Department for Business Innovation & Skills

Annual Report and Accounts 2012-13

HC 35 JULY 2013 £38.75

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You can download this publication from
www.gov.uk/government/organisations/
department-for-business-innovation-skills

ISBN: 9780102984101

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2561966 07/13

Printed on paper containing 75% recycled fibre content minimum..

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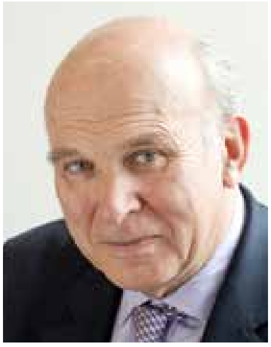


In 2012-13, BIS has continued to lay the groundwork for a sustainable economic recovery.

We launched the Industrial Strategy – a partnership between business and Government focused on achieving long-term success in sectors offering major growth opportunities, both domestic and international. Already, we have confirmed substantial co-investments in aerospace and life sciences.

We have established plans for a new Business Bank to promote the diversification of financial markets for UK companies and bring Government support for business under one roof. Our efforts to boost apprenticeships are still bearing fruit, with over half a million people starting one in the last year. We now have four Catapult Centres, with three more fully operational by winter 2013, supporting innovation in new technologies – and a big investment programme in university R&D with the private sector.

This report also confirms that the Department remains on track to deliver against our spending review settlement and describes the significant changes to the BIS Statement of Financial Position as our asset base grows.

As ever, I thank BIS staff for their energy and commitment.

Rt Hon Dr Vince Cable MP

Foreword by the Permanent Secretary

The Department for Business, Innovation and Skills is at the heart of the Government's focus on sustainable and balanced growth. We ensure that our policies on higher education, research and innovation, skills, apprenticeships, enterprise, open markets and better regulation work together to support growth across the UK.

A central achievement this year has been the launch of the Government's Industrial Strategy, to drive long-term, sustainable growth and high value jobs. This sets out a long-term, unified approach to how the Government supports business. Partnership with business is at the heart of our Industrial Strategy. The Government has already committed over £4 billion to long term strategies for Industrial Strategy through investment in areas such as the Business Bank, technologies and skills alongside support for aerospace, life sciences and automotive sectors.

Economic conditions continue to create challenges and opportunities for our businesses. The Enterprise Finance Guarantee has helped over 3,300 SMEs access finance of £350 million during 2012-13. The work now underway with a new Business Bank will provide a further boost to help smaller firms invest and grow.

BIS has helped the UK's businesses make the most of growth opportunities and access high value trade opportunities. Just over 29,000 businesses were supported through UK Trade and Investment this year, a 15% increase on 2011-12. The UK recorded just under 1,500 investment projects in 2012-13 which brought with them or safeguarded 163,000 jobs.

The Olympic and Paralympic Games were a showcase for the best of Britain. Trade and inward investment deals worth £11 billion are expected to be generated as a result of the games and the events held at the British Business Embassy last summer.

Public investment in science and research is an investment in the nation's future. We have secured £1.5 billion capital investment in science and innovation since 2010, including £600 million in the 2012 Autumn Statement. To accelerate the UK's transition to a green economy we launched the world's first Green Investment Bank, with £3 billion of funding available, £635 million of investments were made during 2012-13.

We continue to make progress in reforming our skills system. We have seen record growth of Apprenticeships with high levels of return on investment and employer and learner satisfaction. In the 2011/12 academic year, 520,600 Apprenticeships were started, an increase of 13.9% on the previous year, with growth strongest at higher skill levels. We have supported Doug Richard's review of Apprenticeships which goes further setting a pathway towards higher quality and employer-led Apprenticeships.

2012-13 was the second financial year within the challenging fiscal settlement received at the 2010 Spending Review. The Department remains on track to deliver the reforms to its operating model but there are more challenges to overcome. We have completed 80% of our plans to halve the Department's administrative costs and are confident that we can make the remaining savings over the next three years.

There have been fundamental changes in the structure of the BIS Statement of Financial Position. It has grown through increased levels of student finance and from a number of other assets brought through our Statement of Financial Position. Our focus over the spending review is to monetise these assets with particular focus on those previously held by Royal Mail Pension Plan.

In his audit certificate, the Comptroller and Auditor General has drawn particular attention to the potential for significant changes to occur in the valuation of student loans due to subsequent events which are different from the Department's current set of assumptions.

The commitment and professionalism of staff across BIS and our Partner Organisations is our greatest asset. I am proud of all that the Department has achieved this year.

Martin Donnelly

Report from the lead Non-executive Director

The Department for Business, Innovation & Skills has continued to make solid progress during 2012-13.

Departmental leadership has continued to 'bed-down' the new leaner organisation and I have been encouraged by the continued effort, led by the Permanent Secretary, to work toward improving leadership quality and raising staff engagement with the goals of the organisation. This is a point of emphasis that needs continued effort over the next several years as the Department is requested to deliver enhanced services with severely constrained resources.

During the year very good progress was made on a number of key policy areas, most notably the definition and agreement of a high level Industrial Strategy. The Department deserves credit for building consensus in this historically controversial field and for a very creditable initial effort to gain cross Government engagement in the initiative.

Moving forward, the benefits of a clear Industrial Strategy will only be delivered if programmes of work are synchronised and executed in a co-ordinated way by many parts of Whitehall. Much work remains to achieve this level of co-operation and delivery focus and BIS has a key role in stimulating best practices in this field.

The Board of BIS has worked well during the year with sharper, more focused agendas and clearer data on which to assess performance. Executives, NEDs, the Secretary of State and some Ministers have been regular attendees and have established a productive rhythm of debate and challenge. Improved attendance from BIS Ministers would help further.

I want to thank my fellow NEDs for their engagement with BIS with much of their effort and time being committed outside of the Board itself.

In particular, Dale Murray led a very concise review of Business Support Programmes and Dalton Philips an assessment of BIS Efficiency and Administration spend. As a group, the NEDs act as Advisors and a source of challenge in areas of Risk Management, Leadership and Strategy Delivery.

I commend the Executive led by the Permanent Secretary for their positive engagement with the NEDs and their genuine commitment to find mechanisms to improve the Department's capabilities.

Delivery of impact, and I suspect further streamlining of fragmented and sometimes competitive programmes, will be key themes moving forward but the Department displays a competency and energy which bodes well.

Sir Andrew Witty

Introduction

The Department for Business Innovation and Skills in 2012–13

£4 Billion	£350 Million	19.5%
The amount committed to long term strategies for the Industrial Strategy	The value of the loan offers made through the Enterprise Finance Guarantee Scheme in 2012-13	The application rate of disadvantaged young people applying for Higher Education in England, the highest on record
520,600	**10**	**8,107**
The number of Apprenticeships started in the 2011/12 academic year, up 13.9%	Institutions granted university title in 2012/13, the single biggest creation of universities since 1992	The number of firms helped through the Manufacturing Advisory Service in 2012–13
15%	**8**	**TWO THIRDS**
The increase in businesses assited with trade matters in 2012-13	City deals agreed in 2012-13 with a further 20 to be launched in 2013–14	Of 235 growth measures complete by Budget 2013

About BIS

OUR VISION

Our vision is to achieve strong, sustainable and balanced growth, evenly shared across the country and between industries.

OUR VALUES

– Empowered to deliver

– Commit to each other's success

– Focus on what matters most

OUR RESOURCES

– £26.2 billion Expenditure in 2012-13

– £4.7 billion planned resource savings (25% reduction in real terms) by 2014-15

– Plans to halve our administration budgets from parliament to parliament

OUR AMBITIONS

– Create a more educated workforce that is the most flexible in Europe

– Make the UK the best place in Europe to start, finance and grow a business

– Encourage investment and exports as a route to a more balanced economy

OUR WORK

Working together for Growth: Promoting policies across Government which actively drive growth

Knowledge & Innovation: Promote excellent universities and research and increased business innovation

Skills: Build an internationally competitive skills base and promote more opportunities for individuals in realising their potential

Enterprise: Boost enterprise and make this the decade of the entrepreneur; and rebalance the economy across sectors and across regions

Trade: Stimulate exports and inward investment

Markets: Create a positive business environment; and protect and empower consumers

OUR COLLEAGUES

We have 24,120 staff working across BIS on a wide range of issues

Our Permanent Secretary, Martin Donnelly, is supported by a team of Directors General

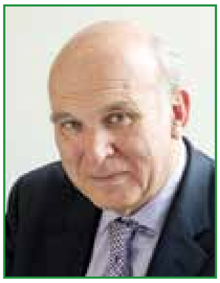
OUR MINISTERS

Our Secretary of State is Rt Hon Vince Cable MP, supported by a team of six ministers.

OUR PARTNERS

BIS delivers its diverse portfolio through 50 key Partner Organisations including the Student Loans Company, Research Councils, the Skills Funding Agency and the Higher Education Funding Council for England.

Our Ministers



Rt Hon Dr Vince Cable MP
Secretary of State for Business, Innovation and Skills

Lord Green
Minister of State for Trade and Investment (Jointly with the Foreign and Commonwealth Office)

Rt Hon David Willetts MP
Minister of State for Universities and Science (attending Cabinet)

Jo Swinson MP
Parliamentary Under-Secretary of State for Employment Relations and Consumer Affairs (Jointly with the Department for Culture, Media and Sport) – Since September 2012

Rt Hon Michael Fallon MP
Minister of State for Business and Enterprise (Jointly with the Department for Energy and Climate Change) – Since September 2012

Viscount Younger of Leckie
Parliamentary Under-Secretary of State for Business, Innovation and Skills – Since January 2013

Matthew Hancock MP
Parliamentary Under-Secretary of State for Skills (Jointly with the Department for Education) – Since September 2012

Notes:

Baroness Wilcox	Parliamentary Under-Secretary of State for Business, Innovation & Skills – Until September 2012
Mark Prisk	Minister of State for Business and Enterprise – Until September 2012
John Hayes	Minister of State for Further Education, Skills and Lifelong Learning (jointly with the Department for Education) – Until September 2012
Norman Lamb	Minister of State for Employment Relations, Consumer and Postal Affairs – Until September 2012
Rt Hon Greg Clark MP	Minister of State for Decentralisation and Cities (Jointly with the Department for Communities and Local Government) – Until September 2012
Lord Marland	Parliamentary Under Secretary of State for Intellectual Property – From September 2012 Until January 2013

Our Management Team

Martin Donnelly
Permanent Secretary

Philippa Lloyd
Director General, People, Communications and Effectiveness – since September 2012

Tera Allas
Director General, Strategy, Analysis and Better Regulation

Mark Russell
Chief Executive, Shareholder Executive (Interim Chief Executive from February 2013 to March 2013, Chief Executive since April 2013)

Sir John O'Reilly
Director General, Knowledge and Innovation – since February 2013

Howard Orme
Director General, Finance and Commercial

Nick Baird
Chief Executive, UK Trade and Investment

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

Bernadette Kelly
Director General, Markets and Local Growth

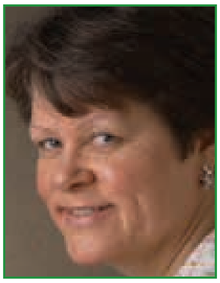
Notes:

John Alty	Acting Director General, Knowledge & Innovation (from August 2012 until February 2013)
Joanna Donaldson	Acting Director General, People, Communications and Effectiveness (until September 2012)
Simon Edmonds	Acting Director General Business and Skills (from April 2012 until May 2012)
Stephen Lovegrove	Chief Executive, Shareholder Executive (until February 2013)
Sir Adrian Smith	Director General, Knowledge and Innovation (until August 2012)

Our Non-executive Directors

Sir Andrew Witty
Lead Non-Executive Director

Andrew became Chief Executive Officer of GlaxoSmithKline in May 2008. He has served in numerous advisory roles to Governments around the world including South Africa, Singapore, China and the UK. He is also President of the European Federation of Pharmaceutical Industries and Associations.



Professor Dame Julia King
Non-Executive Director

Julia became Vice-Chancellor of Aston University in 2006 after a career in academia and in Rolls- Royce plc. She works closely with Government as a member of the Committee on Climate Change and the UK's Low Carbon Business Ambassador, and led the 'King Review' (2008) on reducing vehicle emissions. She is an inaugural member on the Governing Board of the European Institute of Innovation & Technology.

Dalton Philips
Non-Executive Director

Dalton joined Morrisons, as Chief Executive, in January 2010. Since beginning his retail career in New Zealand, he has spent seven years with Wal-Mart Stores Inc – including international assignments in Brazil and then as Chief Operating Officer of its business in Germany – before moving to work for the Weston family in 2005, in Ireland and then Canada.

Alan Aubrey
Non-Executive Director

Alan is the Chief Executive Officer of IP Group plc, a company that invests in and builds technology businesses based on intellectual property originating from Universities and other research intensive institutions. He is also a Non-Executive in several listed technology companies. From 1995-2002, Alan was a corporate finance partner in KPMG. He is a fellow of the Institute of Chartered Accountants of England and Wales.

Dale Murray CBE
Non-Executive Director (since January 2013) also a Non Executive Director for UKTI

Dale joined the BIS Departmental Board in January 2013, and recently completed a review of BIS-managed Small Business Programmes. Dale has been an angel investor since 2006, and won British Angel Investor of the Year in 2011. She is also a successful entrepreneur, as founder of Omega Logic which launched mobile phone top-ups into the UK.

Our Work

Championing growth

Tera Allas:

Our work in 2012-13 has focused on continuing to implement the Government's growth agenda commitments while building an ambitious, evidence-based and enduring Industrial Strategy that will contribute to the UK's long-term competitiveness and prosperity. By the end of March, almost two thirds of all the Growth Review measures had been completed, and many are starting to have an impact on the ground. For example, 12 new university-based centres have been established for Innovative Manufacturing, and 18 procurement pipelines have been published providing forward visibility of Government business opportunities worth approximately £84 billion over the next 5 years. Another example is the BIS led One-in, One-out approach to regulation, which is starting to benefit businesses in a major way: this has delivered net savings to businesses of around £1 billion per annum. Going into 2013-14, the Industrial Strategy continues to build momentum, with four sector strategies published in partnership with businesses and several more in the pipeline by the end of the summer; and an Industrial Strategy Council set up to steer and engage on cross-cutting issues, including technology, skills, access to finance and procurement.

BIS is focussed on creating the best possible environment for growth, both through our own policy portfolio and our work championing growth across Government.

The Plan for Growth and Autumn Statement 2011 contained a comprehensive package of structural reforms, to rebalance and strengthen the economy for the future. These span a range of policies across 22 themes including: cutting red tape, reforming the planning system, boosting trade and inward investment and reforms to the UK's world class Higher Education system.

Implementing these reforms is a priority across Government and BIS plays a key role in driving progress. At Autumn Statement 2012 and Budget 2013 BIS and HM Treasury reported on progress in implementing the 235 growth measures set out in the Plan for Growth (2011), Budget 2011 and Autumn Statement 2011. At Autumn Statement 52% of measures had been completed (up from 25% in March 2012). At Budget almost two-thirds were complete. We are also developing a framework for monitoring and evaluating the longer term impacts of these measures.

BIS leads on three of the four Plan for Growth ambitions. Some examples of our work in each of these areas are:

Make the UK the best place in Europe to start, finance and grow a business

- Deregulation has saved businesses around £1 billion a year;
- The Business Angel Co-investment Fund has helped high-growth SMEs access £33.4 million of investment in 2012-13. Of the 23 investments made £8.2 million was from the Co-investment Fund and £25.2 million from business angel syndicates;

- The £200 million Growth Accelerator, in it's first nine months provided high quality business coaching for 5,000 firms with the ambition to grow; and
- Start-up loans have provided loans for over 2,700 young people aged 18-30, alongside business support and mentoring, since the launch in 2012.

Encourage investment and exports as a route to a more balanced economy

- UK goods exports to Brazil are up by half, India more than half and China almost double over the past three years;
- UKTI provided support for just over 29,000 UK SMEs to export in 2012-13, a 15% increase on 2011-12; and
- 24 Enterprise Zones have been established, creating 1,700 jobs and almost £156 million of investment.

Create a more educated workforce that is the most flexible in Europe

- Over half a million Apprenticeships started in the 2011/12 academic year up 13.9% from the previous year.
- Four Catapult Centres, including high-value manufacturing and cell therapy, have opened with a further three expected to be operational by winter 2013; and
- Around £90 million of Government funding and leveraging in £115 million in employer contributions by 2015-16, the first round of the Employer Ownership Pilot gives direct support to employers to address their skills needs. £1.8 million has already been provided during 2012-13, the first year of the pilot.

In September 2012 the Secretary of State set out the Government's Industrial Strategy as a key part of our overall growth policy. Industrial Strategy is setting out a long-term, whole of Government approach to how we support business, to provide clarity and build business confidence for investment and growth. Partnership with business is at the heart of Industrial Strategy.

The Government has already committed over £4 billion to long term strategies for the Industrial Strategy. We have identified several areas where Government action can have a real and early impact; sectors; technologies; access to finance; skills; and procurement. 11 sector strategies will be published by the end of the summer 2013, with commitments from both business and Government. Eight Great British technologies have been identified where the UK could become a world leader, these are: Big Data, Synthetic Biology, Regenerative Medicine, Agri-Science, Energy Storage, Advanced Materials and Nano-technology, Robotics and Space technology.

A Strategic Vision for UK Aerospace

The UK's is Europe's number one aerospace manufacturing nation. Aerospace employs 230,000 people across the UK. With forecast demand for around 27,000 new large passenger aircraft (worth $3.7 trillion) between now and 2030 this is a sector with real growth potential. The scale and challenges of delivering the next generation of greener more efficient aircraft also make it a sector where Government and industry need to work together.

In March we published the Aerospace Industrial Strategy, supported by a Government and industry investment of £2 billion over seven years to create an Aerospace Technology Institute. This length of commitment is unusual, but given the long development times for a new aircraft it is essential if industry is to have the confidence to invest in developing new technologies in the UK.

The strategy was developed by the joint Government/industry Aerospace Growth Partnership (AGP). It is based on ensuring that the UK has the capabilities to be at the leading edge of the design, development and production of wings, engines, aerostructures and advanced systems.

From a relatively modest start the AGP has grown in scope and ambition. BIS is working alongside over 80 senior executives from across the industry to deliver an ambitious programme to keep the UK firmly at the forefront of world aerospace. Industry has also contributed eight full-time secondees and their contribution has been key to sustaining momentum and building the links between companies as well as between business and Government.

Enterprise

Rachel Sandby-Thomas:

In 2012-13 we focused on tackling finance and capability gaps and barriers to starting and growing a business. Our Business Angel Co-Investment Fund exceeded its targets and safeguarded 213 jobs as well as investing £8.2 million in SMEs; we established a £15.5 million Start-Up Loans programme to provide loans and mentoring to 2,700 young people aged 18-30 and began the development of the £1 billion Business Bank, announced last autumn.

We recruited and trained 15,000 volunteer business mentors and established our Growth Accelerator programme for high-growth potential firms. We published Lord Young's 'Making Business Your Business' report, continued the roll-out of Enterprise Societies in universities and colleges and also established a new co-funded Enterprise Research Centre to identify longer-term trends.

Boosting enterprise

Our aim in 2012-13 was to strengthen the entrepreneurial culture and business environment, providing start-up and growth SMEs with better access to finance, information and advice.

In addition to well-established finance programmes such as the Business Angel Co-Investment Fund and the Enterprise Finance Guarantee, we agreed new investment in alternative debt finance including online peer-to-peer lending, with nearly 11,000 businesses supported since May 2012. Start-Up Loans were launched and the first £10 million allocated to provide finance and mentoring to young people aged 18-30.

We have also recruited and trained 15,000 volunteer business mentors, boosting the network to 27,000. We launched Growth Accelerator which, in its first 9 months, provided high quality business coaching for 5,000 firms with the ambition to grow. The investment and support provided has resulted in firms investing £19 million of funding.

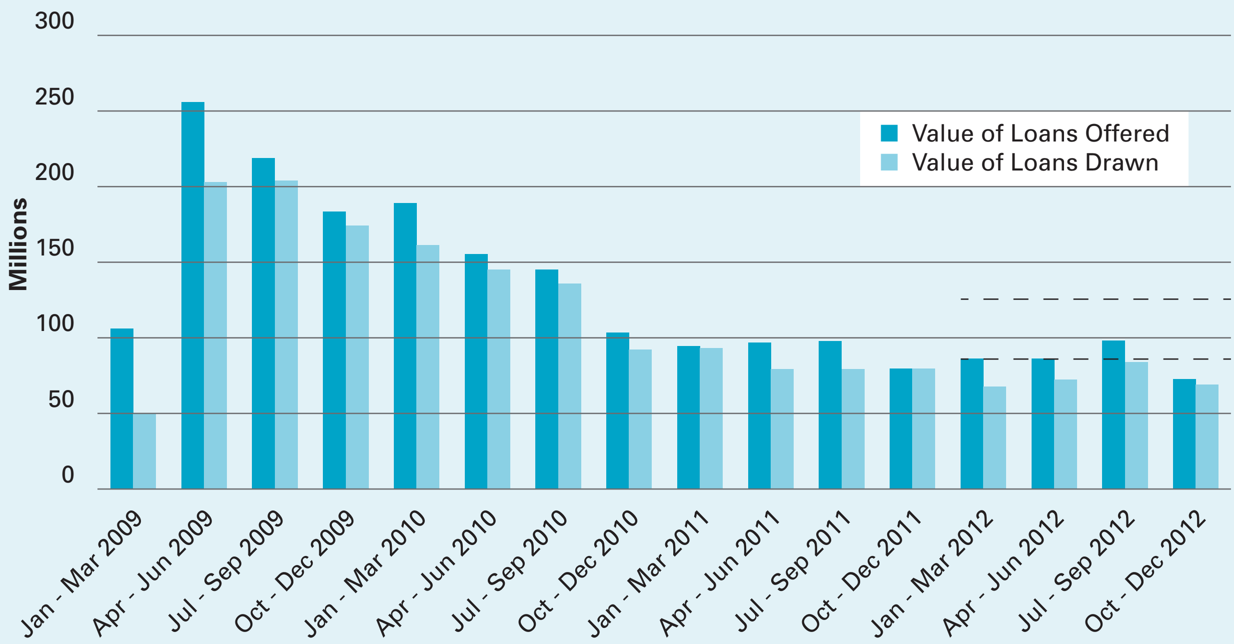
We have successfully transferred the former Business Link website into the single Government portal gov.uk. There is further work to do to ensure business support content fully meets the needs of SMEs, and work is ongoing in this matter.

Enterprise Finance Guarantee Scheme

The Enterprise Finance Guarantee scheme (EFG), run by Capital for Enterprises aimed to facilitate additional lending to viable SMEs lacking adequate security or proven track record to secure a commercial loan. Operating at the margins of commercial lending, it is designed to facilitate 1-2% of total SME lending.

A recent Durham Business School report shows that EFG is a highly effective intervention with the economy benefitting by over £1.1 billion over the first years of operation, with businesses in receipt of EFG loans having created or saved almost 19,000 jobs.

Despite overall lending by banks declining, EFG lending has stabilised and we achieved loan offers to a value of £350 million during the 2012-13 financial year. We are continuing to develop a range of EFG interventions that both broaden EFG's channels to market and extend its coverage.



We announced the plan for the creation of a Business Bank in the autumn of 2012. The Bank's role will be to support the development of diverse debt and equity finance markets for SMEs and mid-sized businesses and to increase the provision of finance to viable, but underserved businesses. For this purpose, we secured cross Government agreement in establishing the Bank and £1 billion worth of funding has been allocated to the Business Bank. The Bank is expected to support up to £10 billion of new and additional private business lending.

The Bank will also bring together the management of existing Government business finance schemes and consolidate the provision of and increase the awareness of available support and advice to high growth businesses. Planning is now well underway with a Business Bank Advisory Group having been established. It is planned that the Bank will be fully operational by the autumn of 2014.

Rebalancing the economy across regions

In 2012-13 we continued to reform support for economic growth across England, to give local leaders the levers and resources they need to drive growth. Local Economic Partnerships (LEPs) are increasingly taking on a central role in promoting local economic growth in England, and the Government's response to Lord Heseltine's "No Stone Unturned" report reinforces this. We acted to support LEP capacity, with up to £500,000 a year for the next two years offered to each LEP for core funding to support their development of strategic economic plans, and put in place a Senior Whitehall Sponsor for each LEP working with expanded BIS Local teams to support local growth priorities.

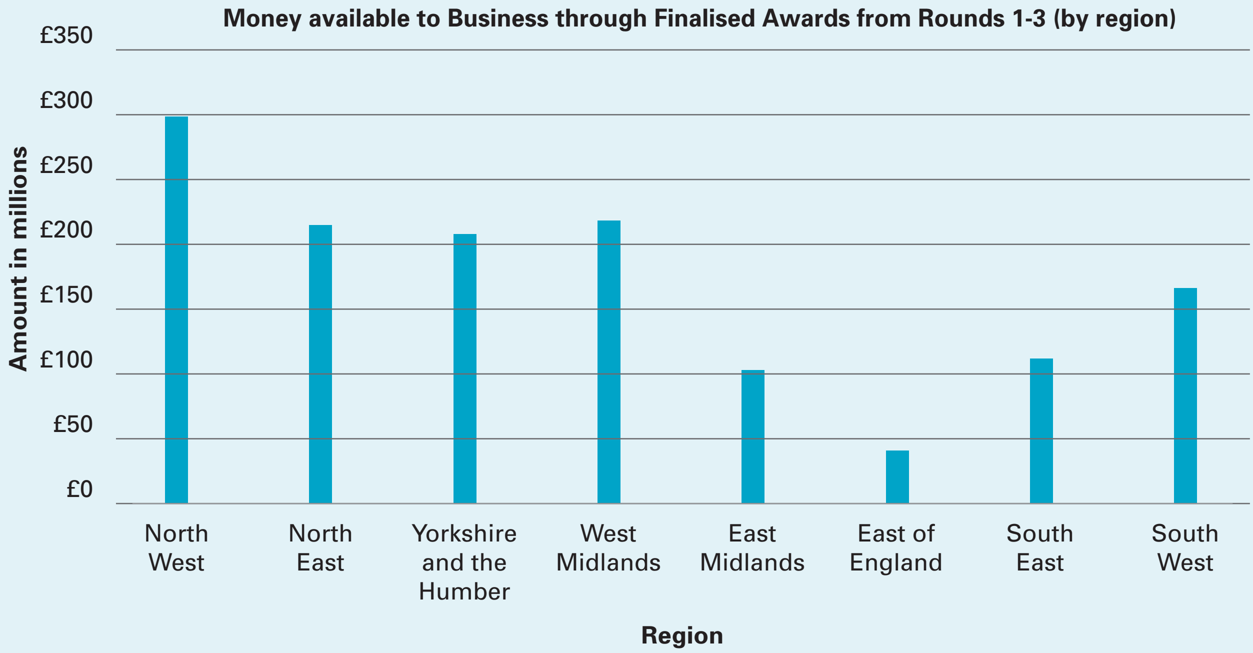
We have – with Cabinet Office – worked with 28 cities in England to help them develop and take forward City Deal proposals to unlock their potential to drive economic growth. It is estimated that the first wave of 8 deals agreed in 2012-13 will create 175,000 jobs over the next 20 years and 37,000 new Apprenticeships.

Under the Regional Growth Fund £2.4 billion has been awarded to support sustainable, private sector led, economic growth, leveraging £13 billion of private sector investment. £674 million has been drawn down to date and the programme is expected to create/safeguard 500,000 jobs over the next 10 years. Bidding for round four of the Regional Growth Fund closed in March, with selected bids announced in summer 2013.

Regional Growth Fund

AV Dawson was awarded £1.2 million of Regional Growth Fund cash towards establishing Tees Multimodal Bio-Freight Terminal – the development and enhancement of strategic infrastructure assets within Riverside Park Industrial Estate Middlesbrough. The project involves the construction and development of a new rail freight terminal and new bulk storage facilities, and the linking of two river wharves to create additional quay space and a new deep water shipping berth. This will create 32 jobs on-site, with an estimated 190 jobs secured in the supply chain.

AV Dawson is a Teesside family business established in 1938, providing logistics infrastructure to serve local industry. The new facilities will meet expected increased demand on Teesside and support the Government's Industrial Strategy by allowing large quantities of wheat, wood pellet and waste to be delivered to fuel plants in an efficient and environmentally acceptable way, and to facilitate offshore wind projects in providing access for construction and maintenance ships.



Rebalancing the economy across sectors

BIS uses its strong links and knowledge of key sectors to ensure Government policy reflects the different economic conditions in different markets. At sector level our work underpins strategies in sectors across the industrial spectrum.

In partnership with Sector Councils this year we produced three sector strategies; Aerospace, Nuclear, Oil & Gas; and laid the foundations for other priority sectors. Through the Aerospace Growth Partnership, the Government and industry have agreed to invest over £2 billion over the next seven years on research and technology, the creation of an Aerospace Technology Institute aims to secure up to 115,000 jobs by 2030; industry and Government have also jointly created 500 new Masters level graduate courses through a £6 million bursary fund.

We established the Defence Growth Partnership where industry and Government will work together to identify ways to remove barriers to growth and enhance the competitiveness of the UK defence sector. We set out "Life Science One year On" in December with a commitment to sequence the whole human genome of 100,000 NHS patients and progress has been made in attracting more than £1 billion of private sector investment in to the UK to ensure we continue to be a world leader in life sciences.

Our hard work with General Motors, the unions, MPs and local authorities culminated in the company's decision to invest £125 million at Ellesmere Port, creating 700 direct jobs, 3,000 in supply chain and securing production until at least 2020. We have been working closely with Nissan in the UK to secure for Sunderland an all new compact car to be manufactured under Nissan's premium "Infiniti" brand from 2015. Not only will this leverage an investment of £250 million in the plant and the creation of around 1,000 new jobs at Nissan and in the UK supply chain, but it will also see the Infiniti brand being manufactured in Europe for the first time ever.

Through the national Manufacturing Advisory Service we have assisted 8,107 SME manufacturers, in 2012-13, to improve their competitiveness and help the UK to become world class in high value manufacturing. In partnership with Industry, we ran Make it in Great Britain, a nine month media campaign leading up to the London 2012 Olympic Games, and culminated in a high-profile exhibition celebrating the best of cutting-edge UK manufacturing at the Science Museum from 24 July – 9 September which attracted over 40,000 visitors.

This year saw fundamental changes in the structure of the BIS Statement of Financial Position from an additional £4 billion in retained assets from the £29 billion of assets transferred from the Royal Mail Pension Plan (RMPP) into BIS and sold down over 2012-13. Further changes are from a shareholding of £146 million, in the Green Investment Bank and £465 million share of the value of Urenco, a uranium enrichment firm transferred across to BIS from the Department for Energy and Climate Change in 2012-13, now valued at £517 million. The Shareholder Executive will be managing the challenge of moving to more demand-led and volatile spend areas to ensure we are sufficiently resourced to deliver the significant capital investment and other delivery objectives.

Royal Mail

Communities and businesses across the UK depend on the services provided by Royal Mail and our overarching objective for Royal Mail remains to protect the UK's universal postal service – the one-price-goes-anywhere, six days a week service that we rely upon. Central to achieving this policy is the Shareholder Executive's work with Royal Mail to secure the company access to private capital, allowing it to innovate and seize the opportunities presented by new markets – like the rapid growth of online shopping.

Following the passing of the Postal Services Act 2011 and Ofcom's regulatory reforms, another key milestone towards this objective was the relief of Royal Mail's historic pension deficit in April 2012. This involved the set-up of a new public sector pension scheme – the Royal Mail Statutory Pension Scheme (RMSPS). Royal Mail's positive financial results for 2012-13 indicate that Government reforms, alongside efforts of Royal Mail staff and management, are putting the company on the road to health and long term viability and in good shape to secure investment.

Post Office Limited has begun its national programme of Network Transformation, which will see the modernisation of up to 6,000 branches by 2015. At the end of 2012-13, over 1,400 post offices have already signed binding contracts to modernise. Around 20 million customers use post offices every week and ensuring continued fair and proportionate access to the network is a Departmental priority. Post Office Limited will remain in public hands, with the possibility of a future conversion to a mutual organisation operating for the public benefit.

The Green Investment Bank (GIB)

The world's first Green Investment Bank has been launched, and is now fully operational and operating independently from Government as part of the £635 million of funding committed in 2012-13. The Bank has invested £121 million and, lined up further investments of £262 million across its priority areas of waste, non domestic energy efficiency, offshore wind and the Green Deal. There is also £201 million available to its fund managers available for them to invest in future years. These amounts include:

- £100 million to two fund managers to invest in smaller non-domestic energy efficiency projects. Including a £5 million investment to retrofit an industrial facility, in north Wales, to reduce its energy consumption;
- £80 million to two fund managers to invest into waste projects. This has funded an £8 million investment towards the construction of an anaerobic digestion plant in Teesside;
- £58 million direct equity investment in the offshore wind farm, Rhyl Flats, in Wales;
- £50 million of investment into the conversion of the Drax power station, in Selby, to run partly on biomass fuel;

Establishing the Green Investment Bank

The Secretary of State launched the UK Green Investment Bank – the world's first of its kind – in November 2012. In May, a public company, UK Green Investment Bank plc, was formed with Lord Smith of Kelvin as Chair. Its status as a Company established under the Companies Act with an independent board is crucial to help ensure the Bank operates at arm's length from Government. The Bank's green purpose, embedded independence, and funding provision for UK GIB were part of the Enterprise and Regulatory Reform Bill.

The Bank became commercially operational in October 2012 following receipt of state aid approval from the European Commission and the appointment of the CEO, Shaun Kingsbury. In establishing the GIB, BIS overcame significant challenges:

- We obtained approval for state aid from the European Commission ensuring the Government's full ambition and vision of the Bank could be achieved.
- Recruitment, at pace, of top quality Bank staff and Board members within the Government's remuneration guidelines.
- Building an institution for which there was no precedent.

Knowledge and innovation

Sir John O'Reilly:

The role the Knowledge and Innovation Group plays in promoting excellent Universities, research and increasing business innovation is vital to the future growth of the UK economy. The implementation of the higher education reforms continues apace with the 2012/13 university intake being the first cohort in the new financial system. We continue to support the UK's excellent Research Base and have secured over £1.5 billion additional flat cash capital investment in science and innovation since the Spending Review, including £600 million in the 2012 Autumn Statement. We have also made considerable progress in promoting innovation driven growth by implementing the Innovation & Research Strategy and establishing seven Catapult Centres, four already fully operational.

Promoting excellent universities

In the academic year 2012/13 the first students entered Higher Education under new funding arrangements. Having decided not to proceed with a Higher Education Bill, we are focused on delivering the remaining reforms through non-legislative means. Through the Regulatory Partnership Group a new Higher Education Operating Framework is being put in place, co-ordinated by the Higher Education Funding Council for England (HEFCE) and working with a number of Partners, notably the Student Loans Company, Quality Assurance Agency, Higher Education Statistics Agency, Office for Fair Access (OFFA) and Office of the Independent Adjudicator.

To help ensure that higher education is accessible to all, OFFA approves Access Agreements for publicly funded institutions wishing to charge above the basic fee level – £6,000 a year for full time students, £4,500 a year for part time students. Institutions now plan to spend over £670m a year by 2016-17 on access and student success measures from their higher level fee income.

Since September 2012 the first National Scholarship Programme (NSP) awards have also been made to eligible disadvantaged students who meet the conditions set by the university. The total number of students who have received or who are forecast to receive an NSP award in academic year 2012/13 is 34,859, the majority of the students, 27,331, received some or all of their NSP award before 1 January 2013. The application rate for disadvantaged young people from England to higher education has risen and is now the highest on record at 19.5%.

To promote student choice, we are working with HEFCE to open up the higher education market to new providers encouraging greater diversity and competition in higher education and to remove artificial barriers preventing different types of higher education provider from entering the university sector. We have:

- Reduced the student number criterion needed for university title to 1000 to enable smaller, high quality specialist institutions to gain university title without risk of lowering standards. Ten institutions have now met the criteria – leading to the largest creation of Universities at one time since 1992;
- Asked HEFCE to consult on bringing alternative providers into the student number control system; and
- Delivered an improved Key Information Set and updated the national comparison website (Unistats) to help inform student choice. We have asked HEFCE to introduce a risk based quality assurance system from academic year 2013/14 to maintain quality of provision.

Universities

The changes that BIS announced to the criteria for university title in June 2012 led to the single biggest creation of universities since 1992. Ten institutions subsequently applied for university title:

The Arts University Bournemouth

Bishop Grosseteste University

Harper Adams University

Leeds Trinity University

Newman University

Norwich University of the Arts

Royal Agricultural University

University of St Mark & St John

Falmouth University

University College Birmingham

All ten institutions were well-known and highly-regarded university colleges with long and distinguished records and histories. All went through a rigorous application process, involving advice to BIS from HEFCE on student numbers and governance arrangements. This led to an announcement by BIS in November 2012 that all 10 institutions met the criteria.

These changes mean that smaller, high quality institutions are no longer prevented from obtaining university title helping to enhance the quality and diversity of the UK HE sector, without risk of lowering standards in the sector as a whole.

Promoting research

Public investment in research underpins the UK's competitiveness in the medium and longer terms, sustaining the UK as a knowledge-based economy in the face of growing international competition. In 2012-13 we spent £5.4 billion on programme and capital to support the very best research, training and ways of exploiting the benefits of these investments. We continue to fund the BIS/Foreign and Commonwealth Science and Innovation network overseas to promote wider international strategic science collaborations and harnessing international technology partnerships. We have announced an additional £1.5 billion for science and innovation capital investment in a number of high value projects and through the Research Partnership Investment Fund (RPIF) since 2010. In partnership with HEFCE, the £300 million RPIF aims to leverage more than double this in private funding contributions, securing an extra £1 billion of investment in university research infrastructure and partnerships.

The UK has very high quality research output with 14% of the world's most highly cited scientific articles, second only to the US's share of 55%.

Science & Research Investment

The science and research programme budget was protected with a flat cash, ring fenced settlement for 2011-15. The programme component of science and research funding remains fixed at £4.6 billion each year to 2015. The UK research base is world class: second only to the USA for total number of citations (the standard quality measure), and the most productive in the G8 in terms of both citations and publications per Gross Expenditure in R&D. The UK is also second only to the USA for numbers of universities ranked in the world's top 100. Universities have more than doubled their external income in real terms since 2001. Also, according to the World Economic Forum, university-business relations in the UK are second best out of more than a hundred countries – a striking improvement in UK performance over recent years. The UK receives 14.9% of funding from the current Framework Programme 7, second only behind Germany, and is currently negotiating the form of its replacement, Horizon 2020. We have so far been successful in maintaining the focus on excellence in Horizon 2020. UK-funded science and research are at the core of the new sectoral and technology industrial strategies.

Increasing business innovation

Our primary mission is to make Britain one of the most fertile places in the world for innovation and we intend to help create the conditions in which others can innovate successfully. While we have a strong focus on the economic benefits of innovation, we also recognise its wider impacts such as better health outcomes, environmental sustainability.

Through the Technology Strategy Board, BIS is establishing a network of seven Catapult Centres, with four centres open for business and the remaining centres fully operational by winter 2013. Catapult Centres will help bridge the gap between academia and innovative businesses and to commercialise new technologies.

Our Annual Innovation Report, published in November 2012, summarises the UK's current innovation performance and progress in implementing the 2011 Innovation and Research Strategy for Growth. The UK is among the leading countries in terms of our innovation investment intensity although on the narrower measure of R&D investment we are behind countries such as Finland, Japan and Germany.

Catapult centres

Building on the 2010 report by Herman Hauser, the Technology Strategy Board (TSB) is establishing a network of 7 Catapult Centres in High Value Manufacturing, Cell Therapy, Offshore Renewables, Satellite Applications, Digital Connected Economy, Future Cities and Transport Systems. Catapult Centres can create a critical mass for business and research innovation by focusing on a specific technology where there is a potentially large global market and a significant UK capability. These centres will be an important part of the UK's innovation system, making a major long-term contribution to UK economic growth. All Catapults Centres are expected to be fully operational by winter 2013.

Skills

Rachel Sandby-Thomas:

The overarching theme of our work during 2012-13 has been to concentrate power into the hands of learners and employers, to help deliver training that is rigorous and responsive to work place needs, and supports growth. The Employer Ownership of Skills Pilot is a good example of this, with employers coming together to develop exciting and innovative ways to address their future skills challenges. Our initial proposals for Traineeships have also sought strong employer engagement and LEPs, reflecting the needs of local businesses, and have helped shape the skills elements of 8 Wave 1 City Deals. The Apprenticeship programme has seen record growth this year, but we want to go further and, among other things, have supported Doug Richard's independent review of Apprenticeships setting us on a pathway towards higher quality, more effective funding and employer leadership. Our new skills strategy Rigour and Responsiveness seeks to recognise and build on the significant progress we have made in 2012-13, it forms a core part of the Government's growth strategy and sets our agenda for the coming year when our focus will continue to be putting employers and learners at the heart of the system.

Building an internationally competitive skills base

The overarching theme has been to concentrate power, including where possible funding, in the hands of learners and employers as the best way of delivering training that is rigorous and responsive to work place needs, and supports growth. We have supported over 3 million learners in 2012-13 through the £3.9 billion of overall funding focussed on supporting those needing basic English and Maths skills, young adults to achieve their first level 2 or level 3 qualification, and the unemployed where skills training can help them into work.

During 2012-13 our key activities have included supporting Doug Richard's independent review of Apprenticeships, which sets a pathway towards higher quality, more effective funding, and employer leadership. Our initial response to the review was published during March 2013. We have funded 37 projects -supported by around £90 million of Government funding and leveraging in £115 million in employer contributions – through the first round of the Employer Ownership Pilot, which gives direct support to employers to address their skills needs in innovative ways, and addresses blockages to growth. A second round was launched in February 2013. We have also published initial proposals for high quality Traineeships for those aged between 16 and 24 and out of work. This emphasises the need for rigour and employer involvement, with a focus on basic English and maths, employability skills, and work experience.

The Skills Funding Agency has published proposals to simplify the matrix of publicly funded qualifications by removing funding from the least used programmes. The new funding system will provide a clearer and transparent way of funding adult learning, with a minimal level of bureaucracy. Nigel Whitehead, group managing director of BAE Systems and the UK Commission for Employment and Skills (UKCES), has also been asked to report on how adult qualifications can best meet the tests of rigour and responsiveness. Finally we have supported skills elements of 8 Wave 1 City Deals, making funding available to support skills in ways supported by local businesses as ingredients for growth.

