Department for Business, Innovation and Skills resource accounts 2009-10: including the consolidated resource accounts for the year ended 31 March 2010 (HC 211, Session 2010-11)

Presented to Parliament 26 July 2010

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Correction to page 93, Note 2 *First time adoption of IFRS*

The following table replaces the first table under Note 2

	General Fund £'000	Revaluation Reserve £'000
Taxpayers' equity at 31 March 2008 under UK GAAP	**18,898,156**	**152,179**
Prior period adjustment	(201,303)	-
	18,696,853	152,179
IFRS adjustments for:		
IAS 19 – Employee Benefits[1]	(5,150)	-
IAS 39 – Measurement of Financial Instruments[2]	(3,255)	-
IAS 38 – Intangible Assets[3]	111	-
IAS 19 – Early retirement change in discounting from 2.2% to 3.2%[4]	644	-
IFRIC 12 – Service concession arrangements[5]	(1,822)	-
Taxpayers' equity at 1 April 2008 under IFRS	**18,687,381**	**152,179**

Department for Business Innovation & Skills

Resource Accounts 2009–10

HC 211 JULY 2010 £35.50

Department for Business, Innovation and Skills

Resource Accounts 2009–10

Including the Consolidated Resource Accounts for the year ended 31 March 2010

Resource Accounts presented to the House of Commons pursuant to section 6 (4) of the Government Resources and Accounts Act 2000

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Contents

Introduction

About the Department for Business, Innovation and Skills

The Department for Business, Innovation and Skills (BIS) was formed on 5 June 2009, following a merger of the Department for Business, Enterprise and Regulatory Reform (BERR), and the Department for Innovation, Universities and Skills (DIUS). Seven Departmental Strategic Objectives (DSOs) for the Department were announced in December 2009. Following the change of Government which succeeded this reporting period, the objectives of the Department are now being reviewed.

About these Accounts

This set of Accounts brings together information on expenditure and performance of the Department for Business, Innovation and Skills (and its predecessors) over the period 1 April 2009 to 31 March 2010. It includes statements of data for the Departmental Strategic Objectives and Public Service Agreements (PSAs) of the Department for this period.

How this report is structured?

Chapter 1: Gives details on **Managing the Department**, including corporate governance arrangements and the Department's remuneration report.

Chapter 2: Gives a **Financial Overview** of the Department's finances, including explaining the financial material contained in the report.

Chapter 3: Contains the audited **Resource Accounts** for BIS and a number of bodies consolidated with BIS for 2009-10.

Annexes: Includes tables summarising performance and expenditure against objectives over the past year, delivery of value for money savings, outstanding PAC recommendations, and any complaints to the Parliamentary Ombudsman.

Links to websites

Links at the bottom of pages provide further relevant information or key source material. The Department is not responsible for the content of external websites, or changes to published links.

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.

Chapter 1

Managing the Department

1.1 Introduction

This chapter describes how BIS has been governed, structured and managed since its creation on 5 June 2009.

The merger of BERR and DIUS and the bringing together of the two predecessor departments' systems and personnel into a coherent departmental structure has been a major challenge of the past twelve months and is a focus of this section.

The Department's seven Departmental Strategic Objectives (DSOs) in 2009-10 were:

Departmental Strategic Objectives	
DSO 1	Foster a world-class science and knowledge base and promote the commercial exploitation of knowledge, global excellence in research and better use of science in Government
DSO 2	Increase innovation, enterprise and the growth of business, with a focus on new industrial opportunities and bringing benefits to all regions
DSO 3	Deliver free and fair markets, with greater competition
DSO 4	Ensure that Government departments and agencies deliver better regulation
DSO 5	Improve the skills of the population through excellent further education and world-class universities, to build a more economically competitive, socially mobile and cohesive society
DSO 6	Provide the professional support, capability and infrastructure needed to deliver our objectives and programmes, working effectively with our partner organisations to deliver public service excellence
DSO 7	Ensure that Government acts as an effective and intelligent shareholder, and provide excellent corporate finance expertise within Government

Statements of data for the indicators underlying these DSOs, and for the Public Service Agreements led by BIS and to which BIS's DSOs contributed, can be found in Annexes A1 and A2.

1.2 Building BIS

The primary aim of merging BERR and DIUS was to bring together many of the policy levers which would create the conditions for business success; promote innovation, enterprise and science; and give everyone the skills and opportunities to succeed. The merger has also allowed us to streamline and realise efficiencies from reductions in senior management, estates and integration of corporate systems. In order to achieve its policy objectives BIS must be a fully unified and high performing department. The Building BIS programme has aimed to achieve this by delivering the integration of corporate service and systems, and building the capability of the Department to deliver its objectives.

The Capability Review Stocktake undertaken at the beginning of 2010 reported that a good start had been made, with the new Department being well led and well regarded externally.

The Building BIS programme had five themes with clear priorities for building capability under each:

One Department

The immediate focus of creating a unified department was to integrate the senior management and Board of the new Department and to establish direction and objectives for BIS. The Capability Review Stocktake recognised that this has been achieved by strong leadership from the Management Board and Senior Management Team through the merger, whilst engaging staff from both of the former departments throughout the process.

We have also created integrated systems, processes and policy making, taking the best elements of the previous departments to create a department which is greater than the sum of its parts. Within the first six months we integrated our finance system, to achieve improved financial management, and our HR system. We co-located policy teams to help ensure policy coherence across the Department's portfolio. The Estates Optimisation Programme is delivering efficiency savings and improved space standards of 10 sq metres per person as BIS moves to a single London Headquarters building by 2011 and all Sheffield staff into one new building in 2010. This Estates programme will maximise efficient use of its workspace with flexible desking and thus enable BIS to meet cross- government property targets.

An indication of the success of the integration into one department is that results from the staff survey indicate that staff have already formed a fairly positive view of the new department and the results compare well with those of both former departments. The results also showed a high percentage of staff saying that they have a clear understanding of the Department's purpose.

Confident policy making

We want BIS to be recognised as being an influential policy department effectively delivering on our priorities. To achieve this, policies and policy development need to be robust, evidence based and innovative – delivering practical solutions to real problems. We have developed the BIS policy framework to help ensure our policy development is joined-up and improve how we evaluate the impact of our policies. A Policy and Programme Board comprising the Permanent Secretary and Directors General has been established to advise the Board and Ministers on major cross-cutting policy developments.

Promotion of Confident Policy Making has been further supported by the introduction of a Permanent Secretary's Award scheme. This recognises and celebrates teams who deliver the highest quality policy work in BIS, reflecting best practice in innovation, robustness, and customer focus in policy development. The awards have proven very popular across the Department, with 34 nominations citing over 260 members of staff.

People and performance

The integration of people from the two Departments has involved both integrating HR systems and deciding on a strategy for the longer-term development of our staff. We have also been able to realise efficiencies at the centre of the Department through bringing together BERR and DIUS.

Within the first year, we have made good progress in harmonising HR policies: moving to a single HR on-line system and integrating performance management appraisal systems. This success has been driven by leadership which has focused on promoting an open culture and on building collective responsibility. We have also launched a new people and capability strategy and delivery plan so we have the people and skills needed to deliver our mission over the next three years and beyond.

The 2010 Capability Review Stocktake noted that our staff are well regarded by those outside the department who work with them.

Nonetheless, over the coming years BIS will face substantial resource challenges. We will respond to this by finding new ways of working and increasing the flexibility of the organisation. To achieve this we are conducting a fundamental review of our organisational design and our commercial strategy.

Delivering with our partners

Building strong and effective relations with our network of partner organisations and stakeholders is crucial to our success. We conducted a thorough review when BIS was created, and put in place a new risk based partner organisation management framework to ensure that the risks associated with BIS sponsoring so many varied delivery bodies were being properly managed and that strong governance principles and robust risk management was in place.

This has resulted in increased Management Board oversight of delivery partners' performance and risks.

Innovation

BIS leads on the Whitehall innovation agenda and is taking action to create a culture of innovation in BIS. We have set out to be innovative in our thinking and ways of working, have a culture which is open to ideas from outside the Department and supports collaboration and challenge, as well as being modern and non-bureaucratic in our ways of working.

Over the course of the last year the focus of our work has been on engaging the senior leaders in the Department and across the civil service, and in developing a toolkit to support innovation in policy making across Whitehall.

We have managed a Civil Service Top 200 event, attended by Permanent Secretaries and Directors General from all central Government departments, to promote innovation and highlight best practice in Government, the private sector and internationally. An innovation toolkit for departments has also been developed and is currently being trialled through projects in seven departments.

1.3 Partner Organisation (during 2009–10)

Executive Agencies[1]

Companies House
Insolvency Service
Intellectual Property Office
National Measurement Office

Executive NDPBs (Non-Departmental Public Bodies)

Advantage West Midlands
Advisory, Conciliation and Arbitration Service (ACAS)
British Hallmarking Council
Capital for Enterprise Ltd
Competition Commission
Competition Service
Construction Industry Training Board (CITB – ConstructionSkills)
Consumer Focus
Design Council
East Midlands Development Agency
East of England Development Agency
Engineering Construction Industry Training Board
Film Industry Training Board for England and Wales
Hearing Aid Council
Higher Education Funding Council for England
Investors in People UK
Learning and Skills Council[2]
Local Better Regulation Office (LBRO)
National Endowment for Science, Technology & the Arts
Northwest Regional Development Agency
Office for Fair Access
ONE North East
SITPRO (Simplifying International Trade)
South East England Development Agency
South West of England Regional Development Agency
Student Loans Company Ltd
Technology Strategy Board
UK Atomic Energy Authority (UKAEA)
UK Commission for Employment and Skills (UKCES)
Yorkshire Forward
Arts and Humanities Research Council
Biotechnology and Biological Sciences Research Council
Economic and Social Research Council
Engineering and Physical Sciences Research Council
Medical Research Council
Natural Environment Research Council
Science and Technology Facilities Council

1 From 1 April 2010, the list of BIS's Executive Agencies includes the Skills Funding Agency
2 From 1 April 2010, the Learning and Skills Council was superseded by the Skills Funding Agency

Advisory NDPB

Industrial Development Advisory Board
Low Pay Commission
Regional Industrial Development Boards
Union Modernisation Fund Supervisory Board
Waste Electrical and Electronic Equipment Advisory Board
Council for Science and Technology
Strategic Advisory Board for Intellectual Property

Public Corporations

The Office of Communications (OFCOM)

Central Government Organisation

British Nuclear Fuels plc

Non Ministerial Department

Office of Fair Trading
Postcomm

Tribunals

Central Arbitration Committee
Competition Appeal Tribunal
Insolvency Practitioners Tribunal
Copyright Tribunal

Government Owned Contractor Operated Laboratory

National Physical Laboratory

Others

Financial Reporting Council
London Development Agency
Community Interest Companies
Citizens Advice (CitA)
Citizens Advice Scotland (CAS)
Royal Mail Holdings plc (within the boundary of BIS)
British Standards Institution
Information Authority
Learning and Skills Improvement Service (LSIS) (charity)
Ufi/learndirect (charity status)
UK Accreditation Service (UKAS)
UK Skills (charity status)

Ad Hoc Advisory Groups, Reviews and Taskforce Advisory NDPBs

Advisory Panel on New Industry, New Jobs, Universities and Skills
Aerospace Leadership Council
Automotive Council

Industrial Biotechnology Leadership Forum
Ministerial Advisory Group on Manufacturing
Motorsport Development UK
Regulatory Policy Committee
Risk and Regulation Advisory Council
Taskforce on Women's Enterprise
Vulnerable workers pilot practitioners' Panel

1.4 Equality and Diversity

BIS is fully committed to equality and diversity. A new Governance Board chaired by a Management Board member has been established and the BIS Single Equality Scheme was published in June 2010.

As an employer we set targets and monitor progress towards achievement of a workforce profile that mirrors the community we serve. The table below contains latest information on BIS progress against civil service diversity targets for representation at senior levels.

BIS Workforce Diversity Profile (December 2009)				
	Ethnicity (Black and Minority Ethnic)	**Women**	**Staff recording disability**	**Lesbian, Gay, Bisexual and Transgender (LGBT) staff**
BIS (overall)	12%	45%	8.1%	3.3%
Targets (set by Cabinet Office, by April 2011)	5%	39%	5%	No specific target set
BIS SCS	3.3% (7 people)	37.3% (80 people)	5.1% (11 people)	Not available

The Department is committed to promoting equality of opportunity in all its functions, and as a public sector organisation is required by law to promote equality of opportunity for race, gender and disability.[3] We have also been considering how to embed the additional areas of sexual orientation, religion or belief, age, gender reassignment, pregnancy and maternity and socio-economic disadvantage that will be introduced by the Equality Act 2010.[4]

As a new department we have begun to introduce measures to identify and address the barriers and opportunities relating to equality and diversity, where these are relevant to our policy remit, our service delivery and our departmental functions. For example:

- Implementing recommendations made by the Ethnic Minority Business Task Force, with the aim of achieving greater levels of growth amongst existing ethnic minority firms and boosting entrepreneurship rates from black and minority ethnic communities.
- The second Fair Treatment at Work survey was published in September 2009. This measured workers awareness of their rights and the support available to them. It provides a comprehensive view of the problems experienced (including discrimination, unfair treatment, bullying and sexual

3 The Race Relations Act 1976 (as amended by the Race Relations (Amendment) Act 2000); the Disability Discrimination Act (as amended by the Disability Discrimination Act 2005) and the Sex Discrimination Act 1975 (as amended by the Equality Act 2006). The Equality Act 2010 harmonises and strengthens the existing equality legislation and extends the scope of the duty.

4 Details of the Equality Act can be seen on the Government Equalities Office website at: http://www.equalities.gov.uk/equality_bill.aspx

harassment) in the workplace and how such problems get resolved. The data was reported in the context of race, disability, gender, sexual orientation, religion or belief and age.

- We made a significant impact on the success of our Adult Apprenticeships, by removing the upper age limit of 25 in 2006. As a result, the programme has seen a large increase in older learners, with a larger proportion of women and more people from BME groups starting an Apprenticeship.
- The London 2012 Women in Construction project was set up to increase opportunities for women and to break down gender barriers in the industry as a whole.
- We have introduced a number of reforms to the higher education applications and admissions process, to improve fairness for all prospective students.

BIS Single Equality Scheme (SES)

As a new department, BIS is required to produce a SES within one year of its creation. Over the last year work has been progressing on the production of this document, which sets out our commitments over the next three years (2010 – 2013) to ensure our policies and services reflect the diverse needs and experiences of all the people we serve. Attached to the SES will be an Action Plan that will capture what BIS will do to ensure that the Department complies with the public sector duties.

Information and Data

One challenge facing BIS is to develop a comprehensive and credible evidence base that we can use to find out more about the diverse society we serve and which we can use to monitor our progress on equality and diversity. To realise this, we have conducted an analytical review, to establish the data and Key Performance Indicators needed to develop the Department's SES and to progress exemplary practice. The review has provided a benchmark for the Department's performance on equality and diversity to date and highlighted the areas where there are data gaps and where we need to do more. We have used the findings of the review to inform the development of the SES Action Plan so that we have specific objectives to be able to move towards our goal of being an exemplar in this field.

Monitoring information

To steer progress on the Department's work on equality and diversity (including on the SES Action Plan), an Equality and Diversity Governance Board has been established, chaired by the BIS Diversity Board Champion. Membership of the Board consists of representatives from across the Department, including group Equality and Diversity Champions and the Chairs of staff networks, who both encourage involvement at all levels across BIS on Equality and Diversity matters. The purpose of the Board is to monitor activities within the SES and lead BIS in becoming an exemplary Department.

Social and Community Responsibility and Equality Impact Assessments (EqIAs)

BIS recognises the importance of completing good quality EqIAs in order to develop representative policies and services and as such, has developed a number of activities to raise the awareness of EqIA as a tool to support our Equality and Diversity work. Departmental policy proposals are screened for equality issues and the findings reflected in an accompanying Impact Assessment and relevant documentation. Where a proposal gives rise to substantive equality considerations, a separate EqIA is produced. EqIAs are published on the BIS Internet at http://www.bis.gov.uk/equality-impact-assessments. Further information about our work to encourage sustainable development and limit our environmental impact can be found at Section 1.5.

1.5 Environmental Report and Sustainable Development

Environmental Report

Victoria Investment Programme (VIP): There have been a number of environmental benefits associated with the refurbishment of BIS's main building, 1 Victoria Street. As part of VIP, the Building Management System (BMS) is being upgraded, giving greater control over the operation of the building which will lead to energy efficiencies. By rationalising the estate and moving London based staff into 1 Victoria Street, energy and water usage will reduce and waste arisings will decrease when Kingsgate House is vacated in 2011-12.

Energy efficiency: The operational energy efficiency ratings on our Display Energy Certificates (DECs) at three of our Headquarters sites have improved. 1 Victoria Street has improved from an F (130) to an E (107) rating; Kingsgate House from a G (221) to an improved G rating of (204); and St Mary's House from an E (106) to a D (86) rating. These improvements can be partly attributed to the installation of the Automatic Metering & Targeting (aM&T) system which has allowed the 'Half Hour' (HH) monitoring of gas, electricity and water.

Waste and recycling: For Project waste we are currently meeting our target to recycle or recover 80% of all waste material produced on site. Where possible materials are being reused, such as light fittings, and the tea point work surfaces are made from recycled coffee cups. Compared to the same period in 2008-09, office waste arisings have increased due to Machinery of Government changes which have involved 'de-junking' as staff are relocated. However, the amount of waste recycled has also increased and currently 65.9% of office waste produced is being recycled.

Distributed energy: The two sets of Solar Photovoltaic Arrays have been on the south facing fifth floor roof of 1 Victoria Street Offices since February 2009. Up to the end of December 2009, they had produced 2033 kWh of renewable electricity, which equates to a saving of 1158 Kg of CO2 emissions.

Energy Saving Projects: Salix funding[5] has been awarded to BIS for the installation of Voltage Reduction equipment at 1 Victoria Street. It is planned to install the equipment towards the end of 2010. Once installed, it will reduce the voltage entering the building, bringing about energy efficiency and cost savings of approximately 10%.

Sustainable Development

The Department is committed to integrating sustainability across its policy agenda to support the UK Government's Sustainable Development Strategy.[6]

5 Salix funding is an interest-free conditional grant, provided jointly by DECC and The Carbon Trust and available for a number of energy efficiency measures across the central government estate – providing 100% support in making further progress towards reducing energy bills and carbon emissions. The scheme operated in 2009-10 and is now closed. http://www.salixfinance.co.uk/

6 *Securing the future: The UK Government Sustainable Development Strategy* (HMG, 2005): www.defra.gov.uk/sustainable/government/publications/uk-strategy/index.htm

BIS's progress and achievements in sustainable development are published in the BIS *Sustainable Development Action Plan*.[7] Key achievements during 2009-10 are outlined below:

- **Leadership:** BIS has set up a group of Green Guardians in 2009 to look at embedding environmental sustainability.
- **Raise awareness:** BIS ran an Energy Saving Week in October 2009 to raise staff awareness of how they can be energy efficient both at work and in the home.
- **Corporate Responsibility:** BIS continues to support Global Compact, which asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.
- Publication of *BIS's Climate Change Departmental Adaptation Plan* in March 2010, setting out how the Department will work with stakeholders to help to ensure that they are in a position to adapt to the inevitable effects of climate change that have already been caused.
- Publication of *BIS's Carbon Reduction Delivery Plan* in March 2010, setting out how the Department will work to reduce its carbon emissions from its policies and processes. The UK Low Carbon Transition Plan set out carbon allocations for BIS for the next three carbon budgets. BIS's allocation for 2008-2012 is 201.18 $MtCO_2e$ (Metric Tonne Carbon Dioxide equivalent). This will be reduced to 191.74 $MtCO_2e$ for the second carbon budget from 2013-2017 and 186.543 $MtCO_2e$ for the third carbon budget from 2018-2022.

Key commitments from the Sustainable Development Action Plan for BIS for 2009-11 include:

- **Communication Strategy:** To put in place a communication strategy to better embed sustainable development practices in BIS and to share best practice for sustainable development and other related issues such as climate change.
- To further work across the Department to embed sustainable development through areas such as *The Strategy for Sustainable Construction* and in increasing skills for a low carbon economy such as through working with the Sector Skills Councils.

7 For the BIS Sustainable Development Action Plan September 2009 – March 2011 please see: http://www.bis.gov.uk/policies/business-sectors/low-carbon-business-opportunities/corporate-responsibility/sustainable-development

1.6 Information Security

No incidents concerning the loss of "Protected Personal Data" were reported to the Information Commissioner's Office in 2009–10. The Department centrally recorded one loss of "Protected Personal Data" which was not required to be reported to the Information Commissioner's Office in 2009–10.

In December, two Agency Employment Standard files went missing when a package sent to BIS HQ by a home working inspector by Royal Mail post split open. The two missing files contained complaints from workers about employment agencies. Both had differing levels of personal information contained in them. The two affected individuals were contacted by the Information Asset Owner (IAO) who explained what had happened and personally apologised for any distress this could cause. Immediate steps were taken to prevent further losses of this type of material by the introduction of a track and trace process.

BIS continues to take a proactive role in developing and implementing Information Assurance requirements. Following the completion of a Communications-Electronics Security Group (CESG) assisted Information Assurance Maturity Model Assessment in May 2009, subsequently nearly 80% of BIS staff undertook Civil Service wide data handling training, with our IAOs completing more in-depth training. In addition IAOs are required to report new information risks on a quarterly basis.

The Department's security and information management teams continue to work together to ensure the requirements (and associated guidance issued by the Cabinet Office) are clearly understood by users and key stakeholders across BIS. BIS Partner Organisations receive key information security information and a community workspace has also been developed to share information and good practice across the BIS family.

1.7 Sickness absence

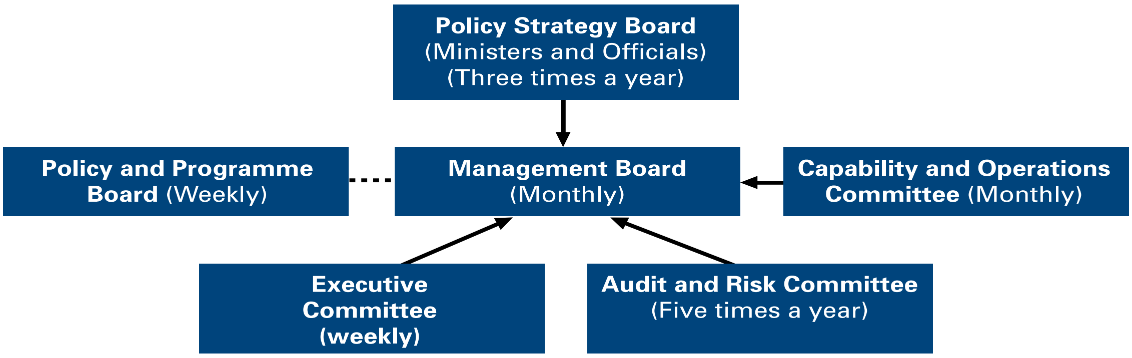
Absence management policies exist from both BERR and DIUS and, following the merger which created BIS, staff will retain their existing arrangements. We intend to have a harmonised policy in place by Autumn 2010.

The latest sickness absence return for BIS and its four executive agencies, shows that for the period 1 January 2009 until 31 December 2009, 6.2 average working days were lost (3.2 within core BIS), whilst 50% of staff (67% in core BIS) took no sick leave during this period. As BIS was created in June 2009 the figures prior to then (October 08 to May 09) are collated figures from former BERR and former DIUS.

1.8 Corporate governance arrangements

Corporate Governance Structure

The strategic direction of the Department is agreed by the Policy Strategy Board and delivered through the Management Board, which is supported by a range of committees reviewing policy issues, performance, risk and capability.



Appointments

Members of the Management Board and committees are senior civil servants appointed in accordance with the Civil Service Management Code. The exceptions are the Non-Executive Board Members and Ministers who attend the Policy Strategy Board. The remuneration report in section 1.9 provides details of remuneration and fees.

BIS's Non-Executive Board Members provide a valuable external perspective. As independent members of the Management 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 the retirement of Sir Brian Bender, Sir Andrew Cahn was appointed acting Permanent Secretary of the Department for Business, Enterprise and Regulatory Reform (BERR) for the period from 28 March 2009 to 5 May 2009.

Simon Fraser was appointed as Permanent Secretary of BERR on 5 May 2009. He also became the Chair of the Executive Committee and Accounting Officer for BERR.

On 26 May 2009, Sir Jon Shortridge replaced Ian Watmore as interim Permanent Secretary of the Department of Innovation, Universities & Skills.

On 5 June 2009, BERR and DIUS merged to form the Department for Business, Innovation and Skills. Simon Fraser was appointed Permanent Secretary for BIS. In addition to Chair of the Management Board, he became Chair of the Executive Committee, Policy Strategy Board, and Policy and Programme Board, and Accounting Officer for BIS. Jon Shortridge led the transition team until 31 July 2009.

Policy Strategy Board

The Policy Strategy Board sets the strategic priorities of the Department. It is made up of Ministers, Directors General and Non-Executive Board Members. It is chaired by the Secretary of State, assisted by the Permanent Secretary.

BIS's Management Board

The Management Board provides corporate and management leadership to ensure BIS is able to deliver the policies and services decided by Ministers. The Board monitors finance, departmental performance, manages resource and assesses and manages risk. The Board does not consider specific policy issues. The Management Board is chaired by the Permanent Secretary and includes all Director Generals and three Non-Executive Board Members. The first meeting of the BIS Management Board was on 23 July 2009.

The members of the BIS Management Board as at 31 March 2010 were:

Simon Fraser CMG, Chair (previously Chair of the BERR board from 5 May 2009)	Permanent Secretary
Sir Andrew Cahn (previously Acting Chair of the BERR board from 28 March 2009 to 4 May 2009)	Chief Executive, UK Trade & Investment
Bernadette Kelly (from 15 March 2010)	Director General, Fair Markets
Stephen Lovegrove (previously a member of the BERR board)	Chief Executive, Shareholder Executive

Howard Orme (from 8 July 2009)	Director General, Finance and Commercial
Stephen Marston (previously a member of the DIUS board)	Director General, Universities and Skills
Vicky Pryce (previously a member of the BERR board)	Director General, Economics and Joint Head, UK Government Economic Service
Philip Rutnam (previously a member of the BERR board)	Director General, Business
Philip Rycroft (previously a member of the DIUS board from 11 May 2009)	Director General, Innovation and Enterprise, and Chief Executive, Better Regulation Executive
Rachel Sandby-Thomas (previously a member of the BERR board)	The Solicitor and Director General, Legal, People and Communications
Professor Adrian Smith (previously a member of the DIUS board)	Director General, Science and Research
Professor Julia King CBE (previously a member of the DIUS board)	Non-Executive Board Member
Dame Julie Mellor (previously a member of the DIUS board)	Non-Executive Board Member
Dr Brian Woods-Scawen CBE (previously a member of the BERR board)	Non-Executive Board Member

Also attending the BIS Management Board in 2009-10 were:

Alun Evans (also attended the DIUS Management Board)	Director of Strategy, BIS
Russell Grossman (also attended the BERR Management Board)	Director of Communications, BIS

In addition, the following were members of the BIS Board and/or predecessor Boards (BERR Management Board and DIUS Executive Board) in 2009-10

Ian Watmore (Chair of the DIUS Board until 21 May 2009)	Permanent Secretary, DIUS
Sir Jon Shortridge KCB (from 26 May 2009 until 31 July 2009)	Interim Permanent Secretary, DIUS

John Alty (until 12 February 2010)	Director General, Fair Markets BIS
Hilary Douglas (until 18 December 2009) (Also a member of the BERR Management Board)	Director General, Operations and Change, BIS
John Edwards (until 31 July 2009)	Director General, Finance, BIS
Matthew Hilton (from 12 February 2010 until 15 March 2010)	Acting Director General, Fair Markets
Jitinder Kohli (until 23 November 2009)	Director General, Strategy and Communications, BIS
Dominic Jermey (a member of the BERR Board until 4 May 2009)	Acting Chief Executive, UK Trade & Investment
William Dickinson (a member of the DIUS Board)	Director General, Finance and Corporate Services
Alun Evans (a member of the DIUS Board)	Director General, Policy and Communications
Zina Etheridge (a member of the DIUS Board)	Director, Strategy
Shirley Pointer (a member of the DIUS Board)	Director, Human Resources
Susan Pember (a member of the DIUS Board)	Director, LSC Transition to Skills Funding Agency
Professor Arnoud De Meyer (a non-executive member of the BERR Board until 21 July 2009)	Non-Executive Board Member
Roger Urwin CBE (a non-executive member of the BERR Board until 21 July 2009)	Non-Executive Board Member
Alan Aubrey (a non-executive member of the DIUS Board)	Non-Executive Board Member, DIUS

In addition, the following attended the BIS Board predecessor Boards (BERR Management Board or DIUS Executive Board) in 2009-10

Professor Brian Collins	Chief Scientific Adviser, BERR
Ceri Smith	Director, Business Environment Unit, BERR

Executive Committee

The Executive Committee supports and facilitates the work of the Management Board by looking at management issues which the Board has delegated to it, and deciding on routine matters not requiring full Board discussion. The decisions of the Committee are regularly reviewed by the Management Board. It is made up of all the Director Generals and chaired by the Permanent Secretary.

The members of the BIS Executive Committee as at 31 March 2010 were:

Simon Fraser CMG, Chair (also Chair of the BERR board from 5 May 2009)	Permanent Secretary
Sir Andrew Cahn (Acting Chair of the BERR board from 28 March 2009 to 5 May 2009)	Chief Executive, UK Trade & Investment
Bernadette Kelly (from 15 March 2010)	Director General, Fair Markets
Stephen Lovegrove	Chief Executive, Shareholder Executive
Howard Orme (from 8 July 2009)	Director General, Finance and Commercial
Stephen Marston	Director General, Universities and Skills
Vicky Pryce	Director General, Economics and Joint Head, UK Government Economic Service
Philip Rutnam	Director General, Business
Philip Rycroft (from 11 May 2009)	Director General, Innovation and Enterprise, and Chief Executive, Better Regulation Executive
Rachel Sandby-Thomas	The Solicitor and Director General, Legal, People and Communications
Professor Adrian Smith	Director General, Science and Research

In addition, the following were members of the BIS or BERR Executive Committees in 2009-10

John Alty (until 12 February 2010)	Director General, Fair Markets Group, BIS
Hilary Douglas (until 18 December 2009)	Director General, Operations and Change, BIS
John Edwards (until 31 July 2009)	Director General, Finance, BIS
Matthew Hilton (from 12 February 2010 until 15 March 2010)	Acting Director General, Fair Markets
Jitinder Kohli	Director General, Strategy, BIS
Sir Jon Shortridge KCB (from 26 May 2009 until 31 July 2009)	Interim Permanent Secretary, DIUS

Capability and Operations Committee

The Capability and Operations Committee advises the Management Board by preparing longer term strategic management issues for discussion and decision (e.g. People Strategy) and to engage with staff at other levels of BIS. It makes implementation decisions in relation to capability and operational issues.
It meets monthly and is chaired by the Director General for Legal, People and Communications.

The members of the Capability and Operations Committee as at 31 March 2010 were:

Rachel Sandby-Thomas, Chair	The Solicitor and Director General, Legal, People and Communications
David Allen (from 1 February 2010)	Director of Finance
Stephen Braviner-Roman	Director of Legal Services B
Mark Conaty	Director of Economics
Susan Haird (Previously a member of the BERR Operating Committee)	Deputy Chief Executive, UK Trade & Investment
Matthew Hilton	Director, Employment Relations
John Neilson	Director, Research Base
Susan Pember	Director, Further Education

Mark Russell	Deputy Chief Executive, Shareholder Executive
Ceri Smith (Previously a member of the BERR Operating Committee)	Director, New Industries, New Jobs Directorate
Tim Soane	Managing Director, Regulatory Innovation
Jean Irvine (Previously a member of the BERR Operating Committee)	Non-Executive Member
Tim Walton (Previously a member of the BERR Operating Committee)	Non-Executive Member
Professor Brian Collins	Non-Executive Member

In addition, the following were members of the BERR Operating Committee in 2009-10:

Jitinder Kohli, Chair	Chief Executive, Better Regulation Executive
John Edwards	Director General, Finance
John Dodds	Director, Regulatory Reform Directorate and Head, Priority Projects Directorate
Hilary Douglas	Chief Operating Officer
Claire Durkin	Director, Europe, International Trade and Development
Russell Grossman	Director of Communications
David Hendon	Director, Business Relations
Susanna McGibbon	Director, Legal Services
Karen Pile	Director, Information and Workplace Services
Tom Smith	Director of Customer Services, Companies House
Stephen Speed	Inspector General and Chief Executive, Insolvency Service

Ken Warwick	Deputy Chief Economic Adviser
Susan Young	Director, Human Resources
Claire Ighodaro CBE	Non-Executive Member

Audit and Risk Committee

The Audit and Risk Committee provides assurance on the quality of the Department's risk management controls to the Permanent Secretary as Accounting Officer and to the Board. It is comprised entirely of Non-Executive members chaired by a Non-Executive Management 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 2010 were:

Dr Brian Woods-Scawen CBE (Previously chair of the BERR Audit and Risk Committee)	Chair, Non-Executive Board Member
Alan Aubrey (Previously Chair of the DIUS Audit and Risk Committee)	Non-Executive Member
Dr Bryan Jackson OBE (Previously a member of the BERR Audit and Risk Committee)	Non-Executive Member
Hunada Nouss (Previously a member of the BERR Audit and Risk Committee)	Non-Executive Member

In addition, the following were members of the BIS Audit and Risk Committee and/or predecessor Committees in 2009-10:

Darrel Sheinman	Non-Executive Member, BERR
Barry Rourke	Non-Executive Member, BERR
Geoffrey Drage	Non-Executive Member, DIUS
Ian Dickson	Non-Executive Member, DIUS

Policy and Programme Board

The Policy and Programme Board is a forum for collective discussion and advice to Ministers on major crosscutting policy issues as they arise. It is a policy advisory body rather than part of the formal management system of the department. It monitors delivery of major policy programmes. It comprises the Permanent Secretary and Directors General.

BIS ministers

(5 June 2009 – 31 March 2010)

Secretary of State for Business, Innovation and Skills and Lord President of the Council	Lord Mandelson
Minister of State for Business, Innovation and Skills	Pat McFadden
Minister of State for Science and Innovation (jointly with MoD)	Lord Drayson
Minister of State for Higher Education and Intellectual Property	David Lammy
Minister of State for Regional Economic Development and Coordination (jointly with CLG)	Rosie Winterton
Minister of State for Further Education, Skills, Apprenticeships and Consumer Affairs (jointly with DCSF)	Kevin Brennan
Parliamentary Under Secretary of State for Trade, Investment and Business (jointly with FCO)	Lord Davies of Aberscoch
Parliamentary Under Secretary of State for Economic Competitiveness, Small Business and Enterprise (jointly with Cabinet Office)	Baroness Shriti Vadera*
Parliamentary Under Secretary of State for Business and Regulatory Reform	Ian Lucas
Parliamentary Under Secretary of State for Postal Affairs and Employment Relations	Lord Young of Norwood Green
Parliamentary Under Secretary of State for Communications, Technology and Broadcasting (jointly with DCMS)	Lord Carter of Barnes**

**** Baroness Vadera*** left the Department in October 2009 and her BIS responsibilities were taken over by ***Lord Davies***.

***** Lord Carter*** was replaced by ***Stephen Timms*** in August 2009 as Minister for Digital Britain.

Before BIS's formation in June 2009 the predecessor departments BERR and DIUS had the following ministers:

BERR ministers

(1 April 2009 – 5 June 2009)

Secretary of State for Business, Enterprise and Regulatory Reform	Lord Mandelson
Minister of State for Employment Relations and Postal Affairs	Pat McFadden
Minister for Trade, Investment and Consumer Affairs (Jointly with DfID)	Gareth Thomas
Economic and Business Minister (Jointly with HMT) Parliamentary Under Secretary of State	Ian Pearson
Parliamentary Under Secretary of State for Communications, Technology and Broadcasting (Jointly with DCMS)	Lord Carter of Barnes
Parliamentary Under Secretary of State for Economic Competitiveness and Small Business (Jointly with Cabinet Office)	Baroness Shriti Vadera

DIUS ministers

(1 April 2009 – 5 June 2009)

Secretary of State for Innovation, Universities and Skills	John Denham
Minister of State for Higher Education and Intellectual Property	David Lammy
Minister of State for Science and Innovation	Lord Drayson
Parliamentary Under Secretary of State for Further Education	Siôn Simon
Parliamentary Under Secretary of State for Skills and Apprenticeships	Lord Young of Norwood Green

1.9 Remuneration report

Remuneration Policy

The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Senior Salaries Review Body.

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

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

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

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

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

Performance and Reward

The Senior Civil Service (SCS) pay system consists of relative performance assessments. Those higher-performing individuals were awarded a non-consolidated performance reward for their performance against objectives in 2008-09, which was paid in 2009-10. These awards varied in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government.

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 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 the range as at 31 March 2010
Below £55,000	0
£55,000-£59,999	12
£60,000-£64,999	36
£65,000-£69,999	43
£70,000-£74,999	24
£75,000-£79,999	19
£80,000-£84,999	27
£85,000-£89,999	19
£90,000-£94,999	10
£95,000-£99,999	11
£100,000-£104,999	6
£105,000-£109,999	0
£110,000-£114,999	4
£115,000-£119,999	13
£120,000-£124,999	2
£125,000-£129,999	2
£130,000-£134,999	0
£135,000-£139,999	3
£140,000-£144,999	2
£145,000-£149,999	1
£150,000-£154,999	2
£155,000-£159,999	1
£160,000-£164,999	1
£165,000-£169,999	1
£170,000-£174,999	0
£175,000-£179,999	2
£180,000-£184,999	1
£185,000-£189,999	1
£190,000-£194,999	0
£195,000-£199,999	1
£200,000-£204,999	0
£205,000-£209,999	1

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:

Simon Fraser	BIS Permanent Secretary
Philip Rutnam	Director General, Business
Philip Rycroft	Director General, Innovation and Enterprise & Chief Executive, Better Regulation Executive
Howard Orme	Director General, Finance and Commercial
Rachel Sandby-Thomas	The Solicitor and Director General Legal, People and Communications
Vicky Pryce	Director General, Economics
Stephen Lovegrove	Chief Executive, Shareholder Executive
Sir Andrew Cahn	Chief Executive, UK Trade & Investment
Stephen Marston	Director General, Universities and Skills
Professor Adrian Smith	Director General, Science and Research
Bernadette Kelly	Director General, Fair Markets (from 15 March 2010)
Professor John Beddington	Government Chief Scientific Adviser
Jean Irvine	BIS non-executive member

In addition, John Alty, Director General, Fair Markets was a member of the Committee, until 12 February 2010. Hilary Douglas, Chief Operating Officer, was a member until 31 December 2009 and Jitinder Kohli, Director-General, Strategy and Communications was a member until 6 January 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; and
- report to the Cabinet Office.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Principles, which require appointments to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

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

- Andrew Cahn was appointed on a four year contract commencing 27 March 2006. His contract was extended until 26 March 2011 during 2008-09. 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.
- 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. The notice period for the employee and employer is three months.
- John Edwards was appointed on a three year contract commencing 1 July 2008. 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. John Edwards resigned and left the Department on 31 July 2009.
- 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 John Beddington was appointed on a three year contract commencing 1 January 2008. The notice period for the employee is three months. For the employer the notice period is six months.
- Professor Adrian Smith was appointed on a four year contract commencing 1 September 2008. The notice period for the employee is six months. For the employer the notice period is six months.

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

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 2010 were as follows:

	Accrued pension at age 65 at 31 March 2010	Real Increase in pension at age 65	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV	Ministerial salary received 2009-10	Ministerial salary received 2008-09
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£**	**£**
Secretary of State							
Rt Hon Lord Mandelson (from 3 October 2008)[8]	5–10	2.5–5	124	86	30	106,356	52,320
Rt Hon John Denham, MP *(Formerly of DIUS until 5 June 2009)*[9]	5–10	0–2.5	157	142	12	14,148	78,356
Ministers of State							
Kevin Brennan MP (from 8 June 2009)[10]	–	–	–	–	–	–	–
Lord Davies of Abersoch CBE[11] (from 14 January 2009)	–	–	–	–	–	–	–
Lord Drayson (from 4 October 2008)[11]	–	–	–	–	–	–	–
Rt Hon David Lammy, MP[12]	5–10	0–2.5	56	43	5	40,646	19,822
Ian Lucas MP *(from 9 June 2009)*[13]	0–5	0–2.5	14	5	5	26,216	–
Pat McFadden, MP	0–5	0–2.5	42	28	7	40,759	40,759
Rt Hon Ian Pearson MP *(formerly of BERR from 5 October 2008 to 6 June 2009)*[14]	–	–	–	–	–	–	–
Gareth Thomas, MP (formerly of BERR until 7 June 2009)[15]	–	–	–	–	–	10,162	–
Rt Hon Rosie Winterton MP (from 8 June 2009)[16]	–	–	–	–	–	–	–

8 In 2008-09 the full year equivalent figure was £106,356.
9 The full year equivalent is £78,356 in 2009-10.
10 Salary and pension details can be found in the 2009-10 Department for Children, Schools and Families' Accounts.
11 Elected not to draw a Ministerial salary and is not a member of the Parliamentary Contribution Pension Fund.
12 The full year equivalent was £40,646 in 2008-09.
13 The full year equivalent is £33,771 in 2009-10 for BIS.
14 Formerly of DIUS until 5 October 2008. Salary and pensions details can be found in the 2009-10 HM Treasury Resource Accounts.
15 Pension details and salary details for 2008-09 can be found in the 2009-10 Department for International Development's Resource Accounts. The full year equivalent for 2009-10 was £40,646.
16 Salary and pension can be found in the 2009-10 Department for Communities and Local Government's Accounts.

	Accrued pension at age 65 at 31 March 2010	Real Increase in pension at age 65	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV	Ministerial salary received 2009-10	Ministerial salary received 2008-09
	£'000	£'000	£'000	£'000	£'000	£	£
Parliamentary Under-Secretaries of State							
Lord Carter of Barnes *(until 20 July 2009)*[17]	–	–	–	–	–	–	–
Siôn Simon *(formerly of DIUS until 5 June 2009)*[18]	–	–	–	–	–	–	–
Baroness Vadera *(until 26 September 2009)*[19]	0–5	0–2.5	36	26	5	35,257	72,575
Lord Anthony Young *(from 5 October 2008)*[20]	–	–	–	–	–	–	–

Notes

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

17 Salary and pension details can be found in the 2009-10 Department for Culture, Media and Sports' Resource Accounts.
18 Elected not to draw a Ministerial salary and is not a member of the Parliamentary Contribution Pension Fund.
19 The full year equivalent is £72,575 for 2009-10.
20 Salary and pension details can be found in the 2009-10 HM Treasury's Resource Accounts.

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 members of the former BERR and DIUS Management Boards, who ceased to be members when the former Departments merged on 5th June 2009.

Prior to the creation of BIS on 5 June 2009, there were twenty-five members of the Management Boards of the former departments of BERR and DIUS combined, with nineteen Executive Directors and six Non-Executive Board Members. There are now fourteen members of the BIS Management Board, with eleven Executive Directors and three Non-Executive Board Members.

