million (2009-10: £209 million) however, the Skills Funding Agency's total liability under the Scheme is capped at 15% of the total loan portfolio advanced since the beginning of the programme and at 31 March 2011 is estimated to be £31 million (31 March 2010: £32 million).

Risks

The Skills Funding Agency is not exposed to interest rate risk as the rate of interest on the loans is fixed (currently 12.9%). The banks' usual lending practices mean that fixed rate loans are usually available for small value short term loans.

Due to the nature of these guarantees, the Skills Funding Agency is exposed to credit risk as the student may default and the lending bank will call upon the Skills Funding Agency to honour its guarantee. The Skills Funding Agency minimises the credit risk and the risk of default relating to an economic downturn by requiring that the lending banks to apply normal commercial criteria and practices when assessing the risk of default.

Further information on the Department's exposure to financial instrument risk is included in Note 17.

29. Other Financial Liabilities

	Debt sale subsidy
	£'000
Balance at 1 April 2009	**273,249**
Increase in year	5,605
Utilisation in year	(14,558)
Unwinding of the discount	6,011
Value at 31 March 2010	**270,307**
Increase/(decrease) in year	(74,643)
Utilisation in year	(10,437)
Unwinding of the discount	5,947
Value at 31 March 2011	**191,174**

Financial liabilities analysed between current and non-current liabilities

	31 March 2011	**31 March 2010**	**1 April 2009**
	£'000	**£'000**	**£'000**
Current liabilities	9,124	23,432	18,620
Non current liabilities	182,050	246,875	254,629
Total	**191,174**	**270,307**	**273,249**

The Student debt sale subsidy is classified as 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 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. Recently the interval has decreased as interest rates have declined. The other key element relates to compensation payable for deferment write offs. Borrowers who earn less than the repayment threshold are eligible to apply for deferment of repayments and under the contracts the Department is liable to pay compensation to the purchaser of the debt where this occurs. The reduction in the deferment threshold during the year has led to a reduction in compensation payments and the Department's estimate of its future liability has fallen significantly as fewer borrowers fall into this category. There are also relatively small adjustments to the claim for cancelled loans and first losses. The first loss is a risk sharing arrangement for the most overdue sold loans (over two years without a repayment) where subsidy is paid in relation to these loans, up to a cap defined in the contracts.

30. Analysis of Operating Costs by reporting segment

In accordance with the FReM, the Department has implemented IFRS8 Operating Segments disclosure requirements for 2010-11.

The Department'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. No operating segments have been aggregated.

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

- Knowledge and Innovation Group reporting expenditure on:
  - Science and Research including the Research Councils
  - Innovation including the Design Council and National Measurement Office
  - Higher Education including the Higher Education Funding Council for England
- Business and Skills reporting expenditure on various initiatives to assist business and enterprise and improve adult skills including:
  - Regional Development Agencies
  - Strategic Investment Fund
  - Automotive Assistance Plan
  - Enterprise Fund and Enterprise Capital Fund
  - Skills Funding Agency including Learner and Employer Responsive programmes
- Market Frameworks reporting expenditure on:
  - Debt Advice Project
  - Citizen's Advice National bodies
  - Consumer Support
  - Acas
  - INSS.

- Chief Economic Adviser and Better Regulation Executive reporting expenditure on:
  - Local Better Regulation Office
- Shareholder Executive reporting expenditure on:
  - Post Office
  - UK Atomic Energy Authority
- Finance and Commercial Group reporting expenditure on finance programmes and corporate services
- Legal, People and Communications reporting expenditure on Legal group, Human Resources and Communications group
- Ministerial and Parliamentary Support Team
- UK Trade & Investment (UKTI) administration expenditure
- Office of Manpower Economics.

This segmental presentation is consistent with the information provided to the Department's Board, where decisions with regard to resource allocation and financial performance are made.

Finance and Commercial Group includes the central costs of running the Department, such as accommodation, facilities management, telecommunications costs and depreciation.

Net expenditure reported to the Board as at 31 March 2011

(a) Administration

Administration Resource outturn by Group for the year ending 31 March 2011

Group	2010-11 outturn £m
Knowledge & Innovation	21
Business & Skills	42
Market Frameworks	26
Economics, Strategy & Better Regulation	15
Shareholder Executive	8
Office of Manpower Economics	2
Legal, People & Communications	45
Ministerial and Parliamentary Support Team	6
Finance & Commercial	114
UKTI	38
Total	**317**

(b) Programme

Programme Resource outturn by Group for the year ending 31 March 2011

Group	2010-11 outturn £m
Knowledge & Innovation	16,168
Business & Skills	4,450
Market Frameworks	180
Economics, Strategy & Better Regulation	4
Shareholder Executive	164
Legal, People & Communications	16
Finance & Commercial	10
Total	**20,992**

Reconciliation of Administration and Programme Resource outturn to Consolidated Statement of Comprehensive Net Expenditure

	2010-11 outturn £m
Total Administration outturn reported	317
Total Programme outturn reported	20,992
Total Administration and Programme Resource outturn	**21,309**
Total Annually Managed Expenditure outturn	(337)
less:	
Interest recognised in accounts but not budgets	(42)
Income which is capital in budgets	(666)
Expenditure of Non Departmental Bodies	(11,432)
Other	(30)
add:	
Grant in aid	12,617
Net capital grant expenditure included in the accounts	959
Other	68
Timing differences (accounts adjustments)	73
Net operating cost	**22,519**

(c) Capital

Capital outturn by Group for the year ending 31 March 2011

Group	**2010–11 outturn £m**
Knowledge & Innovation	1,129
Business & Skills	946
Market Frameworks	–
Economics, Strategy & Better Regulation	–
Shareholder Executive	1
Finance & Commercial	5
Total Capital (DEL) outturn	**2,081**

Reconciliation of Capital outturn to accounts

	2010-11 outturn £m
Total Capital (DEL) outturn reported above	**2,081**
Add:	
AME capital expenditure	4,158
Less	
Capital grant expenditure	(1,711)
AME capital expenditure in budgets but not in accounts	(213)
DEL capital expenditure in budgets but not in accounts	(221)
Total expenditure capitalised	**4,094**
Capital movements for year to 31 March 2011 from note 4:	
Acquisition of property, plant and equipment	20
Intangible assets	27
Investments	12,500
Less: repayment of loans and investments	(8,453)
Non current asset movement relating to capital expenditure	**4,094**

(d) Summary

Financial Performance – Total outturn for the year ending 31 March 2011

	2010-11 outturn £m
Admin	317
Programme	20,992
Total Admin and Programme (DEL)	**21,309**
Capital	2,081
Total outturn (DEL)	**23,390**
AME Resource	(337)
AME Capital	4,158
Total outturn expenditure reported to Board	**27,211**

31. Commitments under PFI contracts

31.1 Off balance sheet

The Department has entered into a PFI arrangement with Fujitsu Services, the 'Elgar Service PFI Agreement'. The contract was awarded in November 1998 for a period of ten years, extendable for up to a further five years. The contract is now set to expire on 31 March 2014.

31.1.1 Charge to the Statement of Comprehensive Net Expenditure and future commitments

The total amount charged to the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions in 2010-11 was £21.2 million (2009-10 £26.1 million); see notes 10 and 11. The total payments to which the Department is committed, analysed by the period during which the commitment expires, is as follows:

	2010-11 £'000		2009-10 £'000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
Not later than one year	20,649	20,649	21,880	21,880
Later than one year and not later than five years	41,189	41,189	67,270	67,270
Later than five years	–	–	–	–
Total	**61,838**	**61,838**	**89,150**	**89,150**

31.1.2 Elgar contract details

Description of the contract

The ELGAR contract covers the provision of a wide range of information systems and services to the Department, including infrastructure management, IT development, business process re-engineering and consultancy advice. In 2009-10 the Department re-negotiated the contract in order to remove the majority of the technology refresh element. The Department will pay for technology refresh directly from its own capital budgets for the remainder of the contract period.

Over the three remaining years of the contract the payments are expected to amount to around £62 million for the core Department.

The estimated capital value as at 31 March 2011 is in the region of £2.5 million (2009-10: £2 million).

31.1.3 Other obligations

The Department has a responsibility to pay termination charges should the Department exercise its break option before the agreed service end date. Termination charges would amount to £14 million (2009-10: £19.6 million), comprising £6.1 million for the core service and £7.9 million for the Department's electronic records management system.

31.2 On-balance sheet

The Insolvency Service (INSS), which is an executive agency whose results are consolidated into these accounts, has applied IFRIC 12 in line with the FReM and shown its IT desktop infrastructure on-balance sheet. Further details can be found in the Insolvency Service's Accounts.

32. Capital Commitments

	31 March 2011		31 March 2010	
	£'000	**£'000**	**£'000**	**£'000**
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
Contracted capital commitments not otherwise included in these financial statements:				
Property, plant and equipment	822	822	1,754	2,653
Intangible assets	–	400	8	703
Total	**822**	**1,222**	**1,762**	**3,356**

33. Commitments under leases

33.1 Operating leases

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

	31 March 2011 £'000		(Restated) 31 March 2010 £'000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
Obligations under operating leases comprise:				
Land:				
Not later than one year	–	39	–	32
Later than one year and not later than five years	–	180	–	3
Later than five years	–	1,741	–	28
	–	**1,960**	**–**	**63**
Buildings:				
Not later than one year	49,197	63,838	42,940	58,566
Later than one year and not later than five years	172,632	224,000	155,321	212,330
Later than five years	228,309	302,278	241,771	326,220
	450,138	**590,116**	**440,032**	**597,116**
Other:				
Not later than one year	353	6,301	249	6,564
Later than one year and not later than five years	840	2,847	790	9,769
Later than five years	–	–	–	–
	1,193	**9,148**	**1,039**	**16,333**

The Department is allowed to sub-lease and can assign leases, subject to the lease provisions.

33.2 Finance leases

Obligations under finance leases are as follows:

	31 March 2011 £'000		31 March 2010 £'000		1 April 2009 £'000
	Core Department	Consolidated	Core Department	Consolidated	Consolidated
Obligations under finance leases comprise:					
Not later than one year	–	352	–	953	1,098
Later than one year and not later than five years	–	41	–	393	1,346
Later than five years	–	–	–	–	–
	–	**393**	**–**	**1,346**	**2,444**
Less: interest element	–	(45)	–	(178)	(264)
	–	**348**	**–**	**1,168**	**2,180**

All obligations under finance leases are with the Department's consolidated bodies.

34. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts), for subscriptions to international bodies, student loans and grants and various other expenditures. The payments to which the Department is committed during 2011-12, analysed by the period during which the commitments expire, are as follows:

	31 March 2011		31 March 2010	
	£'000	£'000	£'000	£'000
	Core Department	Consolidated	Core Department	Consolidated
Not later than one year	50	2,936	375	4,275
Later than one year and not later than five years	823	46,723	1,052	1,052
Later than five years	53,492	54,590	23,996	73,925
Total	**54,365**	**104,249**	**25,423**	**79,252**

34.1 International Subscriptions

The amounts disclosed above include subscriptions payable in the next financial year to the following bodies:

		Expiry within one year	Expiry within two to five years	Expiry over five years	Total 2010-11	Total 2009-10
Organisation	**Note**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
World Trade Organisation (WTO)	a	–	–	6,323	6,323	5,625
Organisation for Economic Co-operation and Development (OECD) Steel Committee	b	–	–	42	42	47
UNIDROIT	c	–	–	103	103	150
International Labour Organisation (ILO)	d	–	–	15,000	15,000	14,536
OECD Global Science Forum	e	–	–	35	35	–
Bureau International des Poids et Mesures (BIPM)	f	–	–	837	837	869
The International Organisation for Legal Metrology (OIML)	g	–	–	49	49	49
EURAMET	h	–	–	12	12	11
Total		**–**	**–**	**22,401**	**22,401**	**21,287**

Notes:

The Department is required to subscribe to the above bodies on an ongoing and continuous basis. These subscriptions are paid in Euros (OECD), Swiss Francs (ILO and WTO) and pounds sterling hence there are fluctuations due to exchange rate differences. The purpose of the subscription payable to each of these bodies is described below:

a) BIS is responsible for the payment of the UK's annual contribution to the World Trade Organisation (WTO), which deals with the global rules of trade between nations. Its main function is to ensure that international trade flows as smoothly, predictably and freely as possible. As a member of the WTO the UK, like other members, has a legal commitment to pay a contribution to the cost of running the WTO Secretariat, which is based in Geneva. The UK's share is calculated on the basis of our international trade in relation to the total international trade of all WTO members.

b) The Organisation for Economic Co-Operation and Development (OECD) Steel Committee is the international forum established to discuss steel industry issues such as production trends, trade flows and issues, market developments and environmental issues. BIS provides funding as a contribution to the work of the Committee, which is attended by both OECD and non-OECD members.

c) BIS pays an annual contribution towards the running of the International Institute for the Unification of Private Law (UNIDROIT). UNIDROIT is an independent intergovernmental organisation with its seat in Rome. Its purpose is to study needs and methods for modernising, harmonising and co-ordinating private and in particular commercial law as between States and groups of States.

d) BIS pays an annual subscription to the International Labour Organisation (ILO). The Department is required to subscribe to this body as part of the UK's obligations under the United Nations Treaty.

e) BIS is responsible for the payment of the UK's annual contribution to the Global Science Forum, which brings together science policy officials from OECD countries. The delegates, who meet twice a year, seek to identify and maximise opportunities for international co-operation in basic scientific research.

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

g) NMO subscribes to the International Organisation of Legal Metrology (OIML), which promotes the global harmonisation of legal metrology procedures. It provides its members with metrological guidelines for the elaboration of national and regional requirements concerning the manufacture and use of measuring instruments for legal metrology application. The payments that NMO makes are a requirement of their international legal metrology role.

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

34.2 Non-cancellable contracts

The amounts disclosed above include payments due in the next financial year under non-cancellable contracts to the following organisations:

	Note	Expiry within one year	Expiry within two to five years	Expiry over five years	Total 2010-11	Total 2009-10
Organisation		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
European University Institute (EUI)	a	–	–	4,089	4,089	3,638
Erasmus Programme	b	–	377	–	377	377
Vodafone (expiry in 2011-12)	c	50	–	–	50	750
Vodafone (expiry in 2013-14)	d		446	–	446	–
European Programmes	e	–	–	16,300	16,300	–
Fulbright Commission	f	–	–	600	600	–
Honours Trustee Limited	g	–	–	6,000	6,000	–
Finance for Higher Education Limited	h	–	–	5,000	5,000	–
NPL Management Ltd (NPLM Ltd)	i	–	44,900	–	44,900	45,000
Laboratory of the Government Chemist (LGC Ltd)	j	1,214	–	–	1,214	1,650
Technischer Überwachungsverein – German safety and standards institution (TUVNEL Ltd)	k	1,672	–	–	1,672	1,950
Amey Community Ltd	l	–	1,000	–	1,000	4,000
SGS Ltd	m	–	–	200	200	600
Total		**2,936**	**46,723**	**32,189**	**81,848**	**57,965**

Notes:

The Department has entered into non-cancellable contracts with the above bodies. Contracts are paid in Euros (EUI) and pounds sterling. Where payments are in Euros there are fluctuations due to exchange rate differences. The nature of the contracts with each of these bodies is described below:

a) The Department has non-cancellable contracts with the European Commission to fund the European University Institute (EUI). The EUI is a post-graduate body which the UK has a legally binding commitment to fund since joining the EU. The UK, along with other member states who have ratified the convention that established the EUI, pay annual contributions in Euros for the institute's teaching and learning costs. The EUI budget is set annually by agreement between the member states.

b) The Department has a seven year non-cancellable contract, expiring in 2013-14, with the European Commission to deliver the Erasmus Programme (part of the European Commission's Lifelong Learning Programmes) in the UK. The Erasmus Programme is an exchange programme where EU students can study at higher education institutes in different countries and receive a small allowance from the EU. BIS delivers this work through a contract with the British Council.

c) The Department has two year non-cancellable contracts expiring in 2011-12 for its mobile telephony with Vodafone.

d) The Department is in the process of renewing the Vodafone contract. This new contract will be valid until 2013-14 and is considered to be a non-cancellable contract.

e) The Department has an obligation under the United Nations Treaty to contribute towards EU Trans-National education and training mobility programmes. This includes the UK's obligations under legislation (Intergovernmental Treaty) establishing the European Schools. This obligation is considered a non-cancellable contract.

f) The Department funds the Fulbright Commission which provides a higher education scholarship programme in the UK and USA. This is judged to be a non-cancellable contract.

g) The Department has entered into a contract with Honours Trustee Limited for the sale and administration of mortgage-style student loans. This contract runs until March 2029.

h) The Department has entered into a contract with Finance for Higher Education Limited for the sale and administration of mortgage-style student loans. This contract runs until March 2028.

i) NPL Management Ltd (NPLM Ltd). NMO has a non-cancellable contract with NPLM Ltd to operate the NPL and perform scientific metrology on the Teddington site.

j) Laboratory of the Government Chemist (LGC Ltd). NMO has a three month notice period which is non-cancellable with LGC Ltd to perform scientific metrology.

k) Technischer Überwachungsverein – German safety and standards institution (TUVNEL Ltd). NMO has a six month notice period which is non-cancellable with TUV Ltd to perform scientific metrology.

l) Amey Community Ltd. NMO has a non-cancellable contract with Amey Community Ltd for the facilities management of the Teddington estate.

m) SGS Ltd. NMO has a five year contract with SGS Limited to test disputed gas and electricity meters with a six month notice period.

34.3 Student grants and loans

In addition to the commitments listed above, the Department also entered into agreements with students spanning more than one financial year, including grants and loans payable for the summer term of academic year 2010/11, for payment after 31 March 2011. Since the Statement of Financial Position date, the Student Loans Company has issued £1 billion of maintenance loans and £492 million of grants in respect of the academic year 2010/11.

35. Contingent liabilities

35.1 Contingent liabilities disclosed under IAS 37

Basis of Recognition	Description
Nuclear	The 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.
Postal Services Act 2000	Since October 2003 the Department has made available to Post Office Limited a revolving loan facility of up to £1.15 billion. This is to help the company fund its working capital cash requirements in branch to the extent that they are connected with the provision of services of general economic interest. The package was agreed against the background of the migration of state benefits payments to a system of direct payment, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from post office branches. Post Office Ltd began utilising this facility on 1st December 2003. The facility matures on 31st March 2016, subject to State Aid clearance. The outstanding balance on the revolving loan facility is £260 million at 31 March 2011 (31 March 2010: £489 million).
British Shipbuilders	There are contingent liabilities that arise from the Department's assurances and guarantees to British Shipbuilders. The House of Lords announced in 2007 that pleural plaques were not a "compensatable" injury. This is the current position in England and Wales as the House of Lords judgement still stands. In Scotland the Damages (Asbestos Related Conditions) (Scotland) Act 2009 was introduced to reverse the House of Lords decision. An initial challenge by the insurers was dismissed by the Court of Session in January 2010 on the grounds that the legislation did not satisfy the standard of 'irrationality' as would be required to invalidate a primary act of legislation. On 12 April 2011, the Court of Session rejected the insurer's appeal. The Association of British Insurers have indicated that it is their intention to make an appeal to the UK Supreme Court. Following an actuarial review in November 2010 Pleural plaques claims in Scotland are valued at £5.8 million (2009-10: £5.3 million).

Basis of Recognition	**Description**
Lease payments	The Department is responsible for a liability to pay rent in respect of a lease in the event that the current tenant defaults. The building was originally leased for the Quality Improvement Agency (QIA). If the current tenant defaults the cost to the Department is estimated to be in the region of £2.0 million, which is the estimated total value of the amounts payable until the lease expires. (31 March 2010: £2.6 million).
Indemnities	The Department is responsible for liabilities arising from deeds of indemnity given to liquidators of Training and Enterprise Councils (TECs), covering the funds that they have returned to the Department as part of the dissolution process. The estimated cost to the Department is in the region of £1.4 million (31 March 2010: £1.4 million).

35.2 Contingent liabilities not required to be disclosed under IAS 37, but included for Parliamentary reporting and accountability purposes

35.2.1 Quantifiable

The Department 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 measured following the requirements of IAS 39. All of these liabilities relate to the Core Department.

Managing Public Money requires that the full potential costs of such contracts be reported to Parliament. These costs are reproduced in the table below:

	1 April 2010	Increase in year	Liabilities crystallised in year	Obligations expired in year	31 March 2011	Amount Reported to Parliament by Departmental minute
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Statutory Guarantees: – Home Shipbuilding Credit Guarantee Scheme	14,000	–	–	7,000	7,000	–
Statutory Indemnities: – Local Network Indemnities	4,996	–	–	1,512	3,484	72,654
Other:						
– Callable capital subscription for the Common Fund for Commodities	1,960	–	–	–	1,960	–
– Paid in capital subscription for the Common Fund for Commodities	2,240	–	–	–	2,240	–
Liabilities that arise from the audit work carried out in respect of the delivery of activities funded through European Union initiatives or through the single Regeneration Budget and other schemes sponsored by Government Departments other than the former DfES and DTI	11,604	–	–	10,104	1,500	3,500
Liabilities that arise from the transfer of TEC/CCTE functions to successors, including from staff who have transferred or been made redundant, and who as a result of the transfer seek redress through the Employment Tribunal	1,000	–	–	–	1,000	2,000
Liabilities arising from properties leased by TECs/CCTEs that they have been unable to dispose of by the time they wind up. The Department may take over these leases and dispose of them on behalf of the TECs/CCTEs	3,473	–	–	3,473	–	10,000
Potential liability relating to European Schools Programme for teachers claiming permanency under the fixed term employee regulations	1,241	949	–	–	2,190	–
The Government agreed to match fund the cost of hosting the World Skills London 2011 event. This contingent liability represents the possibility that insufficient sponsorship revenue is obtained. £36,220 thousand reflects the maximum possible exposure if revenue is not forthcoming	36,220	–	–	14,100	22,120	–
Total	**76,734**	**949**	**–**	**36,189**	**41,494**	**88,154**

Notes:

- Obligations expired in year relates to cases closed and/or completed contracts.
- Where the balances outstanding at 31 March 2011 are different to the amounts included in the Departmental minute, this is because the Department's contingent liabilities, have gone through a process of re-assessment, or have crystallised since the minute was laid.

35.2.1 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of 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

- In the High Court proceedings brought by the Trustee of the BT Pension Scheme (BTPS), to clarify the terms and scope of the Crown Guarantee provided under section 68 of the Telecommunications Act 1984 (as amended by the Communications Act 2003), the first part of the judgment has now been given (October 2010). The judgment means that, in the event of the insolvent winding up of BT Group Plc, this would amount to a sum of more than twice the deficit, as at 31 December 2008, of £9 billion. However, the actuarial valuation of pension funds can vary quite rapidly. The Government is considering whether to appeal the court's ruling. The contingent liability is transferring to DCMS with effect from 13 April 2011 as part of the Machinery of Government changes announced on 21 December 2010.

- 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 certain indemnities given by the Authority to carriers and British Nuclear Fuels Limited against certain claims for damage caused by nuclear matter in the course of carriage
- Indemnities equivalent to those given to civil servants under the Civil Service Management Code have been given to persons appointed to the Board of the Office of Fair Trading, including the Chairman
- Indemnities given to Bankers of the Insolvency Services 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.