Apprenticeships

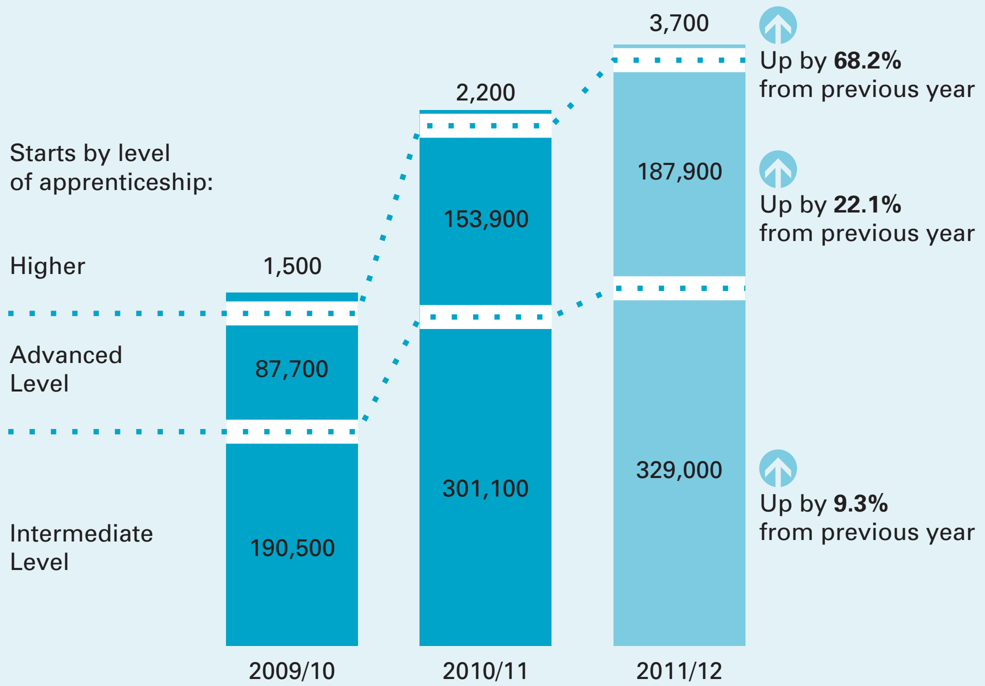
Apprenticeships are designed to support people of all ages to enter into and succeed in a skilled occupation and to equip employers with the skills they need to prosper and compete globally.

This year we have seen record growth and high levels of return on investment and employer and learner satisfaction. In the 2011/12 academic year, 520,600 Apprenticeships were started, an increase of 13.9% on the previous year, with growth strongest at higher skill levels.

But we want to go further to ensure that every Apprenticeship delivers the high quality training learners and employers expect, and that more individuals and employers can access high quality Apprenticeships.

So this year we have worked together with the National Apprenticeship Service and UKCES and taken extensive action to improve standards and remove poor quality provision; invested in the growth of Higher Apprenticeships; empowered employers of all sizes by implementing the Holt Review on SME engagement and the Employer Ownership Pilots; and supported and endorsed the Richard Review into the future of Apprenticeships.

We will take forward the comprehensive Richard reforms, designed to ensure Apprenticeships are fit for the future, by raising standards, increasing value, and place employers firmly at the heart of Apprenticeships.



During 2012-13 BIS has been working with a range of Partner Organisations to implement 24+ Advanced Learning Loans, as part of the Government's Major Projects Portfolio, with two linked objectives. The first objective is to build the systems required to make loans available to learners in Further Education, working with the Student Loans Company, the Skills Funding Agency and HM Revenue and Customs. The second objective is to help the Further Education sector prepare for the implementation of loans, by running a programme of information sharing events, and providing a range of information and other materials for colleges and training providers to use with potential learners. During this time, BIS has laid regulations allowing the Government to offer loans to Further Education learners. In 2013-14, implementation of 24+ Advanced Learning Loans will be completed, and loan repayments will commence in April 2016.

Markets

Bernadette Kelly:

Fair, efficient and open markets – both in the UK and globally – are vital to ensuring sustainable business growth. In 2012-13 we have taken forward a number of reforms aimed at strengthening the effective operation of markets. Through the Employment Law Review we are reducing burdens on employers, making the labour market more flexible, and enabling families to share rights to parental leave. The Enterprise and Regulatory Reform (ERR) Act establishes the new Competition and Markets Authority, which will replace the Office of Fair Trading (OFT) and Competition Commission, and will be charged with driving competition in markets across the economy. We have implemented reforms to enable shareholders to hold businesses to account more effectively on directors' remuneration, and to ensure top pay is linked to performance. In Europe, BIS continues to lead work to ensure the EU Single Market promotes business growth, and opening markets and tackling barriers to trade globally.

Creating a positive business environment

BIS is committed to creating a business environment which encourages long-term sustainable growth. In July 2012, Professor Kay reported on the workings of equity markets and how they could better serve the long-term needs of UK companies, savers and the wider economy. We responded in November and committed to implementing his recommendations and will report back on progress next year.

We have worked with companies and investors to strengthen the UK's corporate governance framework by giving shareholders better tools to scrutinise directors' pay and reforming company reporting to make it more informative. We played an active role in developing Europe-wide requirements for extractive industries to report on the payments they make to Governments in every country that they operate in. These reforms will help to maintain the UK's reputation as a standard bearer for good corporate governance. Central to good governance is having a strong, diverse company board. Our continued efforts to improve the diversity of boards, working alongside Lord Davies, means that 95% of FTSE 100 companies now have women on their boards, compared to 89% a year ago.

Our insolvency regime was once again rated as in the World Bank's Top 10 and reforms in the ERR Act will allow debtor petitions to be made to an Adjudicator rather than the Courts, saving significant sums for individuals, business and Government. A Debt Management Protocol was announced in February 2013 which will enhance protections for vulnerable consumers who enter into Debt Management Plans.

Promoting Competition

Competitive markets drive growth and innovation, empowering consumers and ensuring that the most efficient and innovative businesses can thrive. This year saw the successful passage of the ERR Act through Parliament which will create a new, single Competition and Markets Authority (CMA) which will strengthen the competition regime by improving and streamlining enforcement and ensure resources are flexibly and efficiently deployed to tackle structural problems in markets. The Chair-Designate, Lord Currie, and Chief Executive-Designate, Alex Chisholm, to the CMA are working to create a dynamic organisation that will bring together the best of the OFT and the Competition Commission and ensure the UK continues to play a leading role in promoting competition internationally. Work is on track to ensure the new CMA is fully established on 1 April 2014.

To complement these reforms, we have consulted on reforming private actions in competition law, making it easier for consumers and businesses to stand up for their rights. The reforms will empower small businesses to tackle anti-competitive behavior; and will enable consumers and businesses who have suffered loss due to anti-competitive behavior to obtain redress.

We have also strengthened protection for firms supplying the large supermarkets by appointing an Adjudicator to enforce the Groceries Supply Code of Practice. One of the Adjudicator's principal aims is to prevent behaviour by grocery retailers that might adversely impact the willingness of suppliers to invest and innovate.

Supporting consumers

Markets work best when consumers have the confidence to switch between suppliers, driving innovation and boosting competition. We have introduced significant reforms to improve consumer protection, simplify the landscape of consumer organisations and give greater clarity about where consumers can turn for help and advice. The Citizens Advice Service is now the 'one-stop shop' for all consumer information and advice, education and advocacy.

We are improving the effectiveness of Trading Standards in tackling large scale scams and abuse through the new National Trading Standards Board in England and Wales (mirrored in Scotland by the Scottish Consumer Protection National Enforcement Team). We have also established the Consumer Protection Partnership, which ensures a joined-up approach to prioritising and tackling consumer problems across agencies including the Office of Fair Trading, Trading Standards and Citizens Advice.

We have continued to develop our plans to simplify and clarify consumer law, making it easier for firms and consumers to know their rights. We have also introduced regulations to prevent firms charging excessive payment surcharges, for example for on-line bookings. We are working closely with business on the midata program to give consumers better access to electronic personal data that companies hold about them and have taken powers in the ERR Act to regulate if insufficient voluntary progress is made.

Payday Lending

During 2012-13 we have set out to tackle consumer harm from payday lending. Earlier this year, BIS-commissioned research into the impact of introducing a cap on the total cost of high cost credit, including payday loans, was published. The OFT also issued the findings of their review of payday lenders' compliance with the law and OFT guidance. Taken together, these reports found that the payday lending market was not functioning in consumers' interests and that there was widespread non-compliance and poor practice in the industry. In March 2013 the Government announced an action plan to tackle the current problems in the payday lending market:

Payday Lending *continued*

- The OFT is prioritising payday lending compliance and enforcement. Over the last few months, it has been taking action on some of the leading payday lenders to improve standards across the industry.
- The OFT has consulted on whether to refer the payday market to the Competition Commission. The consultation closed in early May and the OFT will announce the outcome soon.
- The new Financial Conduct Authority will take responsibility for regulating consumer credit from April 2014. They have committed to prioritise action on payday lending and will consider whether there are gaps in the regulation of payday lending market.
- The Government has reinforced the need for compliance with payday lending codes.

We believe that tough enforcement and compliance today, combined with a move to a new regulatory regime equipped to deliver robust consumer protections in the future, will tackle the real concerns of this market.

Flexible Labour Markets

BIS has been leading a co-ordinated effort across Government on a wide-ranging programme of reforms to ensure burdens on employers are reduced and labour market flexibility and participation is extended. The qualifying period for unfair dismissal has been extended from one year to two years, the ERR Act has streamlined the employment tribunal system and new rules for collective redundancies, including reducing the minimum period before the first dismissal can take effect from 90 to 45 days, have been introduced.

The net business savings from the changes to the unfair dismissal qualifying period is £4.7 million per annum and as a result of the changes to the formula for Statutory Redundancy payments are £5.4 million. The changes to the rules around collective redundancies will bring business benefits in the form of reduced labour costs.

Legislation has been introduced to allow businesses to offer more flexible forms of employment status in place of traditional employment rights with the introduction of employee shareholder. A range of other reforms including a new system of early conciliation through Acas, a statutory Code of Practice and guidance to facilitate the greater use of settlement agreements and a consolidation of National Minimum Wage Regulations are all being taken forward.

We have published plans setting out proposals for a new system of shared parental leave and the extension of the right to request flexible working to all. These measures, designed to support participation in the labour market have been introduced into Parliament in the Children and Families Bill. This extension of the right to request flexible working will provide indirect benefits to business from increased productivity, greater staff retention and reduced absenteeism.

The CBI Employer Trend Survey showed a 15% improvement in perceptions about employment law regulations since 2011. The 2012 CBI/Harvey Nash Employment Trends Survey reported that this figure was likely to be in response to the Government's programme of employment law reform.

Promoting Trade in Europe and Internationally

Open markets help UK businesses to grow through exports and drive competitiveness and innovation through access to imports. Two significant successes are the conclusion of the EU's Free Trade Agreement with Singapore and the launch of negotiations with Japan. We have been influential in successfully supporting our top trade priority – to ensure that EU/US negotiations are launched and proceed speedily. We are also pressing for early progress on EU bilateral trade negotiations with Canada and India. In addition, BIS works with the EU to ensure that UK companies are able to access markets worldwide.

Establishing BIS's contributions to the cross-Whitehall Balance of Competences process, which aims to set out clearly those areas in which the EU has policy competence, has been a major achievement. Separately, we are continuing to successfully press the European Commission to implement measures to boost EU growth. Our focus is on full implementation of the Services Directive, completion of the single market in areas such as digital, telecommunications and energy, and ensuring the mutual recognition of professional qualifications across the EU.

We continue to run a rigorous and customer-friendly Export Control Organisation. We are now regularly achieving our target of getting 70% of export licence applications completed within 20 working days. Our new secondary target is to get 99% of licence applications completed within 60 working days. We are working towards its implementation, alongside other changes to improve the customer experience, such as boosting open licensing, and ensuring that the electronic licence application system SPIRE is as customer-friendly as possible.

Trade and investment

Nick Baird:

Trade and investment has never been more important to the country's economic prospects. That is why the Government is seeking a transformation in the UK's export and inward investment performance. On trade, we aim to double UK exports to £1 trillion and get another 100,000 companies exporting by 2020. In addition, we want to maintain the UK's number one ranking as the destination for new inward foreign direct investment (FDI) in Europe and become the number one destination in Europe for new emerging market FDI.

UKTI has evolved to meet this challenge, we have restructured and realigned and now have predominantly private sector leadership. We have created a smaller HQ with far greater focus on front line delivery; we are forging new partnerships across Government and have improved our working with the private sector. This includes private sector delivery partners working to incentivised contracts, delivering services for business. We will continue to sharpen our focus over the coming year, with a clear message: more done, more to be done.

Increased UK Exports to high-growth and emerging markets

The UK Trade and Investment (UKTI) Strategy identifies twenty key high-growth and emerging markets for focussed efforts. In 2012-13, UKTI has worked closely with business-led organisations such as the China-Britain Business Council, the UK-India Business Council, and British business-network bodies overseas, to help UK exporters. It also continues to undertake awareness raising outreach events around the UK, such as those on behalf of the Asia Task Force; and support trade missions by senior Ministers, including those of the Prime Minister to Brazil, India, Japan, Mexico, the Middle East, and South East Asia in 2012-13.

Progress over the past three years has seen increases in our exports of goods to Brazil which are up by half; India more than half; China almost doubled; and Russia more than doubled.

Support for High Value Opportunities (HVOs)

Good progress has been made in this financial year, which has seen successes of £3 billion. The UKTI HVOs programme is being grown, it has already delivered a total £4 billion of UK business success since its inception. We are now increasing to 100 the number of projects we are supporting with a target of assisting UK companies with £10 billion of contract successes in 2013-14. The programme has received strong support from across Government and UKTI has identified the 20 top HVOs for Ministerial leadership.

Further improvements to the programme include:

- More than doubling the number of UK based and 20 in-market specialist resources, as well as recruiting private sector secondees covering specific knowledge/skills areas; and
- Producing specific campaign material to showcase UK capability around HVOs to relevant procurement authorities.

Strategic Relationship Management

The Strategic Relations team has supported Ministers and officials across Government to develop a coherent whole-of-Government relationship with 50 of the largest investors in the UK. For the first time, Government has systematically assessed the relationships and logged the trade and investment prospects and issues of the largest companies' relationships managed by HMG. Most strikingly, one SRM company has taken the SR principle to 19 other countries and asked for a similar service that combines their excellent relationship with posts with a coherent central Government offer.

UKTI is targeting institutional investors, such as Sovereign Wealth Funds and overseas pensions funds, to secure investment for large scale priority infrastructure and regeneration projects in the UK. As a result of this effort, there has been significant interest from mainland China, Asia and the Gulf in investing in UK infrastructure and appreciation from existing investors (with a £50 billion stake) in developed markets for example, Canada, Norway and Australia.

Support for SMEs

The most recent independently audited figures (covering UKTI support for the period October 2011-September 2012) show UKTI supported 29,230 businesses, a 15% increase on figures in the 2011-12 Annual Report. UKTI is, therefore, on track to meet its 2012-13 volume target of 32,000. Business reported some £45.6 billion of total additional sales as a result of UKTI assistance.

But there is much more to be done, with a target of 40,000 businesses assisted for 2013-14; action is in hand to deliver a range of new activity funded through the Autumn Statement 2012 increase of £22.5 million per annum. Already UKTI has started work on building up the capacity and capability of British Chambers and other potential delivery partners overseas to deliver a one-stop shop of services to UK companies. This drive to involve business organisations in the export challenge will also see more UKTI services delivered through key Trade Associations.

In addition, UKTI has begun work to increase the number of International Trade Advisors in the English regions, doubling the number of companies given financial support towards the cost of exhibiting at their first few overseas trade shows, and launching a voucher scheme to encourage greater take up of export services by 2,500 high growth SMEs.

Open to Export is an exciting new private sector provided e-networking facility for SMEs, which includes mentoring and experience-sharing. Since its launch in October 2012, it has attracted some 20,000 unique visits per month with more than 100 organisations contributing to the site.

The UK remains a top destination for high-quality, foreign direct investment projects

2012-13 was an exciting and historic year for Investment Group. We capitalised on the London 2012 Olympic and Paralympics and through the Global Investment Conference and British Business Embassy, brought together global leaders of industry where we showcased UK capabilities in innovation, creativity and thought leadership. The London 2012 Olympics has influenced over £2 billion foreign investment to date, with over 20,000 expected jobs to be created.

UKTI's Inward Investment report 2012-13 showed that, in the face of intense competition and despite the challenging economic environment, the UK remains the most attractive destination in Europe for inward investment. In 2012/13 the UK recorded 1,462 inward investment projects which brought with them or safeguarded 163,489 jobs. Of these 58,170 are new jobs – beating both the quantity of investment attracted and employment secured in the previous year.

A recent example of UKTI's continued success was the announcement in September 2012 by Chinese ICT Company, Huawei to invest some £1.3 billion in the UK over the next 5 years, moving their HQ to Reading and increasing their investment in Research & Development and local procurement.

UKTI is working on enhancing inward investment from new, high potential markets, such as the Gulf and Russia and are developing further inward investment campaigns linked to the key sectors in the Industrial Strategy.

Olympic Legacy

The British Business Embassy (BBE) at Lancaster House was the centrepiece of UKTI's international business programme during the Games. The British Business Embassy was an unqualified success, with plaudits from all who attended, including the Prime Minister who recognised it as "an exceptional showcase for Britain's diverse economy". Throughout the BBE, UKTI delivered over 2,700 services to more than 2,600 businesses.

Since then, UKTI has worked to help deliver the long-term economic benefits; targeted to deliver £13 billion of economic benefit to the UK by 2015 (£6 billion Investment, £1 billion Trade, £4 billion High Value Opportunities and £2.3 billion Tourism).

The imperative is to maintain momentum across UKTI working with the new Olympic Legacy Unit in Cabinet Office and Lord Coe to deliver a tangible economic legacy for the whole of the UK. Key challenges include follow-up of all the BBE leads and maintaining the London 2012 momentum. This will include the reprise of the BBE concept, for example at the 2013 G8, 2014 Commonwealth Games, 2014 Sochi Winter Olympics, 2016 Rio Olympics and a series of post Games legacy projects including 'Great Britain Delivers', a digital showcase highlighting UK expertise delivering the Olympic Project.

Cross-cutting functions

Communications

BIS Communications provides advice to the Department and in 2012 we launched the Business In You campaign to support businesses in finding advice on how to start up and grow. We rolled out BIS Connect, an online tool that will help to improve how we share information across the Department about our stakeholders. We kicked off the Student Finance Tour which helped inform parents and students on the benefits of going to university and how the new funding system works. We supported the launch of the aerospace strategy at the Farnborough Airshow and the Make it in Great Britain exhibition showcasing the benefits of careers in manufacturing and throughout the 2012 Olympics the team supported the British Business Embassy generating positive coverage for investing in Britain. Finally in October 2012 BIS moved all our online policy content onto Gov.uk a single website for Government.

Our focus in 2013 is ensuring successful engagement with our stakeholders and communications on Industrial Strategy, demonstrating the whole of Government approach to creating a long-term vision for growth in partnership with businesses so they can be confident to invest and hire. In addition we will focus on ensuring BIS's and our Partners' campaigns and marketing are effectively prioritised and actively delivered and there is an effective active partnership across Government.

Legal Services

BIS Legal Services Group provides the legal advice the Department needs on English, EU and international law, and plays a key role when the Department legislates whether by primary or secondary legislation. Expertise that cannot be provided in-house is provided by external advisers.

In addition, Legal Services have a vital function in protecting businesses and increasing consumer confidence, essential to the growth agenda. The Criminal Enforcement teams investigate and prosecute criminal breaches of the Insolvency and Companies regimes and other Departmental legislation, ranging from bankruptcy offences and rogue traders to serious and complex fraudulent trading. Across the country, the increased publicity given to successful prosecutions, which secure significant sentences of imprisonment, disqualification and the confiscation of the proceeds of crime, has raised the BIS profile as a prosecuting authority and continues to act as a deterrent to others.

Analysis
Throughout 2012-13 analysts have underpinned all key policies within BIS, including the Industrial Strategy, science and research capital investment, and business finance initiatives. 95 impact assessments were considered by the Regulatory Policy Committee in 2012-13. Analysts also guide prioritisation of BIS funding based on higher quality evidence based business cases.

Reducing regulation

BIS is committed to minimise the regulatory burdens for which it is responsible and during 2012-13 has succeeded in delivering savings for business. The following sets out what we have done to minimise the burden of regulations for which the Department is specifically responsible.

One-in, One-out
Through the One-in, One-out programme, BIS delivered net savings of £112 million to business in 2012-13. With the introduction of One-In-Two-Out from January 2013, BIS has delivered a further £24 million of net savings. Of new regulations which fall within the scope of One-In, One-Out, BIS performance in 2012-13 was:

INs (Number of regulations that have a net cost to business)	OUTs (Number of regulations that reduce cost on business)
5	5

Impact Assessments
BIS and its Partner Organisations submitted 95 impact assessments to the Regulatory Policy Committee, out of which 81 were deemed "Fit for Purpose".

Alternatives to regulation
Working closely with the business sector, we developed a number of non-regulatory approaches to resolve policy issues, including:

- A Voluntary Code of Practice for Age Restricted Regulations that has been developed alongside business, local authority and enforcement stakeholders for age restricted products such as alcohol, tobacco and solvents.
- Settlement agreements – As part of the Enterprise and Regulatory Reform Act, the Government is bringing in legal changes to make it easier to facilitate the use of settlement agreements as a way of ending employment relationships that aren't working out. But we recognise that legal concerns aren't the only barriers which put businesses off using this approach to resolve workplace disputes. Many businesses feel unable to produce the documentation required without significant time and cost invested in expert HR and legal advice. BIS has, therefore, produced model settlement agreements and supporting guidance which businesses can use with minimal tailoring to their particular situation, reducing the need for legal advice. BIS is working with a number of business stakeholder groups to pilot the model agreements, particularly with smaller employers who don't have in-house HR and legal experts to help them.

EU regulations

We have successfully removed unnecessary burdens on businesses, especially on small and micro businesses by increasing flexibility in EU requirements. Including:

- UK implementation of the 'Micros' Directive – Under the micros exemption proposal, micro-businesses would be able to prepare much reduced annual accounts. There are 1.2 million micro-businesses in the UK and they will be able to draw up simplified balance sheets and profit and loss accounts and will remain exempt from the requirement to file the profit and loss account. The Directive will be implemented in October 2013.
- Combating Late Payment Directive – Implemented in March 2013, the recast Directive will help improve cash flow across business by introducing a simple compensation structure for suppliers suffering late payment. It is also a helpful step in establishing a level playing field across Member States and a simplification of current UK legislation.

Red Tape Challenge

An important milestone was reached in 2012-13, with all BIS Red Tape Challenge themes completing the challenge process, with focus now on implementation. During the challenge process we reviewed over 775 regulations, and we have committed to improving or scrapping over 50% of these.

Considerable progress has already been made on the implementation of earlier themes, with 76% of repeals and improvements completed on the Retail theme, and over half of regulatory changes implemented from the Manufacturing theme. In order to keep industry updated of these changes, we published two implementation reports with detailed delivery plans at the beginning of the year.

In addition, we have implemented six measures from the Employment Law theme, which has resulted in savings to business of £4.7 million per year. The Department has also undertaken a significant amount of work to implement further changes from the Employment Law theme through the Enterprise and Regulatory Reform Act which will bring additional benefits to business.

Progress on BIS Red Tape Challenge in numbers:

- More Red Tape Challenge themes than any other Department – BIS has led seven themes and contributed to two led by other Government Departments;
- All nine themes through the challenge process;
- Eight themes now in implementation phase, with the Business Services theme beginning implementation in summer 2013; and
- Over 775 regulations reviewed, over 50% will be improved or scrapped.

This year we announced packages on two themes:

- Challenger Businesses: 10 regulations reviewed, scrapping or improving 100%; and
- Company and Commercial Law: 115 regulations reviewed, half being scrapped or improved, and also improving three pieces of guidance.

Progress on early themes:

- Retail theme: 76% of planned changes completed;
- Manufacturing: over 50% of changes implemented; and
- Employment Law: Six measures implemented, resulting in £4.7million per annum saving to business.

Micro moratorium

BIS were granted 5 waivers in 2012-13. All of these regulations either had no costs or were benefiting micro businesses for example the audit exemptions resulted in a net benefit of an estimated £100 million.

Micro–waivers April 2012 to March 2013

Date	Waiver	Cost (£million)
October 2012	Audit and Financial Reporting under Companies Act 2006	£100 million
April 2012	Extending the period for unfair dismissal.	£4.7 million
April 2013	Employee Ownership and Share Buy Backs	0
April 2012	The Companies Act 2006 (Amendment of Part 23) (Investment Companies) Regulations	0
July 2012	Offshore Hallmarking by the Assay Offices	0

Focus on Enforcement

In response to the Focus on Enforcement Review of the chemicals sector, the Control of Major Accidents Hazards (COMAH) Competent Authority (CA) has proposed an ambitious programme to make further and significant improvements to arrangements for regulating onshore major hazards. The aim of this programme is to reduce unnecessary burdens on business whilst securing the protection of people and the environment from major accidents.

To date the COMAH Competent Authorities (Health and Safety Executive, Environment Agency, Scottish Environmental Protection Agency and Natural Resources Wales) have had two meetings with sector trade associations. The regulatory authorities identified a number of improvements in line with the review recommendations – progress against these recommendations has been varied. In more simple cases to implement, work is going forward to do so, some are more complex and will take time for the regulators and industry to work through.

The Enterprise and Regulatory Reform Act 2013 means thousands more firms – many of them small businesses – are set to benefit from Primary Authority through trade associations and franchises. The Government has confirmed it will also legislate to extend Primary Authority to the age-restricted sale of gambling, the Housing Health and Safety Rating System, sun bed tanning; and Welsh regulations on single use carrier bag charging.

Our Business Plan

The activity described in the preceding pages was set out in the 2012-13 Business Plan, published in May 2012. The Structural Reform Plan (SRP) section detailed actions that the Department planned to undertake over the course of the year, to deliver our objectives. At the end of 2012-13, BIS had completed 75 of the 76 actions which we were due to deliver, with the completion date of the one remaining action postponed due to a delay in EU clearance. At the end of May 2013 the SRP statistics published on the No. 10 web site showed BIS had achieved 1st place among all Government Departments for completing 2012 SRP actions on time.

Total number of actions completed during 2012-13	75
Total number of actions overdue at the end of the year	1
Total number of actions ongoing	35

We published an updated Business Plan in June 2013. This sets out the actions that we will take in 2013-14.

Published alongside the Business Plan, the Department identified a set of indicators to help the public assess the effects of our policies and reforms on the cost and impact of public services. The following section provides a summary of the latest data available on each of the indicators from our 2012-13 Business Plan. The 2013-14 Plan contains the same set of indicators, the results of which will be published regularly on Gov.uk

Enterprise

Input Indicators		Oct 2010 - May 2013	
Offers made from the Regional Growth Fund (£million)[1]	Greater South East	194	
	North, West and Midlands	1,712	
Value Enterprise Finance Guarantee funds used by businesses		Q1 2012	Q1 2013
		66.95	66.32

[1]370 awards with a total value of £2.4bn delivering approximately £6 private sector for every £1 of public money.

Impact Indicators		Oct 2010-May 2013	
Number of Regional Growth Fund contracts signed		289 of 370	
		Q4 2011	Q4 2012
Change in Private Sector Employment Share of Total Population Aged 16-64 and those over 64 in the labour market[2]	Greater South East	–0.2%	2.1%
	North, West and Midlands	0.4%	2.3%
Early-stage entrepreneurial activity rate[3]		2011	2012
		7.3%	9.8%
Ease of doing business in the UK, ranking of UK on World Bank Doing Business Report (rank)		2011	2012
		6th	7th
Maintaining access to the Post Office: Post Office network size (number of branches)[4]		2011	2012
		11,820	11,818

[2] This indicator shows significant improvement in the share of private sector employment across the country

[3] This indicator shows a sharp improvement in Entrepreneurial Activity.

[4] Post Office Limited is comfortably exceeding its target of a network of at least 11,500 branches.

Knowledge and Innovation

Input Indicators	2010	2011
Expenditure on research and development performed in Higher Education (£billion)	7.13	7.41
Funding per student in Higher Education (£)[5]	**2010-11**	**2011-12**
	5,719	5,515

[5] The initial impact of HE reforms will not be visible until data available in early 2014.

Impact Indicators	2006	2010
The UK share of highly cited papers[6]	12.1%	13.8%
Proportion of firms which are innovation active	**2009**	**2011**
	38%	37%
Gap between non-free school meal and free school meal 15 year olds going on to Higher Education (percentage points)	**2008-09**	**2009-10**
	18	18
Gap between state and independent school students who go on to the 33% most selective higher education institutions (Social Mobility)	**2009-10**	**2010-11**
	5	6

[6] The UK has the 2nd highest proportion behind the USA. Better quality research is more highly cited.

Skills

Input Indicators	2010-11	2011-12
Average funding per course in Government-funded adult further education (£)[7]	991	953
Number of Government-funded learners participating in further education (million)	**2010-11**	**2011-12**
	3.16	3.15

[7] Changes in the indicator will depend on the type and mix of provision. For example average funding per course may increase as learners may be attending longer, more costly courses which better reflect the demand for skills in certain sectors. It should not be assumed that an increase in average funding per aim in itself is a poor outcome.

Impact Indicators		2011-12	2012-13
OECD comparison of the qualification levels of the working age population in the UK (rank)	Level 2+	19th	19th
	Level 4+	9th	7th
Participation levels of 18-24 year olds in part-time or full-time education or training		**2001-2004**	**2005-2008**
		45%	45%
Total achievements in full Level 2 or 3 Further Education of people academic age 19 and over (Learners)		**2010-11**	**2011-12**
	Full level 2	561,800	546,600
	Full level 3	242,700	216,200
Access to professions – % of 16-65 year olds who are in paid employment who are in managerial or professional positions by social background using fathers occupational group (percentage point gap)[8]		**2001-2004**	**2005-2008**
		23%	23%

[8] The proportion in these occupations is increasing for both groups, However those whose father was in managerial, profession or supervisory occupation (NS-SEC 1 -2) are about twice as likely to be in such occupations themselves.

Markets

Impact Indicators	Jan 2011 – Dec 2012	
Change in the net regulatory burden imposed on business by Government (£billion)[9]	-848	
Change in employment regulatory burden imposed on business by Government, measured from baseline provided by OECD (£million)[10]	**Jan 2011 – Dec 2012**	
	3.3	
The value of the consumer benefits of the competition regime (£million)[11]	**2010-11**	**2011-12**
	689	810

[9] This measure indicates that overall burden of regulation from Government has been reducing

[10] The One-in, One-out position on employment regulation shows that there has been an increase in regulatory burden on business of £3.3m per annum from regulations implemented since 2010, mainly phasing out the Default Retirement Age and extending the qualifying period for unfair dismissal.

[11] This indicator provides a measure of the additional costs consumers would have paid if the market had not been working efficiently.

Trade and Investment

Input Indicators	2010-11	2011-12
Average Unit Cost per UK Business helped to improve their performance through internationalisation[12]	£10,940	£9,548
Average Unit Cost per FDI Project attracted to the UK with UKTI involvement[12]	**2011-12**	**2012-13**
	£68,003	£65,907

Impact Indicators	2010-11	2011-12
Number of UK Businesses helped to improve their performance through internationalisation[12]	23,400	25,450
Number of Foreign Direct Investment projects attracted to the UK with UKTI involvement[12]	**2011-12**	
	1,172	1,229
Openness to trade: exports plus imports as a share of GDP[13]	**2011**	
	67%	66%

[12] UKTI have made good progress in increasing the number of businesses assisted, while reducing the cost of providing trade services, thereby reducing the average unit cost of each business assist.

[13] This indicator shows improvement in the UK's openness to trade.

Transparency in BIS

In common with other Government Departments BIS published its first Open Data Strategy in June 2012. This recognised the important role that Open Data can make to the growth agenda. The strategy committed BIS to publishing for the first time or improving access to a number of important datasets. Highlights during the year include:

- Higher Education Key Information Sets were made available which pull together comparable information at course level identified by students as most helpful in choosing HE courses.
- Companies House have provided access for free to core company information via a bulk file.
- Beta version of the RCUK Gateway to Research was launched. An internet portal for businesses and other interested parties to identify potential partners in universities to develop and commercialise knowledge, and maximise the impact of publicly funded research.

During the year two new sector transparency boards have been created. The Social Mobility Transparency Board will match and share a much wider range of data on progression through education and into the labour market to improve social mobility. The Research Sector Transparency Board will further develop Government policy on access to research and consider ways in which access can be a driver for innovation.

There are a number of initiatives launched during the year where BIS is leading the cross-Government open data agenda:

- The Open Data Institute, part funded by the Technology Strategy Board was launched to unlock and stimulate demand for data.
- The Economic and Social Research Council and the Medical Research Council's Administrative Data Taskforce produced their report 'Improving Access for Research and Policy'.
- The Data Strategy Board (DSB), independently chaired by Stephan Shakespeare, was set up to maximise the potential of open data for economic benefit. The DSB have since announced their Breakthrough Fund to support public bodies accelerate their open data proposals.
- The Open Access policy for publicly-funded research is based on the principle that the taxpayer should have access to the reseawch they fund.

The internal Transparency Board chaired at Director-General level by the Department's Transparency Champion has continued to meet regularly. It aims to join-up activities and oversee compliance with the Open Data Strategy and our corporate transparency commitments.

Transparency Data

The Quarterly Data Summary (QDS) is a data collection exercise led by the Cabinet Office, to enable comparison across Whitehall on common areas of spending. These data are used for benchmarking Government Departments. The primary purpose of the QDS is to make more of the management information currently held by Government available to members of the public on a regular basis. Results for the 2012-13 financial year for QDS categories are in the table below.

Figures show expenditure within Core BIS only. Departments are required only to report their headline spend against that part of their Department that was in scope for the Quarterly Data Summary, rather than on the entire accounts boundary.

QDS Headline Spend Data	£ million
Total 2012-13 Spend	£11,954.89
(A1) Organisation's own budget (DEL), Sub-Total	£6,469.96
(A2) Expenditure managed by the organisation (AME), Sub-Total	£5,484.93
(A3) Other expenditure outside DEL and AME	£0.00
(A1 + A2 + A3) Total Spend	£11,954.89
(B1) Cost of running the estate, Sub-Total	£20.69
(B2) Cost of running IT, Sub-Total	£28.25
(B3) Cost of corporate services, Sub-Total	£29.98
(B4) Policy and policy implementation, Sub-Total	£11,875.97
(B5) Other costs	£0.00
(B1 + B2 + B3 + B4 + B5) Total Spend	£11,954.89
(C1) Procurement Costs, Sub-Total	£194.24
(C2) People costs, Sub-Total	£179.96
(C3) Grants, Sub-Total	£2,531.23
(C4) Other costs	£9,049.46
(C1 + C2 + C3 + C4) Total Spend	£11,954.89

How we are managed

Philippa Lloyd:

BIS has a vital role in building a more dynamic and competitive economy. In order to deliver against this challenging agenda, we continuously review and improve the technology, processes, space and behaviours that enable us to work as efficiently and effectively as we can. We are responding to the challenge of rebalancing public finances through an ambitious efficiency programme. We have rationalised our Partner landscape ensuring it reflects what is necessary for the breadth of functions the Department delivers. And following our restructure in 2011, we continue to reform ourselves, ensuring BIS is a more flexible, innovative and open organisation with greater impact.

BIS is demonstrating strong leadership on efficiency and we are proud of the progress we have made which has enabled protection of frontline services. Delivering these reductions has been challenging and savings have been underpinned by changes to the way we work. As a Department we are now smaller, flatter and more strategic. Through staggered waves of structural reforms we are on track to halve (a reduction of £500 million) our administration budget from election to election, and have delivered 80% of these plans to date.

Reforming our public bodies

We work closely with a network of over 50 Partner Organisations (43 public bodies and 7 agencies) to deliver our plans. These Partners vary significantly in their size, function and legal status. With 75% of BIS's operating costs spent by our Partner Organisations, working together effectively is crucial to achieving the Government's ambition of sustainable growth. We are working together to realise ambitious reforms and efficiencies to concentrate our resources on frontline services.

As part of the Public Body Reforms we have reviewed all our public bodies, reducing the number through closures, mergers or other structural reforms from 60 in 2010 to 43 now. We will have reduced our public bodies by 40% from 60 to 36 by the end of this Parliament.

Our most significant reforms to date were the closure of the eight Regional Development Agencies (RDA). The quality of this closure process is seen as a model across Whitehall – it accomplished its objectives on schedule, under budget and with minimal challenge. In addition to the RDAs, we have closed a further eight bodies, moved two out of the public sector and merged Postcomm into Ofcom.

Reforming our corporate services

BIS is leading major transformation of corporate services. Next Generation Shared Services commits BIS to consolidating transactional services for the Department, our Executive Agencies and arms length bodies into UK Shared Business Services Limited (UK SBS) over the next two years. We will save £364 million from corporate services efficiencies by 2015.

We have raised the pace and ambition of the Corporate Services Portfolio:

- **ICT** – £100 million of planned savings through ICT efficiencies. Leveraging our collective buying power to re-negotiate the most cost effective ICT service contracts and sharing capacity across BIS and its Partner Organisations and sourcing through ICT framework contracts.
- **Procurement** – £80 million of savings to date and between twelve and fifteen Partner Organisations will transfer their procurement functions to UK SBS by winter 2013.
- **Finance** – We have established seven Networks of Excellence and established release 1 of a new integrated financial management system.
- **Estates** – We will save £100 million from estates optimisation with £30 million achieved already and 61 leases disposed of. A single Estates Team will be established in UK Shared Business Services Limited by autumn 2013 which will take on the estates functions of BIS and the six Partner Organisations with the largest estates.
- **Shared Services** – Phase 1 service delivery from UK SBS went live in November 2012 to BIS and three Partner Organisations. We will commission additional services from UK SBS for areas beyond current core functions. It will have a key role in providing a better, more joined up suite of corporate services.
- **HR** – A new HR operating model has been established involving Core BIS and 14 Partner Organisations to enable all to make the best use of available HR expertise across the BIS network. E-recruitment will go live in summer 2013 which will support more efficient recruitment and selection processes in BIS, UKTI and five other Partner Organisations.

We are also leading the drive across Whitehall to share Internal Audit expertise. HM Treasury and the Department for Education have committed to joining the BIS shared service meaning 7 Departments and 27 arms length bodies are fully integrated into our cross-Department Internal Audit service with a further 17 committed to joining.

Future Savings

There are challenging efficiency projects for BIS still to deliver such as our digital strategy, re-negotiating ICT contracts, remaining corporate service reforms and absorbing new delivery pressures. We are focused on ensuring these programme are delivered and savings realised.

Our remaining public body reforms will be delivered through simplifying both the competition and consumer landscapes. These reforms are on track for completion in 2014-15.

- We are creating a new single Competition and Markets Authority bringing together the work of the Competition Commission and the Office of Fair Trading who will both close.
- We are also transferring the functions of Consumer Focus which will close to the Citizens Advice Service; given the complexity of work in this area we are undertaking these reforms in two stages.

We have published a digital strategy setting out our approach to becoming digital by default. BIS is responsible for 239 of 651 central Government transactional services and is the 4th largest Department by volume. Alongside the Student Loans Company's work to transform online student loan applications, BIS and the Government Digital Service have kicked off four new digital by default projects in Land Registry, IPO, Insolvency Service and Apprenticeships. These organisations cover 94% of BIS transaction volume. This will ensure we have the necessary skills to become digital by default, maximising our collective resources and achieve greater efficiencies.

Our Colleagues

As a Department we are now smaller, flatter and more strategic. Despite several machinery of Government changes over the last two years, including the transfer of staff from MOJ, MOD and DCLG to BIS, and new priorities such as the development of the Business Bank, across the BIS family we have reduced in size by over 3,000 posts between 2010-11 and 2012-13.

This has been the first full year of operation since we restructured the Core Department in 2010-11 reducing posts by around 20% and management layers from 10 to 6. Despite the significance of these changes, BIS has delivered against plans as a result of:

- More flexible working;
- Focused learning & development to build capability;
- Greater sharing of expertise across the BIS family;
- Bringing in specialist staff and secondees to provide expertise on specific projects for short periods; and
- Transferring responsibility for transactional services to UK Shared Business Services Limited.

We have also maintained our commitment to building a better understanding of our stakeholders and customers and set a target of 20% of our staff taking part in an Outreach by March 2013, which we achieved, and 50% by autumn 2013. In addition over 100 staff spent time in the third sector as part of NCVO's *"Day in the Life"* scheme and BIS maintains its proactive encouragement of volunteering.

Staff Engagement

The Core Department achieved a 3% improvement in its engagement score.

People Survey results		2012	2011	2012 Civil service median
Engagement index (%)		**52**	49	55
Theme scores (%)	Leadership and Managing Change	**38**	33	41
	My Work	**74**	74	73
	My Line Manager	**66**	65	66
	Organisational Objectives & Purpose	**78**	74	82

This is encouraging, but remains short of our ambition. Over the year we have:

- Embarked on the Ways of Working programme to engage our staff in continuous improvement. The programme aims to refresh the tools (especially IT) that staff have to do their jobs; enhance the work environment to drive innovation, collaboration and efficiency; and remove the processes that get in the way of the Department working effectively;
- Invested in a leadership programme for our senior leadership cadre;
- Embedded our core values of: Focusing on What Matters Most, Empowered to Deliver and Committed to Each Other's Success;

- Engaged senior leaders in articulating the BIS vision and listening to feedback and views from people at all grades, using them to shape actions and decisions;
- Focused BIS people policies on driving a step-change in performance management and honest feedback, including building higher confidence levels in our leaders and first line managers to handle difficult people issues; and
- Continued to build an outward looking, learning, knowledge sharing culture.

This should benefit performance, pace and staff engagement. Progress is being monitored through quarterly pulse surveys.

Resourcing and workforce planning

Our resourcing and workforce planning strategy is a key part of ensuring that we have both the capacity and capability to be a high performing and effective Department through recruiting the right people with the right skills to deliver the Department's objectives.