	Accrued pension at age 60 as at 31 March 2010 and related lump sum	**Real increase in pension and related lump sum at age 60**	**CETV at 31 March 2010**	**CETV at 31 March 2009**	**Real increase in CETV**	**Salary including performance pay 2009-10[21]**	**Salary including performance pay 2008-09**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Simon Fraser *(from 5 May 2009)*	55–60 plus 165–170 lump sum	15–17.5 plus 45–47.5 lump sum	1,041	706	294	140–145 (175–180 full year equivalent)	–
John Alty *(until 12 February 2010)*	45–50 plus 145–150 lump sum	2.5–5 plus 7.5–10 lump sum	1,002	890	50	125–130 (135–140 full year equivalent)	130–135
Prof John Beddington[22]	5–10	2.5–5	156	85	63	165–170	165–170
Sir Andrew Cahn[23]	60–65	7.5–10	1,189	975	145	245–250	245–250
William Dickinson (*until 17 July 2009)*[24]	–	–	–	–	–	–	–
Hilary Douglas *(until 31 December 2009)*[25]	55–60 plus 170–175 lump sum	0–2.5 plus lump sum 5–7.5	1,360	1,216	51	115–120 (150–155 full year equivalent)	150–155

21 Full year equivalent figures also include bonuses.
22 The closing CETV figure in last year's Accounts has been recalculated and restated.
23 The closing CETV figure in last year's Accounts has been recalculated and restated.
24 On secondment from KPMG. The Department paid KPMG £37,500, excluding VAT, for his services in 2009-10.
25 Hilary Douglas received an annual compensation payment for early retirement in 2009-10 of £13,960 and a lump sum of £19,592. In 2010-11 a further annual compensation payment of £16,394 and a lump sum payment of £57,166 is due.

	Accrued pension at age 60 as at 31 March 2010 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV	Salary including performance pay 2009-10[21]	Salary including performance pay 2008-09
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
John Edwards *(until 31 July 2009)*	0–5	0–2.5	58	39	19	45–50 (140–145 full year equivalent)	105–110(140–145 full year equivalent)
Alun Evans *(formerly of DIUS until 5 June 2009)*	35–40 plus 115–120 lump sum	0–2.5 plus 0–2.5 lump sum	705	691	4	20–25 (125–130 full year equivalent)	120–125
Matthew Hilton *(from 15 February 2010 until 10 March 2010)*	20–25 plus 60–65 lump sum	0–2.5 plus 0–2.5 lump sum	293	294	2	10–15 (100–105 full year equivalent)	–
Bernadette Kelly *(from 15 March 2010)*	30–35 plus 90–95 lump sum	0–2.5 plus 0–2.5 lump sum	491	488	3	5–10 (115–120 full year equivalent)	–
Jitinder Kohli *(until 6 January 2010)*	15–20 plus 55–60 lump sum	0–2.5 plus 2.5–5 lump sum	233	204	16	105–110 (125–130 full year equivalent)	120–125
Stephen Lovegrove[26]	10–15	0–2.5	125	89	26	215–220	215–220
Stephen Marston	45–50 plus 135–140 lump sum	2.5–5 plus 7.5–10 lump sum	795	698	50	150–155	150 –155
Howard Orme *(from 8 July 2009)*	5–10	0–2.5	132	105	20	115–120 (160–165 full year equivalent)	–
Susan Pember *(until 5 June 2009)*[27]	50–55 plus 150–155 lump sum	0–2.5 plus 0–2.5 lump sum	1,027	1,002	11	35–40 (145–150 full year equivalent)	40–45(145–150 full year equivalent)

26 The pension figures in last year's Accounts were based on an incorrect level of reckonable service. The calculations have been revised for the 2009-10 Accounts.
27 The closing CETV figure in last year's Accounts has been recalculated and restated.

	Accrued pension at age 60 as at 31 March 2010 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV	Salary including performance pay 2009-10[21]	Salary including performance pay 2008-09
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Shirley Pointer *(until 28 February 2010)*	10–15	0–2.5	225	171	42	125–130 (135–140 full year equivalent)	145–150
Vicky Pryce	10–15 plus 35–40 lump sum	0–2.5 plus 5–7.5 lump sum	262	206	44	200–205	200–205
Philip Rutnam *(from 23 March 2009)*[28]	0–5	0–2.5	27	1	22	180–185	0–5 (180–185 full year equivalent)
Philip Rycroft *(from 11 May 2009)*	30–35 plus 95–100 lump sum	2.5–5 plus 7.5–10 lump sum	548	475	44	140–145 (160–165 full year equivalent)	–
Rachel Sandby-Thomas	20–25 plus 70–75 lump sum	2.5–5 plus 7.5–10 lump sum	392	328	41	125–130	120–125
Sir Jon Shortridge *(from 26 May 2009 – 31 July 2009)*	–	–	–	–	–	15–20 (90–95 full year equivalent)	–
Professor Adrian Smith *(from 1 September 2008)*	5–10	2.5–5	104	37	60	175–180	90–95 (155–160 full year equivalent)
Sir Brian Bender *(formerly of BERR until 6 April 2009)*	75–80 plus 230–235 lump sum	0–2.5 plus 0–2.5 lump sum	1,851	1,831	1	0–5 (175–180 full year equivalent)	190–195

28 The pension includes a preserved pension award.

	Accrued pension at age 60 as at 31 March 2010 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2010	CETV at 31 March 2009	Real increase in CETV	Salary including performance pay 2009-10[21]	Salary including performance pay 2008-09
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ian Watmore *(formerly of DIUS until 31 May 2009)*	5–10	0–2.5	147	134	12	30–35 (185–190 full year equivalent)	205–210
Zina Etheridge (*formerly of DIUS until 5 May 2009)*	15–20 plus 20–25 lump sum	0–2.5	174	171	1	15–20 (90–95 full year equivalent)	100–105
Dominic Jermey (formerly of *BERR from 28 March 2009* until 4 May 2009)[29]	–	–	–	–	–	–	–

Notes

- The information relates only to the most senior managers 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; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.
- 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.

29 Salary and pension details are included in the 2009-10 UK Trade and Investment (UKTI) Accounts.

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 employees of the PCPF, can opt for a 1/50th accrual rate and the lower rate of employee 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 MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are revalued annually in line with changes in the Retail Prices Index. 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.

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 changes in the Retail Price Index (RPI). 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 pensionable salary for each year of service. In addition, a lump sum equivalent to three years 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 in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos,** a member builds up a pension based on the pensionable earnings during the 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 updated in line with RPI. In all cases, members may opt to give up (commute) pension for 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). There were no employer contributions by the most senior managers to partnership pension accounts during the year.

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 CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

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 individual 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 effectively 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 BIS Management Board. The total payments for the year to each person were in the following ranges:

Non-Executive Board Member	Fees for 2009-10	Fees for 2008-09
	£'000	£'000
Alan Aubrey (until 21 July 2009)[30]	0–5	10–15
Dr Brian Woods-Scawen CBE	10–15	5–10
Arnoud De Meyer (until 21 July 2009)[31]	0–5	5–10
Roger Urwin (until 21 July 2009) CBE[32]	0–5	5–10
Professor Julia King CBE	10–15	10–15
Dame Julie Mellor CBE[33]	–	–

Simon Fraser
Principal Accounting Officer and Permanent Secretary
15 July 2010

30 Alan Aubrey was previously a member of the DIUS Management Board.
31 Arnoud De Meyer was previously a member of the BERR Management Board.
32 Roger Urwin was previously a member of the BERR Management Board.
33 Dame Julie Mellor has chosen not to be remunerated for this role.

Financial Overview

2.1 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; and
- the Accounting boundary, which comprises the Core Department and only those of its Partner Organisations that are consolidated in the Resource 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 at the end of the Sections in Annex A1 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 2010 Public Expenditure Outturn White Paper (PEOWP).

The Department's audited Consolidated Resource Accounts in Chapter 3 include only the following bodies:

- 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 Insolvency Service[34] – an Executive Agency of the Department;
- The Advisory, Conciliation and Arbitration Service, which is a Crown Executive Non Departmental Public Body (NDPB); and
- The National Measurement Office – an Executive Agency of the Department.

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 Resource Accounts, their gross expenditure and income is included within their own individual published Accounts.

34 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.

In common with other central Government bodies, the Department's Consolidated Resource 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 Resource Accounts.

Annex A7 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 Resource 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 Resource Accounts.

2.2 Financial Review

This Section reviews BIS's finances for 2009-10 and acts as a commentary to the Primary Statements found in the Resource Accounts. It analyses the performance of the consolidated Department in the context of the Resource Accounts, and compares the Department's Outturn to its final Estimate. This year the Resource Accounts have been prepared, for the first time, on an International Financial Reporting Standards (IFRS) basis (see Notes 1.2 and 2 of the Consolidated Resource Accounts).

The Primary Statements in the Consolidated Resource Accounts

The Primary Statements in the Consolidated Resource Accounts comprise:

i. the Statement of Parliamentary Supply;

ii. the Consolidated Operating Cost Statement;

iii. the Consolidated Statement of Financial Position;

iv. the Consolidated Statement of Cash Flows;

v. the Consolidated Statement of Changes in Taxpayers' Equity; and

vi. the Consolidated Statement of Operating Costs by Departmental Strategic Objectives.

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 2009-10 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).

							2009-10 £'000	(Restated) 2008-09 £'000
			Estimate			Outturn		Outturn
Request for Resources	**Gross Expenditure**	**A-in-A**	**Net Total**	**Gross Expenditure**	**A-in-A**	**Net Total**	**Net Total Outturn compared with Estimate: saving/ (excess)**	**Net Total**
Total resources	33,272,464	(10,278,291)	22,994,173	32,268,150	(10,276,822)	21,991,328	1,002,845	20,128,053
Non-operating cost A-in-A			(7,673,666)			(7,261,446)	(412,220)	(6,692,043)

The Net Resource Outturn for 2009-10 (as shown in the Statement of Parliamentary Supply) was £21,991 million. This is an increase of £1,863 million compared to the Outturn for 2008-09 of £20,128 million, which has been restated to account for Machinery of Government changes. The increase was mainly the result of additional spending announcements:

- £395 million for a Strategic Investment Fund
- An extra £300 million for the introduction of an Automotive Scrappage scheme (in respect of which the total expenditure was £398 million) and £122 million to deliver work-focused pre-employment training places
- £375 million of funding was also brought forward to 2009-10 from future years in respect of Fiscal Stimulus schemes
- As agreed with HM Treasury, further funding was made available from Calls on the Reserve and End Year Flexibility amounting to £133 million to cover additional non-cash costs in respect of changes to Student and Tuition Fee loans
- £221 million in respect of the Learning and Skills Council
- £66 million for the Research Councils
- £230 million for Higher Education
- £21 million of other increases

Non-operating Cost Appropriations-in-Aid increased by £569 million, from £6,692 million in 2008-09 to £7,261 million mainly due to increases in repayment levels of the Post Office Working Capital loan from the previous year (£473 million) and the higher repayments of Student Loans (£88 million).

CFERs

	2009-10		2009-10
	£'000		£'000
	Forecast		Outturn
Income	***Receipts***	**Income**	***Receipts***
286,951	*286,951*	452,752	*414,904*

CFERs decreased by £454 million (51%) from £907 million in 2008-09 to £453 million in 2009-10 mainly because 2008-09 included payment of a special dividend by BNFL amounting to £632 million compared to £32 million paid in 2009-10.

The outturn of £21,991 million compares to a final Estimate of £22,994 million, giving an underspend of £1,003 million. The most significant reasons (where the 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 below. There was also a difference of £344 million between voted Grant-in-Aid and the amounts paid, which were based on the cashflow needs of Partner Organisations. (The disclosure here is based on Note 3 to the Resource Accounts, on page 95. Analysis of net Outturns from the budgeting perspective is included in the expenditure tables in Annex A1 and the Core Tables in Annex A6).

Request for Resources 1

DSO 2 – Increasing innovation, enterprise and the growth of business, with a focus on new industrial opportunities and bringing benefits to all regions (Function A):

- Net outturn was £410 million (53%) less than Estimate as a result of underspends on the Strategic Investment Fund, the Small Firms Loan Guarantee Scheme and Grants for Business Investment, but mainly due to the fact that deals expected to make calls on the Automotive Assistance programme did not complete.

DSO 3 – Delivering free and fair markets, with greater competition (Estimate Function C):

- Net outturn was £21 million (10%) less than Estimate, mainly due to lower than expected spending on the Insolvency Service and Consumer Protection.

DSO 7 – Ensuring that the Government acts as an effective and intelligent shareholder, and provide excellent corporate finance expertise within Government (Estimate Function D):

- Net outturn was £7 million (4%) less than Estimate due to reduced administration costs.

DSO 6 – Providing the professional support, capability and infrastructure needed to deliver BIS's objectives and programmes, working effectively with our partner organisations to deliver public service excellence (Estimate Function E):

- Net outturn was £37 million (12%) less than Estimate mainly as a result of a cost of capital credit.

Request for Resources 2

DSO 1 – Foster a world-class science and knowledge base and promote the commercial exploitation of knowledge, global excellence in research and better use of science in Government:

- Research-based Initiatives (Estimate Function D) – net outturn was £2 million (28%) more than Estimate as it includes expenditure on the Biotechnology and Biological Sciences Research Council's Pirbright project (which is offset by a contribution from Defra reflected in Estimate line G).
- Research Capital Investment Fund (Estimate Function F) – net outturn was £6 million (12%) less than Estimate as some anticipated expenditure was made through a fiscal stimulus budget (capital budget brought forward from 2010-11)
- The Biotechnology and Biological Sciences Research Council (Estimate Function G) – net outturn was £663 thousand (23%) less than Estimate due to a higher level of offsetting income.

Request for Resources 3

DSO 5 – Improving the skills of the population through excellent further education and world-class universities, to build a more economically competitive, socially mobile and cohesive society:

- Further Education, Skills and International Programmes (Estimate Function D) – net outturn was £49 million (15%) less than Estimate mainly due to an underspend on the programme providing Training Offers for those unemployed for 6 or 12 months.

Prior Period Adjustment

Additionally, the 2009-10 final Estimate included a prior period adjustment of £275 million in respect of a change in the accounting policy relating to Student Tuition Fee Loans. The change in accounting policy reflects the fact that Higher Education Institutions are entitled to the full amount of the tuition fee, 90 days after the start of the academic year, and not when the Student Loan Company is reimbursed by the Department, which was the basis of the former policy. The additional obligation is accompanied by an additional asset (the tuition fee loan), the value of which is reduced and charged to non cash expenditure to reflect the cost to the Government of issuing the loans. The final calculation proved the related cost to be £266 million.

ii. Consolidated Operating Cost Statement

	2009-10 £'000						(Restated) 2008-09 £'000	
	Core Department			Consolidated			Core Department	Consolidated
	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Totals	196,125	31,743,275	(10,342,708)	325,667	31,787,845	(10,529,354)	19,641,933	19,632,161
Net Operating Cost			21,596,692			21,584,158	19,641,933	19,632,161

The Consolidated Operating Cost Statement is similar to an Income and Expenditure Account in not-for-profit bodies and 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 2009-10 was £21,597 million, an increase of £1,955 million compared to the restated figures (reflecting the MoG change), for 2008-09 of £19,642 million.

The differences between Net Operating Cost and Net Resource Outturn are disclosed in Note 4 to the Resource Accounts. The main differences relate to expenditure on redundancy payments funded from the National Insurance Fund; prior period adjustments; and any income payable to the Consolidated Fund (including excess Appropriations-in-Aid) which is included in the Operating Cost Statement.

Operating income includes dividends declared by Companies House, UK Intellectual Property Office and BNFL plc. The Companies House dividend at £2 million, and UK Intellectual Property Office at £3 million, represent the return on investment of Public Dividend Capital (PDC), as shown in Note 14 of the Resource 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 BNFL plc, amounting to £32 million, represents the final interim amount agreed by the BNFL Board to be paid to the Department as the company has now concluded the sale of various areas of its business.

Grant-in-Aid (£26,355 million) and other grants (£3,014 million) represented 97% of gross expenditure for programmes in 2009-10. This ratio is similar to 2008-09.

Total expenditure on consultancy (including BIS's executive agencies), according to definitions issued by the Office of Government Commerce (OGC), amounted to £23 million in 2009-10. This was also £23 million in 2008-09. 49% of Departmental expenditure on consultancy is recorded under Administration costs.

Total expenditure on research and development amounted to £3.3 million in 2009-10 compared to £1.3 million in 2008-09.

Spend on staff substitution/interim management amounted to £8.6 million.

iii. Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position discloses the assets and liabilities of the Department at the end of the reporting period. The main changes in the Department's assets and liabilities during the year are described below.

Assets

	31 March 2010 £'000		(Restated) 31 March 2009 £'000		(Restated) 1 April 2008 £'000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Total non-current assets	*26,267,599*	*26,389,427*	*22,365,605*	*22,528,791*	*18,754,779*	*18,941,503*
Total current assets	*3,657,681*	*3,850,213*	*4,053,552*	*4,193,782*	*3,715,647*	*3,835,337*
Total assets	**29,925,280**	**30,239,640**	**26,419,157**	**26,722,573**	**22,470,426**	**22,776,840**

The Consolidated Department had total assets of £30,240 million in 2009-10 compared to £26,723 million in 2008-09. The main reasons for the £3,517 million increase are the value of the Student Loan book which is £3,345 million higher, and a further loan of £300 million advanced to Royal Mail from the National Loans Fund.

Departmental Investment and Loans in Public Bodies

Royal Mail Holdings plc 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 2009-10, the Department has provided financial support to the Royal Mail group of companies via debt financing or direct subsidy:

- Debt financing for the Royal Mail mails business comprising the advance of £300 million of a £600 million National Loans Fund (NLF) loan, as well as in-year use of a £300 million revolving NLF loan which had an outstanding balance of £30 million on 31 March 2010. These NLF loans are part of a package put in place in 2007 to assist Royal Mail with transformation and modernisation, and this package also included a £300 million Shareholder loan that was advanced in March 2009. Interest receipts under the loans include bi-annual interest amounting to £29 million per annum for a £500 million NLF loan advanced in 2001 to assist with the acquisition of General Logistics Systems (GLS).

- 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 £489 million on the 31 March 2010.
- A subsidy payment of £150 million to support the post office network – part of the current package of support of up to £1.7 billion for the network to the end of 2010-11.

BIS has 50,000 shares in British Nuclear Fuels plc with a value of £50 thousand. An annual special dividend is being paid to BIS (a further £32 million in 2010-11) until the final closure of the company.

Capital for Enterprise Limited (CfEL), which has two subsidiaries: Capital for Enterprise GP Ltd (CfE GP Ltd) and Capital for Enterprise Fund Managers Ltd (CfE FM Ltd), was set up to manage the Department's equity investment funds and Loan Guarantee programmes. The Department owns 49,901 shares (with a value of £1 per share) and provides cash funding as Grant-in-Aid.

Other Financial Assets

Student Loans: The most significant item on the balance sheet at 31 March 2010 is the Student Loan book. Student Loans account for £24,098 million of the total £25,929 million of other financial assets. The outstanding Student Loan balances have increased by £3,345 million from £20,753 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 resource 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 FReM. Should sales take place in 2010-11 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 2009-10, the value of the investment increased by £242 million from £1,473 million at the end of 2008-09 to £1,715 million at the end of 2009-10, as a result of a new investment amounting to £161 million, and a valuation increase offset by levy income.

Venture Capital Funds: The value of Venture Capital Funds increased from £66 million in 2008-09 to £116 million at the end of 2009-10. The Aspire fund made its first investment in July 2009 (the value of Government investments at

31 March 2010 is £2 million). The Capital for Enterprise Fund became operational in April 2009 and the sum invested at 31 March 2010 is £30 million.

Liabilities

		31 March 2010 £'000		(Restated) 31 March 2009 £'000		(Restated) 1 April 2008 £'000	
	Note	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Total current liabilities		***(2,177,303)***	***(2,231,685)***	***(2,738,894)***	***(2,803,874)***	***(2,371,501)***	***(2,440,468)***

Trade Payables and Other Current Liabilities

At 31 March 2010 the total of Trade Payables for the consolidated Department amounted to £2,054 million compared to the total at 31 March 2009 which amounted to £2,642 million.

Provisions and Financial Guarantees

United Kingdom Atomic Energy Authority (UKAEA) – the Department has retained the liability to cover the costs of the nuclear decommissioning of the Culham site. In 2009-10, this amounted to £164 million. Additionally BIS underwrites the restructuring provision for which UKAEA has responsibility. This amounted to £23 million in 2009-10.

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 decreased by £5 million from £118 million at the end of 2008-09 to £113 million at the end of 2009-10.

The Department's provision for onerous leases decreased by £10 million from £147 million in 2008-09 to £137 million at the end of 2009-10 due to payments made in-year and a successful letting strategy. Other provisions have decreased by £11 million from £55 million in 2008-09 to £44 million at the end of 2009-10.

Financial Guarantees

Enterprise Finance Guarantees (EFG) (designed to provide guarantees of up to £1.3 billion) were introduced in 2008-09 and succeed the Small Firms Loan Guarantee Scheme (SFLGS). The value of guarantees in issue as at 31 March 2010 amounted to £119 million for EFG and £132 million for the SFLGS.

The Working Capital Scheme was designed to provide guarantees of up to £20 billion to help companies struggling to access finance for working capital and investment in a difficult economic climate. The Scheme was designed to support viable businesses that were impacted through a combination of the credit crunch and economic downturn, during which lending conditions tightened and payment periods extended. However, there were fewer calls than expected and the cost of guarantees in issue as at 31 March 2010 was £16 million.

A Trade Credit Insurance Scheme was introduced to help companies affected by reductions in their credit insurance. The total value of policies outstanding as at 31 March 2010 was £17 million. BIS's total liability, however, is limited to £0.4 million.

Other Financial Liabilities

The Student Loan debt sale subsidy of £270 million at 31 March 2010 (£273 million at 31 March 2009) represents the additional costs to the Department arising from the subsidy given by Government to the purchaser of the debts so that the terms to students can be maintained (see Note 29 to the Resource Accounts for further information).

Revaluation Reserves

The Revaluation Reserve, which records gains/losses on the revaluation of assets in the period, stands at £167 million at 31 March 2010, compared to £91 million at 31 March 2009, an increase of £76 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 £66 million from £46 million at 31 March 2009 to £112 million at 31 March 2010 reflecting the sales 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 2009-10 was £24,620 million compared to an Estimate of £26,085 million, an underspend of £1,465 million, as shown in the Statement of Parliamentary Supply.

The underspend was mainly due to:

- The lower level of resource outturn of £1,003 million (see the explanation on pages 44-45) less non-cash elements of £446 million (mainly resulting from the Automotive Assistance Programme on which no call was made (£186 million)), a net reduction in cash utilisation of £557 million;
- The underspend in capital of £1,299 million less an income deficit of £362 million, a net reduction in cash utilisation of £937 million. This was mainly as a result of: the Automotive Assistance Programme, where no loans or guarantees were ultimately made (£300 million); less use of the Post Office Working Capital loan than estimated (£358 million); a lower level

of issue of Student Loans than estimated (£123 million); an underspend in respect of the UK Investment Fund (£25 million); and £131 million of other underspends; and

- Accruals items amounting to £23 million; offset by:
  - A higher level of payments in respect of provisions than estimated of £75 million, mainly as a result of the Small Firms Loan Guarantee Scheme (£82 million), offset by other minor underspends.

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 (any gains that have not been reflected in the Operating Cost Statement).

vi. Consolidated Statement of Operating Costs by Departmental Strategic Objectives

The Consolidated Statement of Operating Costs by Departmental Strategic Objectives shows how resources, as set out in the Consolidated Operating Cost Statement, have been deployed to each of the Departmental Strategic Objectives to which the Department worked during 2009-10. Annex A1 has full details of these DSOs.

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. Each month the Management Board review the top level risks that might impact on the successful delivery of the Department's objectives in the immediate or long-term, apart from in August, when they do not meet. During the year risks have included:

- Responding to the economic situation
- Sponsorship of our partner organisations
- Internal change
- Planning for significant financial pressures

The current BIS Performance and Risk Management Policy was agreed with the Audit and Risk Committee in January 2010. 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 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 Resource 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 10 to the Resource Accounts.

Payment of suppliers

The Department's policy is to comply with the Institute of Credit Management's Prompt Payment Code, and in February 2009 the Department became an approved signatory to the code. 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 has, since October 2008, aimed to pay all valid invoices within 10 working days of receipt. This is in line with the commitment made by the Prime Minister on 8 October 2008.

In 2009-10, the core Department paid 98.3% of undisputed invoices within the 30 days (99.6% in 2008-09), and the consolidated Department paid 97.9% of undisputed invoices (99.2% in 2008-09). In addition, the core Department paid 95.2% of undisputed invoices within 10 working days and the consolidated Department paid 93.5% of undisputed invoices.

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 23.4 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; 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 last year's report we stated that a number of Fiscal Stimulus programmes were being introduced in 2009-10. Further information on the detail of these new support for business programmes was also given in last year's Post Balance Sheet Events section of the Resource Accounts.

Events after the Reporting Period

Please see Note 38 of the Consolidated Resource Accounts for information on events after the reporting period.

Auditors

These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 67 to 68. 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 £542,500.

In addition, the notional cost of the audit of the restatement of the Department's 2008-09 accounts under International Financial Reporting Standards (IFRS) was £30,000 for the core Department. The total cost of the audit of the restatement of the accounts underpinning the consolidated account was £60,500.

The National Audit Office also undertook independent performance assessments as part of the relicensing framework of sector skills councils on behalf of the Department and the UK Commission for Employment and Skills. The contractual cost for this work is £1.428 million, of which £490,000 was incurred for 2009-10 (£930,000 in 2008-09), which is reflected within the programme costs of the Department.

The NAO also completed other work relating to the core Department's activities. The main areas of work where subsequent reports were published by the Public Accounts Committee during 2009-10 or subsequently were as follows:

- *Train to Gain:* Developing the Skills of the Workforce. The NAO noted that Train to Gain had supported employer focused training for over one million learners, and had developed a skills brokerage service with which the majority of employers were satisfied. However, whilst the programme had achieved benefits for employers, the NAO and the Public Accounts Committee concluded that over its full lifetime it had not provided good value for money. Unrealistically ambitious initial targets and inconsistent implementation reduced the efficiency of the programme. Take up was much lower than expected at first, leading to underspending and the need for changes in eligibility to increase learner numbers. The changes in the eligibility criteria coupled with the recession, enhanced the attractiveness of the programme for employers leading to increased demand for training. This demand needed to be better managed, to make the programme sustainable while avoiding overspending. The NAO and the Public Accounts Committee concluded that the now strong demand for training should be used as an opportunity to focus resources on the areas of greatest need and on training with the highest quality providers. (HC 879, Session 2008-09, published 21 July 2009 and HC 248, 6th PAC Report 2009-10, published 21 January 2010).
- *Venture Capital Support to Small Businesses*. Since 2000 the Department, and its predecessors, have spent £338 million on venture capital funds, with the aim of providing equity finance to small start-up businesses with strong growth prospects. The NAO and the Public Accounts Committee concluded that so far the funds had not been managed as a programme and lacked a robust framework of objectives to measure performance. They acknowledged that improvements had been made to the design of more recent funds to strike a better balance between protecting the taxpayers' interests and attracting other investors and noted that the recent creation of Capital for Enterprise Limited, a company wholly owned by the Department, had the potential to strengthen the oversight of the funds. Notwithstanding these developments they concluded that, in the absence of baselines for measuring benefits, and with evidence of poor financial performance from some of the early funds, the programme cannot currently be said to demonstrate value for money. BIS accepted the recommendation that it should start evaluating programmes earlier and be clear about the economic impact assessment. A new evaluation process is in place. (HC 23, Session 2009-10, published 10 December 2009 and HC 271, PAC 17th Report 2009-10).
- *Helping Over-Indebted Consumers*. The NAO reported that the Department's free face-to-face advice for people struggling with debt had helped more people than planned, was highly regarded by those that use it

and was "delivering good value for money". However, demand was outstripping capacity and support could be provided to more people through further efficiencies. The Department's debt advice project was part of the last government's over-indebtedness strategy, established in 2004, with 51 programmes across various departments, and others, identified by the NAO. Both the NAO and the Public Accounts Committee concluded that the risks to value for money created by the complex delivery structure had not been controlled effectively across Government, and that there needed to be better governance, performance management and evaluation. (HC292, Session 2009-10, published 4 February 2010 and HC 475, 31st PAC Report 2009-10).

During 2009-10, and subsequently, the NAO also published reports on:

- *Complying with Regulation*: Business Perceptions Survey 2009. Since 2005, the Better Regulation Executive has overseen the Administrative Burdens Reduction Programme, designed to reduce the cost to business of complying with the administrative activities required by regulations. This report focused on the NAO's third annual survey of business perceptions to assess the Programme's success in delivering genuine and noticeable benefits for business. The NAO found that businesses reported that individual aspects of complying with regulation had become less burdensome over the prior year and there had been some improvement in overall business perceptions of regulation since 2007. However, very few businesses regarded complying with regulation as having become easier or less time consuming. Around a third said it had become worse. The NAO concluded that if the government was to achieve a significant change in business perceptions, the BRE and departments must look to more strategic and structural reform. (HC 1029 Session 2008-09, published 22 October 2009).
- *The Customer First programme*: Delivery of Student Finance. The Report evaluated the first year of operation of the Customer First programme to centralise and transfer the processing of student support in England to the Student Loans Company (the Company). It found that the programme did not achieve value for money in 2009, with major problems in the processing of applications and customer contact. The Company took 33 per cent longer to process applications in 2009 compared with local authorities in 2008; and only 46 per cent of new applications had been fully processed by the start of term. The Company did not allocate sufficient resources to processing applications for Disabled Students' Allowances and other targeted support. The Department and the Company's Board underestimated the very challenging nature of the programme and lacked sight of the mounting problems, resulting in a failure to act swiftly or effectively. However, the NAO concluded that there was a strong rationale for the continued centralisation, and noted that the Department expects to secure savings of around £20 million a year from 2011-12. (HC 296, Session 2009-10, published 19 March 2010).
- *Support to Business During a Recession*. This Report examined the measures taken by the Department to support businesses through the

recession. It provided an early assessment of the design and set up of six business support schemes, comprising over £20 billion of potential support. The NAO concluded that the Department needed to act quickly and was under considerable pressure to offer targeted support to business without exposing the taxpayer to unnecessary risk. In the absence of timely and robust economic data, the Department prioritised a fast reaction over rigorous planning and policy assessment. Under the circumstances the NAO concluded that this approach was appropriate and considered that the Department did well to set up the schemes quickly and that the management of the schemes was generally good. (HC 490, Session 2009-10, published 26 March 2010).

- *Regenerating the English Regions*: Regional Development Agencies' support to physical regeneration projects. The NAO felt that it was reasonable to conclude that the Regional Development Agencies' physical regeneration programmes had helped to generate additional regional wealth. However, they were unable to confirm that the regional wealth benefits actually generated were as much as they could and should have been as a result of weaknesses in project appraisal and evaluation in the RDAs. (HC 214, Session 2009-10, published 30 March 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.

Simon Fraser
Principal Accounting Officer and Permanent Secretary
15 July 2010

Chapter 3

Resource Accounts

3.1 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, Resource 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, resources applied to objectives, recognised gains and losses 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; and
- 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.

3.2 Statement on internal control

Introduction

This is the first annual Statement on Internal Control for the Department for Business, Innovation and Skills (BIS). The Department was created following Machinery of Government changes on 5 June 2009 and merged the work of the former Department for Business, Enterprise and Regulatory Reform (BERR) with that of the former Department for Innovation, Universities and Skills (DIUS). As Permanent Secretary, I have had responsibility for establishing the new Department's internal control framework and was formally appointed as Accounting Officer on 16 December 2009 by HM Treasury following Parliamentary approval of the Winter Supplementary Estimates 2009-10, which established the Department's voted expenditure.

The Statement on Internal Control relates to the full financial year from 1 April 2009 to 31 March 2010. Prior to my appointment as BIS Accounting Officer, I retained Accounting Officer responsibility for both BERR and DIUS voted expenditure following my appointment as Permanent Secretary to BERR on 5 May 2009 and my appointment as Accounting Officer for DIUS voted expenditure on 5 June 2009. I was advised about the control environments that operated in both the former Departments before I took up Accounting Officer responsibilities for them.

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department for Business, Innovation and Skills 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.

In supporting Ministers in pursuit of the above, I am supported by:

- The Department's Management Board which I chair. It comprises the Directors General; The Chief Executives of UKTI and the Shareholder Executive; and three Non-Executive Board Members. The Board meets monthly, except August and provides corporate and management leadership to BIS in delivering the policies and services decided by Ministers. The main function of the Board is to ensure that we deliver our objectives and PSA targets, monitor departmental performance, manage resource and assess and manage risk. The Management Board does not consider specific policy issues.
- The following three Committees which assist the role of the Management Board:
  - Executive Committee
  - Capability and Operations Committee; and
  - Audit and Risk Committee.

- Other advisory groups outside the formal Governance structure, including:
  - Policy Strategy Board (comprising Ministers and Officials)
  - Policy and Programme Board; and
  - Directors General meeting
- The Secretariat who manage BIS's Corporate Governance structure.

I work with Ministers and the Department's top management through the Management Board, other 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.

The creation of BIS established a Government department with in excess of 70 partner organisations and expenditure in excess of £20 billion. The commentary on the control environment that follows should be read in the context of the challenge of bringing together the separate management structures, governance arrangements, control systems and cultures of two former Departments whilst also maintaining focus on Departmental priorities that were at the very centre of the Government's response to the economic downturn.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; 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 the Department for Business, Innovation and Skills for the year ended 31 March 2010 and up to the date of approval of the Resource Accounts, and accords with Treasury guidance.

An imperative, following the creation of BIS, was to integrate the systems, processes and personnel operating at the corporate centre of the two former Departments and develop an integrated system of internal control while still maintaining business as usual. A BIS Transition Board met weekly from July to September 2009 to direct and oversee the implementation of transitional arrangements. Once the transition phase was complete, a Building BIS programme was established from September to December 2009. Projects under the programme were brigaded into four work streams and were overseen by the Building BIS Board who met monthly to monitor progress and discuss key risks to delivery. The new Building BIS priorities and achievements against them were highlighted in regular communications to corporate centre staff and to all staff through Transition and Building BIS newsletters. While the initial post-merger phase focused on integration priorities, work is continuing to improve and develop the system of internal control through a number of new initiatives in the Department.

Capacity to handle risk

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. In July 2009, the Management Board considered a combined register of the top level risks in former BERR and DIUS. Between August and September 2009, the Management Board considered a Top Level Risk Register that included high-level Group risks escalated for their attention. During this period, the Management Board asked for a review of the process for identifying risks to be included in the Top Level Risk Register.

In October 2009, the Management Board approved a revised Top Level Risk Register. The Management Board has since formally reviewed the Register on a quarterly basis, with risks being escalated by exception on a monthly basis. Following the change in government, the Board has reviewed the Top Level Risk Register on a monthly basis and will continue to do so for the time being.

In March 2010, the arrangements were further strengthened by the introduction of a Performance & Risk Challenge Panel. The Panel is made up of Directors from across the organisation and they review the Top Level Risks on behalf of the Management Board and provide challenge to help Groups and risk owners ensure that risks are specific, described in the right way and that mitigation actions are robust and proportionate.

During 2009-10, a new performance and risk management framework was developed to take account of the merger between BERR and DIUS and also make explicit the link between risk and performance management. The strategy and arrangements for managing risk in BIS were endorsed by the Audit & Risk Committee at its meeting in February 2010.

Guidance on risk management has been available to staff throughout the year via the former Departments' Intranet site. A new Performance and Risk Intranet site for BIS was launched in March 2010. The new guidance sets out BIS's approach and identifies the techniques staff should employ in taking well managed risks. It also includes risk guidance aimed at our sponsorship of partner organisations. Risk management workshops are also available to staff on request. Specific training on risk management is available to staff through courses run by the National School of Government.

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. Clear accountability and ownership of risk is established 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 Board.

During 2009-10, the Department established a Performance and Risk Team to work with colleagues to embed risk identification and assessment into the early stages of key decision making processes such as performance management, policy-making, sponsorship of partner organisations and project management. The Performance and Risk Team has worked in partnership with a number of individuals and teams to help embed risk management within the organisation.

Since the introduction of the Cabinet Office requirements for the 'Handling of Information Risk' in March 2008, the Department has consolidated its understanding of the Information Assurance (IA) practices that are being followed across the organisation and wider family. The risk of data loss remains and it is recognised in BIS that the change necessary to maximise the security of the Department's data is as much about culture change as it is about process and procedure. National School of Government training has been rolled out across the Department and wider family, however further work is required to fully embed IA good practice. This involves the formal endorsement of the IA strategy, and associated IA cultural plan, to provide a framework across BIS Partner Organisations for ongoing maturity of IA practice and to provide a focus for supporting initiatives.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers 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 results of my review of the effectiveness of internal control by the Management Board and the Audit & Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of the system of internal control was reviewed by my Directors General who each provided a Statement on Risk Management, Internal Control & Corporate Governance for their Group, informed by returns or opinions they themselves received from their Heads of Management Units. The Chairman of the Audit & Risk Committee and the Head of Internal Audit reviewed each Statement and Representation with the relevant Director General and discussed the key findings with me.

The Department's Agencies and consolidated Partner Organisations also conducted a review of the effectiveness of internal control in preparing a Statement on Internal Control for their Annual Accounts. The signed statements from each Chief Executive forms part of the Department's overall assurance on internal control.

The Department has arrangements, tailored to each particular situation, for monitoring those sponsored bodies which are not consolidated into the Departmental Resource Accounts but where these bodies participate in the delivery of Departmental objectives. Monitoring arrangements are in place as needed for other bodies where the Department has policy lead within Government.

The BIS Audit & Risk Committee met for the first time on the 6 November and provides independent advice to give assurance to the Management Board on internal control issues, the Internal Audit work programme and the progress being made in embedding risk management within the organisation. I attend the Committee and maintain a dialogue with the Chairman. The Chairman also sits as a Non-Executive member on the Management Board. Prior to the formation of the BIS Audit & Risk Committee, I was advised by the former BERR and DIUS Audit Committees who oversaw the completion of each Department's Resource Accounts for 2008-09.

Internal Audit operates to requirements defined in the Government Internal Audit Standards. Their audit programme is focused around the Department's key risks and regular reports are submitted on the adequacy and effectiveness of internal control together with recommendations for improvement. Where weaknesses in the control environment were identified, action to strengthen control has been taken or is planned.

During the year the National Audit Office (NAO) produced a number of reports which reviewed the value for money of operations involving the Department and its Partner Organisations. The recommendations by the NAO and subsequently the Public Accounts Committee have been taken into account as the work to establish the Department has progressed. The Department is putting in place new arrangements to review the implementation of recommendations from NAO reports, including consideration of systemic themes and lessons learned.

The Head of Internal Audit has provided me with an Annual Report which, taking account of the residual risk carried by BIS during 2009-10 and of known instances of control failure, records his opinion that the internal control environment requires improvement. The work referred to above to establish uniform systems of control and risk management throughout the new Department have already resulted in significant improvements in the control environment and we remain committed to securing further improvements in the future.

The challenges for the future that I and the Management Board recognise include the need to work more closely with our partner organisations to significantly drive down the cost of delivery of the Department's policy agenda. The nature of the challenge is such that we will need to embrace new ways of working and manage at pace a very significant programme of change. To do so in a controlled way will require a continuing focus by senior managers on our systems of risk management and control.

Other matters relevant to my statement

Student Loans Company – processing delays and customer service failure

The Student Loans Company (SLC) is currently implementing an extensive change programme called Customer First to centralise the processing of applications for student finance in England. Over a three year period, local authorities' responsibilities for assessment are being transferred to the SLC. In 2009, its first year of processing applications for new students, the SLC's document scanning system failed and this, together with other problems including the contact centre being overwhelmed, resulted in many students who were entering Higher Education in academic year 2009/10 receiving a poor service and some were not paid the full amount of loan or grant they were entitled to on time. The failure to effectively manage the risks around the change programme led to a serious breakdown in the service delivered to customers, with reputational damage to the SLC and to BIS.

The SLC has undertaken its own review to learn lessons from its first year of delivery and an independent review, commissioned by the Department and the Chairman of the Company from Professor Sir Deian Hopkin, was published in December 2009. The National Audit Office has also undertaken a Value for Money review and published its findings in March 2010. Together these reviews identified a number of recommendations for improvement, particularly in the areas of governance, performance and risk management. BIS has taken these recommendations forward with the SLC so that they feed into continuous improvement of delivery mechanisms and sponsorship management.

Following the NAO and Hopkin reviews, the Department commissioned PriceWaterhouseCoopers (PwC) to undertake a health check of the readiness of the Company to process applications and to deal with telephone calls in the Academic Year 2010/11 cycle, and progress in implementation of the recommendations from the reviews and planned improvements. This review was completed at the end of April 2010 and revealed that although successful processing of the 2010/11 application round was achievable, there remained a number of significant risks that required further mitigating action. With financial support from the Department, the Company has acquired additional expert resource to support its interim Chief Operating Officer to address these risks and we continue to monitor progress closely. The Company also now has a strengthened leadership team including a new interim Chair and interim Chief Executive.

Student Loans Company – Regularity of expenditure

The Department has arrangements in place to provide assurance on the material regularity each year of payments to students in respect of loans and grants assessed by local authorities and the Student Loans Company. In connection with the processing delays described above, the Department was concerned that there was increased risk to the regularity of expenditure for new students who entered Higher Education in academic year 2009/10 due to the following factors:

- Lack of evidence for income assessment – between June and November 2009 copies of evidence supporting students' sponsors' household income was not retained by SLC, because of the failure in the document scanning system; and
- Provisional Assessments – a significant number of provisional assessments of eligibility have been made for entrants in 2009/10, where there was sufficient evidence to support a means tested award, but full original evidence is still awaited.

Action has been taken by the SLC to obtain evidence to support a sample of these cases, concluding that there was no significant additional impact on the population of assessments during this period arising from the issues above. The issues around financial control and regularity of expenditure will be incorporated in our overall programme of work with the SLC to improve financial management.

Learning and Skills Council – Financial management

The DIUS Statement on Internal Control for 2008-09 disclosed a number of issues relating to the Learning and Skills Council (LSC). This included: matters concerning the Capital Investment Programme for Further Education, risk management and control, delays in Education Maintenance Allowances and contract handling. A number of follow-up actions were identified and BIS has held regular discussions with LSC on the progress made in these areas. Reports from LSC's Internal Audit function and independent reviews, including a CIPFA Financial Health Check and an OGC review of the LSC's allocation process have provided assurance that significant improvements in risk and financial management processes were made by LSC during 2009-10 and that a strengthened internal control environment was established.

The LSC was dissolved on 31 March 2010 with its responsibility for post-19 adult skills being transferred to the Skills Funding Agency (SFA), a new Executive Agency of BIS. The SFA began operating in shadow form in November 2009 and became fully operational on 1 April 2010.

Sponsorship of Partner Organisations

In July 2009 I commissioned a review of sponsorship to ensure that lessons learned from the weaknesses described above at LSC were applied to the relationships between the Department and all its 70 plus partner organisations. In October the Management Board approved the 22 recommendations that resulted from that work. By the end of the financial year significant progress had been made in implementing the recommendations, including the appointment of the Chief Executive of the Intellectual Property Office as the senior co-ordinator of the overall relationships with our network of partnership organisations. Work will continue during 2010-11 to further strengthen the relationship with our partners and to improve our capacity to manage risks that cut across organisational boundaries.

Balance sheet risk on BIS investments, student loans and financial guarantees

This year there has been a much greater emphasis on putting in place or strengthening measures to mitigate those risks on the balance sheet that could result in a budgetary impact and / or potential call for future funding. This is due to the significant increase, last financial year, in:

- The value of financial assets recorded on balance sheet (including Investments and Student Loans), of over £4 billion (or 18%), due largely to an increase in the student loan portfolio, and
- The amount of financial guarantees issued, of over £1.4 billion (or 252%), due to the launch of the Working Capital Scheme (due to close at the end of March 2011). This is off balance sheet except for £16 million, which is on balance sheet and represents the Department's expected liability.

The biggest drivers for the risks that relate to BIS Investments and financial guarantees, have been the level of protection that is afforded to BIS under the terms of each of the agreements or schemes, and the influence of macroeconomic variables such as GDP growth, corporate insolvencies, or state of individual sectors. Changes in economic conditions will generally present significant risk to valuations of investments and default payments on financial guarantees.

Student loans, in contrast, currently have limited opportunities for risk mitigation as the Department cannot withhold a loan on the basis of a poor credit rating nor can it seek collateral.