Note: (i) – Only this contingent liability relates to an Agency. All other liabilities relate to the Core Department.

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 Department assuming responsibility for uplifts in pension contributions for the UK Atomic Energy Authority's non-actives
- Outstanding claims under the Enemy Property Claim Scheme are still being considered
- There is a possibility that other liabilities exist in relation to nationalised and former nationalised industries that, if they crystallised, may fall to the Department
- European Patent Office (EPO): the UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973
- World Intellectual Property Organisation: the UK, as a contracting state to the Patent Co-operation Treaty of 1970, has a potential liability under Article 57 of the Treaty
- Liabilities relating to the issue of licences to operators of satellites and other space objects
- The Cabinet Secretary has provided a Government wide indemnity to Independent Public Appointment Assessors (IPAAs). This will ensure that IPAAs will not have to meet any personal civil liability incurred in the execution of their IPAA functions. BIS carries out around 200 appointments per annum which are scrutinised by IPAAs.

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

36. Losses and special payments

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

36.1 Losses Statement

	No. of cases	2010-11 £'000	(restated) 2009-10 £'000
Cash losses	24	4,831	12,966
Claims abandoned	41	396,552	497,899
Administrative write-offs	1,415	97,486	1,241
Fruitless payments and constructive losses	–	–	11,835
Total	**1,480**	**498,869**	**523,941**

The 2009-10 amounts have been restated in respect of prior year losses disclosures relating to the Skills Funding Agency and Acas.

Details of cases over £250,000

Cash losses

Included in cash losses for 2010-11 for the Skills Funding Agency are 5 cases, related to the following organisations, with a value of £2,573,060. The majority of these losses are the result of errors found following an audit of programme funding. The losses listed below relate to cases where the Skills Funding Agency has been unable to recover these overpayments, usually because the organisations have gone into liquidation.

- Woodlands Training (£846,528)
- Premium People Development Ltd (£636,007)
- Care Connect Learning Ltd ((£519,799)
- Trisuko HR Solutions Ltd (£293,366)
- Enterprise Solutions Training Ltd (£277,360).

Cash losses arising from overpayments in previous years

Between 1984 and 2008, it is estimated that Lloyds Bank Group and predecessor organisations, failed to recover an estimated £1.6 million from the assets of small businesses that had defaulted on loans the Department had guaranteed under the Small Firms Loan Guarantee. Further details of the guarantee scheme can be found in Note 28.1.

Claims abandoned

Individual Learning Accounts (ILAs) 2010-11: Work has continued with the police to either prosecute or recover grants claimed by training providers for improper activities. Included in the claims abandoned for 2010-11 are 28 cases with a value of £15,663,160 (2009-10: 23 cases totalling £8,898,806) where recovery was not possible because the provider has either been dissolved or gone into liquidation. These non-recoveries do not represent accounting losses as no debtor was recognised for these amounts. However, the amount abandoned is disclosed for Parliamentary reporting purposes.

Redundancy Payment Service (RPS) Debtor 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 debtor in NIF accounts. The RPS debtor impairment for 2010-11 is £380 million (2009-10: £489 million).

HMRC pay to BIS the amounts of student loan repayments collected from borrowers by employers through the tax system. £888,051 has been written off in respect of student loan repayments which have been collected by the employer from the borrower but were uncollectable from employers by HMRC, normally because of employer insolvency. This sum represents uncollectable repayments for the years 2001-2010.

Administrative write-offs

A write off of £2.4 million was accounted for during the reporting period by Acas, as they determined that their caseflow management system was being used for work of a lower specification than intended and therefore the economic benefit would not be realised over the life of the asset.

The Insolvency Service (INSS) has written off a sum of £95 million in the accounting period in respect of irrecoverable debtors for case administration fees. Of this amount £13 million is a planned fee write off which is included as a cost when setting case administration fees. The additional write off of £82 million relates to administration fees that have been charged over the period from April 2004 to March 2010 which are now considered to be irrecoverable. Of the £82 million additional write off, £21 million is for fees charged between April 2004 and March 2007 which if recovered would have produced a surplus as the actual costs of administering the insolvency cases for that period were lower than planned. The remaining £61 million relates to fees charged to insolvency cases in the period between April 2007 and March 2010. This has been partially offset by deferred fee income held by INSS.

INSS made changes to its fees in April 2010 to improve fee recovery on new cases from that date and has not made any additional write offs for 2010-11 cases as a result of current fee recoveries on those cases.

Constructive losses

The Department holds onerous leases for properties on the Departmental estate, for which we have provided £194 million, as disclosed in Note 27. The payments made during the course of 2010-11 in respect of these leases amounted to £31,488,206 (2009-10: £11,832,000).

36.2 Special Payments

Special payments include extra-contractual, *ex gratia* and compensation payments.

		2010-11	2009-10
	No. of cases	£'000	£'000
Total	**1**	**42**	**708**

Details of cases over £250,000

There were no special payments over £250,000 in 2010-11.

36.3 Student Loans remitted (written off) in year

Loans totalling £16,439,054 were written off in 2010-11. This is a decrease of £954,255 on the number written off in 2009-10, totalling £17,393,309.

	2010-11 £'000	**2009-10 £'000**
Because of death	6,052	6,118
Because of age	8,942	8,191
Because of disability	1,252	1,115
Because of bankruptcy	110	1,419
On completion of Individual Voluntary Arrangement (IVA)	46	531
Trivial balances and other	37	19
	16,439	**17,393**

37. Related party transactions

The Department is the parent of the Advisory, Conciliation and Arbitration Service, the Insolvency Service, The National Measurement Office and the Skills Funding Agency, and sponsor of the public Bodies listed at http://www.bis.gov.uk/partners/by/types, including Companies House and UKIPO (Trading Funds), and Royal Mail Holdings plc, British Shipbuilders, BNFL and OFCOM.

The Skills Funding Agency is the parent of the 258 Further Education Colleges (FECs) in England for which it is also the sector funding body. The consolidated accounts report transactions with the FECs which include: advances to FECs in hardship, grants payable and associated prepayment or payable balances in respect of timing differences, as at 31 March.

During the reporting period the Department made payments to the bodies listed in note 14 to the Accounts.

The Department has also had various material transactions with other Government departments and Government bodies. The most significant of these transactions have been with the Department for Communities and Local Government; the Department of Energy and Climate Change, the Department for Education, HM Revenue and Customs; the National Loans Fund, the Cabinet Office and HM Treasury's Consolidated Fund.

Dame Julie Mellor, a Non Executive Director on the BIS Management Board until 31 December 2010, is a partner at PricewaterhouseCoopers (PwC). The Department has made payments to PwC during 2010-11. Julie King, a Non Executive Director on the BIS Management Board, is the Vice Chancellor of Aston University which receives funding from the Department through the Higher Education Funding Council for England (HEFCE). Dr Brian Woods-Scawen, a Non Executive Director on the BIS Management Board, is the Treasurer of Warwick University which also receives funding from the Department through HEFCE. These individuals, as Non Executive Directors, have no role in the Department's procurement or funding decisions.

None of the Department's Ministers or other Management Board members has undertaken any material transactions with the Department during the year.

151 Buckingham Palace Road is let to the Medicines and Healthcare Products Regulatory Agency, Department of Health and London Probation Service. 10 Victoria Street is let to bodies related to the Home Office.

38. Events after the Reporting Period

Increase in British Shipbuilders' provision

The Damages (Scotland) Bill received Royal Assent on Thursday 7 April 2011 and the substantive provisions of the Act came into force on 7 July 2011. This is an adjusting event after the reporting period because it increases the estimated level of damages awarded for cases already in existence at 31 March 2011. The undiscounted provision for future liabilities has increased by £41 million.

Machinery of Government Changes

Media, Broadcasting, Digital and telecoms

On 18 January 2011 a ministerial statement announced that responsibility for all competition and policy issues relating to media, broadcasting, digital and telecoms sectors has been transferred from the Secretary of State for Business, Innovation and Skills to the Secretary of State for Culture, Olympics, Media and Sport. This change takes effect in the Department's Estimates and Accounts from 1 April 2011 and will be accounted for in the Department's 2011-12 accounts.

UK Space Agency

Responsibilities for space activities transferred formally to the UK Space Agency, an Executive Agency of the Department, with effect from 1 April 2011.

Rolls-Royce Holdings plc

The terms of the Department's special shareholding with Rolls Royce changed with effect from 6 May 2011. The revised terms are as follows:

Rolls-Royce Holdings plc £1 Special Rights Non-Voting Share

Terms of Shareholding

- 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.

Postal Services Bill

The Postal Services Bill received Royal Assent on 13 June to become the Postal Services Act 2011. The legislative framework put in place via the Act, aimed at safeguarding the future of Royal Mail and the universal postal service, is the first step on the path towards a sale of shares in Royal Mail. The next steps will be for Ofcom to implement a new regulatory regime and for Government to obtain the necessary state aid approval from the European Commission to take on Royal Mail's historic pension deficit and to restructure Royal Mail's balance sheet.

38.1 Date Accounts authorised for issue

The Accounting Officer of the Department has authorised these Accounts to be issued on 15 July 2011.

39. Third-party assets

The following are balances on Accounts held in BIS's name at commercial 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 2011 £'000	**31 March 2010 £'000**
Bank balances	7,134	10,283

40. Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure as a result of Machinery of Government (MOG) changes

The Department had two MOG changes affecting its Estimates and Accounts to 31 March 2011, where functions or responsibilities were merged or transferred within Government.

Skills Funding Agency

On 31 March 2010, the Learning and Skills Council (LSC) was dissolved and replaced by the Skills Funding Agency and the Young People's Learning Agency (YPLA). The Skills Funding Agency is an Executive Agency, with responsibility for funding and regulating adult skills, and is consolidated into the Department's Accounts from 2010-11 onwards. The effective date of the transfer was 1 April 2010.

Government Property Unit

On 15 June 2010, the Prime Minister laid a statement in Parliament, declaring that the property functions in the Office of Government Commerce and the Shareholder Executive would combine into a single unit to lead the work across government to transform the way the public sector uses its £370 billion worth of estate. The Government Property Unit reports jointly to the Minister for the Cabinet Office and to the Chief Secretary as part of the Cabinet Office's Efficiency and Reform Group. The effective date of the transfer was 1 April 2010.