Core BIS plus Agencies

%*	Year ended 31 March 13	Year ended 31 March 12
Administrative Assistants and Administrative Officers	**15.9**	17.1
Executive Officers	**19.2**	20.0
Higher and Senior Executive Officers	**40.1**	39.6
Grade 7/6	**20.6**	19.2
Senior Civil Servants	**4.2**	4.1
Part time (%)	**13.2**	**13.2**

* Data covers the Core Department, UKTI, Insolvency Service, National Measurement Office, Skills Funding Agency and UK Space Agency

The change in grade profile reflects the nature of the work we do and the move of transactional services on Finance, HR and procurement to UK SBS.

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

BIS continues to abide by the principles of the freeze on all recruitment into the Civil Service, announced in May 2010, except where posts are to support frontline delivery of services or are business critical to the Department's objectives.

Exceptions to the recruitment freeze made across the BIS family	Permanent Staff	Temporary
Posts requiring professional qualifications/experience.	274	227
Posts which do not require professional qualifications	33	82
Total	307	309

The number of exceptions made for business critical reasons across the entire BIS family has increased this year – this is to be expected as part of normal turnover. The numbers represent less than 2% of the total BIS family headcount (less than 1% with respect to permanent staff). Only 15 posts represented an increase to permanent headcount for any period.

More than 4 in every 5 requests for an exception have been made in relation to specialist skills not widely available in the civil service and where possible appointments have been made on a short term basis to complete specific projects, so minimising the impact on long term headcount. This includes providing work experience opportunities for graduate interns and staff supporting the Olympics and the implementation of the Green Investment Bank.

The turnover rate for the year stood at 9.9%. This has been sufficient to create opportunities for progression within the Department while bringing in new skills and experience.

In 2012-13, the BIS family spent £61 million on consultancy – a decrease from £70.3 million in 2011-12. Of this, the Core Department accounts for £8.8 million – this is a decrease from £11.6 million in 2011-12.

Expenditure on temporary staff was £85 million across the BIS family – a increase from £69 million in 2011-12.

Further information on staff numbers and related costs can be found in Note 7 to the Accounts.

Building Capability – Learning & development and talent

Developing the skills of our staff remains a priority. We continued with the strategic approach to learning and development we set out in 2011. We have retained the three key themes – Leadership and People, Business of BIS and Excellence in the Civil Service as the foundation of our L&D Strategy. These three themes enable us to clearly reflect BIS specific priorities as well as the wider Civil Service Capability priorities.

The 2012-13 learning and development offer provided a wide range of activities – not just courses – to ensure the offer took account of varying work patterns and differing learning styles. Senior managers and line managers continued to play a key role in ensuring people accessed the appropriate learning and development opportunities.

During 2012-13 we have continued to implement the Department's new Talent Strategy agreed at the start of 2012. This has enabled us to consistently identify our talent, manage our succession planning and support staff in the most appropriate way. This year we have successfully extended the new, more transparent process for talent and career conversations to Grades 6 and 7 which were first introduced for SCS staff in 2011.

We have also launched an internal Apprenticeships scheme – 25 staff are now undertaking an Apprenticeship alongside four externally recruited apprentices.

Performance and Absence Management

We are continuing to increase managers' capability and confidence in managing performance by providing clear policies and guidance and encouraging line managers and staff to access a wide range of internal and Civil Service Learning support and materials. We have also introduced a streamlined managing poor performance policy.

In the 12 months to 31 March 2013, the average number of working days lost through sickness absence – within Core BIS and its executive agencies – was 6.9 days per employee (6.5 in 2011-12). The figure for the Core Department was 5.4 days (4.8 in 2011-12).

Part of this increase in recorded absence is due to more robust reporting, which we have been encouraging over the course of the year. A well attended *Well Being Week* was run in November 2012, which included sessions on healthy lifestyles, personal resilience and dealing with stress.

Recognition and Reward

The Government pay freeze came to an end for BIS in summer 2012. As part of the 2012 pay deal we introduced a new pay system for new entrants to BIS below the Senior Civil Service. This will form the basis of our revised reward and recognition strategy in future years. Details of BIS Senior Civil Service and Ministerial pay and pensions are in our Remuneration Report.

Equality and diversity

BIS is fully committed to equality and diversity. Our equality objectives set out what this commitment means in practice both for the policies we develop to support growth and for the staff we employ.

Core BIS plus Agencies

Workforce Diversity %	2013	2012
Black and minority ethnic**	12.9	13.0
Women	53.0	53.1
Disabled**	7.7	8.2

Workforce Diversity (Senior Civil Servants only)

Workforce Diversity %	2013	2012
Black and minority ethnic**	3.7	3.4
Women	43.0	40.6
Disabled**	4.0	5.0
Women (top management posts*)	40.2	35.6

*Top management posts includes Directors, Directors General and Permanent Secretary level posts.

**Data covers the Core Department, UKTI, Insolvency Service, National Measurement Office, Skills Funding Agency and UK Space Agency. Diversity figures do not include NMO and UKSA – as they do not collect such data

As part of the development of our HR policies and practices we welcome scrutiny by our staff led equality and diversity fora. This ensures that our policies reflect the needs of our diverse workforce. We are a recognised user of the 'Positive about Disabled People' (Two Ticks) symbol and provide reasonable adjustments or assistance required by staff with disabilities or long term health conditions both to help them perform their jobs and to access development opportunities, for example recent promotion assessment gateways.

We have secured places and funding for the positive action pathway "Levelling the Playing Field" development opportunity to enable Black and Minority Ethnic and disabled employees to realise their potential.

The BIS Executive Board and People Committee took part in an unconscious bias training session in April 2013.

Community and Social Issues

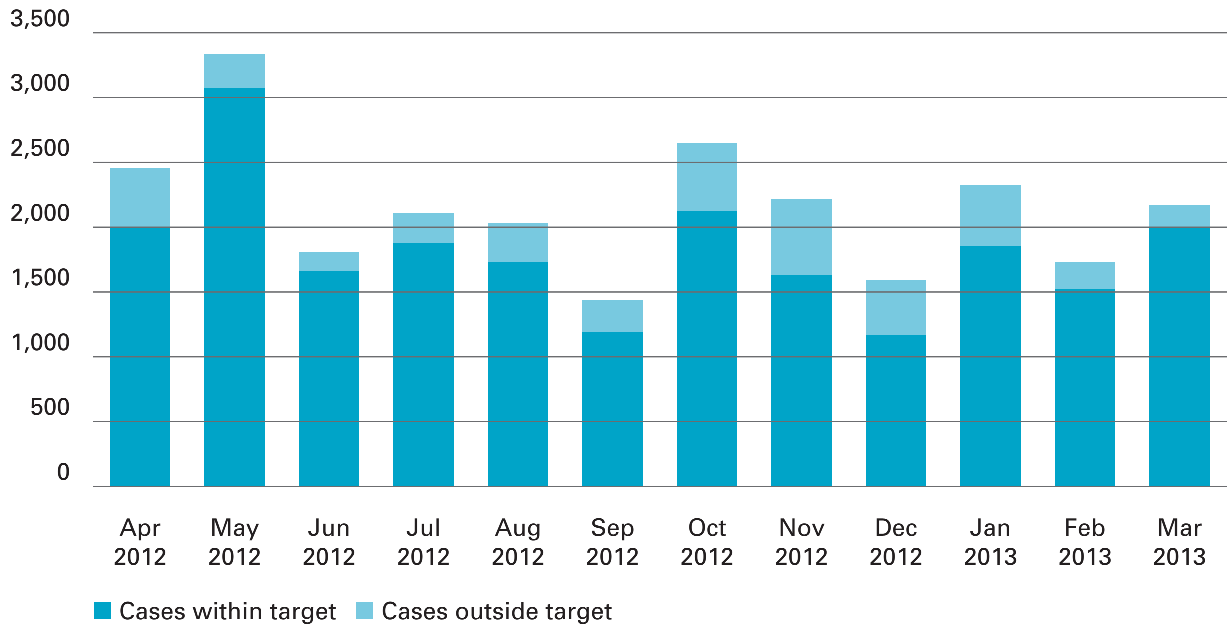
We actively encourage staff to volunteer their time to help with community and social projects. To enable this BIS allows staff to apply for special leave with pay in order to undertake volunteering projects and if volunteering more regularly, flexible working arrangements are made to support this. These policies have proved effective in encouraging staff to give their time, with over 50% of respondents to a recent survey stating they volunteer.

Our Operations

BIS continually strives to deliver high performance in all of our operations. The following information sets out how BIS is performing in key functions, important to meeting spending control requirements, and how we are complying with our obligations as an employer.

Correspondence

BIS aims to respond to correspondence within 15 working days. In 2012-13, we responded to around 26,000 correspondence cases, with 84% replied to within that deadline. The chart below shows BIS performance in responding to correspondence received by the Core Department in the year. This includes correspondence responded to both by Ministers and by officials.



BIS also reports to Parliament on our performance in handling MPs and Peers correspondence. In 2012, the Department received over 10,000 letters from MPs and Peers, with 86% of replies sent within 15 working days – an improvement of 5% on the previous year.

Complaints

BIS is committed to producing a high quality, accessible and responsive service to businesses and the community, and takes all complaints very seriously. We give our staff guidance on how to handle complaints in line with Cabinet Office guidance and the Freedom of Information Act. Our Partner Organisations manage their own complaints handling procedures, and liaise directly with the Parliamentary Ombudsman's office if there is a formal complaint made against them.

The Parliamentary Ombudsman is responsible for investigating formal complaints against Government Departments. The latest available information is from 2011-12. In that year, there were 34 complaints made against the Department of which six were investigated and reported upon. One complaint was accepted for investigation which was partly-upheld by the Parliamentary Ombudsman. The Ombudsman made 12 recommendations based on the six cases accepted for investigation, all 12 of these recommendations were complied with.

Complaints made against the Core Department	Complaints accepted for investigation by the Parliamentary Ombudsman	Complaints reported on by the Parliamentary Ombudsman
34	1	6

Complaints upheld in full	Complaints upheld in part	Complaints not upheld	Ombudsman recommendations complied with	Ombudsman recommendations not complied with
0%	100% (1)	0%	100% (12)	0%

The Department continually reviews the lessons which can be learnt from complaints made and looks to put things right. BIS has an enquiry unit dedicated to dealing with complaints. This unit encompasses the majority of the costs we face in dealing with complaints.

Health and Safety

The Department is committed to providing a proportionate Occupational Health, Safety and Welfare service to the risks we face. We meet our legal duties to secure the health, safety and welfare of our people and their activities, and those who may be affected by our activities. We ensure all our workplaces and premises provide a safe working environment for all.

The majority of staff within the BIS family are predominantly office based and our main risks arise from the workplaces that we provide. We have procedures in place to ensure a safe working environment is maintained, and that those who are affected by our activities or visit our premises are not exposed to unacceptable risk.

We have a diverse network of Partner Organisations within the BIS family, some of which require more specialist health and safety measures. Responsibility for health and safety is with each Partner Organisation. The UK Atomic Energy Authority monitors the radiation dose to over 500 monitored staff consistently remaining substantially below the legal and Culham Site dose limits. Within the Science and Technology Facilities Council (STFC) health and safety at each of the major laboratories is overseen by a Director, to maintain an independent overview and monitor implementation of STFC policy.

Year	Reportable	Minor Accidents	Near Misses
2010 – 11	3	40	3
2011 – 12	2	35	4
2012 – 13	0	22	7

Reportable and minor incidents show a year on year downward trend. The level of near misses reported has improved based on previous years. The Department intends to promote near miss reporting across all of the estate in the next financial year.

Our achievements in 2012-13:

- We reviewed and launched the Health and Safety Induction Manual;
- Provided Floor Liaison Officer (fire) training;
- Oversaw the mobilisation of the Total Facilities Management contract working in partnership with our external stakeholders and with the wider BIS family organisations;
- Reviewed and refreshed the BIS Health and Safety Committee Terms of Reference;
- Reviewed and refreshed BIS Core Estates team intranet/ premises H&S information;
- Held numerous health and wellbeing events for staff to promote healthy lifestyle choices; and
- Continuing development and review BIS policy and procedures into 2013 and beyond.

Working with our Partner Organisations

We have continued to make improvements in 2012-13:

- **Improved communication** – we have continued our forums created in 2011-12 to ensure information flows between the Core Department and Partner Organisations, and amongst Partner Organisations themselves. The Partners Engagement Group has provided strategic direction and advice on a number of common issues such as our digital strategy and the Industrial Strategy. Our forums for specific functions such as Finance Directors and Audit and Remuneration Committee Chairs have continued. We also bring Partners' CEOs together at least twice a year, and we do the same with the Chairs. We have also created a corporate calendar of information we will require for Partner Organisations over the year.
- **Performance assessment** – we have delivered our capability review action plan target of completing eight panel reviews of joint action plans between BIS and Partner Organisations to ensure effective action following the areas for improvement identified in the 2011 Partner Organisation assessments. We have also refreshed our assessments of Partner Organisations and expanded them to include opportunities as well as risks. This has been considered by the Performance, Finance and Risk Committee and they have ensured that the measures in place for our highest risk organisations are appropriate.
- **Improving sponsorship** – We are using the information from our latest performance assessment to drive a systematic, proportionate and transparent approach to how we sponsor Partner Organisations based on risk and opportunities using a new sponsorship framework. The assessment has also been used to prioritise our sponsorship resource. Our Sponsorship Advisory Board has enabled good progress to be made to improve sponsorship. Given our

diverse range of Partner Organisations we are now going replace the board with mechanisms that bring together sponsors in clusters to gain maximum benefit. We are also undertaking a programme of work to improve our sponsorship capability. Our single point of contact for messages to sponsor teams and guidance to help sponsors oversee Partner Organisations continue to be valuable.

- **A fit for purpose landscape** – to maintain the fit for purpose Partner Organisation landscape that implementation of the Public Bodies Reforms designed in 2011 we are regularly reviewing our Partner Organisations through a programme of Triennial Reviews. Two reviews have been completed to date, another four are underway and another six will be started during 2013-14.
- **Improve financial management standards** – the number of Partner Organisations providing timely information for the Department's monthly Management Accounts has continued to increase from 55% in May 2012 to 73% in February 2013. This continues to enable a significant improvement in our financial reporting across the whole BIS family.
- **Joining up corporate services** – we are working together to join up and simplify the corporate services used by the BIS family, such as procurement, finance, HR and estates functions. Our better business support services programme brings together six ambitious programmes that will drive sustainable savings, be more joined up across BIS and its Partner Organisations, and create platforms for continuous improvement. We want to embed the new BIS values – 'commit to each other's success', 'focus on what matters most' and 'empowered to deliver' – in our approach to managing our Partners. We aim to establish the optimal balance for subsidiarity with each Partner Organisation, so decisions are taken as close to the customer as possible with Partners empowered to deliver whilst contributing to the overall efficiencies and objectives of the BIS family.

We have updated the delegations across BIS and our Partner Organisations to make them more user friendly and to better integrate them with the Cabinet Office controls on expenditure. The delegation levels to our Partner Organisations are reviewed individually to ensure they meet the organisation's needs.

A more detailed overview of all the Department's Partner Organisations can be found in the 'Public Bodies 2012' document available at www.gov.uk/Government/publications/public-bodies-reports

Sustainability Report

BIS is committed to sustainable economic growth, ensuring that policies to grow the economy and improving the environment are complimentary. In order for economic growth to be sustainable in the long-term, it must not only drive economic performance, but also include a transition to a green, low carbon economy, as well as protecting the environment.

Sustainability is a key issue across BIS and our network of Partner Organisations. Responsibility for monitoring performance against sustainability is with each Partner Organisation with data being reported to BIS on a regular basis. Examples of sustainable practice within our Partner Organisations can be found within each organisation's Annual Report and Accounts.

Our performance in 2012-13

Improving the sustainability of Core BIS estate and procurement

We are committed to running the BIS estate in an environmentally responsible way, ensuring that we meet our Greening Government Commitments (GGCs)[1] and monitor and control the impact our estate has on the environment. The Action Plan for driving sustainable operations and procurement across Government (November 2010) set out a pathway to making this the greenest Government in history. We consistently place sustainable development at the heart of all that we do. Against these commitments in 2012-13 we have:

- Achieved a 36% reduction in Greenhouse Gas emissions from the office estate and domestic travel;
- Reduced waste by 10%;
- Reduced water consumption by 50%; and
- Realised a 7% reduction in domestic flights.

Summary data

Area		Core BIS	Core + Partners*
		2012-13	
Total Greenhouse gas emissions (scopes 1, 2 and 3) ('000 tCO_2e)		7.72	208.28
Estate Energy	Consumption (million kWh)	11.12	359.38
	Expenditure (£m)	0.92	24.58
Estate Waste	Consumption (tonnes)	774.08	5610.38
	Expenditure (£k)	121.88	752.94
Estate Water	Consumption ('000 m^3)	18.27	244.50
	Expenditure (£k)	43.44	337.99

* Data covers the Core Department, Skills Funding Agency, HEFCE, Insolvency Service, NERC, UK Atomic Energy Authority, SLC, Acas, STFC, NMO and MRC.

1 Three organisations (STFC, UK Atomic Energy Authority and MRC) also report performance in this report but are exempted from the GGC targets due to their specialist nature. The data and performance for GGC will not reconcile with the ARA figures.

Greenhouse gas emissions

We have a target to reduce our combined greenhouse gas emissions from energy use on our estate and through UK business transport by 25% by 2014-15, against a baseline level in 2009-10. We continue to work toward this target, with energy saving measures such as:

- "switch off" policy aimed at ensuring computers and monitors are switched off properly
- Minimising heating and ventilation plant running times (with parts of the building closed over periods like Christmas)
- Eliminating unnecessary internal and external lighting
- Minimising business travel, and making greater use of video/teleconferencing facilities.

Gas consumption was higher in 1 Victoria Street during 2012-13 due to the colder than average winter period and the increased heating demand for the building, with an associated increase in total carbon emissions. However, the surrender of the Kingsgate House lease in March 2012 resulted in carbon emissions being 267 Tonnes lower than they would otherwise have been. This is in addition to the 2,000 Tonnes reduction in carbon realised in 2011-12 by vacating and mothballing the building a year ahead of the lease expiry.

The second half of 2012 saw BIS print 65 per cent less paper than the first half, an achievement that can be attributed to a new print service and changed working patterns during the Olympics.

Greenhouse gas emissions		2010-11		2011-12		2012-13	
		Core	Core + Partners*	Core	Core + Partners*	Core	Core + Partners*
Non-financial indicators ('000 tCO_2e)	Total gross emissions	8.89	148.24	7.58	247.59	7.72	208.28
	Total net emissions	-	105.71	-	206.59	-	166.30
	Gross emissions Scope 1 (direct)	1.13	39.47	0.48	93.73	0.77	118.79
	Gross emissions Scope 2 & 3 (indirect)	7.76	65.64	7.10	117.64	6.95	116.98
Related energy consumption (million kWh)	Electricity: non-renewable	-	178.46	-	259.22	-	248.51
	Electricity: renewable	10.80	12.59	6.93	10.44	7.16	10.68
	Gas	6.08	94.33	1.95	94.02	3.96	100.91
	LPG	-	0.10	-	-	-	0.02
	Other	-	0.17	-	0.32	-	0.37
	Total Energy Consumption	16.88	285.65	8.88	364.00	11.12	359.38
Financial indicators (£million)	Expenditure on energy	1.21	10.76	0.88	24.26	0.92	24.58
	CRC licence expenditure (2010 onwards)	0.03	0.03	-	1.75	0.12	1.70
	Expenditure on accredited offsets	0.03	0.03	-	-	0.003	0.003
	Expenditure on official business travel	5.52	9.80	7.05	16.33	4.90	14.14

* Data covers the Core Department, Skills Funding Agency, HEFCE, Insolvency Service, NERC, UK Atomic Energy Authority, SLC, Acas, STFC, NMO and MRC.

Waste and recycling

The Total Facilities Management (TFM) contract has realised significant financial savings in terms of waste management, with costs of general waste and recycling halved compared to the previous year.

Recycling rates have increased to over 70% for the first time. There has been an increase in the quantity of food waste composted as staff become more engaged in disposing of food waste using the tea point caddy system.

Overall waste quantities and associated costs are increased from previous years. This is likely to be due to improved data capture, with confidential paper waste quantities now measured through the Close Loop recycling process. During the year 281 tonnes of paper was recycled through the Closed Loop initiative, at a cost of £90,000.

Waste			2010-11		2011-12		2012-13	
			Core	Core + Partners*	Core	Core + Partners*	Core	Core + Partners*
Non-financial indicators (tonnes)	Total waste		554	3167.20	417	6914.21	774.08	5610.38
	Hazardous waste	Total	0.88	0.88	0.35	199.13	-	133.34
	Non-hazardous waste	Landfill	0.88	881.76	-	1123.13	8.99	1078.51
		Reused/recycled	346	2078.32	236	2695.63	570.30	4036.99
		Composted	-	-	15.82	42.86	20.41	61.37
		Incinerated with energy recovery	206	206	166	166	174.38	231.61
		Incinerated without energy recovery	-	-	-	0.02	-	0.10
Financial indicators (£ '000)	Total disposal cost		77	125.70	-	1261.54	121.88	752.94
	Hazardous waste		-	10.52	-	576.75	-	48.16
	Non-hazardous waste	Landfill	-	3.68	-	75.68	-	89.09
		Reused/recycled	-	34.51	-	59.32	102.56	241.65
		Composted	-	-	-	-	-	1
		Incinerated with energy recovery	-	-	-	-	15.36	15.36
		Incinerated without energy recovery	-	-	-	3.30	-	6.67

* Data covers the Core Department, Skills Funding Agency, HEFCE, Insolvency Service, NERC, UK Atomic Energy Authority, SLC, Acas, STFC, NMO and MRC.

Water

Water consumption across the estate has continued to decline. This is despite additional buildings being included in this year's reporting.

The toilet refurbishment project at 1 Victoria Street has helped reduce water consumption by 17% on last year. The project has included the installation of waterless urinals, dual flush toilets and low flow taps.

In addition, there have been fewer leaks from the chilled beam cooling system as a result of an ongoing project to upgrade the chilled beam ceiling hoses.

Water supply costs are significantly reduced from 2010-11. The low 2011-12 figure was due to a £14,000 rebate for the water supply at Kingsgate House on the expiry of the lease.

Finite resource consumption			2010-11		2011-12		2012-13	
			Core	Core + Partners*	Core	Core + Partners*	Core	Core + Partners*
Non-financial indicators ('000m³)	Water consumption (office estate)	Supplied	37.52	196.85	22.06	249.02	18.27	244.50
		Abstracted	-		-	-	-	-
		per FTE	0.01	13.17	0.01	7.25	0.005	5.31
	Water consumption (non-office estate)	Supplied	-	-	-	119.26	-	82.46
		Abstracted	-	-	-	-	-	-
	Total Consumption		**37.52**	**419.61**	**22.06**	**620.51**	**18.27**	**653.37**
Financial indicators (£ '000)	Water supply costs (office estate)		64.02	145.47	22.54	272	43.44	337.99
	Water supply costs (non-office estate)		-	362	-	857.83	-	808.42

* Data covers the Core Department, Skills Funding Agency, HEFCE, Insolvency Service, NERC, UK Atomic Energy Authority, SLC, Acas, STFC, NMO and MRC.

Procurement

UK Shared Business Services Limited (UK SBS) commenced provision of Strategic Procurement services to the Department in August 2012. UK SBS also provides Procurement Services to the seven UK Research Councils and throughout 2013 more members of the BIS family will transition to UK SBS procurement. UK SBS is committed to sustainable procurement and is signed up to the BIS supported Cambridge Programme for Sustainability Leadership (CPSL) on zero carbon catering, transport and energy.

The use of SMEs for the supply of goods and services across the BIS family exceeded the Government's 25% target during 2012-13. UK SBS is taking concerted action to improve performance further both through active encouragement of SME participation in procurement activity and by analysing and recording second and third tier SME involvement in supply chains. BIS family transition to UK SBS will increase the potential even further.

Sustainable policy making

Business have a key role to play in delivering sustainable development, particularly as they invest to develop new ideas, raise their productivity and create new products and services. BIS therefore has a significant role to play in delivering sustainable economic growth.

Responsibility for sustainable development has been embedded into policy making across the Department. Policy teams have a responsibility to consider the long term social, economic, environmental and financial impacts of their policies as well as understanding the effects on all communities (be they urban or rural) and businesses. As policies are developed and implemented impacts on protected groups are also appropriately considered.

The work to embed sustainable development in policy making across BIS is supported by a Director-level Sustainable Development champion, dedicated resource in the BIS estates team and the voluntary Green Guardians network. The Department's Operations Committee has overall responsibility for ensuring that the Department meets its sustainability obligations. Looking ahead, our ongoing commitment to further embedding sustainability is set out in our 2013-14 Business Plan.

Corporate Governance: Reforms to company reporting

The BIS reforms to the structure and content for company narrative reporting support sustainability by encouraging companies to consider and report on their long-term strategy.

Specifically, these reforms will create a Strategic Report that will allow the company to tell its story – starting with the strategy and business model, via the principle risks and challenges. Companies will be expected, to the extent necessary for an understanding of the business, to report on environmental and social issues, including their policies on these matters. To support this, companies will also be required to make new disclosures on their greenhouse gas emissions, encouraging them to think about ways in which they can reduce their emissions, and thus their long term impact on the environment.

The BIS reforms, which come into force on 1 October 2013, will help companies to focus on developing a strong, long-term strategy and consider their environmental and societal impacts of their business, and to communicate this more effectively to their shareholders.

Rural Proofing

BIS continues to ensure that rural services that communities rely on are both protected and improved. The Government is committing £1.34 billion to securing the long-term future of the Post Office Network, and promising that no programme of closures will take place under this Government. We have ensured that over 1,000 communities that cannot support a traditional Post Office continue to be served by outreach provision, and we are introducing a new type of Post Office – Post Office Local – which will enable post office services to be sustained in smaller communities.

We are working to ensure all have fair access to participate in lifelong learning. 15 Community Learning Trust pilots were established in August 2012 and are developing effective approaches to delivering the new community learning objectives. One of the key objectives of these pilots is to focus public funding on people who are disadvantaged and least likely to participate, including in rural areas and people on low incomes with low skills.

Changing culture and behaviours in the Department

Alongside the focus on estates, procurement and policy, the Department also has an active "Green Guardians" network who promote sustainability in a variety of way. The Green Guardians are a voluntary network of BIS staff with a passion for environmental issues. They found it a challenge to make time to promote sustainability issues in the new, smaller BIS – although members led by example in terms of behaviours and they maintained a lively community on the social networking site Yammer. Their showpiece activity for the year was during Recycling Week in June, with intranet articles, tips of the day and a mention in the Permanent Secretary's blog to raise awareness. Individual Green Guardians also led efforts to promote cycling and walking and supported Departmental activity in Climate Week.

With a focus around the Olympics, this year has seen a particular emphasis in BIS on changing behaviours around travel to work. There have been a series of events promoting and supporting walking, running and cycling to work. These have included:

- New intranet pages to encourage **walking, cycling and running to work**, with information for BIS staff on the facilities available and other tips. This is kept updated to announce events, and to include useful information such as tips on cycling in winter. These were introduced for the Olympics and have remained as a legacy for BIS staff.
- A list of volunteer **'bike buddies'** who can give tips, talk through suitable routes and even accompany new cyclists on their first walk, run or ride in to work.
- Support for **Walk to Work Week** in May.
- In preparation for the Olympics, 10 new bike racks were installed (by converting two Ministerial car spaces) and extra lockers were provided. This took the total to **250 cycle spaces and 508 lockers**.
- The annual **BIS Bike Breakfast was held in National Bike Week on 20th June** – a free breakfast for everyone who cycled to work that day, free Dr. Bike checks, security marking of bikes by the Metropolitan Police, and an information stall with free cycle maps and other information.
- Information stalls were also held on 12th November 2012 during **BIS wellbeing week** (where staff were able to pedal a bicycle to make a smoothie, and pick up maps and other information on cycling to work) and similarly on 5th March 2013 during Climate Week.

The extensive preparations (both in terms of the tools needed to work flexibly and the changes to staff travel and working behaviour) put in place by BIS in anticipation of disruption to the public transport network during the Olympics were a success, with BIS achieving an average 31% positive change in staff travel and working patterns. Longer lasting benefits introduced by the project included increased flexible working IT capacity, mobile video conferencing and clearer guidance on flexible working.

The Department also introduced a colony of bees to its rooftop in 2012. A team of volunteer beekeepers, with the generous support of the Victoria Business Improvement District, work to maintain the colony all year round. According to the British Beekeepers Association, the economic value of honey bees and bumble bees as pollinators of commercially grown insect pollinated crops in the UK has been estimated at over £200 million per year[2].

Adapting to climate change

The Department works to ensure that consideration of the need to adapt to climate change is built into policy making alongside wider sustainability considerations. The Research Councils also fund many projects that contribute to improving the UK's understanding of climate change issues and how to adapt technologies and business practices.

2 British Beekeepers Association figures

A study led by the late Professor Edwards-Jones, Bangor University, and funded by the **Natural Environment Research Council** (NERC) through the Rural Economy and Land Use (RELU) Programme, looked at the impacts of sourcing fruit and vegetables from within the UK, Europe and globally. The results were compared, looking at the entire product lifecycle, the impact on communities, the environment and nutrition. The research showed that a holistic approach was essential in assessing all the impacts to create more clarity about the whole food lifecycle. The research was presented to technical directors at major food retailers, influencing decisions and helping them reduce supply chain costs and explain their sourcing choices to consumers. The research also led to the creation of a technical services company for the fresh produce industry. Bangor University and G's Marketing formed a joint venture, Footprints4food which provides environmental footprint assessments to companies.

With support from **Biotechnology and Biological Sciences Research Council** (BBSRC) funded initiatives and programmes, TMO Renewables Limited has grown from a start-up of five people to a major industry force. TMO maintains a strong interest in waste to ethanol solutions, and in addition to developing projects in Europe, is currently focussed on opportunities in Brazil and China having announced, in 2012, a deal with Heilongjiang Province State Farm, and more recently a planned joint venture with Usina Santa Maria Limited near Sao Paulo to build a 10 million litre ethanol plant using sugar cane bagasse, with production beginning in 2014.

Climate Week

Climate Week is a national campaign to inspire action on climate change. BIS supported climate week through a series of talks, activities, articles and information.

The week kicked off with a talk by Amelie Trolle from the Eden Project Green Foundation. She gave a brief introduction to the foundation and it's work with business on sustainability before getting everyone involved with an interactive session.

There was also a panel discussion on climate change and growth policy and how we should be addressing climate change during a recession. The panel consisted of representatives from the Walker Institute for Climate Research, Shell, Sandbag Climate Campaign, the British Antarctic Survey and Policy Exchange and was chaired by Janice Munday, director of AMS.

Throughout the week the 1 Victoria Street reception area hosted a renewable energy display, and the caterers provided a sustainable menu in the canteen. In the Upper Ground lift lobby, ambassadors from Carbon Action Plan spoke to staff and visitors about climate week, energy use and how our lifestyle choices affect our carbon footprint.

In addition a series of articles were published on the Intranet, including an introduction to climate week and how to get involved; information on how the BIS Estates team have worked to reduce energy and water use; advice on how to reduce emissions at home and at work; information on how BIS contributes to climate policy and the work of the Green Economy Team; and an article from a BIS staff member about converting their home into an energy efficient superhome.

5 Remuneration Report

Remuneration Policy

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

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

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

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

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

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

Performance and Reward

The Senior Civil Service (SCS) pay system consists of relative performance assessments. The highest performing individuals in BIS were awarded a non-consolidated performance reward for their performance against objectives in 2011-12 which was paid in 2012-13. These awards varied in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government. In accordance with the 2012 Review Body recommendations no base pay awards were made to the SCS in 2012-13.

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

The table below shows the number of SCS staff in the Core Department by pay range as at 31 March 2013. Bonuses are not included and salary ranges represent full-time equivalent rates. These pay ranges cover those staff employed on open-ended and fixed term contracts.

Pay Range	No of SCS staff within range as at 31 March 2013	No of SCS staff within range as at 31 March 2012
Below £55,000	-	-
£55,000 – £59,999	14	15
£60,000 – £64,999	34	27
£65,000 – £69,999	38	36
£70,000 – £74,999	32	28
£75,000 – £79,999	14	14
£80,000 – £84,999	18	16
£85,000 – £89,999	11	10
£90,000 – £94,999	9	10
£95,000 – £99,999	5	8
£100,000 – £104,999	7	5
£105,000 – £109,999	4	4
£110,000 – £114,999	3	3
£115,000 – £119,999	7	9
£120,000 – £124,999	-	1
£125,000 – £129,999	1	1
£130,000 – £134,999	2	1
£135,000 – £139,999	5	3
£140,000 – £144,999	2	2
£145,000 – £149,999	-	-
£150,000 – £154,999	-	-
£155,000 – £159,999	1	1
£160,000 – £164,999	2	3
£165,000 – £169,999	1	1
£170,000 – £174,999	1	1
£175,000 – £179,999	-	-
£180,000 – £184,999	-	1
£185,000 – £189,999	-	1
£190,000 – £194,999	-	-
£195,000 – £199,999	-	-
£200,000 – £204,999	-	-
£205,000 – £209,999	-	-
TOTAL	**211**	**201**
The Chair designate of the new Competition and Markets Authority (CMA) is not included in the number of SCS staff above.		

The remuneration of the Senior Civil Servants who are not members of the Management Board is determined by the Departmental Performance and Development Committee. The Members of the Committee for 2012-13 were:

Martin Donnelly	BIS Permanent Secretary
Philip Rutnam	Director General, Business and Skills (to 3 April 2012)
Howard Orme	Director General, Finance and Commercial
Rachel Sandby –Thomas	The Solicitor and Director General, Business and Skills
Tera Allas	Director General, Strategy, Analysis and Better Regulation
Stephen Lovegrove	Chief Executive, Shareholder Executive (to 3 February 2013)
Mark Russell	Interim Chief Executive, Shareholder Executive (from 4 February 2013)
Bernadette Kelly	Director General, Markets and Local Growth
Nick Baird	Chief Executive, UK Trade & Investment
Philippa Lloyd	Director General, People, Communications and Corporate Effectiveness (from 3 September 2012)
Professor Sir Adrian Smith	Director General, Knowledge and Innovation (to 31 August 2012)
John Alty	Interim Director General, Knowledge and Innovation (from 1 September 2012 until 3 February 2013)
Professor Sir John O'Reilly	Director General, Knowledge and Innovation (from 4 February 2013)

The Committee's Terms of Reference are to:

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

Service Contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.independent.gov.uk.

- Philip Rutnam was appointed on a three year contract commencing 23 March 2009. He transferred his appointment on 3 April 2012 to take up the post of Permanent Secretary to the Department for Transport.
- Professor Sir Adrian Smith was appointed on a four year contract commencing 1 September 2008. He left BIS on 31 August 2012 at the end of his contract.
- Professor Sir John O'Reilly was appointed on a three year contract commencing 4 February 2013. The notice period for the employee is three months. For the employer the notice period is six months or a period, if less, equal to the unexpired part of the fixed term contract.

Salary and Pension entitlements for Ministers of the Core Department

The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department for Business, Innovation and Skills for the year ending 31 March 2013 were as follows:

Audited information

	Accrued pension at age 65 at 31 March 2013	Real Increase in pension at age 65	CETV at 31 March 2013	CETV at 31 March 2012	Real increase in CETV	Ministerial salary received 2012-13	Ministerial salary received 2011-12
	£000	£000	£000	£000	£000	£	£
Secretary of State							
Rt Hon Dr Vince Cable	0-5	0-2.5	80	51	19	68,827	68,827
Ministers of State							
Lord Green of Hurstpierpoint[1]	-	-	-	-	-	-	-
Rt Hon David Willetts MP	0-5	0-2.5	54	42	6	33,002	33,002
Rt Hon Michael Fallon MP (from 4 September 2012)[2]	0-5	0-2.5	36	26	6	18,632	-
John Hayes MP (to 4 September 2012)[2]	0-5	0-2.5	36 [3]	30	3	14,118	33,002
Mark Prisk MP (to 4 September 2012)[2]	0-5	0-2.5	28 [3]	23	2	14,118	33,002
Rt Hon Greg Clark MP (to 4 September 2012)[4]	-	-	-	-	-	-	-
Parliamentary Under-Secretaries of State							
Matthew Hancock MP (from 4 September 2012)[5]	-	-	-	-	-	13,560	-
Jo Swinson MP (from 5 September 2012)[6]	0-5	0-2.5	3	-	1	13,560	-
Viscount Younger of Leckie (from 9 January 2013)[7]	0-5	0-2.5	20	13	4	23,966	-
The Rt Hon Lord Marland (from 5 September 2012 to 8 January 2013)[1]	-	-	-	-	-	-	-
Norman Lamb MP (to 5 September 2012)[8]	0-5	0-2.5	19 [9]	16	2	10,203	2,308
Baroness Wilcox (to 5 September 2012)[10]	0-5	0-2.5	63 [9]	52	7	31,202	72,470

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

1 Elected not to draw a Ministerial salary and is not a member of the Parliamentary Contribution Pension Fund
2 The full year equivalent is £33,002 in 2012-13
3 CETV as at 4 September 2012
4 Salary and pension details up to 4 September 2012 can be found in DCLG's 2012-13 accounts
5 The full year equivalent is £23,697 in 2012-13, and is not a member of the Parliamentary Contribution Pension Fund
6 The full year equivalent is £23,697 in 2012-13
7 The full year equivalent is £105,076 in 2012-13
8 The full year equivalent is £23,697 in 2011-12 and in 2012-13
9 CETV as at 5 September 2012
10 The full year equivalent is £72,470 in 2011-12 and in 2012-13

Salary and Pension entitlements for the senior managers of the Department

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

Audited Information

	Accrued pension at age 60 as at 31 March 2013 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2013	CETV at 31 March 2012	Real increase in CETV	Salary 2012-13	Bonus payments 2012-13	Salary 2011-12	Bonus payments 2011-12
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Martin Donnelly	65-70 plus lump sum of 195-200	0-2.5 plus lump sum of 0-2.5	1,264	1,191	6	160-165	-	160-165	-
Howard Orme	15-20	2.5-5	264	208	37	160-165	10-15	160-165	10-15
Rachel Sandby-Thomas	35-40 plus lump sum of 45-50	0-2.5 plus lump sum nil	591	541	14	130 -135	10-15	130-135	-
Bernadette Kelly	35-40 plus lump sum of 115-120	0-2.5 plus lump sum of 0-2.5	646	604	8	110-115	10-15	110-115	10-15
Tera Allas	15-20	0-2.5	214	185	13	115-120	10-15	115-120	-
Nick Baird[11]	-	-	-	-	-	-	-	-	-
Philippa Lloyd (from 3 September 2012)	25-30 plus lump sum of 40-45	2.5-5 plus lump sum of 2.5-5	484	422	41	60-65 (100-105 full year equivalent)	-	-	-
Professor Sir John O'Reilly (from 4 February 2013)[12]	-	-	-	-	-	20-25 (140-145 full year equivalent)	-	-	-
Mark Russell (from 4 February 2013)	20-25	2.5-5	322	249	34	25-30 (155-160 full year equivalent)	-	-	-
Stephen Lovegrove (to 3 February 2013)	15-20	2.5-5	235 [13]	192	27	155-160 (185-190 full year equivalent)	10-15	185-190	10-15
John Alty (from 1 September 2012 to 3 February 2013)[14]	-	-	-	-	-	-	-	-	-
Joanna Donaldson (from 8 May to 2 September 2012)	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 5-7.5	557[15]	511	38	30-35 (100-105 full year equivalent)	-	-	-
Professor Sir Adrian Smith (to 31 August 2012)	15-20	0-2.5	290 [16]	244	28	65-70 (160-165 full year equivalent)	10-15	160-165	10-15

Simon Edmonds (1 April to 31 May 2012)	10-15 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	243[17]	236	4	15-20 (105-110 full year equivalent)	-	-	-
Philip Rutnam (to 3 April 2012)[18]	45-50 plus lump sum of 125-130	0-2.5 plus lump sum nil	760	735	5	0-5 (180-185 full year equivalent)	-	180-185	10-15
Band of highest paid director's total remuneration	-	-	-	-	-	170-175[19]	-	200-205	-
Median Total Remuneration	-	-	-	-	-	32,452	-	30,391	-
Ratio	-	-	-	-	-	5.3	-	6.7	-

11 Salary and pension details can be found in the 2012-13 Foreign and Commonwealth Office's Accounts
12 Not a member of PCSPS
13 CETV as at 3 February 2013
14 John Alty was on secondment from UK IPO. His salary for the period of secondment was paid by UKIPO and was in the band £60k – £65k (£145k – £150k full year equivalent).
15 CETV as at 2 September 2012
16 CETV as at 31 August 2012
17 CETV as at 31 May 2012
18 The pension includes a preserved pension award, and salary is for the period 1 to 3 April 2012, and CETV is as at 3 April 2012
19 The band of the highest paid director for 2012-13 was determined after excluding the salary of Stephen Lovegrove who left the Department before the end of the reporting period

Unaudited Information

Notes:

- The information relates only to the Management Board members of the Core Department. Similar information relating to the Chief Executives and most senior managers of the executive agencies and other bodies of the BIS family is given in the separate accounts of those bodies.
- 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Core Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£65,738 from 1 April 2010) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Core Department and is therefore shown in full in the figures above.
- Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2012-13 relate to performance in 2011-12 and the comparative bonuses reported for 2011-12 relate to the performance in 2010-11.
- None of the most senior managers of the Core Department received any benefits-in-kind during the year.
- Where senior managers left during the course of the year, their CETV closing balance will be as at their leaving date.
- There have been no salary increases in 2012-13, other than where senior managers have changed their responsibilities.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of member contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2013 members pay contributions between 7.9% and 16.7% of their Ministerial salary depending on their level of seniority and chosen accrual rate. The contribution rates are planned to increase in April 2014, subject to consultation.

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

In line with reforms to other public sector pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for **classic** and between 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website http://www.civilservice.gov.uk/pensions.

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Compensation for loss of office

No senior managers have received compensation for loss of office.

Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's permanent workforce.

The banded remuneration of the highest paid director in the Department for Business, Innovation and Skills in the financial year 2012-13 was £170,000 – £175,000 (2011-12: £200,000 – £205,000).

In 2012-13 three people (2011-12: nil) received remuneration in excess of the highest paid director. Remuneration ranged from £12,531 to £307,500 (2011-12: £12,563 to £202,500). This includes Lord Currie, Chair designate of the new Competition and Markets Authority (CMA) who will be paid by the Department via an advance from the Contingencies Fund. The Chair's appointment was subject to the Enterprise and Regulatory Reform Bill receiving Royal Assent, (received on 25 April 2013) and to scrutiny by the Business Innovation and Skills Select Committee. The CMA Chair attracts a remuneration package of £185,000 (full year equivalent of £308,000 per annum) for a time commitment of three days per week.