The Management Board recognised the increased significance of these risks and commissioned BIS Finance to present to it a detailed review and assessment of the balance sheet risks, together with an explanation of what are the key risk drivers. Going forward the Board will challenge the taking on of new risks as well as regularly question whether existing risks can be further mitigated.

Systems of Financial Control

A challenge in establishing BIS during 2009-10 was to merge two financial systems while still maintaining an effective system of internal control. A lot has been achieved but there is more to do to strengthen the financial control environment if the Department is to have confidence of meeting the increased financial challenges that lie ahead. On two separate occasions within the reporting period, Treasury wrote to the Department drawing attention to the fact that officials had entered into financial commitments which were outside of the Department's delegated authority without prior written consent from them. In response the Department's delegated authorities were reviewed and re-issued. The systems of delegation that had operated in the two former Departments were replaced by a uniform system across BIS which provides greater visibility of the alignment between budget allocation and financial authority and places greater emphasis on the personal responsibilities of those to whom authorities are delegated. There were also a number of instances of policy submissions that had financial implications being submitted to Ministers without first having been cleared with Finance. Revised procedures were introduced to ensure that Finance are consulted so that submissions to Ministers are informed by comprehensive financial advice.

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

Simon Fraser
Principal Accounting Officer and Permanent Secretary
15 July 2010

3.3 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 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayer's Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives 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 the financial statements in accordance with applicable law and 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 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 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows 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 sections 1.5, 1.8, 2.1 and 2.2 and annexes A1 and A2 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements 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
22 July 2010

3.4 Primary Statements

Statement of Parliamentary Supply

Summary of Resource Outturn 2009-10:

								2009-10 £'000	(Restated) 2008-09 £'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	3	4,757,949	(2,052,802)	2,705,147	4,103,553	(2,051,996)	2,051,557	653,590	1,897,753
RfR 2 Scientific usage in UK	3	3,732,817	(2,900)	3,729,917	3,709,657	(2,237)	3,707,420	22,497	3,603,875
RfR 3 Learning and Skills	3	24,781,698	(8,222,589)	16,559,109	24,454,940	(8,222,589)	16,232,351	326,758	14,626,425
Total resources	4	**33,272,464**	**(10,278,291)**	**22,994,173**	**32,268,150**	**(10,276,822)**	**21,991,328**	**1,002,845**	**20,128,053**
Non-operating cost A-in-A	8			**(7,673,666)**			**(7,261,446)**	**(412,220)**	**(6,692,043)**

Net cash requirement 2009-10:

				2009-10 £'000	2008-09 £'000
	Note	Estimate	Outturn	Net Total Outturn compared with Estimate: Saving/(excess)	(Restated) Outturn
Net cash requirement	5	26,084,914	24,619,889	1,465,025	22,293,602

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)

			2009-10		2009-10
			£'000		£'000
			Forecast		Outturn[35]
	Note	Income	*Receipts*	Income	*Receipts*
Total	6	286,951	*286,951*	452,752	*414,904*

Explanations of variances between Estimate and Outturn are given in Note 3 and in the Financial Review in Chapter 2 of the Report to these Accounts.

The Notes on pages 79 to 179 form part of these Accounts.

35 Income and receipts payable to the Consolidated Fund include £5,377k, which is payable to Northern Ireland, the Isle of Man, Guernsey and Jersey.

Consolidated Operating Cost Statement

for the year ended 31 March 2010

							2009-10 £'000		(Restated) 2008-09 £'000
				Core Department			Consolidated	Core Department	Consolidated
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income		
Administration Costs									
Staff costs	**10**	192,091			198,995			183,702	190,022
Other administration costs	**11**		185,305			192,739		139,435	146,852
Operating income	**14**			(31,353)			(43,134)	(29,436)	(37,663)
Programme Costs									
Request for resources 1									
Staff costs	**10**	781			123,419			754	113,801
Programme costs	**12**		3,662,503			3,699,639		3,797,938	3,846,068
Income	**14**			(1,986,791)			(2,161,656)	(1,932,583)	(2,109,121)
Special dividend (BNFL plc)	**14**			(32,000)			(32,000)	(632,000)	(632,000)
Request for resources 2									
Staff costs	**10**	143			143			79	79
Programme costs	**12**		3,709,514			3,709,514		3,619,839	3,619,918
Income	**14**			(19,521)			(19,521)	(5,459)	(5,459)
Request for resources 3									
Staff costs	**10**	3,110			3,110			3,189	3,189
Programme costs	**12**		24,185,953			24,185,953		22,841,688	22,841,688
Income	**14**			(8,273,043)			(8,273,043)	(8,345,213)	(8,345,213)
Totals		**196,125**	**31,743,275**	**(10,342,708)**	**325,667**	**31,787,845**	**(10,529,354)**	**19,641,933**	**19,632,161**
Net Operating Cost	**4**			**21,596,692**			**21,584,158**	**19,641,933**	**19,632,161**

All income and expenditure is derived from continuing operations.

The Notes on pages 79 to 179 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2010

					31 March 2010 £'000		**(Restated) 31 March 2009 £'000**		**(Restated) 1 April 2008 £'000**
	Note	**Core Department**		**Consolidated**		**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Non Current Assets:									
Property, plant and equipment	**16**	53,412		253,576		70,362	265,773	69,492	265,006
Intangible assets	**17**	4,579		17,490		5,352	17,838	5,461	8,592
Investment and Loans in public bodies	**19**	1,592,330		1,592,330		1,258,764	1,258,764	956,134	956,134
Other financial assets	**20**	24,478,964		24,478,964		20,967,705	20,967,705	17,695,787	17,695,787
Trade and other receivables	**23**	138,314		47,067		63,422	18,711	27,905	15,984
Total non-current assets			***26,267,599***		***26,389,427***	***22,365,605***	***22,528,791***	***18,754,779***	***18,941,503***
Current assets:									
Inventories	**22**	–		60		–	51	–	1,529
Trade and other receivables	**23**	1,251,311		1,422,869		1,155,122	1,281,110	1,038,804	1,129,692
Investments and loans in public bodies	**24**	521,666		521,666		199,166	199,166	390,166	390,166
Other financial assets	**20**	1,450,000		1,450,000		1,324,060	1,324,060	1,160,250	1,160,250
Cash and cash equivalents	**25**	434,704		455,618		1,375,204	1,389,395	1,126,427	1,153,700
Total current Assets			***3,657,681***		***3,850,213***	***4,053,552***	***4,193,782***	***3,715,647***	***3,835,337***
Total assets			**29,925,280**		**30,239,640**	**26,419,157**	**26,722,573**	**22,470,426**	**22,776,840**
Current liabilities:									
Trade and other payables	**26**	(2,005,089)		(2,054,358)		(2,581,731)	(2,642,309)	(2,267,476)	(2,334,007)
Provisions	**27**	(43,466)		(48,579)		(36,854)	(41,256)	(32,179)	(34,615)
Financial guarantees	**28**	(105,316)		(105,316)		(101,689)	(101,689)	(54,257)	(54,257)
Other financial liabilities	**29**	(23,432)		(23,432)		(18,620)	(18,620)	(17,589)	(17,589)
Total current liabilities			***(2,177,303)***		***(2,231,685)***	***(2,738,894)***	***(2,803,874)***	***(2,371,501)***	***(2,440,468)***

		31 March 2010 £'000				(Restated) 31 March 2009 £'000		(Restated) 1 April 2008 £'000	
	Note	**Core Department**		**Consolidated**		**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Non-current assets plus/ less net current assets/ liabilities			**27,747,977**		**28,007,955**	**23,680,263**	**23,918,699**	**20,098,925**	**20,336,372**
Non-current liabilities:									
Trade and other payables	**26**	(846,702)		(858,722)		(537,369)	(545,121)	(538,406)	(547,383)
Provisions	**27**	(428,528)		(432,987)		(451,688)	(459,967)	(509,160)	(523,198)
Financial guarantees	**28**	(162,402)		(162,402)		(155,123)	(155,123)	(90,467)	(90,467)
Other financial liabilities	**29**	(246,875)		(246,875)		(254,629)	(254,629)	(335,764)	(335,764)
Total non-current liabilities			***(1,684,507)***		***(1,700,986)***	***(1,398,809)***	***(1,414,840)***	***(1,473,797)***	***(1,496,812)***
Assets less liabilities			**26,063,470**		**26,306,969**	**22,281,454**	**22,503,859**	**18,625,128**	**18,839,560**
Taxpayers' Equity:									
General fund			25,932,912		26,139,528	22,225,830	22,412,450	18,518,729	18,687,381
Revaluation reserve			130,558		167,441	55,624	91,409	106,399	152,179
Total Taxpayers' Equity			**26,063,470**		**26,306,969**	**22,281,454**	**22,503,859**	**18,625,128**	**18,839,560**

Simon Fraser
Principal Accounting Officer and Permanent Secretary
15 July 2010

The Notes on pages 79 to 179 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2010

		2009-10	(Restated) 2008-09
	Note	**£'000**	**£'000**
Cash flows from operating activities			
Net operating cost	4.1	(21,584,158)	(19,632,161)
Adjustments for non-cash expenditure	13	1,326,009	2,083,162
Adjustment for non-cash income	14	(230,321)	(880,086)
(Increase)/decrease in inventories	22	(9)	1,478
(Increase)/decrease in trade and other receivables	23	(170,115)	(154,145)
Less movements in receivables relating to items not passing through the OCS		(117,019)	(65,203)
Increase/(decrease) in trade payables	26	(274,350)	306,040
Less movements in payables relating to items not passing through the OCS		588,859	(205,789)
Use of provisions	27	(28,196)	(26,075)
Financial guarantees called in	28	(81,698)	(84,070)
Financial liabilities realised	29	(14,558)	(17,589)
Non-cash expenditure funded by the National Insurance Fund	4.1	491,253	391,918
Interest received from Royal Mail on NLF loans	4.1	(30,180)	(29,488)
Interest paid to NLF on loans to Royal Mail	4.1	30,180	29,488
Net cash outflow from operating activities		**(20,094,303)**	**(18,282,520)**
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(29,173)	(42,451)
Purchase of intangible assets	17	(1,463)	(1,097)
Loan redeemed from Post Office Limited	24	6,035,000	5,562,000
Venture capital fund redemptions	20	1,200	153
Repayment of student loans		1,236,370	1,069,790
Repayments of other loans and investments	24	2,166	166
Launch investment receipts		37,114	31,598
Launch investments loans issued	20	(161,564)	–
Investments in venture capital funds	20	(57,162)	(21,309)
Student loans issued		(5,066,622)	(4,177,867)
Repurchase of sold loans		181	(13)
Investments and loans made to other public sector bodies	19	(6,500)	(11,323)
Loans made to Post Office Limited	24	(6,327,000)	(5,369,000)
Loan issued to Royal Mail	19	–	(300,000)
Net cash outflow from investing activities		**(4,337,453)**	**(3,259,353)**

		2009-10	(Restated) 2008-09
	Note	£'000	£'000
Cash flows from financing activities			
From Consolidated Fund (supply) – current year		23,591,902	23,000,329
Advances from the Contingencies Fund		77	–
Repayments to the Contingencies Fund		(77)	–
From the National Insurance Fund		491,253	391,918
Payments to the National Insurance Fund	12	(491,253)	(391,918)
Loans received from the National Loans Fund		2,498,000	232,000
Repayment of loans from the National Loans Fund		(2,168,000)	(232,000)
Loans received from the National Loans Fund on lent to Royal Mail		(2,498,000)	(232,000)
Repayment of National Loans Fund loans by Royal Mail		2,168,000	232,000
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(710)	(2,055)
Net Financing		**23,591,192**	**22,998,274**
Net increase/(decrease) in cash and cash equivalents in period before adjustment for receipts and payments to the Consolidated Fund		(840,564)	1,456,401
Receipts due to the Consolidated Fund which are outside the scope of Department's activities[36]		227,184	185,677
Payments of amounts due to the Consolidated Fund		(319,957)	(1,406,819)
Net increase/decrease) in cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	25	(933,337)	235,259
Cash and cash equivalents at the beginning of the period	25	1,388,955	1,153,696
Cash and cash equivalents at the end of the period		455,618	1,388,955

The prior year increase in cash comprised the movement in the cash and cash equivalents in Note 25 and the movement in the overdraft disclosed in Note 26.

The Notes on pages 79 to 179 form part of these Accounts.

36 Receipts due to the Consolidated Fund include £5,377k (2008-09: £5,627k) which is payable to Northern Ireland, the Isle of Man, Guernsey and Jersey; and payments of amounts due to the Consolidated Fund include £5,627k (2008-09: £6,009k), 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 2010

		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 2008		18,723,166	106,399	18,829,565	18,898,156	152,179	19,050,335
Changes in Accounting policy:							
– IFRS	2	(3,134)		(3,134)	(9,472)		(9,472)
– Tuition fee loans	1.30	(201,303)	–	(201,303)	(201,303)	–	(201,303)
Restated balance at 1 April 2008		**18,518,729**	**106,399**	**18,625,128**	**18,687,381**	**152,179**	**18,839,560**
Changes in taxpayers' equity for 2008-09:							
Net gain/(loss) on revaluation of property, plant and equipment		–	541	541	–	(8,326)	(8,326)
Net gain/(loss) on revaluation of intangible assets		–	–	–	–	–	–
Net gain/(loss) on revaluation of investments		–	45,486	45,486	–	45,486	45,486
Release of reserves to the Operating Cost Statement		–	–	–	–	–	–
Non-cash charges – cost of capital	13	297,840	–	297,840	304,827	–	304,827
Non-cash charges – auditor's remuneration	13	484	–	484	565	–	565
Transfers between reserves		345	(345)	–	1,473	(1,473)	–
Net operating cost for the year		(19,641,933)	–	(19,641,933)	(19,632,161)	–	(19,632,161)
Total recognised income and expense for 2008-09		**(19,343,264)**	**45,682**	**(19,297,582)**	**(19,325,296)**	**35,687**	**(19,289,609)**
Net parliamentary funding – drawn down		23,004,329	–	23,004,329	23,004,329	–	23,004,329
Net parliamentary funding – deemed		544,669	–	544,669	544,669	–	544,669
National Insurance Fund		391,918	–	391,918	391,918	–	391,918
Supply payable/ (receivable) adjustment		(1,255,398)	–	(1,255,398)	(1,255,398)	–	(1,255,398)
Launch Investments realised		–	(96,457)	(96,457)	–	(96,457)	(96,457)
CFERs payable to the Consolidated Fund		(740,955)	–	(740,955)	(740,955)	–	(740,955)
Increase in RPS Receivables		28,030	–	28,030	28,030	–	28,030
Student loan interest subsidy inflation adjustment		1,077,772	–	1,077,772	1,077,772	–	1,077,772
Balance at 31 March 2009		**22,225,830**	**55,624**	**22,281,454**	**22,412,450**	**91,409**	**22,503,859**
Changes in taxpayers' equity for 2009-10							
Net gain/(loss) on revaluation of property, plant and equipment		–	–	–	–	1,145	1,145
Net gain/(loss) on revaluation of intangible assets		–		–	–	–	–
Net gain/(loss) on revaluation of investments		–	162,454	162,454	–	162,454	162,454

		Core Department			Consolidated		
	Note	**General Fund**	**Revaluation Reserve**	**Total Reserves**	**General Fund**	**Revaluation Reserve**	**Total Reserves**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Release of reserves to the Operating Cost Statement		–	–	–	–	–	–
Non-cash charges – cost of capital	13	84,095	–	84,095	91,397	–	91,397
Non-cash charges – auditor's remuneration	13	450	–	450	563	–	563
Transfers between reserves		3,007	(3,007)	–	3,054	(3,054)	
Net operating cost for the year		(21,596,692)	–	(21,596,692)	(21,584,158)	–	(21,584,158)
Total recognised income and expense for 2009-10		**(21,509,140)**	**159,447**	**(21,349,693)**	**(21,489,144)**	**160,545**	**(21,328,599)**
Net parliamentary funding – drawn down		23,591,902	–	23,591,902	23,591,902	–	23,591,902
Net parliamentary funding – deemed		1,255,398	–	1,255,398	1,255,398	–	1,255,398
National Insurance Fund		491,253	–	491,253	491,253	–	491,253
Supply payable/(receivable) adjustment		(228,935)		(228,935)	(228,935)	–	(228,935)
Launch investments realised		–	(84,513)	(84,513)		(84,513)	(84,513)
CFERs 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
Student loan interest subsidy inflation adjustment		298,820	–	298,820	298,820	–	298,820
Transfer of assets		(1,457)	–	(1,457)	(1,457)	–	(1,457)
Write off of deferred income		29,142	–	29,142	29,142	–	29,142
Balance at 31 March 2010		**25,932,912**	**130,558**	**26,063,470**	**26,139,528**	**167,441**	**26,306,969**

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 16, 17 and 20). The balance on the Revaluation Reserve for the Core Department at 31 March 2010 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.

The Notes on pages 79 to 179 form part of these Accounts.

Consolidated Statement of Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2010

The Department's aim is to build a dynamic and competitive UK economy by creating the conditions for business success; promoting innovation, enterprise and science; and giving everyone the skills and opportunities to succeed. To achieve this, the Department will foster world-class universities and promote an open global economy.

In pursuance of its aim, the Department has the following strategic objectives:

			2009-10 £'000			(Restated) 2008-09 £'000
Objective:	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
Science and Research Foster a world-class science and knowledge base and promote the commercial exploitation of knowledge, global excellence in research and better use of science in Government	3,709,657	(19,521)	3,690,136	3,628,268	(5,459)	3,622,809
Innovation, Enterprise and Business Increase innovation, enterprise and the growth of business, with a focus on new industrial opportunities and bringing benefits to all regions	3,145,269	(1,908,670)	1,236,599	3,004,292	(1,912,042)	1,092,250
Fair Markets Deliver free and fair markets, with greater competition	958,746	(188,963)	769,783	861,575	(205,031)	656,544
Better Regulation Ensure that Government departments and agencies deliver better regulation	4,698	–	4,698	4,453	–	4,453
Universities and Skills Improve the skills of the population through excellent further education and world-class universities, to build a more economically competitive, socially mobile and cohesive society	24,189,064	(8,273,043)	15,916,021	22,844,877	(8,345,213)	14,499,664
Capability Provide the professional support, capability and infrastructure needed to deliver our objectives and programmes, working effectively with our partner organisations to deliver public service excellence	310,674	(36,263)	274,411	229,348	22,567	251,915

			2009-10 £'000			(Restated) 2008-09 £'000
Objective:	**Gross**	**Income**	**Net**	**Gross**	**Income**	**Net**
Government as a shareholder Ensure that Government acts as an effective and intelligent shareholder, and provide excellent corporate finance expertise within Government	(204,596)	(102,894)	(307,490)	188,804	(684,278)	(495,474)
Net operating costs	**32,113,512**	**(10,529,354)**	**21,584,158**	**30,761,617**	**(11,129,456)**	**19,632,161**

The Notes on pages 79 to 179 form part of these Accounts.

3.5 Notes

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. 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 of 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 two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show Outturn against Estimate in terms of the Net Resource Requirement and the Net Cash Requirement. *The Consolidated Statement of Operating Costs by Departmental Strategic Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

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 First time adoption of IFRS

These Accounts reflect changes required on first time adoption of IFRS. Changes to Taxpayers' Equity and Net Operating Costs are shown in Note 2.

The adoption of IFRS has resulted in a number of presentational changes to the Accounts. Many of these are changes in name, e.g. receivables and payables instead of debtors and creditors, and the Statement of Financial Position instead of the Balance Sheet. There is a new primary statement, the *Consolidated Statement of Taxpayers' Equity,* which combines the previous notes, showing the movements and balances on reserves. The previous Notes to the *Cash Flow Statement* are incorporated into the *Consolidated Statement of Cashflows*, and the *Statement of Recognised Gains and Losses* is no longer required.

1.3 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. Transactions between entities included in the consolidation boundary are eliminated on consolidation. A list of all those entities within the Departmental boundary is provided in Chapter 1 of these Accounts.

1.4 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 £3,000. Property, plant and equipment assets are revalued using relevant indices.

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.

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. The licences are revalued each year using relevant published indices and are amortised over the shorter of the term of the licence and the useful economic life. The useful economic life is usually between five to ten years, and the value is amortised on a straight line basis. At 31 March 2010, all software licences were held by the consolidated bodies.

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.

1.6 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 Operating Cost Statement 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 the 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	3–10 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.

1.7 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 nil book value in accordance with the FReM. They 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.

1.8 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.

1.9 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 and 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.

1.9.1 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; and
- 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 20.1.

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, no obligations fall due at the Statement of Financial Position date, but for tuition fee loans, the Department recognises a receivable once it has an obligation to pay the tuition fee on behalf of the student. The obligation to the Higher Education Institution occurs 90 days after the start of the academic year if the student has been in attendance for that period. The receivable is then 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 Operating Cost Statement 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 Operating Cost Statement.

- 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 20.

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

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

1.9.2 Financial liabilities

The Department classifies financial liabilities into the following categories:

- Financial liabilities at fair value through profit or loss; and
- 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.

1.10 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. 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 Operating Cost Statement.

1.11 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 Guarantee; guarantees given in relation to the UK High Technology Fund; the Trade Credit Insurance Scheme and the Working Capital Scheme. More information is provided in Note 28 to these Accounts.

1.12 Inventories

Inventories are valued at the lower of cost or net realisable value.

1.13 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 (currently 1.8%), is used for discounting. Each year the financing charges in the Operating Cost Statement include the adjustments to amortise one year's discount so that liabilities are shown at current price levels.

1.14 Research and development

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

1.15 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 Operating Cost Statement, or to returns on investments. These types of CFERs are credited to the Operating Cost Statement as income to the Department. The remaining CFERs are not included in the Department's Operating Cost Statement and are accounted for through the Statement of Financial Position as cash and payables.

1.16 Administration and programme expenditure and income

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the Department, as defined under the Administration Cost-Control Regime, together with the associated operating income. Income is analysed in the Notes between that which, under the Regime, is allowed to be offset against gross administration costs in determining the outturn against the Administration Cost Limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants-in-aid, grants and other disbursements by the Department, in support of policy initiatives.

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 Operating Cost Statement 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 students act on their entitlement to grants and receive the payments. 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 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real discount rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for:

a) Property, plant and equipment and intangible assets, where the cost of capital charge is based on opening values, adjusted *pro rata* for in-year:

- additions at cost;
- disposals as valued in the opening Statement of Financial Position (plus any subsequent capital expenditure prior to disposal);
- impairments at the amount of the reduction of the opening Statement of Financial Position value (plus any subsequent capital expenditure); and
- depreciation of property, plant and equipment and amortisation of intangible assets;

b) donated assets, and cash balances with the Government Banking Service (GBS), where the charge is nil;

c) student loan receivables, student loan interest subsidy impairment and student loan write-off impairment, where the charge is 2.2% in line with HM Treasury's long term provisions; and

d) the Department's investments in its trading funds (Companies House and UKIPO) and the public corporation, British Shipbuilders, where the charge is equal to 3.5% of net assets, and the public corporations (BNFL and Royal Mail), where the charge is equal to 8% of the public corporations' relevant net assets.

1.19 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 Operating Cost Statement.

1.20 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) as described in Note 10**.** 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.

1.21 Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. In accordance with IAS 19, the Department provides in full for this cost when an early retirement programme has been announced and is binding on the Department. Early departure costs are discounted using HM Treasury's current pension rate (currently 1.8%).

1.22 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 Operating Cost Statement, and included under the relevant expenditure heading; and
- 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.

1.23 Statement of Parliamentary Supply and the Consolidated Statement of Operating Costs by Departmental Strategic Objectives

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 *Consolidated Statement of Operating Costs by Departmental Strategic Objectives* reports expenditure and income for each of the Department's objectives. The differences between the Net Resource Outturn, as disclosed in the *Statement of Parliamentary Supply* and the Net Operating Costs, as disclosed in the Operating Cost Statement and the *Statement of Operating Costs by Departmental Strategic Objectives*, are disclosed in Note 4 to the Accounts.

1.24 Leases

Rentals due under operating leases are charged to the Operating Cost Statement 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 Operating Cost Statement in respect of:

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

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

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.

1.25 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 Operating Cost Statement, the Statement of Cash Flows, the Statement of Operating Costs by Departmental Strategic Objectives 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 2009-10 Account, relate to the merger of the former Departments of BERR and DIUS; the transfer of the Teddington Estate and responsibility for National Measurement, from the core Department to the National Measurement Office (NMO), an Executive Agency of the Department; and the transfer of responsibility for civil space activities from the core Department (British National Space Centre) to the Technology Strategy Board (TSB), an NDPB of the Department. The impact on the prior year comparatives is disclosed in Note 40 to these Accounts.

Due to the merger of the former Departments of BERR and DIUS, the Department adopted merged accounting policies and estimates, the effect of which has been reflected in the opening balances at 1 April 2008. The most significant changes resulted from the introduction of a new capitalisation threshold; the adoption of depreciated historical cost as a proxy for current cost, for the assets of the former Departments; and a change in the asset lives of information technology assets.

1.26 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.

1.27 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; and
- 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.

1.28 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.

1.29 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 16, 17, 19 and 20 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 20 refers); and
- Volatility resulting from fluctuations in the macroeconomic indicators used in models, for example, medium and long term RPI forecasts for student loans and GDP for financial guarantees (Notes 20 and 28 refer).

1.30 Changes in accounting policy

During the reporting period, the Department has voluntarily changed the way in which tuition fee loans, issued to students attending Higher Education Institutions, are accounted for. Previously, the Department did not accrue for loans, or account for the resource cost of issuing loans, when the second loan instalment for the academic year was advanced after the reporting period end. However, there has now been a change in accounting policy and the Department accrues for the second instalment of tuition fee loans as at the Statement of Financial Position date. The change in accounting policy reflects that Higher Education Institutions are entitled to the full amount of the tuition fee, 90 days after the start of the academic year, and not when the SLC is reimbursed by the Department, which was the basis of the former policy. The additional obligation is accompanied by an additional asset, the value of which is reduced and charged to expenditure to reflect the cost to the Government of issuing the loans. These circumstances do not apply for maintenance loans.

The change has been treated as a prior period adjustment and the adjustments which have been made to these Accounts, with effect from 1 April 2008, are set out below:

	Operating Cost Statement	**Statement of Financial Position**
	£'000	**£'000**
1 April 2008		
Prior Period Adjustment, in the Statement of Taxpayer's Equity	–	201,303
Receivables (Note 23)	–	448,061
Payables (Note 26)	–	(649,364)
	–	–
2008-09	**Operating Cost Statement**	**Statement of Financial Position**
	£'000	**£'000**
Net movement in loan impairments	64,572	–
Operating costs in General Fund	–	265,875
Receivables (Note 23)	–	683,679
Payables (Note 26)	–	(949,554)
	64,572	–
2009-10	**Operating Cost Statement**	**Statement of Financial Position**
	£'000	**£'000**
Net movement in loan impairments	50,650	–
Operating costs in General Fund	–	316,525
Receivables (Note 23)	–	813,921
Payables (Note 26)	–	(1,130,446)
	50,650	–

1.31 Changes to IFRS and the FReM

1.31.1 Changes to IFRS

The following new standard was adopted by BIS before its effective date:

- IAS 24: *Related Party Disclosures (Revised),* which is effective for accounting periods beginning on or after 1 January 2010

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:

- IAS 7: *Statement of Cash Flows*, which will be effective for accounting periods beginning on or after 1 January 2010
- IFRS 9: *Financial Instruments,* which will be effective for accounting periods beginning on or after 1 January 2013

1.31.2 Changes to the FReM

The following changes to the FReM will impact the Department's Accounts with effect from 2010-11:

- the FReM will no longer permit the inclusion of notional cost of capital charges when calculating the Department's Operating Costs. As this is an administrative change it will not be treated as a prior period adjustment in the 2010-11 Accounts;
- an adaptation to IAS 36 *Impairment of Assets* to allow the scoring of all impairments that are caused by a clear consumption of economic benefit to the Operating Cost Statement; and
- all heritage assets should be accounted for in accordance with FRS 30, *Heritage Assets*.

2. First time adoption of IFRS

These Accounts are prepared, in accordance with the FReM, on an IFRS basis for the first time and in accordance with IFRS 1. The effective date of transition is 1 April 2008. The Department is required to comply with each IFRS, as adapted or interpreted by HM Treasury, as described in the FReM. The transition has affected the Department's reported position as follows:

	General Fund	Revaluation Reserve
	£'000	£'000
Taxpayers' equity at 31 March 2008 under UK GAAP	**18,898,156**	**152,179**
Prior period adjustment	(201,303)	–
	18,896,853	152,179
IFRS adjustments for:		
IAS 19 – Employee Benefits[37]	(5,150)	–
IAS 39 – Measurement of Financial Instruments[38]	(3,255)	–
IAS 38 – Intangible Assets[39]	111	–
IAS 19 – Early retirement change in discounting from 2.2% to 3.2%[40]	644	–
IFRIC 12 – Service concession arrangements[41]	1,822	–
Taxpayers' equity at 1 April 2008 under IFRS	**18,687,381**	**152,179**

37 IAS 19 requires the recognition of the cost of employee benefits in the period in which they are earned. BIS has therefore adopted a policy of accruing for holiday pay.

38 IAS 39 required the BIS to include a previous contingent liability, as a financial guarantee, carried at fair value (£672k) and the Insolvency service was required to carry its debtors at fair value leading to an adjustment of £2.6 million.

39 IAS 38 requires software that is not an integral part of computer hardware to be capitalised as an intangible asset. The Department reclassified assets from PPE to intangible assets, and transferred £111k from expenditure to intangible assets.

40 IAS 19 requires the Department to discount early departure costs using the pension rate rather than the Treasury's standard discount rate.

41 The Insolvency Service has an IT arrangement which meets the criteria for a service concession arrangement. As a consequence the capital element of the contract is now accounted for in the same way as a finance lease.

	General Fund	Revaluation Reserve
	£'000	**£'000**
Taxpayers' equity at 31 March 2009 under UK GAAP	**22,417,468**	**91,372**
IFRS adjustments for:		
IAS 19 – Employee Benefits[37]	(6,222)	–
IAS 38 – Intangible Assets[39]	105	37
IAS 19 – Early retirement change in discounting from 2.2% to 3.2%[40]	429	–
IFRIC 12 – Service concession agreement[41]	670	–
Taxpayers' equity at 31 March 2009 under IFRS	**22,412,450**	**91,409**

	£'000
Net operating cost for 2008-09 under UK GAAP	**19,633,416**
Adjustments for:	
IAS 19 – Employee Benefits[37]	1,071
IAS 38 – Intangible Assets[39]	(33)
IAS 19 and IAS 38 – change in Cost of capital[42]	(18)
IAS 19 – Early retirement change in discounting from 2.2% to 3.2%[40]	217
IFRIC 12 – Service concession agreement[41]	(2,492)
Net operating cost for 2008-09 under IFRS	**19,632,161**

In line with HM Treasury advice, Prior Period Adjustments (PPAs) arising from the adoption of IFRS were not included in Spring Supplementary Estimates for 2009-10 on the basis that the PPA numbers could have been misleading, particularly where transactions may well have pre-dated the 2001-02 cut off point for reporting PPAs, as only part of an obligation would have been included. PPAs arising from a change in accounting policy related to other than IFRS were included in the Estimates in line with conventional arrangements.

42 Changes to the assets and liabilities outstanding at the end of the reporting period due to the introduction of IFRS have impacted the cost of capital charges.

3. Analysis of net resource outturn by section

						2009-10 £'000 Outturn	2009-10 £'000 Estimate	2009-10 £'000	(Restated) 2008-09 £'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 Business Creation and Growth	40,480	140,889	444,394	625,763	(1,815,733)	(1,189,970)	**(779,942)**	410,028	(1,424,177)
B Better Regulation	–	398	–	398	–	398	**337**	(61)	–
C Free and Fair Markets	15,272	290,419	75,046	380,737	(187,019)	193,718	**214,499**	20,781	190,212
D Government as shareholder	10,770	(1,076)	156,800	166,494	(2,402)	164,092	**170,754**	6,662	304,465
E Professional Support and Infrastructure	325,206	(14,400)	115	310,921	(29,632)	281,289	**318,164**	36,875	168,141
Support for Local Authorities									
F Business Creation and Growth	–	–	376,413	376,413	–	376,413	**375,990**	(423)	346,297
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
G Free and Fair Markets	–	–	47,122	47,122	–	47,122	**50,000**	2,878	44,477
H Government as shareholder	–	4,405	–	4,405	(2,157)	2,248	**(465)**	(2,713)	(18,736)
Support for Local Authorities									
I Business Creation and Growth	–	–	3,000	3,000	–	3,000	**3,000**	–	1,970
Non-Budget									
J Business Creation and Growth	–	–	1,784,075	1,784,075	–	1,784,075	**1,852,933**	68,858	1,851,094
K Better Regulation	–	–	4,300	4,300	–	4,300	**4,400**	100	4,400
L Free and Fair Markets	–	–	41,384	41,384	–	41,384	**49,399**	8,015	34,344
M Government as shareholder	–	–	4,520	4,520	–	4,520	**6,660**	2,140	5,275

						2009-10 £'000 Outturn	2009-10 £'000 Estimate	2009-10 £'000	(Restated) 2008-09 £'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
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
N Knowledge Transfer	6	161,107	(70,642)	90,471	(15,053)	75,418	**101,140**	25,722	138,381
Non budget									
O Science and Innovation knowledge transfer	–	–	263,550	263,550	–	263,550	**337,278**	73,728	240,259
Spending in Annually Managed Expenditure (AME)									
Central Government Spending									
P Knowledge Transfer and Innovation	–	–	–	–	–	–	**1,000**	1,000	–
Total	**391,734**	**581,742**	**3,130,077**	**4,103,553**	**(2,051,996)**	**2,051,557**	**2,705,147**	**653,590**	**1,886,402**
Request for Resources 2									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A The Royal Society	–	–	45,823	45,823	–	45,823	**45,823**	–	43,360
B Royal Academy of Engineering	–	–	12,138	12,138	–	12,138	**12,138**	–	10,279
C British Academy	–	259	25,062	25,321	–	25,321	**25,062**	(259)	22,540
D RB Initiatives	–	4,884	2,929	7,813	–	7,813	**6,115**	(1,698)	4,675
E Economic Impact	–	–	11,543	11,543	–	11,543	**12,250**	707	11,351
F Research Capital Investment Fund	–	–	43,015	43,015	–	43,015	**48,676**	5,661	36,411
G Biotechnology and Biological Sciences Research Council	–	–	–	–	(2,237)	(2,237)	**(2,900)**	(663)	(4,685)
H Science and Society	–	–	13,889	13,889	–	13,889	**14,847**	958	13,203

						2009-10 £'000 Outturn	2009-10 £'000 Estimate	2009-10 £'000	(Restated) 2008-09 £'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
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
I Research Councils' Pension Scheme	–	37,000	–	37,000	–	37,000	**37,000**	–	72,340
Non-Budget									
J Arts and Humanities Research Council	–	–	105,097	105,097	–	105,097	**106,000**	903	114,698
K Biotechnology and Biological Sciences Research Council	–	–	468,630	468,630	–	468,630	**469,000**	370	412,155
L Economic and Social Research Council	–	–	178,652	178,652	–	178,652	**179,000**	348	178,000
M Engineering and Physical Sciences Research Council	–	–	799,000	799,000	–	799,000	**799,000**	–	784,878
N Medical Research Council	–	–	631,077	631,077	–	631,077	**631,765**	688	643,000
O Natural Environment Research Council	–	–	408,000	408,000	–	408,000	**421,491**	13,491	395,760
P Higher Education Funding Council for England	–	–	315,179	315,179	–	315,179	**317,000**	1,821	274,255
Q Fees Payable under the Animals (Scientific Procedures) Act 1986	–	380	–	380	–	380	**500**	120	307
R Science and Technology Facilities Council	–	–	607,100	607,100	–	607,100	**607,150**	50	602,699
Total	**–**	**42,523**	**3,667,134**	**3,709,657**	**(2,237)**	**3,707,420**	**3,729,917**	**22,497**	**3,615,226**
Request for Resources 3									
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A Activities to support all Functions	–	–	–	–	–	–	**60**	60	86,332
B Higher Education	–	18,699	90,309	109,008	(2,973)	106,035	**105,598**	(437)	89,825
C Higher Education Support for Students	–	1,439,533	1,442,320	2,881,853	(48,524)	2,833,329	**2,912,525**	79,196	2,234,002

						2009-10 £'000 Outturn	2009-10 £'000 Estimate	2009-10 £'000	(Restated) 2008-09 £'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**
D Further Education, Skills and International Programmes	–	85,527	258,613	344,140	(60,374)	283,766	**332,954**	49,188	282,962
E Further Education Receipts from DCSF	–	–	–	–	(7,931,940)	(7,931,940)	**(7,915,201)**	16,739	(7,384,652)
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
F Loans to Students	–	179,276	–	179,276	(178,778)	498	**1**	(497)	1,553
Non-Budget									
G Higher Education Funding Council for England	–	–	7,560,513	7,560,513	–	7,560,513	**7,559,410**	(1,103)	7,170,859
H Office for Fair Access	–	–	476	476	–	476	**486**	10	514
I Student Loans Company	–	–	79,814	79,814	–	79,814	**79,942**	128	78,584
J Investors in People UK	–	–	4,602	4,602	–	4,602	**5,029**	427	4,700
K Learning and Skills Council	–	–	12,936,959	12,936,959	–	12,936,959	**13,110,900**	173,941	11,894,866
L UK Commission for Employment and Skills	–	19	92,405	92,424	–	92,424	**92,405**	(19)	78,960
M Prior Period Adjustment for Student Loans	–	265,875	–	265,875	–	265,875	**275,000**	9,125	64,572
Quality Improvement Agency (Ceased operating from 30 September 2008)	–	–	–	–	–	–	**–**	–	17,574
Support for Local Authorities									
Q Higher education	–	–	–	–	–	–	**–**	–	5,774
Total	**–**	**1,988,929**	**22,466,011**	**24,454,940**	**(8,222,589)**	**16,232,351**	**16,559,109**	**326,758**	**14,626,425**
Resource Outturn	**391,734**	**2,613,194**	**29,263,222**	**32,268,150**	**(10,276,822)**	**21,991,328**	**22,994,173**	**1,002,845**	**20,128,053**

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.

The prior period adjustment for student loans relates to a change in accounting policy regarding the treatment of tuition fee loans. 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 2 of these Accounts.

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

4.1 Reconciliation of net resource outturn to net operating cost

				2009-10 £'000	(Restated) 2008-09 £'000
	Note	**Outturn**	**Supply Estimate**	**Outturn compared with Estimate**	**Outturn**
Net Resource Outturn	3	**21,991,328**	**22,994,173**	**1,002,845**	**20,128,053**
Prior Period Adjustments	1.30	(265,875)	(275,000)	(9,125)	–
Non-supply income (CFERs)	6	(222,352)	(33,631)	188,721	(740,955)
Non-supply Expenditure – National Insurance Fund expenditure (RPS)		491,253	500,000	8,747	391,918
Royal Mail and BNFL Cost of Capital credit		(410,196)	–	(410,196)	(145,600)
IFRS adjustments in 2008-09		–	–	–	(1,255)
***Net Operating Cost**		**21,584,158**	**23,185,542**	**780,992**	**19,632,161**
*** Net Funding**					
interest received on NLF loans to Royal Mail		(30,180)	–	(30,180)	(29,488)
interest paid on NLF loans to Royal Mail		30,180	–	30,180	29,488
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. 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 2009-10 was £1,903 (2008-09: £2,660). An average amount of £1,322 was paid during 2009-10 for RP2 (2008-09: £1,877).

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 2009-10 totalled £531 million (2008-09: £428 million) against income of £40 million (2008-09: £36 million), the net of which is disclosed in Note 12.

4.2 Outturn against final Administration Budget

			2009-10 £'000	(Restated) 2008-09 £'000
	Note	**Budget**	**Outturn**	**Outturn**
Gross Administration Budget	10,11	394,693	391,734	336,874
Income allowable against the Administration Budget	14	(36,000)	(43,134)	(37,663)
Net outturn against final Administration Budget		**358,693**	**348,600**	**299,211**

The administration expenditure outturn comprises £192 million (2008-09: £190 million) of staff costs disclosed in Note 10 and £193 million (2008-09: £147 million) of other costs disclosed in Note 11.

5. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate	Outturn	2009-10 Net Total Outturn compared with Estimate: saving/ (excess)
		£'000	£'000	£'000
Resource Outturn	3	**22,994,173**	**21,991,328**	**1,002,845**
Less prior period adjustment	3	(275,000)	(265,875)	(9,125)
Capital:				
Acquisition of property, plant and equipment	16	–	29,179	(29,179)
Intangible assets	17	–	1,463	(1,463)
Investments	19, 20, 24	12,948,485	11,601,277	1,347,208
Non-operating A-in-A:				
Proceeds of asset disposals		–	–	–
Investments	8	(7,673,666)	(7,261,446)	(412,220)
Accruals adjustments:				
Non-cash items	13, 14	(1,932,180)	(1,542,040)	(390,140)
Changes in working capital other than cash		(26,002)	276,835	(302,837)
Changes in payables falling due after more than one year		–	(335,284)	335,284
Use of provision	27	49,104	28,196	20,908
Financial Liabilities – realised	29	–	14,558	(14,558)
Financial guarantees called in	28	–	81,698	(81,698)
Net cash requirement		**26,084,914**	**24,619,889**	**1,465,025**

6. 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 2009-10 £'000		Outturn 2009-10 £'000	
	Note	**Income**	**Receipts**	**Income**	**Receipts**
Operating income and receipts – excess A-in-A		–	–	50,455	*50,455*
Other operating income and receipts not classified as A-in-A	14	33,631	*33,631*	171,897	*137,265*
		33,631	***33,631***	**222,352**	***187,720***
Non-operating income and receipts – excess A-in-A		–	–	–	–
Other Non-operating income and receipts not classified as A-in-A		163,000	*163,000*	–	–
Other amounts collectable on behalf of the Consolidated Fund[43]		90,320	*90,320*	230,400	*227,184*
Total income payable to the Consolidated Fund		**286,951**	***286,951***	**452,752**	***414,904***

The forecast is an estimate of the CFERs the Department expected to collect in 2009-10. However, CFERs do not form part of the Departmental Supply Estimate and are not disclosed in the Statement of Parliamentary Supply.

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

	2009-10 £'000	(Restated) 2008-09 £'000
Universal banking contributions	–	1,525
Companies House late filing penalties	81,946	50,167
OFCOM Wireless Telegraphy Act[43]	95,201	107,493
Royal Mail and Post Office Ltd loan commitment fees	6,860	6,640
UKAEA Ltd sale proceeds	43,001	–
Other	3,392	153
Total	**230,400**	**165,978**

43 Other amounts collectable on behalf of the Consolidated Fund include £5,377k which is payable to Northern Ireland, the Isle of Man, Guernsey and Jersey.

7. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2009-10 £'000	(Restated) 2008-09 £'000
Operating income	14	(10,529,354)	(11,129,456)
Adjustments for transactions between RfRs		–	–
Income outside of the supply process	14	30,180	29,488
Gross income		**(10,499,174)**	**(11,099,968)**
Income authorised to be Appropriated-in-Aid		10,276,822	10,428,141
The elimination of transactions due to the MoG change		–	(69,128)
Operating income payable to the Consolidated Fund	14	**(222,352)**	**(740,955)**

8. Non-operating income classified as Appropriations-in-Aid

	Note	2009-10 £'000	(Restated) 2008-09 £'000
Repayment of Post Office Ltd working capital loan	24	(6,035,000)	(5,562,000)
Repayment of Companies House loan	24	(2,000)	–
Repayment of student loans	20	(1,185,919)	(1,098,022)
Repayment of UKIPO loans	24	(166)	(166)
Repayment of Launch Investments		(37,161)	(31,702)
Redemption of venture capital funds	20	(1,200)	(153)
Total		**(7,261,446)**	**(6,692,043)**

9. Non-operating income not classified as Appropriations-in-Aid (A-in-A)

There is no non-operating income not classified as A-in-A for 2009-10.