The Machinery of Government Changes which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with the FReM. This requires the restatement of the Primary Statements and associated Notes to the Accounts. The Statement of Financial Position and the Operating Cost Statement for 2009-10 were restated as follows:

Consolidated Statement of Financial Position as at 31 March 2010

	Published 2009-10 £'000	MoG change 2009-10: Skills Funding Agency £'000	MoG change 2009-10: GPU £'000	Prior period adjustments 2009-10 £'000	Restated 2009-10 £'000
Non Current Assets:					
Property, Plant and Equipment	253,576	5,735	360	–	259,671
Intangible Assets	17,490	86,072	–	–	103,562
Investments and loans in public bodies	1,592,330	–	–	–	1,592,330
Other financial assets	24,478,964	–	–	(583,619)	23,895,345
Trade and other receivables	47,067	133,784	–	–	180,851
Current assets:					
Inventories	60	–	–	–	60
Trade and other Receivables	1,422,869	86,366	461	–	1,509,696
Investments and loans in public bodies	521,666	–	–	–	521,666
Other financial assets	1,450,000	–	–	–	1,450,000
Cash and cash equivalents	455,618	150,988	–	(27,026)	579,580
Current liabilities:					
Trade and other payables	(2,054,358)	(604,575)	(470)	27,026	(2,632,377)
Provisions	(48,579)	(5,247)	–	(1,992)	(55,818)
Financial Guarantees	(105,316)	–	–	–	(105,316)
Financial liabilities	(23,432)	–	–	–	(23,432)
Non-current Liabilities:					
Trade and other Payables	(858,722)	–	–	–	(858,722)

	Published 2009-10 £'000	MoG change 2009-10: Skills Funding Agency £'000	MoG change 2009-10: GPU £'000	Prior period adjustments 2009-10 £'000	Restated 2009-10 £'000
Provisions	(432,987)	(4,420)	(6,281)	(27,846)	(471,534)
Financial Guarantees	(162,402)	(31,408)	–	–	(193,810)
Financial liabilities	(246,875)	–	–	–	(246,875)
	26,306,969	**(182,705)**	**(5,930)**	**(613,457)**	**25,504,877**
Taxpayers' equity:					
General fund	26,139,528	(182,705)	(5,930)	(613,457)	25,337,436
Revaluation reserve	167,441	–	–	–	167,441
	26,306,969	**(182,705)**	**(5,930)**	**(613,457)**	**25,504,877**

Consolidated Statement of Financial Position as at 1 April 2009

	Published 2008-09 (restated) £'000	MoG change 2008-09: Skills Funding Agency £'000	MoG change 2008-09: GPU £'000	Prior period adjustments 2008-09 £'000	Restated 2008-09 £'000
Non Current Assets:					
Property, Plant and Equipment	265,773	12,523	427	–	278,723
Intangible Assets	17,838	67,557	–	–	85,395
Investments and loans in public bodies	1,258,764	–	–	–	1,258,764
Other financial assets	20,967,705	–	–	(126,754)	20,840,951
Trade and other receivables	18,711	108,677	–	–	127,388
Current assets:					
Inventories	51	–	–	–	51
Trade and other Receivables	1,281,110	114,788	442	–	1,396,340
Investments and loans in public bodies	199,166	–	–	–	199,166
Other financial assets	1,324,060	–	–	–	1,324,060
Cash and cash equivalents	1,389,395	111,289	–	(13,667)	1,487,017
Current liabilities:					
Trade and other payables	(2,642,309)	(618,660)	(559)	13,667	(3,247,861)
Provisions	(41,256)	(5,098)	–	(1,911)	(48,265)
Financial Guarantees	(101,689)	–	–	–	(101,689)
Financial liabilities	(18,620)	–	–	–	(18,620)
Non-current Liabilities:					
Trade and other Payables	(545,121)	–	–	–	(545,121)
Provisions	(459,967)	(16,313)	(6,967)	(28,408)	(511,655)
Financial Guarantees	(155,123)	(21,933)	–	–	(177,056)
Financial liabilities	(254,629)	–	–	–	(254,629)
	22,503,859	**(247,170)**	**(6,657)**	**(157,073)**	**22,092,959**
Taxpayers' equity:					
General fund	22,412,450	(247,170)	(6,657)	(157,073)	22,001,550
Revaluation reserve	91,409	–	–	–	91,409
	22,503,859	**(247,170)**	**(6,657)**	**(157,073)**	**22,092,959**

Consolidated Statement of Comprehensive Net Expenditure as at 31 March 2010

		Published 2009-10 £'000	MoG change: Skills Funding Agency 2009-10 £'000	MoG change: GPU 2009-10 £'000	Prior period adjustments 2009-10 £'000	*Other 2009-10 £'000	Restated 2009-10 £'000
Administration costs:							
Staff costs	9	198,995	–	–	–	–	198,995
Other administration costs	10	192,739	–	–	(1,117)	(4,887)	186,735
Income	13	(43,134)	–	–	–	–	(43,134)
Programme costs:							
Request for Resources							
Staff costs	9	126,672	101,430	1,555	–	–	229,657
Programme costs	11	31,595,106	(7,193,187)	2,039	257,959	59,857	24,721,774
Income	13	(10,454,220)	6,941,764	(15)	(190,676)	(54,970)	(3,758,117)
Special dividend (BNFL)	13	(32,000)	–	–	–	–	(32,000)
Net Operating Cost		**21,584,158**	**(149,993)**	**3,579**	**66,166**	**–**	**21,503,910**

*The 'other' category includes the effective interest on financial assets which was previously classified as negative expenditure, but will in future be classified as income, and the reclassification of movements on provisions as programme which were previously classified as administration expenditure.

The Statement of Parliamentary Supply has not been restated other than for the Machinery of Government Changes.

41. Additional Entities

Information about the principal activities undertaken by the Advisory, Conciliation and Arbitration Service, Insolvency Service, National Measurement Office and Skills Funding Agency, together with a list of those bodies within the Departmental Boundary can be found at http://www.bis.gov.uk/partners/by/types.

Skills Funding Agency – adverse audit opinion

The Comptroller and Auditor General (C&AG) has issued an adverse audit opinion on the truth and fairness of the Skills Funding Agency's (the Agency) 2010-11 accounts due to non compliance with IAS 27: *Consolidated and Separate Financial* Statements. The Agency is deemed to have the ability to control the financial and operating activities of Further Education Colleges (FECs) in England, which under the requirements of IAS27 would be consolidated into the Agency's accounts. However, the Agency has not prepared group accounts which consolidate FECs because it has not been able to collect the information required to do so and does not consider it cost effective to undertake additional actions in order to obtain the necessary information.

More information can be found in the C&AG's Report on the 2010-11 Skills Funding Agency accounts.

The results of the Agency, a subsidiary of the Department, are consolidated into the BIS accounts. As subsidiaries of the Agency, FECs would also be deemed to be subsidiaries of the Department. However, there is no financial impact on the BIS accounts because, in accordance with the 2010-11 FReM, the departmental boundary for accounting purposes is different from the concept of a group under generally accepted accounting practice: it is based on in-year budgetary control and not the criteria set out in IAS27. The Department does not exercise in-year budgetary control thus there is no requirement to consolidate the FECs.

The most recently available aggregated financial information on the 258 FECs in England, collated by the Agency, is for the 2009/10 academic year. This indicates that FECs incurred expenditure of £6,844 million funded by income of £6,929 million for that year and held net assets of some £5,614 million at 31 July 2010. Further details can be found on the Skills Funding Agency website: http://skillsfundingagency.bis.gov.uk/providers/finance/financialmanagement/financialmanagement/collegeaccounts/.

BIS Ministerial Team 2010-2011

April 2010 – May 2010

Lord Mandelson
Secretary of State for Business, Innovation and Skills and Lord President of the Council

Pat McFadden
Minister of State for Business, Innovation and Skills

Lord Drayson
Minister of State for Science and Innovation (jointly with MoD)

David Lammy
Minister of State for Higher Education and Intellectual Property

Rosie Winterton
Minister of State for Regional Economic Development and Coordination (jointly with CLG)

Kevin Brennan
Minister of State for Further Education, Skills, Apprenticeships and Consumer Affairs (jointly with DCSF)

Lord Davies of Aberscoch
Parliamentary Under Secretary of State for Trade, Investment and Business (jointly with FCO)

Ian Lucas
Parliamentary Under Secretary of State for Economic Competitiveness, Small Business and Enterprise (jointly with Cabinet Office)

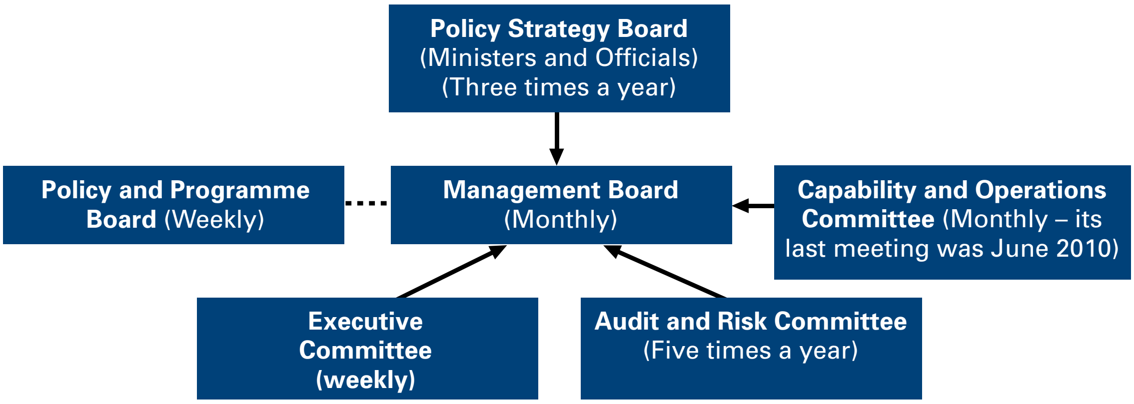
Lord Young of Norwood Green
Parliamentary Under Secretary of State for Postal Affairs and Employment Relations

May 2010 – February 2011

Ed Vaizey
Parliamentary Under Secretary of State for Culture, Communications and the Creative Industries (jointly with DCMS)

Annex B

Governance Structure (April 2010 – Feb 2011)



Policy Strategy Board

The Policy Strategy Board previously set the strategic priorities of the Department. It was made up of Ministers, Directors General and Non-Executive Board Members. It was chaired by the Secretary of State, assisted by the Permanent Secretary.

BIS's Management Board

The Management Board previously provided corporate and management leadership to ensure BIS was able to deliver the policies and services decided by Ministers. The Board monitored finance, departmental performance, manages resource and assesses and manages risk. The Board did not consider specific policy issues.

The Management Board was chaired by the Permanent Secretary and included all Director Generals and three Non-Executive Board Members. The last meeting of the Management Board was on 25 November 2010.

The members of the BIS Management Board as at 25 November 2010 were:

Martin Donnelly, Chair	Permanent Secretary
Howard Orme	Director General, Finance and Commercial
Ken Warwick	Acting Director General, Economics
Philip Rutnam	Director General, Business
Bernadette Kelly	Director General, Fair Markets
Stephen Lovegrove	Chief Executive, Shareholder Executive
Rachel Sandby-Thomas	The Solicitor and Director General, Legal, People and Communications

Professor Adrian Smith	Director General, Science and Research
Sir Andrew Cahn	Acting Chief Executive, UK Trade and Investment
Stephen Marston	Director General, University and Skills
Philip Rycroft	Director General, Innovation and Enterprise and Chief Executive, Better Regulation Executive
Professor Julia King	Non-Executive Board Member
Dr Brian Woods-Scawen	Non-Executive Board Member
Julie Mellor	Non-Executive Board Member

In addition, the following were members of the BIS Management Board in 2010 -11:

Simon Fraser	Permanent Secretary *(Until 1 September 2010)*
Vicky Pryce	Director General, Economics *(Until 25 June 2010)*
David Hendon	Acting Director General, Business *(From 1 September until 21 October 2010)*
Alun Evans	Director, Strategy *(Until 21 October 2010)*
Russell Grossman	Director, Communications

Executive Committee

The Executive Committee supported and facilitated the work of the Management Board by looking at management issues which the Board had delegated to it, and decided on routine matters not requiring full Board discussion. The decisions of the Committee were regularly reviewed by the Management Board. It was made up of all the Director Generals and chaired by the Permanent Secretary. The last meeting of the Executive Committee was on 17 February 2011.