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

The pay multiple for 2011-12 has been restated after incorporating data for the Department's Agencies, and this in addition to the departure of the previously highest paid director are the main reasons for the decrease in pay ratio compared to the prior year.

Audited Information

Fees paid to Non-Executive Board Members

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

Non-executive member	Fees for 2012-13 £000	Fees for 2011-12 £000
Sir Andrew Witty[20]	-	-
Professor Dame Julia King DBE	10-15	10-15
Mr Dalton Philips[21]	-	-
Alan Aubrey	0-5	-
Dale Murray CBE[22]	-	-

20 Sir Andrew Witty has chosen not to be remunerated
21 Dalton Phillips has chosen not to be remunerated
22 Dale Murray has chosen not to be remunerated

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
27 June 2013

Financial Overview

Foreword from the Director General, Finance and Commercial

Over the course of this Parliament, BIS is fundamentally reforming its policy and delivery model to meet the challenges of fiscal consolidation, the need for efficiencies and reform, and supporting long term growth to the UK economy. This is reflected in the significant change in the financial challenge facing the Department over the five year period, specifically:

- delivering savings of over £4.7bn (25%) of controllable resource expenditure (Resource Departmental Expenditure Limit (RDEL)), making a direct contribution to deficit reduction;
- halving the administration budget from Parliament to Parliament; and
- changing the structure of the Department's Statement of Financial Position (SoFP) by bringing on more assets (primarily student loans, Royal Mail Pension Plan (RMPP) assets and other government assets) to be monetised in 2012-13 and in future years.

2012-13 was the second financial year within this challenging Spending Review settlement and I am pleased with how policy and finance colleagues throughout BIS have responded.

- We have reduced higher education grant payments by £944 million.
- Net expenditure for the year was £1.6 billion, as the Department's operating costs were significantly offset by net gains from the transfer of the RMPP assets that were brought into the Department in the year through the Postal Services Act 2011.
- Our controllable capital expenditure (Capital Departmental Expenditure Limit (CDEL)) has increased by £87 million over the previous year to support the Government's growth priorities.
- We have completed 80% of our plans to halve the Department's administrative costs and are confident that we can make the remaining savings over the next two years.

The transformation of our operating model has also presented a forecasting challenge, as a greater portion of our overall budget has moved away from our direct control, toward the demand-led and more volatile Annually Managed Expenditure (AME) spend areas. Again, the Department has adapted well to this new environment.

- The introduction of in-depth quarterly reviews has improved the Department's forecasting ability, allowing us to identify emerging trends at an earlier stage in the year. BIS was able to successfully negotiate with HM Treasury a deferral to future years of £356 million RDEL and £40 million CDEL at the 2012-13 Supplementary Estimate, and a further £45 million RDEL and £110 million in CDEL at Budget 2013 to ensure policy and value for money objectives are achieved.
- Deferring this expenditure into future years will allow the Department to offset the 2% and 3% top-slice pressure to our 2013-14 and 2014-15 budgets announced during the year.
- The Department has managed its directly controllable budgets tightly. However, the contingencies required against our volatile AME and DEL Non-Cash budgets to ensure ongoing commitments are sufficiently funded, to protect the Department from potential overspend, were ultimately not all called upon, resulting in an overall variance of £1.7 billion.

The C&AG has drawn particular attention to the potential for significant changes in the valuation of student loans to occur, due to subsequent events resulting in changes to our current set of modelling assumptions, in his audit certificate. (Note 20.1 to these accounts gives details of the assumptions used).

We are well aware that these challenges are far from over. The shift in the nature of our budgets will transfer more spending from DEL budgets into AME over the course of the Spending Review. This will make accurate forecasting even more difficult.

This movement will also present BIS with the operational challenge of managing a reducing resource allocation whilst continuing to deliver against an expanding set of business objectives.

Over the coming period, we will oversee the completion of HE reforms, the introduction of Further Education 24+ Advanced Learning Loans, the establishment of the Business Bank, further development the Green Investment Bank, and carry out the remaining reforms provided for in the Postal Services Act 2011 by giving Royal Mail future access to private sector capital. These and our other core activities represent a significant financial risk to the Department that we will have to manage very carefully.

The following pages set out our detailed financial information for 2012-13, alongside the previous year's outturn. It is the second year that these reports have been compiled under the Government's Clear Line of Sight initiative and, as such, reflect consolidated financial information covering all those Partner Organisations designated to BIS under the Government Resources and Accounts Act 2000.

Financial Review

Introduction

BIS continues to contribute to the Government's reduction of the fiscal deficit.	We remain on track to: • Reduce programme expenditure by 25%, by continuing to implement major policy reforms over the course of this Spending Review • Halve administration costs across the BIS family from Parliament to Parliament.
We will realise savings from major policy reforms over future years of the Spending Review.	Significant expected programme savings are being delivered through: • Implementation of reforms and efficiencies to the Higher Education system which is expected to produce £2.9 billion savings. • £1.1 billion projected savings to our Further Education budgets through efficiencies to the Adult Skills Programme, non-participation programmes and the introduction of loans at level 3 (A-level equivalent) for students aged 24 and above. • Holding Science and Research to a flat cash settlement, producing savings of £400 million over the course of the Spending Review. • Total RDEL savings also include an admin reduction of £400 million

We continue to focus on reducing the complexity of our organisation by reducing administration costs and delivering efficiency.	We remain on track to reduce our administration budget by half from Parliament to Parliament. • Transformational efficiency has been successfully achieved through closing the Regional Development Agencies which has been delivered on time and to budget, saving £220 million in administration costs over the course of this Spending Review. • We have become leaner and more agile as an organisation. We have reduced the number of public bodies (as defined by the Cabinet Office) within the family from 60 to 43, forecast to reduce numbers further to 36 by the end of this Parliament. By reducing headcount in administration and corporate functions, we have saved a further £64 million this year. • We continue to rationalise corporate services and focus our future plans around the development of UK SBS's scope and capability for transactional services, estates, ICT and procurement. In estates, we have saved £30 million through rationalisation of the BIS estate, with 61 leases disposed of so far. In ICT, we have realised savings of £20 million through the joining up of ICT services across BIS. We recognise that we can make further progress on our transformation plans. Over the coming period, we will continue to simplify the BIS back office whilst ensuring BIS remains focused on the right public services and supports economic growth.
DEL Capital Expenditure increased from £1.15 billion in 2011-12 to £1.24 billion in 2012-13 and is set to increase further in future years. This emphasises the critical role BIS will play in supporting long term growth to the UK economy.	The key elements of the Department's capital plans for the next few years are as follows: • The Autumn Statement 2012 awarded an additional £2.4 billion capital and resource funding to BIS for a range of growth priorities. • The 2013 Budget announced that BIS will receive an additional £300 million of capital funding towards the Industrial Strategy for the Aerospace, Agricultural Technology and Automotive sectors over a ten year period. • The Department has also been allocated £600 million capital funding from the sale of Spectrum receipts (£77 million in 2012-13). • 2012-13 was also the first operational year of the Green Investment Bank (GIB). The organisation has £3 billion capital funding available for commitment over the course of the Spending Review (£685 million capital commitment in 2012-13).
Total BIS Outturn in 2012-13 was £26 billion.	The Statement of Parliamentary Supply in our accounts shows a budget outturn of £26 billion, compared with an estimate of £28 billion made available by Parliament during the year.

A contingency was agreed, but not fully needed, in the Supplementary Estimate to protect the Department from adverse movements in the value of the student loan book.	The student loan book valuation is vulnerable to changes in key macroeconomic variables. The detailed implications for budgeting are as follows: • The revaluation of the student loan book is dependent on the Office for Budgetary Responsibility's (OBR) forecasts on the future performance of the UK economy. • These wider macroeconomic factors impact the value of loans previously issued for which Government awaits repayment. Any impairment of the valuation of these loans will require non-cash budget cover. • However, as the OBR forecasts are not released until the end of the financial year, it is necessary to request contingency cover in the Supplementary Estimate, should the OBR forecasts significantly impact on the anticipated value of the impairment. • This year BIS drew down an £850 million non-cash reserve claim as contingency to protect the Department from breaching its budget. £598 million of the contingency was utilised to cover non-cash pressures. This resulted in an under utilisation of £252 million.
The majority of unused budget related to the more volatile, and unpredictable, elements of the AME budget. This included a contingency provision representing the maximum exposure BIS would face on a range of spend areas, to ensure the Department could handle any fluctuations from the inherent volatility in valuation of financial instruments and timing of specific large transactions or working capital positions.	The key components of unused budget relate to the following activity areas: • BIS provides short-term loans to Post Office Limited, to support the daily working capital needs of its branches. The loan balance fluctuates daily, for example as social benefits are drawn. This fluctuation is difficult to predict, and the actual amount provided was £409 million lower than budget in 2012-13. • BIS requested a £160 million AME resource contingency in the Supplementary Estimate to cover potential fluctuations in paternity pay. • BIS also drew down £180 million non-cash Resource AME contingency for student loan provisions in the Supplementary Estimate that ultimately was not required.

The value of net assets on our Statement of Financial Position (SoFP) has grown substantially over the course of the year to £43 billion, reflecting the growth in value of the student loan book, the transfer of RMPP assets into the BIS group, changes to the valuation of the Royal Mail Holdings and Urenco, and the establishment of the Green Investment Bank.	Key changes between 31 March 2012 and 31 March 2013 were: • Increased value of the student loan book, from £28 billion to £31 billion. • £29 billion of assets were brought onto the BIS Statement of Financial Position from RMPP. Following sales during the year £4 billion remained at the end of the year. • As a result of a change in accounting policy to hold the investment in Royal Mail Holdings plc at fair value instead of at historical cost, the carrying value increased by £2.5 billion, following a restatement £1.6 billion and a revaluation in year of £864 million. • Loans and investments of £121 million made by the Green Investment Bank, and a £50 million investment into Greencoat UK Wind plc.
A number of financial risks remain over the Spending Review period.	The main financial risks affecting BIS from now until the end of the Spending Review period include: • Higher education: the reforms to higher education have shifted funding control away from a stable, capped system toward an entitlement, demand-lead model. Increases to forecast student numbers or overall loan amounts drawn down will lead to pressures against BIS budgets. • Royal Mail: any privatisation would be dependant on market conditions, whilst the transaction itself would need to safeguard the universal postal service and meet our sale objectives of (i) delivering a sale of shares in Royal Mail within this Parliament; (ii) creating an employee share scheme that, as decided by Parliament, will lead to at least 10% of the company in employee ownership, to drive strengthened employee engagement; and (iii) delivering a financial outcome for the taxpayer, which when considered in the context of the overarching policy objective, represents overall value for money. • Business Bank: the introduction of a new government institution operating in unfamiliar financial markets could present a financial and operational risk to the Department. • Green Investment Bank: continued operational risk from an investment bank putting more public funds into private markets to assist with the UK's transition to a green economy. • 24+ Advance Learning Loans: the transition from a grants-based system to capital loans funding could lead to pressure on BIS budgets if student numbers are greater than forecast. Conversely, there is equally an operational risk, as the impact on take-up numbers and wider behaviours from the shift in funding remains uncertain.

Detailed Financial Review

The Department's audited consolidated accounts in chapter 7 include the gross expenditure and income of the Core Department and all the bodies included in HM Treasury's Designation Order laid in January 2012 and subsequently amended in December 2012 (see Note 40 for a full list). Our trading funds are now our main partners not consolidated within the group accounts. With minor exceptions, these Partner Organisations also produce their own accounts. The Department is ultimately responsible for all these resources and for the Partner Organisations that spend them.

The Department's budget comprises two types of expenditure:

- Departmental Expenditure Limit (DEL): firm, planned budgets set for multi-year periods
- Annually Managed Expenditure (AME): volatile, or demand-led budgets.

Some terminology is explained at Annex A.

In common with other central Government bodies, the Department's consolidated accounts are audited by the National Audit Office on behalf of the Comptroller & Auditor General (C&AG).

This section reviews the Department's finances for 2012-13 and acts as a commentary to the Primary Statements in the accounts. It analyses the performance of the Departmental Group in the context of the accounts, and compares the Department's outturn with its final Estimate.

All prior year figures have been restated to reflect the impact of a machinery of government change, changes in the departmental boundary and changes in accounting policy as per Note 1.32 to the accounts.

The Primary Statements in the consolidated accounts comprise:

- the Statement of Parliamentary Supply;
- the Consolidated Statement of Comprehensive Net Expenditure;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Cash Flows; and
- the Consolidated Statement of Changes in Taxpayers' Equity.

Statement of Parliamentary Supply

This is the primary statement that demonstrates the Department's accountability for its spend to Parliament. It records the net outturn compared with the Estimate in accordance with the Supply Estimates Manual.

Explanations for variances between outturn and the Estimate for 2012-13 are given below. A number of contingencies were included in the Estimate and these explain some of the largest variances.

£'000							2012-13	2011-12
	Estimate			Outturn			Voted outturn compared with Estimate: saving / (excess)	Outturn
	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Total Resource	19,209,185	450,250	19,659,435	18,462,338	415,426	18,877,764	746,847	18,566,278
Total Capital	8,307,817	-	8,307,817	7,369,073	-	7,369,073	938,744	6,622,117
Total	**27,517,002**	**450,250**	**27,967,252**	**25,831,411**	**415,426**	**26,246,837**	**1,685,591**	**25,188,395**

Net resource outturn

The Department had net resource outturn (voted DEL and AME spend less income) of £18,462 million which represents 96% of the final Estimate of £19,209 million. This represents an under spend of £747 million. The main factors contributing to the under spend were:

- Underspend against the reserve claim for movements in the student loan valuation (£252 million);
- AME non-cash contingency for the student loan valuation (£180 million); and
- Paternity pay contingency (£160 million).

Variance between DEL resource outturn and Estimate

As shown in the following table, the net resource DEL outturn of £19,230 million represents 98% of the final Estimate allocation of £19,581 million. The most significant reasons (where the variance is greater than £0.5 million and 10% of the Estimate) for the net resource DEL under spend are given below. The table is based on Note 2.1 to the Accounts. A further analysis of net outturn is included in the Core Tables in Annex B.

£'000							2012-13	2011-12
	Estimate			Outturn			Voted outturn compared with Estimate: saving / (excess)	Outturn
	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Departmental Expenditure Limit								
– Resource	19,580,591	250	19,580,841	19,230,280	169	19,230,449	350,311	19,986,416
– Capital	1,538,000	-	1,538,000	1,240,349	-	1,240,349	297,651	1,153,191

The Estimate lines do not correspond exactly to the way the departmental internal budgets are structured. Note 6 to the accounts reflects this internal budget reporting approach, which is based on a Group structure rather than the Estimate structure of Core Departmental and Partner Organisation (or NDPB) functions. To enable the most efficient use of budgets, BIS has maintained flexibility within Groups between the Core and NDPB lines of the Estimate. The outturn reported against Estimate lines are therefore considered together below.

The following table below summarises Note 2 by merging the matching Estimate lines.

£'000	Voted resource outturn to estimate		
	Outturn Total	**Estimate Total**	**Voted outturn compared with Estimate: saving / (excess)**
Departmental Expenditure Limit			
Voted			
Science and Research (Estimate lines A and H)	5,074,373	5,072,820	(1,553)
Innovation, Enterprise and Business (Estimate lines B and I)	590,861	663,065	72,204
Market Frameworks (Estimate lines C and J)	194,643	256,665	62,022
Higher Education (Estimate lines D and K)	9,109,208	9,270,880	161,672
Further Education (Estimate lines E and L)	3,505,344	3,520,040	14,696
Capability (Estimate line F)	312,457	358,870	46,413
Government as Shareholder (Estimate lines G and M)	443,394	438,251	(5,143)
Total Resource DEL	**19,230,280**	**19,580,591**	**350,311**

Science and Research (Estimate lines A and H)

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

- Net outturn in line A was £20 million (4%) less than Estimate. £15 million of this was due to lower than anticipated spending across the Research Councils. This represents a very small proportion of their very significant total budget and was therefore within the limits of forecasting accuracy and was taken into account in managing the overall Departmental year-end position.
- Net outturn in line H was £22 million (0.5%) more than Estimate. This is due to a relatively small overspend on the HE Research Grant, of around 0.7% of the total grant budget, which relates to additional grant expenditure.

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

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

- Net outturn in line B was £91 million (30%) less than Estimate. This line includes Core BIS expenditure on business programmes such as the residual elements of the Regional Development Agencies. The underspend is attributable to a range of different programmes which are demand-driven programmes and consequently is exposed to some forecasting uncertainty.

- Net outturn in line I was £19 million (5%) more than Estimate. This Estimate line included projects administered by the Technology Strategy Board (which are reliant on information from grant recipients), Manufacturing Advisory Service (there has been more expenditure than anticipated due to a front-loaded spend profile) and an underspend by the Energy Intensive Industries (there is much uncertainty about how certain claims will develop, and this volatility requires budget cover).

Market Frameworks (Estimate lines C and J)

The key components of Market Frameworks are the activities of the Insolvency Service, the Competition Commission and ACAS.

- Net outturn in line C includes Core BIS and the Insolvency Service, and was £65 million (38%) less than Estimate largely due to the deferral of expenditure on Digital Region Limited and Cities Wave 1 to future financial years.
- Net outturn in line J was £3 million (4%) more than Estimate. Line J includes expenditure by ACAS, Consumer Focus and the Competition Commission not covered by Estimate in line C.

Higher Education (Estimate lines D and K)

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

- Net outturn in line D was £238 million (4%) less than Estimate. This was driven by £1,750 million reserve claim made at the Supplementary Estimate to cover the Department against adverse movements in the value of the Student Loan Book. The final calculation of the impairment was £1,498 million leading to an underspend of £252 million. There is also an overspend of £51 million, which is partially due to higher than expected expenditure on student maintenance grants caused by a number of applicants reporting lower incomes than anticipated in our forecasts.
- Net outturn in line K was £77 million (2%) more than Estimate. This relates to a relatively small overspend by HEFCE on the Teaching Grant to higher education institutions.

Further Education (Estimate lines E and L)

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

- Net outturn in line E was £145 million more than Estimate and the net outturn in Estimate line L was £160 million less than Estimate, resulting in a net underspend of £15 million (0.44%). Activities have taken place in the Core Department rather than in the Partner Organisations for some programmes. The main contributing factors are lower demand from UKCES Growth and Investment Fund Programme than forecast and small underspends against Skills Funding Agency Programmes.

Capability (Estimate line F)

The largest contributor to Capability is the Core Department.

- Net outturn was £46 million (13%) less than Estimate. The main component of this Estimate line is administration expenditure for the Core Department for which there was an underspend of £31 million against the allocated budget. BIS has agreement from HM Treasury to carry forward £10 million of the underspend in to 2013-14. This largely comprises underspends of £20 million on accommodation and office services and additional income received of £15 million. Other expenditure in this Estimate line includes programme costs for onerous leases, expenditure on various central programmes and payments from provisions for enemy property and the National Dock Labour Board.

Government as Shareholder (Estimate lines G and M)

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

- Net outturn in line G was £79 million (19%) less than Estimate. This is caused primarily by BIS (Postal Services Act 2011) Company Limited incurring running costs rather than the Core Department paying these costs on its behalf. There was also an underspend on the activities of Urenco as a result of delays in the sale of the BIS shareholding in the company.
- Net outturn in line M was £84 million (656%) more than Estimate. This includes the expenditure incurred directly by the BIS (Postal Services Act 2011) Company Limited, for which cover had initially been provided in row G.

Variance between DEL capital outturn and Estimate

As shown in the table, the net capital DEL outturn was £1,240 million compared to an annual budget of £1,538 million. The key contributing factors are:

- lower than anticipated activity on the Business Finance Partnership and the Green Investment Bank; and
- deferral of capital spend to 2013-14.

The most significant reasons (where the variance is greater than £0.5 million and 10% of the Estimate) for the net capital DEL under spend are given below.

£'000	Voted capital outturn to estimate		
	Outturn Total	Estimate Total	Voted outturn compared with Estimates saving / (excess)
Departmental Expenditure Limit – Capital			
Voted			
Science and Research (Estimate lines A and H)	580,839	632,100	51,261
Innovation, Enterprise and Business (Estimate lines B and I)	(23,316)	105,220	128,536
Market Frameworks (Estimate lines C and J)	58,916	14,200	(44,716)
Higher Education (Estimate lines D and K)	80,478	94,907	14,429
Further Education (Estimate lines E and L)	295,340	335,884	40,544
Capability (Estimate line F)	15,113	23,689	8,576
Government as Shareholder (Estimate lines G and M)	232,979	332,000	99,021
Total Capital DEL	**1,240,349**	**1,538,000**	**297,651**

Science and Research (Estimate lines A and H)

- Net outturn in line A was £77 million (143%) less than Estimate which was spent in line H. HEFCE were allocated additional grants of £50 million for 2013-14 by BIS.

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

- Net outturn in line B was £136 million (179%) less than Estimate. This line includes an under spend by the Business Finance Partnership, Small Business Tranche, caused by a longer than expected due diligence and Approval Processes. Other underspends are attributable to Enterprise Finance Guarantee, and Enterprise Capital funds which are demand-driven programmes.

- Net outturn in line I was £8 million (27%) more than Estimate and funded by line B.

Market Frameworks (Estimate line C)

- Net outturn in line C was £45 million (351%) more than Estimate. This is due to a larger than expected number of capital projects undertaken by the Core Department relating to the Regional Growth Fund.

Higher Education (Estimate lines D and K)

- Net outturn in line D was £0.5 million income against a nil Estimate.

Further Education (Estimate lines E and L)

- Net outturn in line E was £5 million. The net outturn in Estimate line L was £45 million less than Estimate in relation to capital grants paid to the private sector. The £40 million expected variance will be re-profiled into 2013-14.

Capability (Estimate line F)

- Net outturn was £9 million (37%) less than Estimate. Expenditure in this line relates mainly to central programmes and expenditure on both infrastructure maintenance and the Modernisation Fund. There was less take-up on these programmes during the year than provided for in the Estimate.

Government as Shareholder (Estimate line G and M)

- Net outturn in line G was £53 million (89%) more than Estimate. This was due to early activities relating to the Green Investment Bank taking place within the Core Department, prior to establishment of the separate legal entity.
- Net outturn in line M was £152 million (56%) less than Estimate due firstly to activities undertaken by the Core Department (causing an overspend on row G) and also a lower than funded level of expenditure in the year by the Green Investment Bank (GIB).

Variance between AME resource and capital outturns and Estimate

£'000	**Voted resource outturn to estimate**		
	Outturn Total	**Estimate Total**	**Voted outturn compared with Estimate: saving / (excess)**
Annually Managed Expenditure – Resource			
Voted			
Science and Research (Estimate lines N and U)	125,500	87,604	(37,896)
Innovation, Enterprise and Business (Estimate lines O)	(35,666)	(24,171)	11,495
Market Frameworks (Estimate lines P and V)	27,033	192,086	165,053
Higher Education (Estimate lines Q and W)	(917,771)	(773,306)	144,465
Further Education (Estimate lines R and X)	(13,339)	7,554	20,893
Capability (Estimate line S)	(9,346)	18,554	27,900
Government as Shareholder (Estimate line T)	52,012	116,273	64,261
Total Resource AME	**(771,577)**	**(375,406)**	**396,171**

AME budgets are volatile and therefore challenging to forecast accurately. Variances between resource AME outturns and the Estimate – £396 million in total – are mainly due to: lower than expected non-cash costs in the valuation of the Student Loan debt and underspend on the Redundancy Payments Service and Paternity Pay.

£'000	Voted capital outturn to estimate		
	Outturn Total	**Estimate Total**	**Voted outturn compared with Estimates saving / (excess)**
Annually Managed Expenditure – Capital			
Voted			
Science and Research (Estimate lines N and U)	(57,492)	-	57,492
Innovation, Enterprise and Business (Estimate line O)	-	-	-
Market Frameworks (Estimate lines P and V)	-	-	-
Higher Education (Estimate lines Q and W)	6,241,251	6,360,000	118,749
Further Education (Estimate lines R and X)	6,333	7,817	1,484
Capability (Estimate line S)	-	-	-
Government as Shareholder (Estimate line T)	(61,368)	402,000	463,368
Total Capital AME	**6,128,724**	**6,769,817**	**641,093**

Variances between capital AME outturns and the figures in the Estimate – £641 million in total – are caused primarily by two factors. The first is the use of the working capital loan provided to Post Office Limited, to support its daily in-branch working capital needs. The second relates to the Student Loan book, where the sum of new loans made plus capitalised interest less repayments was lower than budgeted.

Year-on-year DEL resource outturn

The net resource DEL outturn for 2012-13 (as shown in the Statement of Parliamentary Supply) was £19,230 million. This is a decrease of £756 million compared to the outturn for 2011-12 of £19,986 million and a further reduction on the 2010-11 outturn of £21,663 million. This represents an 11.2% reduction in outturn since 2010-11.

There was also a reduction of expenditure by HEFCE from 2011-12 of £983 million and a £100 million reduction in non-cash costs in respect of impairments and changes to assumptions made to the value of the student loan book. This was partially offset by increases in expenditure elsewhere in the Group. Revenue support to the Post Office has increased by £170 million to maintain the branch network in accordance with set access criteria and to fund a transformation programme to convert by 2015 some 6,000 sub post office branches to new lower cost operating models to arrest the rise and, in time, reduce the level of the future subsidy payments required. Expenditure of £91 million has been incurred this year in costs related to the BIS (Postal Services Act 2011) Company Limited.

Year-on-year DEL capital outturn

The net capital DEL outturn amounted to £1,240 million compared to the net total of £1,153 million in 2011-12 – an increase of £87 million, largely driven by the establishment of the Green Investment Bank which incurred total capital expenditure of £121 million.

£'000	2012-13							2011-12
	Estimate			Outturn			Voted outturn compared with Estimate: saving / (excess)	Outturn
	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Annually Managed Expenditure								
– Resource	(375,406)	450,000	74,594	(771,577)	415,257	(356,320)	396,171	(1,420,138)
– Capital	6,769,817	-	6,769,817	6,128,724	-	6,128,724	641,093	5,468,926

Year-on-year AME outturn

The net resource AME outturn for 2012-13 (as shown in the Statement of Parliamentary Supply) was an income of £772 million. This is a decrease in net income of £1,064 million compared to the outturn for 2011-12. The table above highlights the different classification of the Redundancy Payments Scheme as Non-Voted in 2012-13 (classed as Voted in 2011-12). Resource AME mainly comprises the effective interest (unwinding of the discount and capitalised interest) on student loans. £933 million of the decrease in income was a result of lower effective interest on student loans. A significant contributory factor was a decision taken to change the date at which the measure of RPI is used. This brings a more robust calculation of effective interest.

The net capital AME outturn was £6,129 million compared to the 2011-12 net total of £5,469 million, an increase of £660 million. The largest factor contributing to this increase is an increase in the net value of student loans paid out: £6,243 million in 2012-13 compared to £5,223 million in 2011-12 - an increase of £1,020 million or 20%.

There has been a reduction of £208 million in the net value of borrowing during the year against the Post Office working capital loan giving a closing balance position of £291 million at year end, compared to a £239 million outflow and closing balance of £499 million in 2011-12.

Cash

The net cash requirement for 2012-13 was £22,311 million, a decrease of £195 million, compared to £22,506 million in 2011-12 due to a decrease in operating cash outflows of £1.1 billion, offset by an increase in cash outflows on investing activities of £0.9 billion.

Administration

The net DEL resource outturn includes administration costs of £686 million compared to £813 million in 2011-12, a decrease of £127 million (16% reduction) and to £903 million in 2010-11 reflecting a total decrease of £217 million (24% reduction).

£61 million of the reduction from 2011-12 relates to a decrease in staff costs. A further £29 million saving has been achieved in 2012-13 through renegotiation of IT contracts and £12 million of savings in other rentals under operating leases for accommodation following the closure of the Regional Development Agencies.

Consolidated Statement of Comprehensive Net Expenditure

£'000	2012-13			2011-12 (restated)		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Net Operating Costs for the period	19,145,676	19,503,116	19,227,462	19,011,940	19,391,536	19,569,981

The Consolidated Statement of Comprehensive Net Expenditure (SoCNE) presents all income and expenditure within the Group on an accruals accounting basis, including those transactions that sit outside the scope of the Estimate. The net operating cost for 2012-13 was £19,227 million, a decrease of £343 million compared to £19,570 million for 2011-12. The reasons for these variances are covered in the section above comparing outturn to estimate.

Total comprehensive expenditure has decreased from £18,717 million in 2011-12 to £495 million in 2012-13, due to a year on year increase in non-operating gains. The majority of this is primarily due to the transfer of assets from the RMPP to the BIS (Postal Services Act 2011) Company Limited and its wholly owned subsidiary BIS (Postal Services Act 2011) B Company Limited.

The gain on the transfer of assets was £29 billion in 2012-13. Both Companies were incorporated in February 2012 and have been consolidated for the first time in 2012-13. Consequently there are no comparative figures for 2011-12. The total net profit for both Companies for the period to 31 March 2013 was £18 billion. As a result of the Postal Services Act 2011 Company Limited (Transfer of Assets Order) 2012, UK government gilts were transferred from RMPP to BIS (Postal Services Act 2011) Company Limited under the direction of HM Treasury. The gilts transferred to the Debt Management Account (DMA), within the Debt Management Office (DMO), for nil consideration and sold to the National Loans Fund (for cancellation) at market value as required by the National Loans Act 1968. The gilts had a market value of £11 billion including accrued income of £36 million, at the date of transfer to the DMA. This resulted in a total loss to BIS in respect of the cancellation of the gilts of £11 billion.

The net operating income was £136 million. This was due to the following items: £160 million of net realised gains from the sale of financial assets, £207 million unrealised loss on fair value movements of financial assets held at fair value through profit or loss, £53 million operating expenses, £29 million foreign exchange losses and £7 million of unrealised gains due to revaluation of investment properties. The companies also generated finance and other income of £258 million in the period.

The differences between net operating cost and net resource outturn are disclosed in Note 3.1 to the Accounts. The main difference relates to capital grants which are treated as resource expenditure in the SoCNE, but classified as capital in the Statement of Parliamentary Supply.

The Departmental Group is reporting administration expenditure of £651 million in the Consolidated Statement of Comprehensive Net Expenditure compared to £686 million in the Statement of Parliamentary Supply. This is mainly due to the treatment of cash payments relating to admin provisions, which score as administration expense in the Statement of Parliamentary Supply, but do not score as an expense in the SoCNE.

Consolidated Statement of Financial Position

The Departmental Group has a substantial and complex Statement of Financial Position (SoFP). The valuation of assets and liabilities in the Department's accounts can vary considerably and can be influenced by circumstances beyond the Department's immediate control. The consolidation of the assets and liabilities of Partner Organisations within the Departmental Group SoFP has added to the variety in the value and type of assets, and has extended the scope of the Board's responsibilities for managing risks relating to the SoFP. As at 31 March 2013 the Department's net assets were £43 billion.

Significant accounting judgements

Student loans

The Departmental Group SoFP is dominated by the value of the student loan book, which accounts for £31 billion of the total £36 billion of 'other financial assets'. This loan book is valued based on anticipated future repayments measured at today's rates.

The face value of the loan book has increased since last year mainly following the issue of £7 billion of new loans in the period. This includes £2 billion of loans issued under the new loan scheme, introduced through the Education Act 2011, ('post HE reform loans') for new students from academic year 2012/13. However, the valuation is also impacted by a number of macro economic assumptions used in our modelling that are reviewed annually. The major risk to student loan repayments arises when there is an economic downturn and a reduction in growth. Where there is a negative impact on earnings growth, the risk is that graduate earnings may not reach the levels predicted when student loans were issued. This can lengthen the time period before loans are in repayment and extend the repayment period, both of which impact on the carrying value of the loans in the accounts. It can also lead to an increase in the provision for future write offs against loans as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

Under the terms of the 'pre HE reform loans' the risk of the Government recovering the real value of student loans issued is further exacerbated when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation. The cap arises because students are charged interest equivalent to the rate of inflation, or the Bank of England base rate plus 1%; whichever is the lower. As such, when the base rate cap is in operation, interest on loans is charged at a lower rate than inflation. Details of the impairments made to the loan book in this financial year are set out in Note 20.1 to the Accounts.

The Government is continuing to assess how best to manage its holding of current and future loans, including the potential to realise value for the taxpayer from a sale of its portfolio. These accounts present the student loans portfolio valued on the basis that they will continue to be held by the Department until such time as a decision to sell the assets has been made. This is consistent with prior years and reflects the requirements of the Government Financial Reporting Manual.

Royal Mail

The Department continues to prepare for a future sale of shares to the private sector in order to secure the future viability of the Universal Service, whilst minimising the cost and risk to Government.

The Postal Services Act 2011, which received Royal Assent on 13 June 2011, enabled the relief of the RMPP's historic deficit, with members' historic rights being protected by Government by establishing the RMSPS. This scheme has funds voted directly to it by Parliament under a separate Parliamentary Estimate. The liability of £31 billion for future pension payments transferred into RMSPS on 1 April 2012. Following a machinery of government change, responsibility for the RMSPS transferred to the Cabinet Office, with an effective date of 1 April 2013.

Government is the 100% shareholder of Royal Mail Holdings plc. In previous years' accounts the Department's SoFP showed a holding value of £430 million. This was the historic cost of the investment. However due to a change in accounting policy the holding is now carried at fair value. The Department has determined in accordance with accounting standards that the net asset value of the Group is the most reasonable approximation of fair value after making adjustments to reflect the Royal Mail pension solution. This has led to a restatement in the accounts with the carrying value at 1 April 2011 restated to £1,364 million; and the carrying value at 31 March 2012 restated to £2,087 million. The fair value at 31 March 2013 is £2,951 million.

BIS also acts as lender to Royal Mail Holdings plc, with approximately £1.7 billion of debt facilities extended to the company, £1.4 billion of which originated from the National Loans Fund. To date, the Department has not considered impairment of the investment necessary but continues to keep the performance of the group under review.

During 2012-13 the Department also provided debt financing for Post Office Limited, a core operating subsidiary of Royal Mail Holdings plc, to help fund daily in-branch working capital needs via a revolving loan facility of up to £1.15 billion. The outstanding balance for this loan was £291 million at 31 March 2013. A subsidy payment of £410 million was also paid by the Department to Post Office Limited in 2012-13, as part of a package of support for the network for the period up to 2015.

Assets

Detailed information about the Department's non-current assets can be found in Notes 13 to 20 and 23 to these accounts and information about current assets can be found in Notes 22 to 26.

Liabilities

Details of the Department's current and non-current liabilities can be found in Notes 27 to 32 to these accounts.

Revaluation Reserves

The revaluation reserve, which records gains/losses on the revaluation of assets in the period, stands at £4.6 billion at 31 March 2013, compared to £3.5 billion at 31 March 2012. The increase is mainly due to the change in the fair value of the Department's investments in Royal Mail Holdings plc and EHL and the increase in the fair value of the launch investment portfolio.

Consolidated Statement of Cash Flows

Cash forecasting

The Department has forged ahead with its improvement in cash management. In 2011-12 the Department was placed fourth in HM Treasury's League table for the accuracy of forecasting net payment flows with an annual average variance of 1.43%. The result for 2012-13 improved significantly to an annual average of 0.80% achieving first place in the HM Treasury League table. BIS was the only Department to achieve a less than 1% annual average variance.

Net cash requirement

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 2012-13 was £22,311 million compared to an Estimate of £23,843 million, an underspend of £1,532 million, as shown in the Statement of Parliamentary Supply. There was an increase in the cash balance of £178 million compared with a decrease of £349 million in 2011-12.

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 of property plant and equipment, intangible assets, investment properties and financial instruments.

Reconciling Estimates, Budgets and Accounts

Financial Review

At the end of 2012-13 whilst there is full alignment between the Department's Estimate and budget (in accordance with the Clear Line of Sight reforms), there are still some transactions that are treated differently in the Estimate and in the Accounts. Note 3.1 details how the Net Resource Outturn (voted by Parliament), shown in the Statement of Parliamentary Supply reconciles to the Net Operating Cost, which is shown in the Consolidated Statement of Comprehensive Net Expenditure in the Accounts in chapter 7.

The key differences relate to:

- the addition of £808 million of capital grants paid, which are treated as a capital transaction in the Estimate and budget, but are treated as expenditure (a resource transaction), included in the Statement of Comprehensive Net Expenditure in the Accounts;
- a reduction of £383 million of non-budget non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited; and
- a reduction of £109 million of Launch investments realised.

Future Development, Performance and Position

BIS has a flexible and responsive business planning framework that evolves as the needs of the organisation, and the demands placed on it change. This helps ensure the Department's plans remain fit for purpose and proportionate while meeting the operational needs of the Department and its Partner Organisations.

We have worked with our Partner Organisations to further enhance alignment between our plans. The 2012-13 Guide to BIS, which incorporated the Operational Plan, included dedicated sections on each Partner Organisation, their achievements and how they contribute to the achievement of the Department's objectives for the first time.

For 2013-14 we have further refined the Operational Plan to focus on our main delivery priorities. Improvements have also led to a better alignment of financial and non-financial information, including clear success measures, to more effectively monitor performance and the use of resources. We are improving the clarity of our delivery priorities following our planning process. The implementation of our Management Information (MI) Strategy in 2013-14 seeks to empower managers with the tools, skills and expertise to manage delivery more efficiently and effectively.

As part of this improvement programme we will also transform the way we capture, consolidate, report and analyse financial and non-financial data through the implementation of a new Enterprise Performance Management (EPM) system. This will bring together all the planning, budgeting, financial and management reporting requirements across BIS and our Partner Organisations into one database.

Other information

Pension liabilities

The Department's staff can become members of one of the Principal Civil Service Pension Schemes (PCSPS). The Department's employer's contributions into the Schemes are reflected in the Accounts within Staff Costs. The PCSPS are unfunded multi-employer defined benefit schemes and the Department is consequently unable to identify its share of the underlying assets and liabilities. There is, therefore, no reflection of the Schemes on the Department's Statement of Financial Position although some smaller funded and unfunded schemes are recognised. Further details can be found in Note 1.22 to the Accounts.

Payment of suppliers

The Department's policy is to comply with the Institute of Credit Management's Prompt Payment Code, of which the Department is an approved signatory. Whilst the Department's standard terms and conditions for the supply of goods or services specify payment within 30 days of receipt of a valid invoice the Department aims to pay all valid invoices within 5 working days of receipt. In 2012-13 the Core Department paid 99.6% (2011-12: 99.6%) of undisputed invoices within the 30 day target and 94.8% of undisputed invoices within 5 working days (2011-12: 95.0%).

The proportion of the aggregate amount owed to creditors at the year end compared with the aggregate amount invoiced by suppliers was less than one day.

Charging Policy

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

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

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

Charitable Donations

BIS did not make any charitable donations. Details of charitable donations made by Partner Organisations may be found in their published accounts.

Events after the Reporting Period

Please see Note 37 of the Consolidated Accounts for information on events after the reporting period.

Auditors

These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. His certificate and report is included in the accounts in chapter 7. The external audit cost of the Departmental Group was £2,732,000 comprising £999,000 notional and £1,733,000 cash. The external audit costs of the RMSPS Accounts and the UK Atomic Energy Authority Pension Scheme Accounts were £95,000 notional and £14,000 notional respectively.

Disclosure of Audit Information

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

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
27 June 2013

Consolidated Accounts

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Department for Business, Innovation and Skills to prepare, for each financial year, consolidated accounts detailing the resources acquired, held or disposed of, and the use of resources, during the year by the Department (inclusive of its executive agencies) and its sponsored non-departmental and other arms length public bodies designated by order made under the GRAA by Statutory Instrument 2011 no 723, as amended by Statutory Instrument 2011 no 3004 (together known as the 'Departmental Group', consisting of the Department and sponsored bodies listed in Note 40 to the accounts).

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

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

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

HM Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department for Business, Innovation and Skills. The Accounting Officer of the Department has also appointed the Chief Executives or equivalents of its sponsored non-departmental and other arms length public bodies as Accounting Officers of those bodies.

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

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

Governance Statement

Introduction

This Governance Statement sets out the governance structures, risk management and internal control procedures that have operated within BIS during the financial year 2012-13 and up to the date of the approval of the Annual Report and Accounts, and accords to HM Treasury guidance. It also integrates information about our Partner Organisations that are included in the Department's Consolidated Accounts for 2012-13.