10. Staff numbers and related costs

Staff costs comprise:

					2009-10 £'000	(Restated) 2008-09 £'000
	Permanently employed staff	**Others**	**Ministers**	**Special Advisers**	**Total**	**Total**
Wages and salaries	242,508	17,962	286	238	260,994	243,717
Social security costs	19,541	82	1	25	19,649	18,475
Other pension costs	46,330	102	–	–	46,432	45,828
Sub-total	**308,379**	**18,146**	**287**	**263**	**327,075**	**308,020**
Less recoveries in respect of outward secondments	(1,408)	–	–	–	(1,408)	(929)
Total net costs	**306,971**	**18,146**	**287**	**263**	**325,667**	**307,091**
Of which: Core Department	**186,067**	**9,508**	**287**	**263**	**196,125**	**187,724**

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 Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £46,301,718 were payable to the PCSPS (2008-09: £45,449,773) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2008-09 were between 17.1% and 25.5%). 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 2009-10 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 £130,811 (2008-09: £95,308) 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 2008-09 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% (2008-09: 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 £13,195 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 2009-10, 9 persons (2008-09: 4 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £11,202 (2008-09 £8,908).

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 Resource Account.

					2009-10	(Restated) 2008-09
Departmental Strategic Objective	**Permanent staff**	**Others**	**Ministers**	**Special Advisers**	**Total**	**Total**
Foster a world class science and knowledge base	190.3	19.1	–	–	**209.4**	**193.5**
Increase innovation, enterprise and the growth of business	1,161.5	121.8	–	–	**1,283.3**	**1,182.1**
Deliver free and fair markets	3,907.7	560.9	–	–	**4,468.6**	**4,263.4**
Deliver better regulation	97.3	21.6	–	–	**118.9**	**96.0**
Improve the skills of the population	469.0	17.3	–	–	**486.3**	**654.1**
Provide the professional support, capability and infrastructure	1,225.2	85.1	8.4	3.4	**1,322.1**	**1,102.1**
Ensure government acts as an effective and intelligent shareholder	45.7	11.4	–	–	**57.1**	**54.8**
Total	**7,096.7**	**837.2**	**8.4**	**3.4**	**7,945.7**	**7,546.0**
Of which: Core Department	**3,538.5**	**316.7**	**8.4**	**3.4**	**3,867.0**	**3,639.1**

Staff Receivables

At 31 March 2010: 1,234 (31 March 2009:1,070) 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 23.

11. Other administration costs

		2009-10 £'000		(Restated) 2008-09 £'000	
	Note	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Rentals under operating leases:					
Plant and Machinery		406	470	3,129	3,159
Other		27,219	28,162	30,625	31,619
PFI service charges		25,795	25,795	26,778	26,778
Accommodation		24,955	25,975	22,887	24,612
Professional services		14,149	12,392	22,383	21,351
Consultancy		11,197	11,191	11,046	11,046
IT support		10,346	12,802	8,129	8,136
Training and other staff costs		9,117	9,412	7,536	7,620
Travel and subsistence		8,981	9,389	10,919	11,477
Charges for shared services		8,221	8,221	10,995	10,995
Advertising and publicity		29	29	278	278
Research and Development		1	1	25	25
Other		8,577	12,068	9,602	14,658
		148,993	**155,907**	**164,332**	**171,754**
Non-Cash Items:					
Depreciation	16	13,721	14,241	13,218	13,218
Impairments		16,592	16,592	57	52
Profit on disposal of property, plant and equipment		(435)	(435)	–	–
Loss on disposal of property, plant and equipment		–	–	6	6
Cost of capital charges		1,116	1,116	(2,841)	(2,841)
Auditors' remuneration and expenses		450	450	484	484
Specific bad debt write off		132	132	9	9
Provision for bad debts		(151)	(151)	(138)	(138)
Provisions provided for in year	27,28	1,406	1,406	(40,330)	(40,330)
Unwinding of discount on provisions	27,28	3,481	3,481	4,638	4,638
Total non-cash		**36,312**	**36,832**	**(24,897)**	**(24,902)**
Total other administration costs		**185,305**	**192,739**	**139,435**	**146,852**

During the year, the Department did not purchase any non-audit services from its auditor, the National Audit Office. The auditor's remuneration represents the notional cost of the audit of the Department's Accounts, which was £420,000 and the cost of the audit of the restatement of the Department's 2008-09 Accounts under International Financial Reporting standards (IFRS), which was £30,000.

With the exception of expenditure relating to the Redundancy Payment Service (RPS), administration costs do not include the costs of Acas, NMO and INSS. These agency costs are recorded as programme expenditure and hence are excluded from the administration budget regime.

12. Programme costs

		2009-10 £'000		(Restated) 2008-09 £'000	
	Note	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Grant in Aid		26,355,406	26,355,406	25,096,952	25,049,640
Other grants		3,143,398	3,014,242	2,464,288	2,383,061
Redundancy Payments Service		491,253	491,253	391,918	391,918
Outsourced Programme Management		69,282	69,282	25,444	25,440
Paternity and adoption pay		47,670	47,670	44,477	44,477
Investigation Costs		38,619	22,597	40,116	26,841
International Subscriptions		30,607	30,607	31,274	32,073
Interest on NLF loans on-lent to Royal Mail Holdings plc		30,180	30,180	29,488	29,488
EU Division Payments		21,824	21,824	3,648	3,648
IT Costs		21,062	30,472	6,952	9,013
Advertising and publicity		12,534	14,040	12,601	13,928
Research and Development		3,341	3,341	1,323	1,323
Consultancy		804	11,740	7	11,399
Accommodation		740	20,617	63	16,788
PFI service charges		338	–	536	4,602
Net loss (gain) on foreign exchange		122	122	(224)	(301)
Charges under finance leases		–	136	–	179
Auditors' remuneration		–	40	–	40
Interest on overdraft		–	–	5	5
Rental under operating leases – plant and machinery		23	988	3	909
Other		43,773	141,372	41,746	155,139
		30,310,976	**30,305,929**	**28,190,617**	**28,199,610**

		2009-10 £'000		(Restated) 2008-09 £'000	
	Note	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Non-cash items					
Depreciation	16	–	11,145	–	8,391
Amortisation	17	–	1,009	734	1,341
Revaluations		–	11	–	2,740
Loss on disposal of property, plant and equipment		–	309	–	18
Loss on disposal of intangible assets		–	–	–	8
Investment impairments		23,836	23,836	23,516	23,516
Specific bad debt write off		5,907	30,935	1,845	21,646
Bad debt provision		71,316	71,316	–	–
Cost of capital charges		(411,830)	(404,528)	(121,148)	(114,161)
Auditors' remuneration		–	113	–	81
Student loans:	20				
Policy write-off impairment charge for year		461,854	461,854	389,725	389,725
Interest subsidy		899,017	899,017	790,886	790,886
Tuition fee loan adjustment		50,650	50,650	64,572	64,572
Interest release		(778,899)	(778,899)	(902,860)	(902,860)
Inflation adjustment		298,820	298,820	1,077,772	1,077,772
Unwinding of discount		118,639	118,639	243,588	243,588
Cost of capital		494,809	494,809	421,829	421,829
Other		498	498	–	–
Launch Investments					
Unwinding of discount	20	(51,566)	(51,566)	(52,779)	(52,779)
Financial guarantees:					
Premium income debtor unwinding of discount		(782)	(782)	(636)	(636)
Bad debt provision		6,623	6,623	3,770	3,770
Student loan debt sale subsidy:					
Unwinding of discount	29	6,011	6,011	7,774	7,774
Provided for (released) in year	29	5,605	5,605	(70,289)	(70,289)
Provisions:					
Provided for (released) in year		34,783	34,671	180,682	181,295
Unwinding of discount	27,28	11,703	11,703	9,867	9,837
Fees and Charges Debtors unwinding of discount		–	(2,622)	–	–
Total non-cash		**1,246,994**	**1,289,177**	**2,068,848**	**2,108,064**
Total programme expenditure		**31,557,970**	**31,595,106**	**30,259,465**	**30,307,674**

The auditor's remuneration of £40,000 relates to Acas and represents the cost of the audit of its Accounts, which was £36,000 and the cost of the audit of the restatement of the 2008-09 Accounts under International Financial Reporting standards (IFRS), which was £4,000.

The non-cash auditor's remuneration of £113,000 represents the notional cost of the audit of the Accounts of NMO (£35,000) and The Insolvency Service (£51,500) and the cost of the audit of the restatement of the 2008-09 Accounts of the NMO (£8,000) and The Insolvency Service (£18,500), under International Financial Reporting standards (IFRS).

13. Administration and Programme non-cash costs summary

The total for non cash costs in Note 11 (other Administration costs) and Note 12 (Programme costs) is as follows:

		2009-10 £'000		(Restated) 2008-09 £'000	
	Note	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Auditors' remuneration	11,12	450	563	484	565
Depreciation and amortisation	11,12	13,721	26,396	13,952	22,950
Loss on the disposal of property, plant and equipment and intangibles	12	(435)	(126)	6	32
Revaluations	11,12	–	11	–	2,740
Impairments	11,12	40,428	40,428	23,573	23,568
Bad debt provision movement	11,12	6,472	6,472	3,632	3,632
Bad debt write off		77,355	102,383	1,854	21,655
Cost of capital charges	11,12	84,095	91,397	297,840	304,827
Unwinding of discount on fee debtors	12	–	(2,622)	–	–
Unwinding of discount on premium income debtor	11,12	(782)	(782)	(636)	(636)
Student loans	12	1,050,579	1,050,579	1,663,683	1,663,683
Student loan debt sale subsidy	12	6,011	6,011	7,774	7,774
Debt sale provided (released) in year	12	5,605	5,605	(70,289)	(70,289)
Unwinding of discount on Launch investments	12	(51,566)	(51,566)	(52,779)	(52,779)
Movements on provisions	11,12	51,373	51,260	154,857	155,440
Total	4	**1,283,306**	**1,326,009**	**2,043,951**	**2,083,162**

14. Income

		2009-10 £'000				2009-10 £'000				(Restated) 2008-09 £'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		1,691	–	–	1,691	1,691	–	–	1,691	1,467	1,467
Fee Income		2,232	–	–	2,232	14,032	–	–	14,032	1,223	9,505
Other		1,483	–	–	1,483	1,464	–	–	1,464	8,076	8,021
Other Fees and Charges receivable from Other Departments		25,816	–	–	25,816	25,816	–	–	25,816	18,989	18,989
Other allowable within the Administration cost limit		131	–	–	131	131	–	–	131	(319)	(319)
Total Administration Income (A-in-A)	4.2	***31,353***	***–***	***–***	***31,353***	***43,134***	***–***	***–***	***43,134***	***29,436***	***37,663***
Programme Income:											
Funding from Other Government Departments for:											
RDAs /LDA		1,721,757	–	–	1,721,757	1,721,757	–	–	1,721,757	1,668,094	1,668,094
LSC		–	–	7,931,940	7,931,940	–	–	7,931,940	7,931,940	7,401,852	7,401,852
UKCES		–	–	9,236	9,236	–	–	9,236	9,236	10,919	10,919
LSIS		–	–	40,929	40,929	–	–	40,929	40,929	46,425	46,425
HEFCE		–	–	1,674	1,674	–	–	1,674	1,674	1,644	1,644
European Union Funding		–	–	52	52	–	–	52	52	741	741
Other income from Other Government Departments		–	–	3,073	3,073	–	–	3,073	3,073	1,631	1,631
Dividend income from UKIPO		2,582	–	–	2,582	2,582	–	–	2,582	7,118	7,118
Interest Received from loan to Post Office Ltd		2,158	–	–	2,158	2,158	–	–	2,158	–	–
INSS receipts		–	–	–		159,181	–	–	159,181	–	157,864
NPL rental income		–	–	–		10,791	–	–	10,791	–	9,861

		2009-10 £'000				2009-10 £'000				(Restated) 2008-09 £'000	
		Core Department				Consolidated				Core Department	Consolidated
	Note	RfR 1	RfR 2	RfR 3	Total	RfR 1	RfR 2	RfR 3	Total		
Student loans capitalised interest		–	–	178,778	178,778	–	–	178,778	178,778	876,375	876,375
Student grant recoveries		–	–	96,978	96,978	–	–	96,978	96,978	–	–
Ofcom receipts		73,783	–	–	73,783	73,783	–	–	73,783	74,468	74,468
Consumer Focus Recoveries		10,116	–	–	10,116	10,116	–	–	10,116	18,540	18,540
Amortisation of premium income		15,387	–	–	15,387	15,387	–	–	15,387	3,711	3,711
Other		8,215	2,237	10,383	20,835	13,108	2,237	10,383	25,728	33,861	42,674
Programme Income (A-in-A)		***1,833,998***	***2,237***	***8,273,043***	***10,109,278***	***2,008,863***	***2,237***	***8,273,043***	***10,284,143***	***10,145,379***	***10,321,917***
Programme Income outside of the supply process											
Interest received on NLF loan on-lent to Royal Mail	7	30,180	–	–	30,180	30,180	–	–	30,180	29,488	29,488
Consolidated Fund Extra Receipts (CFERs)	6										
Launch investments		84,513	–	–	84,513	84,513	–	–	84,513	96,457	96,457
Companies House dividend		1,944	–	–	1,944	1,944	–	–	1,944	2,216	2,216
Interest receivable from Royal Mail shareholder loan (non-cash)		36,156	–	–	36,156	36,156	–	–	36,156	1,481	1,481
Other interest receivable		–	17,284	–	17,284	–	17,284	–	17,284	8,234	8,234
Special dividend (BNFL plc)		32,000	–	–	32,000	32,000	–	–	32,000	632,000	632,000
Total CFER income		***154,613***	***17,284***	***–***	***171,897***	***154,613***	***17,284***	***–***	***171,897***	***740,388***	***740,388***
Total programme Income		***2,018,791***	***19,521***	***8,273,043***	***10,311,355***	***2,193,656***	***19,521***	***8,273,043***	***10,486,220***	***10,915,255***	***11,091,793***
Total operating Income	**7**	**2,050,144**	**19,521**	**8,273,043**	**10,342,708**	**2,236,790**	**19,521**	**8,273,043**	**10,529,354**	**10,944,691**	**11,129,456**

15. Analysis of net operating cost by spending body

	Note		2009-10 £'000	(Restated) 2008-09 £'000
		Estimate	Outturn	Outturn
Spending body:				
Core Department		3,729,323	2,445,540	1,434,492
Advisory, Conciliation and Arbitration Service		46,887	51,178	45,843
Insolvency Service		58,421	36,031	42,359
NMO		70,305	69,911	72,684
Non-Departmental Public Bodies (NDPBs):				
Design Council		6,185	6,444	6,435
Higher Education Funding Council for England (HEFCE)		7,876,410	7,875,692	7,445,114
Investors in People UK (IiP UK)		5,029	4,602	4,700
Learning and Skills Council (LSC)		13,110,900	12,936,959	11,894,866
Office for Fair Access (OFFA)		486	476	514
Quality Improvement Agency (QIA)		–	–	17,574
Student Loans Company Ltd (SLC)		79,942	79,665	78,584
Sector Skills Development Agency (SSDA)		–	–	12,325
UK Commission for Employment and Skills (UKCES)		92,405	92,405	66,635
Technology Strategy Board (TSB)		330,293	251,496	222,000
The United Kingdom Atomic Energy Authority		6,660	4,520	5,275
The Competition Commission		21,175	20,000	21,500
The Competition Service		4,427	3,854	3,876
The Local Better Regulation Office		4,400	4,300	4,400
The Regional Development Agencies		1,850,388	1,781,879	1,844,482
Capital for Enterprise		2,545	2,196	1,998
Consumer Focus		22,997	16,804	36,388
Research Councils		3,213,406	3,197,556	3,199,032
Low Pay Commission		–	872	808
Sitpro		800	726	796
Local Authorities:				
London Development Agency		375,990	376,413	346,297
Other:				
Citizens Advice Bureau		–	32,443	27,331
Communities Interest Companies Regulator		–	417	406
Financial Reporting Council		–	2,255	3,467
Learning and Skills Improvement Service		–	141,962	100,291
Ofcom		–	79,336	76,175
Royal Society for the Prevention of Accidents		–	166	166
Further Education receipts from DCSF		(7,915,201)	(7,931,940)	(7,384,652)
Net operating cost		**22,994,173**	**21,584,158**	**19,632,161**

16. 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 2009	9,459	123,573	67,708	112,784	35,896	42	11,537	30,023	391,022
Additions	–	9,363	956	552	2,218	–	310	15,780	29,179
Disposals		–	(6,566)	(914)	(875)	–	(796)	–	(9,151)
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**	**36,344**	**111,279**	**37,708**	**42**	**6,266**	**38,289**	**372,198**
Depreciation (restated)									
At 1 April 2009	–	(36,558)	(27,136)	(38,524)	(13,947)	(39)	(9,045)	–	(125,249)
Charged in year	–	(2,226)	(7,361)	(5,021)	(9,943)	(1)	(834)	–	(25,386)
Disposals	–	–	6,843	861	821	–	752	–	9,277
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)**	**(11,651)**	**(41,642)**	**(22,318)**	**(40)**	**(4,075)**	**–**	**(118,622)**
Net book value at 31 March 2010	**8,859**	**94,515**	**24,693**	**69,637**	**15,390**	**2**	**2,191**	**38,289**	**253,576**
Net book value at 31 March 2009	**9,459**	**87,015**	**40,572**	**74,260**	**21,949**	**3**	**2,492**	**30,023**	**265,773**
Asset financing									
Owned	8,859	94,515	24,693	69,637	9,182	2	2,191	38,289	247,368
Finance leased	–	–	–	–	6,208	–	–	–	6,208
On balance sheet PFI contracts	–	–	–	–	–	–	–	–	–
Net book value at 31 March 2010	**8,859**	**94,515**	**24,693**	**69,637**	**15,390**	**2**	**2,191**	**38,289**	**253,576**
Cost or valuation (restated) At 1 April 2008	12,926	118,783	58,623	117,407	20,524	39	11,297	33,523	373,122

	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**
At 1 April 2008	12,926	118,783	58,623	117,407	20,524	39	11,297	33,523	373,122
Additions	–	–	2,250	907	3,056	–	166	36,634	43,013
Disposals	–	–	(12)	(204)	(435)	–	(244)	–	(895)
Impairments	–	–	–	–	–	–	–	–	–
Reclassifications	–	10,755	6,331	–	13,178	–	293	(40,134)	(9,577)
Transfers	–	–	–	–	–	–	–	–	–
Revaluations	(3,467)	(5,965)	516	(5,326)	(427)	3	25	–	(14,641)
At 31 March 2009	**9,459**	**123,573**	**67,708**	**112,784**	**35,896**	**42**	**11,537**	**30,023**	**391,022**
Depreciation (restated)									
At 1 April 2008	–	(36,612)	(19,310)	(35,753)	(8,622)	(36)	(7,783)	–	(108,116)
Charged in year	–	(2,381)	(7,426)	(4,530)	(5,786)	–	(1,486)	–	(21,609)
Disposals	–	–	11	203	425	–	233	–	872
Impairments	–	–	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–	–
Revaluations	–	2,435	(411)	1,556	36	(3)	(9)	–	3,604
At 31 March 2009	**–**	**(36,558)**	**(27,136)**	**(38,524)**	**(13,947)**	**(39)**	**(9,045)**	**–**	**(125,249)**
Net book value at 31 March 2009	**9,459**	**87,015**	**40,572**	**74,260**	**21,949**	**3**	**2,492**	**30,023**	**265,773**
Net book value at 1 April 2008	**12,926**	**82,171**	**39,313**	**81,654**	**11,902**	**3**	**3,514**	**33,523**	**265,006**
Asset financing									
Owned	9,459	87,015	40,572	74,260	13,697	3	2,492	30,023	257,521
Finance leased	–	–	–	–	8,252	–	–	–	8,252
On balance sheet PFI contracts	–	–	–	–	–	–	–	–	–
Net book value at 31 March 2009	**9,459**	**87,015**	**40,572**	**74,260**	**21,949**	**3**	**2,492**	**30,023**	**265,773**

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 2010	–	–	20,690	156	5,566	–	1,463	25,537	53,412
Consolidated Bodies 31 March 2010	8,859	94,515	4,003	69,481	9,824	2	728	12,752	200,164
Core Department 31 March 2009	600	880	36,832	157	10,478	–	1,919	19,496	70,362
Consolidated Bodies 31 March 2009	8,859	86,135	3,740	74,103	11,471	3	573	10,527	195,411
Core Department 1 April 2008 (Restated)	450	567	36,571	221	2,265	–	2,991	26,427	69,492
Consolidated Bodies 1 April 2008 (Restated)	12,476	81,604	2,742	81,433	9,637	3	523	7,096	195,514

The total property, plant and equipment and intangible asset additions as disclosed in Notes 16 and 17, amounting to £30,642,000 can be reconciled to the cash payments made during the year as follows:

	Note	2009-10	(restated) 2008-09
		£'000	**£'000**
Cash payments made to purchase:			
Property, plant and equipment		29,173	42,451
Intangible assets		1,463	1,097
		30,636	**43,548**
Movement in payables		6	(703)
Accrued expenditure		–	1,265
Additions, as disclosed in Notes 16 and 17	16,17	**30,642**	**44,110**

16.1 The net book value of land and buildings comprises:

	31 March 2010		31 March 2009		1 April 2008	
	Land	**Buildings**	**Land**	**Buildings**	**Land**	**Buildings**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Freehold	8,859	94,515	9,459	87,015	12,926	82,171
Total	**8,859**	**94,515**	**9,459**	**87,015**	**12,926**	**82,171**

As at 31 March 2010, the core Department did not own any land and buildings.

The Core Store at 376 Gilmerton Road, Edinburgh was gifted to the Natural Environment Research Council (NERC) in January 2010. Previous to the transfer, the Core Store was leased to the British Geological Survey (BGS), a research centre wholly owned by NERC, which is a body funded by the Department, for the sum of £1 per annum for a term of ten years. The carrying value of the asset was transferred through reserves, in accordance with the FReM.

The responsibility for all aspects of metrology transferred to NMO, (formerly NWML) under a Machinery of Government Change (MoG), with effect from 1 April 2009. As part of the MoG, the assets on the Teddington Estate, including the National Physical Laboratory (NPL) and the operational and non-operational heritage assets located there, also transferred to the NMO.

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.

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 nil book value, in accordance with the FReM.

17. Intangible Assets

	Assets under Construction	Information Technology	Software Licences	Total
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1 April 2008 (restated)	**6,011**	**1,202**	**3,645**	**10,858**
Additions	626	111	360	1,097
Disposals	–	(1)	(26)	(27)
Transfers	8,431	1,557	(409)	9,579
Revaluations	–	–	(105)	(105)
At 31 March 2009	**15,068**	**2,869**	**3,465**	**21,402**
Amortisation				
At 1 April 2008	–	(419)	(1,847)	(2,266)
Charged in year	–	(734)	(607)	(1,341)
Disposals	–	–	19	19
Revaluations	–	–	24	24
At 31 March 2009	**–**	**(1,153)**	**(2,411)**	**(3,564)**
Net Book Value at 31 March 2009	**15,068**	**1,716**	**1,054**	**17,838**
Net Book Value at 1 April 2008	**6,011**	**783**	**1,798**	**8,592**
Cost or Valuation				
At 1 April 2009 (restated)	15,068	2,869	3,465	21,402
Additions	843	–	620	1,463
Disposals		(28)	(36)	(64)
Transfers	(2,511)	1,246	1,265	–
Revaluations	–	–	180	180
At 31 March 2010	**13,400**	**4,087**	**5,494**	**22,981**
Amortisation				
At 1 April 2009 (restated)	–	(1,153)	(2,411)	(3,564)
Charged in year	–	(302)	(707)	(1,009)
Disposals	–	27	36	63
Transfers	–	(904)	–	(904)
Revaluations	–	–	(77)	(77)
At 31 March 2010	**–**	**(2,332)**	**(3,159)**	**(5,491)**
Net Book Value at 31 March 2010	**13,400**	**1,755**	**2,335**	**17,490**

All software licences are acquired separately and all 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, at 31 March, comprises:

	Assets under Construction	Information Technology	Software licences	Total
	£'000	**£'000**	**£'000**	**£'000**
Core Department 2010	4,252	327	–	**4,579**
Consolidated Bodies 2010	9,148	1,428	2,335	**12,911**
Core Department 2009	3,817	1,535	–	**5,352**
Consolidated Bodies 2009	11,251	181	1,054	**12,486**
Core Department 2008	4,747	714	–	**5,461**
Consolidated Bodies 2008	1,264	69	1,798	**3,131**

18. Financial instruments

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

		31 March 2010 £'000		(Restated) 31 March 2009 £'000		(Restated) 1 April 2008 £'000	
Financial assets	**Note**	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Loans and receivables:							
Cash and cash equivalents	25	434,704	455,618	1,375,204	1,389,395	1,126,427	1,153,700
Receivables	23	1,389,625	1,469,936	1,218,544	1,299,821	1,066,709	1,145,676
Loans	19,24	1,683,573	1,683,573	1,027,507	1,027,507	915,877	915,877
Other financial assets	20	24,097,474	24,097,474	20,752,811	20,752,811	17,291,652	17,291,652
Total loans and receivables		**27,605,376**	**27,706,601**	**24,374,066**	**24,469,534**	**20,400,665**	**20,506,905**
Available for Sale:							
Launch Investments	20	1,715,252	1,715,252	1,473,303	1,473,303	1,507,978	1,507,978
Venture Capital Funds (VCF)	20	116,238	116,238	65,651	65,651	56,407	56,407
Ordinary Shares	19	430,423	430,423	430,423	430,423	430,423	430,423
Total available for sale		**2,261,913**	**2,261,913**	**1,969,377**	**1,969,377**	**1,994,808**	**1,994,808**
Financial liabilities							
Financial Guarantees							
Working Capital Scheme (WCS)	28	16,070	16,070	–	–	–	–
Trade Credit Insurance Scheme (TCIS)	28	446	446	–	–	–	–
Small Firms Loan Guarantee Scheme (SFLGS)	28	131,984	131,984	249,606	249,606	144,052	144,052
Enterprise Finance Guarantee (EFG)	28	118,546	118,546	6,534	6,534	–	–
UK High Technology Fund	28	672	672	672	672	672	672
Total financial guarantees		**267,718**	**267,718**	**256,812**	**256,812**	**144,724**	**144,724**
Other Financial Liabilities							
Debt sale subsidy	29	270,307	270,307	273,249	273,249	353,353	353,353
Payables	26	2,851,791	2,913,080	3,119,100	3,187,430	2,805,882	2,881,390
Total other financial liabilities		**3,122,098**	**3,183,387**	**3,392,349**	**3,460,679**	**3,159,235**	**3,234,743**

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 aim to help ensure business success in an increasingly competitive world.

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 – Aerospace companies may not be able to successfully market their products resulting in the Department not being able to recover its investment, or there could be delays in planned production or sales, and the Department may not recover its investment within the expected time period. The Department minimises the risk, by carrying out a full evaluation of each business case submitted for Launch Investment support. In addition, the Department monitors delivery statistics to ensure that it receives the return on its investment when it is due. The valuation includes forecast sales and has therefore already taken into account an estimate of credit risk.
- 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 20.1.
- 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 and legacy SFLG Scheme by using the participating banks to determine whether any business applying for a loan is commercially viable.

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 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 spares and support income which is not necessarily 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 long term assumptions 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.

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, SFLG and EFG Schemes. In addition, a downturn in the economy could result in a decrease in demand throughout the aerospace industry, potentially impacting the valuation of the Department's Launch Investments and could impact on the borrower's ability to repay student loans if there is unemployment.

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.

19. Investments and loans in other public sector bodies

	Ordinary Shares	Public Dividend Capital	Other Loans and Investments	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2008	**430,423**	**22,214**	**503,497**	**956,134**
Additions	–	6,823	304,500	311,323
Disposals	–	–	–	–
Repayments	–	–	–	–
Interest capitalised	–	–	296	296
Impairments	–	(6,823)	–	(6,823)
Loans repayable within 12 months transferred to current assets	–	–	(2,166)	(2,166)
Balance at 31 March 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**

19.1 Ordinary Shares

	BNFL plc	Royal Mail Holdings plc	CfEL Ltd	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2008	50	430,323	50	430,423
Additions	–	–	–	–
Disposals	–	–	–	–
Impairments	–	–	–	–
Balance at 31 March 2009	**50**	**430,323**	**50**	**430,423**
Additions	–	–	–	–
Disposals	–	–	–	–
Impairments	–	–	–	–
Balance at 31 March 2010	**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 BNFL plc at a nominal value of £1 each. BNFL plc was set up to hold 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). The Secretary of State for Business, Innovation and Skills owns 49,999 ordinary shares and the Treasury Solicitor holds one ordinary share.

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 19.4). The Department undertakes an annual review of the value of its holding in Royal Mail.

Capital for Enterprise Limited (CfEL) was established in 2007-08 to manage the Department's equity investment funds, and loan guarantee programme, the SFLGS. CfEL commenced full business activity on 1 April 2008. The Department owns 49,901 shares and provides cash funding as Grant-in-Aid. In February 2009, CfEL created two wholly owned subsidiaries: Capital for Enterprise GP Ltd (CfE GP) and also the Capital for Enterprise Fund Managers Ltd (CfE FM Ltd) to facilitate co-investment with the private sector in the Capital for Enterprise Fund.

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

19.2 Public Dividend Capital (PDC)

	British Shipbuilders	**Companies House**	**UKIPO**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 April 2008 (restated)	–	15,889	6,325	22,214
Additions	6,823	–	–	6,823
Redemptions	–	–	–	–
Revaluations	–	–	–	–
Impairments	(6,823)	–	–	(6,823)
Balance at 31 March 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**

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. The historic cost of PDC payments made as at 31 March 2010 is £1,624,069,000 (£1,617,569,000 at 31 March 2009).

19.3 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
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Net Assets/(Liabilities) at 31 March 2009	(121,768)	53,771	308,100	(4,656,000)	66	61,975
Turnover	–	67,075	77,900	9,410,000	2,010	61,139
Surplus/profit (deficit/loss) for the year before financing.	(6,375)	2,502	(49,500)	183,000	3	(9,840)
Net Assets/(Liabilities) at 31 March 2010	(118,073)	55,092	374,000	(6,281,000)	75	65,384
Turnover	–	66,401	–	9,199,000	2,226	61,202
Surplus/profit (deficit/loss) for the year, before financing.	(99)	1,718	95,300	118,000	12	4,445

Notes:

- British Shipbuilders information is derived from the 2009-10 draft Annual Accounts. For 2008-09, the information is derived from the 2008-09 audited Annual Accounts. British Shipbuilder's Accounts were prepared in accordance with UK GAAP.
- Companies House information for 2008-09 and 2009-10, is derived from their 2009-10 draft Annual Accounts, which were prepared on an IFRS basis for the first time, in accordance with the requirements of the Government Financial Reporting Manual (FReM).
- British Nuclear Fuels Limited (BNFL) information for 2008-09 and 2009-10, is derived from their 2009-10 draft Annual Accounts, which were prepared on an IFRS basis for the first time 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 is derived from their 2009-10 audited Annual Accounts. For 2008-09, the information was derived from their 2008-09 audited Annual Accounts. Royal Mail's Accounts were prepared in accordance with International Financial Reporting Standards (IFRS).

- Capital for Enterprise Limited information for 2008-09 and 2009-10, is derived from their 2009-10 draft Annual Accounts, which were prepared on an IFRS basis for the first time.
- UK Intellectual Property Office (UKIPO) information for 2008-09 and 2009-10, is derived from their 2009-10 draft Annual Accounts, which were prepared on an IFRS basis for the first time, in accordance with the requirements of the Government Financial Reporting Manual (FReM).

19.4 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; and – 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; and • 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; and • provides for a veto of any voluntary winding up.

19.5 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 2008 (restated)	–	**500,000**	–	**1,497**	**2,000**	**503,497**
Additions	4,500	–	300,000	–	–	304,500
Redemptions	–	–	–	–	–	–
Interest capitalised	–	–	296	–	–	296
Impairments	–	–	–	–	–	–
Loans repayable within 12 months transferred to current assets	(2,000)	–	–	(166)	–	(2,166)
Balance at 31 March 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**

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 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. £2 million was repaid by 31 March 2010 and is shown in Note 24.

Royal Mail Loans

- Royal Mail Holdings plc NLF Loans

During 2009-10, £300 million of a £600 million NLF long-term interest rollover facility was advanced to Royal Mail (£300 million remains available for future request by the company).The loan matures in March 2014. It was agreed as part of the financing framework for Royal Mail, announced in 2007, to assist with transformation and modernisation. A £500 million NLF loan was advanced to Royal Mail in February 2001, primarily to assist it with the acquisition of 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 loans facilities can be found in the Financial Overview, Chapter 2 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 2010 is £1.3 million. The amounts falling due within one year (£166,000) are disclosed in Note 24.

19.6 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.

20. Other financial assets

	Student loans	Launch investments	Venture capital funds	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2008 (restated)	**17,291,652**	**1,507,978**	**56,407**	**18,856,037**
Additions	4,204,136	–	21,309	**4,225,445**
Disposals	–	–	–	**–**
Repayments	(1,098,022)	(128,159)	(153)	**(1,226,334)**
Income	876,375	–	–	**876,375**
Revaluation	–	40,705	4,781	**45,486**
Amortisation	–	52,779	–	**52,779**
Impairment	–	–	(16,693)	**(16,693)**
Write offs	(29,254)	–	–	**(29,254)**
Movement in Policy write-off impairment[44]	(360,471)	–	–	**(360,471)**
Movement in Interest subsidy impairment[45]	(131,614)	–	–	**(131,614)**
Other	9	–	–	**9**
Balance at 31 March 2009 (restated)	**20,752,811**	**1,473,303**	**65,651**	**22,291,765**
Additions	5,049,051	161,564	57,162	**5,267,777**
Disposals	–	–	–	**–**
Repayments	(1,185,919)	(121,674)	(1,200)	**(1,308,793)**
Income	178,778	–	–	**178,778**
Revaluations	–	150,493	12,617	**163,110**
Amortisation	–	51,566	–	**51,566**
Impairments		–	(17,992)	**(17,992)**
Write offs	(17,393)	–	–	**(17,393)**
Movement in Policy write-off impairment	(444,460)	–	–	**(444,460)**
Movement in Interest subsidy impairment	(238,757)	–	–	**(238,757)**
Other	3,363	–	–	**3,363**
Balance at 31 March 2010	**24,097,474**	**1,715,252**	**116,238**	**25,928,964**

Student Loans analysed between current and non-current assets

	31 March 2010	31 March 2009	1 April 2008
	£'000	£'000	£'000
Other financial assets			
Due within twelve months	1,450,000	1,324,060	1,160,250
Due after 12 months	22,647,474	19,428,751	16,131,402
Total	**24,097,474**	**20,752,811**	**17,291,652**

44 The movement in the student loan interest policy write-off is set out at Note 20.1.
45 The movement in the student loan interest subsidy impairment is set out at Note 20.1.

20.1 Student Loans

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 reduced by an amount based on:

a) the Department's estimate of the present cost of subsidising interest on loans over the life of the loan ("interest subsidy impairment"). The Department's policy for accounting for the interest subsidy impairment follows the Financial Reporting Advisory Board (FRAB) requirements; and

b) an estimate of the future cost of policy write offs ("Policy write off impairment"), which 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 interest subsidy and the write off impairments.

Each year the Department compares the carrying value in the Accounts with the latest outputs from the forecasting model. If there is a significant difference, the Department undertakes a review to determine the reasons for the variance. As described below, the model is long term in nature; therefore the Department would only adjust the carrying value if there was sufficient evidence to suggest that the divergence constituted a permanent change to the valuation at the balance sheet date. No such adjustment has been made in 2009-10.

Interest Subsidy impairment

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 Department estimates the future cash flows arising from repayments, and discounts these at 2.2%+RPIx (a variation of the Retail Price Index inflation measure which excludes mortgage costs), to represent the cost of borrowing. This difference is known as the interest subsidy. The interest subsidy impairment therefore reflects the cost to the Government of issuing and holding the loan. The Department increases the accumulated impairment 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.

Interest Subsidy Impairment value

	£'000
Balance at 1 April 2008	**(3,170,526)**
Increase in the year	(790,886)
Utilisation in the year	902,860
Unwinding of discount	(243,588)
Movement in the year	**(131,614)**
Balance at 31 March 2009	**(3,302,140)**
Increase in the year	(899,017)
Utilisation in the year	778,899
Unwinding	(118,639)
Movement in the year	**(238,757)**
Balance at 31 March 2010	**(3,540,897)**

Policy write off impairment

The student loan policy write-off impairment 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 2008	**(1,488,218)**
Increase in the year	(389,725)
Loans written off in the year	29,254
Movement in the year	**(360,471)**
Balance at 31 March 2009	**(1,848,689)**
Increase in the year	(461,853)
Loans written off in the year	17,393
Movement in the year	**(444,460)**
Balance at 31 March 2010	**(2,293,149)**

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.

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 2010.

Key assumptions used to calculate the student loan balance at 31st March 2010

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

Discount rate

To value the future cash flows, the Department has used the HM Treasury's long-term discount rate of 2.2% + RPIx, which represents the Government's cost of capital. If an active market existed for student loans, the discount rate applied by potential buyers may be different from this rate – reflecting the buyers' cost of capital and assessment of risk. If the discount rate applied was greater than 2.2%, the fair value of the student loans 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 1%. 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 future real earnings growth (net of RPI inflation) to be 2 percentage points, as this is HMT's long-term forecast. If this fell one percentage point to 1% (and this remained the case over the average life of a loan) this would lead to a reduction in the value of the loan book of approximately 5%. 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.

The Student Loan Repayment model uses annually updated data derived from Labour Force Survey 2003 information. If graduate starting earnings in the Student Loan Repayment model were 10% lower than the current assumptions, this would lead to a reduction in the value of the loan book of approximately 4%. Further decreases in the starting earnings would have greater additional impacts.

Assumptions about graduate employment from the Labour Force Survey are also used in the Student Loan Repayment model. If the probabilities of graduate unemployment were doubled, this would reduce the valuation of the loan book by approximately 2%.

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.

Movements recognised in the Operating Cost Statement

The accounting for student loans is specified by the Financial Reporting Manual and clarified by the Financial Reporting Advisory Board. The following costs are recognised in the Operating Cost Statement and are disclosed as separate items in Note 12:
Programme costs:

- Movement in policy write-off and interest subsidy impairments. This is calculated as a percentage of new loans issued. The percentages are calculated by using the Student Loan Repayment model described above. By doing this, the Department recognises its best estimate of the full cost of the loans as they are issued.
- Unwinding of discount. This is to ensure that the impairment is updated to take account of the change in the time value of money.
- Interest released (or utilised). This is the proportion of provision previously set aside for interest subsidy which is being utilised or released in the current year.
- Cost of capital charge. As with other assets and liabilities, the Department incurs a cost of capital charge on the outstanding loan balance. This represents the cost of borrowing money from HM Treasury to finance loan issues and is charged at 2.2%. It is debited to the Operating Cost Statement and credited to the general fund.
- Inflation adjustment. This is required to reflect the full extent of the subsidy. An inflation adjustment is debited to the Operating Cost Statement and credited to the general fund. The adjustment is calculated by applying the rate of general inflation (RPIx at September 2009) to the average net balance of loans outstanding and interest subsidy impairment.

Interest capitalised and added to loans in the reporting period, is recorded in Note 14.

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.

There are two types of student loan: "mortgage style", which is paid back to the Student Loans Company 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 2010, the face value of "mortgage-style" loans was £844 million (31 March 2009: £931 million), whereas income-contingent loans represent

£29,087 million or 97% (31 March 2009: £24,973 million or 96%) of the outstanding loan book.

As noted above, the Department estimates the value of future write-offs when loans are issued using the Student Loan Repayment model, to reflect the intrinsic cost of issuing loans. The Department's current estimate as at 31 March 2010 is that £2.3 billion (around 8%) (31 March 2009: £1.8 billion, around 7%) of the total face value of the loans issued will not be recovered and this amount is deducted from the face value of the loans to arrive at the carrying amount. Of this total impairment amount, £0.3 billion (31 March 2009: £0.3 billion), relates to mortgage style loans, and the remaining £2 billion (31 March 2009: £1.5 billion), relates to income contingent loans. However, not all of this is "credit risk" in the normal sense, as the estimates include factoring in the amounts that the Department will write off because it is current policy to write off debts due to death, disability or age of the student or loan.

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 jointly own the loan book, the SLC who administers the loan book, and HMRC. This sets out the responsibilities of the 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.

Liquidity Risk

The Department's net revenue resource requirements (as well as its capital expenditure) are financed by resources voted annually by Parliament. The Department is not, therefore, exposed to significant liquidity risks in the same way that a private sector organisation would be.

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 nor can it be less than 0%. 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 student loan book may be over-valued as the modelling assumes, in the long term, that interest is added in line with RPI.

Potential Sale of Student Loans

The Emergency Budget 2010 confirmed that 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 Resource 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 is consistent with prior years, and reflects the requirements of the FReM to record the loans held at amortised cost. Should sales take place in 2010-11 or subsequently, it will be necessary to re-assess the basis for the carrying value, in accordance with the relevant Accounting Standards.

20.2 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. After initial recognition, the value is the discounted forecast value of future income streams. The value of future income streams is based on the Department's view of short-term delivery levels and long-term market forecasts. Longer-term forecasting uses an econometric model which forecasts growth in the aviation sector to derive aircraft demand (generic demand) and then aircraft supply (individual programme specific). The model uses drivers such as airline fleet evolution over time and economic growth.

The market forecast model is 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's output (aircraft deliveries) is included in the income forecast valuation where appropriate according to the nature of individual contracts, as one of a number of variables, which can include inflation measures – or proxies (RPI, RPIx, Gilts, GDP deflators). Some contracts are based on a share of spare part and support income, valuation of these contracts is based on past income streams as a guide to future income. The forecast income streams are adjusted by inflation (currently 2.75%) 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 a number of different variables, which impact on the estimated number of deliveries of aircraft or engines, including macroeconomic factors such as GDP. The relationship between each variable and the valuation is complex and a sensitivity analysis has not been provided for 2009-10, on the basis that changing individual variables would not have a significant effect on the carrying value.

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 Operating Cost Statement. Fluctuations in fair value are adjusted through the revaluation reserve. The balance on the Revaluation Reserve, pertaining to Launch Investments was £112 million at 31 March 2010 (31 March 2009: £46 million).

The value of the investments at 31 March 2010 was £1,715 million (31 March 2009: £1,473 million). The historic cost valuation of the portfolio at the end of March 2010 was £1,098 million (31 March 2009: £966 million).

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

Risk

Market Risk

The primary method of the calculation of repayments is based on the estimated numbers of aircraft or engine deliveries. The Department uses internal analysis, company information and third party information to forecast deliveries and thus annual income on each investment over the life of the investment period. Deliveries in the short term can vary due to problems with manufacturer production, financing, customer difficulties or sudden shocks to the market. Medium and longer term changes can arise due to delays to programmes or lower than anticipated delivery levels of aircraft of engines due to underperformance in the market. This can result in the Department not being able to recover its investment in whole or in part (although once deliveries have commenced there is usually some level of income due to the Department). The risk is minimised by carrying out a full evaluation of each business case submitted for launch investment support and by maintaining a programme monitoring activity for the life of the contracts which covers project, market and technical monitoring.

Interest Rate Risk

A number of the contracts use retail price indexes, gilt yields, gross domestic product deflators 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 interest rates and surrogates.

Foreign Exchange Risk

The aerospace sector predominately uses US Dollars to sell aircraft and the Department has a number of older contracts which are based on a share of spares and support income which is not necessarily denominated in pounds sterling (although the

Department is paid in that currency). Therefore exchange rate risk exists but is minimal in the context of the overall portfolio. Other factors such as overall volume of spares and support income and terms and conditions of spares and support contracts have a larger influence on income in these contracts.

Credit Risk

Company failure could result in the Department's investment not being recovered in whole or in part. The Department considers the risk of this happening as unlikely and seeks to offset this by analysing a company's financial health and outlook at the time of application for launch investment and maintaining contact with the company as part of contract monitoring and 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 payments made by companies under launch investment to ensure they comply with the terms of the contracts. They also require the company's auditors to confirm that all payments made to the Department have been made correctly.