The members of the Executive Committee as at 17 February 2011 were:

Martin Donnelly, Chair	Permanent Secretary
Tera Allas	Director General, Economics, Strategy & Better Regulation
Bernadette Kelly	Director General, Market Frameworks
Stephen Lovegrove	Chief Executive, Shareholder Executive
Susan Haird	Acting Chief Executive, UK Trade and Investment
Howard Orme	Director General, Finance and Commercial
Philip Rutnam	Director General, Business and Skills
Rachel Sandby-Thomas	The Solicitor and Director General, Legal, People and Communications
Professor Sir Adrian Smith	Director General, Knowledge and Innovation

In addition, the following were members of the Executive Committee in 2011-11:

Simon Fraser	Permanent Secretary *(Until 1 September 2010)*
Sir Andrew Chan	Acting Chief Executive, UK Trade and Investment *(Until 16 December 2010)*
Stephen Marston	Director General, University and Skills *(Until 2 December 2010)*
Philip Rycroft	Director General, Innovation and Enterprise and Chief Executive, Better Regulation Executive *(Until 2 December 2010)*
David Hendon	Acting Director General, Business *(From 1 September until 21 October 2010)*
Vicky Price	Director General, Economics *(Until 29 July 2010)*
Ken Warwick	Acting Director General, Economics *(From 29 July 2010 to 16 December 2010)*

Capability and Operations Committee

The Capability and Operations Committee advised the Management Board by preparing longer term strategic management issues for discussion and decision (e.g. People Strategy) and engaged with staff at other levels of BIS. It made implementation decisions in relation to capability and operational issues.

It met monthly and was chaired by the Director General for Legal, People and

Communications. The last meeting of the Capability and Operations Committee was on 8 June 2010.

The members of the Capability and Operations Committee as at 8 June 2010 were:

Rachel Sandby-Thomas, Chair	The Solicitor and Director General, Legal, People and Communications
David Allen	Director of Finance
Stephen Braviner-Roman	Director of Legal Services B
Mark Conaty	Director of Economics
Susan Haird	Deputy Chief Executive, UK
Matthew Hilton	Director, Employment Relations
John Neilson	Director, Research Base
Susan Pember	Director, Further Education
Mark Russell	Deputy Chief Executive, Shareholder Executive
Ceri Smith	Director, New Industries,

Tim Soane	Managing Director, Regulatory Innovation
Jean Irvine	Non-Executive Member
Tim Walton	Non-Executive Member
Professor Brian Collins	Non-Executive Member

Policy and Programme Board

The Policy and Programme Board was a forum for collective discussion and advice to Ministers on major crosscutting policy issues as they arose. It was a policy advisory body rather than part of the formal management system of the Department. It monitored delivery of major policy programmes. It comprised the Permanent Secretary and Directors General. The last meeting of Policy and Programme Board was on 19 April 2011.

Annex to Financial Overview

The resources available to the Department

The resources available to the Department and how it reports on, and is held accountable for these resources, must be seen within the context of the wider Government financial environment. This section sets out the broad principles of Budgeting in Government up to, and including, 2010-11, explains some of the key terms which are used and describes how the Department manages its resources.

From Budgets to Estimates to Accounts

The following paragraphs explain the process that Government Departments go through to obtain the resources that are ultimately reported on in their Accounts, as well as giving information on budgets and Estimates.

The Department's Budget

The Departmental family measures and manages its expenditure through budgets. The Department has two types of budgets which are described below:

- DEL, which the Department can largely control overall through determining spending levels, though some elements may be demand-led. It is set annually within the context of the Department's financial Settlement determined in the Spending Review
- AME, which is demand-led and volatile and, therefore, difficult to predict accurately. The majority of BIS's AME expenditure relates to Student Loans, the Post Office Working Capital loan and the Redundancy Payments Service (which is funded by the National Insurance Fund).

Within DEL and AME there are resource budgets (which are further broken down into administration and programme budgets) and capital budgets.

The Department's DEL budget for 2010-11 was £23.9 billion (2009-10: £23.1 billion) and the AME budget amounted to £5.2 billion (2009-10 £5.6 billion). The 2009-10 figures have been restated to account for Machinery of Government changes.

Some of BIS's DEL budgets are ring fenced by HM Treasury. This means that the budgets are allocated for specific purposes and any underspends generated should not be used in aid of other activities. £11.1 billion of the 2010-11 DEL was ring fenced, leaving £12.8 billion available for discretionary allocation by the Department.

Non cash items are components of Departments' budgets which are included to reflect the full economic cost of activities and the usage of long-term assets. Non cash items include depreciation, profit or loss on disposal of assets and changes in provisions or impairments (cost of capital ceased to be charged in 2009-10).

Capital within resource budgets includes expenditure of a capital nature which does not result in capital assets owned by the Department or its Partner Organisations. In Estimate and Accounting terms, the funding for this type of expenditure is termed "capital grants" and treated as resource expenditure.

Consolidated Fund Extra Receipts (known as CFERS) are receipts not authorised to be appropriated in aid (i.e. retained) by the Department and which are paid over to HM Treasury. Such CFERS may, in some cases, be treated as negative DEL within budgets.

Appropriations in aid is income received by a Department which it is authorised to retain (rather than being surrendered to the Consolidated Fund) to finance related expenditure. Such income is voted by Parliament and accounted for in Departmental Accounts. Operating income relates to ongoing functions whilst non-operating income primarily relates to capital.

Financial Management in 2010-11

BIS is responsible for all of the resources allocated to the Departmental family. The Department has put in place a strong budgetary control process to effectively discharge this responsibility. The Department allocated annual budgets in March and monitored them on a monthly basis. Forecasts of expenditure were reviewed monthly and updated where appropriate. More in-depth reviews of forecasts were carried out quarterly with particular emphasis on December reviews (as these are used by HM Treasury as a basis for total spend across Government for the year) and January reviews (to identify changes to be made through the Spring Supplementary Estimate). The Finance Director delivered a financial report to the monthly Executive Finance Board and the bi-monthly Departmental Board, highlighting emerging issues and advising where action may be required. During 2010-11, financial reports also focused on how to manage within the reduced funding envelope of the 2010 Spending Review Settlement.

Budgets were amended via the Winter and Spring Supplementary Estimates, including some limited access to savings in DEL budgets achieved in previous years (a process known as end year flexibility) in addition to other changes. End year flexibility ceased in 2010-11 and BIS no longer has access to its former stock of £1,173 million.

The Estimates process

Parliamentary approval must be sought annually for the issue of public funds. Main Estimates are the means by which Departments seek Parliamentary authority for their spending each year. Since the Main Estimates are not voted by Parliament until July each year, funding for the period from April to the end of July is voted alongside a Supplementary Estimate (known as the "Vote on Account").

The detailed Estimates include DEL and AME expenditure of the consolidated Department, and the grant in aid paid to Partner Organisations that are not currently consolidated into the Accounts. This grant in aid is essentially the provision of cash financing and is designated 'non-budget' expenditure.

As a result of the implementation of HM Treasury's Clear Line of Sight project, from 2011-12 there will be a single supplementary Estimate. The Estimates follow a standard format and include requests for resource and capital funding and a Net Cash Requirement, which represents the actual cash made available by the Exchequer to fund the Department's activities.

Each Estimate is accompanied by a formal description (or ambit) of the services to be financed under it. Funds voted by Parliament can only be used to finance services that fall within the ambit of the Estimate.

Up to 2010–11 BIS's Estimate had three Requests for Resources (RfRs), entitled:

- **RfR1:** To help ensure success in an increasingly competitive world.
- **RfR2:** Increasing scientific excellence in the UK and maximising its contribution to society.
- **RfR3:** To help build a competitive economy by: creating opportunities for everyone to develop their learning and skills and creating excellence in science, research and innovation.

The Department also has a separate Estimate for the effective management of the United Kingdom Atomic Energy Authority pension schemes. These are separate from the Consolidated Accounts contained in this volume. Copies of the United Kingdom Atomic Energy Authority Pension Accounts are available on the BIS Annual Report website's links page.

HM Treasury's Clear Line of Sight Project

HM Treasury is implementing the "Clear Line of Sight" project in 2010–11 and 2011–12. The aim of the project is to align the boundaries of budgets, Estimates and accounts, and the first stage (budgetary changes) took place in 2010–11. The second stage (implementing Estimates and accounts based on budgets) involves moving, in 2011–12, to fully aligned boundaries, as far as it is practicable, for the three frameworks, including consolidation of NDPBs and other central government bodies in Estimates and accounts. The main changes to the Estimate are:

- No separate 'Requests for Resources' – replaced by split into budget categories (DEL/AME)
- Capital is now voted in Estimate and includes capital grants (though they remain as resource spending in the Departmental Accounts)
- All NDPBs and other central government bodies are consolidated in the Estimate and Accounts
- No parliamentary limit on income, so all income may be retained (provided it falls within the ambit)
- Separate ambits for DEL and AME, including income in each category.

Expenditure Tables

These Tables present actual expenditure by the Department for the years 2006-07 to 2010-11, and planned expenditure for the years 2011-12 to 2014-15. The data relates to the Department's expenditure on a budgeting basis (see page 209 for an explanation). From 2011-12 there will be alignment between Estimates and budgets, and the administration costs of Partner Organisations will be shown as such rather than as programme as is currently the case.

The format of the Tables is determined by HM Treasury, and the disclosure in Tables 1 and 4 follow that of the Supply Estimate Functions. The figures are on a post-Clear Line of Sight basis and will, therefore, not be consistent with all other tables in the Annual Report.

The data in the Tables has been restated for the years from 2006-07 to 2009-10 to take account of the Machinery of Government changes in the formation of BIS. The exception is Table 3 (Capital Employed), where only the 2008-09 and 2009-10 outturns have been restated, consistent with the Department's accounts. All 2010-11 outturns are those used for the 2011 Public Expenditure Outturn White Paper although the AME outturn figures differ because of the impact of the Clear Line of Sight changes (with levy income being treated as budgetary items which was not the case in 2010-11). The figures are also presented as in Estimates from 2011-12, rather than on the 2010-11 basis.

Table 1 Total Departmental Spending – summarises expenditure on functions now administered by the Department, covering the period from 2006-07 to 2010-11. Consumption of resources includes programme and administration costs. Total Departmental expenditure is analysed by Departmental Supply Estimates, and any unallocated provision. Any material variances between years are explained in footnotes.

Table 2 Resource Budget – is complementary to Table 1 and shows 2010-11 figures against the original and final budgetary control limits on a 2010-11 basis.

Table 3 Capital Employed – shows capital employed by the Department in balance sheet format as disclosed in the Department's accounts. It also shows as a separate line the net capital employed by Non Departmental Public Bodies, which are not included in the Department's accounts, to give a total figure for capital employed by the Departmental family.

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 Spending Review 2010 Settlement was the movement of the administration costs of Partner Organisations from programme funding into administration. Table 4 shows assumed figures for past years to 2009-10. The administration settlement figures have been scored to one central line as allocations across future years are still subject to agreement and have not yet been devolved to Partner Organisations.

Table 5 Staff Numbers – shows staff numbers employed by the main Department and its Agencies, including the Trading Funds.

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 Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2011. The figures were taken from the HM Treasury public spending database in December 2010 and the regional distributions were completed in January and February 2011. Therefore the tables may not show the latest position and are not consistent with other tables in the Annual Report.

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 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 near cash 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 2011.

The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

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 9 of PESA 2011. These are not the same as the strategic priorities shown elsewhere in the report. The Department's expenditure encompasses a wide range of programmes, and the method of allocation by region will vary according to the nature of each programme. Transfer payments to individuals are generally allocated to the region of the residence of the recipient. Transfer payments to institutions are normally allocated on the basis of the location of the recipient institution, as a proxy for the location which benefits from the spending. Where directly measured data is unavailable, suitable formulae determined in consultation with Departmental statisticians have been used.

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 data identifiable expenditure underlying Table 6, per head of population.

Table 8 Expenditure by Function/Programme by Country and Region – shows the outturns for 2009-10 in Table 6 analysed into functional categories. These categories are the standard United Nations Functions of Government (COFOG) categories, the international standard. The presentation of spending by function is consistent with that used in chapter 9 of Public Expenditure Statistical Analysis (PESA) 2011. These are not the same as used in other Tables in this report.