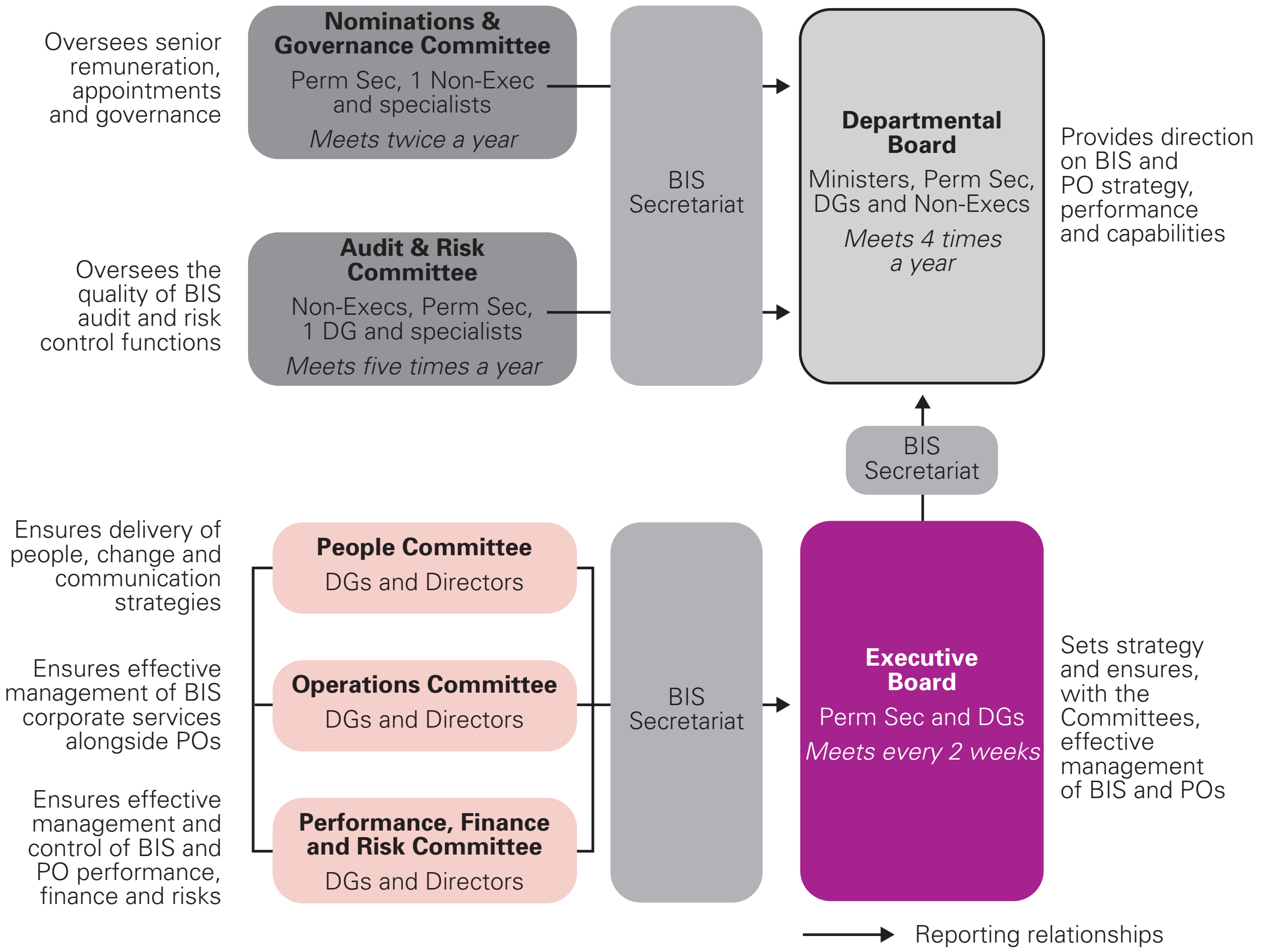
BIS has operated in a fast moving policy environment and is at the forefront of the drive for growth across the economy. Delivering the industrial strategy, creating the Green Investment Bank and the Business Bank are key examples of the work BIS has carried out with challenging aspects of governance. This has been done against the backdrop of our ambitious efficiency and reform plans, and our commitment to halve administration costs from Parliament to Parliament. We have had to work more flexibly by making improvements in our processes and protocols to enable us to work more efficiently as BIS is now a smaller, leaner and more strategic organisation.

Our operating model is such that the bulk of our delivery and expenditure is carried out in our many and varied Partner Organisations. A number of these organisations are going through a period of significant change due to changes in policy direction, efficiency programmes and significant reductions in resources. Ensuring good governance between BIS and the Partner Organisations for cross boundary programmes is a continuing priority.

How we have managed BIS

BIS's current Board structures shown in the diagram below came into force on 2 April 2012. Their clear remits have maintained clarity and accountability by allowing me and other Board and Committee members to make decisions, monitor performance and manage resources and risk. The Boards and their Committees have been supported by additional controls such as advisory boards and challenge panels to provide assurance that appropriate risk and performance management arrangements were in place. Decisions are made on a sufficiently broad basis to ensure quality and buy-in.

BIS GOVERNANCE STRUCTURES



The detailed membership of the Departmental Board and its Committees, and the Executive Board and other corporate governance information, is available at: https://www.gov.uk/government/organisations/department-for-business-innovation-skills/about

The **Departmental Board** met four times in 2012-13 and provided collective strategic leadership of the Department with responsibility for performance, risk and delivery including appropriate oversight of Partner Organisations. At each of its four meetings, the Board considered aspects of growth, Industrial Strategy, Higher Education, Business Plan 2012-13, Green Investment Bank, Regulatory Culture, Eurozone, Local Growth, Business Bank, Royal Mail, and Scottish Referendum. Growth and Industrial Strategy will continue to be at the top of BIS's Departmental Board agenda in 2013-14.

The Board gave more prominence to the consideration of risks and their key mitigating factors this year. In addition to a regular Finance and Risk Update, the Departmental Board received reports from the Performance, Finance and Risk Committee on Deep Dives (intensive in-depth reviews of a particular policy or issue) that have been undertaken into key policy areas including Royal Mail, Green Investment Bank, Higher Education and Business Bank.

The Board met three times outside of their formal meetings; two half-day Strategy sessions were held, at which the Board discussed Industrial Strategy and Local Growth.

The Departmental Board has been supported in its work by the Audit and Risk Committee, and the Nominations and Governance Committee.

The **Audit and Risk Committee** provided assurance on the quality of the Department's Consolidated Accounts, governance structures and risk management arrangements. The Committee's meetings were attended by BIS's Head of Internal Audit and representatives of the National Audit Office. The Committee had seven meetings during the year and their discussions included BIS Annual Report and Accounts, Internal Audit Annual Report, Fraud and Whistle blowing Policies and quality of BIS's Financial Management.

The Audit and Risk Committee also conducted two Accounting Judgements surgeries, to review accounting judgements being made by management in relation to issues such as student loans movements/valuations and the Royal Mail sale and valuation. The surgeries provided assurance to the Departmental Board that appropriate accounting judgements are being made by the Department.

The **Nominations and Governance Committee** has ensured that senior appointments and remuneration arrangements are transparent, fair and support departmental objectives; and that there are effective governance arrangements in place within BIS. The Committee met once during the financial year, and discussed SCS appointments, Board Appointments, Senior Pay and the Senior Remuneration Oversight Committee.

The Departmental Board delegated some responsibilities to the **Executive Board** whose remit was ensuring effective management of BIS and Partner Organisations, and shaping the strategic direction of the Department. The Executive Board delegated more decision-making and running of the department to three Committees chaired by Directors General, and drew their membership from BIS directors.

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

Underneath this high level corporate governance structure, there are additional governance arrangements that operate at a more local level, and which cover specific policy areas, programmes and projects. These report ultimately into the above Committees. Examples include: Higher Education Programme Board, Corporate Services Executive, Corporate Services Portfolio Board, Transparency Board, Data Strategy Board, Social Mobility Transparency Board and Research Sector Transparency Board.

Board appointments

Members of the Departmental Board and its Committees who are senior civil servants are appointed in accordance with the Civil Service Management Code. The exceptions are Ministers and Non-Executive Board members. Non-Executive Board members are recruited through fair and open competition. Their biographies are available at:
https://www.gov.uk/government/organisations/department-for-business-innovation-skills/about

Upon appointment, each Board member is required to declare any conflicts of interest which are recorded in the Register of Interests. Where a Board member raises a potential conflict at meetings, it is recorded in minutes and the Board member would absent themselves from that item of discussion. Throughout this financial year, no conflicts of interest were raised by members of the Departmental Board and its Committees.

Appointments to Partner Organisation Boards are made by Ministers, in accordance with Commissioner for Public Appointments Code of Practice for Ministerial Appointments to Public Bodies: http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Code-of-Practice-20121.pdf

Non-Executive Directors receive an induction on joining and have access to additional information and training where they consider it necessary in the discharge of their duties.

BIS's compliance with the Corporate Governance Code

We carried out an assessment of the Department's compliance with the Corporate Governance Code and the effectiveness of its Corporate Governance Structures. The results of the assessment were reviewed by the Nominations and Governance Committee in May 2013 which concluded that BIS is fully compliant with the spirit and principles of the Code.

Board and Committee Attendance for the Financial Year 1 April 2012 to 31 March 2013							
Name of Board Member	Meeting attendance per board member of meetings eligible to attend						
	Deptartmental Board	Executive Board	Operations Committee	People Committee	Performance Finance & Risk Committee	Audit & Risk Committee	Nominations & Governance
Rt. Hon. Vince Cable	3/4						
Rt. Hon. David Willetts	4/4						
Lord Green	4/4						
Mark Prisk	0/2						
Rt. Hon. Greg Clark	1/2						
Norman Lamb	0/2						
Michael Fallon	2/2						
Jo Swinson	1/2						
Sir Andrew Witty	4/4						
Professor Dame Julia King	4/4						1/1
Dalton Philips	3/4						
Dale Murray	1/1						
Alan Aubrey	4/4				1/1	7/7	
Grenville Hodge						7/7	
Nigel Johnson						6/7	
Hunada Nouss						2/5	
Martin Donnelly	4/4	20/22				3/7*	1/1
Howard Orme	3/4	20/22			12/14	5/7*	
Tera Allas	4/4	20/22			9/14		
Bernadette Kelly	4/4	21/22		13/15			
Rachel Sandby-Thomas	3/4	20/22		1/1			
Nick Baird	4/4	13/22					
Philippa Lloyd	1/2	13/13	7/7	10/10			
Mark Russell		3/4			2/2		
Sir John O'Reilly		4/4					
Stephen Lovegrove	4/4	15/18	9/9				
Philip Rutnam		1/1					
Simon Edmonds	0/1	2/3					
John Alty	1/2	10/12					
Sir Adrian Smith	2/2	8/9	3/4				
Joanna Donaldson	1/1	5/6		4/4			

Key

Ministers	Non-Executive Directors BIS
Non-Executive Directors Audit & Risk	Management
* Standing Attendee	

Note: Changes to Board membership throughout 2012-13 are indicated on pages 7 to 9 of the Annual Report.

Board performance and effectiveness

In March 2013, the Secretary of State commissioned Sir Andrew Witty; BIS's lead Non-Executive Director, to carry out an evaluation of the Departmental Board's effectiveness, in line with the *Corporate Governance in Central Government Departments: Code of Good Practice* (July 2011). Sir Andrew noted a marked improvement in the Board's effectiveness over the previous year, including in the areas which had been identified for improvement in last year's review. Whilst the Board was considerably more effective, the evaluation highlighted some areas where effectiveness could be strengthened further and these will be taken forward in the year ahead including:

- Papers will be shorter and sharper, with a clear focus on substantive discussion points.
- The Financial Scorecard will continue to be tightened up, with risks surfaced sharply.
- There will be a focus on how the Board builds up a greater level of understanding and transparency of Partner Organisations.
- The Board will receive a yearly summary paper from each Sub-Committee.

Risk Management

Approach to risk

Our risk management approach is based on devolved accountability across the Departmental Groups and our Partner Organisation network so that risks are assigned to those best placed to manage them, whilst maintaining clear accountability. A corporate Performance and Risk team acts as a central point for advice and guidance on effective risk management. The team also coordinates the Top Level Risk Register, which is the route by which significant risks are escalated to senior management and the Departmental Board. Risks for escalation to the Top Level Risk Register are proposed at all working levels of the Department – principally through monthly reports from Departmental Groups – but only those risks that could have a significant impact at a Departmental level are included. Risks that can and should be managed at group or Partner Organisation level remain with the groups and are subject to their own assurance and scrutiny processes.

The Performance, Finance and Risk (PFR) Committee provided the Executive Board with a strategic overview on risk in 2012-13 by reviewing proposed changes to the Top Level Risk Register and escalating significant issues for Executive Board consideration. In doing this, it was supported by a panel of directors and deputy directors from across the Department which met monthly to challenge the risks proposed for escalation to the Top Level Risk Register and to identify cross cutting and emerging risks. The PFR Committee had oversight of the key issues and commissioned a number of deep dive reviews to further understand particular issues.

Significant risks 2012-13 and key mitigating factors

Overarching major projects issues

BIS is undertaking a number of very challenging projects as we pursue the drive for growth, the details of which are available at https://www.gov.uk/government/publications/government-major-projects-portfolio-data-for-bis-2013. Alongside these, we have to recognise the cumulative change we are going through, particularly the reduction in our resources and its impact on our organisational capacity.

The ten largest projects are reviewed by the Cabinet Office and the Major Project Authority's Annual Report at https://engage.cabinetoffice.gov.uk/major-projects-authority/ features the Francis Crick Institute and Green Investment Bank as BIS case studies of projects being delivered successfully. Out of the ten BIS major projects, the 'Student Loans Monetisation' has a rating of Amber/Red. We are working closely with Cabinet Office and internally within BIS to take account of the Civil Service Reform Programme, Laidlaw and Browne reviews to ensure that we have the appropriate oversight, governance and processes in place to ensure that our projects have the best chance of delivering successfully.

Higher Education (HE) Budgets

HE Budgets are demand-led and exposed to macroeconomic factors leading to risk of overspends or possibly underspends. Risks are grouped into two main categories.

- There is a risk of over recruitment as higher tuition fees create incentive for Higher Education Institutions to recruit additional students. The lack of an HE Bill in this Parliament means a comprehensive student number control framework is not in place.
- Unit costs of students could increase if the average fee loan and loan take-up is higher than the Spending Review assumptions.

The risks are reviewed by the HE Programme Board which meets at six week intervals and provides updates to the Performance Finance and Risk Committee, Executive Board and the Departmental Board. This risk will be factored into future Spending Review discussions.

Royal Mail and Post Office Limited

BIS continued to make progress in 2012-13 towards giving Royal Mail access to private capital, having taken significant steps in 2011-12, implementing a new regulatory regime giving Royal Mail the increased freedom to compete in the postal market and to price universal service products to fully reflect their costs. At the start of 2012-13, Royal Mail and Post Office Limited were formally separated, and HMG relieved the company of its significant pension deficit.

BIS has continued to focus on Royal Mail modernisation and profitability, and is working closely with the company to monitor and challenge its operational and financial performance. The transformation of Royal Mail is well underway. The Company has made significant progress in a number of programmes, including transformation of delivery operations and in support of the growth in parcels. This activity has already delivered improvements in safety and productivity whilst maintaining a high quality service. Royal Mail Group posted strong financial results in the 2012-13 financial year. The Department continues to monitor the risks associated with the modernisation of the Royal Mail.

Green Investment Bank

The Department launched the Green Investment Bank (GIB) in October 2012 to accelerate private sector investment in the green economy. There are risks in ensuring that GIB has the appropriate incentives for long term financial success, whilst protecting the Exchequer. The main risks for GIB in 2012-13 were if the quality, speed and quantity of GIB investment failed to meet expectations for the Spending Review period, or if GIB investments caused issues in respect of overall BIS financial management reputation from underspends. Mitigation has been achieved through agreement with HM Treasury so that underspends can be rolled forward into future years and through the GIB team proactively managing expectations around level of deployment as BIS provided cover for potential deals this year.

Risks to delivering growth

As the Department for Growth, BIS provides leadership and coordination across Whitehall to drive pro-growth policies and respond to economic shocks when they occur. By providing support to other government departments and within BIS, BIS ensures that the Government's position is consistent and co-ordinated. The ongoing situation in the Euro Zone presents a significant risk to the growth agenda and adverse economic conditions such as inflationary pressures may have a direct financial impact on several BIS-funded sectors such as further education, higher education and science and research. To mitigate this, the Department analyses events in the macro economy and monitors business sentiment to consider the potential impact both on BIS policies and the Government-wide commitment to driving growth in the economy.

Energy Intensive Industries

Due to the Government's climate change and energy policies, a cost differential is being created between the UK and other countries and there is a risk that Energy Intensive Industries will not invest in their UK operations. This increases the risk of carbon leakage, being an increase in carbon emissions in one country or region as an indirect or unintended consequence of emission reduction measures in another country or region, as multinational companies make the investment in a more competitive country. By way of mitigation, the Government announced a £250 million compensation package of measures for those energy-intensive industries most at risk of carbon leakage as a result of our energy and climate change policies. The introduction of the Energy Bill on 29 November 2012 will reduce the impact of electricity prices rising as a result of electricity market reform policies where this significantly impacts international competitiveness subject to consultation and state aid considerations.

Emerging risks on a new Information Technology System

Looking ahead to 2013-14 a risk is emerging on the introduction of a new Information Technology (IT) system. There is a risk that any delay in the new BIS IT project significantly disrupts BIS operations and the support available to our Ministers. This is due to the technical complexity of the project and potential time pressures (especially for approvals). As we approach the end of the Department's relationship with Fujitsu, our existing IT support providers, this may lead to an increased risk of service outage and poor responsiveness. Our new IT support providers, the UK Shared Business Services (UK SBS), formerly RCSSC UK, will also need to scale up capacity and capability to deliver this programme to the tight timetable. This aspect of the risk is currently being mitigated by contracting with a technical partner early to provide the necessary support to deliver this programme.

Information Security

In line with Cabinet Office requirements, we conducted a review of the Department's security risk management, against the Government's Security Policy Framework, which was validated by our Internal Audit team. No areas of concern regarding BIS's policies and procedures for security of information were identified, although some further improvements could be made. All staff members were required to complete the Cabinet Office mandated e-learning courses on Protecting Information Level 1 and Fraud awareness, and we achieved a completion rate of 72% by the end of March 2013. A Fraud and Security Awareness week was held to raise the profile of fraud and information security. We have set up a Security Working Group to enable BIS and our Partner Organisations to comply with the range of security responsibilities and accountabilities. It will develop strategies and eliminate unnecessary risks by raising levels of awareness and spreading best practice on security and fraud issues across BIS and Partner Organisations.

Lapse of Data Security

There have been no significant lapses of data security, within the core Department or Partner Organisations within the accounting boundary, during the 2012-13 financial year required to be reported in this statement.

Other Key Governance Activities during the year

Moving to shared corporate services

BIS is continuing to lead major transformation to share business services across the BIS family. Over the past year, particular attention was given to the stabilisation of the UK Shared Business Services to ensure appropriate governance arrangements were in place before new clients could be taken on. Phase one of the Shared Services programme has taken effect, with core BIS along with a number of Partner Organisations moving their existing financial processing and pay services to UK SBS on 1 November 2012. Significant work is continuing on process-alignment and system-mapping to ensure a smooth transition into a cleaner system during 2013-14.

Audit and Assurance Services Group (AASG), the Research Councils' joint internal audit service, found that the control framework for Master Data Maintenance has identified some risk exposures. These have now been addressed to reduce vulnerability; UK SBS has developed and implemented enhanced processes to increase further the control framework around supplier master data. In addition a detailed action plan has been agreed to close the outstanding actions from the Master Data Maintenance audit. A programme of work has been agreed for the current year which will involve AASG undertaking a range of control security framework audits including an audit of Master Data Maintenance.

Corporate Services Portfolio (CSP)

This was established to provide leadership, coordination and drive efficiencies in all corporate service functions. The CSP has an established and effective governance process with six individual Programme Boards; the Corporate Services Executive (CSE) which brings together the programme Senior Responsible Officers and the Corporate Services Portfolio Board (CSPB) which comprises a balance of individuals with the authority to make strategic decisions across BIS and its Partner Organisations. Each of the programmes has clearly established objectives to deliver against the overarching objectives to deliver savings and continuously improve corporate services. The Office of Government Commerce review this year noted good progress made so far, and recommended further work on developing a compelling narrative for, and integration of change across the portfolio.

Tax policy for off-payroll appointees

The Government's review of the tax arrangements of public sector appointees highlighted the possibility for artificial arrangements to enable tax avoidance, such as by the use of personal service companies. The results and recommendations of the review were published on 23 May 2012, including measures for Departments to implement by 23 August 2012.

In response, we took a zero tolerance approach and produced a BIS Tax Policy promulgated and implemented across the BIS family. All senior appointments have been put on payroll and new contracts and contract renewals after 23 August have been amended to include a clause which allows us to gain assurance that individuals are paying the correct amount of tax with no contract allowed to extend beyond 31 March 2013 without this clause. Tax assurance evidence has been sought and scrutinised to ensure it's sufficient and contracts terminated where it's not forthcoming. Our Partner Organisations have also provided assurance of compliance with this tax policy within their annual governance statements. A summary of the BIS Tax Assurance Data is available at https://www.gov.uk/government/publications/bis-tax-arrangements-for-off-payroll-appointees-august-2012-to-march-2013.

Transparency Agenda

The BIS Open Data Strategy was published in June 2012 and sets out commitments across the BIS family for the next two years. Progress on these commitments is regularly monitored and feeds into the Cabinet Office Quarterly Written Ministerial Statement. The BIS 'Champion' and 'Practitioner' roles continue to promote transparency across the BIS family and BIS has published over 250 datasets during 2012-13 including Companies House Core Information Datasets and Higher Education Key Information Datasets.

The BIS Transparency Board continues to oversee delivery of our transparency commitments. It meets monthly to set direction, review progress and identify risks. During the year a number of other Boards have been established to lead the cross government effort to maximise the value of data: the Social Mobility Transparency Board, the Research Sector Transparency Board and Data Strategy Board.

The Social Mobility Transparency Board aims to match and share a much wider range of data on progression through education and into the labour market, to underpin research, policies and initiatives outside government to improve social mobility. The Board reports on a biannual basis to the Deputy Prime Minster, the Minister for Cabinet Office and the Informal Ministerial Group on Social Mobility.

The Research Sector Transparency Board, chaired by the Minister of State for Universities and Science, advises government on how to increase access to research data, with the aim of fuelling new discovery and innovation, and ultimately economic growth and societal benefit. This will complement existing activities to improve access to research publications. The Board will also act as a coordinating body for initiatives already underway to increase research transparency and facilitate interchange between these different activities and review progress of their implementation.

The Data Strategy Board (DSB) is an independent Ministerial Advisory Board that was set up in July 2012 to maximise the availability of data from the four Public Data Group (PDG) Trading Funds – the Met Office, Ordnance Survey, the Land Registry and Companies House – and from the wider public sector for long-term economic and social benefit.

The DSB is accountable to BIS and Cabinet Office Ministers. The Board, on behalf of the public sector:

- steers the management of contracts with the PDG
- considers how data from the PDG might generate economic growth
- works to ensure that Ministers have appropriate advice to deliver Open Data from the PDG, make access to data for all users easier and increase public access to free data over time, subject to affordability and value for money.

Machinery of Government changes

BIS has been subject to one inter-departmental transfer of functions in 2012-13. With effect from 1 April 2012, oversight for the Government's stake in Urenco was transferred to BIS from the Department for Energy and Climate Change (DECC) in a move to consolidate government shareholdings which increasingly reside within a specialist office of BIS. This has strengthened the ability of the government to utilize commercial expertise in the management of its Urenco shareholding including in the ongoing work on a possible sale.

Ministerial directions

There were no Ministerial directions given in 2012-13.

Governance of Partner Organisations

Our objectives continue to be delivered through our network of over 50 Partner Organisations[3]. To ensure effective delivery, BIS has continued to strengthen its links and coordination with Partner Organisations, providing support and exercising an increased level of scrutiny to ensure that their governance structures and accountabilities are appropriate to support the achievement of BIS's overall objectives.

The Department ensures that its Partner Organisations have robust governance structures and that there is clear accountability for finance, risk and performance. This involves regular reporting of performance against delivery plans, and regular dialogue on emerging policies, carried out through formal and informal meetings, and attendance at Board discussions.

We set up a number of forums to ensure information flows between the Department and Partner Organisations, and between different Partner Organisations work. Our Partners Engagement Group is made up of eight partners and BIS officials. Its role is to provide strategic direction for the collective relationships between BIS and Partner Organisations and to provide a channel for feedback from Partner Organisations.

Partner Organisations assessments

We conducted a strategic assessment of Partner Organisations performance in November 2011 to review policy delivery and identify specific areas for improvement. As a result of these assessments, Joint Action Plans were drawn up by BIS and each partner organisation where significant risks had been identified, to drive improvements. A panel consisting of the Director General for Finance and Commercial, the Head of Internal Audit and the Deputy Chief Executive of the Shareholder Executive has been set up to review progress against these Action Plans and all Joint Action Plans were reviewed and completed by the end of May 2013.

An exercise to refresh our Partner Organisations assessments and expand them to include opportunities as well as risks was completed during February – March 2013. The findings have been considered by the Performance, Finance and Risk Committee and they have ensured that the measures in place for our highest risk organisations are appropriate. This information will now be used to drive a systematised, proportionate and transparent approach to how we sponsor Partner Organisations based on risk and opportunities using a sponsorship framework that is under development and to prioritise our sponsorship resource.

Triennial Reviews

The Department has a planned programme of detailed reviews of Partner Organisations for the period 2011-14. Six reviews have begun and two have been completed. The review of the Industrial Development Advisory Board was completed in December 2012 and Low Pay Commission in March 2013. Both concluded that these organisations are still fulfilling a necessary function which the Non Departmental Public Bodies (NDPB) model was the best way to deliver. The reviews of Advisory, Conciliation and Arbitration Service, the Technology Strategy Board and the Research Councils are ongoing whilst the review of Capital for Enterprise Limited has been put on hold pending the outcome of policy developments relating to the creation of the British Business Bank.

3 See list of Partner Organisations at Annex C

Senior Remuneration Oversight Committee

Additional governance controls such as the Senior Remuneration Oversight Committee are in place to advise on Partner Organisation issues across the BIS family. The Chief Secretary of the Treasury (CST) is required to approve any senior appointment which attracts remuneration above the Prime Minister's salary. The Committee advises Ministers and senior management for any BIS cases that require CST approval, and ensures that there is a consistent and defensible framework for remuneration across the BIS family. The committee meets monthly and is chaired by the Director General for Finance and Commercial.

Clear Line of Sight

As part of the Clear Line of Sight reforms we have engaged with our Partner Organisations more broadly than ever, to ensure that accurate information can flow across the BIS family to meet statutory and internal reporting requirements. A positive outcome from this has been the development of a common reporting framework across BIS, with all Partner Organisations following the same accounting and reporting rules. This framework will continue to be strengthened as the processes develop and become more embedded across the family.

Review of effectiveness

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

Group statements on Governance, Risk Management and Internal Control

This year, to reflect feedback from last year, we simplified the format of the Corporate Governance Templates to allow for a more freeform narrative description. Action Plans were introduced to facilitate initial reviews through identification of actions to address any control weaknesses or to pursue continuous improvement, with the actions to be completed by year end. Each of my Directors General conducted a review in-year, completed the Action Plans and provided me with a Statement on Governance, Risk Management and Internal Control for their areas of responsibility. This has provided an opportunity for my Directors General to improve the control environment within their Groups before the end of the financial year and for those improvements to be recognised in the governance statement. The Head of Governance reviewed each Statement and the Head of Internal Audit and Audit Committee Chair discussed key findings with relevant Directors General and common themes arising have been discussed with me.

Assurance statements from Partner Organisations

Our Partner Organisations within the Clear Line of Sight boundary were commissioned to conduct a review of their governance, risk management and internal control taking into account their specific nature and size of operations. They have each prepared and submitted a copy of their Governance Statements to BIS which allowed me to prepare this Departmental Governance Statement that takes into account the overall assurance on governance, risk management and the internal control environment of the entire BIS family.

However, the UK Atomic Energy Authority reported a significant control issue involving fraud. While the financial impact of the fraud was not material to the financial position of the Authority, immediate action has been taken to ensure that this failure of internal control does not re-occur. An external review of the Authority's financial management and controls has been carried out and specific recommendations on areas for improvement are being implemented against a detailed action plan and time table.

Quality Assurance of Analytical models in BIS

We carried out a quality assurance review of the analytical models we and our Partner Organisations use. We have investigated the quality assurance applied to over 60 models, and reviewed 17 'business critical' models in detail. The review reported its findings in March 2013 and made a number of recommendations which BIS is implementing including the provision of quality assurance guidance, and a process to ensure the guidance is being followed for our Business Critical models.

Managing Risk of Financial Loss

We rolled out the Managing Risk of Financial Loss toolkit across the Department and those Partner Organisations which account for the majority of our funding, and those handling more than £20 million, to embed a systematic approach to assessing the risk of financial loss arising from financial operations and Action Plans were developed accordingly. This focussed on the transfer of money out of the Department particularly regarding financial systems and aimed to identify any weaknesses or risks that need to be addressed. The relevant Partner Organisations have reported good progress on their Action Plans. This has ensured that our resources are more likely to be properly protected, provided additional re-assurance for the Accounting Officers and reformed the control environment across BIS and Partner Organisations. In 2013-14, we plan to roll out the toolkit for the UK Shared Business Services to assess any risk of financial loss and ensure continuous improvement in key areas as we and a number of our Partner Organisations have moved on to the Shared Services Platform.

Internal Audit Annual Report

The Head of Internal Audit has provided me with an Annual Report which incorporates his opinion on the Department's system of governance, risk management and internal control. This opinion takes account of the residual risk carried by the Department during 2012-13 and has been informed by a variety of internal and external reviews of the Department.

Of three possible opinion ratings – Satisfactory, Improvement Required and Unsatisfactory – the rating given by the Head of Internal Audit for BIS in 2012-13 is Improvement Required. Areas of particular challenge for BIS highlighted by the Head of Internal Audit included:

- potential for additional risks of fraud or error generated by changes in accountability chains and our disaggregated delivery model as we invest in development of shared services
- the pressure of financial challenges to both BIS and individuals given the backdrop of economic recession and departmental resourcing and staffing constraints
- risks associated with the administration of the higher education reform programme
- IT risks presented by achieving a greater level of progress in compliance with information security requirements and the ongoing action on development of a replacement ICT system for the Department.

I accept this assessment and we have either implemented or are working to implement the suggested improvements.

Internal Audit Review of Risk Management in BIS

As part of the 2012-13 audit programme, Internal Audit reviewed risk management in BIS. The review focused on Group level risk management to provide assurance that Groups effectively apply BIS's risk management policies and processes, and to identify areas of good practice within the Department to promote and ensure a consistent approach across all Groups.

Overall the review concluded that BIS has a clear risk management framework that facilitates reporting and challenge of key business risks and performance against outcomes. The approach used also provides BIS Groups with the flexibility to apply risk management in the way that best fits their operation. There is overall guidance on best practice and Groups satisfy minimum central reporting requirements. However, there is disparity in the arrangements followed at Group level. This limits the quality of risk information being escalated and the Department's ability to identify cross cutting risks and more effective joined up ownership of actions across boundaries. Responding to the review, BIS will continue to build on the strength identified in its approach to risk management to further enhance consistency across the Department and Partner Organisations. A continued emphasis on sharing good practice in risk management, supported by training and development for our staff will further strengthen our high standards in managing risk.

National Audit Office reports

The National Audit Office produced a number of reports in 2012-13 relating to the Department's work including the Regional Growth Fund, BIS Financial Management and Validation of BIS data systems. BIS is making improvements in light of the recommendations from these reports.

For the Regional Growth Fund (RGF), four out of the seven recommendations have been implemented and two are in progress. One of the main recommendations was to have a clear plan to evaluate the impact of the Fund. The first annual monitoring report on RGF will be published in summer 2013 and the evaluation is contracted and on track with phase one scoping options for impact and economic evaluation, having started in May 2013.

The BIS Financial Management Review made four recommendations for improving the Department's capability and a work plan was developed in response. We have made significant and demonstrable progress against these recommendations and we plan to accomplish the work on business case and investment governance by July 2013.

In response to the BIS Data Systems review, we made revisions to our data indicators to improve overall coverage, as recommended by the NAO. Subsequently, the NAO carried out a review and in their Data Assurance report finalised in March 2013, reported positively on the progress we have made and found no problems with the integrity of the data used by BIS.

Accountability Systems Statements

BIS continues to review and develop its accountability systems, particularly in the move to a shared services platform across many of our functions, and also in response to the issues raised by the Laidlaw review of major projects and the Lord Browne review. This will be embedded in a high level accountability statement for BIS during 2013-14.

Conclusion

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

Martin Donnelly

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
27 June 2013

The Certificate and Report of The Comptroller and Auditor General to The House of Commons

I certify that I have audited the financial statements of the Department for Business, Innovation and Skills and of its Departmental Group for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2012. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2013 and of the Department's net operating cost and Departmental Group's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matter – uncertainties inherent in the valuation of student loans

Without qualifying my opinion, I draw attention to the disclosures made in notes 1.31 and 20.1 to the financial statements concerning the uncertainties inherent in the valuation of student loans. As set out in these notes, given the long term nature for the recovery of loans and the number and volatility of the assumptions underpinning their valuation, a considerable degree of uncertainty remains over the recoverable amounts of the loans issued. Significant changes to the valuation could occur as a result of subsequent information and events which are different from the current assumptions adopted by the Department.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in Chapters 1, 2, 4 and 6 within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

2 July 2013

Primary Statements

Statement of Parliamentary Supply

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

Summary of Resource and Capital Outturn 2012-13

£'000		2012-13							2011-12 restated
		Estimate			Outturn			Voted outturn compared with Estimate: saving / (excess)	Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total		Total
Departmental Expenditure Limit									
– Resource	2.1	19,580,591	250	19,580,841	19,230,280	169	19,230,449	350,311	19,986,416
– Capital	2.2	1,538,000	-	1,538,000	1,240,349	-	1,240,349	297,651	1,153,191
Annually Managed Expenditure									
– Resource	2.1	(375,406)	450,000	74,594	(771,577)	415,257	(356,320)	396,171	(1,420,138)
– Capital	2.2	6,769,817	-	6,769,817	6,128,724	-	6,128,724	641,093	5,468,926
Total Budget		27,513,002	450,250	27,963,252	25,827,776	415,426	26,243,202	1,685,226	25,188,395
Non-Budget									
– Resource	2.1	4,000	-	4,000	3,635	-	3,635	365	-
Total		**27,517,002**	**450,250**	**27,967,252**	**25,831,411**	**415,426**	**26,246,837**	**1,685,591**	**25,188,395**
Total Resource	2.1	19,209,185	450,250	19,659,435	18,462,338	415,426	18,877,764	746,847	18,566,278
Total Capital	2.2	8,307,817	-	8,307,817	7,369,073	-	7,369,073	938,744	6,622,117
Total		**27,517,002**	**450,250**	**27,967,252**	**25,831,411**	**415,426**	**26,246,837**	**1,685,591**	**25,188,395**

Net Cash Requirement 2012-13

£'000		2012-13	2012-13		2011-12 restated
	Note	Estimate	Outturn	Voted outturn compared with Estimate: saving / (excess)	Outturn
Net cash requirement	4	**23,842,923**	**22,311,139**	1,531,784	**22,505,902**

Administration Costs 2012-13

£'000		2012-13 Estimate	2012-13 Outturn		2011-12 Outturn restated
Total Administration costs		**716,969**	**685,829**		**812,519**

Chapter 7: Consolidated Accounts

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

Explanations of variances between Estimate and outturn are given in the Financial Overview in chapter 6 of the Annual Report and Accounts.

Prior Period Adjustments (PPAs) that have resulted from an error in previous recording or from a change in accounting policy initiated by the Department or which is otherwise the result of departmental action have a potential impact on net budgets. It is proper for the Department to seek parliamentary authority for the provision that should have been sought previously. In 2012-13, the following such PPAs have been made, which have been included within voted Supply in the Estimate:

In 2011-12 Higher Education Funding Council for England (HEFCE) and the Departmental Group treated recoverable grants as prepayments in the accounts. Following a policy review, these prepayments have been reclassified as loans. The restatement has been treated as a change in accounting policy in the 2012-13 Estimate. A £4 million adjustment is recorded in the voted non-budget line in the Statement of Parliamentary Supply, above.

The prior year outturn figures have been restated following a Machinery of Government (MoG) change. Additional information is included in Note 39.

Consolidated Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

£'000	Note	2012-13			2011-12 restated		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Administration costs							
Staff costs	7	173,875	183,523	408,095	161,788	170,824	469,568
Other costs	8	149,926	158,115	316,985	147,792	157,165	381,624
Income	11	(45,516)	(52,821)	(74,154)	(37,405)	(44,269)	(73,844)
Total administration costs		*278,285*	*288,817*	*650,926*	*272,175*	*283,720*	*777,348*
Programme expenditure							
Staff costs	7	4,403	73,348	685,862	2,316	71,316	654,098
Other costs	9	7,074,023	7,437,190	21,347,108	7,103,070	7,512,931	22,796,833
Income	11	(2,178,623)	(2,263,827)	(3,417,896)	(3,605,124)	(3,715,934)	(4,619,335)
Public Dividend Capital dividends	11	(35,591)	(35,591)	(35,591)	(30,745)	(30,745)	(30,745)
less minority interest	9	-	-	(2,947)	-	-	(8,218)
Grant in aid to NDPBs	9	14,003,179	14,003,179	-	15,270,248	15,270,248	-
Total programme costs		*18,867,391*	*19,214,299*	*18,576,536*	*18,739,765*	*19,107,816*	*18,792,633*
Net Operating Costs for the period	3.1	**19,145,676**	**19,503,116**	**19,227,462**	**19,011,940**	**19,391,536**	**19,569,981**
Total expenditure		21,405,406	21,855,355	22,755,103	22,685,214	23,182,484	24,293,905
Total income		(2,259,730)	(2,352,239)	(3,527,641)	(3,673,274)	(3,790,948)	(4,723,924)
Net Operating Costs for the period		**19,145,676**	**19,503,116**	**19,227,462**	**19,011,940**	**19,391,536**	**19,569,981**
Non operating activities							
Gain on net assets transferred	10	(16,554)	(16,378)	(28,639,325)	(41,245)	(41,245)	-
Loss arising from the cancellation of gilts	10	-	-	10,974,865	-	-	-
Loss arising from the cancellation of accrued income	10	-	-	35,580	-	-	-
Non operating gains		**(16,554)**	**(16,378)**	**(17,628,880)**	**(41,245)**	**(41,245)**	**-**
Net expenditure for the period		**19,129,122**	**19,486,738**	**1,598,582**	**18,970,695**	**19,350,291**	**19,569,981**
Other Comprehensive Net Income and Expenditure							
Net (gain)/loss on:							
– revaluation of property, plant and equipment		(18,404)	(24,722)	(96,334)	-	(3,889)	(127,081)
– revaluation of intangible assets		-	(15)	40,770	-	-	(22,947)
– revaluation of investments		(974,317)	(974,317)	(1,126,528)	(769,047)	(769,047)	(782,186)
– actuarial losses		-	-	72,462	-	-	51,117
– other movements in fair value		14	(1,555)	5,790	(14)	22,693	28,240
Total other comprehensive net income		**(992,707)**	**(1,000,609)**	**(1,103,840)**	**(769,061)**	**(750,243)**	**(852,857)**
Total comprehensive expenditure for the period		**18,136,415**	**18,486,129**	**494,742**	**18,201,634**	**18,600,048**	**18,717,124**

Included in net operating costs for 2012-13 is £7 million of net expenditure relating to the discontinued operations of the Regional Development Agencies (2011-12: £367 million). Further details are provided in note 12.

The Notes on pages 114 to 259 form part of these Accounts.

Consolidated Statement of Financial Position

as at 31 March 2013

£'000		31 March 2013			31 March 2012 restated			1 April 2011 restated		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Non-current assets:										
Property, plant and equipment	13	140,341	330,182	2,762,528	112,865	297,414	2,675,788	118,916	303,978	2,568,655
Investment properties	14	-	-	366,614	-	-	41,287	-	-	37,877
Intangible assets	15	3,237	11,676	193,003	2,511	11,267	275,793	3,354	15,012	282,395
Investment and loans in public bodies	18	5,090,115	5,090,115	4,907,045	4,552,501	4,552,501	4,552,451	3,704,729	3,704,729	3,727,165
Other financial assets	20	31,022,373	31,022,373	33,878,050	28,339,375	28,339,375	28,685,986	25,284,671	25,284,671	25,753,271
Derivative financial instruments	17	-	176	611	-	(538)	4,184	-	13,498	20,544
Investment in joint ventures and associates	19	(19,757)	(19,757)	142,342	(11,446)	(11,446)	85,142	-	-	44,691
Trade and other receivables	23	220,396	182,264	206,907	214,892	131,760	170,392	164,341	166,584	222,802
Total non-current assets		***36,456,705***	***36,617,029***	***42,457,100***	***33,210,698***	***33,320,333***	***36,491,023***	***29,276,011***	***29,488,472***	***32,657,400***
Current assets:										
Inventories	22	-	-	1,319	258	258	298	-	-	36,322
Non current assets held for sale	24	-	-	4,726	-	-	4,661	-	-	12,172
Trade and other receivables	23	596,650	647,756	1,180,217	1,366,363	1,449,990	1,900,989	1,117,063	1,149,268	1,814,180
Investments and loans in public bodies	25	291,166	291,166	291,166	499,166	499,166	499,166	261,271	261,271	261,271
Other financial assets	20	1,806,000	1,806,000	2,472,346	1,713,000	1,713,000	1,844,933	1,700,000	1,700,000	1,845,830
Derivative financial instruments	17	-	331	6,389	14	(510)	4,856	-	8,147	16,547
Cash and cash equivalents	26	610,348	660,082	1,577,420	415,657	482,533	1,166,961	800,310	831,403	1,871,389
Total current assets		***3,304,164***	***3,405,335***	***5,533,583***	***3,994,458***	***4,144,437***	***5,421,864***	***3,878,644***	***3,950,089***	***5,857,711***
Total assets		**39,760,869**	**40,022,364**	**47,990,683**	**37,205,156**	**37,464,770**	**41,912,887**	**33,154,655**	**33,438,561**	**38,515,111**
Current liabilities:										
Trade and other payables	27	(994,757)	(1,067,202)	(2,270,490)	(2,137,543)	(2,234,290)	(3,602,045)	(2,422,330)	(2,496,330)	(4,408,396)
Provisions	28	(45,323)	(49,921)	(98,687)	(53,154)	(56,603)	(102,706)	(58,276)	(61,365)	(120,490)
Financial guarantees	31	(47,547)	(47,547)	(48,707)	(82,762)	(82,762)	(84,044)	(54,519)	(54,519)	(55,853)
Other financial liabilities	32	(9,295)	(9,295)	(9,295)	(4,809)	(4,809)	(4,809)	(9,124)	(9,124)	(9,124)
Current tax liability	29	-	-	(37)	-	-	(14,191)	-	-	(6,998)
Total current liabilities		***(1,096,922)***	***(1,173,965)***	***(2,427,216)***	***(2,278,268)***	***(2,378,464)***	***(3,807,795)***	***(2,544,249)***	***(2,621,338)***	***(4,600,861)***

£'000	Note	31 March 2013			31 March 2012 restated			1 April 2011 restated		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Non-current assets plus/ less net current assets/ liabilities		**38,663,947**	**38,848,399**	**45,563,467**	**34,926,888**	**35,086,306**	**38,105,092**	**30,610,406**	**30,817,223**	**33,914,250**
Non-current Liabilities:										
Trade and other payables	27	(501,289)	(501,289)	(564,477)	(1,100,090)	(1,100,090)	(1,157,962)	(1,100,307)	(1,101,392)	(1,168,660)
Provisions	28	(666,099)	(717,253)	(1,016,356)	(587,444)	(634,698)	(961,233)	(570,725)	(602,653)	(954,095)
Financial guarantees	31	(151,512)	(151,512)	(183,089)	(153,166)	(153,166)	(183,289)	(213,917)	(213,917)	(244,128)
Retirement benefit obligations	30	-	-	(50,868)	-	-	6,375	-	-	51,542
Other financial liabilities	32	(242,726)	(242,726)	(242,726)	(212,781)	(212,781)	(212,781)	(182,050)	(182,050)	(182,050)
Deferred tax liability	29	-	-	(8,919)	-	-	(9,279)	-	-	(13,747)
Total non-current liabilities		***(1,561,626)***	***(1,612,780)***	***(2,066,435)***	***(2,053,481)***	***(2,100,735)***	***(2,518,169)***	***(2,066,999)***	***(2,100,012)***	***(2,511,138)***
Total assets less liabilities		**37,102,321**	**37,235,619**	**43,497,032**	**32,873,407**	**32,985,571**	**35,586,923**	**28,543,407**	**28,717,211**	**31,403,112**
Taxpayers' equity and other reserves:										
General fund		33,480,005	33,571,020	38,314,635	30,243,798	30,318,107	31,940,379	26,679,960	26,795,701	28,610,568
Revaluation reserve		3,622,316	3,664,599	4,581,437	2,629,609	2,667,464	3,461,528	1,863,447	1,921,510	2,642,490
Charitable funds		-	-	556,118	-	-	140,564	-	-	100,754
Minority interest		-	-	44,842	-	-	44,452	-	-	49,300
Total equity		**37,102,321**	**37,235,619**	**43,497,032**	**32,873,407**	**32,985,571**	**35,586,923**	**28,543,407**	**28,717,211**	**31,403,112**

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
27 June 2013

The Notes on pages 114 to 259 form part of these Accounts.