Other Risk

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

20.3 Venture Capital Funds

	Regional Venture Capital Funds	Early Growth Funds	Community Development Venture Funds	Enterprise Capital Funds	Aspire Fund	Capital for Enterprise Fund	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2008 (restated)	**21,511**	**16,233**	**8,103**	**10,560**	**–**	**–**	**56,407**
Additions	675	2,641	697	17,296	–	–	**21,309**
Redemptions	–	–	(148)	(5)	–	–	**(153)**
Revaluations	–	–	4,781	–	–	–	**4,781**
Impairments	(16,225)	(1,082)	(2,114)	2,728	–	–	**(16,693)**
Balance at 31 March 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**

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 increase 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 Government's interest in these funds at 31 March 2010 is £5 million (31 March 2009: £6 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 funds as at 31 March 2010 is £20 million (31 March 2009: £18 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 the fund will be wound up in May 2012 when all investments will be redeemed and the assets distributed to investors. The value of the funds as at 31 March 2010 is £12 million (31March 2009: £11 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 £2million that have the potential to provide a commercial return. Eight funds have been awarded ECF status, with an additional fund becoming available later in 2010. The value of the funds at 31 March 2010 is £49 million (31 March 2009: £31 million).

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 £2million (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 Government investments at 31st March 2010 is £2 million.

Capital for Enterprise Fund (CfEF)

The CfEF was announced in January 2009 and become 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 of which £50 million has been committed by Government. The sum invested as at 31 March 2010 is £30 million.

Measurement and carrying amounts

The Venture Capital Funds are initially recognised at fair value, which 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.

The Regional Venture Capital Funds (RVCF) are valued in accordance with the International Private Equity and Venture Capital Guidelines. The investments in the Early Growth Fund (EGF), the Community Development Venture Fund (CDVF), the Enterprise Capital Fund (ECF) and Tranche A and B of the Capital for Enterprise Fund (CfEF) are valued by the fund managers. The co-investment funds Aspire and Tranche C of CfEF will be valued by Capital for Enterprise Limited. The fund managers are required to value the investee companies of the EGF and ECF programmes using the European Venture Capital Association valuation guidelines. The investments in the CDVF, Aspire and Tranche C of the CfEF are valued using the British Venture capital Association 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 2009-10 of £18 million (2008-09: £17 million), considered a permanent diminution, is based upon a downward revaluation of the funds at 31 March 2010.

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 18.

21. Impairments

During the year the Department impaired its assets to the value of £775,449k. The total impairment change for the year was charged direct to the Operating Cost Statement or via the Revaluation Reserve (£656k). The details of the investments impaired are:

	Note	2009-10 £'000	2008-09 £'000
British Shipbuilder's Public Dividend Capital	19.2	6,500	6,823
Venture Capital Funds	20	17,992	16,693
Movement in student loans policy write off	20	444,460	360,473
Movement in student loans interest subsidy	20	238,757	131,614
Change in student loan impairment movement due to actual write offs	20	17,393	29,254
Student loan write offs	20.1	(17,393)	(29,254)
Student loan other	12	498	–
Tuition fee loan adjustment	1.30, 12	50,650	64,572
Property, plant and equipment	16	16,592	–
Total impairments		**775,449**	**580,175**

Further information about these impairments is included in the disclosure Notes indicated. For Property plant and equipment, the impairment results from the annual exercise to verify fixed assets, which concluded that leasehold improvements and other assets needed to be written off at a faster rate than originally expected, as they had been subsumed within subsequent improvements.

All impairments relate to the core department.

22. Inventories

	31 March 2010 £'000		(Restated) 31 March 2009 £'000		(Restated) 1 April 2008 £'000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**	**Core Department**	**Consolidated**
Inventories	–	60	–	51	–	1,529
Total	**–**	**60**	**–**	**51**	**–**	**1,529**

23. Trade receivables and other current assets

	31 March 2010 £'000		(Restated) 31 March 2009 £'000		(Restated) 1 April 2008 £'000	
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:						
Trade receivables	18,723	177,654	46,595	170,708	16,849	101,239
Deposits and advances	–	–	–	–	–	–
Other receivables:						
DECC receivables	130	130	2,117	2,117	140,344	140,344
VAT	7,494	11,880	8,782	10,448	14,305	16,006
CFER receivables	21,337	21,337	20,956	20,956	49,372	49,372
Staff receivables	1,410	2,017	1,570	2,281	1,357	2,162
Tuition fee loan receivable	813,921	813,921	683,679	683,679	448,061	448,061
RPS receivables	138,415	138,415	135,964	135,964	107,934	107,934
Other	39,430	38,811	22,816	22,502	14,198	12,040
Prepayments and accrued income	210,451	218,704	232,643	232,455	246,384	252,534
	1,251,311	**1,422,869**	**1,155,122**	**1,281,110**	**1,038,804**	**1,129,692**
Amounts falling due after more than one year:						
Trade receivables	91,247	–	45,247	536	9,734	–
Deposits and advances	51	51	5	5	–	–
Other receivables	47,016	47,016	18,170	18,170	18,171	15,984
Prepayments and accrued income						
	138,314	**47,067**	**63,422**	**18,711**	**27,905**	**15,984**
Total Receivables	**1,389,625**	**1,469,936**	**1,218,544**	**1,299,821**	**1,066,709**	**1,145,676**

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.

Intra-Government Balances

	Amounts falling due within one year:			Amounts falling due after more than one year:		
	31 March 2010	31 March 2009	1 April 2008	31 March 2010	31 March 2009	1 April 2008
Balances with:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other central government bodies	112,466	55,685	84,955	24,374	200	200
Local authorities	113	9,375	9,375	–	–	–
NHS Trusts	89	140	140	–	–	–
Public corporations and trading funds	116,483	99,697	99,697	–	–	–
Subtotal: Intra-government balances	*229,151*	*164,897*	*194,167*	*24,374*	*200*	*200*
Bodies external to government	1,193,718	1,116,213	935,525	22,693	18,511	15,784
Total receivables at 31 March	**1,422,869**	**1,281,110**	**1,129,692**	**47,067**	**18,711**	**15,984**

24. 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 2008 (restated)	**390,000**	**–**	**–**	**166**	**390,166**
Additions	5,369,000	232,000	–	–	**5,601,000**
Repayments	(5,562,000)	(232,000)	–	(166)	**(5,794,166)**
Revaluations	–	–	–	–	**–**
Loans repayable within 12 months transferred from non-current assets	–	–	2,000	166	**2,166**
Balance as at 31 March 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**

24.1 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 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 on 31 March 2010 was £489 million (31 March 2009: £197 million).

24.2 Royal Mail Holdings Plc NLF Loan

During 2009-10 Royal Mail has made use of a £300 million NLF revolving loan facility. The facility was agreed as part of the financing framework for Royal Mail announced in 2007 to assist it with transformation and modernisation. The facility matures in March 2014 and the outstanding balance on the 31 March 2010 was £30 million (31 March 2009: Nil).

24.3 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 instalments 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. £2 million was repaid during 2009-10 and the outstanding balance of £2.5 million is due to be repaid by 31 March 2011.

24.4 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 2009-10, with a further £166,000 due to be repaid by 31 March 2011. The balance outstanding at 31 March 2010 is £1.3 million (of which £166,000 is repayable within 12 months). The amounts falling due after more than one year are disclosed in Note 19.

25. Cash and cash equivalents

	31 March 2010 £'000		(Restated) 31 March 2009 £'000		(Restated) 1 April 2008 £'000	
	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Balance at 1 April	**1,375,204**	**1,388,955**	**1,126,423**	**1,153,696**	**506,043**	**550,599**
Net change in cash balances	(940,500)	(933,337)	248,781	235,259	620,380	603,097
Balance as at 31 March	**434,704**	**455,618**	**1,375,204**	**1,388,955**	**1,126,423**	**1,153,696**
The following balances at 31 March were held with:						
The Government Banking Service (GBS)	434,207	407,793	1,374,690	1,379,751	1,125,810	1,136,429
Commercial banks and cash in hand	497	47,825	514	9,644	617	17,271
Balance at 31 March	**434,704**	**455,618**	**1,375,204**	**1,389,395**	**1,126,427**	**1,153,700**
Less overdraft	–	–	–	(440)	(4)	(4)
Total	**434,704**	**455,618**	**1,375,204**	**1,388,955**	**1,126,423**	**1,153,696**

The Department does not hold any cash equivalent balances.

26. Trade payables and other current liabilities

		31 March 2010 £'000		31 March 2009 £'000		1 April 2008 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Amounts falling due within one year:							
Other taxation and social security		63	63	708	708	67	67
Trade payables		13,930	25,761	14,046	15,437	175,284	183,544
Fee Loan Obligation		1,130,446	1,130,446	949,554	949,554	649,364	649,364
Other payables		44,155	41,167	20,986	23,563	22,833	26,806
Commercial bank overdraft		–	–	–	440	4	4
Accruals and deferred Income		309,540	346,096	189,530	242,323	218,381	271,940
Royal Mail NLF loan		30,000	30,000	–	–	–	–
Current part of finance leases		–	867	–	956	–	739
On Balance Sheet PFI Contract		–	3,003	–	2,421	–	–
Advances from contingencies fund		–	–	–	–	4,000	4,000
Amounts issued from the Consolidated Fund for supply but not spent at year end		228,935	228,935	1,255,398	1,255,398	544,669	544,669
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:							
Received		221,306	221,306	124,926	124,926	597,493	597,493
Receivable		21,337	21,337	20,956	20,956	49,372	49,372
Other Consolidated Fund Extra Receipts[46]		5,377	5,377	5,627	5,627	6,009	6,009
		2,005,089	**2,054,358**	**2,581,731**	**2,642,309**	**2,267,476**	**2,334,007**
Amounts falling due after more than one year:							
Trade Payables		–	–	–	564	–	7,195
Other payables, accruals and deferred income		9,067	17,384	35,888	36,022	38,406	38,405
Finance leases		–	348	–	1,225	–	1,783
Imputed finance lease element of on-balance sheet PFI		–	3,355	–	5,829	–	–
Royal Mail NLF loans		800,000	800,000	500,000	500,000	500,000	500,000

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

	Note	31 March 2010 £'000		31 March 2009 £'000		1 April 2008 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated	Core Department	Consolidated
Consolidated Fund Extra Receipts over one year due to be paid to the Consolidated Fund		37,635	37,635	1,481	1,481	–	–
		846,702	**858,722**	**537,369**	**545,121**	**538,406**	**547,383**
Total payables		**2,851,791**	**2,913,080**	**3,119,100**	**3,187,430**	**2,805,882**	**2,881,390**

The tuition fee 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 2010	31 March 2009	1 April 2008	31 March 2010	31 March 2009	1 April 2008
Balances with:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other central government bodies	623,921	1,488,379	1,496,572	845,953	508,010	510,137
Local authorities	11,537	10,992	10,992	–	–	–
NHS Trusts	27	80	80	–	–	–
Public corporations and trading funds	75,945	65,410	65,410	–	–	–
Subtotal: Intra-Government balances	*711,430*	*1,564,861*	*1,573,054*	*845,953*	*508,010*	*510,137*
Bodies external to government	1,342,928	1,077,448	760,953	12,769	37,111	37,246
Total payables at 31 March	**2,054,358**	**2,642,309**	**2,334,007**	**858,722**	**545,121**	**547,383**

27. Provisions for Liabilities and Charges

	Core Department						
	UKAEA Restructuring	UKAEA Decommissioning	Early Departure Costs	British Shipbuilders	Onerous Leases	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2008 (restated)	**29,326**	**166,412**	**29,685**	**115,558**	**193,186**	**7,172**	**541,339**
Provided in the year	–	–	129	–	–	15,204	**15,333**
Provisions not required written back	(787)	(15,670)	–	(101)	(41,863)	–	**(58,421)**
Provisions utilised in the year	(3,063)	–	(9,463)	–	(8,175)	(997)	**(21,698)**
Unwinding of discount	645	3,661	880	2,542	4,251	10	**11,989**
Balance at 31 March 2009 (restated)	**26,121**	**154,403**	**21,231**	**117,999**	**147,399**	**21,389**	**488,542**
Provided in the year	–	6,587	3,182	–	–	–	**9,769**
Provisions not required written back	(684)	–	–	(7,541)	(1,427)	(1,810)	**(11,462)**
Provisions utilised in the year	(2,717)	–	(8,144)	–	(11,832)	(2,506)	**(25,199)**
Unwinding of discount	470	3,397	382	2,596	3,243	256	**10,344**
Balance at 31 March 2010	**23,190**	**164,387**	**16,651**	**113,054**	**137,383**	**17,329**	**471,994**

							Consolidated
	UKAEA Restructuring	UKAEA Decommissioning	Early Departure Costs	British Shipbuilders	Onerous Leases	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2008 (restated)	**29,326**	**166,412**	**34,890**	**115,558**	**193,186**	**18,441**	**557,813**
Provided in the year	–	–	129	–	–	15,818	**15,947**
Provisions not required written back	(787)	(15,670)	–	129	(41,863)	–	**15,947**
Provisions utilised in the year	(3,063)	–	(10,794)	–	(8,175)	(4,043)	**(26,075)**
Unwinding of discount	645	3,661	930	2,542	4,251	(70)	**11,959**
Balance at 31 March 2009 (restated)	**26,121**	**154,403**	**25,155**	**117,999**	**147,399**	**30,146**	**501,223**
Provided in the year	–	6,587	3,182	–	–	–	**9,769**
Provisions not required written back	(684)	–	–	(7,541)	(1,427)	(1,922)	**(11,574)**
Provisions utilised in the year	(2,717)	–	(9,239)	–	(11,832)	(4,408)	**(28,196)**
Unwinding of discount	470	3,397	382	2,596	3,243	256	**10,344**
Balance at 31 March 2010	**23,190**	**164,387**	**19,480**	**113,054**	**137,383**	**24,072**	**481,566**

Provisions analysed between Current and Non-current

	31 March 2010		31 March 2009		1 April 2008	
	Core	Consolidated	Core	Consolidated	Core	Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000
Current liabilities	43,466	48,579	36,854	41,256	32,179	34,615
Non current liabilities	428,528	432,987	451,688	459,967	509,160	523,198
Total	**471,994**	**481,566**	**488,542**	**501,223**	**541,339**	**557,813**

Analysis of expected timing of discounted flows

Core Department							
	UKAEA restructuring	UKAEA decommissioning	Early Retirement	British Shipbuilders	Onerous Lease	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
In the remainder of the Spending Review period (to 2011)	4,247	40	5,794	7,326	18,761	7,298	**43,466**
Between 2012 and 2016	11,757	1,446	10,233	31,818	61,215	5,416	**121,885**
Between 2017 and 2021	5,099	51,889	624	27,351	52,171	1,919	**139,053**
Thereafter	2,087	111,012	–	46,559	5,236	2,696	**167,590**
Total	**23,190**	**164,387**	**16,651**	**113,054**	**137,383**	**17,329**	**471,994**
Consolidated							
	UKAEA restructuring	UKAEA decommissioning	Early Retirement	British Shipbuilders	Onerous Lease	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
In the remainder of the Spending Review period (to 2011)	4,247	40	6,681	7,326	18,761	11,525	48,580
Between 2012 and 2016	11,757	1,446	11,976	31,818	61,215	6,801	125,013
Between 2017 and 2021	5,099	51,889	823	27,351	52,171	2,533	139,866
Thereafter	2,087	111,012	–	46,559	5,236	3,213	168,107
Total	**23,190**	**164,387**	**19,480**	**113,054**	**137,383**	**24,072**	**481,566**

27.1 United Kingdom Atomic Energy Authority (UKAEA) Restructuring

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. 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 1.8% to the reporting date. The undiscounted cost of the provisions is £25.3 million (2008-09: £29.2 million) and the benefits are estimated to be payable over a period up to 25 years.

27.2 UKAEA Decommissioning Provisions

The decommissioning provision represents the estimated costs of decommissioning fusion research facilities at the United Kingdom 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. The best estimate of the cost of dealing with the liabilities at 31 March 2010 is discounted at 2.2% to the reporting date and expressed in 2009-10 money values. The undiscounted cost of the provisions is £221.2 million (2008-09: £212.3 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 1.8 per cent in real terms.

The provision is required in order to meet pension enhancement and severance costs for staff departing under these Schemes, with the liabilities extending for up to ten years.

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 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 £142 million (2008-09: £149 million). The current estimate is that the liabilities will extend for up to 27 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 2007 which identified a range of liabilities from £97 million to £188 million (£116 million to £247 million undiscounted). The provision is based on the central element of the undiscounted revised forecast, discounted at the Treasury rate of 2.2%.

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

The Department, under its accommodation strategy has determined that the 151 Buckingham Palace Road (BPR) and 10-18 Victoria Street (10VS) buildings are surplus to existing and future operating requirements. The lease for BPR does not expire until 2021 and the lease for 10VS does not expire until 2026. The Department has attempted to mitigate any potential losses through subletting against the existing head leases for the buildings. However, given market conditions at the time and future forecasts, neither the current nor future potential subleases recover the full costs incurred by BIS. The provision has been made for the discounted gross costs less the discounted expected income. The undiscounted cost of the provision is £154.7 million (2008-09: £167.8 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 subsequently launched in July 2009, with a deadline for submission of claims of April 2010. Processing of first claims began in November and was well advanced at 31 March 2010 for claims received at that date. The undiscounted liability as at 31 March 2010, taking into account all claims received up to the end-April closing date, is estimated to be £2.7 million.

There is no specific legislative authority for these payments and the Department has been advised that it cannot rely on the sole authority of the Appropriation Act, which it did when running the previous Schemes. The Secretary of State has, therefore, directed the Accounting Officer 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 £8.8 million liability as at 31 March 2010.

Demolition and Decontamination

This provision is held by NMO and covers the cost of demolition, decontamination and land remediation on the site in Teddington, to bring the site to the level that meets planning approval for the redevelopment of the National Physical Laboratory.

Disposal of Radiological Sources

The NMO has the responsibility to dispose of all radioactive waste arising from scientific projects undertaken at the National Physical Laboratory in accordance with the current legislation. This provision covers the cost of meeting radioactive waste disposal regulations, where it has been assessed that the transfer of economic benefits is highly probable.

28. Financial Guarantees

	TCIS	WCS	SFLGS	EFG	UK High Technology Fund	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2008 (restated)	–	–	**144,052**	**–**	**672**	**144,724**
Provided in year	–	–	190,819	6,534	–	197,353
Financial guarantees not required written back	–	–	–	–	–	–
Guarantees called	–	–	(84,070)	–	–	(84,070)
Amortisation of financial guarantees	–	–	(3,711)	–	–	(3,711)
Unwinding of discount	–	–	2,516	–	–	2,516
Balance at 31 March 2009 (restated)	**–**	**–**	**249,606**	**6,534**	**672**	**256,812**
Provided in year	669	22,960	–	115,396	–	139,025
Financial guarantees not required written back	–	–	(35,874)	–	–	(35,874)
Guarantees called	(81)		(81,617)		–	(81,698)
Amortisation of financial guarantees	(142)	(6,890)	(4,872)	(3,483)	–	(15,387)
Unwinding of discount	–	–	4,741	99	–	4,840
Balance at 31 March 2010	**446**	**16,070**	**131,984**	**118,546**	**672**	**267,718**

Financial guarantees analysed between current and non-current liabilities

	31 March 2010	31 March 2009	1 April 2008
	£'000	**£'000**	**£'000**
Current liabilities	105,316	101,689	54,257
Non current liabilities	162,402	155,123	90,467
Total	**267,718**	**256,812**	**144,724**

The Trade credit Insurance Scheme (TCIS), the Working Capital Scheme (WCS), the Small Firms Loan Guarantee Scheme (SFLGS) and the Enterprise Finance Guarantee (EFG) are classified as financial guarantees in accordance with IAS 39.

All Financial guarantees are held by the core Department.

Measurement

Each guarantee is 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); and

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 fee receivable under the Working Capital Scheme and the Trade Credit Insurance Scheme are not discounted as all amounts fall due within twelve months of the reporting 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 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 have seen their whole-turnover policy trade credit insurance cover reduced by their insurance provider since 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 £81,000.

Businesses were able to buy policies under the Government scheme to the value of the lower of the following amounts:

- the amount which restored the level of cover to the amount the business had previously;
- the amount equal to the level of cover offered under the credit insurance policy; or
- £2 million.

Carrying values

The total value of policies outstanding as at 31 March 2010 is £17 million however, BIS's total liability under the Scheme is limited to approximately 2.4% of the total value of the loans outstanding which is £0.4million. The total value of the expected defaults is £0.4million and the fair value of those guarantees not expected to default is £37k. The amounts outstanding will be utilised over the next year.

Risks

The Department is exposed to credit risk if a business defaults. The Department and the trade insurers share this risk. The risk is mitigated through the eligibility checks which the trade insurer carries out before issuing an insurance policy. The Department is also exposed to a greater risk of default when there is a downturn in the economy in the short term.

28.2 Working Capital Scheme

The Working Capital Scheme (WCS) guarantees 50% of bank portfolios of loans to businesses, in order that 'regulatory capital' is freed up to enable banks to increase working capital facilities to business.

A £1bn 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. The balance outstanding at 31 March 2010 is £1.45 billion. To date there have been no defaults.

Carrying values

The total value of loans outstanding as at 31 March 2010 is £2,900 million however, BIS's total liability under the Scheme is limited to approximately 50% of the total value of the loans outstanding which is £1,450 million. The total value of the expected defaults is £8.5 million and the fair value of those guarantees not expected to default is £7.5 million. The amounts outstanding will be utilised over the next year.

Risks

The Department is exposed to credit risk if a business defaults on a loan. If a business defaults the bank and Department will each take 50% of the impact of the default. This risk is 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 are granted. The Department is also exposed to a greater risk of default when there is a downturn in the economy.

28.3 Small Firms Loan Guarantee Scheme (SFLGS)

The SFLG 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 2010 is £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 £308 million. The total value of the expected defaults is £99 million (2008-09: £215.5 million), and the fair value of those guarantees not expected to default is £33 million. The amounts outstanding will be utilised over the next nine years, to 2018-19.

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 interests 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**
2009-10	114	4,300
2010-11	86	3,000
2011-19	122	2,900
Total	**322**	**10,200**

28.4 Enterprise Finance Guarantee (EFG)

The Enterprise Finance Guarantee (EFG) was introduced in January 2009. The initial approval enabled up to an additional £1.3 billion of lending to businesses. Guarantees granted under that approval were issued up to the end of March 2010. In December 2009 the 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.

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. From 30 September 2009 EFG was extended to provide guarantees on invoice finance facilities (to support an agreed additional advance on an SME's debtor book) and on new or increased overdraft borrowing by SMEs experiencing short term cash-flow difficulties. 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 3 years and 2 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 2010 is £700 million however, BIS's total liability under the Scheme is limited to 9.75% of that total; which for 2009-10 is £76 million. In addition, £46.7 million worth of offers of guaranteed loans had been made prior to 31 March 2010 but had yet to be drawn. Administratively these are considered to be part of the £1.3 billion of lending covered by the initial approval. It is estimated that up to £33 million worth of these loans will ultimately be drawn down by borrowers. The total value of the expected defaults is £79 million (2008-09: £5 million), and the fair value of those guarantees not expected to default is £40 million (2008-09: £2 million).

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. Samples of guarantees granted and defaults arising are examined twice annually. This auditing has already started. 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 interests 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.

28.5 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 reflects the maximum possible repayment of £1.12 million of income received from the UK High Technology Fund combined with a 60% likelihood of the repayment being made.

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.

Further information on the Department's exposure to financial instrument risk is included at Note 18.

29. Other Financial Liabilities

	Debt sale subsidy
	£000
Balance at 1 April 2008	**353,353**
Decrease in year	(70,289)
Utilisation in year	(17,589)
Unwinding of the discount	7,774
Value at 31 March 2009	**273,249**
Increase/(decrease) in year	5,605
Utilisation in year	(14,558)
Unwinding of the discount	6,011
Value at 31 March 2010	**270,307**

Financial liabilities analysed between current and non-current liabilities

	31 March 2010	31 March 2009	1 April 2008
	£'000	**£'000**	**£'000**
Current liabilities	23,432	18,620	17,589
Non current liabilities	246,875	254,629	335,764
Total	**270,307**	**273,249**	**353,353**

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 main element determining the payment is the interest rate subsidy. 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. 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 2 years without a repayment) where subsidy is paid in relation to these loans, up to a cap defined in the contracts.

30. Notes to the Consolidated Statement of Operating Costs by Departmental Strategic Objectives

The Consolidated Statement of Operating Costs by Departmental Strategic Objectives reports expenditure and income against each of the Department's seven Objectives.

The costs comprise direct administration and programme costs derived from those front-line Departmental Groups where activities are directly related to delivering the Department's Strategic Objectives.

30.1 Programme grants and other current expenditures have been allocated as follows:

	2009-10 £'000	2008-09 £'000
Science and Research Foster a world-class science and knowledge base and promote the commercial exploitation of knowledge, global excellence in research and better use of science in Government	3,709,662	3,611,513
Innovation, Enterprise and Business Increase innovation, enterprise and the growth of business, with a focus on new industrial opportunities and bringing benefits to all regions	3,104,767	2,977,706
Fair Markets Deliver free and fair markets, with greater competition	945,331	850,480
Better Regulation Ensure that Government departments and agencies deliver better regulation	4,698	4,453
Universities and Skills Improve the skills of the population through excellent further education and world-class universities, to build a more economically competitive, socially mobile and cohesive society	24,189,064	22,844,877
Capability Provide the professional support, capability and infrastructure needed to deliver our objectives and programmes, working effectively with our partner organisations to deliver public service excellence	(16,377)	(36,433)
Government as a shareholder Ensure that Government acts as an effective and intelligent shareholder, and provide excellent corporate finance expertise within Government	(215,367)	172,147
Total	**31,721,778**	**30,424,743**

30.2 Capital employed by Departmental Strategic Objectives at 31 March 2010

	2009-10 £'000	2008-09 £'000
Science and Research Foster a world-class science and knowledge base and promote the commercial exploitation of knowledge, global excellence in research and better use of science in Government	9,446	41,725
Innovation, Enterprise and Business Increase innovation, enterprise and the growth of business, with a focus on new industrial opportunities and bringing benefits to all regions	1,529,189	992,665
Fair Markets Deliver free and fair markets, with greater competition	(71,218)	27,121
Better Regulation Ensure that Government departments and agencies deliver better regulation	–	–
Universities and Skills Improve the skills of the population through excellent further education and world-class universities, to build a more economically competitive, socially mobile and cohesive society	23,349,229	19,385,462
Capability Provide the professional support, capability and infrastructure needed to deliver our objectives and programmes, working effectively with our partner organisations to deliver public service excellence	(6,861,408)	(292,668)
Government as a shareholder Ensure that Government acts as an effective and intelligent shareholder, and provide excellent corporate finance expertise within Government	8,351,731	2,349,554
Total	**26,306,969**	**22,503,859**

Where assets and liabilities relate to specific Departmental Strategic Objectives, they are attributed directly to that Objective. The Department's administrative net liabilities are attributed to Objectives in proportion to the gross expenditure for those Objectives.

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 10 years, extendable for up to a further 5 years. The contract is now set to expire on 31 March 2014.

31.1.1 Charge to the Operating Cost Statement and future commitments

The total amount charged to Operating Cost Statement in respect of off-balance sheet PFI transactions and 2009-10 was £26.1 million (2008-09 £27.3 million); see notes 11 and 12. The total payments to which the Department is committed, analysed by the period during which the commitment expires, is as follows.

	2009-10 £'000		2008-09 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Not later than one year	21,880	21,880	29,076	29,076
Later than one year and not later than five years	67,270	67,270	89,150	89,150
Later than five years	–	–	–	–
Total	**89,150**	**89,150**	**118,226**	**118,226**

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. During the reporting period 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 four remaining years of the contract the payments are expected to amount to around £90 million for the core Department.

The estimated capital value as at 31 March 2010 is in the region of £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 £19.6 million, comprising £7.5 million for the core service, £11.3 million for the Department's electronic records management system and an additional £0.8 million for other (extended) services.

31.2 On-balance sheet

The Insolvency Service (INSS), which is an executive agency whose results are consolidated into these accounts, has entered into an on-balance sheet arrangement with its provider of desktop infrastructure. Further details can be found in the Insolvency service's Resource Accounts.

32. Capital Commitments

	31 March 2010		31 March 2009	
	£'000	£'000	£'000	£'000
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
Contracted capital commitments not otherwise included in these financial statements:				
Property, plant and equipment	1,754	2,653	4,952	6,012
Intangible assets	8	703	209	1,149
Total	**1,762**	**3,356**	**5,161**	**7,161**

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 2010 £'000		31 March 2009 £'000	
	Core Department	**Consolidated**	**Core Department**	**Consolidated**
Obligations under operating leases comprise:				
Land:				
Not later than one year	–	32	–	–
Later than one year and not later than 5 years	–	3	–	–
Later than five years	–	28	–	–
	–	**63**	**–**	**–**
Buildings:				
Not later than one year	42,940	51,222	41,142	51,324
Later than one year and not later than 5 years	155,321	188,098	219,498	262,643
Later than five years	241,771	302,553	209,498	278,912
	440,032	**541,873**	**470,138**	**592,879**
Other:				
Not later than one year	249	6,459	2,284	11,237
Later than one year and not later than 5 years	790	9,685	268	12,570
Later than five years	–	–	5	9
	1,039	**16,144**	**2,557**	**23,816**

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 March2010 £'000		31 March 2009 £'000		1 April 2008 £'000
	Core Department	Consolidated	Core Department	Consolidated	Consolidated
Obligations under finance leases comprise:					
Not later than one year	–	953	–	1,098	995
Later than one year and not later than 5 years	–	393	–	1,346	1,973
Later than five years	–	–	–	–	–
	–	**1,346**	**–**	**2,444**	**2,968**
Less interest element	–	(178)	–	(264)	(360)
	–	**1,168**	**–**	**2,180**	**2,608**

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 2009-10, analysed by the period during which the commitments expire are as follows:

	31 March 2010		31 March 2009	
	£'000	£'000	£'000	£'000
	Core department	Consolidated	Core department	Consolidated
Not later than one year	375	4,575	31	13,242
Later than one year and not later than five years	1,052	1,052	5	5
Later than five years	23,996	73,925	19,744	73,473
Total	**25,423**	**79,552**	**19,780**	**86,720**

34.1 International Subscriptions

The amounts disclosed above include subscriptions paid to the following bodies:

Organisation		Expiry within 1 Year £'000	Expiry within 2 to 5 Years £'000	Expiry over 5 Years £'000	Total 2009-10 £'000	Total 2008-09 £'000
World Trade Organisation (WTO)	a	–	–	5,625	5,625	6,237
Organisation for Economic Co-operation and Development (OECD) Steel Committee	b	–	–	47	47	49
UNIDROIT	c	–	–	150	150	119
International Labour Organisation (ILO)	d	–	–	14,536	14,536	10,430
Bureau International des Poids et Mesures (BIPM)	e	–	–	869	869	929
The International Organisation for Legal Metrology (OIML)	f	–	–	49	49	53
EURAMET	g	–	–	11	11	11
Total		–	–	**21,287**	**21,287**	**17,828**

Notes:

The Department is required to subscribe to the above bodies on an on-going and continuous basis. These subscriptions are paid in Euros (OECD and EUI), 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) 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.

f) 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.

g) 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. The NMO makes an annual payment on behalf of the National Physical Laboratory, which is a requirement of their international metrology role.

34.2 Non-cancellable contracts

The amounts disclosed above include payments under non-cancellable contracts to the following organisations:

		Expiry within 1 Year	Expiry within 2 to 5 Years	Expiry over 5 Years	Total 2009-10	Total 2008-09
Organisation		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
European University Institute (EUI)	a	–	–	3,638	3,638	2,412
Erasmus Programme	b	–	377	–	377	497
Vodafone	c	75	675	–	750	36
NPL Management Ltd (NPLM Ltd)	d	–	–	45,000	45,000	48,700
Laboratory of the Government Chemist (LGC Ltd)	e	1,650	–	–	1,650	8,000
Technischer Überwachungsverein – German safety and standards institution (TUVNEL Ltd)	f	1,950	–	–	1,950	4,591
Amey Community Ltd	g	–	–	4,000	4,000	4,036
SGS Ltd	h	600	–	–	600	620
UK Council for International Student Affairs (UKCISA)	i	300	–	–	300	–
Total		**4,575**	**1,052**	**52,638**	**58,265**	**68,892**

a) The Department has non-cancellable contracts with the European Commission to fund the European University Institute (EUI). It does this currently through the British Council;

b) The Department has non-cancellable contracts with the European Commission to deliver the Erasmus Programme for Lifelong Learning. It does this currently through the British Council;

c) The Department has two year non-cancellable contracts for its mobile telephony with Vodafone. This spend is mobile voice plus mobile data and Blackberrys i.e. not just mobile telephony;

d) 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.

e) Laboratory of the Government Chemist (LGC Ltd). NMO has 3-month notice period which is non-cancellable with LGC Ltd to perform scientific metrology.

f) Technischer Überwachungsverein – German safety and standards institution (TUVNEL Ltd). NMO has 6-month notice period which is non-cancellable with TUV Ltd to perform scientific metrology.

g) Amey Community Ltd. NMO has a non-cancellable contract with Amey Community Ltd for the facilities management of the Teddington estate.

h) SGS Ltd. NMO has a contract with SGS Ltd to test disputed gas and electricity meters. The contract ceases in November 2010, however the liability to perform this role still lies with NMO.

i) BIS makes annual payments of grant to the UK Council for International Student Affairs (UKCISA), which is a national advisory body serving the interests of international students and those who work with them. It aims to promote and facilitate international student mobility, to and from the UK.

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 2009/10, for payment after 31 March 2010. Since the Statement of Financial Position date, the Student Loans Company has issued £991 million of maintenance loans and £485 million of grants in respect of the academic year 2009/10.

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	The Department made available to Post Office Ltd, through an agreement reached on 17th October 2003, a revolving loan facility based on commercial terms 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 £489 million at 31 March 2010 (31 March 2009: £197 million).
British Shipbuilders	There are contingent liabilities that arise from the Department's assurances and guarantees to British Shipbuilders. Following a legal ruling in respect of pleural plaques claims the House of Lords announced that compensation cannot be made on pleural plaques. This is the current position in England and Wales as the House of Lords judgement still stands. In Scotland the decision of the Judicial Review of the Damages (Asbestos Related Conditions) (Scotland) Act 2009, which found against the insurers, is being appealed. The appeal is scheduled to be heard in the Summer 2010. Pleural plaques claims in Scotland are valued at £5.3 million.
Merseyside Training Enterprise Council	The Department has provided a deed of indemnity of £100,000 (31 March 2009: £2 million) to the liquidators, of the Merseyside TEC, covering the funds they have returned to the Department, as part of the dissolution process.

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 Service (QIA). If the current tenant defaults the cost to the Department is estimated to be in the region of £2.6 million, which is the estimated total value of the amounts payable until the lease expires. (31 March 2009: £3.2 million).
Indemnities	The Department is responsible for liabilities arising from deeds of indemnity given to liquidators of 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.
Pensions	NMO is responsible for the pension liabilities of NPL employees if the science contract with NPL came back to NMO in 2014. The current estimate is that the liability is between £8.2 million and £22.8 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 2009	Increase in year	Liabilities crystallised in year	Obligations expired in year	31 March 2010	Amount Reported to Parliament by Departmental minute
	£'000	£'000	£'000	£'000	£'000	£'000
Statutory Guarantees						
– Home Shipbuilding Credit Guarantee Scheme	19,000	–	–	5,000	14,000	–
Statutory Indemnities						
– Local Network Indemnities	5,930	–	–	934	4,996	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	–	–	–	11,604	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.	3,867	–	–	394	3,473	10,000
Potential liability relating to European Schools Programme for teachers claiming permanency under the fixed term employee regulations.	1,241	–	–	–	1,241	–
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. £36,220k reflects the maximum possible exposure if revenue is not forthcoming.	23,000	13,220	–	–	36,220	–
Total	**69,842**	**13,220**	**–**	**6,328**	**76,734**	**88,154**

Notes:

- Obligations expired in year relates to cases closed and/or completed contracts.
- Where the balances outstanding at 31 March 2010 are different to the amounts included in the Departmental minute, this is because the Department's contigent liabilities, have gone through a process of re-assessment, or have crystalised since the minute was laid.

35.2.2 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 £1million in any year, an additional grant will be made to cover legal costs subsequently incurred in that year;
- Any liabilities imposed by section 68, Telecommunications Act 1984; and
- Any liabilities imposed by section 9, British Aerospace Act 1980.

Statutory Indemnities

- Indemnities given to UKAEA by the Secretary of State to cover certain indemnities given by UKAEA to carriers and British Nuclear Fuels Plc 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] and
- 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 UKAEA insurance scheme;
- A contingent liability in respect of risk associated with the Department assuming responsibility for uplifts in pension contributions for UKAEA'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;
- BIS has an outstanding legal claim for an early termination of a service contract delivering best practice and monitoring services to a third party; and
- 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

		2009-10	**2008-09**
	No. of cases	**£'000**	**£'000**
Cash losses*	–	–	6,310
Claims abandoned*	23	8,899	–
Administrative write-offs	600	1,241	46
Fruitless payments	2	3	4
Constructive losses	1	11,832	8,175
Total	**626**	**21,975**	**14,535**

Details of cases over £250,000

*Individual Learning Accounts (ILAs) 2009-10. Work has continued with the police to either prosecute or recover grants claimed by training providers for improper activities. Included in the claims abandoned figure for 2009-10 are 23 cases with a value of £8,898,806 (cash losses for 2008-09: 20 cases with a value of £6,307,051) 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.

The 2008 BERR annual report highlighted two cases of possible fraud relating to the Phoenix Fund which the Small Business Service (formerly an Executive Agency of the DTI) administered from 2000-06. A wider audit of beneficiaries of the Phoenix Fund was conducted to identify whether there are any other potential cases that require remedial action. No evidence of systemic fraud was found and in the vast majority of cases the £45,700,000 in loan capital, revenue support and loan guarantees was used in accordance with the terms set down by the Department. However, there were three cases where the terms of the Phoenix Fund Grant Letter were seriously breached. As a result of this the Department has taken action to try to recover the money from three organisations. One of these organisations has now been wound up and we have been unable to recover any of the £785,729 granted to them. Action continues in the other two cases.

The Department holds onerous leases for properties on Victoria Street and Buckingham Palace Road. The payments made during the course of 2009-10 in respect of these leases amounted to £11,832,000 (2008-09: £8,175,000). In accordance with Managing Policy are treated as constructive losses.

36.2 Special Payments

Special payments include extra-contractual, ex gratia and compensation payments.

		2009-10	2008-09
	No. of cases	£'000	£'000
Total	4	**708**	**167**

Details of cases over £250,000

During 2009-10 a case of £305,000 was recorded in relation to a compensation claim.

The NMO made an extra-contractual payment of £334,000 to NPLM Ltd as a contribution to its gas bill, which was the continuation of an agreement entered into with DIUS prior to NMS transferring to NMO. This arrangement ended in 2010-11.

36.3 Student Loans remitted (written off) in year

Loans totalling £17,393k were written off in 2009-10. This is a decrease of £11,861k on the number written off in 2008-09. In 2008-09, a higher than normal amount of loans were written off as a result of a data cleansing exercise.

	2009-10 £'000	2008-09 £'000
Because of death	6,118	15,693
Because of age	8,191	5,810
Because of disability	1,115	1,982
Because of bankruptcy	1,419	5,167
On completion of Individual Voluntary Arrangement (IVA)	531	559
Trivial balances and other	19	43
	17,393	**29,254**

37. Related-party transactions

The Department is the parent of the Advisory, Conciliation and Arbitration Service, the Insolvency Service and The National Measurement Office, and sponsor of the public Bodies listed in Chapter 1 of these Accounts, including Companies House and UKIPO (Trading Funds), and Royal Mail Holdings plc, British Shipbuilders, BNFL plc and OFCOM. During the reporting period the Department made payments to the bodies listed in note 15 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 Children, Schools and Families (now the Department for Education) and the HM Treasury Consolidated Fund.

William Dickinson was a member of the Management Board of DIUS on secondment from KPMG LLP until 21 July 2009. Dame Julie Mellor, a Non Executive Director on the BIS Management Board and previously on the DIUS Management Board, is a Partner at PricewaterhouseCoopers. The Department has made payments to KPMG and PwC during 2009-10.

The husband of Hilary Douglas, who was a member of the BIS Management Board, was a non-Executive Director on the Boards of SEEDA, LSC and HEFCE all of which received funding from the Department.

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 partially let to the Medicines and Healthcare Products Regulatory Agency. Elements of the Home Office have entered into an arrangement with the Department to rent 10 Victoria Street.

38. Events after the Reporting Period

There have not been any events after the reporting period that have required adjustments to these financial statements. The following events are non-adjusting:

Change of Government

Following the General Election on 6 May 2010 a Coalition Government of the Conservatives and Liberal Democrats was formed. Vince Cable was appointed as the new Secretary of State for the Department for Business, Innovation and Skills.

A series of announcements have been made by the Secretary of State about the future of some of the Department's Non-Departmental Public Bodies (NDPBs), and its programmes, some of which will be closing, once legislation has been enacted to facilitate this process. The Department has announced a package of £836 million worth of efficiency savings and in-year savings to its spending to be implemented in 2010-11.

Machinery of Government changes

On 31 March 2010, the Learning and Skills Council (LSC) was dissolved and replaced by the Skills Funding Agency (SFA) and the Young People's Learning Agency (YPLA). The SFA is an Executive Agency, with responsibility for funding and regulating adult skills, and will be Consolidated into the Department's Accounts from 2010-11 onwards. The YPLA is an NDPB of the Department for Education.

The UK Space Agency was launched to replace the British National Space centre to bring civil space activities together. From 1 April 2010, the Agency has been operating in shadow form. Formal responsibilities for space activities and associated budgets have not changed yet, and are with a number of BIS partner organisations and other Government Departments. Negotiations are in progress to transfer these responsibilities to the new agency, which will run as a full Executive Agency from April 2011.

On 1 April 2010, Investors In People UK (IiPUK) transferred to the UK Commission for Employment and Skills (UKCES). UKCES will now hold responsibility for the IiP standard and services.

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 will 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 unit will report jointly to the Minister for the Cabinet Office and to the Chief Secretary as part of the Cabinet Office's Efficiency and Reform Group.

Financial guarantees provided

The Government have confirmed that a loan guarantee of £378 million will be offered to Ford Motor Company Ltd. The confirmation is subject to appropriate pre-conditions being met, and to final decisions by the company.

Investments

The UK Innovation Investment Fund was established to drive economic growth and create highly-skilled jobs by investing in growing small businesses, start-ups and spin-outs in strategically important UK sectors, including clean technology, life sciences, advanced manufacturing and ICT. The UK Government is investing £150 million to cornerstone the fund made up of £100 million from BIS, £25 million from DH and £25 million from DECC. The first investments were made in April and May 2010.

Royal Mail

The Government announced in the Queen's speech on 25 May 2010 that it intends to introduce a Bill to allow for private sector investment in Royal Mail.

Student loans

The Emergency Budget 2010 confirmed that 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.

Ofcom Loan

In accordance with the terms of the Communications Act 2002, on 1 June 2010 the Department agreed to advance funds to Ofcom during 2010-11, to fund the establishment costs in relation to Ofcom's responsibilities under the Digital Economy Act 2010. The Department will make available to Ofcom a maximum of £5,818k.

Launch investment contracts

These contracts have been the subject of challenge under the Dispute Settlement Understanding of the World Trade Organisation (WTO). The findings of the Panel are subject to appeal. In the event of adverse findings by the Appellate Body, it will be for the EU to determine how it will implement the findings to the satisfaction of a compliance panel, or to reach a negotiated settlement with the US. The Appellate Body has no power to award financial compensation from either the UK Government or the company but may authorise the US to take retaliatory measures against EU exports.