Table 1 – Department for Business, Innovation and Skills

Total Departmental Spending

									£'000
	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Resource DEL									
Section A: Innovation, Enterprise and Business (Note A)	–98,688	–279,563	–255,631	30,410	–186,956	219,120	393,709	486,323	510,447
Section B: Free and Fair Markets	97,615	113,512	142,345	156,949	142,712	104,740	111,945	114,697	117,719
Section C: Professional Support (Note B)	423,371	367,635	380,951	378,491	344,262	940,489	795,291	744,944	719,807
Section D: Government as Shareholder (Note C)	78,994	458,213	297,482	156,800	155,530	194,925	386,497	384,994	364,547
Section E: Science and Research	135,726	161,508	170,711	116,494	129,910	136,144	122,258	121,347	121,543
Section F: Higher Education	1,601,723	2,149,415	2,376,613	2,860,776	5,663,480	3,376,490	3,820,895	4,435,330	5,008,363
Section G: Further Education (Note D)	–6,462,370	–6,795,559	–6,940,281	–7,294,953	3,963,515	3,655,134	3,501,535	3,347,421	3,153,736
Section H: Innovation, Enterprise and Business (NDPB) (net) (Note E)	835,754	1,004,693	1,024,531	1,209,684	1,049,630	633,038	382,656	282,829	237,938
Section I: Free and Fair Markets (NDPB) net	49,443	50,771	43,663	43,875	36,981	33,527	31,533	30,943	30,852
Section J: Science and Research (NDPB) net	2,367,431	2,577,300	4,330,439	4,495,591	4,843,840	4,431,792	4,449,956	4,450,219	4,464,081
Section K: Higher Education (NDPB) net	5,916,037	6,212,754	4,982,044	5,188,422	5,087,180	4,713,111	3,876,033	3,018,813	2,089,708
Section L: Further Education (NDPB) net	10,329,764	10,807,064	11,122,698	11,666,051	70,953	54,102	49,985	124,431	282,910
Section M: Government as Shareholder (NDPB) net	19,138	30,283	4,574	396	8,280	11,067	7,141	8,047	8,161
Departmental Unallocated Provision (non–Science)	–	–	–	–	–	–	–	–	23,963
Better Regulation	–	–	–	–	267	–	–	–	–
Total Resource DEL	**15,293,938**	**16,858,026**	**17,680,139**	**19,008,986**	**21,309,584**	**18,503,679**	**17,929,434**	**17,550,338**	**17,133,775**
Of which:									
Pay	1,084,001	1,046,180	1,062,522	1,243,569	1,016,104	1,164,028	992,681	923,318	881,511

									£'000
	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Net current procurement[1]	851,915	662,046	838,840	704,559	690,002	929,156	852,542	856,141	799,517
Current grants and subsidies to the private sector and abroad	17,581,946	18,933,417	19,922,223	21,653,575	16,463,043	15,385,829	14,498,525	13,594,079	12,701,352
Current grants to local government	2,326,567	2,389,932	2,412,897	2,463,921	255,061	143,641	54,692	27,440	31,518
Depreciation[2]	156,105	203,569	194,517	282,022	2,839,389	347,490	335,108	419,107	586,014
Other	–6,706,596	–6,377,118	–6,750,860	–7,338,660	45,985	533,535	1,195,886	1,730,253	2,133,863
Resource AME									
Section N: Innovation, Enterprise and Business	–113,571	–46,578	84,724	–80,055	2,105	–79,821	–39,171	–46,540	–42,900
Section O: Free and Fair Markets	224,550	230,006	464,766	558,046	545,084	458,842	429,962	392,332	344,512
Section P: Science Research Councils	17,202	27,400	72,340	37,000	34,100	43,835	50,605	56,570	61,885
Section Q: Higher Education	–850,922	–858,193	–1,268,219	–177,224	–1,294,604	–1,785,368	–1,815,720	–1,899,200	–2,586,945
Section R: Further Education	–	–	231	–28	2,134	3,473	3,473	3,473	3,473
Section S: Professional Support	14,443	168,270	–47,985	–13,401	27,202	–101,064	–42,446	–29,998	–29,410
Section T: Government as Shareholder	–22,392	8,785	–20,361	–28,330	10,058	8,084	7,784	7,530	7,321
Section U: Innovation, Enterprise and Business (NDPB) (net)	34,747	–5,405	219,662	135,051	193,230	129,247	–	–	–
Section V: Government as Shareholder (NDPB) net	–4,616	–3,521	5,598	3,683	–2,653	–4,400	–4,400	–4,400	–4,400
Section W: Free and Fair Markets (NDPB) net	–752	–2,922	149	–4,262	–1,143	858	597	448	464
Section X: Science and Research (NDPB) net	–2,266	–10,327	–10,922	–1,504	21,861	102,031	–41,385	–23,629	1,172
Section Y: Higher Education (NDPB) net	–27,718	–486	14,071	–18,841	–23,566	–19,970	–19,970	–19,970	–19,970
Section Z: Further Education (NDPB) net	–23,788	–12,258	12,078	54,261	–29,727	1,608	–919	10,889	–5,316
Science and Research	–	277	–	—		–	–	–	–
Total Resource AME	**–755,083**	**–504,952**	**–473,868**	**464,396**	**–515,919**	**–1,242,645**	**–1,471,590**	**–1,552,495**	**–2,270,114**
Of which:									

									£'000
	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Pay	64,518	50,667	54,028	91,314	85,320	99,036	107,396	114,745	121,024
Net current procurement[1]	–98,732	–128,928	–29,291	–38,636	–23,099	–28,438	–25,623	–30,337	–33,169
Current grants and subsidies to the private sector and abroad	411,266	459,587	645,667	738,455	582,884	595,638	561,329	540,317	479,010
Current grants to local government	–	–	–	–	–	–	–	–	–
Net public service pensions[3]	144	27,400	73,420	706	1,112	1,500	1,500	1,500	1,500
Take up of provisions	19,110	242,149	192,023	133,077	314,147	251,914	71,810	66,436	66,896
Release of provisions	–170,990	–150,431	–140,568	–153,272	–177,320	–295,109	–184,572	–155,816	–126,650
Depreciation[2]	2,721	12,550	229,981	133,985	154,881	104,221	2,769	2,616	3,384
Other	–983,120	–1,017,946	–1,499,128	–441,233	–1,453,844	–1,971,407	–2,006,199	–2,091,956	–2,782,109
Total Resource Budget	**14,538,855**	**16,353,074**	**17,206,271**	**19,473,382**	**20,793,665**	**17,261,034**	**16,457,844**	**15,997,843**	**14,863,661**
Of which:									
Depreciation[2]	158,826	216,119	424,498	416,007	2,992,899	451,711	337,877	421,723	589,398
Capital DEL									
Section A: Innovation, Enterprise and Business	–857,891	–949,229	–923,737	–671,613	–209,229	–31,654	13,760	25,410	–6,260
Section B: Free and Fair Markets	829	7,509	18,820	5,450	–907	8,700	15,800	6,100	4,100
Section C: Professional Support	13,665	20,316	14,134	13,943	10,083	8,500	5,500	5,500	4,500
Section E: Science and Research	99,839	76,901	31,726	43,274	21,597	11,531	13,953	13,831	15,570
Section G: Further Education	–29,340	–52,500	–205,056	–210,900	660,268	305,200	278,900	225,000	340,000
Section H: Innovation, Enterprise and Business (NDPB) (net)	913,087	974,629	928,411	952,355	512,099	195,894	79,000	13,000	–8,000
Section I: Free and Fair Markets (NDPB) net	717	588	1,070	640	781	500	500	500	500
Section J: Science and Research (NDPB) net	642,709	751,310	674,629	1,335,857	840,899	583,869	415,947	333,469	482,230
Section K: Higher Education (NDPB) net	717,197	757,314	560,250	371,972	209,689	95,400	90,300	58,800	137,000

									£'000
	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Section D: Government as Shareholder	–	–	–	–	–	–	59,600	65,000	–
Section F: Higher Education	14	–2,000	–	10,000	34,384	–	–	–	–
Section L: Further Education (NDPB) net	435,011	521,349	838,172	1,167,080	283	–	–	–	–
Section M: Government as Shareholder (NDPB) net	–	–	987	5,073	567	–	–	–	–
Total Capital DEL	**1,935,837**	**2,106,187**	**1,939,406**	**3,023,131**	**2,080,514**	**1,177,940**	**973,260**	**746,610**	**969,640**
Of which:									
Net capital procurement[4]	155,050	341,391	443,592	466,008	374,849	319,479	255,307	298,859	257,522
Capital grants to the private sector and abroad	2,368,415	2,389,792	2,382,335	3,287,475	2,049,184	962,151	865,653	616,421	888,048
Capital support for local government	578,043	567,433	447,247	503,280	242,972	218,000	79,000	76,000	28,000
Capital support for public corporations	–946	15,281	4,186	3,834	–76	1,000	–500	–500	500
Other	–1,164,725	–1,207,710	–1,337,954	–1,237,466	–586,415	–322,690	–226,200	–244,170	–204,430
Capital AME									
Section Q: Higher Education	2,819,109	4,031,616	3,982,498	4,045,771	4,418,158	5,712,285	6,378,473	7,931,258	9,688,493
Section T: Government as Shareholder	–119,880	–270,000	–825,000	260,000	–261,000	750,000	750,000	750,000	750,000
Section Z: Further Education (NDPB) net	1,558	3,831	5,919	494	1,196	5,836	7,817	10,394	11,921
Section R: Further Education	–	–	–	–	–	–	–	159,000	478,000
Section : Innovation, Enterprise and Business (other non–voted)	–	–	300,000	–	–	–	–	–	–
Total Capital AME	**2,700,787**	**3,765,447**	**3,463,417**	**4,306,265**	**4,158,354**	**6,468,121**	**7,136,290**	**8,850,652**	**10,928,414**

									£'000
	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
	Outturn	Outturn	Outturn	Outturn	Estimated outturn	Plans	Plans	Plans	Plans
Of which:									
Capital grants to the private sector and abroad	–139	729	–	–	–	–	–	–	–
Net lending to the private sector and abroad	2,819,248	4,030,887	3,982,498	4,045,771	4,418,158	5,712,285	6,378,473	8,090,258	10,166,493
Capital support for public corporations	–550,153	–270,000	–525,000	260,000	–261,000	750,000	750,000	750,000	750,000
Other	431,831	3,831	5,919	494	1,196	5,836	7,817	10,394	11,921
Total Capital Budget	**4,636,624**	**5,871,634**	**5,402,823**	**7,329,396**	**6,238,868**	**7,646,061**	**8,109,550**	**9,597,262**	**11,898,054**
Total departmental spending[5]	**19,016,653**	**22,008,589**	**22,184,596**	**26,386,771**	**24,039,634**	**24,455,384**	**24,229,517**	**25,173,382**	**26,172,317**
of which:									
Total DEL	17,229,775	18,964,213	19,619,545	22,032,117	23,379,112	19,681,619	18,902,694	18,296,948	18,103,415
Total AME	1,945,704	3,260,495	2,989,549	4,770,661	3,642,435	5,225,476	5,664,700	7,298,157	8,658,300

1 Net of income from sales of goods and services

2 Includes impairments

3 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

4 Expenditure on tangible and intangible fixed assets net of sales

5 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.

Notes:

A The increased figures from 2011-12 reflect decreases in income from other Government Departments in relation to the Regional Development Agencies.

B The increased figures for professional support from 2011-12 are due to the inclusion of administration funding for all BIS's Partner Organisations.

C Increases in figures from 2011-12 relate to support for the Post Office network.

D The Further Education figures from 2066-07 to 2009-10 differ from those from 2010-11 onwards as the earlier years reflect income from the Department for Education and the expenditure of the Learning & Skills Council which was an NDPB. Figures from 2010-11 reflect the expenditure of the Skills Funding Agency which succeeded the Learning & Skills Council.