Consolidated Statement of Cash Flows

for the year ended 31 March 2013

	Note	2012-13 £'000		Restated 2011-12 £'000	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Cash flows from operating activities					
Net operating cost	3.1	(19,503,116)	(19,227,462)	(19,391,536)	(19,569,981)
Adjustments for non-cash admin expenditure		16,409	60,887	10,388	69,096
Adjustments for non-cash programme expenditure		3,715,799	4,055,790	3,758,448	4,078,717
Adjustment for non-cash programme income	11	(1,217,802)	(1,279,930)	(2,130,883)	(2,206,859)
Adjustment for non-cash pension costs		-	3,122	-	31,838
(Increase)/decrease in inventories	22	258	(1,021)	(258)	36,024
Less movements in inventories relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		(258)	942	258	(15,489)
(Increase)/decrease in trade and other receivables	23	751,730	684,257	(265,898)	(34,399)
Less movements in receivables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		679,527	761,392	78,285	71,410
Increase/(decrease) in trade and other payables	27	(1,765,889)	(1,925,040)	(263,342)	(817,049)
Less movements in payables relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		420,694	413,236	325,389	340,796
Use of provisions	28	(49,864)	(96,573)	(54,091)	(114,841)
Financial guarantees called in	31	(49,206)	(56,157)	(51,342)	(59,795)
Financial liabilities realised	32	(3,427)	(3,427)	(1,414)	(1,414)
Expenditure funded by the National Insurance Fund (RPS)	9	415,257	415,257	357,531	357,531
Payments for unfunded pensions	30	-	(180)	-	(205)
Increase/(decrease) in current tax liability	29	-	(14,154)	-	7,193
Increase/(decrease) in deferred tax liability	29	-	(360)	-	(4,468)
Less movements in deferred tax relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure		-	187	-	(189)
Net cash outflow from operating activities		***(16,589,888)***	***(16,209,234)***	***(17,628,465)***	***(17,832,084)***
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(33,483)	(221,795)	(14,942)	(301,816)
Purchase of investment property		-	(4,768)	-	-
Purchase of intangible assets	13	(3,261)	(26,345)	(747)	(2,583)
Proceeds of disposal of property, plant and equipment	13	-	2,815	-	60,179
Proceeds of disposal of investment property		-	361,235	-	-
Proceeds of disposal of intangible assets	13	-	53	-	3,874
Proceeds of disposal of assets held for sale		-	156	-	9,532
Loan redeemed from Post Office Limited	25	5,286,000	5,286,000	5,194,000	5,194,000
Repayments of other current loans and investments		166	166	1,271	1,271
Repayments of other non current loans and investments	18	8,607	8,607	-	1,826
Repayment of student loans		1,601,087	1,601,087	1,160,806	1,160,806
Venture capital fund redemptions	20	17,299	17,299	11,784	11,784
Launch investment receipts		104,268	104,268	309,833	309,833
Repayments of other loans and investments		6,824	13,084,513	-	466,712
Launch investments loans issued		(69,598)	(69,598)	(62,345)	(62,345)
Venture capital fund investments		(46,829)	(46,829)	(43,965)	(43,965)

	Note	2012-13 £'000		Restated 2011-12 £'000	
		Core Department and Agencies	Departmental Group	Core Department and Agencies	Departmental Group
Student loans issued		(7,267,474)	(7,267,474)	(5,968,409)	(5,968,409)
Investment in joint ventures and associates	19	-	(69,702)	-	(49,634)
Public Dividend Capital issued	18	(6,700)	(6,700)	(6,700)	(6,700)
Loans made to Post Office Limited	25	(5,078,000)	(5,078,000)	(5,433,000)	(5,433,000)
Investment in shares		(184,091)	-	-	-
Other investments and loans made		(63,100)	(1,072,819)	(5,000)	(364,088)
Net cash outflow from investing activities		***(5,728,285)***	***6,602,169***	***(4,857,414)***	***(5,012,723)***
Cash flows from financing activities					
From Consolidated Fund (supply) – current year		22,536,200	22,536,200	22,152,642	22,152,642
Advances from the Contingencies Fund		250	250	-	-
From the National Insurance Fund		415,257	415,257	357,531	357,531
Payments to the National Insurance Fund		(415,257)	(415,257)	(357,531)	(357,531)
Repayment of loans from the National Loans Fund (including interest and commitment fees)		(634,627)	(634,627)	(46,580)	(46,580)
Repayment of National Loans Fund loans by Royal Mail (including interest and commitment fees)		634,627	634,627	46,580	46,580
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		(581)	(2,116)	(2,665)	(2,665)
Capital contributions from non-controlling interests		-	3,337	-	3,370
Net Financing		***22,535,869***	***22,537,671***	***22,149,977***	***22,153,347***
Effects of exchange rates on foreign currency cash and cash equivalents		-	663	-	-
Cash transfers in the year		7,365	1,869,929	-	-
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**225,061**	**14,801,198**	**(335,902)**	**(691,460)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		14,330,668	7,668	35,597	35,597
Payments of amounts due to the Consolidated Fund		(14,378,180)	(14,378,180)	(31,208)	(31,208)
Payments of amounts due to the Consolidated Fund for prior year		-	-	(17,357)	(17,357)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**177,549**	**430,686**	**(348,870)**	**(704,428)**
Cash and cash equivalents at the beginning of the period	26	**482,533**	**1,166,961**	**831,403**	**1,871,389**
Transfer (in)/out of boundary		-	(20,227)	-	-
Restated cash and cash equivalents opening balance		**482,533**	**1,146,734**	**831,403**	**1,871,389**
Cash and cash equivalents at the end of the period	26	**660,082**	**1,577,420**	**482,533**	**1,166,961**

The Notes on pages 114 to 259 form part of these Accounts.

Statement of Changes in Taxpayers' Equity (Core Department)

for the year ended 31 March 2013

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' equity £'000	Charitable Funds – Restricted / Endowment £'000	Charitable Funds – unrestricted £'000	Total Reserves £'000
Balance at 31 March 2011 (restated)		26,679,960	184,022	26,863,982	-	-	26,863,982
Change in accounting policy – investment valuations		-	1,679,425	1,679,425	-	-	1,679,425
Restated Balance at 1 April 2011		**26,679,960**	**1,863,447**	**28,543,407**	**-**	**-**	**28,543,407**
Net parliamentary funding – drawn down		22,152,642	-	22,152,642	-	-	22,152,642
Agency funding		(372,408)	-	(372,408)	-	-	(372,408)
Net parliamentary funding – deemed		751,778	-	751,778	-	-	751,778
National Insurance Fund – RPS	9	357,531	-	357,531	-	-	357,531
Supply (payable)/receivable adjustment	27	(362,736)	-	(362,736)	-	-	(362,736)
Increase in RPS receivables	23	4,039	-	4,039	-	-	4,039
Net costs for the year		(18,970,695)	-	(18,970,695)	-	-	(18,970,695)
Non-Cash Adjustments:							
Auditors' remuneration	8	788	-	788	-	-	788
Movements in Reserves:							
Other Comprehensive Net Income for the year		-	769,061	769,061	-	-	769,061
Transfers between reserves		2,899	(2,899)	-	-	-	-
Restated balance at 31 March 2012		**30,243,798**	**2,629,609**	**32,873,407**	**-**	**-**	**32,873,407**
Net parliamentary funding – drawn down		22,536,200	-	22,536,200	-	-	22,536,200
Agency funding		(353,567)	-	(353,567)	-	-	(353,567)
Net parliamentary funding – deemed		362,736	-	362,736	-	-	362,736
National Insurance Fund – RPS	9	415,257	-	415,257	-	-	415,257
Supply (payable)/receivable adjustment	27	(604,938)	-	(604,938)	-	-	(604,938)
Increase in RPS receivables	23	8,864	-	8,864	-	-	8,864
Net costs for the year		(19,129,122)	-	(19,129,122)	-	-	(19,129,122)
Non-Cash Adjustments:							
Auditors' remuneration	8	809	-	809	-	-	809
Movements in Reserves:							
Other Comprehensive Net Income for the year		-	992,707	992,707	-	-	992,707
Other movements		(32)	-	(32)	-	-	(32)
Balance at 31 March 2013		**33,480,005**	**3,622,316**	**37,102,321**	**-**	**-**	**37,102,321**

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

for the year ended 31 March 2013

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' equity £'000	Charitable Funds – Restricted / Endowment £'000	Charitable Funds – unrestricted £'000	Total Reserves £'000
Balance at 31 March 2011 (restated)		26,795,701	242,085	27,037,786	-	-	27,037,786
Change in accounting policy – investment valuations		-	1,679,425	1,679,425	-	-	1,679,425
Restated balance at 1 April 2011		**26,795,701**	**1,921,510**	**28,717,211**	**-**	**-**	**28,717,211**
Net parliamentary funding – drawn down		22,152,642	-	22,152,642	-	-	22,152,642
Net parliamentary funding – deemed		782,871	-	782,871	-	-	782,871
National Insurance Fund – RPS	9	357,531	-	357,531	-	-	357,531
Supply (payable)/receivable adjustment	27	(429,612)	-	(429,612)	-	-	(429,612)
Increase in RPS receivables	23	4,039	-	4,039	-	-	4,039
Net costs for the year		(19,350,291)	-	(19,350,291)	-	-	(19,350,291)
Non-Cash Adjustments:							
Auditors' remuneration	8	937	-	937	-	-	937
Movements in Reserves:							
Other Comprehensive Net Income for the year		-	750,243	750,243	-	-	750,243
Transfers between reserves		4,289	(4,289)	-	-	-	-
Restated balance at 31 March 2012		**30,318,107**	**2,667,464**	**32,985,571**	**-**	**-**	**32,985,571**
Net parliamentary funding – drawn down		22,536,200	-	22,536,200	-	-	22,536,200
Net parliamentary funding – deemed		429,612	-	429,612	-	-	429,612
National Insurance Fund – RPS	9	415,257	-	415,257	-	-	415,257
Supply (payable)/receivable adjustment	27	(654,672)	-	(654,672)	-	-	(654,672)
Increase in RPS receivables	23	8,864	-	8,864	-	-	8,864
Net costs for the year		(19,486,738)	-	(19,486,738)	-	-	(19,486,738)
Non-Cash Adjustments:							
Auditors' remuneration	8	948	-	948	-	-	948
Movements in Reserves:							
Other Comprehensive Net Income for the year		-	1,000,609	1,000,609	-	-	1,000,609
Transfers between reserves		3,474	(3,474)	-	-	-	-
Other movements		(32)	-	(32)	-	-	(32)
Balance at 31 March 2013		**33,571,020**	**3,664,599**	**37,235,619**	**-**	**-**	**37,235,619**

The balances at 1 April 2011 and 31 March 2012 have been re-presented to reflect Machinery of Government changes.

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

for the year ended 31 March 2013

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' equity £'000	Charitable Funds – Restricted / Endowment £'000	Charitable Funds – unrestricted £'000	Minority interest £'000	Total Reserves £'000
Balance at 31 March 2011 (restated)		**28,612,537**	**963,065**	**29,575,602**	**3,168**	**97,586**	**49,300**	**29,725,656**
Transfer out of Design Council		(1,969)	-	(1,969)	-	-	-	(1,969)
Change in accounting policy – investment valuations		-	1,679,425	1,679,425	-	-	-	1,679,425
Restated balance at 1 April 2011		**28,610,568**	**2,642,490**	**31,253,058**	**3,168**	**97,586**	**49,300**	**31,403,112**
Net parliamentary funding – drawn down		22,152,642	-	22,152,642	-	-	-	22,152,642
Net parliamentary funding – deemed		782,871	-	782,871	-	-	-	782,871
National Insurance Fund – RPS	9	357,531	-	357,531	-	-	-	357,531
Supply (payable)/receivable adjustment	27	(429,612)	-	(429,612)	-	-	-	(429,612)
Increase in RPS receivables	23	4,039	-	4,039	-	-	-	4,039
Net costs for the year		(19,569,981)	-	(19,569,981)	-	-	-	(19,569,981)
Non-Cash Adjustments:								
Auditors' remuneration	8	1,107	-	1,107	-	-	-	1,107
Movements in Reserves:								
Other Comprehensive Net Income for the year		(51,117)	903,974	852,857	-	-	-	852,857
Transfers between reserves		66,343	(106,324)	(39,981)	707	39,274	-	-
Minority interest		-	-	-	-	-	(4,848)	(4,848)
Transfer to Statement of Comprehensive Net Expenditure		-	-	-	(171)	-	-	(171)
Movement in intellectual property		-	21,388	21,388	-	-	-	21,388
Other movements		15,988	-	15,988	-	-	-	15,988
Restated balance at 31 March 2012		**31,940,379**	**3,461,528**	**35,401,907**	**3,704**	**136,860**	**44,452**	**35,586,923**
Transfers in/out of boundary		(54,420)	116	(54,304)	43,594	-	-	(10,710)
Restated balance at 1 April 2012		**31,885,959**	**3,461,644**	**35,347,603**	**47,298**	**136,860**	**44,452**	**35,576,213**

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers' equity £'000	Charitable Funds – Restricted / Endowment £'000	Charitable Funds – unrestricted £'000	Minority interest £'000	Total Reserves £'000
Net parliamentary funding – drawn down		22,536,200	-	22,536,200	-	-	-	22,536,200
Net parliamentary funding – deemed		429,612	-	429,612	-	-	-	429,612
National Insurance Fund – RPS	9	415,257	-	415,257	-	-	-	415,257
Supply (payable)/receivable adjustment	27	(654,672)	-	(654,672)	-	-	-	(654,672)
Increase in RPS receivables	23	8,864	-	8,864	-	-	-	8,864
Net income for the year		(1,598,582)	-	(1,598,582)	-	-	-	(1,598,582)
Amounts paid from distributable reserves		(14,323,000)	-	(14,323,000)	-	-	-	(14,323,000)
Non-Cash Adjustments:								
Auditors' remuneration	8	1,108	-	1,108	-	-	-	1,108
Movements in Reserves:								
Other Comprehensive Net Income for the year		(72,462)	1,176,302	1,103,840	-	-	-	1,103,840
Transfers between reserves		(315,280)	(56,509)	(371,789)	1,560	370,229	-	-
Minority interest		-	-	-	-	-	390	390
Transfer to Statement of Comprehensive Net Expenditure		-	-	-	171	-	-	171
Other movements		1,631	-	1,631	-	-	-	1,631
Balance at 31 March 2013		**38,314,635**	**4,581,437**	**42,896,072**	**49,029**	**507,089**	**44,842**	**43,497,032**

The balances at 1 April 2011 and 31 March 2012 have been re-presented to reflect changes in the departmental boundary where ONS has given a retrospective reclassification and to reflect Machinery of Government changes.

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 financial assets (see Notes 13, 15, 17, 20 and 24). The balance on the Revaluation Reserve for the Core Department at 31 March 2013 is solely in respect of revaluations to investments and derivative contracts. Restricted charitable funds can only be used for the purposes for which they were given. Unrestricted charitable funds available to an individual charity can be used at the discretion of the trustees or management in accordance with the stated objectives of the charity.

The Notes on pages 114 to 259 form part of these Accounts.

Notes

1. Statement of accounting policies

1.1 Basis of accounting

These Accounts have been prepared in accordance with the 2012-13 *Government Financial Reporting Manual (FReM)* issued by HM Treasury, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the Government Resources and Accounts Act 2000. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department for Business, Innovation and Skills for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Departmental Group are described below and unless indicated otherwise apply to the Departmental Group as a whole. They have been applied consistently in dealing with items that are considered material to the Accounts.

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

1.2 Accounting convention

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

1.3 Presentational currency

The Accounts are presented in pounds sterling, the functional currency of the Departmental Group, and all values are rounded to the nearest thousand pound (£'000).

1.4 Basis of consolidation

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

The Accounts include NDPBs and other designated bodies preparing accounts in accordance with the *FReM*, limited companies preparing accounts in accordance with the Companies Act 2006 and charitable institutions preparing accounts in accordance with the "Statement of Recommended Practice: Accounting for Charities" ('the consolidated bodies'). For those bodies that do not prepare accounts on an IFRS basis adjustments are made to consolidate their accounts on an IFRS basis where differences in accounting policies would have a significant effect on these Accounts.

Where a body is designated for consolidation by order of HM Treasury under statutory instrument, then the body will be consolidated within the Departmental Group on a line by line basis where material. The results of these bodies are included in the Consolidated Statement of Comprehensive Net Expenditure from the date of acquisition, or in the case of disposals, up to the effective date of disposal. Where the Office of National Statistics (ONS) designates a body for consolidation retrospectively, the accounts are restated as if the body had been included from the date of classification.

Investments by the Core Department in the bodies consolidated are valued at cost in accordance with the *FReM*.

The reporting period for the Accounts is the financial year ended 31 March. There are three bodies within the Departmental Group preparing accounts to a different reporting date to the Core Department. The Construction Industry Training Board (CITB) and the Engineering Construction Training Board prepare accounts as at 31 December, and University for Industry Charitable Trust Limited (prior year only) prepare accounts as at 31 July. Where material, the financial information for these bodies has been adjusted for any transactions or events that have occurred since their most recent financial year end and that are significant for the Department's Consolidated Accounts.

A list of all those bodies included within the Departmental Group, together with details of their status, is given at Note 40.

1.5 Inter-Departmental transfers of functions: Restatement of prior year comparatives

Machinery of Government changes, which involve the merger or the transfer of functions within Central Government, or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with the *FReM*. A function is an identifiable business operation with an integrated set of activities, staff and recognised assets and/ or liabilities that are capable of being conducted and managed to achieve the objectives of that business operation. These transfers 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 Consolidated Statement of Financial Position and the prior year's Consolidated Statement of Comprehensive Net Expenditure, the Statement of Cash Flows and associated Notes to the Accounts (Note 39 refers). Where appropriate, the presentation of the Notes to the Accounts has also been changed in order to reflect a consistent approach to the disclosures.

Inter-Departmental transfers under Absorption Accounting

In accordance with the *FReM*, all public sector business combinations other than those transferred under merger accounting should be effected as a transfer by absorption. Transferor and transferee accounts are adjusted by the carrying value of the assets and liabilities transferred from the date of transfer. Where applicable, revaluation reserves and accumulated depreciation will also be transferred. This adjustment represents a non-operating gain or loss on transfer through the Consolidated Statement of Comprehensive Net Expenditure. The carrying values are adjusted through Other Comprehensive Net Expenditure only to harmonise accounting policies of the transferee.

1.6 Tangible Non Current Assets

Property, plant and equipment

Property, plant and equipment is accounted for in accordance with the *FReM* and IAS 16 *Property, plant and equipment*.

Property, plant and equipment is carried at fair value or depreciated historical cost which is used as a proxy for fair value. Some bodies use indices to determine fair value.

Freehold land and buildings are revalued on an existing use basis or on a depreciated replacement cost basis for specialist properties using professional valuations. Some bodies within the Departmental Group determine fair value in the intervening years based on indices.

Capitalisation thresholds for property, plant and equipment range from £100 to £10,000, 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 Flexible Computing Programme (FCP), with a cost in excess of £3,000, is capitalised as one asset.

Revaluation

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in taxpayers' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve unless there is a clear consumption of economic benefit. All other decreases are charged to the Consolidated Statement of Comprehensive Net Expenditure.

Valuations are carried out in accordance with best practice as contained in the Statement of Asset Valuation Practice and Guidance Notes (3rd Edition) published by the Royal Institution of Chartered Surveyors.

Depreciation

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

Non-current assets held for sale are not depreciated. Depreciation ceases at the date an item of property, plant and equipment is classified as an asset held for sale.

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. Estimated useful lives are reviewed on an annual basis and adjusted where appropriate.

A full year's depreciation charge is provided in the year of acquisition and none in the year of disposal.

Furniture, fixtures and fittings can be recorded by way of an asset pool. Where an asset pool is maintained replacements on a one-to-one basis are charged directly to the Consolidated Statement of Comprehensive Net Expenditure in the year of replacement. Major enhancements or additions to the pool are capitalised as assets. The pooled assets are depreciated on a straight line basis.

Freehold land is not depreciated and other assets across the Departmental Group are normally depreciated over the following periods:

Leasehold land	20 – 60 years
Freehold buildings	20 – 62 years
Agricultural buildings	Up to 60 years
Antarctic Ice Stations	Up to 35 years or valuer's estimates of remaining useful life
Dwellings	Up to 60 years
Long Leasehold buildings	Up to 60 years, or period of lease
Short Leaseholds	Term of lease
Historic leaseholds	Residual term of lease
Leasehold improvements	Shorter of estimated remaining useful economic life, or outstanding term of lease
Ships	Minimum of 20 years
Aircraft	Minimum of 15 years
Office machinery	3 – 15 years
Plant and machinery	3 – 30 years
Computer equipment	2 – 10 years
Furniture, fixtures and fittings	3 – 10 years
Transport equipment	2 – 10 years

Component accounting

Property, plant and equipment may have component parts with different useful lives. In accordance with the provisions of IAS 16 *Property, plant and equipment*, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Heritage assets

Operational heritage assets are accounted for in the same way as any other asset under IAS 16 and recognised at fair value. Non-operational heritage assets are also recognised at fair value unless it is not practicable to obtain a fair value, in which case they are reported at historical cost. In the absence of a market for these assets fair value is derived using a valuation technique. Where heritage assets have indefinite lives they are not depreciated.

1.7 Intangible Non-Current Assets

Intangible assets are recognised if it is probable that future economic benefits attributable to the asset will flow to the Departmental Group and the cost of the asset can be measured reliably. Intangible assets are carried at fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment loss in accordance with the *FReM* and IAS 38 *Intangible Assets*. Where no active market exists and the asset is income generating, it is revalued to the lower of depreciated replacement cost and value in use, using a valuation technique. Where there is no value in use depreciated replacement cost is used. These measures are a proxy for fair value.

Software licences

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 on a straight line basis over the shorter of the term of the licence and the useful economic life (usually, between three to ten years).

Internally developed software

Internally developed software is capitalised in accordance with IAS 38 when it is not an integral part of computer hardware, it is separately identifiable and the cost can be measured reliably. Software is amortised on a straight line basis over the useful life of the development (between three and ten years) from the date the system is brought into use.

Website development costs

The cost of developing websites that deliver services are capitalised in accordance with IAS 38. Where website development costs are capitalised, they are amortised on a straight line basis over the useful life of the asset (currently two to five years). Other website development costs are expensed in the Consolidated Statement of Comprehensive Net Expenditure in the period in which the cost is incurred.

Patents, licences and royalties

The values of patents, licences and royalties are capitalised as intangible assets based on their expected income streams. Income from these patents, licences and royalties is generated from agreements between companies engaged in the commercial exploitation of the inventions. The values of these intangible assets are amortised over the period these agreements are in force, including a full year's amortisation charge in the year of valuation. For most cases, this is between seven and fifteen years and such assets are not capitalised until income streams are reasonably certain. Income streams are reviewed each year. Any surplus or deficit is recognised in the Consolidated Statement of Comprehensive Net Expenditure.

1.8 Impairments of non- current assets

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

Any reversal of an impairment charge is recognised in the Consolidated Statement of Comprehensive Net Expenditure to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the revaluation reserve.

1.9 Non-current assets held for sale

Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition, management are committed to the sale and completion is expected within one year from the date of classification. Non current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

1.10 Investment Properties

In accordance with IAS 40 *Investment Properties*, any investment property recognised is held only for the purpose of earning rental income or for capital appreciation. In accordance with the *FReM* investment property is carried at fair value representing open market value determined annually by external professional valuers. Changes in fair values are recognised in the Consolidated Statement of Comprehensive Net Expenditure.

1.11 Associates and Joint Ventures

IAS 28 *Accounting for Investments in Associates* applies to investments where a component has significant influence but not control or joint control over the body.

Where an investment is classified as a joint venture in accordance with IAS 31 *Interests in Joint Ventures*, the investment is accounted for under the equity method of accounting.

Under the equity method of accounting, an equity investment in an associate or joint venture is initially recorded at cost and is subsequently adjusted to reflect the investors' share of the net profit or loss of the associate or joint venture.

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

1.12 Financial instruments

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

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

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

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

1.12.1 Financial assets

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

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

1.12.1.1 Held-to-maturity investments

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

1.12.1.2 Loans and receivables

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

Loans and receivables, held by the Departmental Group comprise cash and cash equivalents, receivables and loans, including student loans. After initial recognition, they are carried at amortised cost using the effective interest method, in accordance with IAS 39. Gains and losses are recognised in the Consolidated Statement of Comprehensive Net Expenditure when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Recognition of student loans issued and repayments

The Departmental Group's accounting policy is to recognise an addition to the student loan book once the Student Loans Company (SLC) has issued the loan to the student. For maintenance loans, students are entitled, if eligible, to receive a loan instalment from SLC, for each term of the academic year that they are in attendance at a Higher Education Institution (HEI).

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

More information about the measurement techniques used to determine the carrying value of student loans is provided in Note 20.

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

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 Consolidated Statement of Financial Position.

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

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

1.12.1.3 Available-for-sale assets

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

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

The fair values of unlisted securities which are not traded in an active market are determined using the latest available valuation provided by the investment managers or at cost less any provisions for impairment where a reliable valuation is not available from the investment managers. Where a valuation is not available at the reporting date, the most recent valuation from the private equity manager is used, adjusted for cash flows between the most recent valuation and the balance sheet date.

The fair values of the private equity investments are estimated based on a variety of valuation techniques which are compliant with the International Private Equity and Venture Capital (PEVC) Valuation Guidelines or the valuation guidelines produced by the British Venture Capital Association (BVCA). Valuation techniques used include the use of discounted cash flow analysis and net asset values.

Public Dividend Capital (PDC) is reported at historical cost, less impairment in accordance with the FReM. PDC is not a financial instrument within the meaning of IAS32 *Financial Instruments: Presentation*.

More information about the measurement techniques used to determine their carrying value in the Accounts is provided in Note 16 and Note 20.4.

1.12.1.4 Held at fair value through profit or loss (FVTPL)

Financial assets are classified as FVTPL where the financial asset is either held for trading or if it is designated as such on recognition. The purchases and sales of investments are recognised on the trade date, which is the date on which the Group commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Consolidated Statement of Comprehensive Net Expenditure. Any subsequent movement in the valuation of the investment is recognised in the Consolidated Statement of Comprehensive Net Expenditure.

1.12.1.5 Impairments of financial assets

The Departmental Group assesses at the end of each reporting period whether there is objective evidence that loans and receivables or available for sale assets are impaired. Evidence of impairment arises where there is observable data indicating that there is a measurable decrease in the estimated future cash flows from holding financial assets. For loans and receivables, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate method. The amount of the loss is recognised in the Consolidated Statement of Comprehensive Net Expenditure.

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

1.12.2 Financial liabilities

The Departmental Group's financial liabilities have been classified as other financial liabilities at initial recognition. These comprise trade and other payables and the student loan debt sale subsidy. The student loan debt sale subsidy arises from a previous sale of student loans because the Government continues to subsidise the purchaser of the debt.

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

1.12.3 Derivative financial instruments

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

Statement of Comprehensive Net Expenditure. The effectiveness of the arrangement is measured throughout the life of each contract.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recycled to the Consolidated Statement of Comprehensive Net Expenditure.

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

1.13 Inventories

Inventories are valued at the lower of cost or net realisable value (NRV). Inventories of finished goods and goods for resale and research stocks are valued at cost, or where materially different, current replacement cost. A net realisable valuation is used only when they either cannot or will not be used. Work in progress is valued at the lower of cost and NRV.

1.14 Provisions

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Departmental Group makes provision for liabilities and charges where, at the Consolidated Statement of Financial Position date, a present legal or constructive obligation exists (i.e. a present obligation arising from past events), the outflow of resources will be required to settle the obligation is probable and a reasonable estimate of the obligation can be made.

Where the time value of money is material, the Departmental Group discounts provisions to present value using HM Treasury's real discount rates, which vary depending on the life of the number of years until the provision is fully utilised, except for early departure provisions where HM Treasury's real discount rate for pensions is used.

Each year the financing charges in the Consolidated Statement of Comprehensive Net Expenditure include the amortisation of one year's discount so that liabilities are shown at current price levels.

Decommissioning costs are recognised in full as soon as the obligation exists i.e. when the technical facility has been commissioned. When the obligation incurred gives access to future economic benefits an asset is recognised in the Consolidated Statement of Financial Position with corresponding depreciation being charged to the Consolidated Statement of Comprehensive Net Expenditure over the useful life of the asset. A specific provision is established to cover the current value of the expected future costs of decommissioning the asset.

1.15 Research and development

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

1.16 Operating income

Operating income is income that relates directly to the operating activities of the Departmental Group and is measured at the fair value of consideration received or receivable. It is recorded net of trade discounts; value added tax and other taxes. It comprises, principally, fees, levy income and charges for services provided, on a full cost basis to external customers, public sector repayment work, dividends and special dividends. It also includes other income such as income arising from investments. Parliament votes income that may be retained by the Departmental Group. This income may be retained and offset against expenditure, subject to annual limits agreed with HM Treasury. If the Departmental Group receives income that is either not voted by Parliament or exceeds the aggregate annual limit by more than 20%, this excess income must be returned to the Consolidated Fund.

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

1.17 Deferred income

Deferred income relates to payments received in advance of the accounting period to which they relate or where grant conditions have not yet been met. The deferred income is released to the Consolidated Statement of Comprehensive Net Expenditure in the period to which it relates.

1.18 Administration and programme expenditure and income

The Consolidated Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the Departmental Group, 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 which is not. Programme costs reflect non-administration costs, including payments of grant-in-aid, grants and other disbursements in support of policy initiatives.

1.19 Grants payable and receivable

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to grant. 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 Consolidated Statement of Comprehensive Net Expenditure on the basis of estimates of claims not received and are included in accruals in the Consolidated Statement of Financial Position.

Grants for Higher Education

Funding to Higher Education Institutions (HEIs) is recognised as grants at payment dates agreed with the organisations concerned. HEFCE grants are paid on agreed profiles and as such no accruals are recognised at the reporting date. The exception to this is the holdback of institutional basic grant where a debt arises at the point where there is sufficient certainty over the value of the resulting funding adjustment. These adjustments could result in a net receivable or payable balance at year end. The period over which a holdback recovery is made can be up to five years.

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

Grants for Further Education

Grants to Further Education Institutions (FEIs) are for Recurrent Programmes and Capital Programmes. Recurrent Programmes include Teaching and Learning elements (incorporating the Adult Skills Budget) and are accounted for as follows:

- Training grants are either recognised on the basis of providers' actual delivery or as they are paid in line with an agreed profile.
- Advances of funding to colleges are included in receivables if they remain outstanding at the Consolidated Statement of Financial Position date
- Adult Safeguarded Learning is accounted for on the basis of utilisation of funds paid to local authorities. A receivable is recognised at each year-end representing the amount of unspent funds.
- For Learner Support funds payments for a particular academic term are accounted for in the period to which they relate and specific grant payments are accounted for when they are paid.

Capital programmes are recognised in the financial year that the funding is fully approved.

Student grants

Student grants are recognised when the entitlement to grants is met, students are in attendance at the HEI for the relevant term, and have applied for the grant. The entitlement is based on a set of eligibility criteria, 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. Grant overpayments are recorded as receivables and the Core Department creates a doubtful debt provision for the amount of overpayments which it estimates may not be recovered.

European Funding Grants

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

1.20 Insurance

As a group of public bodies, the Departmental Group does not generally insure. However, certain consolidated bodies have decided, with the agreement of the Core Department, that risks relating to certain commercial contracts should be commercially insured. Insurance premiums are charged to the Consolidated Statement of Comprehensive Net Expenditure.

1.21 Foreign exchange

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

1.22 Pensions

- Funded pension schemes

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

- Unfunded pension schemes

Principal Civil Service Pension Schemes (PCSPS)

A number of employees within the Departmental Group are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) as described in Note 7. The defined benefit schemes are unfunded. The bodies within the Departmental Group recognise 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 Departmental Group recognises the contributions payable for one year.

Contributions to the defined benefit pension scheme are charged to the Consolidated Statement of Comprehensive Net Expenditure in accordance with actuarial recommendations so as to spread the cost of the pensions over the employees' expected working lives.

Other unfunded defined benefit pension schemes

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

The by analogy scheme for the former Regional Development Agencies is recognised as a provision as described in Note 28. The by analogy schemes for Competition Commission and Consumer Focus are accounted for under IAS 19 *Employee Benefits* as described in Note 30.

Other defined benefit schemes

- The ITB Pension Fund is a defined benefit scheme. The actuarial value of the scheme assets and liabilities are based on FRS 17 methodologies. As the proportion of assets and funding level attributable to CITB and ECITB are not separately identified, in accordance with FRS 17 relating to multi-employer schemes, the Scheme has been accounted for as a defined contribution scheme.

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

1.23 Early departure costs

The Departmental Group is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. In accordance with IAS 19 *Employee Benefits*, the Departmental Group provides in full for this cost when an early retirement programme has been announced and is binding. Early departure costs are discounted using HM Treasury's current pension rate, currently 2.35% real.

1.24 Employee benefits

In accordance with IAS 19 *Employee benefits*, a body is required to recognise short term employee benefits when an employee has rendered service in exchange for those benefits. Included in the Accounts is an accrual for the outstanding employee paid holiday entitlement at the period end date.

1.25 Taxation

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

Some of the consolidated bodies are subject to Corporation Tax on their interest receivable and analogous income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the Statement of Financial Position date, and any adjustment to the tax payable in respect of previous years.

Deferred tax, where applicable, is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date. Deferred tax assets are recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax liabilities are not discounted.

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

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

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

1.26 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals due under operating leases are charged to the Consolidated Statement of Comprehensive Net Expenditure over the lease term on a straight-line basis unless another systematic basis is more appropriate, in accordance with IAS 17 *Leases*. The amounts payable in the future, under these operating lease arrangements, which are disclosed in Note 33 are not discounted.

Lease incentives are accounted for over the life of the lease agreement.

1.27 Finance leases

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. Charges are made to the Consolidated Statement of Comprehensive Net Expenditure in respect of:

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

Finance leases are recognised at inception at the lower of fair value or the present value of the minimum lease payments, each determined at the inception of the lease. Where a component body is the lessor of an operating lease, amounts due under the operating lease are treated as amounts receivable and reported as receivables.

1.28 Service concessions (PPP/PFI)

PFI transactions that meet the definition of a service concession arrangement are accounted for in accordance with the *FReM* and IFRIC 12. To be within the scope of IFRIC 12, 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 (the public sector) (IFRIC 12.3). Contracts that do not involve the transfer or creation of an infrastructure asset for the purpose of the contract fall outside the scope of IFRIC 12, as do arrangements that do not involve the delivery of services to the public. Examples of infrastructure for public services include non-current assets used for administrative purposes in delivering services to the public.

1.29 Contingent liabilities

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

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

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

1.30 Reporting by operating segment

The Core Department reports income and expenditure by segment, in accordance with IFRS 8: *Operating Segments*. Operating segments are components about which separate financial information is available and is evaluated regularly by the chief operating decision maker. The BIS Executive Board is the Department's chief operating decision maker and the separate business groups responsible for delivering the Department's objectives are reportable segments. The information reported in the accounts in Note 6 is consistent with the internal reporting provided monthly to the Executive Board.

Assets and liabilities are not segmented for management information purposes.

1.31 Estimation techniques used and key judgements

The preparation of the Departmental Group's consolidated accounts 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 *Accounting Policies, Changes in Accounting Estimates and Errors*, revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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

- Volatility resulting from fluctuations in the macroeconomic indicators used in models, for example, Office for Budget Responsibility (OBR) short-term and long-term Retail Price Index forecasts, base rates and average earnings growth for student loans and Gross Domestic Product for financial guarantees (Notes 20 and 31 refer).
- Changes in the value of assets held at fair value through profit or loss, such as listed securities due to fluctuations in market prices; and derivatives due to fluctuations in foreign exchange movements;
- Fluctuations in the fair values of available for sale assets, such as corporate bonds, where quoted prices are used; Launch Investments, where an econometric model is used to determine estimated future cash flows and includes a number of assumptions, including economic growth indicators and private equity where, a range of valuation techniques, including discounted cash flows and net asset values are used. (Note 20 refers).
- Management's judgements with regard to the impairment of assets (Notes 8, 9, 13 and 15 refer). The value of the Departmental Group's property, plant and equipment and intangibles is estimated based on the period over which the assets are expected to be available for use. Such estimation is based on experience with similar assets and practices of similar businesses. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of an asset. An increase in the estimated useful life of any item of property, plant and equipment and intangibles would decrease the recorded operating expense and increase non-current assets.
- Management's assumptions about the number of debtor employers with saleable assets and the degree of difficulty in realising these assets and therefore in calculating the Redundancy Payments Service receivable (Note 23 refers).

- The uncertainty surrounding HEFCE's Inherited Staff Liabilities as the value of the provision is derived from an actuarial valuation of a sample of the underlying population, and is updated periodically to include movements in mortality and discount rates (Note 28.7 refers).
- The uncertainty surrounding the calculation of the UK Atomic Energy Authority decommissioning costs which are based on estimates of the current cost of the work to be undertaken, assumptions regarding inflation rates, VAT changes and the timing of the decommissioning. To reduce the risk of material misstatement the estimates and assumptions are reviewed annually (Note 28.3 refers).
- Fluctuations in the fair value of financial liabilities/ guarantees measured using modelling techniques (Notes 31 and 32 refer).
- Where provisions reflect long term cash flows in excess of ten years, changes in HM Treasury's discount rates between 30 November, when rates based on market data are published by HM Treasury, and the reporting date are reviewed to assess whether there has been a material movement.

1.32 Changes in accounting policy

In accordance with the FReM changes the Department's shareholdings in public sector bodies outside of the Departmental boundary (Royal Mail Holdings (RMH), British Nuclear Fuels Limited (BNFL), and Enrichment Holdings (EHL)) are now carried at fair value. Prior to 2012-13 they were carried at historical cost. This change has been classified as a change in accounting policy and has been accounted for in accordance with IAS 8.

The equity investment in RMH at 1 April 2011 was restated from £430 million to £1,364 million, with a corresponding adjustment of £ 934 million recognised in the fair value reserve in taxpayers' equity. At 31 March 2012 the value of the investment was restated to £2,087 million, with an additional £723 million recognised in reserves.

The equity investment in BNFL at 1 April 2011 was restated from £50,000 to £343 million, with a corresponding change to the fair value reserve in taxpayers' equity. The opening balance at 1 April 2012 was also restated to £343 million.

The equity investment in EHL of £1 was restated to £403 million as at 1 April 2011, with a corresponding adjustment of £403 million to the fair value reserve in taxpayers' equity. At 31 March 2012 the value of the investment was restated to £466 million, with an additional £63 million recognised in reserves.

More information about the Core Department's investments, including the valuation method is provided in Note 18.1. None of these changes impacted the Consolidated Statement of Comprehensive Net Expenditure.

1.33 Changes to IFRS and the FReM

Changes to IFRS

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

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

- IAS 12 *Income taxes* has been amended to provide guidance on the measurement of deferred tax liabilities arising on the revaluation of investment properties. The amended standard has been endorsed by the EU and is effective from 1 January 2013. Application of the revised standard is not expected to have a material effect on the Departmental Group Accounts.
- IAS 19 *Employee benefits* has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to the disclosures for all employee benefits. The revised standard has been adopted by the EU and is effective for annual periods beginning on or after 1 January 2013. Under the current interpretation of IAS 19 in the FReM, the new changes in the amended standard are effectively already followed; therefore there will be no material affect on Departmental Group Consolidated Accounts. The amended standard requires more disclosure which will impact those bodies that consolidate pension schemes within their accounts. The amended standard will be adopted in BIS Consolidated Accounts from 1 April 2013 onwards.
- IAS 27 *Separate Financial Statements* requires that when a body prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled bodies are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments. The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements. Adoption is still uncertain as the amendment has not been endorsed by the EU but is expected to be effective for periods beginning on or after 1 January 2014. The application of this amendment is not expected to have a material impact on the Departmental Group Accounts.
- IAS 28 *Investments in Associates and Joint Ventures* defines "significant influence" and provides guidance on how the equity method of accounting is to be applied, including exemptions from applying the equity method in some cases. It also prescribes how investments in associates and joint ventures should be tested for impairment. The standard has been adopted by the EU and will be effective for periods beginning on or after 1 January 2014. The application of the amendments is not expected to have a material effect on the Departmental Group Accounts.
- IFRS 7: *Financial Instruments: Disclosures*, has been amended with respect to netting arrangements, is effective from 1 January 2013. These changes are not expected to have a material impact on the Departmental Group Accounts.
- IFRS 9: *Financial instruments*, will replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety when complete. IFRS 9 is expected to improve and simplify the reporting of financial instruments. The new standard will be effective for accounting periods beginning on or after 1 January 2015 subject to EU endorsement. Earlier application is permitted. The standard is part of a wider project to replace IAS 39 and it is not clear what the impact of the introduction of this standard will have on the Departmental Group.
- IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements* cover the definition of and the accounting treatment required for subsidiaries and jointly controlled operations. Both standards are currently subject to EU endorsement and are expected to be effective for periods beginning on or after 1 January 2014. Within Central Government, consolidation boundaries are determined by HM Treasury based upon the Office for National Statistics' sector classification. These classifications do not recognise the concept of an operation controlled jointly across different sectors. The application of these standards is not expected to have a material impact on the Departmental Group Accounts, but we can not determine the impact until HM Treasury and the FRAB have completed their consultation.
- IFRS 12 *Disclosure of Interests in Other Entities* requires disclosure of arrangements where the reporting body owns a majority of shares but does not consolidate and arrangements where the reporting body owns more than 20% of shares but does not equity account, and vice versa.