BT Crown Guarantee

The BT Pension Scheme Trustees have started proceedings in the High Court, 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), which is disclosed as a remote and unquantifiable contingent liability in Note 35.2.2 to these Accounts. The hearing started on 13 July 2010.

38.1. Date Accounts authorised for issue

The Accounting Officer of the Department has authorised these Accounts to be issued on 22 July 2010. On 22 July it was announced that the current Accounting Officer, Simon Fraser, will move to become Permanent Secretary at the Foreign and Commonwealth Office. Simon Fraser remains in post as the Accounting Officer for BIS on the issue date.

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 Resource Accounts.

Bank balances	10,283	16,175

40. Restatement of Statement of Financial Position and Operating Cost Statement as a result of Machinery of Government (MoG) changes

The Department had three MoG changes affecting its Estimates and Resource Accounts during 2009-10, where functions or responsibilities were merged or transferred within Government.

On 5 June 2009, the Prime Minister announced the creation of the new Department for Business, Innovation and Skills, which brought together the former Department for Innovation, Universities and Skills and the former Department for Business, Enterprise & Regulatory Reform. The effective date of the merger was 1 April 2009.

Responsibility for the National Measurement programme and the assets on the Teddington Estate transferred to the National Measurement Office, formerly the National Weights and Measures Laboratory (NWML), an Agency of the Department. The effective date of the transfer was 1 April 2009.

The management of the European Space Agency Programme formerly carried out by the Department was transferred to the Technology Strategy Board, with effect from 1 April 2009.

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 Consolidated Statement of Financial Position at 31 March 2009 and 1 April 2008, together with the Consolidated Operating Cost Statement for 2008-09 were restated as follows:

Consolidated Statement of Financial Position as at 31 March 2009

	BERR Published 2008-09 £'000	DIUS Published 2008-09 £'000	Total Published 2008-09 £'000	MoG 2008-09 £'000	IFRS 2008-09 £'000	Other 2008-09 £'000	Restated 2008-09 £'000
Non Current Assets:							
Property, Plant and Equipment	95,043	208,060	303,103	–	(7,764)	(29,566)	265,773
Intangible Assets	907	104	1,011	–	16,827	–	17,838
Investments and loans in public bodies	1,251,108	7,822	1,258,930	–	–	(166)	1,258,764
Other financial assets	1,538,954	19,428,752	20,967,706	–	–	(1)	20,967,705
Trade and other receivables	18,511	200	18,711	–	–	–	18,711
Current assets:							
Inventories	8	43	51	–	–	–	51
Trade and other Receivables	451,351	174,112	625,463	(26,681)		682,328	1,281,110
Investments and loans in public bodies	199,000	–	199,000	–	–	166	199,166
Other financial assets	–	1,324,060	1,324,060	–	–	–	1,324,060
Cash and cash equivalents	1,105,546	283,849	1,389,395	–	–	–	1,389,395
Current liabilities:							
Trade and other payables	(1,350,182)	(341,142)	(1,691,324)	5,302	(7,943)	(948,344)	(2,642,309)
Provisions	–	–	–	–	(41,215)	(41)	(41,256)
Financial Guarantees	–	–	–	–	(101,689)	–	(101,689)
Financial liabilities	–	(18,908)	(18,908)	–	–	288	(18,620)

	BERR Published 2008-09 £'000	DIUS Published 2008-09 £'000	Total Published 2008-09 £'000	MoG 2008-09 £'000	IFRS 2008-09 £'000	Other 2008-09 £'000	Restated 2008-09 £'000
Non-current Liabilities:							
Trade and other Payables	(538,717)	(10)	(538,727)	–	(6,529)	135	(545,121)
Provisions	(496,571)	(4,234)	(500,805)	–	41,643	(805)	(459,967)
Financial Guarantees	(256,812)	–	(256,812)	–	101,689	–	(155,123)
Financial liabilities	–	(255,189)	(255,189)	–	–	560	(254,629)
	2,018,146	**20,807,519**	**22,825,665**	**(21,379)**	**(4,981)**	**(295,446)**	**22,503,859**
Taxpayers' equity:							
General fund	1,961,222	20,745,704	22,706,926	(21,379)	(5,018)	(268,079)	22,412,450
Revaluation reserve	56,924	61,815	118,739	–	37	(27,367)	91,409
	2,018,146	**20,807,519**	**22,825,665**	**(21,379)**	**(4,981)**	**(295,446)**	**22,503,859**

Consolidated Statement of Financial Position as at 1 April 2008

	BERR Published 2007-08 £'000	DIUS Published 2007-08 £'000	Total Published 2007-08 £'000	MoG 2007-08 £'000	IFRS 2007-08 £'000	Other 2007-08 £'000	Restated 2007-08 £'000
Non Current Assets:							
Property, Plant and Equipment	80,503	221,912	302,415		(255)	(37,154)	265,006
Intangible Assets	1,612	77	1,689	–	6,902	1	8,592
Investments and loans in public bodies	948,312	7,822	956,134	–	–	–	956,134
Other financial assets	1,564,385	16,131,405	17,695,790	–	–	(3)	17,695,787
Trade and other receivables	396	–	396	–	15,588	–	15,984
Current assets:							
Inventories	25	1,505	1,530	–	–	(1)	1,529
Trade and other Receivables	515,630	164,993	680,623	(10,507)	11,514	448,062	1,129,692
Investments and loans in public bodies	390,000	166	390,166	–	–	–	390,166
Other financial assets	–	1,160,250	1,160,250	–	–	–	1,160,250
Cash and cash equivalents	862,887	290,813	1,153,700	–	–	–	1,153,700
Current liabilities:							
Trade and other payables	(1,110,627)	(567,988)	(1,678,615)	953	(6,980)	(649,365)	(2,334,007)
Provisions	–	–	–	–	(34,615)	–	(34,615)
Financial Guarantees	–	–	–	–	(54,257)	–	(54,257)
Financial liabilities	–	(17,792)	(17,792)	–	203	–	(17,589)
Non-current Liabilities:							
Trade and other Payables	(540,827)	(28)	(540,855)	–	(6,528)	–	(547,383)
Provisions	(552,236)	(5,963)	(558,199)	–	35,259	(258)	(523,198)

	BERR Published 2007-08 £'000	DIUS Published 2007-08 £'000	Total Published 2007-08 £'000	MoG 2007-08 £'000	IFRS 2007-08 £'000	Other 2007-08 £'000	Restated 2007-08 £'000
Financial Guarantees	(114,367)	–	(114,367)	–	23,900	–	(90,467)
Financial liabilities	–	(335,819)	(335,819)	–	(203)	258	(335,764)
	2,045,693	**17,051,353**	**19,097,046**	**(9,554)**	**(9,472)**	**(238,460)**	**18,839,560**
Taxpayers' equity:							
General fund	1,937,945	16,968,051	18,905,996	(9,554)	(9,472)	(199,589)	18,687,381
Revaluation reserve	107,748	83,302	191,050	–	–	(38,871)	152,179
	2,045,693	**17,051,353**	**19,097,046**	**(9,554)**	**(9,472)**	**(238,460)**	**18,839,560**

Consolidated Operating Cost Statement 2008-09

	BERR Published 2008-09 £'000	DIUS Published 2008-09 £'000	Total Published 2008-09 £'000	MoG 2008-09 £'000	IFRS 2008-09 £'000	*Other 2008-09 £'000	Restated 2008-09 £'000
Administration costs:							
Staff costs	138,752	46,333	185,085	(102)	1,071	3,968	190,022
Other administration costs	124,494	30,693	155,187	(391)	86	(8,030)	146,852
Income	(42,319)	(432)	(42,751)	100	–	4,988	(37,663)
Programme costs:							
Staff costs	111,402	5,666	117,068	–	–	1	117,069
Programme costs	3,443,476	26,850,869	30,294,345	(8,405)	(2,412)	24,146	30,307,674
Income	(2,037,060)	(8,390,316)	(10,427,376)	20,622	–	(53,039)	(10,459,793)
Special dividend (BNFL plc)	(632,000)	–	(632,000)	–	–	–	(632,000)
Net Operating Cost	**1,106,745**	**18,542,813**	**19,649,558**	**11,824**	**(1,255)**	**(27,966)**	**19,632,161**

*The 'other' category includes the elimination of transactions between the two former Departments and the adjustments required to harmonise accounting policies on merger.

41. Additional Entities

Information about the principal activities undertaken by the Insolvency Service, NMO and ACAS, together with a list of those bodies within the Departmental Boundary can be found in Annex A1 to these Accounts.

Other bodies covered by these Accounts by way of including in the reported results, funds paid to them as grant or expenses are also listed in Chapter 1 of these Accounts.

Departmental Strategic Objectives: Data statements and expenditure tables

This annex is focused on data statements for BIS's seven Departmental Strategic Objectives (DSOs) for 2009-10, and outlines expenditure under each of these DSOs:

Departmental Strategic Objectives	
DSO 1	Foster a world-class science and knowledge base and promote the commercial exploitation of knowledge, global excellence in research and better use of science in Government
DSO 2	Increase innovation, enterprise and the growth of business, with a focus on new industrial opportunities and bringing benefits to all regions
DSO 3	Deliver free and fair markets, with greater competition
DSO 4	Ensure that Government departments and agencies deliver better regulation
DSO 5	Improve the skills of the population through excellent further education and world-class universities, to build a more economically competitive, socially mobile and cohesive society
DSO 6	Provide the professional support, capability and infrastructure needed to deliver our objectives and programmes, working effectively with our partner organisations to deliver public service excellence
DSO 7	Ensure that Government acts as an effective and intelligent shareholder, and provide excellent corporate finance expertise within Government

Statements of data for the Public Service Agreements (PSAs) led by BIS and to which BIS's DSOs contributed, can be found in Annex A2. Statements of data quality for these DSOs and PSAs, and statements of data for PSAs from previous Spending Reviews can be found on the BIS website at:
http://www.bis.gov.uk/about/Performance-reports/annual-reports

DSO 1: Science and Research

Foster a world-class science and knowledge base and promote the commercial exploitation of knowledge, global excellence in research and better use of science in government

1.1 **Indicator:** The UK percentage of citations in the leading scientific journals

Statement on data: Latest available data for 2008 show that the UK's citation share performance remains at 12%, second to the USA. Germany had closed the gap with the UK in 2008, although France and Japan remain further back.

1.2 **Indicator:** The annual number of UK PhD completers in science, technology, engineering and mathematics (STEM) subjects

Statement on data: The number of STEM qualifiers from PhDs has increased by 6% since 2007/08. This increase is in line with non-STEM subjects.

The proportion of PhD qualifiers from STEM subjects has remained stable at 68%. Subjects which have seen an increase in qualifiers include:

- Biology (15%)
- Physics (11%)
- Engineering (11%)
- Chemistry (2%)

1.3 **Indicator:** The number of young people in England taking A-Levels in mathematics, physics, chemistry and biological sciences

Statement on data: Entries by subject in 2008 and 2009 are as follows:

Subject	2008 Entries by Subject	2009 Entries by Subject
Biology	48,397	47,978
Chemistry	36,328	37,141
Physics	24,703	25,620
Mathematics	57,618	64,519
Further Mathematics	8,447	9,443

1.4	**Indicator:** Survey of public attitudes to science (due 2011) & BIS Customer survey
	Statement on data: The next public attitudes to science survey is due to report in March 2011. Meanwhile, the results of an Ipsos MORI survey, published in January 2010, showed that amongst a sample of nearly 2,000 respondents, views of science remain positive. Seven in ten people viewed science as an exciting career, and over half believed that scientific qualifications will be required for jobs in the future, and that scientific research will contribute to creating more employment opportunities. Half of people also say they understand how scientific research benefits their own life, though questions remain about the extent to which scientists are valued and rewarded in this country.
1.5	**Indicator:** International comparisons of growth in, and benefit from, international collaboration in science
	Statement on data: Latest available data shows that 43,000 UK publications, 47% of total output, had a non-UK co-author in 2007.
1.6	**Indicator:** Key knowledge transfer outputs for public sector research base
	Statement on data: Latest available data from the Annual Survey of Knowledge Transfer Activities in Public Sector Research Establishments[47] is as follows:

	Fourth annual survey 2006-7	Fifth annual survey 2007-8
Business representatives on governing bodies	207	209
FTE staff employed in commercialisation offices	669	486
Number of patent applications	316	379
Number of patents granted	172	188
Number of licensing agreements	604	1,136
Income from IP licensing (£m)	116	146
Number of spin-outs	101	89
Income from business consultancy (£m)	43	37

47 http://www.dius.gov.uk/science/knowledge_transfer/psre

1.7	**Indicator:** Amount of income generated by UK Higher Education Institutions (HEIs) and Public Sector Research Establishments (PSREs) through research, consultancy and licensing of intellectual property
	Statement on data: The amount of income generated by PSREs through IP licensing was £116 million in 2006-07 and £146 million in 2007-08. HEI income from knowledge exchange activities in 2008-09 was £2.96 billion, an increase of 5.5% from the previous academic years.
1.8	**Indicator:** Policy making is underpinned by robust scientific evidence and long-term thinking, including that generated by Foresight
	Statement on data: The Government Chief Scientific Adviser (GCSA) has made a number of successful interventions that have meant that government decision making has been effectively informed by science and engineering, including on Swine Flu, the Cross-Government Food Research and Innovation Strategy, and climate change. The GCSA has put in place a new Science and Engineering Assurance independent review programme to support departments in developing and applying good practice. Foresight has published the output of a major study of Land Use in the UK, identifying the key pressures and challenges for Government over the next few decades.

DSO 1: Science and Research	£'000			
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn
Resource Expenditure in DEL				
Arts and Humanities Research Council	88,047	104,934	109,872	104,023
Biotechnology and Biological Sciences Research Council	324,629	344,116	367,645	361,509
Economic and Social Research Council	130,370	141,638	152,385	157,733
Engineering and Physical Sciences Research Council	568,251	663,433	708,709	757,581
Medical Research Council	488,168	474,124	580,885	608,134
Natural Environment Research Council	318,335	342,187	371,531	381,111
Science and Technology Facilities Council[1]	417,076	479,390	534,726	563,083
Higher Education Funding Council for England – HEIF	78,360	81,706	84,854	99,000
Higher Education Funding Council for England – QR Research	0	0	1,466,000	1,509,300
Other Science programmes	107,737	111,049	105,408	114,031
Total Resource Expenditure in DEL	**2,520,973**	**2,742,577**	**4,482,015**	**4,655,505**
Resource Expenditure in AME				
Science Research Council Pensions[2]	17,202	27,400	72,340	37,000
Other Science programmes[3]	0	4,936	815	12,559
Total Resource Expenditure in AME	**17,202**	**32,336**	**73,155**	**49,559**
Total Resource Expenditure	**2,538,175**	**2,774,913**	**4,555,170**	**4,705,064**
Capital Expenditure in DEL				
Arts and Humanities Research Council	228	353	397	2,846
Biotechnology and Biological Sciences Research Council	49,094	57,889	70,924	121,266
Economic and Social Research Council	14,367	14,063	14,810	21,202
Engineering and Physical Sciences Research Council	74,967	88,810	59,485	72,751
Medical Research Council[4]	70,858	75,985	99,867	116,925
Natural Environment Research Council	47,061	46,671	45,701	67,087
Science and Technology Facilities Council[5]	176,978	165,431	152,428	143,368
RCIF: Higher Education Funding Council for England[6]	200,000	281,970	189,730	221,884
RCIF: Devolved Regions[6]	105,300	83,438	36,411	43,015
Higher Education Funding Council for England – Research Capital	0	0	229,000	377,346
Other Programmes	964	0	0	259
Total Capital Expenditure in DEL	**739,817**	**814,610**	**898,753**	**1,187,949**
Total Expenditure	**3,277,992**	**3,589,523**	**5,453,923**	**5,893,013**

[1] The Science and Technology Facilities Council was created on 1 April 2007 as a merger of the Council for the Central Laboratory of the Research Councils and the Particle Physics and Astronomy Research Council. The 2006-07 figure is the total for the two predecessor councils.

[2] The cost of bulk transfers out of the Research Councils Pension Scheme and into university pension schemes has been included in the 2008-09 figure.

[3] Negative figures in this line reflect credits arising from payments in respect of provisions.

[4] Increases in Medical Research Council capital spending from 2008-09 arise due to the Laboratory of Molecular Biology construction project.

[5] Capital spending in the Science and Technology Facilities Council peaked in 2006-07 due to the ISIS and Diamond construction projects.

[6] The Research Capital Investment Fund (RCIF) and the predecessor scheme the Science Research Investment Fund are paid to universities through the funding councils. Since 2008-09 the Higher Education Funding Council for England has been an NDPB of the department, so this part of the funding is now shown separately. RCIF funding to the devolved regions (Scotland, Wales and Northern Ireland) are shown on the next line.

DSO 2: Innovation, Enterprise and Business

Increase innovation, enterprise and the growth of business, with a focus on new industrial opportunities and bringing benefits to all regions	
2.1	**Indicator:** Delivery of RDA outcomes taken from new sponsorship framework
	Statement on data: An independent evaluation of the impact of most of the past RDA programme spend showed that the RDAs collectively are exceeding their outcome targets, particularly for businesses created and people assisted in skills development.[48]
2.2	**Indicator:** Delivery of publicly-funded business support simplification
	Statement on data: The business support simplification programme had reduced publicly funded business support schemes from about 3,000 to fewer than 100 by March 2010.
2.3	**Indicator:** Improved competitiveness of key identified sectors, supported by a strong and up to date evidence base, and delivery of relevant strategies including low carbon business opportunities.
	Statement on data: BIS introduced four key sector strategies in 2009/10: Digital Britain Report (and Digital Economy Bill); Life Sciences Blueprint; Advanced Manufacturing Strategy; and Low Carbon Industrial Strategy.
2.4	**Indicator:** Delivery of UKTI's CSR07 performance management framework
	Statement on data: In 2009-10: • UKTI have provisionally delivered 759 involved successes (against a target of 525). Validated figures from the previous year show 268 were high value projects (target 125) and 139 good quality products (target 285). 72% agreed UKTI or its RDA delivery partner had had a significant favourable influence (target 70%). • UKTI assisted 23,600 UK businesses (target 20,000) of which 19,600 were innovative (target 12,000) and 53% improved their business performance as a result of UKTI support (target 50%). • 2,130 businesses reported increased R&D as a result of UKTI trade support (target 1,000). 71 were foreign direct investment (FDI) R&D projects (target 70). • The UK's reputation as the international business partner of choice is showing no progress according to the first and second annual surveys against the benchmarking survey, despite the economic downturn. There has been no change in this indicator since the previous year.

48 www.bis.gov.uk/whatwedo/regional/regional-dev-agencies/regional%20development%20agency%20impact%20evaluation/page50725.html

	• Current operational performance is 76% and 74% respectively for quality (target 80%) and satisfaction (target 80%). This is slightly below target but maintains UKTI's position against previous years, despite a substantial increase in the number of businesses assisted. • Charging revenues for the financial year are £6.0 million (target £3.0 million). For a more comprehensive explanation of UKTI's performance see UKTI Annual Report and Resource Accounts 2009-10.[49]
2.5	**Indicator:** Business research and development (R&D) expenditure – the average UK R&D intensity in the six most R&D intensive industries, relative to the US, Japan, France and Germany
	Statement on data: This indicator is based on data from national statistical offices that is compiled by the OECD. Latest comparable data is only available up to 2007 for the G7. This shows that the UK's R&D intensity increasing at a similar rate to the G7. New data will be made available by the end of 2010.
2.6	**Indicator:** Regional breakdown of percentage of UK businesses with 10 or more employees that are innovation active
	Statement on data: The 2009 UK Innovation Survey data shows that, compared with the previous survey the percentage of innovation active businesses has fallen for the UK as a whole and in each individual region. An unfavourable economic climate is the most likely cause of a decline in innovation active firms over the period 2006-2008.
2.7	**Indicator:** Basket of measures of take-up of intellectual property
	Statement on data: The figures on investment in intellectual property are being updated by ONS on an annual basis with 2008 figures expected in autumn 2010. The UK-IPO has updated the methodology for estimating patents in force; the years of patented IP; included patents granted by the European Patent Office;[50] and extended the time period by a year in this update.

49 For further information about UKTI, including UKTI Annual Report and Accounts 2009-10 see: www.uktradeinvest.gov.uk

50 EPO patents relate to renewals only. A renewal represents one year of patented IP while e.g. an application relates to five years patented IP. For this reason the EPO values are the same within both charts.

DSO 2: Innovation, enterprise and the growth of business	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn
				£'000
Resource Expenditure in DEL				
Regional Development Agencies	482,833	385,553	401,484	454,379
Support for the Automotive Industry[1]	0	0	0	397,893
Enterprise Funds including Small Firms Loan Guarantee Scheme (including Capital for Enterprise Ltd)[2]	28,804	57,880	174,440	(117,973)
UK Trade and Investment	46,837	46,014	43,434	40,286
Technology Strategy Board including Space[3]	27,872	267,235	254,120	309,484
Waste Electronic and Electrical Equipment Directive and Sustainable Development	32,777	10,660	4,360	4,033
Other Business Support Programmes (and OFCOM)	259,144	151,074	181,309	210,195
Total Resource Expenditure in DEL	**878,267**	**918,416**	**1,059,147**	**1,298,297**
Resource Expenditure in AME				
Regional Development Agencies[4]	70,018	31,056	229,693	129,954
Other Business Support Programmes (mainly income from the National Endowments for Science Technology & the Arts)	(10,386)	(10,776)	(6,258)	(4,375)
Total Resource Expenditure in AME	**59,632**	**20,280**	**223,400**	**125,579**
Total Resource Expenditure	**937,899**	**938,696**	**1,282,547**	**1,423,876**
Capital Expenditure in DEL				
Regional Development Agencies	133,639	123,902	70,284	71,940
Strategic Investment Fund[5]	0	0	0	30,417
Grants for Business Investment[6]	27,684	(10,698)	12,379	9,803
Launch Investments[7]	(154,118)	(153,723)	(128,159)	(110,444)
Enterprise Funds including Small Firms Loan Guarantee Scheme[2]	13,711	20,633	20,579	76,745
Technology Strategy Board[3]	0	10,115	10,380	14,606
National Measurement Office	17,699	11,624	13,040	8,670
Other Business Support Programmes	9,842	2,296	624	178,748
Total Capital Expenditure in DEL	**48,457**	**4,149**	**(873)**	**280,485**
Total Expenditure	**986,356**	**942,845**	**1,281,674**	**1,704,361**

1 BIS provided funding amounting to £400m for the Automotive Scrappage Scheme, which ran for 2009-2010. This provided short-term aid to the automotive industry through an unprecedented fall in global demand.

2 The Small Firms Loan Guarantee Scheme ended in 2008-09 and was replaced by Enterprise Finance Guarantees, one of the "Fiscal Stimulus Programmes" introduced in 2009-10. Following the implementation of International Financial Reporting Standards, all payments in respect of defaults against loans have become reclassified as capital expenditure.

[3] In 2009-10, Space-related funding transferred to the Technology Strategy Board (TSB). The TSB was created in 2007-08, expenditure in this row in 2006-07 relates only to space funding.

[4] This line reflects impairments in respect of the Regional Development Agencies' assets.

[5] The Strategic Investment Fund was created in 2009-10.

[6] The negative figure in 2007-08 resulted from a refund of grant funding.

[7] The negative amounts in Launch Investments reflect income. The Launch Investment figure for 2009-10 includes income offset by additional investment of £145.6m.

DSO 3: Fair Markets

Deliver free and fair markets, with greater competition	
3.1	**Indicator:** International comparisons of UK competition regime with world's best
	Statement on data: The 2006-07 'Peer Review of Competition Policy'[51] ranked the UK competition regime third behind the USA and Germany. The most recent 'Global Competition Review' (2009)[52] showed the Office of Fair Trading (OFT) improving its ranking in the 'Very Good' group, compared to 2008. The Competition Commission (CC) remained in the 'Elite' group. The UK competition bodies continued to be ranked among the best in the world.
3.2	**Indicator:** International comparisons of UK corporate governance regime with world's best
	Statement on data: The World Bank Report on the Observance of Standards and Codes (ROSC) draft assessment is complete and found 57 out of 64 OECD corporate governance indicators fully implemented in the UK, with a further 5 broadly implemented. The review provides a thorough and up to date overview of the UK regime relative to the agreed OECD Principle of Corporate Governance. The latest World Economic Forum Global Competitiveness Report[53] data (October 2009) shows that the UK ranking on the three corporate governance measures (Efficacy of Corporate Boards, Strength of Auditing and Reporting Standards, and Protection of Minority Shareholders' Interests) has fallen outside the top twenty and that the UK's scores have fallen slightly (on average by four decimal points).

51 Peer Review of Competition Policy 2006-07 (DTI, 2007): www.berr.gov.uk/files/file39863.pdf
52 For further information about the Global Competition Review see: www.globalcompetitionreview.com/shop/issues/issue/150/april-2009
53 http://www.weforum.org/documents/GCR09/index.html

3.3	**Indicator:** Assessment of UK labour market flexibility
	Statement on data: The Index of Labour Market Adaptability is used to measure this indicator. The Policies and Institutions ILMA is the lead indicator and the broader measure includes additional components including employment and wage changes. There has been a recent decline in both indices. However, this will remain within a 10% tolerance margin for the success measure. Additional labour market data includes the following: UK ranks 35th in ease of Employing Workers (out of 183 countries) in the World Bank 'Doing Business 2010' report.[54] UK has the 3rd lightest employment protection regime in the OECD,[55] making it easier to employ workers and contributing to a more flexible labour market. UK ranks 25th (out of 133 countries) globally for Labour Market Efficiency in the World Economic Forum 'Global Competitiveness Report 2009-10'.[56] Fair Treatment at Work Survey 2009[57] showed that 78% of people feel well informed about their employment rights.

54 http://www.doingbusiness.org/features/Highlights2010.aspx
55 http://www.oecd.org/document/11/0,3343,en_2649_33927_42695243_1_1_1_1,00.html
56 http://www.weforum.org/documents/GCR09/index.html
57 http://www.BIS.gov.uk/files/file52809.pdf

DSO 3: Fair markets	£'000			
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn
Resource Expenditure in DEL				
Insolvency Service[1]	34,223	35,800	42,902	32,504
Acas	47,977	43,366	46,161	51,025
Employment Relations[2]	10,746	11,537	17,827	15,251
Investor Protection (including Companies House)[3]	2,958	7,010	7,766	7,763
Financial Inclusion Fund (including Face to Face Debt Advice)	16,613	29,037	30,504	27,991
Consumer Protection (including Citizens Advice)[4]	51,930	36,833	38,927	43,379
Other Free and Fair Markets Activities including Trade Promotion, Subscription to the World Trade Organisation and Simpler Trade Procedures Board[5]	5,630	29,467	45,217	50,478
Total Resource Expenditure in DEL	**170,077**	**193,050**	**229,304**	**228,391**
Resource Expenditure in AME				
Statutory Redundancy Payment[6]	204,643	173,772	391,918	491,253
Paternity Pay[7]	6,692	42,800	44,477	47,122
Other Free and Fair Markets Activities				
Total Resource Expenditure in AME	**211,335**	**216,572**	**436,395**	**538,375**
Total Resource Expenditure	**381,412**	**409,622**	**665,699**	**766,766**
Capital Expenditure in DEL				
Insolvency Service[8]	225	5,818	8,627	3,419
Acas[9]	1,013	1,691	5,711	4,031
Consumer Protection	543	427	627	270
Other Free and Fair Markets Activities (including Companies House)[10]	(211)	161	4,943	(1,599)
Total Capital Expenditure	**1,570**	**8,097**	**19,908**	**6,121**
Total Expenditure	**382,982**	**417,719**	**685,607**	**772,887**

1 The level of expenditure by the Insolvency Service is related to the number of insolvencies.

2 The increase in funding for Employment Relations from 2009-10 was given for Employment Simplification (£25.2m for 2 years).

3 The figure for 2006-07 includes income of c£2m from Companies House.

4 The increase in funding for Consumer Protection from 2008-09 is due to additional money made available to the Citizens' Advice Bureaux for late opening.

5 The increases in expenditure on "Other Fair Markets programmes" is due to an increase in international subscriptions costs, costs of implementing a single point of contact under the Services Directive (2008-09 to 2010-11), and the creation of a provision in respect of the Icelandic Trawlermen compensation scheme in 2008-09.

[6] The increases in the level of payments have resulted from an increase in redundancy payments made to employees whose employers have failed.

[7] The apparent increase in paternity pay between 2006-07 and 2007-08 is the effect of an over accrual made in the first year of costs for the Department (2005-06) resulting in a credit in the next year (2006-07).

[8] The increased capital expenditure in respect of the Insolvency Service relates to the development of the Service Transformation capability.

[9] The increased capital expenditure for Acas relates to the development of a joint Employment Tribunal Service and Acas Caseflow system, an asset under construction.

[10] The increased capital expenditure in 2008-09 relates to a loan given to Companies House which is being repaid over the following two years.

DSO 4: Better Regulation

Ensure that government departments and agencies deliver better regulation	
4.1	**Indicator:** Administrative burdens reduction across 19 government departments, consisting of a net 25% reduction for the majority of departments by 2010. Includes BERR target to deliver 25% net reduction in admin burdens by 2010
	Statement on data: A baseline measurement at May 2005 showed the annual administrative costs to business of complying with regulations were £13.2 billion (excluding tax administration and financial services). Simplification Plans published by departments in December 2009[58] show that between May 2005 and December 2009, 280 simplification measures are delivering an estimated £2.9 billion of net annual savings.
4.2	**Indicator:** Proportion of businesses (and voluntary sector organisations) who believe that "most regulation is fair and proportionate" in five policy areas – employment law, tax law, health & safety, planning law and company law
	Statement on data: The NAO recently published the results of their latest survey[59] which showed that the number of businesses that believe that 'most regulation is fair and proportionate' dropped from 46% in 2008 to 45% in 2009.

58 www.bis.gov.uk/bre
59 www.nao.org.uk/publications/0809/complying_with_regulation.aspx

4.3 **Indicator:** Flow of regulation: total benefit/cost ratio of regulations coming forward over time

Statement on data: The benefit/cost ratio is derived from impact assessments of new legislation that received Royal Assent or was made by Parliament in the financial year 2008-09, and is summarised in the table below:

	Quantified Equivalent Annual Benefits (£ bn – rounded)	Quantified Equivalent Annual Costs (£ bn – rounded)	Ratio of Quantified Benefits to Costs (rounded)
Pensions Act 2008	9.9	9.9	1.00
Other Primary Legislation	3.1	1.1	2.82
Secondary Legislation	11.2	2.0	5.57
Total	**24.3**	**13.1**	**1.85**

Some benefits and costs are described qualitatively in Impact Assessments and not quantified, but as more benefits than costs are not quantified, the ratio represents the lower end of the full relationship between benefits and costs.

In addition to the benefits and costs reported in the table, the Climate Change Act 2008 put a new greenhouse gas reduction target on a statutory basis. The impact assessment for the Climate Change Act 2008 estimates that this target will lead to quantifiable equivalent annual benefits in the range of £20.7 to £46.2 billion and quantifiable equivalent annual costs in the range of £14.7 billion to £18.3 billion. This is excluded from the above table because the Act provides a framework within which future legislation and other measures will be brought forward rather than itself creating legal obligations on organisations and individuals.

4.4 **Indicator:** Performance of local authority regulatory services as measured by the national indicator

Statement on data: The indicator is measured by National Indicator 182: ‘Satisfaction of business with local authority regulatory services’. National Indicator 182 is included in the local authority performance framework and provides an indication of the performance of local authority regulatory services based on: 1) how helpful businesses found the local authority regulator during the inspection; and 2) the extent to which businesses felt they were fairly treated. The data for 2008-09 has been verified; and the NI182 baseline score is 77%. The indicator runs between 2008-09-2010-11 and local authorities report their NI 182 score annually.

4.5	**Indicator:** Reduction in data stream requirements from central government to the public sector front line by 2010. Includes 30% cross-Government target to reduce burdens on front line public sector staff
	Statement on data: By March 2010 there had been a 34.1% reduction across the nine government departments involved in the project.[60] Three departments elected to reduce the data 'burdens' they impose on public sector front-line staff through a mixture of removing requests, reducing the frequency of requests or making data returns more efficient and streamlined. Department for Health (DH) are on track to deliver a 30% reduction in the burden on health care services by October 2010; Department for Children, Schools and Families (DCSF) have removed data streams which will result in a saving of £1.8 million by July 2012 (a 29% reduction). Similar burdens have been reduced by £16 million in further education (by ex-DIUS).

				£'000
DSO 4: Better regulation	**2006-07 Outturn**	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**
Resource Expenditure in DEL in respect of the Local Better Regulation Office	6,384	2,272	4,557	4,396
Capital Expenditure in DEL[1]	0	197	0	146
Total Expenditure	**6,384**	**2,469**	**4,487**	**4,542**

1 The capital expenditure formed part of the set-up costs of the Local Better Regulation Office in 2007-08, and the development of a website in 2009-10.

60 MoJ, CLG, DWP, Cabinet Office, Defra, DfT, DCMS, Home Office, former BERR

DSO 5: Universities and Skills

Improve the skills of the population through excellent further education and world-class universities, to build a more economically competitive, socially mobile and cohesive society	
5.1	**Indicator:** 597,000 people of working age to achieve a first level 1 or above literacy qualification between 2008 and 2011; and 390,000 people of working age to achieve a first entry-level 3 or above numeracy qualification between 2008 and 2011
	Statement on data: The target period began with the 2008/09 academic year. Provisional data for 2008/09 shows that 236,000 target-bearing literacy achievements were delivered and 44,000 target-bearing numeracy achievements were delivered. A further assessment will be made later in 2010 following analysis of final data.
5.2	**Indicator:** To increase to 79% the proportion of working age adults qualified to at least level 2 by 2011
	Statement on data: In Q4 2008, the baseline date for measuring this indicator, the proportion of adults aged 19-59/64 qualified to at least level 2 was 73.9%. Provisional results for Q4 2009 show a figure of 75.6%.
5.3	**Indicator:** To increase to 56% the proportion of working age adults qualified to at least level 3
	Statement on data: In Q4 2008, the baseline date for measuring this indicator, the proportion of adults aged 19-59/64 qualified to at least level 3 was 54.4%. Provisional results for Q4 2009 show a figure of 55.9%.
5.4	**Indicator:** 130,000 to complete the full Apprenticeships Framework in 2010/11
	Statement on data: The baseline measurement is the 2007/08 achievement data which shows that there were 224,800 starts and 112,600 completions during the year. In 2008/09 there were 239,900 starts and 143,400 people completed a full Apprenticeship Framework. Provisional data for 2009/10 shows 211,900 starts and 103,500 completions between August 2009 and April 2010.
5.5	**Indicator:** To increase to 36% the proportion of working age adults qualified to at least level 4 by 2014, with an interim milestone of 34% by 2011
	Statement on data: In Q4 2008, the baseline date for measuring this indicator, the proportion of adults aged 19-59/64 qualified to at least level 4 was 33.6% (up from 32.2% since 2006). Progress against the indicator is officially measured and reported at Q4 each year; provisional results for Q4 2009 show a figure of 35.3%.
5.6	**Indicator:** Increase participation in Higher Education towards 50% of those aged 18-30, with growth of at least a percentage point every 2 years to 2010/11
	Statement on data: The baseline figure for this indicator was 42% in 2006/07. In 2008/09 the Higher Education Initial Participation Rate was 45% (i.e. people aged 17 in 2008/09 had a 45% probability of participating in HE by the age of 30).

DSO 5: Universities and Skills	£'000 2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn
Resource Expenditure in DEL				
Higher Education Funding Council for England	5,827,519	6,137,496	4,916,620	5,080,939
Learning and Skills Council/Skills Funding Agency[1]	3,554,221	3,703,855	3,860,554	3,883,632
Student Loans[2]	660,063	996,413	1,152,530	1,368,216
Student Grants	860,418	1,080,539	1,164,391	1,419,955
UK Commission for Employment and Skills[3]	0	0	90,263	88,981
Other Further Education and Skills Funding	282,379	291,029	231,563	425,506
Other Higher Education Funding	78,916	91,959	95,190	172,941
Total Resource Expenditure in DEL	**11,263,516**	**12,301,291**	**11,511,111**	**12,440,170**
Resource Expenditure in AME				
Skills Funding Agency[1]	0	0	0	0
Student Loans	(11,079)	(21,881)	1,553	0
Other (primarily the Construction Industry and Engineering Construction Industry Training Boards[4])	158,721	178,422	212,537	206,597
Total Resource Expenditure in AME	**147,642**	**156,541**	**214,090**	**206,597**
Total Resource Expenditure	**11,411,158**	**12,457,832**	**11,725,201**	**12,646,767**
Capital Expenditure in DEL				
Higher Education Funding Council for England[5]	716,813	754,622	556,753	560,977
Learning and Skills Council/Skills Funding Agency[1]	403,801	467,776	630,505	953,767
Student Loans	384	2,692	3,497	0
Other Further Education and Skills Funding	646	563	2,611	2,412
Other Higher Education Funding	(92)	(2,000)	(533)	13,354
Total Capital Expenditure in DEL	**1,122,882**	**1,224,163**	**1,422,366**	**1,530,510**
Capital Expenditure in AME				
Student Loans[2]	2,819,109	4,031,616	3,982,498	4,045,771
Other (primarily the Construction Industry Training Board[4])	1,558	3,831	5,919	494
Total Capital Expenditure in AME	**2,820,667**	**4,035,447**	**3,988,417**	**4,046,265**
Total Capital Expenditure	**3,943,549**	**5,259,610**	**5,181,783**	**5,576,775**
Total Expenditure	**15,354,707**	**17,717,442**	**16,906,984**	**18,223,542**

1 From 1 April 2010 the Learning and Skills Agency has been superseded by the Skills Funding Agency which has undertaken the related work in tandem with the newly created Young Persons' Learning Agency (an NDPB of Department for Education).

2 The Student Loan figures reflect increasing student numbers and the progressive implementation of new student support policies.

3 The UK Commission for Employment and Skills was created in 2008.

[4] The costs of the Construction Industry and Engineering Construction Industry Training Boards are covered by levies they collect.

[5] £200m of Capital budget was brought forward from 2010-11 to 2009-10 under the Fiscal Stimulus programme.

DSO 6: Capability

Provide the professional support, capability and infrastructure needed to deliver our objectives and programmes, working effectively with our partner organisations to deliver public service excellence	
6.1	**Indicator:** Progress in building the capability of the Department to meet future challenges
	Statement on data: The 2010 Capability Review Stocktake found that the Department had improved in many areas when compared to the previous reviews of BERR and DIUS. In particular the Stocktake highlighted strong leadership; improving relationships with partners, stakeholders and other departments; the high regard that BIS staff are generally held by those who work with them outside the Department; and the strong analytical function from which the Department benefits. The Department also uses the annual People Survey as a further indicator of progress in building capability. The first BIS People Survey was undertaken in the autumn of 2009 as part of the first Civil Service People Survey. The results were published in December and demonstrated that BIS scored well and above average on leadership and managing change (including internal communications and visibility of senior managers), access to learning and development opportunities and career development; and team support and improving ways of working. The survey was held just four months after the creation of BIS: the results demonstrated we did less well in areas around pride and personal attachment to BIS. The results of the People Survey, the Capability Review Stocktake and stakeholder surveys are being used to inform development of a new People and Capability Strategy for BIS, which itself will include key success measures for the Department to monitor progress in building capability.

DSO 6: Capability	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn
				£'000
Resource Expenditure in DEL				
Departmental administration and miscellaneous central programmes	333,839	430,153	247,588	275,443
External Legal Fees and OME Consultancy and other programmes	7,181	2,653	2,689	1,875
Total Resource Expenditure in DEL	**341,020**	**432,806**	**250,277**	**277,318**
Capital Expenditure in DEL				
Departmental administration and miscellaneous central programmes	13,804	20,185	14,138	14,056
Total Capital Expenditure in DEL	**13,804**	**20,185**	**14,138**	**14,056**
Total Expenditure	**354,824**	**452,991**	**264,415**	**291,374**

DSO 7: Government as a shareholder

Ensure that government acts as an effective and intelligent shareholder and provide excellent corporate finance expertise in government	
7.1	**Indicator:** Individual company targets and dividend policies aimed at increasing value
	Statement on data: The Shareholder Executive is valuing the entire portfolio over a two year cycle, with half of the portfolio valued each year going forward. The Shareholder Executive is also developing new targets for the businesses in its portfolio focusing on underlying drivers of shareholder value, which would provide greater transparency and better reflect our performance with respect to each of the businesses. These include: economic profit, dividend and bespoke performance targets. These targets, where appropriate, are now in place for majority of businesses and have been referenced in the Shareholder Executive 2008-09 Annual Report published in September 2009. Dividend targets have been completed for each business where a dividend target is appropriate. Some businesses are not capable of producing dividends and some businesses have dividend returns expressly excluded from their business plan. The dividend policy or target for each business is referenced in the Shareholder Executive Annual Report.
7.2	**Indicator:** Expand the Shareholder Executive's work to cover a greater proportion of HM Government businesses and corporate finance situations
	Statement on data: The Shareholder Executive continues to be offered more work from within BIS and throughout Whitehall. For example, taking the lead on asset management strand of the Operational Efficiency Programme (OEP), being asked to establish a Property Unit which will be a central source of property advice across the public sector identifying surplus assets and acting as a source of expertise and support on complex land and property transactions, and providing ad hoc advice on corporate failure within BIS, including the automotive industry, through our Corporate Finance Practice (CFP) team. The CFP team also looks at other sectors in difficulty and provides expert advice to other government departments.

DSO 7: Government as a Shareholder	£'000			
	2006-07 Outturn	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**
Resource Expenditure in DEL				
Post Office Network[1]	79,234	458,213	294,420	156,800
Shareholder Executive administration	4,093	900	10,049	8,369
United Kingdom Atomic Energy Authority	10,306	4,435	(2,077)	4,079
Total Resource Expenditure in DEL	**93,633**	**463,548**	**302,392**	**169,248**
Resource Expenditure in AME				
United Kingdom Atomic Energy Authority	(6,986)	1,976	(19,473)	4,405
Interest received for the Post Office Working Capital Loan facility	(19,841)	(13,659)	(7,459)	(2,158)
Interest capitalised on the Royal Mail Shareholder Loan	0	0	(1,481)	(36,155)
BNFL/Magnox Decommissioning[2]	(22,241)	0	0	0
Total Resource Expenditure in AME	**(49,068)**	**(11,683)**	**(28,413)**	**(33,908)**
Total Resource Expenditure	**44,565**	**451,865**	**273,979**	**135,340**
Capital Expenditure in DEL				
United Kingdom Atomic Energy Authority	0	0	987	5,073
Total Capital Expenditure in DEL	**0**	**0**	**987**	**5,073**
Capital Expenditure in AME				
BNFL/Magnox Decommissioning[2]	(550,153)	(260,000)	(632,000)	(32,000)
Post Office Working Capital Loan Facility[3]	0	(10,000)	(193,000)	292,000
Royal Mail Shareholder Loan	0	0	300,000	0
Royal Mail Equity Purchase	430,273	0	0	0
Total Capital Expenditure in AME	**(119,880)**	**(270,000)**	**(525,000)**	**260,000**
Total Capital Expenditure	**(119,880)**	**(270,000)**	**(524,013)**	**265,073**
Total Expenditure	**(75,315)**	**181,865**	**(250,034)**	**400,413**

1 In 2007-08 and 2008-09, additional support was given to Post Office Limited to cover restructuring costs.

2 Responsibilities for BNFL/Magnox decommissioning were transferred to the Nuclear Decommissioning Authority as from 2007-08. The negative capital figures reflect receipts of income and special dividends.

3 The outturn figure shown as the Post Office Working Capital Loan Facility reflects the net change in lending year-on-year whilst the plans figure reflects the total cash being made available.