E The decrease in funding from 2011-12 relates to the transition of responsibilities from the Regional Development Agencies to successor bodies.

F Increased resource expenditure in 2009-10 and 2010-11 is due to impairments made to the value of the student loan book which resulted in additional non cash costs.

Spending by local authorities on functions relevant to the department

					£'000
	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Estimated outturn
Current spending	–	–	–	–	–
of which:					
Financed by grants from budgets above	14,880,522	16,433,167	17,473,182	19,147,650	18,880,829
Capital spending	–	–	–	–	–
of which:					
Financed by grants from budgets above	1,503,938	1,638,611	1,607,462	2,448,741	1,819,265

Table 2 – Department for Business, Innovation and Skills

Resource Budget

			£'000
	2010-11	2010-11	2010-11
	Original Provision	Final provision	Estimated outturn
Resource DEL	–	–	–
Section A: Innovation, Enterprise and Business	-126,001	-106,263	-186,956
Section B: Free and Fair Markets	167,870	167,031	142,712
Section C: Professional Support	369,906	352,656	344,262
Section D: Government as a Shareholder	164,937	164,937	155,530
Section E: Science and Research	124,371	123,762	129,910
Section F: Higher Education	3,295,998	5,879,111	5,663,480
Section G: Further Education	4,119,402	4,059,767	3,963,515
Section H: Innovation, Enterprise and Business (NDPB) (net)	1,076,255	1,085,567	1,049,630
Section I: Free and Fair Markets (NDPB) (net)	50,133	50,133	36,981
Section J: Science and Research (NDPB) (net)	3,086,525	3,248,168	4,843,840
Section K: Higher Education (NDPB) (net)	6,651,599	6,709,714	5,087,180
Section L: Further Education (NDPB) (net)	61,967	70,181	70,953
Section M: Government as a Shareholder (NDPB) (net)	-3,180	-3,180	8,280
Better Regulation (NDPB)			267
Total Resource DEL	**19,039,782**	**21,801,584**	**21,309,584**
Of which:			
Pay	988,029	1,257,843	1,016,104
Net current procurement[1]	751,676	443,436	689,577
Current grants and subsidies to the private sector and abroad	18,262,858	21,031,971	18,117,790
Current grants to local government	390,669	320,474	254,218
Depreciation[2]	236,508	254,508	2,839,389
Other	-1,589,958	-1,506,648	-1,607,494
Resource AME			
Section N: Innovation, Enterprise and Business	-24,768	153,296	1,504
Section O: Free and Fair Markets	443,172	525,749	545,084
Section P: Science and Research	34,100	34,100	34,100
Section Q: Higher Education	-904,790	-957,208	-1,294,604
Section R: Further Education	1,873	85,173	2,134
Section S: Professional Support	-23,452	15,964	27,202
Section T: Government as a Shareholder	-10,937	-6,108	10,058
Section U: Innovation, Enterprise and Business (NDPB) (net)	88,406	183,350	193,230

			£'000
	2010-11	2010-11	2010-11
	Original Provision	Final provision	Estimated outturn
Section V: Government as a Shareholder (NDPB) (net)	-3,122	-3,122	-2,653
Section W: Free and Fair Markets (NDPB) (net)	436	436	-1,143
Section X: Science and Research (NDPB) (net)	-6,881	23,447	21,861
Section Y: Higher Education (NDPB) (net)	-22,000	-24,988	-23,566
Section Z: Further Education (NDPB) (net)	199,466	163,007	150,028
Total Resource AME	**-228,497**	**193,096**	**-336,765**
Of which:			
Pay	93,143	87,054	85,320
Net current procurement[1]	-15,100	-19,666	-23,099
Current grants and subsidies to the private sector and abroad	657,296	652,871	841,967
Current grants to local government	3,000	3,000	3,000
Net public service pensions[3]		449	511
Take up of provisions	20,743	340,334	314,147
Release of provisions	-136,722	-100,756	-177,320
Depreciation[2]	75,219	147,734	154,881
Other	-926,076	-917,924	-1,536,172
	-228,497	193,096	-336,765
Total Resource Budget	**18,811,285**	**21,994,680**	**20,972,819**
Of which:			
Depreciation[2]	311,727	402,242	2,994,270
Capital DEL			
Section A: Innovation, Enterprise and Business	-100,256	-208,512	-209,229
Section B: Free and Fair Markets	5,065	5,065	-907
Section C: Professional Support	-4,944	17,916	10,083
Section D: Government as a Shareholder	10,000	10,000	
Section E: Science and Research	33,031	34,471	21,597
Section F: Higher Education	35,000	34,281	34,384
Section G: Further Education	552,400	665,567	660,268
Section H: Innovation, Enterprise and Business (NDPB) (net)	403,195	512,705	512,099
Section I: Free and Fair Markets (NDPB) (net)	776	776	781
Section J: Science and Research (NDPB) (net)	672,638	680,668	840,899
Section K: Higher Education (NDPB) (net)	394,808	377,201	209,689
Section L: Further Education (NDPB) (net)	320	305	283
Section M: Government as a Shareholder (NDPB) (net)	300	300	567
Total Capital DEL	**2,002,333**	**2,130,743**	**2,080,514**

			£'000
	2010-11	2010-11	2010-11
	Original Provision	Final provision	Estimated outturn
Of which:		2,130,743	2,070,899
Net capital procurement[4]	316,031	256,419	374,849
Capital grants to the private sector and abroad	1,850,049	2,083,517	2,039,569
Capital support for local government	466,920	426,920	242,972
Capital support for public corporations			
Other	-630,667	-636,113	-586,491
Capital AME			
Section Q: Higher Education	5,080,646	4,363,514	4,418,158
Section T: Government as a Shareholder	618,000	618,000	-261,000
Section Z: Further Education (NDPB) (net)	7,830	3,008	1,196
Total Capital AME	**5,706,476**	**4,984,522**	**4,158,354**
Of which:			
Capital grants to the private sector and abroad			
Net lending to the private sector and abroad	5,080,646	4,363,514	4,418,158
Capital support for public corporations	618,000	618,000	-261,000
Other	7,830	3,008	1,196
Total Capital Budget	**7,708,809**	**7,115,265**	**6,229,253**
Total Departmental spending	**26,208,367**	**28,707,703**	**24,207,377**
of which:			
Total DEL	20,805,607	23,677,819	20,540,669
Total AME	5,402,760	5,029,884	3,666,708

1 Net of income from sales of goods and services

2 Includes impairments

3 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

4 Expenditure on tangible and intangible fixed assets net of sales

5 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.

Notes:

1 Table 2 is prepared on a 2010-11 classification basis so numbers may not reconcile to Table 1 which is prepared on a 2011-12 basis. Lines which were Non-Voted in 2010-11 are shown in italics.

2 The depreciation figure shown in the Estimated outturn includes the impairment of the value of the Student Loan book.

Table 3 – Capital Employed

									£'000
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn Restated	2010-11 Estimated Outturn	2011-12 Plans	2012-13 Plans	2013-14 Plans	2014-15 Plans
Assets and liabilities in the Statement of Financial Position at year end:									
Assets									
Non-current assets:									
Intangible	387	8,592	85,395	103,562	88,691	84,256	80,044	76,041	72,239
Tangible	5,699,738	18,932,911	22,505,826	25,928,197	27,702,041	26,316,939	25,001,092	23,751,037	22,563,486
of which:									
Land and buildings	26,290	-	137,474	128,427	126,726	120,390	114,370	108,652	103,219
Plant and machinery	12,469	265,006	141,249	131,244	125,909	119,614	113,633	107,951	102,554
Other Financial Assets and Trade and other Receivables	30,352	17,711,771	20,968,339	24,076,196	25,516,969	24,241,121	23,029,065	21,877,611	20,783,731
Investments	5,630,627	956,134	1,258,764	1,592,330	1,932,437	1,835,815	1,744,024	1,656,823	1,573,982
Current assets	3,031,594	3,835,337	4,406,634	4,061,002	4,507,912	4,282,516	4,068,391	3,864,971	3,671,722
Liabilities									
Current Liabilities:									
Trade and Other Payables	-1,338,431	-2,334,007	-3,247,861	-2,632,377	-3,386,675	-3,217,341	-3,056,474	-2,903,650	-2,758,468
Provisions, Financial Guarantees and other Financial Liabilities		-106,461	-168,574	-184,566	-128,431	-122,009	-115,909	-110,114	-104,608
Non-Current Liabilities:									
Trade and Other Payables	-541,072	-547,383	-545,121	-858,722	-1,195,463	-1,135,690	-1,078,905	-1,024,960	-973,712
Provisions, Financial Guarantees and other Financial Liabilities	-4,484,470	-949,429	-943,340	-912,219	-1,042,064	-989,961	-940,463	-893,440	-848,768
Capital employed within main department	**2,367,746**	**18,839,560**	**22,092,959**	**25,504,877**	**26,546,011**	**25,218,710**	**23,957,775**	**22,759,886**	**21,621,892**
NDPB net assets	-36,224,441	2,686,948	2,810,395	3,068,161	3,012,384	2,861,765	2,718,677	2,582,743	2,453,606
Total capital employed in Departmental group	**-33,856,695**	**21,526,508**	**24,903,354**	**28,573,038**	**29,558,395**	**28,080,475**	**26,676,451**	**25,432,629**	**24,075,497**

Note: Outturns in 2006-07 exclude capital relating to Higher and Further Education activities but include Energy-related capital transferred to the Department of Energy and Climate Change in 2008-09.

Table 4 – Administration Costs

										£'000
	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Estimated outturn**	**Plans**	**Plans**	**Plans**	**Plans**
Section B: Free and Fair Markets	2,520	2,485	2,249	2,403	13,286	–	-2,151	–	–	–
Section C: Professional Support	418,163	396,393	346,261	363,273	366,300	317,200	905,902	753,835	711,813	686,790
Section E: Science and Research	8,002	7,901	9,952	–	–	–	–	–	–	–
Section H: Innovation, Enterprise and Business (NDPB) (net)	142,572	176,943	180,999	226,163	254,296	–	–	–	–	–
Section I: Free and Fair Markets (NDPB) net	6,405	6,416	6,965	3,321	6,208	–	–	–	–	–
Section J: Science and Research (NDPB) net	78,730	86,811	110,551	127,005	125,806	–	–	–	–	–
Section K: Higher Education (NDPB) net	20,877	37,405	38,476	46,813	49,187	–	–	–	–	–
Section L: Further Education (NDPB) net	–	–	–	7,452	8,180	–	–	–	–	–
Section M: Government as Shareholder (NDPB) net	–	–	–	1,595	1,650	–	–	–	–	–
Total administration budget	**677,269**	**714,354**	**695,453**	**778,025**	**824,913**	**317,200**	**903,751**	**753,835**	**711,813**	**686,790**
Of which:										
Paybill	347,673	404,826	418,505	483,755	521,197	195,095	455,401	372,277	350,118	330,772
Expenditure	336,266	344,410	324,179	339,798	347,511	152,468	465,967	397,374	377,926	372,679
Income	-6,670	-34,882	-47,231	-45,528	-43,795	-30,363	-17,617	-15,816	-16,231	-16,661

Note: With the exception of 2010-11 which is on an actual basis, the figures shown are on a 2011-12 basis including the assumed administration expenditure of Partner Organisations.

Table 5 – Staff Numbers

Table 5 shows staff numbers employed by the main Department and its Agencies, including the Trading Funds, used in other Tables in this report.