The standard is subject to EU endorsement and is expected to be effective for periods beginning on or after 1 January 2014. This standard is not expected to give rise to any accounting changes, but will result in additional disclosure.

- IFRS 13 *Fair Value Measurement* sets out an IFRS framework for measuring fair value. This standard has been endorsed by the EU with an effective date of 1 April 2013. The standard will increase the disclosures required for non-financial items held at fair value, such as property, plant and equipment. As the Departmental Group's most material category of assets held at fair value is in relation to financial instruments and the guidance on fair value measurement for such assets is already clearly defined, the application of IFRS 13 is not expected to have a material impact on the Departmental Group Accounts, but we can not determine the impact until HM Treasury and the FRAB have completed their consultation.

1.33.2 Changes to the FReM

In accordance with the 2012-13 FReM, only Public Dividend Capital should be reported at historical cost less any impairment. Loans and formal investments in other public bodies that do not meet the criteria for consolidation should be reported in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The Core Department's shareholdings in Royal Mail Holdings Ltd and Urenco Ltd and non-current loans will therefore be accounted for in accordance with IAS39 with effect from 1 April 2012. The change has been treated as a prior period adjustment and the prior year comparatives have been restated in accordance with IAS 8. Further details are provided in Note 39.

During the reporting period changes were made to the methodology used for determining the discount rate applied to general provisions. The rates will be announced each year by HMT via a Public Expenditure System (PES) paper. Instead of one standard discount rate, with effect from 2012-13 there will be three covering the following terms:

Short-term rate: A real discount rate to be applied to the cash flows of general provisions in a time boundary of between 0 and up to and including 5 years from the Statement of Financial Position date.

Medium-term rate: A real discount rate to be applied to the cash flows of general provisions in a time boundary of after 5 and up to and including 10 years from the Statement of Financial Position date.

Long-term rate: A real discount rate to be applied to the cash flows of general provisions in a time boundary exceeding 10 years from the Statement of Financial Position date.

The HM Treasury discount rate for financial instruments is unchanged.

1.33.3 Changes to the Designation Order for inclusion of bodies in the Departmental Group

In 2012-13 the following bodies were added to the Designation Order:

- ONS classified Diamond Light Source as a central Government body retrospectively. The prior year figures have therefore been restated to reflect this.
- ONS reclassified the British Hallmarking Council from a public corporation to a central Government body in February 2012.
- The Pirbright Institute (formerly the Institute of Animal Health) is included in the Designation Order and is consolidated with effect from 1 April 2012.
- NESTA was abolished on 31 March 2012 and two successor bodies were formed; the NESTA Trust and the NESTA Operating Company. The NESTA Trust was classified to central Government and included in the Designation Order and the NESTA Operating Company was classified outside of the public sector.

- The following new bodies were included in the Designation Order:
  - The UK Green Investment Bank Plc and its subsidiaries, UK Energy Efficiency Investments 1 LP, Energy Saving Investments LP, UK Sustainable Waste and Energy Investments LP, and UK Waste Resources and Energy Investments LP.
  - BIS (Postal Services Act 2011) Company Limited and its subsidiary, BIS (Postal Services Act 2011) B Company Limited
  - Wave Hub Limited

In 2012-13 the following bodies were removed from the Designation Order:

- ONS reclassified the Medical Research Council Technology (MRCT) as a public corporation retrospectively. It has been excluded from the Group consolidation in 2012-13 and the prior year figures have been restated.
- The Higher Education Policy Institute was removed from the Designation Order as it is no longer a subsidiary of HEFCE.
- The Local Better Regulation Office was removed from the Designation Order because the body closed on 31 March 2012.
- Ufl Ltd was sold by the Ufl Charitable Trust (UCT) to a private equity house, LDC, in November 2011, and now operates as an independent training provider. Ufl Charitable Trust (UCT, was reclassified to the private sector from March 2012. Neither of these bodies was included in the 2012-13 Designation Order.
- The Regional Development Agencies withdrew from the following bodies, which were subsequently removed from the 2012-13 Order:
  - Enterprise Development North East Limited
  - North East Regional Investment Fund Partner Limited
  - North East Regional Investment Fund Three Limited
  - East Kent Spatial Development Company (Limited)
  - Ryde Business Park Management Company Limited
  - Co2 Sense Limited
  - North East Regional Aggregation Body LLP
- NESTA was abolished on 31 March 2012 and removed from the Designation Order. Two successor bodies, the NESTA Trust and the NESTA Operating Company were created. The former subsidiaries of NESTA (NESTA Investment Management LLP, NESTA Partners Ltd and NESTA Kinetique) were also transferred to the NESTA Operating Company and removed from the Designation Order.

In addition, in 2012-13 the following bodies changed their names:

- RCUK Shared Service Centre Ltd has changed its name to become UK Shared Business Services Ltd
- Consumer Focus has changed its name to become Consumer Futures (the operating name of the new National Consumer Council)

The following changes to the Designation Order are expected in 2013-14:

- The removal of the eight Regional Development Agencies which were closed on 30 June 2012:
  - Advantage West Midlands
  - East Midlands Development Agency
  - East of England Development Agency
  - North West Development Agency
  - ONE North East
  - South East England Development Agency
  - South West of England Regional Development Agency
  - Yorkshire Forward
- The removal of British Shipbuilders and its subsidiaries as they were abolished on 21 March 2013:
  - British Shipbuilders
  - British Shipbuilders (Southwick) Limited
  - BS Benton House Limited
  - BS (ETS) Limited
  - George Clark & NEM Limited
  - Govan Shipbuilders Limited
  - Henry Robb Limited
  - North East Shipbuilders Limited
  - Smith's Dock Limited
  - Sunderland Shipbuilders Limited
- The removal of Directions Finningley.

2. Net Outturn

2.1 Analysis of net resource outturn by section

											2012-13 £'000	2011-12 restated £'000
		Outturn							Estimate			Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared with Estimate	Net total compared with Estimate adjusted for virements	Total
Spending in Departmental Expenditure Limit by section												
Voted												
A	Science and Research	2,409	-	2,409	469,686	(2,725)	466,961	469,370	489,775	20,405	20,227	299,400
B	Innovation, Enterprise and Business	1,962	(25)	1,937	235,038	(23,459)	211,579	213,516	304,439	90,923	38,899	142,507
C	Market Frameworks	14,081	(8,859)	5,222	182,326	(78,383)	103,943	109,165	174,544	65,379	7,912	117,518
D	Higher Education	-	-	-	5,222,851	(92,073)	5,130,778	5,130,778	5,369,167	238,389	206,185	5,220,117
E	Further Education	-	-	-	58,083	(689,831)	(631,748)	(631,748)	(776,570)	(144,822)	-	(647,879)
F	Capability	334,622	(42,093)	292,529	23,754	(3,826)	19,928	312,457	358,870	46,413	19,327	319,476
G	Government as Shareholder	-	-	-	378,799	(32,466)	346,333	346,333	425,412	79,079	32,205	140,398
H	Science and Research (NDPB) net	153,281	-	153,281	4,451,722	-	4,451,722	4,605,003	4,583,045	(21,958)	415	4,562,254
I	Innovation, Enterprise and Business (NDPB) (net)	24,405	-	24,405	352,940	-	352,940	377,345	358,626	(18,719)	4,938	670,894
J	Market Frameworks (NDPB) net	16,577	-	16,577	68,901	-	68,901	85,478	82,121	(3,357)	1,354	81,805
K	Higher Education (NDPB) net	60,159	-	60,159	3,918,271	-	3,918,271	3,978,430	3,901,713	(76,717)	4,153	4,891,021
L	Further Education (NDPB) net	129,310	-	129,310	4,007,782	-	4,007,782	4,137,092	4,296,610	159,518	14,696	4,188,952
M	Government as Shareholder (NDPB) net	-	-	-	97,061	-	97,061	97,061	12,839	(84,222)	-	(47)
	Total Voted	*736,806*	*(50,977)*	*685,829*	*19,467,214*	*(922,763)*	*18,544,451*	*19,230,280*	*19,580,591*	*350,311*	*350,311*	*19,986,416*
Non Voted												
	Contingency Fund Advance	169	-	169	-	-	-	169	250	81	81	-
	Total Non Voted	*169*	-	*169*	-	-	-	*169*	*250*	*81*	*81*	-
Total spending in Departmental Expenditure Limit		**736,975**	**(50,977)**	**685,998**	**19,467,214**	**(922,763)**	**18,544,451**	**19,230,449**	**19,580,841**	**350,392**	**350,392**	**19,986,416**
Annually Managed Expenditure												
Voted												
N	Science and Research	-	-	-	82,127	-	82,127	82,127	83,389	1,262	-	49,928
O	Innovation, Enterprise and Business	-	-	-	(35,666)	-	(35,666)	(35,666)	(24,171)	11,495	11,495	(37,567)

												2011-12 restated £'000
											2012-13 £'000	
								Outturn			Estimate	Outturn
		Administration			Programme							
		Gross	Income	Net	Gross	Income	Net	Total	Net Total	Net total compared with Estimate	Net total compared with Estimate adjusted for virements	Total
P	Market Frameworks	-	-	-	38,773	-	38,773	38,773	193,056	154,283	116,387	448,791
Q	Higher Education	-	-	-	(280,805)	(623,525)	(904,330)	(904,330)	(765,336)	138,994	138,994	(1,842,686)
R	Further Education	-	-	-	(18)	-	(18)	(18)	(27)	(9)	-	(888)
S	Capability	-	-	-	(9,346)	-	(9,346)	(9,346)	18,554	27,900	27,900	8,015
T	Government as Shareholder	-	-	-	189,531	(137,519)	52,012	52,012	116,273	64,261	64,261	739
U	Science and Research (NDPB) net	-	-	-	43,373	-	43,373	43,373	4,215	(39,158)	-	(10,785)
V	Market Frameworks (NDPB) net	-	-	-	(11,740)	-	(11,740)	(11,740)	(970)	10,770	10,770	(1,842)
W	Higher Education (NDPB) net	-	-	-	(13,441)	-	(13,441)	(13,441)	(7,970)	5,471	5,471	(21,731)
X	Further Education (NDPB) net	-	-	-	(13,321)	-	(13,321)	(13,321)	7,581	20,902	20,893	(12,112)
	Total Voted	-	-	-	*(10,533)*	*(761,044)*	*(771,577)*	*(771,577)*	*(375,406)*	*396,171*	*396,171*	*(1,420,138)*
Non Voted												
Y	Market Frameworks	-	-	-	415,257	-	415,257	415,257	450,000	34,743	34,743	-
	Government as Shareholder	-	-	-	34,780	(34,780)	-	-	-	-	-	-
	Total Non Voted	-	-	-	*450,037*	*(34,780)*	*415,257*	*415,257*	*450,000*	*34,743*	*34,743*	-
Total spending in Annually Managed Expenditure		**-**	**-**	**-**	**439,504**	**(795,824)**	**(356,320)**	**(356,320)**	**74,594**	**430,914**	**430,914**	**(1,420,138)**
Non-budget												
Voted												
Z	Prior Period Adjustments	-	-	-	3,635	-	3,635	3,635	4,000	365	365	-
Total		**736,975**	**(50,977)**	**685,998**	**19,910,353**	**(1,718,587)**	**18,191,766**	**18,877,764**	**19,659,435**	**781,671**	**781,671**	**18,566,278**

The gross resource AME figure is negative as it includes effective interest on student loans (the unwinding of the discount and interest capitalised). Effective interest is treated as income in the Accounts and expenditure in terms of the Estimate.

The non-cash elements of our budgets are ring-fenced and the budgetary rule is that we cannot vire non-cash to near cash budget lines; this can give rise to nominal underspends after virement.

2.2. Analysis of net capital outturn by section

							2012-13 £'000	2011-12 restated £'000
				Outturn			Estimate	Outturn
		Gross	Income	Net	Net	Net total compared with Estimate	Net total compared with Estimate adjusted for virements	Net
Spending in Departmental Expenditure Limit by section								
Voted								
A	Science and Research	35,453	(58,000)	(22,547)	53,953	76,500	58,000	(21,206)
B	Innovation, Enterprise and Business	219,944	(280,594)	(60,650)	75,745	136,395	131,110	(169,683)
C	Market Frameworks	60,894	3,173	57,721	12,800	(44,921)	-	2,465
D	Higher Education	-	(517)	(517)	-	517	517	(3,534)
E	Further Education	4,732	-	4,732	-	(4,732)	-	3,210
F	Capability	16,858	(1,745)	15,113	23,689	8,576	1,837	7,133
G	Government as Shareholder	113,481	(218)	113,263	60,000	(53,263)	-	(1,105)
H	Science and Research (NDPB) net	603,386	-	603,386	578,147	(25,239)	-	777,147
I	Innovation, Enterprise and Business (NDPB) (net)	37,334	-	37,334	29,475	(7,859)	-	59,859
J	Market Frameworks (NDPB) net	1,195	-	1,195	1,400	205	205	1,586
K	Higher Education (NDPB) net	80,995	-	80,995	94,907	13,912	13,912	100,709
L	Further Education (NDPB) net	290,608	-	290,608	335,884	45,276	37,970	396,610
M	Government as Shareholder (NDPB) net	119,716	-	119,716	272,000	152,284	54,100	-
Total spending in Departmental Expenditure Limit		**1,584,596**	**(344,247)**	**1,240,349**	**1,538,000**	**297,651**	**297,651**	**1,153,191**
Annually Managed Expenditure								
Voted								
N	Science and Research	-	-	-	-	-	-	-
O	Innovation, Enterprise and Business	-	-	-	-	-	-	115
P	Market Frameworks	-	-	-	-	-	-	-
Q	Higher Education	7,813,022	(1,569,638)	6,243,384	6,360,000	116,616	116,616	5,222,590
R	Further Education	-	-	-	-	-	-	-
S	Capability	-	-	-	-	-	-	-
T	Government as Shareholder	5,824,632	(5,886,000)	(61,368)	402,000	463,368	463,368	239,000
U	Science and Research (NDPB) net	(57,492)	-	(57,492)	-	57,492	57,492	-
V	Market Frameworks (NDPB) net	-	-	-	-	-	-	-
W	Higher Education (NDPB) net	(2,133)	-	(2,133)	-	2,133	2,133	-
X	Further Education (NDPB) net	6,333	-	6,333	7,817	1,484	1,484	7,221
	Total Voted	*13,584,362*	*(7,455,638)*	*6,128,724*	*6,769,817*	*641,093*	*641,093*	*5,468,926*
	Total Non Voted	-	-	-	-	-	-	-
Total spending in Annually Managed Expenditure		**13,584,362**	**(7,455,638)**	**6,128,724**	**6,769,817**	**641,093**	**641,093**	**5,468,926**
Non-budget								
Z	Prior period adjustment	-	-	-	-	-	-	-
Total		**15,168,958**	**(7,799,885)**	**7,369,073**	**8,307,817**	**938,744**	**938,744**	**6,622,117**

Explanations of the variances between Estimate and Outturn are given in the Financial Overview in chapter 6 of the Annual Report and Accounts.

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

3.1 Reconciliation of net resource outturn to net operating cost

		Note	2012-13 £'000 Outturn	2011-12 restated £'000 Outturn
Total resource outturn in Statement of Parliamentary Supply	Budget	2.1	18,874,129	18,566,278
	Non-Budget	2.1	3,635	-
			18,877,764	**18,566,278**
Add:	Capital grants		808,414	1,103,409
	Other:			
	Utilisation of Financial Guarantees	31	56,157	59,795
	Impact of intra group transactions		-	10,816
	Share of profit/loss of joint ventures and associates		8,214	-
	Adjustments for components with different reporting dates		2,753	-
	Other differences		-	538
Less:	Amortisation of Financial Guarantees	31	(26,536)	(27,433)
	Royal Mail shareholder loan interest	11	-	(45,255)
	Launch investments realised	11	(108,984)	(88,026)
	Clawback income		(2,486)	-
	Restatement for transfers in/out of the boundary		-	(2,494)
	Non-budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and Limited Company B		(383,041)	-
	Prior year adjustment		(3,635)	-
	Other:			
	Impact of intra group transactions		(1,139)	-
	Adjustments for components not consolidated		(19)	(581)
	Adjustments for components with different reporting dates		-	(2,151)
	Items where budgetary treatment is not resource		-	(3,000)
	Other differences		-	(1,915)
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**19,227,462**	**19,569,981**

3.2 Outturn against final Administration Budget and Administration net operating costs

	Note	2012-13 £'000	2011-12 restated £'000
Estimate – Administration costs limit		716,969	896,136
Outturn – Gross Administration Costs	2.1	736,806	856,498
Outturn – Gross Income relating to administration costs	2.1	(50,977)	(43,979)
Outturn – Net administration costs		**685,829**	**812,519**
Reconciliation to operating costs:			
Add:			
Contingencies Fund Advance expenditure		169	-
Less:			
Provisions utilised		(33,397)	(34,209)
Impact of intra group transactions		(604)	-
Share of profit/loss of joint ventures and associates		(97)	-
Adjustments for components not consolidated		(974)	(581)
Other differences		-	(381)
Administration Net Operating Costs		**650,926**	**777,348**

4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate £'000	Outturn £'000	2012-13 Net total outturn compared with Estimate: saving/(excess) £'000
Resource Outturn	2.1	19,659,435	18,877,764	781,671
Capital Outturn	2.2	8,307,817	7,369,073	938,744
		27,967,252	26,246,837	1,720,415
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(4,008,634)	(29,906)	(3,978,728)
New provisions and adjustments to previous provisions		(100,679)	(148,508)	47,829
Prior Period Adjustments		(4,000)	-	(4,000)
Other non-cash items		(415)	(3,146,851)	3,146,436
Adjustments for NDPBs:				
Remove voted resource and capital		(14,557,440)	(14,566,581)	9,141
Add cash grant-in-aid		14,685,455	14,003,179	682,276
Green Investment Bank share purchase		-	145,849	(145,849)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		-	(1,228,977)	(1,228,977)
(Increase)/decrease in payables		177,000	1,349,026	(1,172,026)
Use of provisions		134,634	49,864	84,770
Financial guarantees called in		-	49,206	(49,206)
Financial liabilities realised		-	3,427	(3,427)
		24,293,173	22,726,565	1,556,608
Removal of non-voted budget items:		(450,000)	(415,257)	(34,743)
Other adjustments:				
Advances from the Contingencies Fund		(250)	(169)	(81)
Net cash requirement		**23,842,923**	**22,311,139**	**1,531,784**

5. Income payable to the Consolidated Fund

5.1 Analysis of income payable to the Consolidated Fund

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

	Outturn 2012-13 £'000		Outturn 2011-12 £'000	
	Income	*Receipts*	Income	*Receipts*
Operating income outside the ambit of the Estimate	14,330,696	*14,330,668*	34,908	*35,597*
Total income payable to the Consolidated Fund	**14,330,696**	***14,330,668***	**34,908**	***35,597***

During 2012-13, £14 billion was paid to the Core Department by BIS (Postal Services Act 2011) Company Limited in respect of investment income received and the proceeds from asset sales. The income is classified as non-budget and is payable to the Consolidated Fund.

5.2 Consolidated Fund Income

Consolidated Fund income shown in Note 5.1 above does not include any amounts collected by the Core Department where it was acting as agent for the Consolidated Fund rather than as principal.

6. Reporting by operating segment

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

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

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

- Knowledge and Innovation Group, reporting expenditure on:
  - Science and Research including the Government Office for Science and the Research Councils
  - Innovation including the Technology Strategy Board and National Measurement Office
  - Higher Education including the Higher Education Funding Council for England
  - UK Space Agency
  - UK Atomic Energy Authority
  - Public Data Corporations customer function (in respect of the Met Office and Ordnance Survey)
- Business and Skills Group, reporting expenditure on various initiatives to assist business and enterprise and improve adult skills including:
  - Regional Development Agencies (closed on 30 June 2012)
  - Automotive Assistance Programme
  - Enterprise Fund and Enterprise Capital Fund
  - Skills Funding Agency including Learner and Employer Responsive programmes
  - Launch investments
  - Green Investment Bank
- Legal Services Group, providing a high quality legal service and a focal point for legal policy.
- Markets and Local Growth Group, reporting expenditure on ensuring markets both at home and internationally are fair and efficient in serving businesses' and consumers' long-term interests, including:
  - Consumer Support
  - Competition bodies
  - Citizen's Advice National bodies
  - Acas
  - Insolvency Service
- Strategy, Analysis and Better Regulation Group, reporting expenditure on work to shape, support and deliver Growth policy, the Better Regulation agenda, and responsible for BIS's analysis, evidence and economic advice.

- Shareholder Executive, reporting expenditure on:
  - Post Office and Royal Mail
  - the Met Office and Ordnance Survey (other than the customer function)
- Office of Manpower Economics, providing an independent secretariat to the public sector Pay Review Bodies and pay negotiating bodies.
- UK Trade & Investment (UKTI) administration expenditure. UKTI works with UK-based businesses to ensure their success in international markets, and encourages the best overseas companies to look to the UK as their global partner of choice.
- Ministerial and Parliamentary Support Team, directly supporting Ministers and the Permanent Secretary.
- People, Communications and Corporate Effectiveness Group, reporting expenditure on Human Resources, external communications, the Department's Secretariat, innovation and change programmes and internal communications.
- Finance and Commercial Group, reporting expenditure on finance programmes and corporate services. This includes the central costs of running BIS, such as accommodation, facilities management, telecommunications costs and depreciation.

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

Changes in reportable segments

The income, expenditure and capital reported against reportable segments for 2011-12 has been restated to reflect changes in responsibilities, including those arising from the Machinery of Government changes and changes to the Departmental Group boundary as detailed in Note 39.

Net expenditure reported to the Board as at 31 March 2013

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

(a) Administration

Administration resource outturn by Group for the period ending 31 March 2013

Group	2012-13 Net expenditure £m	2011-12 (restated) Net expenditure £m
Knowledge & Innovation	8	8
Government Office for Science	4	4
Knowledge & Innovation Partner Organisations	182	223
Business & Skills	33	32
Business & Skills Partner Organisations	130	144
Legal Services	9	9
Markets & Local Growth	33	30
Markets & Local Growth Partner Organisations	25	137
Strategy, Analysis & Better Regulation	13	11
Strategy, Analysis & Better Regulation Partner Organisations	-	1
Shareholder Executive	11	8
Office of Manpower Economics	2	2
UKTI	41	38
Ministerial and Parliamentary Support Team	6	6
People, Communications & Corporate Effectiveness	16	18
Finance & Commercial	117	136
Finance & Commercial Partner Organisations	56	-
Total	**686**	**807**
Of which:		
Core Department	293	302
Agencies, NDPBs and other designated bodies	393	505
Total	**686**	**807**

(b) Programme

Programme DEL resource outturn by Group for the period ending 31 March 2013

Group	2012-13			2011-12 (restated)		
	Near cash £m	Non cash £m	Net expenditure £m	Near cash £m	Non cash £m	Net expenditure £m
Knowledge & Innovation	10,701	3,643	14,344	11,574	3,743	15,317
Business & Skills	3,511	25	3,536	3,458	(19)	3,439
Legal Services	1	-	1	2	-	2
Markets & Local Growth	184	11	195	290	-	290
Strategy, Analysis & Better Regulation	3	-	3	3	-	3
Shareholder Executive	391	46	437	143	-	143
People, Communications & Corporate Effectiveness	2	-	2	2	-	2
Finance & Commercial	26	-	26	10	(5)	5
Total	**14,819**	**3,725**	**18,544**	**15,482**	**3,719**	**19,201**

(c) Capital

Capital DEL outturn by Group for the period ending 31 March 2013

Group	2012-13 Net expenditure £m	2011-12 (restated) Net expenditure £m
Knowledge & Innovation	669	929
Business & Skills	219	283
Market & Local Growth	64	(35)
Shareholder Executive	233	(1)
Finance & Commercial	55	5
Total	**1,240**	**1,181**

(d) Annually Managed Expenditure (AME)

Annually managed expenditure outturn by Group for the period ending 31 March 2013

Group	2012-13			2011-12 (restated)		
	AME Programme £m	AME Capital £m	Total AME expenditure £m	AME Programme £m	AME Capital £m	Total AME expenditure £m
Knowledge & Innovation	(778)	6,184	5,406	(1,808)	5,223	3,415
Business & Skills	(80)	6	(74)	(153)	5	(148)
Market Frameworks	459	-	459	493	-	493
Shareholder Executive	52	(61)	(9)	1	239	240
Finance & Commercial	(9)	-	(9)	5	-	5
Total	**(356)**	**6,129**	**5,773**	**(1,462)**	**5,467**	**4,005**

(e) Summary

Summary of outturn by Group for the period ending 31 March 2013

Group	2012-13 Net expenditure £m	2011-12 (restated) Net expenditure £m
Knowledge & Innovation	20,613	19,896
Business & Skills	3,844	3,750
Legal Services	10	11
Markets & Local Growth	776	915
Strategy, Analysis & Better Regulation	16	15
Shareholder Executive	672	390
Office of Manpower Economics	2	2
UKTI	41	38
Ministerial and Parliamentary Support Team	6	6
People, Communications & Corporate Effectiveness	18	20
Finance & Commercial	245	151
Total	**26,243**	**25,194**

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

	Knowledge & Innovation £m	Business & Skills £m	Legal Services £m	Market & Local Growth £m	Strategy, Analysis & Better Regulation £m	Shareholder Executive £m	Office of Manpower Economics £m	UKTI £m	MPST £m	People, Comms & Corporate Effectiveness £m	Finance & Commercial £m	Total £m
2012-13												
Total net expenditure per summary of operating cost by reporting segment	20,613	3,844	10	776	16	672	2	41	6	18	245	**26,243**
Less Capital DEL and AME expenditure	(6,853)	(225)	-	(64)	-	(172)	-	-	-	-	(55)	**(7,369)**
Total net operating costs by reporting segment	**13,760**	**3,619**	**10**	**712**	**16**	**500**	**2**	**41**	**6**	**18**	**190**	**18,874**
Reconciling items:												
Income												
Amortisation of Financial Guarantees	-	(27)	-	-	-	-	-	-	-	-	-	**(27)**
Launch investments realised	-	(109)	-	-	-	-	-	-	-	-	-	**(109)**
Clawback income	-	-	-	(2)	-	-	-	-	-	-	-	**(2)**
Non budget, non voted items in respect of BIS (Postal Services Act 2011) Company Limited and B Company Limited	-	-	-	-	-	(383)	-	-	-	-	-	**(383)**
Expenditure												
Capital grants	372	306	-	69	-	62	-	-	-	-	(1)	**808**
Utilisation of Financial Guarantees	-	56	-	-	-	-	-	-	-	-	-	**56**
Current grants	1	-	-	-	-	-	-	-	-	-	-	**1**
Impact of intra-Group transactions	(1)	-	-	-	-	-	-	-	-	-	-	**(1)**
Adjustments for components not consolidated	(1)	-	-	-	-	-	-	-	-	-	-	**(1)**
Adjustments for components with different reporting dates	-	3	-	-	-	-	-	-	-	-	-	**3**
Share of profit/loss of joint ventures & associates	-	-	-	8	-	-	-	-	-	-	-	**8**
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure	**14,131**	**3,848**	**10**	**787**	**16**	**179**	**2**	**41**	**6**	**18**	**189**	**19,227**
2011-12 (restated)												
Total net expenditure per summary of operating cost by reporting segment	19,896	3,750	11	915	15	390	2	38	6	20	151	**25,194**
Less Capital DEL and AME expenditure	(6,152)	(288)	-	35	-	(238)	-	-	-	-	(5)	**(6,648)**

	Knowledge & Innovation £m	Business & Skills £m	Legal Services £m	Market & Local Growth £m	Strategy, Analysis & Better Regulation £m	Shareholder Executive £m	Office of Manpower Economics £m	UKTI £m	MPST £m	People, Comms & Corporate Effectiveness £m	Finance & Commercial £m	Total £m
Total net operating costs by reporting segment	**13,744**	**3,462**	**11**	**950**	**15**	**152**	**2**	**38**	**6**	**20**	**146**	**18,546**
Reconciling items:												
Income												
Amortisation of Financial Guarantees	-	(27)	-	-	-	-	-	-	-	-	-	**(27)**
Royal Mail shareholder loan interest	-	-	-	-	-	(45)	-	-	-	-	-	**(45)**
Launch investments realised	-	(88)	-	-	-	-	-	-	-	-	-	**(88)**
Adjustments for components with different reporting dates	-	(2)	-	-	-	-	-	-	-	-	-	**(2)**
Expenditure												
Capital grants	622	501	-	-	-	-	-	-	-	-	-	**1,123**
Elimination of intra-group capital grant transactions	(13)	(8)	-	-	-	-	-	-	-	-	-	**(21)**
Non-supply expenditure	-	-	-	1	-	-	-	-	-	-	-	**1**
Utilisation of Financial Guarantees	-	60	-	-	-	-	-	-	-	-	-	**60**
Investment revaluations not included in end year segmental reporting	-	7	-	-	-	-	-	-	-	-	-	**7**
Restatement for transfers in/out of the boundary	-	(2)	-	-	-	-	-	-	-	-	-	**(2)**
Elimination of intra-group transactions	11	7	-	-	-	-	-	-	-	-	-	**18**
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure	**14,364**	**3,910**	**11**	**951**	**15**	**107**	**2**	**38**	**6**	**20**	**146**	**19,570**

7. Staff numbers and related costs

Staff costs comprise:					2012-13 £'000	2011-12 restated £'000
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total
Wages and salaries	797,302	85,040	215	235	882,793	887,759
Social security costs	66,672	190	36	10	66,908	74,570
Other pension costs	145,840	107	-	-	145,947	163,245
Sub total	**1,009,814**	**85,337**	**251**	**245**	**1,095,647**	**1,125,574**
Less recoveries in respect of outward secondments	(1,690)	-	-	-	(1,690)	(1,908)
Total net costs	**1,008,124**	**85,337**	**251**	**245**	**1,093,957**	**1,123,666**
Of which:						
Core Department	**168,581**	**9,245**	**251**	**201**	**178,278**	**164,104**
Agencies	**75,242**	**3,307**	**-**	**44**	**78,593**	**78,036**
NDPBs and other designated bodies	**764,301**	**72,785**	**-**	**-**	**837,086**	**881,526**
Total net costs	**1,008,124**	**85,337**	**251**	**245**	**1,093,957**	**1,123,666**
Of which:			**2012-13**			**2011-12 restated**
	Core Department	**Core Department and Agencies**	**Departmental Group**	**Core Department**	**Core Department and Agencies**	**Departmental Group**
Admin	**173,875**	**183,523**	**408,095**	**161,788**	**170,824**	**469,568**
Programme	**4,403**	**73,348**	**685,862**	**2,316**	**71,316**	**654,098**
Total net costs	**178,278**	**256,871**	**1,093,957**	**164,104**	**242,140**	**1,123,666**

Of the total net staff costs, £7,000,325 was charged to capital (2011-12 restated: £6,462,393) and 167 employees (2011-12 restated: 111 employees) in the Departmental Group were engaged on capital projects during the reporting period.

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

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit Scheme, but the participating employers within the Departmental Group are unable to identify their share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2012-13, employers' contributions of £56,584,321 were payable to the PCSPS (2011-12: £66,902,738) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (2011-12: 16.7% to 24.3%). The employers' contributions payable to the PCSPS were split across the Group as follows:

	2012-13	2011-12
Core Department	25,093,755	24,704,949
Agencies	11,449,118	11,340,914
NDPBs and other designated bodies	20,041,448	30,856,875
Total	**56,584,321**	**66,902,738**

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £647,470 (2011-12 restated: £1,203,075) 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% (2011-12: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% (2011-12: 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. The contributions due to the partnership pension providers at 31 March 2013 were £15,092 (31 March 2012: £25,874) and £15,679 of contributions were prepaid at that date (31 March 2012 restated: £27,817).

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 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

In 2012-13, three persons (2011-12: seven persons) across the Departmental Group retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £1,635 (2011-12: £8,422).

Across the Departmental Group, 8,285 persons (2011-12: 8,457 persons) contributed to the PCSPS.

Other Pension Schemes

Employer contributions to other pension schemes in the year amounted to £88,760,198 (2011-12: £83,264,923). Employer contributions include employers' contributions, current service costs and where appropriate past service costs of funded pension schemes. Further details can be found in the accounts of the Department's NDPBs and other designated bodies. A list of these bodies is provided in Note 40.

Average number of persons employed

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

Number of staff by Group	Permanent employed staff	Others	Ministers	Special Advisers	2012-13 Total	2011-12 restated Total
Knowledge & Innovation	13,268	1,108	-	-	**14,376**	**13,666**
Government Office for Science	71	10	-	-	**81**	**67**
Business & Skills	3,701	162	-	-	**3,863**	**4,846**
Legal Services	159	3	-	-	**162**	**166**
Markets & Local Growth	3,704	235	-	-	**3,939**	**4,042**
Strategy, Analysis & Better Regulation	221	17	-	-	**238**	**202**
Shareholder Executive	154	38	-	-	**192**	**117**
Office of Manpower Economics	27	-	-	-	**27**	**28**
UKTI	579	8	-	-	**587**	**584**
Ministerial and Parliamentary Support Team	109	9	6	3	**127**	**128**
People, Communications & Corporate Effectiveness	205	28	-	-	**233**	**252**
Finance & Commercial	260	35	-	-	**295**	**280**
Total	**22,458**	**1,653**	**6**	**3**	**24,120**	**24,376**
Of which:						
Core Department	3,047	223	6	3	**3,279**	**3,105**
Agencies	2,073	151	-	-	**2,224**	**2,498**
NDPBs and other designated bodies	17,338	1,279	-	-	**18,617**	**18,773**
Total	**22,458**	**1,653**	**6**	**3**	**24,120**	**24,376**

Staff Receivables

At 31 March 2013, 1,897 employees (31 March 2012: 1,865 employees) of the Departmental Group 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.

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

Exit packages: Departmental Group

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2012-13	2011-12 restated	2012-13	2011-12 restated	2012-13	2011-12 restated
Less than £10,000	65	59	74	207	139	266
£10,000 – £25,000	80	148	157	673	237	821
£25,000 – £50,000	53	103	214	603	267	706
£50,000 – £100,000	14	27	130	342	144	369
£100,000 – £150,000	2	5	38	62	40	67
£150,000 – £200,000	-	-	10	34	10	34
More than £200,000	1	1	4	9	5	10
Total number of exit packages	**215**	**343**	**627**	**1,930**	**842**	**2,273**
Of which:						
Core department	-	18	101	241	101	259
Agencies	-	-	91	67	91	67
NDPBs and other designated bodies	215	325	435	1,622	650	1,947
Total number of exit packages	**215**	**343**	**627**	**1,930**	**842**	**2,273**
Total cost (£)	**5,055,542**	**8,995,057**	**28,248,568**	**55,936,335**	**33,304,110**	**64,931,392**
Of which:						
Core department	-	404,327	5,514,549	15,395,341	5,514,549	15,799,668
Agencies	-	-	4,033,030	1,700,971	4,033,030	1,700,971
NDPBs and other designated bodies	5,055,542	8,590,730	18,700,989	38,840,023	23,756,531	47,430,753
Total	**5,055,542**	**8,995,057**	**28,248,568**	**55,936,335**	**33,304,110**	**64,931,392**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Departmental Group has agreed early retirements, the additional costs are met by the Departmental Group and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

8. Other Administration Costs

	Note	2012-13 £'000			2011-12 restated £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Rentals under operating leases:							
Plant and machinery		739	821	1,380	507	604	3,985
Other		17,282	18,315	27,396	15,570	16,786	39,133
PFI service charges		-	937	937	21,967	23,174	23,174
PFI contract adjustment		-	-	-	16,698	16,698	16,698
Accommodation		29,695	30,886	47,640	26,435	27,991	48,704
Interest charges		1	1	59	-	-	52
Bank charges		19	24	521	18	22	453
Professional services		9,183	9,395	15,702	11,876	10,425	20,138
Consultancy		7,768	7,901	18,177	9,133	9,375	27,097
Finance and HR services		4,116	4,116	7	-	-	-
Transition to shared services		10,901	10,901	1,272	-	-	-
IT support		27,800	28,958	65,196	11,100	13,115	55,180
Training and other staff costs		5,050	5,343	17,663	6,918	7,399	16,124
Severance payments		3,503	3,503	5,604	4,720	4,720	6,309
Travel and subsistence		7,062	7,689	17,033	5,875	6,336	17,066
Waste disposal		3,623	3,623	3,718	127	127	152
Telecommunications services		1,651	1,834	10,021	2,242	2,381	8,527
Advertising and publicity		770	812	4,074	844	904	2,919
Research and development		407	407	451	109	109	170
Auditors' remuneration and expenses		-	-	1,460	-	-	2,162
Other		5,195	6,240	17,787	4,343	6,611	24,485
		134,765	**141,706**	**256,098**	**138,482**	**146,777**	**312,528**
Non-cash expenditure		15,161	16,409	60,887	9,310	10,388	69,096
Total other administration costs		**149,926**	**158,115**	**316,985**	**147,792**	**157,165**	**381,624**

Non-cash expenditure is analysed as follows:

	Note	2012-13 £'000			2011-12 restated £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Depreciation	13	10,521	11,084	16,836	6,844	7,651	15,122
Amortisation	15	1,091	1,636	28,880	843	965	31,668
Impairment of property plant and equipment		1,189	1,190	1,146	-	-	3,228
Reversal of impairment of investments		1,071	1,071	-	-	-	(33)
Impairment of intangible assets		-	-	3,966	-	-	8
Impairment of assets held for sale		-	-	-	-	-	239
Loss/(gain) on derecognition of assets		-	-	-	-	-	137
Revaluation of property, plant and equipment		-	-	346	-	-	2,795
Revaluation of other investments & financial assets		-	-	(24)	-	-	-
Profit on disposal of property, plant and equipment		-	-	(1)	-	-	(139)
Loss on disposal of property, plant and equipment		445	445	602	835	835	10,263
Loss on disposal of intangibles		-	-	7,999	-	-	4,663
Loss on disposal of assets held for sale		-	-	4	-	-	(27)
Share of profit/loss of joint ventures and associates		-	-	(97)	-	-	-
Auditors' remuneration and expenses		809	948	1,108	788	937	1,107
Specific bad debt write off		35	35	122	-	-	15
Interest on pension liabilities		-	-	-	-	-	50
Total non-cash expenditure		**15,161**	**16,409**	**60,887**	**9,310**	**10,388**	**69,096**

Auditors' remuneration

Core Department

During the year the Core Department did not purchase any non-audit services from its auditor, the National Audit Office. The non-cash auditors' remuneration of £809,000 (2011-12: £788,000) comprises £700,000 for the cost of the audit of the 2012-13 Departmental Group accounts, £95,000 for the audit of the RMSPS accounts and £14,000 for the audit of the UK Atomic Energy Authority Pension Scheme Accounts.

Agencies

During the year the Agencies did not purchase any non-audit services from their auditor, the National Audit Office. Details of the non-cash auditors' remuneration of £139,000 (2011-12: £149,000) can be found in the accounts of the individual agencies.

NDPBs and other designated bodies

The non-cash auditors' remuneration of £160,000 relates to the statutory audit of the Skills Funding Agency.

The cash remuneration of £1,460,345 (2011-12: £2,161,914) relates to the statutory audit of NDPBs and other designated bodies. Of this amount £1,325,943 (2011-12: £2,066,264) was payable to the NAO and £134,402 (2011-12: £95,650) was payable to auditors other than the NAO. During the reporting period a further £3,000 (2011-12: £47,000) was payable to the NAO and £74,954 (2011-12: £25,386) was payable to auditors other than the NAO for non-audit services. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

9. Programme Costs

		2012-13 £'000			2011-12 restated £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Grant in aid		14,003,179	14,003,179	-	15,270,248	15,270,248	-
EU grant expenditure		-	-	134,748	-	-	154,857
Other grants		2,247,661	2,287,249	14,812,048	2,451,546	2,499,110	16,314,449
Redundancy Payments Service		415,257	415,257	415,257	357,531	357,531	357,531
Subsidies to other bodies		350,200	350,200	350,200	180,300	180,300	213,345
Equipment support for Public Weather service and Polar satellite		75,870	75,870	75,870	77,002	77,002	77,002
CITB training costs		-	-	31,451	-	-	29,763
Outsourced Programme Management		34,937	35,161	35,361	10,237	10,237	18,149
Paternity and adoption pay		38,807	38,807	38,807	84,575	84,575	84,575
Investigation costs		-	11,579	11,973	-	12,162	12,276
Purchase of geographic and mapping information		79,332	79,332	79,332	94,248	94,248	94,248
International subscriptions		9,158	199,676	343,082	21,844	221,751	344,022
Interest on NLF loans on-lent to Royal Mail Holdings plc	11	29,958	29,958	29,958	47,860	47,860	47,860
Commitment fees on NLF loan on-lent to Royal Mail Holdings plc	11	4,822	4,822	4,822	554	554	554
Research and development		10,528	66,262	159,456	10,976	65,689	144,975
Severance payments		1,740	5,638	20,591	16,000	17,572	90,339
IT costs		6,060	8,503	32,764	5,767	9,850	33,479
PFI service charges		-	3,798	3,798	-	3,165	3,165
Advertising and publicity		1,449	1,699	13,045	2,402	2,559	16,000
Consultancy		1,059	1,477	42,825	2,495	8,103	43,153

	Note	2012-13 £'000 Core Department	Core Department and Agencies	Departmental Group	2011-12 restated £'000 Core Department	Core Department and Agencies	Departmental Group
Accommodation		3,879	18,729	142,726	(80)	17,987	142,767
Net loss/(gain) on foreign exchange		198	241	34,161	(119)	85	1,296
Charges under finance leases		-	-	824	-	-	922
Auditors' remuneration		-	-	273	-	-	173
Rental under operating leases – plant and machinery		-	315	1,798	3	451	1,841
Sponsorship		12,184	12,251	15,539	1,000	1,062	5,842
Enforcement		8,949	8,399	8,407	8,687	8,085	8,094
Administration of grants and awards		28,312	28,312	32,416	5,987	5,987	15,389
Contributions to other programmes		14,935	15,168	14,998	9,384	11,392	11,218
Project management costs		7,210	7,210	27,234	247	247	22,701
Fund management fees		49	49	44,441	-	-	-
Purchase of scientific equipment		-	896	28,231	-	819	29,093
Travel and subsistence		547	1,697	42,758	480	1,597	43,909
Other		9,885	12,836	259,177	9,332	14,503	346,911
		17,396,165	**17,724,570**	**17,288,371**	**18,668,506**	**19,024,731**	**18,709,898**
Non-cash expenditure		3,681,037	3,715,799	4,055,790	3,704,812	3,758,448	4,078,717
Total other programme costs		**21,077,202**	**21,440,369**	**21,344,161**	**22,373,318**	**22,783,179**	**22,788,615**

Core Department

During the reporting period HMT changed the discount rates for discounting provisions. This led to an additional charge in 2012-13 of £79 million. The Department also changed its assumptions about the timing of future cash flows when discounting provisions. Cash flows are now assumed to occur at the end of the reporting period rather than in the middle of the reporting period. This is consistent with the method used to discount financial guarantees. The impact in the period was a credit of £6 million.