Data statements for PSAs which BIS led in 2009/10

PSA 1: Raise the productivity of the UK economy

Raise the productivity of the UK economy	
1.1	**Indicator:** Labour productivity (output per hour worked) over the economic cycle
	Statement on data: UK trend productivity growth (output per hour worked) was an estimated 2.5% per annum over the most recent full business cycle (1997H1 to 2006H2,[61] HMT Autumn Report 2009[62]), which ended during the previous spending review period, SR04. This was a significant improvement compared with the 1.9% rate estimated for the two previous economic cycles. The latest HMT projection for productivity growth in the current cycle is 2.3% (2010 Budget[63]), lower than its estimate of trend productivity growth over the last full economic cycle (2.5%). ONS's measures of labour productivity (both its headline output per worker measure, and its output per hour worked measure) have reported negative productivity growth in the year to 2009Q4. However these short term measures of productivity growth are highly influenced by the stage of the business cycle, and so are not used to update progress on the indicator measuring trend productivity growth.

61 The first half of 1997 to the first half of 2006
62 HMT Autumn Report 2009, page 48, http://www.hm-treasury.gov.uk/d/autumnperformance151209.pdf
63 Budget 2010, page 143, http://www.hm-treasury.gov.uk/d/budget2010_complete.pdf

1.2	**Indicator:** International comparisons of productivity (per worker, per hour worked)
	Statement on data: When comparing the change in productivity gaps, the latest OECD data[64] show that the UK, France, Germany and the US had similar trend growth points in 1994 and 2006, identifying when these countries' business cycles were most closely aligned. Making comparisons between years of close business cycle alignment helps minimise distortions due to the business cycle. Between these two years, the UK's productivity gap (measured as output per worker) closed with Germany (reaching 2% in 2006, from 14% in 1994), while the gap with France narrowed by 13 percentage points to 6% in 2006, and the gap with the US remained broadly the same (closing by a non-statistically significant 4 percentage points to 29% in 2006). The alternative output per hour worked measure shows that the UK productivity gap narrowed to 19% in 2006 with both Germany and the US, from 27% and 25% respectively in 1994, while narrowing by eight percentage points to 15% with France. The latest year for which international comparisons of productivity data are available is 2008. Looking at the changes in productivity gaps between 1998 and 2008, the gap in output per worker narrowed with France from 14% to 9%, and closed with Germany, moving from 7% to 2%. The gap with the US remained broadly unchanged, at 33% in 2008 (up from 30% in 1998). Over the same period, the output per hour worked gap narrowed by 6 percentage points to 17% with Germany, and remained broadly unchanged with the US (at 22% in 2008, from 21% in 1998) and France, (narrowing by a not statistically significant 4 percentage points to 16%).

64 OECD (2009) Economic Outlook no.86, Volume 2009/2 (link for subscribers) http://www.sourceoecd.org/periodical/04745574/econoutlook

PSA 2: Universities and Skills

Improve the skills of the population on the way to ensuring a world-class skills base by 2020	
2.1	**Indicator:** As DSO indicator 5.1
	Statement on data: As DSO indicator 5.1
2.2	**Indicator:** As DSO indicator 5.2
	Statement on data: As DSO indicator 5.2
2.3	**Indicator:** As DSO indicator 5.3
	Statement on data: As DSO indicator 5.3
2.4	**Indicator:** As DSO indicator 5.4
	Statement on data: As DSO indicator 5.4
2.5	**Indicator:** As DSO indicator 5.5
	Statement on data: As DSO indicator 5.5
2.6	**Indicator:** As DSO indicator 5.6
	Statement on data: As DSO indicator 5.6

PSA 4: Science and Research

Promote world-class science and innovation in the UK	
4.1	**Indicator:** As DSO indicator 1.1
	Statement on data: As DSO indicator 1.1
4.2	**Indicator:** As DSO indicator 1.7
	Statement on data: As DSO indicator 1.7
4.3	**Indicator:** The percentage of UK business with 10 or more employees that are ‘innovation active
	Statement on data: The latest data from the 2009 UK Innovation Survey found that 58% of businesses with 10 or more employees were innovation active, which is down from 64% in the previous survey.
4.4	**Indicator:** As DSO indicator 1.2
	Statement on data: As DSO indicator 1.2
4.5	**Indicator:** As DSO indicator 1.3
	Statement on data: As DSO indicator 1.3
4.6	**Indicator:** As DSO indicator 2.5
	Statement on data: As DSO indicator 2.5

PSA 6: Business success

Deliver the conditions for business success in the UK	
6.1	**Indicator:** As DSO indicator 3.1
	Statement on data: As DSO indicator 3.1
6.2	**Indicator:** As DSO indicator 3.2
	Statement on data: As DSO indicator 3.2
6.3	**Indicator:** As DSO indicator 3.3
	Statement on data: As DSO indicator 3.3
6.4 *This PSA indicator is similar to, but does not replicate, DECC's DSO 3.3*	**Indicator:** Maintenance of competitively priced energy markets
	Statement on data: Latest estimated data,[65] for the period June 2008 to December 2008 show that UK electricity prices were above the EU-15 median level, whilst UK gas prices were below the EU-15 median level. UK gas and electricity prices have become less competitive against EU median levels compared to the previous period (Jan 2008 to June 2008); this is largely due to the depreciation of sterling.
6.5	**Indicator:** As DSO indicator 4.3
	Statement on data: As DSO indicator 4.3
6.6a	**Indicator:** As DSO indicator 4.1
	Statement on data: As DSO indicator 4.1
6.6b *This PSA indicator is similar to, but does not replicate, HMRC's DSO 2.2*	**Indicator:** Deliver commitments to administrative burdens reductions – HMRC
	Statement on data: Budget 2006 announced two specific administrative burden reduction targets for HMRC to achieve by 2010-11: ● reduce by 10% the administrative burden of forms and returns on business customers; and ● reduce by 15% the administrative burden of audit and inspections on compliant business customers. HMRC has delivered, or is committed to measures which will deliver administrative savings to business of up to £400 million: ● £342 million against the forms and returns target, a reduction of nearly 1.5% above the target of 10%; ● £43 million from complying with audits and inspections which represents a saving of 31% against this baseline; and ● £163 million in relation to wider administrative burdens in complying with tax legislation.

65 Quarterly Energy Prices: international comparisons http://www.decc.gov.uk/en/content/cms/statistics/source/prices/prices.aspx

PSA 7: Regional economic performance

Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions

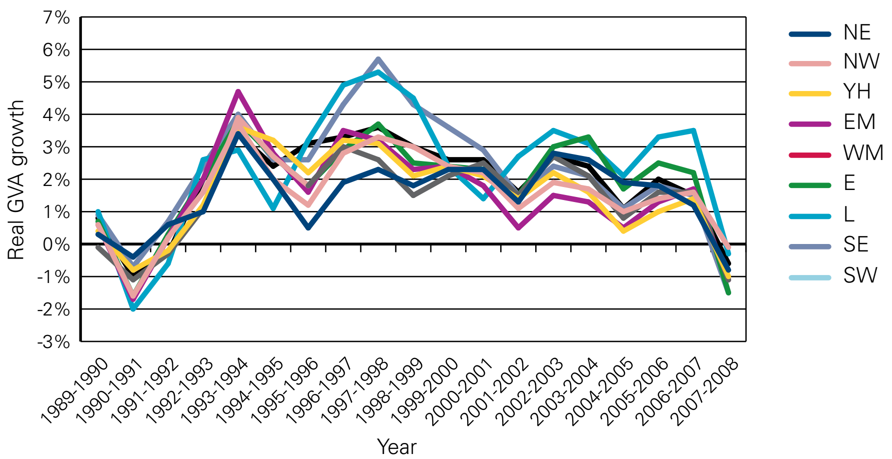
7.1 **Indicator:** Regional Gross Value Added (GVA) per head growth rates

Statement on data: Only one region (London) has seen an improvement relative to the baseline period (1990-2002) performance. The weakest performance compared to the baseline period has been seen in the South East, although this region experienced the strongest growth in the baseline period.

Between 2002 and 2008, the Greater South East (GSE) and North, Midlands and West (NMW) grew by an average of 1.9% and 1.2% per annum respectively. This compares to growth across the baseline period (1990-2002) of 2.5% in the GSE, and 1.9% in the NMW.

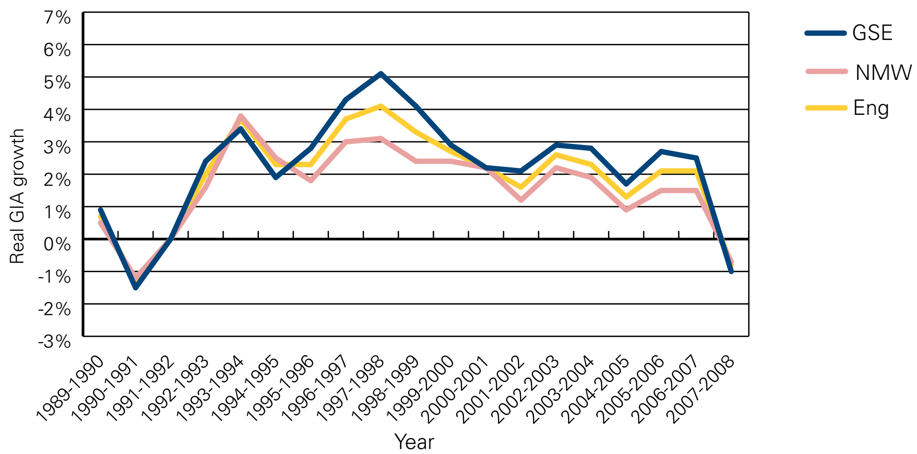
The gap in growth rates between the lead and lagging regions has therefore increased from 0.6% over the baseline period to 0.7% over the reporting period (an increase of 0.2 percentage points using unrounded information).

Figure 1: Real GVA per head growth rates by region (adjusted by ONS GVA National Price Deflator)



Source: BIS calculations derived from Regional Accounts, Office for National Statistics.

Figure 2: Real GVA per head growth rates by area (adjusted by ONS GVA National Price Deflator)



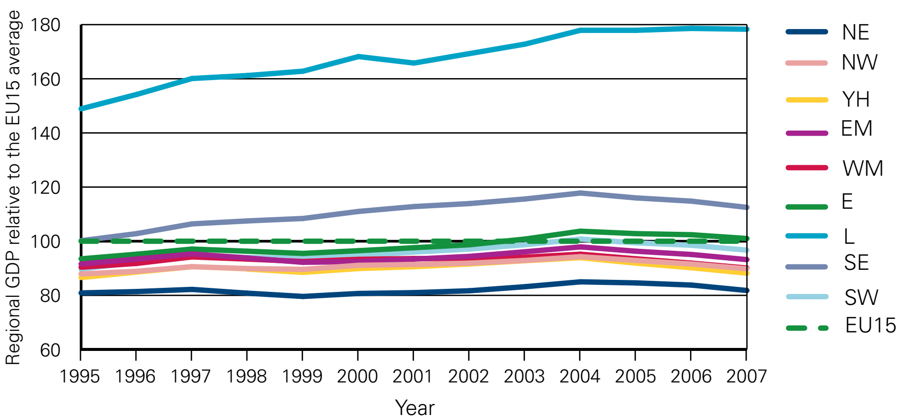
Source: BIS calculations derived from Regional Accounts, Office for National Statistics.

7.2 **Indicator:** Regional Gross Domestic Product (GDP) per head levels indexed to the EU-15 average

Statement on data: Only the North East, the East of England and London have experienced an increase in GDP per head relative to the EU-15 average in 2007 compared to the baseline year (2002), with the increase being greatest in London. Of those regions which saw a decrease relative to the EU-15 average the largest decreases were seen in the West Midlands and Yorkshire and Humber.

There are no conclusive data yet on what effect the recession is having on the relative regions/EU-15 growth measure making it difficult to assess recent progress.

Figure 3: Regional GDP per head relative to the EU-15 average compared using Purchasing Power Parities



Source: BIS calculations derived from EUROSTAT data

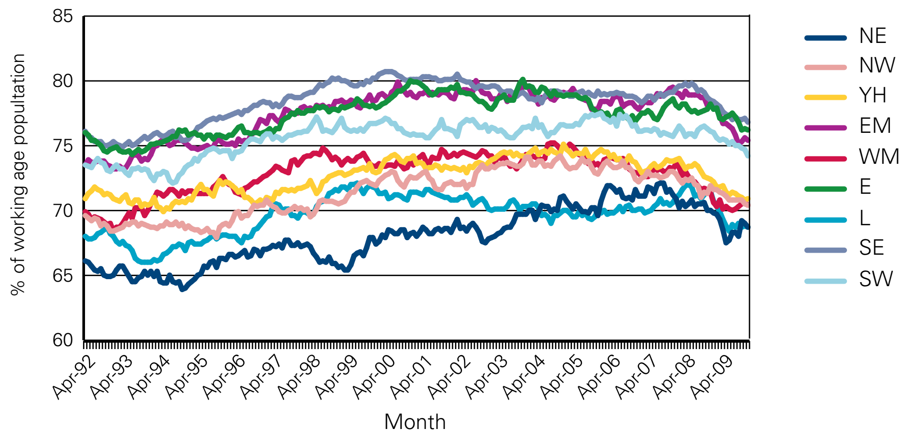
Note: The chart presents data from 1995 onwards, however, it should be noted that the baseline for this indicator is 2002.

7.3 **Indicator:** Regional employment rates

Statement on data: All English regions have seen increases in their employment rates over the current period (January 2003 to December 2009) compared to the baseline period (April 1992 to December 2002). However, in three of the regions (London, the South East and West Midlands), the increase is slightly below that required to meet the target.

The North East has had the largest rise in the employment rate although it started from the lowest base. The South East, despite seeing one of the smallest increases between the baseline and comparison period, had the highest employment rate of the English regions over both the baseline and current period.

Figure 4: Employment rate of working age people by region



Source: Labour Force Survey, Office for National Statistics.

7.4 **Indicator:** Regional productivity as measured by GVA per hour worked indices

Statement on data: London and the East of England have seen improvements in per annum real productivity growth over the period 2002-08 compared to the baseline period of 1990-2002.

Per annum real productivity growth in the remaining regions decreased compared to the baseline period, with Yorkshire & the Humber and the West Midlands recording the largest decreases in per annum productivity growth rates relative to their own performance in the baseline period.

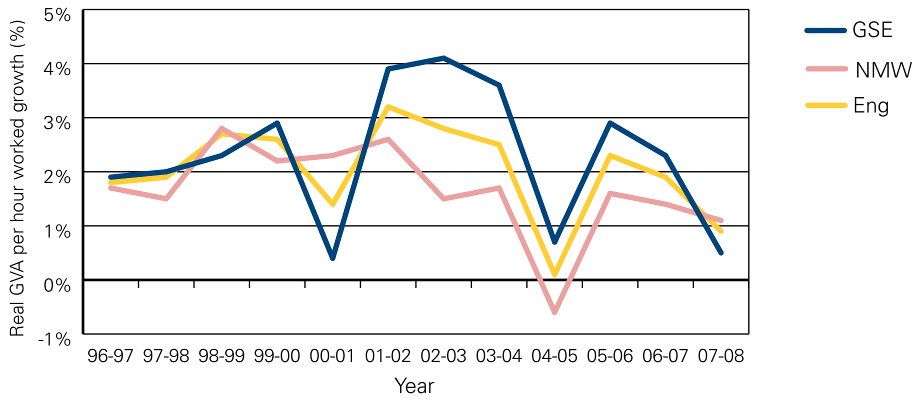
The gap between the lead and lagging regions in per annum real GVA per hour worked growth rates has increased from just less than 0.1 percentage points in the baseline period (1996-2002) to 1.3 percentage points in the reporting period (2002-2007). This is due to increases in per annum productivity growth rates in two of the three lead regions and a fall in productivity in all of the lagging regions.

GVA per hour worked by region (adjusted by ONS GVA National Price Deflator):

North East	1.2%	1.1%
North West	2.1%	0.8%
Yorkshire and the Humber	2.1%	1.0%
East Midlands	1.9%	1.1%
West Midlands	2.5%	1.2%
East of England	1.9%	2.5%
London	2.0%	2.7%
South East	2.6%	1.7%
South West	2.8%	1.6%

Source: BIS calculations derived from data from the Employment, Earnings & Productivity Division, Office for National Statistics

Figure 5: GVA per hour worked by area (adjusted by ONS GVA National Price Deflator)



Source: BIS calculations derived from data from the Employment, Earnings & Productivity Division, Office for National Statistics.

CSR07 Value for Money Programme

The CSR 07 Value for Money programme was a CSR07 commitment to an overall target across Government of £35bn value for money savings for that spending review period. The Department agreed a target of £2.1 billion value for money (VfM) savings to be released by the end of the CSR period, 2008-2011. The 2008-09 target of £732 million has been met, with further savings from the FE sector waiting to be confirmed. For 2009-10 savings totalling £624 million have so far been confirmed. Reporting timelags in the FE and HE sectors mean the final delivered savings for FY2009-10 will not be known until summer 2011 but forecasts indicate that this year's target of £1.1 billion will be met.

BIS CSR07 VfM savings for 2008-09 and 2009-10 are set out in the below table:

	2008-09 (£m)		2009-10 (£m)		
	Target	**Actual**	**Target**	**Forecast**	**Actual to date**
Further Education	377	320	491	491	48
Higher Education	143	181	246	296	282
Science and Research	119	276	243	275	231
Free and Fair Markets	23	24	32	32	–
Business and Enterprise	28	31	35	35	–
Innovation	24	26	30	30	30
Administration	17	17	33	33	33
Further VfM	1	–	3	–	–
Balance (to be met from SR04 over delivery)					
Total	**732**	**875**	**1113**	**1192**	**624**

Public Accounts Committee Outstanding 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. The paragraphs below give details of all outstanding PAC recommendations on reports on which the Government has formally replied.

HC 409: 20 September 2007: The Shareholder Executive and public sector Businesses (HC409) 42nd report 2006/07 session	
Recommendation 6 **The Executive operates within departmental pay and grading limits which may inhibit recruitment of appropriately skilled staff. The quality of the Executive's staff is key to its effectiveness. The Executive needs sufficient pay flexibility to continue to recruit high calibre staff in a market for commercially related skills.**	A pay flexibility scheme has been agreed and implemented.
Recommendation 8 **Between 2004 and 2006 the dividends paid have increased from £24.3 million to £45.3 million, while operating costs have risen from £1.1 billion to £3.7 billion. The Executive should set business level dividend targets which take into account the risks faced by businesses, the capital invested in them and a credible estimate of future investment needs, so that over time a greater flow of dividends could be returned to the taxpayer.**	A dividend target has been agreed and set for each business where appropriate. However, many of the businesses do not pay dividends for commercial or policy reasons. Such cases are kept under review with a strategy of moving them to a position where dividends are appropriate unless there are specific reasons for not doing so.

HC71: 26 February 2008: The Compensation Scheme for former Icelandic Water Trawlermen 11th report 2007/2008 session	
Recommendation 1 and others **By November 2007, the Department had paid over £42 million in compensation to 4,400 former Icelandic trawlermen and their dependents. The scheme was complex to administer, and the Department made many of the same mistakes that it made in managing its Coal Health Compensation Scheme. The Department should set out the lessons in this Committee's reports on these schemes and secure a marked improvement in future schemes of this kind.**	Following extensive consultation, the Government launched a new trawlermen compensation scheme in July 2009 taking into account all the recommendations in the PAC report.

HC 416: 26 June 2008: Government Preparations for Digital Switchover: 28th Report 2007/08 session	
PAC conclusion 4: Take up of the help scheme in Copeland, the first area to switch to digital, suggests that demand for the scheme will be much lower than the Departments' forecasts, which look increasingly out of date. The Departments should review whether the scheme is reaching enough people and achieving its objectives, based on what happens in the Border region, which will be the first full region to switch. In the light of this review, they should amend the design of the scheme and the funds available as necessary before proceeding with switchover in the Granada region from October 2009.	The estimate of expenditure on the Help Scheme has been revised in the light of take up rates in the regions which have switched and the significant savings which the BBC secured through a competitive procurement process, and we now think that the underspend is likely to be in the region of £300m. The Government has outlined its proposal for deploying this money on other initiatives in the Digital Britain Report. In terms of take-up rate, it is clear that many more people than initially expected are making the switch without recourse to the Help Scheme. There is no evidence that eligible people are being left with blank screens, though the Help Scheme's research suggests that there may be about 5-10% of eligible people who do not take up the scheme but who would probably have had a simpler switch had they done so. The Help Scheme is developing a variety of approaches for encouraging take up amongst this group.

HC 416: 26 June 2008: Government Preparations for Digital Switchover: 28th Report 2007/08 session	
PAC conclusion 7: The Departments' reliance on voluntary labelling and the work of Digital UK to protect consumers from potential mis-selling of analogue televisions in the run-up to switchover has, so far, not worked. The 'Digital Tick' was introduced nearly four years ago, but only half the staff in the two thirds of stores which use the Digital Tick logo understand what it means. Given reliance on the logo to protect consumers, the Departments should set out how, by the end of 2008, they will try to secure take-up of the logo by at least 90% of retailers (by sales), and at least 90% understanding of the Digital Tick among staff selling television equipment in retail stores. This should substantially reduce the risk that consumers will unwittingly purchase televisions with built-in obsolescence.	By December 2009, we believe there were scarcely any new analogue-only televisions available for sale in UK with almost all new televisions (99%) and television recording equipment (96%) sold being digital. Digital UK has put in place a range of measures to support the retail trade since the beginning of 2008 including appointing a field marketing agency, Gekko, to supply retail support teams to visit stores, encourage sign-up to the 'digital tick' logo scheme, and to provide advice, training and materials. Through the work of Digital UK, the proportion of televisions, set-top boxes and television recording equipment sold in 2009 through a retailer licensed to use the 'digital tick' logo (online or retail) was 87%. 5663 individuals had qualified as Digital Advisers under the 'digital tick' scheme by the end of February 2010.

HC 584: 30 October 2008: The Offenders Learning and Skills Service: 47th report 2007/2008 session	
PAC Conclusion 1: The delivery partners should commit to joint performance targets so that decisions made at the frontline are consistent with the agreed priorities.	Activity to develop shared performance targets is underway, and is being articulated closely with the shared target activity flowing from the joint strategic review of employment services for offenders undertaken by the Department for Work and Pensions and the Ministry of Justice in 2009.
PAC Conclusion 2: The Learning and Skills Council and HM Prison Service disagree over what can be delivered to those on short sentences and what priority this group should be given. The delivery partners should develop evidence-based, intensive programmes, aimed at getting offenders serving sentences under 12 months into local employment on release or signposting them towards further training in the community.	Offender Learning and Skills Service (OLASS) providers are now required to deliver short intensive 'skills for employment' programmes including functional skills (literacy, numeracy and information technology) followed up by signposting to provision upon release as part of the offer for short term sentenced prisoners.
PAC Conclusion 3: A quarter of prisoners have no screening or assessment for learning and skills needs, despite this being a requirement of OLASS. It may not be possible for assessments to be carried out in all cases, for instance, where offenders have very short sentences. However, if assessments are not carried out, it will be difficult to identify which offenders are most in need of the Service. The OLASS partners should either carry out an assessment or document the reasons why an assessment could not be carried out.	Careers Information and Advice Service (CIAS) providers now see all prisoners at induction, screening those who are first receptions (including for learning difficulties) with full assessment by the OLASS provider of those who progress to education. OLASS providers have been required to document why an assessment was not carried out on learners since 1 August 2009.

HC 584: 30 October 2008: The Offenders Learning and Skills Service: 47th report 2007/2008 session	
PAC Conclusion 4: The quality of learning plans is poor and, without improvement, OLASS cannot hope to support offenders effectively. The LSC should give clear guidance to all OLASS providers about their requirement to maintain a single consistent record of an offender's learning needs, the learning they plan to undertake, and the progress they have made. The LSC must enforce existing contractual requirements for providers to maintain comprehensive and accurate records of learners' participation and progress.	OLASS providers are now required to maintain a single consistent record of an offender's learning needs, the learning they plan to undertake, and the progress they have made. These contractual requirements will be enforced.
PAC Conclusion 5: The lack of a core curriculum means offenders' learning is unnecessarily disrupted when they are transferred between prisons. The LSC should start consultations now with providers and other OLASS partners, and use the next contracting round to put in place a core curriculum of courses delivered throughout the prison estate and accessible in FE colleges to offenders in the community.	OLASS providers are now required to deliver a core curriculum of courses available throughout the prison estate and accessible through publicly funded mainstream further education providers to offenders in the community.
PAC Conclusion 6: Learning providers are paid regardless of attendance or course completion rates. There is a risk that courses will be filled by offenders who are already well qualified but who may be easy to teach. When contracts are renegotiated in 2009, the LSC should make payments to providers conditional, in part, on increasing attendance on courses by those offenders who need them, and on the progress that those individuals make. Contracts must specify minimum acceptable standards for offender engagement and course completion. Consultation on these issues should begin now.	OLASS providers are subject to financial penalties for failing to achieve performance indicators and for not meeting contractual obligations. From August 2009 contracts include the requirement for providers to meet (within regime constraints) minimum acceptable standards for retention in learning and on the progress those individuals make.

HC 584: 30 October 2008: The Offenders Learning and Skills Service: 47th report 2007/2008 session	
PAC Conclusion 7: Offenders' learning records are frequently not transferred when offenders are moved, making it harder for them to carry on courses, and difficult for the LSC and providers to measure the impact of interventions. The LSC is trialling a new data system in two pilot areas in September 2008. So that offender managers can understand what progress offenders have made, the LSC must make data available accessible to all OLASS partners, in a format that meets their needs. The requirement for providers to transfer information about learners' progress when they move between prisons and into the community should be a condition built into the 2009 contracting round with OLASS providers.	OLASS and CIAS providers are now required to use the data system which was being trialled when the PAC's report was published. The new system holds data in a central store so that CIAS providers, OLASS providers, successor learning providers and other partners can access it from wherever the offender is. Provider contracts require them to keep information about learners' progress up to date, meaning that the latest information will always be available to the successor provider when offenders move between prisons and into the community. Data from the new data system is available to partners.
PAC Conclusion 8: The LSC does not collect information to show whether or not offenders gain employment following completion of their sentence. The probation service attempts to measure whether offenders secure employment. To show the extent to which interventions including learning and skills had helped offenders to get a job, the partners should share information about those offenders supervised by the probation service, including those supervised on release from custody. For those offenders who are not supervised by the probation service, the delivery partners should carry out research, on a sample basis, to measure the effectiveness of different interventions in helping offenders get a stable job.	The Ministry of Justice is undertaking two longitudinal cohort studies which will show the extent to which interventions including learning and skills have helped offenders to get a job. Data matching arrangements have also been developed between the Skills Funding Agency and Jobcentre Plus to gauge the effectiveness of learning and skills interventions in helping offenders find work. Issues around data matching for offenders in the community are challenging, but are being taken forward as part of the shared target activity flowing from the joint strategic review of employment services for offenders undertaken by the Department for Work and Pensions and the Ministry of Justice in 2009.

HC 584: 30 October 2008: The Offenders Learning and Skills Service: 47th report 2007/2008 session	
PAC Conclusion (9): Offenders are more likely to gain a job when they are released if they are equipped with skills relevant to local employers. Some prison governors are working with local employers to focus learning and skills provision and prison work on preparing offenders for realistic employment opportunities. Regional Learning and Skills Councils must work with providers to obtain feedback from local employers about the courses currently on offer, and make changes where necessary to ensure that the courses available meet employers' requirements. The LSC and the National Offender Management Service should promote local best practice and engage major employers nationally in order to tackle resistance to employing ex-offenders, and target learning and skills provision on employers' practical requirements.	The Skills Funding Agency ensures that its co-commissioning processes with Directors of Offender Management in the regions reflect employer needs and that Probation Service and other partners and stakeholders working with offenders on release into the community link with mainstream providers to deliver the skills most in demand by employers. The LSC earlier published the results of work undertaken with Probation colleagues, to ensure mainstream services better address the needs of offenders in the community, providing guidance to practitioners locally about how best to ensure offenders in the community access it.

HC 154: 29 January 2009: Skills for Life: Improving Adult Literacy and Numeracy: 3rd report 2008/2009 session	
Recommendation 3: **In developing its numeracy plan, [the Department] should focus on how to encourage greater participation, and how approaches to teaching can better meet the needs of those who do not respond to traditional methods of learning.**	In 2010/11, the 1.4 funding uplift is being maintained for entry level numeracy provision, whilst being reduced for other Skills for Life provision. This reflects the need to build the capacity of entry level numeracy provision in order to support more learners from the lowest levels to improve their numeracy skills. The refreshed Get On campaign was launched in summer 2009 and focused on raising demand for numeracy courses, including through activity targeted at BME groups. From September 2009 the LSIS Skills for Life Support Programme has had a focus on supporting providers to improve their numeracy provision. This has included engaging maths experts in order to promote the best practice in numeracy teaching.
Recommendation 4: **The Department should undertake a follow-up to the 2003 Skills for Life survey.**	A follow-up to the 2003 Skills for Life survey is taking place in 2010-11 and will report in summer 2011.
Recommendation 5: **[The Department] should adopt new approaches to recruitment [of numeracy teachers], for example, targeting graduates of programmes with substantial maths content and increasing the availability of specialist training routes including distance learning.**	A national recruitment campaign took place in 2009, targeted at attracting teachers to Science, Technology, Engineering and Mathematics (STEM) teaching in FE. To attract more people to become numeracy teachers, higher rate incentives have been offered to numeracy trainee teachers through the FE Bursary Scheme.

HC 154: 29 January 2009: Skills for Life: Improving Adult Literacy and Numeracy: 3rd report 2008/2009 session	
Recommendation 6: **The Department, Learning and Skills Council and Jobcentre Plus will need to put in place clear and easily understood routes by which those eligible can access training.** **The Department should encourage other public services, such as health and housing, to promote training opportunities to improve basic skills for those adults with poor literacy, language or numeracy with whom they come into contact.**	Through ongoing work to align the employment and skills systems, jobseekers are being provided with the opportunity to get an assessment of their literacy, language and numeracy needs and access to the support they need. The Department is continuing to work with other Government Departments such as the DH, DCMS and DWP to pursue opportunities to engage adults in Skills for Life when they come into contact with public services. From August 2010, Next Step, the new integrated adult careers service, will give people access to the best information, advice and resources which enables them to make more effective choices about skills, careers, work and life. The service will provide advice and support for people on improving their literacy, language and numeracy skills and work with partners to help individuals overcome the range of barriers to progressing in learning and work they face.
Recommendation 7: **The Prison Service should provide additional incentives to encourage more offenders to improve their basic skills and, through the Learning and Skills Council, should include more basic skills education on vocational courses and other prison activities, to make it more likely to appeal to offenders.**	Enhanced arrangements for delivering information, advice and guidance to newly received prisoners, alongside a new core curriculum, were introduced by the Learning and Skills Council in August 2009. The Skills Funding Agency continues to work with the National Offender Management Service to improve the arrangements for allocating those prisoners with learning needs to education and to embed appropriate elements of the curriculum into prison activities.

HC 154: 29 January 2009: Skills for Life: Improving Adult Literacy and Numeracy: 3rd report 2008/2009 session	
Recommendation 8: **The Learning and Skills Council needs to improve the competency and capability of skills brokers through more dedicated training and support.**	All brokers are required to achieve the Business Support occupation standard which includes the requirement to have the necessary knowledge of literacy and numeracy and how it can be articulated to employers in the context of business improvement.

HC 226: 26 February 2009: Widening participation in higher education: 4th report 2008/2009 session	
PAC Conclusion 1: Although the gap is narrowing, more than twice the proportion of people from upper socio-economic backgrounds go into higher education than those from lower socio-economic groups. The participation of young full-time students from lower socio-economic backgrounds has improved slightly, by two percentage points over the last four years. Nevertheless, although this group make up around a half of the population of England, they still only represent just 29% of young full-time first entrants to higher education.	The Department has continued to invest in measures to narrow the gap in participation in higher education between different socio-economic groups, providing £89 million in 2009-2010 for the Aimhigher and Aimhigher Associates programmes. The programmes target young people aged 13-19 from disadvantaged backgrounds to raise their aspirations and attainment to help them progress to Higher Education. The gap in participation rates of young people between the top three and bottom four socio-economic classes has fallen from 27.2% in 2002/3 to 20.2% in 2007/8 – a fall of 7 percentage points.

HC 226: 26 February 2009: Widening participation in higher education: 4th report 2008/2009 session	
PAC Conclusion 3: Guidance for young people on how to progress into higher education is often of variable quality and not provided face-to-face. Poor advice and guidance can lead to potential students making the wrong choices about which subjects to study, making unrealistic applications or not applying at all. The Department for Innovation, Universities and Skills and the Department for Children, Schools and Families should jointly provide teachers, particularly those offering careers advice, with up-to-date guidance on the financial support available for students and the academic requirements for chosen career paths.	Higher Ambitions, published by BIS in November 2009 outlined measures to improve the advice and encouragement students get earlier in their education to help focus their sights on HE. This built on the DCSF strategy for young people's information advice and guidance "Quality Choice and Aspiration" published in October 2009, and developed with BIS.
PAC Conclusion 4: In 2006–07, some 12,000 students did not apply for a bursary, although many were likely to have met the necessary criteria. While information on financial assistance is available from a range of sources, it is not easily accessible or understood. The Department should develop a single source of information to enable potential students to identify easily the bursaries and grants for which they may be eligible.	Since April 2009 Student Finance England, has become the one stop shop for all information relating to student finance. This has included a student finance calculator which combines information on bursaries available at particular institutions alongside illustrations of the main student support package. Higher Education Institutions also supply details of their bursary schemes to students in line with guidance from the Office for Fair Access (OFFA). There was a significant improvement in bursary take-up from around 80% in 2006-07 to around 90% in 2007-08. For academic year 2008/09 an opt-out consent to share household income data with HEIs was added to the application form for student finance. This helps HEIs and the SLC ensure students get the bursary they are entitled to. These measures should help to improve bursary take up in subsequent years, with OFFA predicting around 98% in 2008/09.

HC 226: 26 February 2009: Widening participation in higher education: 4th report 2008/2009 session	
PAC Conclusion 5: Although performance at school is a strong predictor of entry to higher education and is influenced by a number of factors, early contact with universities can help overcome some young people's reservations about higher education. While more young people living in deprived areas are now going to university, they are, as a group, still less likely to obtain good GCSEs and progress to higher education than those not living in deprived areas. University mentoring of secondary school pupils living in deprived areas, primary school networks and pre-entry programmes can help raise the ambitions of young people. These initiatives and others need to be much more widespread than at present if more people from deprived areas are to benefit.	Higher Ambitions, published by BIS in October 2009, laid out measures to build on the progress already made by the sector on widening participation, in particular on the issue of access to the most selective institutions for students from disadvantaged backgrounds. The Aimhigher Associates mentoring scheme began nationally in the 2009/2010 academic year, with existing university students from state school backgrounds mentoring young people at school and college. The national roll out will lead to 5,500 Associates helping 21,000 young people.
PAC Conclusion 6: Despite the potential benefits for their pupils, some schools in England do not have links to a university and do not access widening participation activities. The Funding Council has issued guidance for universities on the targeting of activities, but there is limited regional or national oversight to ensure that all schools are targeted adequately. The Department and the Funding Council should, jointly with the Department for Children, Schools and Families, review the coverage of widening participation activities and encourage every school to establish regular contact with at least one university.	We are encouraging universities to extend further their links with schools and colleges to ensure that young people with talent and potential are helped to pursue higher education. In 2009-10 the Higher Education Funding Council for England (HEFCE) redirected £30 million to help to strengthen links between universities and schools and has undertaken research into effective models of partnership.

HC 226: 26 February 2009: Widening participation in higher education: 4th report 2008/2009 session	
PAC Conclusion 7: Many universities, particularly those in the Russell Group, perform poorly in admitting students from under-represented groups. The existing funding formula is not designed to provide incentives for universities to widen participation. The Funding Council should agree specific improvement plans for those universities performing consistently poorly, and should encourage better performing universities to share good practice with those that are less successful.	BIS is supporting the sector led Realising Opportunities Project where 13 research intensive universities are collaborating to develop a nationally available compact scheme to increase the number of able students from low income backgrounds at their institutions. HEFCE awarded the group £1.24m to develop and pilot activity.
PAC Conclusion 8: Data collected by universities and UCAS on the characteristics of the student population is incomplete. Although data is collected nationally, it is incomplete, particularly for part-time students and in relation to the socio-economic background of full-time students. In addition, little is known about the extent to which disabled students and people from care participate in higher education. The Funding Council should research the participation of such groups, and develop and promote the use of measures which best capture participation rates, such as pupil data linked with higher education records.	In response to these issues the HEFCE has developed alternative methods of measuring widening participation using small area classifications. The advent of linked pupil and higher education records offers new ways of measuring participation rates for those in state schools. Data on disabled applicants and applicants from care backgrounds are now also available, and the Department now makes use of linked data covering schools, further and higher education.

HC 924: 28 July 2009 Renewing the physical infrastructure of English further education colleges: 48th report 2008/09 session	
PAC Conclusion 6: Colleges have largely controlled capital costs within their budgets but whole life costs have received less attention. Once the response to the current funding problems have been decided and implemented, the Learning and Skills Council should work with industry professionals to develop a suitable approach to incorporating whole life cost considerations into the feasibility, design and construction stages of a project.	As previously reported, the Learning and Skills Council – and now the Skills Funding Agency – after discussion with the Building Cost Information Service (BCIS) are committed to adopt a standardized method of life cycle costing for construction procurement, which could be incorporated into the capital approval process. The prioritisation exercise – which committed the remaining CSR07 funds – completed last summer. Work is now underway to determine how future funds may be directed, dependent of course on the outcome of the next spending review process. The consideration of life cycle costing is a part of this process.
PAC Conclusion 7: Risks associated with the planned transition of the programme from the Learning and Skills Council to its successor bodies will require very careful management. With the dissolution of the Council expected by 2010 the Department will need to be confident that the management of the programme is not put at further risk, that uncertainty and funding issues are resolved as far as possible, and that overall the administration burden on colleges is not increased.	Recognising the importance of ensuring a smooth transition of the capital programme to the successor bodies, a robust and substantial programme has been in place to oversee this work. Since 1 April 2010, the administration of the capital programme now falls under the new Skills Funding Agency and will follow the principles as set-out by Sir Andrew Foster.

HC 562: 10 September 2009: Learning and Innovation in government: 43rd report 2008/09	
Recommendation 1: **Learning and innovation in government require the right balance of incentives and rewards, well informed understanding of risk, and determined leadership. To be more effective at learning and innovation requires a change in the culture of central government organisations. In particular, organisations need to strike a new balance between thoroughly considering the risks associated with change, and not unnecessarily delaying the 'time to market' for new initiatives through over-caution. They should also spread risks by trialling different solutions to problems. In the attached Annex we recommend some key principles which public organisations should follow to help strike that balance.**	BIS launched its package of support to help government innovate on 16th March 2010. This package includes on-line information and resources on innovation practice, practical exercises to build innovation capability, and advice on building partnerships to support innovation. The online element of the package can be found at: www.hmg.gov.uk/publicsectorinnovation.
Recommendation 2: **Innovation cannot be driven from the centre of government but central bodies have an important role to play in spreading knowledge of what works. Departments find the support and guidance from the centre helpful but can be confused by the range of organisations providing support and the amount of guidance. The centre should encourage learning and innovation, set priorities and measure progress. To avoid moving resources away from the frontline, the centre should be streamlined, able to justify its activities on business grounds and organised so it can demonstrate the added value it provides. The support and guidance it provides should take explicit account of what departments say they find most useful and effective.**	BIS has run a number of innovation events with government departments to promote the importance of innovation and to support the departments to build their own innovation capability. This has led to several follow up activities aimed at tackling specific departmental challenges.

HC 562: 10 September 2009: Learning and Innovation in government: 43rd report 2008/09	
Recommendation 3: **Performance monitoring is likely to be most effective where there is transparency around the results. Gateway reviews are an important tool, but could be made more effective at encouraging learning and innovation. This Committee has previously argued for increased transparency in respect of the Gateway reviews. The reviews will be more effective if they are published and their conclusions shared across government, in keeping with the spirit of the United States Government's ExpectMore.gov website. OGC should also analyse systematically the available data from previously completed reviews, in order to identify systemic lessons which should be shared more widely.**	In April 2010, OGC will launch 'Causes of Confidence', which pulls together the ten most important markers that appear time after time in the best-run projects. These are practical, replicable and proven indicators which have been drawn from best practice identified in the Governments Major Projects Portfolio, through mechanisms including Gateway reviews.
Recommendation 4: **The civil service's need to develop a more open culture which encourages learning and innovation could be encouraged further via the capability review process. The annex to these recommendations summarises how we think the culture can be changed. The capability reviews consider issues relevant to innovation and learning under their headings of leadership, strategy and delivery. As part of the changes to the review process recommended in our report *Assessment of the Capability Review programme*, the reviews should bring this evidence together to make an explicit assessment of the capability of departments to learn and innovate**.	The revised model of capability includes a new element called "Innovate and improve delivery". This was designed specifically to develop innovation, and assesses both the structural and cultural capability required to drive innovation. The Capability Reviews team are working in partnership with BIS to develop guidance for departments regarding this new innovation element. The guidance identifies good practice and sources of assistance for departments regarding innovation. BIS have approached a department to pilot the guidance ahead of the launch of the new model in 2010. The Capability Reviews team are also developing training for the Review Teams to ensure consistency and clarity about their assessments.

<table>
<tr><th colspan="2">HC 562: 10 September 2009: Learning and Innovation in government: 43rd report 2008/09</th></tr>
<tr><td>Recommendation 5:

Assessing the success of innovation by government is crucial for making the case for change but is hindered by measurement difficulties. Developing good data would support innovation by:

(a) identifying where it is needed;

(b) demonstrating that innovative solutions are worth investing in;

(c) helping measure progress in developing innovation capability, and

(d) assessing whether an innovative activity is working or should be stopped.

The work on the measurement of innovation commissioned by the Department for Business, Innovation and Skills and the National Endowment for Science, Technology and the Arts needs to meet these objectives. This means at an organisational level, using measures developed from the NAO's survey work to track departmental progress. For individual initiatives, indicators need to be based on clear objectives for the project and allow progress to be measured early enough to make quick decisions.</td><td>NESTA is continuing to design and develop the Innovation Index for the public sector, with pilot publication planned for Autumn 2010. It will focus on how much innovation takes place in public sector organisations, and its effects. NESTA is working closely with the NAO, Cabinet Office, BIS and several departments to ensure the Index is useful and relevant.</td></tr>
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HC 562: 10 September 2009: Learning and Innovation in government: 43rd report 2008/09	
Recommendation 6: **Bringing people with private sector experience into government can promote innovation and improve performance, but some struggle to adapt and leave. An increasing number of officials have come from the private sector, bringing with them necessary skills and experience. Some have found it hard to get used to, or influence, the ways of working in government and leave. To counter this, departments and the centre should enhance the induction and support for new people, making use for example, of the professional networks which are in place across government.**	There have been improvements in the inductions of the Top 200, in particular Director Generals, which the Cabinet Office has a central role to play. It does these by meeting all new Director Generals individually: running networking workshops and advising on coaching and mentors. Each new Director General must now undertake an effectiveness assessment, after six months in post. This has proved to be a valuable tool for Permanent Secretaries in getting the best out of their new external recruits, so to better manage and incorporate the different approaches and innovation that external entrants can bring.

HC 248: 21 January 2010: Train to Gain: Delivering the skills of the workforce: 6th report 2009/2010 session	
Recommendation 2: **Before it implements future programmes, the Department should require evidence that targets are based on a proper analysis of pilot work, especially where the intention is to create new demand.**	The Skills System is already building upon the experience gained through implementing Train to Gain and the regular evaluations undertaken as part of that programme. The Department has reallocated resources from Train to Gain to Apprenticeships in 2010-11 and introduced more freedoms and flexibilities for colleges and independent training providers to respond to the needs of learners and employers.