	2009-10 Actual (restated)	**2010-11 Actual**
Department for Business, Innovation and Skills (gross control area)		
CS FTEs	3,037.6	2,784.8
Others	248.1	120.6
Total	**3,285.7**	**2,905.4**
UK Trade & Investment (gross control area)		
CS FTEs	528.9	529.8
Others	84.4	52.6
Total	**613.3**	**582.4**
The Insolvency Service (gross control area)		
CS FTEs	2,647.0	2,495.3
Others	485.5	103.0
Total	**3,132.5**	**2,598.3**
Companies House (gross control area)		
CS FTEs	1,088.0	1,062.0
Others	58.0	4.0
Total	**1,146.0**	**1,066.0**
Advisory, Conciliation and Arbitration Service (gross control area)		
CS FTEs	847.0	859.0
Others	35.0	17.0
Total	**882.0**	**876.0**
National Measurement Office (gross control area)		
CS FTEs	63.0	68.0
Others	0	1.0
Total	**63.0**	**69.0**
Skills Funding Agency (gross control area)		
CS FTEs	1,692	1,670.0
Others	24	22.0
Total	**1,716.0**	**1,692.0**

Table 6 – Total identifiable expenditure on services by country and region, 2005-06 to 2010-11

Business, innovation and skills						£ million
	National Statistics					
	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 plans
North East	754	798	860	922	1,043	1,050
North West	1,722	1,985	2,206	2,319	2,611	2,748
Yorkshire and the Humber	1,460	1,488	1,673	1,760	2,103	2,015
East Midlands	1,122	1,163	1,305	1,352	1,533	1,596
West Midlands	1,442	1,383	1,639	1,820	2,018	2,082
East	1,353	1,344	1,426	1,684	1,885	1,992
London	3,041	3,207	3,663	3,797	4,166	4,430
South East	2,280	2,375	2,516	2,631	2,994	3,116
South West	1,259	1,300	1,521	1,620	1,752	1,821
Total England	14,433	15,043	16,809	17,906	20,104	20,849
Scotland	285	309	319	426	476	500
Wales	132	130	145	176	188	183
Northern Ireland	29	35	53	51	72	67
UK identifiable expenditure	**14,879**	**15,518**	**17,327**	**18,558**	**20,840**	**21,598**
Outside UK	301	324	311	474	438	468
Total identifiable expenditure	**15,181**	**15,842**	**17,638**	**19,032**	**21,278**	**22,066**
Non-identifiable expenditure	783	979	856	996	984	675
Total expenditure on services	**15,963**	**16,822**	**18,493**	**20,029**	**22,262**	**22,741**

Table 7 – Total identifiable expenditure on services by country and region, per head 2005-06 to 2010-11

Business, innovation and skills						£ per head
					National Statistics	
	2005-06 outturn	2006-07 outturn	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 plans
North East	296	312	335	358	403	405
North West	252	290	321	337	378	397
Yorkshire and the Humber	286	289	323	338	400	380
East Midlands	259	267	297	305	344	355
West Midlands	270	258	304	336	372	381
East	243	240	252	294	327	342
London	408	427	485	498	537	568
South East	279	288	303	314	355	367
South West	247	254	294	311	335	344
England	286	296	329	348	388	399
Scotland	56	60	62	82	92	96
Wales	45	44	49	59	63	61
Northern Ireland	17	20	30	29	40	37
UK identifiable expenditure	**247**	**256**	**284**	**302**	**337**	**347**

Table 8 – Total identifiable expenditure on services by function, country and region, for 2009-10

Data in this table are National Statistics																	£ million
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**	**UK Identifiable expenditure**	**Outside UK**	**Total Identifiable expenditure**	**Not Identifiable**	**Totals**
General public services																	
Executive and legislative organs, financial and fiscal, external affairs	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	9.6	0.1	1.9	0.1	11.6	0.0	11.6	0.0	11.6
Foreign economic aid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.2
General services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.2
Total general public services	**1.1**	**1.1**	**1.1**	**1.1**	**1.1**	**1.1**	**1.1**	**1.1**	**1.1**	**9.8**	**0.1**	**1.9**	**0.1**	**11.9**	**0.2**	**12.0**	**0.0**	**12.0**
Economic affairs																	
General economic, commercial and labour affairs	-18.4	-6.7	-14.6	0.8	-12.9	12.8	62.9	26.4	6.2	56.4	27.2	12.5	6.6	102.7	40.3	143.1	24.8	167.8
Agriculture, forestry, fishing and hunting	0.1	0.1	0.3	0.0	0.0	0.1	0.0	0.1	0.8	1.5	0.2	0.2	0.2	2.2	0.0	2.2	0.0	2.2
of which: other agriculture, food and fisheries policy	*0.1*	*0.1*	*0.3*	*0.0*	*0.0*	*0.1*	*0.0*	*0.1*	*0.8*	*1.5*	*0.2*	*0.2*	*0.2*	*2.2*	*0.0*	*2.2*	*0.0*	*2.2*
Mining, manufacturing and construction	11.9	43.8	23.9	23.9	35.8	47.8	35.8	71.7	43.9	338.5	27.9	19.9	11.9	398.3	0.0	398.3	0.0	398.3
Transport	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	-0.4	0.0	0.0	0.0	-0.4	0.0	-0.5	0.0	-0.5
of which: other transport	*0.0*	*-0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*-0.1*	*-0.1*	*0.0*	*-0.4*	*0.0*	*0.0*	*0.0*	*-0.4*	*0.0*	*-0.5*	*0.0*	*-0.5*
Communication	18.8	63.0	33.0	27.0	61.0	49.9	90.3	75.0	45.8	463.9	36.1	15.2	10.3	525.5	54.0	579.5	0.0	579.5
R&D economic affairs	104.2	237.1	191.3	164.4	155.8	317.5	508.0	375.8	154.6	2,208.7	253.7	73.9	35.1	2,571.5	228.5	2,800.0	408.3	3,208.2
Economic affairs n.e.c	13.3	33.5	24.7	19.6	25.2	24.2	54.4	37.8	22.1	254.9	5.5	1.7	0.7	262.8	5.3	268.1	0.0	268.1
Total economic affairs	**129.9**	**370.7**	**258.6**	**235.6**	**264.9**	**452.3**	**751.5**	**586.7**	**273.3**	**3,323.6**	**350.7**	**123.5**	**64.9**	**3,862.6**	**328.0**	**4,190.6**	**433.0**	**4,623.7**
Environment protection																	
Waste management	0.0	0.6	0.0	0.0	0.0	0.0	0.0	1.0	0.7	2.4	3.2	0.0	0.0	5.6	0.0	5.6	0.0	5.6
Pollution abatement	0.3	0.9	0.6	0.6	0.7	0.8	1.7	1.4	0.7	7.6	0.7	0.3	0.2	8.9	0.0	8.9	0.2	9.0
R&D environment protection	1.3	13.6	25.5	2.8	3.7	21.0	18.7	15.4	32.7	134.7	21.0	4.6	0.2	160.5	61.2	221.8	213.1	434.8

Data in this table are National Statistics																		**£ million**
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**	**UK Identifiable expenditure**	**Outside UK**	**Total Identifiable expenditure**	**Not Identifiable**	**Totals**
Total environment protection	**1.6**	**15.1**	**26.1**	**3.4**	**4.4**	**21.8**	**20.4**	**17.8**	**34.1**	**144.7**	**24.9**	**4.9**	**0.4**	**175.0**	**61.2**	**236.2**	**213.3**	**449.5**
Health																		
R&D health	8.7	32.0	12.6	10.4	14.4	36.7	120.4	71.2	20.2	326.6	41.7	8.8	1.4	378.4	5.2	383.6	337.9	721.5
Total Health	**8.7**	**32.0**	**12.6**	**10.4**	**14.4**	**36.7**	**120.4**	**71.2**	**20.2**	**326.6**	**41.7**	**8.8**	**1.4**	**378.4**	**5.2**	**383.6**	**337.9**	**721.5**
Recreation, culture and religion																		
R&D recreation, culture and religion	4.7	7.5	8.6	3.2	4.8	7.0	47.7	17.8	17.9	119.2	10.4	3.9	1.6	135.0	0.6	135.6	0.0	135.6
Total recreation, culture and religion	**4.7**	**7.5**	**8.6**	**3.2**	**4.8**	**7.0**	**47.7**	**17.8**	**17.9**	**119.2**	**10.4**	**3.9**	**1.6**	**135.0**	**0.6**	**135.6**	**0.0**	**135.6**
Education																		
Secondary education	311.2	747.3	512.4	437.0	645.1	504.7	850.0	763.2	477.2	5,248.1	0.0	0.0	0.0	5,248.1	0.0	5,248.1	0.0	5,248.1
Post-secondary non-tertiary education	0.0	0.0	0.0	0.0	0.0	0.0	2.8	0.0	0.0	2.8	0.0	0.0	0.0	2.8	0.0	2.8	0.0	2.8
Tertiary education	538.1	1,278.3	1,023.7	781.4	875.3	786.6	2,297.5	1,370.5	842.9	9,794.3	0.0	0.0	0.0	9,794.3	0.0	9,794.3	0.0	9,794.3
Education not definable by level	12.9	27.3	187.2	18.8	20.5	24.2	5.3	30.2	19.8	346.3	14.3	17.4	2.3	380.3	0.0	380.3	0.0	380.3
R&D education	0.2	0.4	0.2	0.2	0.3	0.2	0.4	0.4	0.2	2.6	0.0	0.0	0.0	2.6	4.0	6.6	0.0	6.6
Education n.e.c	8.9	21.6	14.9	12.5	18.5	14.7	26.4	22.4	14.4	154.3	0.5	0.2	0.1	155.0	35.5	190.5	0.0	190.5
Total education	**871.3**	**2,074.9**	**1,738.5**	**1,249.9**	**1,559.6**	**1,330.4**	**3,182.5**	**2,186.7**	**1,354.6**	**15,548.5**	**14.8**	**17.5**	**2.3**	**15,583.2**	**39.5**	**15,622.7**	**0.0**	**15,622.7**
Social protection																		
Old age	0.6	73.7	1.3	1.0	1.6	3.8	1.5	41.6	15.7	140.8	12.8	2.1	0.1	155.7	3.2	158.9	0.0	158.9
of which: pensions	*0.6*	*73.7*	*1.3*	*1.0*	*1.6*	*3.8*	*1.5*	*41.6*	*15.7*	*140.8*	*12.8*	*2.1*	*0.1*	*155.7*	*3.2*	*158.9*	*0.0*	*158.9*
Family and children	1.5	4.5	3.3	2.9	3.5	4.5	9.2	7.2	3.6	40.4	3.9	1.7	1.1	47.1	0.0	47.1	0.0	47.1
of which: family benefits, income support and tax credits	*1.5*	*4.5*	*3.3*	*2.9*	*3.5*	*4.5*	*9.2*	*7.2*	*3.6*	*40.4*	*3.9*	*1.7*	*1.1*	*47.1*	*0.0*	*47.1*	*0.0*	*47.1*
Unemployment	23.1	31.1	52.4	25.6	163.8	27.4	32.0	63.3	31.5	450.3	16.7	24.0	0.3	491.3	0.0	491.3	0.0	491.3
of which: other unemployment benefits	*23.1*	*31.1*	*52.4*	*25.6*	*163.8*	*27.4*	*32.0*	*63.3*	*31.5*	*450.3*	*16.7*	*24.0*	*0.3*	*491.3*	*0.0*	*491.3*	*0.0*	*491.3*
Total social protection	**25.2**	**109.3**	**57.1**	**29.6**	**169.0**	**35.7**	**42.6**	**112.2**	**50.8**	**631.5**	**33.3**	**27.7**	**1.5**	**694.1**	**3.2**	**697.3**	**0.0**	**697.3**
Total business, innovation & skills	**1,042.5**	**2,610.7**	**2,102.6**	**1,533.2**	**2,018.2**	**1,885.0**	**4,166.3**	**2,993.5**	**1,751.9**	**20,103.8**	**475.9**	**188.2**	**72.2**	**20,840.1**	**437.9**	**21,278.1**	**984.2**	**22,262.2**

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