HC 248: 21 January 2010: Train to Gain: Delivering the skills of the workforce: 6th report 2009/2010 session	
Recommendation 4: **The LSC should strengthen its oversight of sub-contracting by improving its information on sub-contractors and monitoring how prime contractors are managing the risks of fraud.**	In preparation for the 2010/11 contracting year, the Skills Funding Agency is developing a new framework for contracting and sub-contracting, building on best practice of other Government departments. The Agency will also keep a record of sub-contractors going forward and is working with the Association of Colleges, Association of Learning Providers and the Third Sector National Learning Alliance to bring greater clarity to sub-contracting arrangements, including emphasising the importance of fraud risk.
Recommendation 5: **Now that capacity is well established, the LSC should begin removing providers with low success rates from the programme except where they can demonstrate clear capacity to improve and have an action plan in place.**	From 2010/11 where provision falls below minimum standards, funding will be withdrawn. It is imperative that public funding should only be used to support high quality training that has real economic impact and leads to qualifications that are valued by employers.
Recommendation 6: **There is scope to increase further the benefits that Train to Gain has delivered for employers and learners. Most learners have benefited from training and some employers have seen business benefits. The LSC has considerable, valuable information on success rates and the employer and learner-evaluated benefits of specific courses and qualifications. It should use this information to focus Train to Gain on training that adds the most value.**	It is recognised that there is scope for the Skills Funding Agency to use the information it has on success rates and employer and learner evaluated benefits to increase further the benefits of work based learning. The Skills Funding Agency is progressively introducing performance management thresholds which will continue to drive up success rates. Certain flexibilities that were permitted to encourage training during the recession have now been removed.

HC 248: 21 January 2010: Train to Gain: Delivering the skills of the workforce: 6th report 2009/2010 session	
Recommendation 7: **As a priority, the Department and the LSC should identify how they will maximise the extent to which the programme creates additional training, including by reinforcing the focus on employers who provide little or no training of their staff.**	Taking into account the evaluation reports on the Train to Gain programme, we recognise the concerns that some Government funding has been used to support the sorts of training which employers would have provided anyway and accredit skills which employees already had, rather than providing them with genuine opportunities for development. The £200 million reduction in the 2010-11 Train to Gain budget announced on 24 May is being reinvested in Further Education with £150 million being used to support additional apprenticeship places. This action is to provide greater support for the Apprenticeship programme that is more beneficial for the taxpayer, employer and learner. There is a need for a wider range of high quality training options than apprenticeships alone. High quality workplace training will be supported alongside apprenticeships that represent value for money and there is a commitment to limiting any deadweight in the system, in the light of lessons learned through the evaluation of the Train to Gain programme.
Recommendation 8: **Now that demand for training is high and the LSC has had to scale back activity, the Department should reduce the size and scope of the brokerage service or refocus its activities.**	The Department recognises that the need to drive up Train to Gain demand through brokerage is now greatly reduced. The focus of the brokerage service is giving priority to working with SMEs, particularly those in sectors that support high economic growth. The future of the brokerage service is being considered as part of the skills offer for SMEs.

Complaints to the Department

Dealing with complaints

The Department is committed to providing a high quality, accessible and responsive service to businesses and the community and takes all complaints very seriously, although in fact we receive few complaints. We give all our staff guidance on how to deal with complaints in line with Cabinet Office guidance[66] and the Freedom of Information Act.

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

For further details please contact the BIS Enquiry Unit on 0207 215 5000 or email us at enquiries@bis.gsi.gov.uk

Complaints to the Parliamentary Ombudsman

In hand at 1 April 2008	Reported on	Reported on: fully upheld	Reported on: partly upheld	Reported on: not upheld	In hand at 1 April 2009
0	0	0%	0%	0%	0

During 2008-09 period there were no complaints upheld by the Parliamentary Ombudsman. Figures for 2009-10 are not yet available.

Further information can be found in the Parliamentary Ombudsman's Annual Report 2008-2009.

66 For further information about Service First – *The Six Standards for Central Government* see: http://archive.cabinetoffice.gov.uk/servicefirst/2000/introduc/six.htm

Annex 6

Core Tables

Expenditure Tables

These tables present actual expenditure by the Department for the years 2004-05 to 2009-10, and planned expenditure for the year 2010-11. The data relates to the Department's expenditure within the budgeting boundary (see Chapter 2 Section 2.1 for an explanation).

The format of the tables is determined by HM Treasury, and the disclosure in Tables 1 to 3 follows that of the Supply Estimate Functions. The figures are on a post-Clear Line of Sight basis (which moves some costs from DEL to AME and excludes cost of capital). As a result the figures presented in these tables are necessarily different from those found in the DSO tables in Annex A1.

The data in the Tables has been restated for the years from 2004-05 to 2008-09 to take account of the Machinery of Government changes in the formation of BIS. The exception is Table 4 (Total Capital Employed), where only the 2008-09 outturns have been restated, consistent with the Department's Resource Accounts.

The tables include figures for the UKAEA Pensions Scheme which is subject to a separate Estimate but for which BIS's Accounting Officer has responsibility.

Table 1 – Total Departmental Spending

Table 1 summarises expenditure on functions now administered by BIS, covering the period from 2004-05 to 2010-11. Consumption of Resources includes programme and administration costs. Total Departmental expenditure is analysed by Departmental Supply Estimates, and any unallocated provision.

Table 2 – Resource Budget

Table 2 provides a more detailed analysis of the Resource Budget information summarised in Table 1. It shows expenditure by the functions within the Supply Estimates. The Table separates the DEL and AME elements of the Departmental Resource spend, and illustrates the expenditure trends across the years under review.

2009-10 outturns are those used for the 2010 Public Expenditure Outturn White Paper.

Table 3 – Capital Budget

Table 3 provides a more detailed analysis of the Capital Budget information summarised in Table 1. It shows expenditure by the functions within the Supply Estimates. The Table separates the DEL and AME elements of the Departmental Capital spend, and illustrates the expenditure trends across the years under review.

2009-10 outturns are those used for the 2010 Public Expenditure Outturn White Paper.

Table 4 – Capital Employed

Table 4 shows capital employed by the Department in balance sheet format as disclosed in the Department's Resource 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 Resource Accounts, to give a total figure for capital employed by the Departmental Family.

Table 5 – Administration Costs

Table 5 provides a more detailed analysis of BIS's administration costs. It retains the high level functional analysis used in Table 1.

Table 6 – Staff Numbers

Table 6 shows staff numbers employed by the main Department and its Agencies, including the Trading Funds.

Tables 7, 8 and 9 Country and Regional Analysis Tables

Tables 7, 8 and 9 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) 2010. The figures were taken from the HM Treasury public spending database in December 2009 and the regional distributions were completed in January and February 2010. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental 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, cost of capital charges, 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 2010.

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 9 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 2010. These are not the same as the strategic priorities shown elsewhere in 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 7 – Expenditure by Country and Region

Table 7 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 8 – Expenditure per Head by Country and Region

Table 8 analyses the data identifiable expenditure underlying Table 6, per head of population.

The explanatory notes at the foot of Table 7 are also relevant to the regional analysis shown in Table 8.

Table 9 – Expenditure by Function/Programme by Country and Region

Table 9 shows the outturns for 2008-09 in Table 7 analysed into functional categories. The presentation of spending by function is consistent with that used in chapter 9 of Public Expenditure Statistical Analysis (PESA) 2010. As explained above, these are not the same as Estimate Functions used in other Tables in this report.

Table 1 – Total Departmental Spending

Table 1: Total Departmental Spending							£'000
	2004–05	2005–06	2006–07	2007–08	2008–09	2009–10	2010–11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
Resource budget							
Resource DEL							
To help ensure business success in an increasingly competitive world	1,025,853	1,102,414	1,193,299	1,436,483	1,376,764	1,572,823	1,279,719
Increasing Scientific Excellence in the UK and maximising its Contribution to Society	1,946,309	2,341,952	2,475,168	2,688,660	2,969,847	3,100,319	3,210,896
Unallocated Provision	–	–	–	–	–	–	31,817
Knowledge Transfer and Innovation	244,926	259,624	238,309	355,966	322,455	386,241	388,384
To help build a competitive economy by creating opportunities for everyone to develop their learning and skills	10,374,845	10,876,231	11,385,154	12,373,674	13,007,074	14,001,412	14,128,966
Total resource budget DEL	**13,591,933**	**14,580,221**	**15,291,930**	**16,854,783**	**17,676,140**	**19,060,795**	**19,039,782**
Resource AME							
To help ensure business success in an increasingly competitive world	281,658	386,794	143,047	359,974	712,884	571,638	469,735
Increasing Scientific Excellence in the UK and maximising its Contribution to Society	47,264	35,574	14,936	17,073	61,418	35,496	27,219
UKAEA pension schemes	246,036	267,013	238,533	268,478	286,033	278,911	283,284
Knowledge Transfer and Innovation	(10,685)	(14,891)	(10,340)	(10,314)	(6,277)	(4,375)	–
To help build a competitive economy by creating opportunities for everyone to develop their learning and skills	(507,247)	(449,258)	(738,954)	(691,525)	(1,289,745)	(615,259)	(725,451)
Total resource budget AME	**57,026**	**225,232**	**(352,778)**	**(56,314)**	**(235,687)**	**266,411**	**54,787**
Total resource budget	**13,648,959**	**14,805,453**	**14,939,152**	**16,798,469**	**17,440,453**	**19,327,206**	**19,094,569**
of which: depreciation	166,836	168,912	158,826	216,119	424,498	424,140	311,727

Table 1: Total Departmental Spending	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans
							£'000
Capital budget							
Capital DEL							
To help ensure business success in an increasingly competitive world	181,488	61,483	42,517	32,215	16,199	296,606	275,651
Increasing Scientific Excellence in the UK and maximising its Contribution to Society	573,812	742,041	742,548	828,211	667,085	809,427	705,669
Unallocated Provision	–	–	–	–	–	–	(11,860)
Knowledge Transfer and Innovation	(13,465)	(37,765)	27,890	21,598	23,486	23,210	50,345
To help build a competitive economy by creating opportunities for everyone to develop their learning and skills	867,484	1,296,970	1,122,882	1,224,163	1,422,366	1,907,856	982,528
Total capital budget DEL	**1,609,319**	**2,062,729**	**1,935,837**	**2,106,187**	**2,129,136**	**3,037,099**	**2,002,333**
Capital AME							
To help ensure business success in an increasingly competitive world	470,000	(120,000)	(119,880)	(270,000)	(525,000)	260,000	618,000
To help build a competitive economy by creating opportunities for everyone to develop their learning and skills	1,882,902	2,066,931	2,820,667	4,035,447	3,988,417	4,046,265	5,088,476
Total capital budget AME	**2,352,902**	**1,946,931**	**2,700,787**	**3,765,447**	**3,463,417**	**4,306,265**	**5,706,476**
Total capital budget	**3,962,221**	**4,009,660**	**4,636,624**	**5,871,634**	**5,592,553**	**7,343,364**	**7,708,809**
Total departmental spending†							
To help ensure business success in an increasingly competitive world	1,885,035	1,379,408	1,219,120	1,514,246	1,325,652	2,525,461	2,528,229
Increasing Scientific Excellence in the UK and maximising its Contribution to Society	2,497,777	3,028,241	3,135,020	3,384,828	3,555,890	3,789,035	3,801,665
Unallocated Provision	–	–	–	–	–	–	19,957

Table 1: Total Departmental Spending	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans
							£'000
UKAEA pension schemes	246,036	267,013	238,533	268,478	286,033	278,911	283,284
Knowledge Transfer and Innovation	215,499	202,914	252,426	363,050	334,434	398,037	427,594
To help build a competitive economy by creating opportunities for everyone to develop their learning and skills	12,599,997	13,768,625	14,571,851	16,923,382	17,106,499	19,254,986	19,430,922
Total departmental spending†	**17,444,344**	**18,646,201**	**19,416,950**	**22,453,984**	**22,608,508**	**26,246,430**	**26,491,651**
of which:							
Total DEL	15,063,787	16,512,427	17,071,662	18,757,401	19,610,759	21,815,360	20,805,607
Total AME	2,380,557	2,133,774	2,345,288	3,696,583	2,997,749	4,431,070	5,686,044
† 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.							
Spending by local authorities on functions relevant to the department							
Current spending	**272,958**	**316,075**	**322,229**	**337,857**	**414,280**	**393,761**	
of which:							
financed by grants from budgets above	2,049,847	2,509,484	2,330,021	2,392,113	2,400,242	2,480,115	
Capital spending	**(496)**	**3,553**	**412**	**(347)**	**182**	**1,410**	
of which:							
financed by grants from budgets above††	550,643	547,256	578,043	567,319	426,018	529,445	
†† This includes loans written off by mutual consent that score within non-cash Resource Budgets and are not included in the capital support to local authorities line in Table 3.							

Table 2 – Resource Budget

Table 2: Resource budget DEL and AME							£'000
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
Resource DEL							
To help ensure business success in an increasingly competitive world	**1,025,853**	**1,102,414**	**1,193,299**	**1,436,483**	**1,376,764**	**1,572,823**	**1,279,719**
of which:							
Business Creation and Growth	432,163	568,530	574,291	466,465	553,552	885,889	598,296
Better Regulation	–	–	20	2,272	4,522	4,396	4,420
Free and Fair Markets	179,417	153,853	152,008	173,069	196,380	208,689	220,008
Government as Shareholder	106,284	(2,414)	102,225	489,395	312,105	165,565	170,639
Professional support and infrastructure	307,989	382,445	364,755	305,282	310,205	308,284	286,356
Increasing Scientific Excellence in the UK and maximising its Contribution to Society	**1,946,309**	**2,341,952**	**2,475,168**	**2,688,660**	**2,969,847**	**3,100,319**	**3,210,896**
of which:							
Expenditure of Research Councils	1,765,016	2,183,472	2,289,071	2,495,594	2,779,585	2,887,289	2,973,525
Departmental Science programmes	181,293	158,480	186,097	193,066	190,262	213,030	237,371
Unallocated Provision	**–**	**–**	**–**	**–**	**–**	**–**	**31,817**
of which:							
To help ensure business success in an increasingly competitive world	–	–	–	–	–	–	31,817
Knowledge Transfer and Innovation	**244,926**	**259,624**	**238,309**	**355,966**	**322,455**	**386,241**	**388,384**
of which:							
Accelerating commercial exploitation of creativity and knowledge	235,134	252,894	231,918	349,940	316,009	379,868	382,209
Encouraging science and innovation in the public sector	9,792	6,730	6,391	6,026	6,446	6,373	6,175

Table 2: Resource budget DEL and AME	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Estimated Outturn	2010-11 Plans
							£'000
To help build a competitive economy by creating opportunities for everyone to develop their learning and skills	**10,374,845**	**10,876,231**	**11,385,154**	**12,373,674**	**13,007,074**	**14,001,412**	**14,128,966**
of which:							
Higher Education	6,525,715	6,940,648	7,517,760	8,362,169	8,824,657	9,630,314	9,947,597
Further Education and Skills	3,849,130	3,935,583	3,867,394	4,011,505	4,182,417	4,371,098	4,181,369
Total resource budget DEL	**13,591,933**	**14,580,221**	**15,291,930**	**16,854,783**	**17,676,140**	**19,060,795**	**19,039,782**
of which:†							
Pay	882,013	950,994	1,082,815	1,044,955	1,061,283	1,238,310	991,805
Procurement	742,176	861,950	892,006	700,661	864,878	740,127	638,334
Current grants and subsidies to the private sector and abroad	15,232,204	16,419,576	17,641,756	18,956,100	19,964,228	21,595,204	16,618,395
Current grants to local authorities	2,045,868	2,507,337	2,326,567	2,389,850	2,398,272	2,477,115	390,669
Depreciation	137,465	130,523	156,105	203,569	194,517	282,534	236,508
Resource AME							
To help ensure business success in an increasingly competitive world	**281,658**	**386,794**	**143,047**	**359,974**	**712,884**	**571,638**	**469,735**
of which:							
Business Creation and Growth	38,465	62,849	(68,543)	(41,477)	309,548	48,259	59,809
Better Regulation	–	–	–	–	35	–	–
Free and Fair Markets	222,688	312,794	223,798	227,084	464,915	555,161	443,608
Government as Shareholder	(4,500)	19,301	(27,093)	5,349	(14,763)	(24,646)	(10,230)
Professional support and infrastructure	25,005	(8,150)	14,885	169,018	(46,851)	(7,136)	(23,452)
Increasing Scientific Excellence in the UK and maximising its Contribution to Society	**47,264**	**35,574**	**14,936**	**17,073**	**61,418**	**35,496**	**27,219**
of which:							
Expenditure of Research Councils	47,264	35,574	14,936	17,073	61,418	35,496	27,219

Table 2: Resource budget DEL and AME							£'000
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
	Outturn	Outturn	Outturn	Outturn	Outturn	Estimated Outturn	Plans
UKAEA pension schemes	**246,036**	**267,013**	**238,533**	**268,478**	**286,033**	**278,911**	**283,284**
of which:							
UKAEA pension schemes	246,036	267,013	238,533	268,478	286,033	278,911	283,284
Knowledge Transfer and Innovation	**(10,685)**	**(14,891)**	**(10,340)**	**(10,314)**	**(6,277)**	**(4,375)**	**–**
of which:							
Accelerating commercial exploitation of creativity and knowledge	(10,685)	(14,891)	(10,340)	(10,314)	(6,277)	(4,375)	–
To help build a competitive economy by creating opportunities for everyone to develop their learning and skills	**(507,247)**	**(449,258)**	**(738,954)**	**(691,525)**	**(1,289,745)**	**(615,259)**	**(725,451)**
of which:							
Higher Education	(629,389)	(652,307)	(878,640)	(858,679)	(1,520,023)	(857,879)	(926,790)
Further Education and Skills	122,142	203,049	139,686	167,154	230,278	242,620	201,339
Total resource budget AME	**57,026**	**225,232**	**-352,778**	**-56,314**	**-235,687**	**266,411**	**54,787**
of which:†							
Pay	38,956	44,060	64,518	50,667	54,028	91,314	93,143
Procurement	(97,655)	(96,363)	(98,732)	(128,928)	(29,291)	(38,636)	(15,100)
Current grants and subsidies to the private sector and abroad	405,786	485,155	411,266	459,587	645,667	738,455	601,454
Current grants to local authorities	3,979	2,147	3,454	2,263	1,970	3,000	3,000
Depreciation	29,371	38,389	2,721	12,550	229,981	141,606	75,219
Total resource budget	**13,648,959**	**14,805,453**	**14,939,152**	**16,798,469**	**17,440,453**	**19,327,206**	**19,094,569**

† The economic category breakdown of resource budgets only shows the main categories, so may not sum to the total. The breakdown may even exceed the total where further income scores in resource budgets

Table 3 – Capital Budget

Table 3: Capital Budget DEL and AME	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Estimated Outturn	2010-11 Plans
							£'000
Capital DEL							
To help ensure business success in an increasingly competitive world	**181,488**	**61,483**	**42,517**	**32,215**	**16,199**	**296,606**	**275,651**
of which:							
Business Creation and Growth	127,027	55,462	27,306	3,605	(18,742)	271,354	252,594
Better Regulation	–	–	–	197	(70)	146	–
Free and Fair Markets	8,063	3,946	1,546	8,097	19,890	6,090	5,841
Government as Shareholder	27,900	(7,929)	–	–	987	5,073	10,300
Professional support and infrastructure	18,498	10,004	13,665	20,316	14,134	13,943	6,916
Increasing Scientific Excellence in the UK and maximising its Contribution to Society	**573,812**	**742,041**	**742,548**	**828,211**	**667,085**	**809,427**	**705,669**
of which:							
Expenditure of Research Councils	342,953	360,640	436,284	462,803	440,944	542,032	514,218
Departmental Science programmes	230,859	381,401	306,264	365,408	226,141	267,395	191,451
Unallocated Provision	**–**	**–**	**–**	**–**	**–**	**–**	**(11,860)**
of which:							
To help ensure business success in an increasingly competitive world	–	–	–	–	–	–	(11,860)
Knowledge Transfer and Innovation	**(13,465)**	**(37,765)**	**27,890**	**21,598**	**23,486**	**23,210**	**50,345**
of which:							
Accelerating commercial exploitation of creativity and knowledge	(14,065)	(37,941)	27,850	21,563	23,246	23,110	50,265
Encouraging science and innovation in the public sector	600	176	40	35	240	100	80

Table 3: Capital Budget DEL and AME							**£'000**
	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Estimated Outturn**	**Plans**
To help build a competitive economy by creating opportunities for everyone to develop their learning and skills	**867,484**	**1,296,970**	**1,122,882**	**1,224,163**	**1,422,366**	**1,907,856**	**982,528**
of which:							
Higher Education	455,743	904,327	717,211	755,314	789,250	951,676	429,808
Further Education and Skills	411,741	392,643	405,671	468,849	633,116	956,180	552,720
Total capital budget DEL	**1,609,319**	**2,062,729**	**1,935,837**	**2,106,187**	**2,129,136**	**3,037,099**	**2,002,333**
of which:							
Capital expenditure on fixed assets net of sales†	426,811	264,547	185,042	375,815	455,724	475,781	332,866
Capital grants to the private sector and abroad	1,634,569	2,409,537	2,369,048	2,357,919	2,581,162	3,265,505	1,823,214
Net lending to private sector	19,593	(124,782)	(145,198)	(144,903)	(114,594)	66,911	(135,700)
Capital support to public corporations	(47,912)	(58,361)	(946)	15,281	4,186	3,834	11,834
Capital support to local authorities††	550,643	547,256	578,043	567,319	426,018	529,445	466,920
Capital AME							
To help ensure business success in an increasingly competitive world	**470,000**	**(120,000)**	**(119,880)**	**(270,000)**	**(525,000)**	**260,000**	**618,000**
of which:							
Government as Shareholder	470,000	(120,000)	(119,880)	(270,000)	(525,000)	260,000	618,000
To help build a competitive economy by creating opportunities for everyone to develop their learning and skills	**1,882,902**	**2,066,931**	**2,820,667**	**4,035,447**	**3,988,417**	**4,046,265**	**5,088,476**
of which:							
Higher Education	1,879,973	2,065,138	2,819,109	4,031,616	3,982,498	4,045,771	5,080,646

Table 3: Capital Budget DEL and AME	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
							£'000
	Outturn	**Outturn**	**Outturn**	**Outturn**	**Outturn**	**Estimated Outturn**	**Plans**
Further Education and Skills	2,929	1,793	1,558	3,831	5,919	494	7,830
Total capital budget AME	**2,352,902**	**1,946,931**	**2,700,787**	**3,765,447**	**3,463,417**	**4,306,265**	**5,706,476**
Total capital budget	**3,962,221**	**4,009,660**	**4,636,624**	**5,871,634**	**5,592,553**	**7,343,364**	**7,708,809**
Of which:							
Capital expenditure on fixed assets net of sales†	429,740	266,340	186,600	379,646	461,643	476,275	340,696
Less depreciation†††	166,836	168,912	158,826	216,119	424,498	424,140	311,727
Net capital expenditure on tangible fixed assets	262,904	97,428	27,774	163,527	37,145	52,135	28,969

† Expenditure by the department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

†† This does not include loans written off by mutual consent that score within non-cash Resource Budgets.

††† Included in Resource Budget.

Table 4 – Capital Employed

						£'000
	2005-06 Outturn	**2006-07 Outturn**	**2007-08 Outturn Restated**	**2008-09 Outturn Restated**	**2009-10 Projected Outturn**	**2010-11 Plans**
Assets and liabilities in the Statement of Financial Position at year end:						
Assets						
Non-current assets:						
Intangible	1,293	387	8,592	17,838	17,490	18,365
Tangible	4,732,557	5,699,738	18,932,911	22,510,953	26,371,937	30,388,397
of which:						
Land and buildings	153,801	26,290				
Plant and machinery	17,785	12,469	265,006	265,773	253,576	266,255
Other Financial Assets and Trade and other Receivables	24,238	30,352	17,711,771	20,986,416	24,526,031	28,450,196
Investments	4,536,733	5,630,627	956,134	1,258,764	1,592,330	1,671,947
Current assets	6,485,881	3,031,594	3,835,337	4,193,782	3,850,213	4,042,724
Liabilities						
Current Liabilities:						
Trade and Other Payables	(5,052,970)	(1,338,431)	(2,334,007)	(2,642,309)	(2,024,358)	
Provisions, Financial Guarantees and other Financial Liabilities			(106,461)	(161,565)	(177,327)	
Non-Current Liabilities:						
Trade and Other Payables	(1,095,402)	(541,072)	(547,383)	(545,121)	(888,722)	
Provisions, Financial Guarantees and other Financial Liabilities	(5,264,636)	(4,484,470)	(949,429)	(869,719)	(842,264)	
Capital employed within main department	**(193,277)**	**2,367,746**	**18,839,560**	**22,503,859**	**26,306,969**	**34,449,485**
NDPB net assets	(28,666,294)	(36,224,441)	2,686,948	2,618,041	2,713,100	2,762,336
Total capital employed in Departmental group	**(28,859,571)**	**(33,856,695)**	**21,526,508**	**25,121,900**	**29,020,069**	**37,211,821**
Notes:						
Outturns in 2005-06 and 2006-07 exclude capital relating to Universities and Skills activities but include Energy-related capital transferred to the Department of Energy and Climate Change (DECC) in 2008-09.						

Table 5 – Administration Costs

Table 5: Administration Costs	2004-05 Outturn	2005-06 Outturn	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Estimated Outturn	2010-11 Plans
							£'000
Administration Expenditure							
Paybill	178,269	183,481	188,086	184,412	180,332	190,585	193,516
Other	199,545	242,755	242,262	206,854	213,952	199,406	155,671
Total administration expenditure	**377,814**	**426,236**	**430,348**	**391,266**	**394,284**	**389,991**	**349,187**
Administration income	(17,161)	(6,670)	(34,882)	(47,231)	(45,528)	(43,795)	(28,000)
Total administration budget	**360,653**	**419,566**	**395,466**	**344,035**	**348,756**	**346,196**	**321,187**
Analysis by activity							
To help ensure business success in an increasingly competitive world	339,385	412,047	387,980	333,634	348,756	346,196	321,187
Increasing Scientific Excellence in the UK and maximising its Contribution to Society	16,890	8,002	7,901	9,952	–	–	–
Knowledge Transfer and Innovation	4,378	(483)	(415)	449	–	–	–
Total administration budget	**360,653**	**419,566**	**395,466**	**344,035**	**348,756**	**346,196**	**321,187**

Table 6 – Staff Numbers

	2008-09 Actual*	2009-2010 Actual
Department for Business, Innovation and Skill (BIS) (Gross Control Area)		
CS FTEs	2,818.2	2981.6
Others	153.9	248.1
Total	**2,972.1**	**3229.7**
UK Trade & Investment (Gross Control Area)		
CS FTEs	572.0	556.9
Others	95.0	80.4
Total	**667.0**	**637.3**
The Insolvency Service (Gross Control Area)		
CS FTEs	2,534.0	2,647.0
Others	544.0	485.5
Total	**3,078.0**	**3,132.5**
Companies House (Gross Control Area)		
CS FTEs	1,092.0	1,088.0
Others	50.0	58.0
Total	**1,142.0**	**1,146.0**
Advisory, Conciliation and Arbitration Service (Acas) (Gross Control Area)		
CS FTEs	734.0	847.0
Others	46.0	35.0
Total	**780.0**	**882.0**
NMO (Gross Control Area)		
CS FTEs	48.8	64.0
Others	0.0	0.0
Total	**48.8**	**64.0**
* 2008-09 figures have been restated for BIS		

Table 7 – Total identifiable expenditure on services by country and region, 2004-05 to 2010-11

							£ million
	National Statistics						
	2004-05 outurn	2005-06 outurn	2006-07 outurn	2007-08 outurn	2008-09 outurn	2009-10 plans	2010-11 plans
North East	686	753	798	865	938	1,010	1,003
North West	1,961	1,721	1,984	2,211	2,343	2,584	2,572
Yorkshire and the Humber	1,364	1,461	1,489	1,668	1,756	1,909	1,926
East Midlands	1,064	1,122	1,163	1,312	1,374	1,492	1,492
West Midlands	1,291	1,442	1,383	1,648	1,847	2,042	1,986
East	1,285	1,353	1,344	1,425	1,686	1,794	1,784
London	2,835	3,042	3,205	3,666	3,814	4,147	4,161
South East	2,251	2,353	2,419	2,524	2,655	2,902	2,872
South West	1,186	1,259	1,302	1,515	1,603	1,673	1,657
Total England	**13,924**	**14,507**	**15,088**	**16,833**	**18,016**	**19,552**	**19,452**
Scotland	284	285	311	319	422	469	430
Wales	112	132	130	147	182	195	171
Northern Ireland	28	29	35	56	58	68	59
UK identifiable expenditure	**14,348**	**14,953**	**15,563**	**17,355**	**18,679**	**20,285**	**20,111**
Outside UK	275	301	324	289	431	369	356
Total identifiable expenditure	**14,622**	**15,255**	**15,887**	**17,645**	**19,110**	**20,653**	**20,467**
Non-identifiable expenditure	680	709	934	849	958	996	1,106
Total expenditure on services	**15,302**	**15,963**	**16,822**	**18,494**	**20,067**	**21,650**	**21,573**

Table 8 – Expenditure per Head by Country and Region

							£ per head
	National Statistics						
	2004-05 outurn	2005-06 outurn	2006-07 outurn	2007-08 outurn	2008-09 outurn	2009-10 plans	2010-11 plans
North East	270	296	312	337	364	393	389
North West	288	252	290	322	341	373	369
Yorkshire and the Humber	269	286	290	322	337	362	362
East Midlands	248	259	267	298	310	332	329
West Midlands	242	270	258	306	341	376	363
East	233	243	240	252	294	311	307
London	384	408	427	485	501	540	538
South East	277	288	294	304	317	345	339
South West	235	247	254	293	308	318	312
England	**278**	**287**	**297**	**329**	**350**	**377**	**373**
Scotland	56	56	61	62	82	90	82
Wales	38	45	44	49	61	65	57
Northern Ireland	16	17	20	32	33	38	33
UK identifiable expenditure	**240**	**248**	**257**	**285**	**304**	**328**	**323**

Table 9 – Expenditure by Function/Programme by Country and Region

Data in this table are National Statistics — £ million

	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	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	6.2	0.1	0.7	0.1	7.0	0.0	7.0	0.0	7.0
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	0.8	0.8	0.0	0.8
General services	0.1	0.2	0.2	0.1	0.2	0.2	0.4	0.3	0.2	1.9	0.0	0.0	0.0	1.9	0.0	2.0	0.0	2.0
Total general public services	**0.8**	**0.9**	**0.9**	**0.8**	**0.9**	**0.9**	**1.1**	**1.0**	**0.9**	**8.0**	**0.1**	**0.7**	**0.1**	**8.9**	**0.8**	**9.8**	**0.0**	**9.8**
Economic affairs																		
General economic, commercial and labour affairs	-2.5	26.0	12.6	11.6	2.7	18.2	66.7	34.9	16.0	186.3	26.5	11.8	6.0	230.6	23.7	254.3	33.8	288.1
Mining, manufacturing and construction	0.3	1.3	0.1	0.0	0.0	0.2	0.0	1.0	2.2	5.2	1.7	0.1	0.0	7.0	0.0	7.0	0.0	7.0
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	21.6	61.8	44.8	39.5	76.8	105.3	128.3	91.5	69.8	639.2	54.7	26.0	16.8	736.9	79.8	816.7	0.0	816.7
R&D economic affairs	81.1	204.6	166.7	135.2	132.2	277.4	433.9	343.3	123.0	1,897.5	214.8	62.4	24.0	2,198.7	254.4	2,453.0	370.3	2,823.3
Economic affairs n.e.c	11.0	27.6	20.7	16.2	21.9	19.9	45.1	31.3	19.0	212.9	4.7	2.0	0.6	220.3	5.6	225.9	0.0	225.9
Total economic affairs	**111.6**	**321.3**	**245.0**	**202.7**	**233.7**	**421.0**	**674.2**	**502.1**	**230.0**	**2,941.5**	**302.5**	**102.4**	**47.4**	**3,393.9**	**363.5**	**3,757.4**	**404.0**	**4,161.4**

Data in this table are National Statistics

£ million

	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
Environment protection																		
Waste management	0.2	0.2	0.2	0.2	0.2	0.2	0.2	-0.3	-0.1	1.0	-1.6	0.1	0.0	-0.5	0.0	-0.5	0.0	-0.5
R&D environment protection	6.4	19.7	18.5	11.0	13.6	18.5	22.4	23.3	20.3	153.8	17.3	8.1	4.2	183.4	19.4	202.8	196.7	399.5
Total environment protection	**6.5**	**19.9**	**18.8**	**11.2**	**13.8**	**18.7**	**22.6**	**23.0**	**20.3**	**154.8**	**15.7**	**8.3**	**4.2**	**182.9**	**19.4**	**202.3**	**196.7**	**399.0**
Health																		
R&D health	8.2	30.6	11.9	9.9	13.6	35.3	103.0	63.7	19.1	295.4	39.8	8.3	1.3	344.8	4.9	349.6	357.1	706.7
Total Health	**8.2**	**30.6**	**11.9**	**9.9**	**13.6**	**35.3**	**103.0**	**63.7**	**19.1**	**295.4**	**39.8**	**8.3**	**1.3**	**344.8**	**4.9**	**349.6**	**357.1**	**706.7**
Recreation, culture and religion																		
R&D recreation, culture and religion	4.9	9.9	9.3	3.6	5.5	11.2	46.9	22.1	16.0	129.4	10.7	3.2	1.7	145.0	0.1	145.1	0.0	145.1
Total recreation, culture and religion	**4.9**	**9.9**	**9.3**	**3.6**	**5.5**	**11.2**	**46.9**	**22.1**	**16.0**	**129.4**	**10.7**	**3.2**	**1.7**	**145.0**	**0.1**	**145.1**	**0.0**	**145.1**

Data in this table are National Statistics — £ million

	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
Education																		
Secondary education	261.2	618.1	418.1	361.9	504.4	418.0	721.0	657.4	391.4	4,351.5	0.0	2.6	0.0	4,354.1	0.0	4,354.1	0.0	4,354.1
Post-secondary non-tertiary education	6.6	15.6	10.6	9.1	12.8	10.6	20.4	16.5	9.9	112.1	0.0	0.0	0.0	112.1	0.0	112.1	0.0	112.1
Tertiary education	499.8	1,185.1	946.0	715.6	808.6	696.8	2,125.0	1,213.5	755.7	8,946.3	0.0	0.0	0.0	8,946.3	0.0	8,946.3	0.0	8,946.3
Education not definable by level	18.7	41.2	27.7	26.9	31.9	33.3	36.8	45.1	28.7	290.4	20.0	34.3	2.1	346.7	0.0	346.7	0.0	346.7
R&D education	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	3.9	4.1	0.0	4.1
Education n.e.c	12.5	30.0	21.0	17.5	24.4	20.7	39.3	32.5	20.0	217.9	1.6	0.7	0.2	220.3	36.1	256.4	0.0	256.4
Total education	**798.9**	**1,890.0**	**1,423.4**	**1,131.1**	**1,382.1**	**1,179.5**	**2,942.6**	**1,965.0**	**1,205.8**	**13,918.4**	**21.5**	**37.5**	**2.3**	**13,979.7**	**40.0**	**14,019.7**	**0.0**	**14,019.7**
Social protection																		
Old age	0.4	52.6	1.0	0.8	1.3	2.8	1.1	31.7	84.6	176.3	9.1	1.6	0.1	187.2	2.2	189.3	0.0	189.3
of which: pensions	0.4	52.6	1.0	0.8	1.3	2.8	1.1	31.7	84.6	176.3	9.1	1.6	0.1	187.2	2.2	189.3	0.0	189.3
Family and children	1.4	4.3	3.1	2.8	3.3	4.3	8.6	6.9	3.5	38.2	3.7	1.6	1.0	44.5	0.0	44.5	0.0	44.5
of which: family benefits, income support and tax credits	1.4	4.3	3.1	2.8	3.3	4.3	8.6	6.9	3.5	38.2	3.7	1.6	1.0	44.5	0.0	44.5	0.0	44.5
Unemployment	5.5	13.8	42.5	10.6	193.0	12.2	13.8	39.8	22.5	353.7	19.3	18.5	0.4	391.9	0.0	391.9	0.0	391.9
of which: other unemployment benefits	5.5	13.8	42.5	10.6	193.0	12.2	13.8	39.8	22.5	353.7	19.3	18.5	0.4	391.9	0.0	391.9	0.0	391.9
Total social protection	**7.4**	**70.7**	**46.7**	**14.2**	**197.6**	**19.3**	**23.5**	**78.4**	**110.5**	**568.2**	**32.1**	**21.7**	**1.5**	**623.6**	**2.2**	**625.7**	**0.0**	**625.7**
TOTAL BUSINESS, INNOVATION & SKILLS	**938.2**	**2,343.4**	**1,755.9**	**1,373.6**	**1,847.3**	**1,685.8**	**3,813.8**	**2,655.2**	**1,602.5**	**18,015.7**	**422.5**	**182.1**	**58.4**	**18,678.8**	**430.8**	**19,109.6**	**957.8**	**20,067.4**

Annex to Financial Overview, including Reconciliation of Estimates to Resource Accounts to Budgets

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 and Accounting in Government, explains some of the key terms which are used and describes how the Department manages its resources in this context.

From Budgets to Estimates to Resource Accounts

The following paragraphs explain the process that Government Departments go through to obtain the resources that are ultimately reported on in its Resource 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 (Departmental Expenditure Limit), which the Department can largely control overall, though some elements may be demand-led. It is set annually within the context of the Department's three year financial Settlement determined in the Spending Review; and
- AME (Annually Managed Expenditure), which is demand-led and volatile and, therefore, difficult to predict. 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.

Following the creation of BIS through the Machinery of Government change, the Department's DEL Budget for 2009-10 was £23.1 billion (2008-09: £20.3 billion) and the AME Budget amounted to £5.6 billion (2008-09 £5.9 billion) The 2008-09 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 cannot be used in aid of other activities. £5.5 billion of the 2009-10 DEL was ring fenced, leaving £17.5 billion available for discretionary allocation by the Department (of which £16 billion related to the budget for Universities and Skills).

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, cost of capital, profit or loss on disposal of assets and changes in provisions.

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 Resource Accounting terms, the funding for this type of expenditure is termed Capital Grants and treated as Resource expenditure.

Appropriations-in-Aid and Consolidated Fund Extra Receipts

Appropriations-in-Aid are income received by a department which it is authorised to retain (rather than surrender to the Consolidated Fund) to finance related expenditure. Such income is voted by Parliament and accounted for in departmental resource accounts.

Consolidated Fund Extra Receipts (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.

Financial Management

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 allocates annual budgets in March of each year and monitors them on a monthly basis. Forecasts of expenditure are reviewed monthly and updated where appropriate. More in-depth reviews of forecasts are carried out quarterly with particular emphasis on 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 delivers a financial report to the monthly Management Board, highlighting emerging issues and advising where action may be required. During 2009-10, financial reports have also focused on how to manage within the reduced funding envelope for 2010-11.

Budgets are usually amended via the Winter and Spring Supplementary Estimates. Under normal circumstances, the Supplementary Estimates provide access to savings in DEL Budgets achieved in previous years (a process known as End Year Flexibility) in addition to other changes. However, due to the fiscal position, limited access to such savings has been possible.

The Estimates process

The Spending Review (SR) is the process by which the Government has set spending plans, usually for the coming three years. This determines the overall Control Total,

Total Managed Expenditure (TME). TME is made up of two components: the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME). The DEL is set annually within the context of the Department's three-year SR Settlement and AME is set in consultation with HM Treasury through twice yearly reviews. DEL Budgets for the three-year period 2008-09 to 2010-11 were set in CSR (Comprehensive Spending Review) 2007.

Additionally 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 the Winter 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 consolidated into the Resource Accounts. This Grant-in-Aid is essentially the provision of cash financing and is designated 'non-budget' expenditure.

Changes to spending plans may be made through Supplementary Estimates which may be submitted in the Summer, Winter and Spring. The Estimates follow a standard format, comprising one or more Requests for Resources (RfR), which set a limit on the resources required for each main Departmental activity, a request for 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.

BIS's Estimate has three RfRs, entitled:

- **RfR 1:** To help ensure 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 Department also has a separate Estimate and RfR for the effective management of the UKAEA pension schemes. These are separate from the Consolidated Resource Accounts contained in this volume.

Resource Accounts

At the end of the year, the Department is required to report actual expenditure against Estimates in its Consolidated Resource Accounts.

Reconciling Estimates, Budgets and Resource Accounts

There are different boundaries for the Department's Estimates, Budgets and Resource Accounts. This Annex explains their relationship and includes the following reconciliations:

- Estimates to Resource Accounts – this shows how the Net Resource Outturn (voted by Parliament), shown in the Statement of Parliamentary Supply on page 69 is reconciled to the Net Operating Cost, which is shown in the Operating Cost Statement in the Resource Accounts on page 70; and
- Resource Accounts to Budgets – this shows how the Net Operating Cost is reconciled to the Resource Budget Outturn shown below.

HM Treasury's Clear Line of Sight Project

HM Treasury has made considerable progress with its 'Clear Line of Sight – the Alignment Project', the aim of which is to align these boundaries. The stated objective of this Project is *"to create a single, coherent financial regime that is effective, efficient and transparent, enhances accountability to Parliament and the public, and underpins the Government's fiscal framework, incentivises good value for money and supports delivery of excellent public services by allowing managers to manage"*. The relevant changes to budgeting have been made from 1 April 2010 with full implementation due from 1 April 2011.

Estimates to Resource Accounts

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

- The first adjustment deducts an amount voted for a prior year;
- The second 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 third adjustment deducts any Consolidated Fund Extra Receipts (CFERs) which are 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 fourth adjustment shows the difference between the amount of operating income received and that authorised to be Appropriated-in-Aid of expenditure; and
- The fifth adjustment reflects the cost of capital credit on the net liabilities of Royal Mail Holdings plc and the cost of capital charge on the net assets of BNFL plc.

Resource Accounts to Budgets

There are five main types of adjustment required to reconcile resource expenditure in the Consolidated Operating Cost Statement in the Resource 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 Resource 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 as explained above, 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;
- The fifth adjustment adds or removes classification differences; and
- There are usually other adjustments depending on particular circumstances.

Reconciliation of Estimates to Resource Accounts to Budgets

	2009-10	2008-09 (restated)
	£'000	£'000
Net Resource Outturn (Estimates)[1]	**21,991,328**	**20,128,053**
Adjustment in respect of:		
Prior Period Adjustment	(265,875)	–
Non Supply expenditure in the Consolidated Operating Costs Statement (OCS)	491,253	391,918
Consolidated Fund Extra Receipts (CFERs) in the OCS	(171,897)	(740,955)
Excess A-in-A	(50,455)	–
Royal Mail and BNFL Cost of Capital Credit	(410,196)	(145,600)
Net Operating Cost (Resource Accounts)[2]	**21,584,158**	**19,632,161**
Adjustment in respect of:		
Capital Grants treated as Resource in Accounts, but Capital in Budgets[3]	1,007,792	(201,547)
Expenditure in OCS not included in Budgets[4]	(26,279,725)	(1,918,500)
Resource consumption of Partner Organisations	23,025,676	383,901
Other CFERs not in Budgets[5]	101,797	8,233
Budgeting classification differences[6]	47,387	638,900
Other[7]	472,443	164,475
Resource Budget Outturn (Budget)	**19,959,528**	**18,707,623**
Of which:		
DEL:	19,073,326	17,832,435
AME:	886,202	875,188

Notes:

1. Disclosed in the Statement of Parliamentary Supply on page 70 of the Resource Accounts.
2. See note 4.1 to the Resource Accounts.
3. Capital grant receipts less capital grant expenditure.
4. Mainly grant-in-aid payments to Partner Organisations.
5. This is mainly Launch Investment income.
6. The BNFL dividend and premium receipts from guarantee schemes are treated as capital in Budgets.
7. The 2009-10 difference is mainly as a result of adjustments made to the Accounts after the PEOWP deadline for budgeting outturns. The 2008-09 difference is due to timing plus the impact of the Machinery of Government changes.

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