Redundancy Payments Scheme

The Core Department is responsible for the approval and processing of claims under the Redundancy Payment Scheme (RPS), which is financed from the National Insurance Fund. Redundancy payments are made from the National Insurance (NI) Fund to employees whose employers have failed to make payments due or who were insolvent. The scheme is administered by the Insolvency Service (INSS) who have a service level agreement with HM Revenue and Customs. Claims processed under the Scheme fall into two categories: RP1 (which covers redundancy pay, holiday pay and arrears of pay) and RP2 (pay in lieu of notice). The average payment for RP1 during 2012-13 was £1,529 (2011-12: £2,712). An average amount of £1,301 was paid during 2012-13 for RP2 (2011-12: £1,283).

There is associated income related to this Scheme arising from two sources:

- Solvent Recovery – where monies are recovered over a period of up to three years from companies, setting up a standing order, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time; and
- Insolvent Recovery – the Core Department becomes a creditor receiving a dividend if there are sufficient funds on the winding up of the company.

Expenditure in respect of RPS in 2012-13 totalled £453 million (2011-12: £407 million) against income of £38 million (2011-12: £49 million), the net of which is disclosed in this note. The net amount totalled £415 million (2011-12: £358 million).

NDPBs and other designated bodies

Auditors' remuneration

The cash remuneration of £272,749 (2011-12 restated: £173,073) relates to the statutory audit of NDPBs and other designated bodies. £212,127 (2011-12 restated: £140,123) was payable to the NAO and £60,622 (2011-12 restated: £32,950) was payable to auditors, other than the NAO.

During the reporting period £2,261 (2011-12: £2,500) was payable to the NAO and £26,571 (2011-12: £11,025) was payable to auditors other than the NAO, in respect of non-audit work. Further details can be obtained from the accounts of the NDPBs and other designated bodies.

Non-cash expenditure is analysed as follows:

		2012-13 £'000			2011-12 restated £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Depreciation	13	6,745	15,651	180,868	6,744	17,291	165,736
Amortisation	15	-	1,535	24,317	-	2,092	33,265
Revaluation of assets:							
Property, plant and equipment		-	-	(6,328)	-	-	(89)
Investment properties		-	-	(9,741)	-	-	(965)
Assets held for sale		-	-	48	-	-	135
Other investments and financial assets		-	-	207,253	-	-	(10,626)
Unrealised net loss/(gain) on foreign exchange		-	-	(5,162)	-	-	-
Profits on disposal of assets:							
Property, plant and equipment		-	-	(557)	-	-	(1,094)
Assets held for sale		-	-	-	-	-	(1,559)
Other investments		(63)	(63)	(350,287)	-	-	(40,900)
Losses on disposal of assets:							
Property, plant and equipment		-	5,197	8,253	-	131	3,508
Investment property		-	-	1,724	-	-	-
Other investments		3,881	3,881	176,648	-	-	1,374
Share of profit on joint ventures and associates		(564)	(564)	(564)	-	-	-
Share of loss on joint ventures and associates		8,875	8,875	8,875	806	806	5,232

	Note	2012-13 £'000 Core Department	2012-13 £'000 Core Department and Agencies	2012-13 £'000 Departmental Group	2011-12 restated £'000 Core Department	2011-12 restated £'000 Core Department and Agencies	2011-12 restated £'000 Departmental Group
Impairment of assets:							
Property, plant and equipment		375	1,864	39,151	-	1,065	29,872
Intangible assets		-	-	-	-	1,327	6,370
Investments		14,778	14,778	17,424	28,975	28,975	48,809
Inventories		258	258	258	-	-	12,137
Interest on pension liabilities		-	-	43,316	-	-	48,107
Bad debt write off		244	4,832	17,229	5	16,562	21,007
Movement in bad debt provision		7,224	7,602	24,001	2,019	2,150	36,022
Movement in bad debt provision for student grants		27,971	27,971	27,971	31,166	31,166	31,166
Movement in minority interest		-	-	(2,947)	-	-	(8,218)
Student loans:							
Policy write-off impairment charge for year	20	2,380,448	2,380,448	2,380,448	1,186,693	1,186,693	1,186,693
Amortisation of loans issued	20	1,538,845	1,538,845	1,538,845	2,254,616	2,254,616	2,254,616
Tuition fee loan accrual adjustment		(486,135)	(486,135)	(486,135)	92,748	92,748	92,748
HMRC employer recoveries written off	35	310	310	310	376	376	376
Financial guarantee premium income:							
Movement in bad debt provision		4,148	4,148	4,148	(1,231)	(1,231)	(1,231)
Student loan debt sale subsidy:							
Unwinding of discount	32	4,787	4,787	4,787	4,206	4,206	4,206
Provided for/(released)	32	33,071	33,071	33,071	23,624	23,624	23,624
Provisions:							
Unwinding of discount	28	14,341	15,735	23,692	13,991	15,519	24,990
Changes in price level	28	79,005	80,803	74,811	-	-	-
Provided for/(released)	28	19,697	29,174	48,984	35,414	55,672	80,433
Financial guarantees:							
Provided for/(released)		22,796	22,796	31,079	24,660	24,660	32,973
Total non-cash expenditure		**3,681,037**	**3,715,799**	**4,055,790**	**3,704,812**	**3,758,448**	**4,078,717**

10. Non-operating gains and losses

	2012-13 £'000			2011-12 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
(Gains)/losses on net asset transfers:						
Transfer of RMPP assets into the BIS (Postal Services Act 2011) Company Limited and B Company Limited						
(Gains) on net assets transferred	-	-	(28,639,544)	-	-	-
Losses on net assets transferred	-	-	12,997	-	-	-
Development land and buildings (in inventories) transferred to the Core Department from HCA						
(Gains) on net assets transferred	(12,778)	(12,778)	(12,778)	-	-	-
RDA net assets transferred to the Core Department						
(Gains) on net assets transferred	(8,501)	(8,501)	-	(107,215)	(107,215)	-
Losses on net assets transferred	5,280	5,280	-	65,970	65,970	-
Leasehold improvement transferred to the Core Department from the Insolvency Service						
(Gains) on net assets transferred	(176)	-	-	-	-	-
LBRO net assets transferred to the Core Department						
(Gains) on net assets transferred	(664)	(664)	-	-	-	-
Losses on net assets transferred	285	285	-	-	-	-
Total (gain)/loss on net asset transfers	**(16,554)**	**(16,378)**	**(28,639,325)**	**(41,245)**	**(41,245)**	**-**
Loss arising from the cancellation of gilts	-	-	10,974,865	-	-	-
Loss arising from the cancellation of accrued income	-	-	35,580	-	-	-
Total non operating (gains)/losses	**(16,554)**	**(16,378)**	**(17,628,880)**	**(41,245)**	**(41,245)**	**-**
Of the total:						
Total non operating gains	(22,119)	(21,943)	(28,652,322)	(107,215)	(107,215)	-
Total non operating losses	5,565	5,565	11,023,442	65,970	65,970	-
Total non operating (gains)/losses	**(16,554)**	**(16,378)**	**(17,628,880)**	**(41,245)**	**(41,245)**	**-**

Core Department

The Local Better Regulation Office (LBRO) and the Regional Development Agencies (RDAs) were abolished under the Public Bodies Act 2011.

The RDAs closed on 30 June 2012 and LBRO closed on 31 March 2012. The remainder of their assets and liabilities transferred into the Core Department for nil consideration. The transfers are eliminated on consolidation.

The Core Department assumed responsibility for the lease on 21 Bloomsbury Street, from INSS, on 1 June 2012 together with their capital leasehold improvements. The transfer is eliminated on consolidation.

In January 2013, three development park assets comprising land and buildings were transferred to BIS from the Homes and Communities Agency (HCA). The assets were held as inventory on the

HCA's Statement of Financial Position and were transferred at their book value for no consideration into inventories. They were subsequently reclassified as property, plant and equipment.

NDPBs and other designated bodies

Under the provision of the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "Assets Transfer Order"), which received Royal Assent on 13 June 2011, £29 billion of RMPP assets transferred into BIS (Postal Services Act 2011) Company Limited, the principal activity of which is to hold and dispose of the transferred assets in accordance with a realisation plan adopted by the shareholders; and BIS (Postal Services Act 2011) B Company Limited, the principal activity of which is to hold and manage general partner interests pertaining to limited partnerships.

11. Income

		2012-13 £'000			Restated 2011-12 £'000		
	Note	**Core Department**	**Core Department and Agencies**	**Departmental Group**	**Core Department**	**Core Department and Agencies**	**Departmental Group**
Administration Income:							
Fees and charges from external customers:							
Recoveries of conference and catering costs		1,360	1,352	1,401	1,683	1,670	1,616
Fee income		445	9,304	9,706	302	9,502	10,026
Receipts for legal services		2,868	2,868	2,868	3,247	3,247	3,247
Other recoveries		1,359	1,377	8,422	4,407	3,037	17,342
Other fees and charges receivable from other Departments		29,453	27,952	29,621	22,217	21,364	30,546
Sale of goods and services		-	-	4,805	-	-	2,487
Admin grant funding from devolved administrations		7,724	7,724	7,724	5,115	5,115	5,115
Bank interest		9	9	871	-	-	1,209
Other administration income		2,298	2,235	8,736	434	334	2,256
Total Administration Income		***45,516***	***52,821***	***74,154***	***37,405***	***44,269***	***73,844***
Programme Income:							
Funding from other Government Departments for:							
RDAs /LDA		-	-	-	499,818	499,818	499,818
UKCES		1,037	1,037	1,037	1,394	1,394	1,394
European Union funding		6,643	6,643	173,137	43	43	187,632
Skills Funding Agency		683,805	683,805	683,805	770,717	770,717	770,717
Other income from other Government Departments		107,410	107,410	107,410	47,556	49,376	49,376
Programme fee income		-	-	117,324	-	-	101,748
Capital grant receipts		50	50	4,072	-	-	32,477
Pension contributions		-	-	-	-	-	67
Investment property rental income		28	28	40,771	-	-	2,042
Sales of goods and services		-	-	228,432	-	-	189,872
Levy income		-	-	191,252	-	-	179,163

	Note	2012-13 £'000 Core Department	2012-13 £'000 Core Department and Agencies	2012-13 £'000 Departmental Group	Restated 2011-12 £'000 Core Department	Restated 2011-12 £'000 Core Department and Agencies	Restated 2011-12 £'000 Departmental Group
CITB awarding body Income		-	-	32,919	-	-	33,767
Voluntary income (donations)		-	-	1,065	-	-	-
Grants recorded as income (from the public sector)		-	-	10,041	-	-	12,279
Grants recorded as income (from the private sector)		-	-	64,501	-	-	62,423
Dividend income:							
Urenco dividend		51,052	51,052	51,052	26,141	26,141	26,141
Public Dividend Capital dividends		35,591	35,591	35,591	30,745	30,745	30,745
Other dividend income		-	-	10,497	-	-	1,503
Bank interest		-	-	1,873	-	-	1,153
Interest received on loans		816	816	816	2,849	2,849	2,849
Interest received from private and voluntary sector		810	810	197,072	-	-	3,014
Other interest receivable		26	26	26	6	6	11,599
INSS receipts		-	68,915	68,915	-	92,795	92,795
NPL rental income		-	11,746	11,746	-	12,834	12,834
Other rental income		-	-	3,859	-	-	2,176
Student grant recoveries		48,811	48,811	48,811	56,273	56,273	56,273
Consumer Focus Recoveries		6,040	6,040	6,040	7,089	7,089	7,089
Interest received on NLF loan on-lent to Royal Mail Holdings plc	9	29,958	29,958	29,958	47,860	47,860	47,860
Commitment fees received for NLF loan on-lent to Royal Mail Holdings plc	9	4,822	4,822	4,822	554	554	554
Income from property related holdings		-	-	22,076	-	-	-
Other income		20,607	24,056	24,637	14,939	17,302	23,861
Programme income excluding non-cash		**997,506**	**1,081,616**	**2,173,557**	**1,505,984**	**1,615,796**	**2,443,221**
Non-cash:							
Student loans capitalised interest	20	664,252	664,252	664,252	565,655	565,655	565,655
Launch investment income realised	3.1	108,984	108,984	108,984	88,026	88,026	88,026
Amortisation of financial guarantees	3.1	26,536	26,536	26,536	27,433	27,433	27,433
Effective interest – launch investments	20	61,696	61,696	61,696	66,505	66,505	66,505
Effective interest – student loans	20	302,791	302,791	302,791	1,334,989	1,334,989	1,334,989
SFLG/EFG – Unwinding discount		1,483	1,483	1,483	2,022	2,022	2,022
Effective interest – fee income (INSS)		-	1,094	1,094	-	998	998
Deferred income		-	-	2,674	-	-	12,465
Funded pension scheme expected return on assets		-	-	59,625	-	-	60,714

	Note	2012-13 £'000			Restated 2011-12 £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Release from reserves		-	-	(171)	-	-	2,797
Interest receivable from Royal Mail shareholder loan	3.1	50,966	50,966	50,966	45,255	45,255	45,255
Non-cash programme income		***1,216,708***	***1,217,802***	***1,279,930***	***2,129,885***	***2,130,883***	***2,206,859***
Total programme income		***2,214,214***	***2,299,418***	***3,453,487***	***3,635,869***	***3,746,679***	***4,650,080***
Total operating income		**2,259,730**	**2,352,239**	**3,527,641**	**3,673,274**	**3,790,948**	**4,723,924**

Dividend income for 2012-13 relating to Public Dividend Capital includes dividends of £3,242,776 from UKIPO (2011-12: £3,965,936), £20,400,000 from Ordnance Survey (2011-12: £16,844,000), £7,630,000 from Met Office (2011-12: £7,666,000) and £4,318,695 from Companies House (2011-12: £2,269,130).

12. Discontinued operations

In accordance with the Public Bodies Act 2011, all Regional Development Agencies (RDAs) closed on 30 June 2012 and were abolished on 1 July 2012. A final transfer order (Transfer Scheme Three) removed all remaining assets and liabilities from the RDAs on 1 July 2012, and transferred all remaining responsibility to the Portfolio Management Office at BIS.

These have not been disclosed separately within the Consolidated Statement of Comprehensive Net Expenditure because the value of discontinued operations within the Departmental Group is not considered to represent a significant percentage of net expenditure and the Core Department will continue to operate in the geographical areas previously covered by the bodies.

Included within the Consolidated Statement of Comprehensive Net Expenditure for 2012-13 is £7 million of net expenditure relating to the discontinued operations of the Regional Development Agencies (2011-12: £367 million).

The net cash outflow from discontinued operations was £41 million in 2012-13 (2011-12: £223 million). This comprised operating cash outflows of £31 million (2011-12: £472 million) and financing cash outflows of £10 million (2011-12: cash inflow of £238 million). There were no related investing cash flows in 2012-13 (2011-12: £12 million).

13. Property, plant and equipment

2012-13	Land £'000	Freehold Buildings £'000	Dwellings £'000	Leasehold Improvements £'000	Information Technology £'000	Plant and Machinery £'000	Furniture, Fixtures and Fittings £'000	Transport Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation (restated)										
At 31 March 2012	212,570	1,544,493	38,876	28,906	187,887	1,550,348	34,442	242,736	674,525	4,514,783
Transfer in/out of boundary	-	-	-	-	(469)	7,914	(2,840)	-	-	4,605
Restated balance at 1 April 2012	212,570	1,544,493	38,876	28,906	187,418	1,558,262	31,602	242,736	674,525	4,519,388
Additions	23	3,252	-	6,666	11,313	45,507	1,699	2,529	148,721	219,710
Disposals	-	(16,464)	-	(2,348)	(25,637)	(30,394)	(2,440)	(15,349)	(77)	(92,709)
Impairments	(6,652)	(57,279)	-	-	40	(2,925)	(188)	-	(1,189)	(68,193)
Transfers in from other bodies	-	-	-	-	(15)	-	(17)	-	-	(32)
Reclassifications	80,988	246,274	(8,453)	32,075	64,807	40,034	(903)	3,934	(451,741)	7,015
Revaluations	11,548	51,504	1,250	186	13,404	70,706	140	1,493	3,425	153,656
At 31 March 2013	**298,477**	**1,771,780**	**31,673**	**65,485**	**251,330**	**1,681,190**	**29,893**	**235,343**	**373,664**	**4,738,835**
Depreciation (restated)										
At 31 March 2012	(6,214)	(682,568)	(4,689)	(11,303)	(136,777)	(817,574)	(23,603)	(156,267)	-	(1,838,995)
Transfer in/out of boundary	-	-	-	-	395	(4,845)	1,701	-	-	(2,749)
Restated balance at 1 April 2012	(6,214)	(682,568)	(4,689)	(11,303)	(136,382)	(822,419)	(21,902)	(156,267)	-	(1,841,744)
Charged in year	(243)	(41,750)	-	(7,102)	(31,027)	(105,660)	(3,031)	(8,891)	-	(197,704)
Disposals	-	9,201	-	1,882	25,351	28,804	2,248	13,641	-	81,127
Impairments	-	26,097	-	-	-	1,586	105	-	-	27,788
Reclassifications	1,105	-	4,395	(5,686)	(8,436)	15,152	1,324	(2,396)	-	5,458
Revaluations	459	(20,609)	-	(68)	(7,395)	(23,057)	(91)	(471)	-	(51,232)
At 31 March 2013	**(4,893)**	**(709,629)**	**(294)**	**(22,277)**	**(157,889)**	**(905,594)**	**(21,347)**	**(154,384)**	**-**	**(1,976,307)**
Carrying amount at 31 March 2013	**293,584**	**1,062,151**	**31,379**	**43,208**	**93,441**	**775,596**	**8,546**	**80,959**	**373,664**	**2,762,528**
Carrying amount at 31 March 2012	**206,356**	**861,925**	**34,187**	**17,603**	**51,110**	**732,774**	**10,839**	**86,469**	**674,525**	**2,675,788**
Asset financing:										
Owned	280,396	1,062,151	31,379	43,208	93,441	775,596	8,546	64,565	372,638	2,731,920
Finance leased	13,188	-	-	-	-	-	-	16,394	-	29,582

2012-13	Land £'000	Freehold Buildings £'000	Dwellings £'000	Leasehold Improvements £'000	Information Technology £'000	Plant and Machinery £'000	Furniture, Fixtures and Fittings £'000	Transport Equipment £'000	Assets under Construction £'000	Total £'000
On balance sheet (SoFP) PFI and other service concession arrangements	-	-	-	-	-	-	-	-	1,026	1,026
Carrying amount at 31 March 2013	**293,584**	**1,062,151**	**31,379**	**43,208**	**93,441**	**775,596**	**8,546**	**80,959**	**373,664**	**2,762,528**
Of the total:										
Core Department	27,908	2,900	-	33,419	7,592	52,364	1,068	-	15,090	140,341
Agencies	9,302	101,398	-	-	1,309	75,330	134	4	2,364	189,841
NDPBs and other designated bodies	256,374	957,853	31,379	9,789	84,540	647,902	7,344	80,955	356,210	2,432,346
Carrying amount at 31 March 2013	**293,584**	**1,062,151**	**31,379**	**43,208**	**93,441**	**775,596**	**8,546**	**80,959**	**373,664**	**2,762,528**

2011-12	Land £'000	Freehold Buildings £'000	Dwellings £'000	Leasehold Improvements £'000	Information Technology £'000	Plant and Machinery £'000	Furniture, Fixtures and Fittings £'000	Transport Equipment £'000	Assets under Construction £'000	Total £'000
Cost or valuation										
Restated balance at 1 April 2011	213,139	1,569,889	36,167	51,800	188,925	1,559,476	63,168	241,187	533,815	4,457,566
Additions	-	17,270	1,614	12	19,424	31,474	1,468	1,282	230,863	303,407
Disposals	(1,850)	(146,009)	(184)	(12,199)	(39,081)	(77,381)	(30,151)	(3,146)	-	(310,001)
Impairments	(2,227)	(29,502)	-	-	(990)	(2,562)	(59)	(1)	(5,033)	(40,374)
Transfers in from other bodies	-	-	(651)	-	-	(6,630)	(22)	-	(40,204)	(47,507)
Reclassifications	-	80,139	-	(11,030)	19,376	45,729	(21)	-	(98,969)	35,224
Revaluations	3,508	52,706	1,930	323	233	242	59	3,414	54,053	116,468
At 31 March 2012	**212,570**	**1,544,493**	**38,876**	**28,906**	**187,887**	**1,550,348**	**34,442**	**242,736**	**674,525**	**4,514,783**
Depreciation										
Restated balance at 1 April 2011	(5,799)	(703,894)	(3,751)	(20,904)	(148,728)	(818,083)	(38,653)	(149,099)	-	(1,888,911)
Charged in year	(303)	(40,308)	(1,099)	(5,708)	(28,357)	(90,528)	(5,592)	(8,963)	-	(180,858)
Disposals	197	67,343	161	11,133	37,266	72,537	21,227	2,906	-	212,770
Impairments	-	15,302	-	-	(121)	(7,014)	(582)	(67)	-	7,518
Transfers in from other bodies	-	-	-	-	-	-	18	-	-	18

2011-12	Land £'000	Freehold Buildings £'000	Dwellings £'000	Leasehold Improvements £'000	Information Technology £'000	Plant and Machinery £'000	Furniture, Fixtures and Fittings £'000	Transport Equipment £'000	Assets under Construction £'000	Total £'000
Reclassifications	(175)	123	-	4,321	30	(4,322)	46	-	-	23
Revaluations	(134)	(21,134)	-	(145)	3,133	29,836	(67)	(1,044)	-	10,445
At 31 March 2012	**(6,214)**	**(682,568)**	**(4,689)**	**(11,303)**	**(136,777)**	**(817,574)**	**(23,603)**	**(156,267)**	**-**	**(1,838,995)**
Carrying amount at 31 March 2012	**206,356**	**861,925**	**34,187**	**17,603**	**51,110**	**732,774**	**10,839**	**86,469**	**674,525**	**2,675,788**
Carrying amount at 1 April 2011	**207,340**	**865,995**	**32,416**	**30,896**	**40,197**	**741,393**	**24,515**	**92,088**	**533,815**	**2,568,655**
Asset financing:										
Owned	191,881	861,925	34,187	17,603	49,487	732,774	10,839	67,959	698,863	2,665,518
Finance leased	14,475	-	-	-	934	-	-	18,510	(24,338)	9,581
On balance sheet (SoFP) PFI and other service concession arrangements	-	-	-	-	689	-	-	-	-	689
Carrying amount at 31 March 2012	**206,356**	**861,925**	**34,187**	**17,603**	**51,110**	**732,774**	**10,839**	**86,469**	**674,525**	**2,675,788**
Of the total:										
Core Department	-	-	-	14,326	10,046	59,142	1,402	-	27,949	112,865
Agencies	9,302	97,904	-	-	2,016	74,408	133	1	785	184,549
NDPBs and other designated bodies	197,054	764,021	34,187	3,277	39,048	599,224	9,304	86,468	645,791	2,378,374
Carrying amount at 31 March 2012	**206,356**	**861,925**	**34,187**	**17,603**	**51,110**	**732,774**	**10,839**	**86,469**	**674,525**	**2,675,788**
Carrying amount at 1 April 2011	**207,340**	**865,995**	**32,416**	**30,896**	**40,197**	**741,393**	**24,515**	**92,088**	**533,815**	**2,568,655**
Of the total:										
Core Department	-	-	-	20,103	1,669	65,901	1,923	-	29,320	118,916
Agencies	9,302	92,932	-	856	5,173	75,755	132	2	910	185,062
NDPBs and other designated bodies	198,038	773,063	32,416	9,937	33,355	599,737	22,460	92,086	503,585	2,264,677
Carrying amount at 1 April 2011	**207,340**	**865,995**	**32,416**	**30,896**	**40,197**	**741,393**	**24,515**	**92,088**	**533,815**	**2,568,655**

PPE held by the Core Department

The UK's share of the first generation polar satellite has been included as Plant and Machinery. The carrying value at 31 March 2013 was £52 million (31 March 2012: £59 million).

As at January 2013, three development park assets comprising land and buildings were transferred to BIS from the Homes and Communities Agency (HCA). The assets are:

- Ansty Park, Coventry (land only)
- Advanced Manufacturing Park Technology Centre, Rotherham (land and building)
- Bristol and Bath Science Park (land only)

The assets were held as inventory on the HCA's Statement of Financial Position and were transferred at their book value for no consideration into inventories. They were recorded as a gain on transfer in the Consolidated Statement of Comprehensive Net Expenditure. They were subsequently reclassified as Property, Plant and Equipment in line with BIS's accounting policies and in accordance with IAS 16. The freeholds continue to be held by the HCA.

The assets were valued at fair value as at 31 March 2013 by independent valuers. The valuations were undertaken by GVA in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS). The fair value at 31 March 2013 was £31 million.

PPE held by the NDPBs and other designated bodies

Assets under construction

The Biotechnology and Biological Sciences Research Council (BBSRC) had assets under construction of £147 million as at 31 March 2013 (31 March 2012: £93 million). This relates to the construction of research facilities at a single site, following the closure of the former Institute of Animal Health facilities at Compton. This is a large construction of a new research site which has been running for several years. Phase One will become operational by 2015. Phase Two is due to become operational by 2017-18.

The Natural Environment Research Council (NERC) had assets under construction of £74 million as at 31 March 2013 (31 March 2012: £106 million), of which £71 million (31 March 2012: £50 million) relates to the replacement of the Discovery Research Ship. This is for the use of the National Oceanography Centre. £47 million of assets under construction were reclassified to Buildings and £6 million to Plant and Machinery during the year.

The Science and Technology Facilities Council (STFC) had £71 million of assets under construction as at 31 March 2013 (31 March 2012: £109 million). This includes £14 million for the construction of four neutron instruments and £11 million for the necessary changes required to the ISIS Target Station to accommodate these instruments, £10 million on other ISIS assets, £9 million for construction of the Muon Ionisation Cooling Experiment (MICE) at the Rutherford Appleton Laboratory (RAL), £8 million for RAL and Daresbury Laboratory infrastructure building work and £19 million on other smaller value assets under construction. £40 million of assets under construction were reclassified to Computer Equipment and £25 million to Plant and Machinery during the year.

Diamond Light Source Limited had assets under construction of £42 million as at 31 March 2013 (31 March 2012: £42 million) which are mainly plant and machinery relating to beamline construction. £29 million was reclassified to Plant and Machinery within the year. 18 beamlines are now operational, with four more under construction and a further ten planned, which will bring the total to 32.

The Medical Research Council (MRC) are procuring, in stages, various specialised scientific equipment in a number of their research establishments. The value of these at 31 March 2013 was £16 million (31 March 2012: £8 million). These assets are expected to be in use by December 2013. A total of £264 million of assets under construction was transferred to land and freehold buildings in the year, mainly represented by the completed construction costs of £205 million for the new building for the Laboratory of Molecular Biology and the interest in land at the site of the Crick Institute, valued at £50 million. A further £9 million relates to redevelopment of a new block at the site of the Clinical Sciences Centre at Hammersmith Hospital.

The UK Atomic Energy Authority had assets under construction of £7 million as at 31 March 2013 (31 March 2012: £7 million). This relates to work carried out at Harwell on zones of land owned by the Authority and which are expected to be transferred to the Harwell Oxford Joint Venture. This asset is expected to be classified as investment property once the land has been de-designated by the Nuclear Decommissioning Authority.

Reconciliation of cash payments to additions

The total property, plant and equipment and intangible asset additions as disclosed in Notes 13 and 15, amounting to £243 million (2011-12 restated: £349 million), can be reconciled to the cash payments made during the year as follows:

	Note	2012-13 £'000	2011-12 £'000
Cash payments made to purchase:			
Property, plant and equipment		221,795	301,816
Intangible assets		26,345	2,583
		248,140	**304,399**
Movement in payables		(4)	-
Accrued expenditure		(5,254)	22,981
Intellectual property rights to reserves		-	21,388
Additions, as disclosed in Notes 13 and 15	13, 15	**242,882**	**348,768**

Reconciliation of cash receipts to disposals

The total property, plant and equipment and intangible asset disposals as disclosed in Notes 13 and 15, amounting to £20 million (2011-12 restated: £106 million) can be reconciled to the cash receipts for the year as follows:

	Note	2012-13 £'000	2011-12 £'000
Cash receipts from disposal of:			
Property, plant and equipment		2,815	60,179
Intangible assets		53	3,874
		2,868	**64,053**
Non-cash profit or loss on disposal		16,296	17,201
Movement in receivables		470	24,534
Disposal of assets, as disclosed in Notes 13 and 15	13, 15	**19,634**	**105,788**

13.1 The carrying amount of land and buildings comprises:

	31 March 2013		31 March 2012		1 April 2011	
	Land £'000	Buildings £'000	Land £'000	Buildings £'000	Land £'000	Buildings £'000
Freehold	280,396	1,062,151	191,881	861,925	191,732	865,995
Leasehold	13,188	-	14,475	-	15,608	-
Total	**293,584**	**1,062,151**	**206,356**	**861,925**	**207,340**	**865,995**

Land and Buildings

The professional valuation of land and buildings undertaken within the Departmental Group's Agencies, NDPBs and other designated bodies, were prepared in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Standards (6th Edition) the 'Red Book'. Unless otherwise stated land and buildings are professionally revalued every five years and where appropriate, in the intervening period relevant indices are used. Further information can be found in the financial statements of the individual bodies' accounts.

14. Investment properties

				£'000
	Note	**Core Department**	**Core Department and Agencies**	**Departmental Group**
Balance at 1 April 2011 (restated)		**-**	**-**	**37,877**
Revaluations	9	-	-	965
Reclassifications		-	-	2,445
Balance at 31 March 2012		**-**	**-**	**41,287**
Additions		-	-	4,768
Disposals		-	-	(362,959)
Transfers		-	-	673,777
Revaluations	9	-	-	9,741
Balance at 31 March 2013		**-**	**-**	**366,614**

The Core Department and its Agencies do not hold investment properties.

NDPBs and other designated bodies

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

The Departmental Group has adopted the fair value model in IAS 40, in accordance with the FReM.

BIS (Postal Services Act 2011) Company Limited

Under a provision of the Postal Services Act 2011 (Transfer of Assets) Order 2012, £674 million of investment properties previously held by RMPP transferred in to BIS (Postal Services Act 2011) Company Limited on 1 April 2012.

During the reporting period there were disposals valued at £363 million with sale proceeds of £361 million leading to a loss on disposal of £2 million which was recognised in the Consolidated Statement of Comprehensive Net Expenditure. At 31 March 2013 the fair value of the investment properties was £323 million and the cumulative increase in fair value recognised in the Consolidated Statement of Comprehensive Net Expenditure was £7 million. During 2012-13 rental income of £38 million and direct operating expenses of £9 million were recognised in the Consolidated Statement of Comprehensive Net Expenditure. One of these properties, which was valued at £46 million as at 31 March 2013, did not generate any rental income in the reporting period.

UK Atomic Energy Authority

The UK Atomic Energy Authority holds investment properties valued at £39 million (2011-12: £39 million). The properties were valued on 28 February 2013 by independent valuers. The valuations were undertaken by the Valuation Office in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS). This valuation has been adopted at the reporting date on the grounds that there were no material changes in fair value between the valuation date and the reporting date.

In 2012-13 rental income of £2 million was recognised in the Consolidated Statement of Comprehensive Net Expenditure (2011-12: £2 million). Direct operating expenses from investment properties that generated rental income in the reporting period amounted to £1.7 million (2011-12: £1.9 million). Direct operating expenses from investment properties that did not generate rental income amounted to £0.2 million (2011-12: £0.3 million).

Technology Strategy Board

The TSB holds investment properties valued at £4.5 million (2011-12: £3 million). The properties were revalued during the year by professional valuers, GVA. In 2012-13 rental income of £0.5 million (2011-12: nil) was recognised in the Consolidated Statement of Comprehensive Net Expenditure. There were no direct operating expenses in the reporting period.

15. Intangible Assets

Consolidated 2012-13	Assets under Construction £'000	Information Technology £'000	Software Licences £'000	Website £'000	Development Expenditure £'000	Patents £'000	Total £'000
Cost or Valuation							
At 31 March 2012	10,647	196,026	23,540	295	1,764	263,013	495,285
Transfer out of NESTA Operating Company	-	-	(16)	-	-	-	(16)
Restated balance at 1 April 2012	**10,647**	**196,026**	**23,524**	**295**	**1,764**	**263,013**	**495,269**
Additions	19,407	293	3,426	46	-	-	23,172
Disposals	(2,010)	(19,601)	(3,078)	(29)	-	-	(24,718)
Impairments	-	(3,751)	(215)	-	-	-	(3,966)
Reclassifications	(13,122)	13,255	(229)	117	-	-	21
Revaluations	-	45	840	-	-	(41,311)	(40,426)
At 31 March 2013	**14,922**	**186,267**	**24,268**	**429**	**1,764**	**221,702**	**449,352**
Amortisation							
At 31 March 2012	-	(81,432)	(15,716)	(129)	(1,245)	(120,970)	(219,492)
Transfer out of NESTA Operating Company	-	-	7	-	-	-	7
Restated balance at 1 April 2012	**-**	**(81,432)**	**(15,709)**	**(129)**	**(1,245)**	**(120,970)**	**(219,485)**
Charged in year	-	(29,933)	(3,051)	(70)	(415)	(19,728)	(53,197)
Disposals	-	13,632	3,005	29	-	-	16,666
Reclassifications	-	-	41	(30)	-	-	11
Revaluations	-	(172)	(172)	-	-	-	(344)
At 31 March 2013	**-**	**(97,905)**	**(15,886)**	**(200)**	**(1,660)**	**(140,698)**	**(256,349)**
Carrying amount at 31 March 2013	**14,922**	**88,362**	**8,382**	**229**	**104**	**81,004**	**193,003**
Carrying amount at 31 March 2012	**10,647**	**114,594**	**7,824**	**166**	**519**	**142,043**	**275,793**
Asset financing:							

Consolidated 2012-13	Assets under Construction £'000	Information Technology £'000	Software Licences £'000	Website £'000	Development Expenditure £'000	Patents £'000	Total £'000
Owned	14,922	88,362	8,382	229	104	81,004	193,003
Carrying amount at 31 March 2013	**14,922**	**88,362**	**8,382**	**229**	**104**	**81,004**	**193,003**
Of the total:							
Core Department	-	1,691	1,546	-	-	-	3,237
Agencies	973	6,794	672	-	-	-	8,439
NDPBs and other designated bodies	13,949	79,877	6,164	229	104	81,004	181,327
Carrying amount at 31 March 2013	**14,922**	**88,362**	**8,382**	**229**	**104**	**81,004**	**193,003**

Consolidated 2011-12	Assets under Construction £'000	Information Technology £'000	Software Licences £'000	Website £'000	Development Expenditure £'000	Patents £'000	Total £'000
Cost or Valuation							
At 1 April 2011 (restated)	12,272	205,084	40,339	2,053	1,764	219,017	480,529
Additions	20,043	2,660	1,270	-	-	21,388	45,361
Disposals	-	(25,842)	(23,609)	(1,758)	-	-	(51,209)
Impairments	-	(7,275)	(8)	-	-	-	(7,283)
Transfers	(21,668)	21,420	5,197	-	-	-	4,949
Revaluations	-	(21)	351	-	-	22,608	22,938
At 31 March 2012	**10,647**	**196,026**	**23,540**	**295**	**1,764**	**263,013**	**495,285**
Amortisation							
At 1 April 2011 (restated)	**-**	**(66,815)**	**(34,599)**	**(1,866)**	**(831)**	**(94,023)**	**(198,134)**
Charged in year	-	(33,484)	(4,067)	(21)	(414)	(26,947)	**(64,933)**
Disposals	-	17,747	23,147	1,758	-	-	**42,652**
Impairments	-	905	-	-	-	-	**905**
Transfers	-	2	7	-	-	-	**9**
Revaluations	-	213	(204)	-	-	-	**9**
At 31 March 2012	**-**	**(81,432)**	**(15,716)**	**(129)**	**(1,245)**	**(120,970)**	**(219,492)**
Carrying amount at 31 March 2012	**10,647**	**114,594**	**7,824**	**166**	**519**	**142,043**	**275,793**
Carrying amount at 1 April 2011	**12,272**	**138,269**	**5,740**	**187**	**933**	**124,994**	**282,395**
Asset financing:							
Owned	10,647	114,594	7,824	166	519	142,043	275,793
Carrying amount at 31 March 2012	**10,647**	**114,594**	**7,824**	**166**	**519**	**142,043**	**275,793**
Of the total:							
Core Department	-	2,511	-	-	-	-	**2,511**
Agencies	4	8,391	361	-	-	-	**8,756**
NDPBs and other designated bodies	10,643	103,692	7,463	166	519	142,043	**264,526**
Carrying amount at 31 March 2012	**10,647**	**114,594**	**7,824**	**166**	**519**	**142,043**	**275,793**
Carrying amount at 1 April 2011	**12,272**	**138,269**	**5,740**	**187**	**933**	**124,994**	**282,395**
Of the total:							
Core Department	2,131	1,223	-	-	-	-	**3,354**
Agencies	26	10,768	864	-	-	-	**11,658**
NDPBs and other designated bodies	10,115	126,278	4,876	187	933	124,994	**267,383**
Carrying amount at 1 April 2011	**12,272**	**138,269**	**5,740**	**187**	**933**	**124,994**	**282,395**

All software licences are acquired separately. All Information Technology (IT) assets are internally generated.

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.

As at 31 March 2013 the Medical Research Council had intangible assets with a value of £81 million (31 March 2012: £142 million) which were mostly internally generated patents and licences. They represent the value of future royalty income streams from the licensing of intellectual rights to commercial organisations.

As at 31 March 2013 the Skills Funding Agency had intangible assets valued at £59 million (31 March 2012: £68 million). These mainly comprise computer software systems which were internally generated and developed exclusively for the Skills Funding Agency in support of its programme delivery. They include an externally facing careers service system and a provider management system. The Skills Funding Agency also had internally generated software assets under construction (AUC) of £16 million. The Agency carries a large amount of internally developed software relating to various systems that support delivery of its programmes.

UK Shared Business Services Limited (UK SBS) holds £30 million (31 March 2012: £41 million) of purchased software, software licences and internally developed software in connection with the development of a Shared Service Centre delivery platform. During the reporting period £3.8 million of purchased software licences were written down following a review of the strategy for licensing. This led to a move away from capital purchases to annual subscriptions, which are expensed in the year.

16. Financial instruments

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

		31 March 2013 £'000			31 March 2012 restated £'000			1 April 2011 restated £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Financial assets										
Loans and receivables:										
Cash and cash equivalents	26	610,348	660,082	1,577,420	415,657	482,533	1,166,961	800,310	831,403	1,871,389
Receivables		441,546	474,326	926,881	1,363,819	1,332,452	1,593,899	1,133,460	1,214,498	1,591,318
Student loans	20.1	30,695,562	30,695,562	30,695,562	28,068,877	28,068,877	28,068,877	24,953,970	24,953,970	24,953,970
Other loans		1,266,353	1,266,353	1,266,353	2,023,892	2,023,892	2,023,892	1,741,071	1,741,071	1,763,557
Other financial assets		9,283	9,283	142,378	5,353	5,353	80,680	-	-	79,764
Total loans and receivables		**33,023,092**	**33,105,606**	**34,608,594**	**31,877,598**	**31,913,107**	**32,934,309**	**28,628,811**	**28,740,942**	**30,259,998**
Available for Sale:										
Launch Investments	20.2	1,826,182	1,826,182	1,826,182	1,762,744	1,762,744	1,762,744	1,900,154	1,900,154	1,900,154
Venture Capital Funds (VCF) and Venture Capital Loan Funds (VCLF)	20.3	228,441	228,441	228,441	199,622	199,622	199,622	130,547	130,547	191,728
Ordinary Shares	18.1	3,995,402	3,995,402	3,812,332	2,895,797	2,895,797	2,895,747	2,109,848	2,109,848	2,109,798
Public Dividend Capital	18.2	115,081	115,081	115,081	115,081	115,081	115,081	115,081	115,081	115,081
Other financial assets		73,350	73,350	2,926,880	32,676	32,676	421,430	-	-	453,746
Total available for sale		**6,238,456**	**6,238,456**	**8,908,916**	**5,005,920**	**5,005,920**	**5,394,624**	**4,255,630**	**4,255,630**	**4,770,507**
Derivatives:										
Forward contracts	17	-	507	7,000	14	(1,048)	9,040	-	21,645	37,091
Total derivatives		**-**	**507**	**7,000**	**14**	**(1,048)**	**9,040**	**-**	**21,645**	**37,091**
Fair value through profit or loss:										
Other financial assets		-	-	525,693	-	-	-	-	-	-
Total fair value through profit or loss		**-**	**-**	**525,693**	**-**	**-**	**-**	**-**	**-**	**-**
Held to maturity:										
Other financial assets		-	-	9,705	-	-	14,463	-	-	19,739
Total held to maturity		**-**	**-**	**9,705**	**-**	**-**	**14,463**	**-**	**-**	**19,739**

	Note	31 March 2013 £'000			31 March 2012 restated £'000			1 April 2011 restated £'000		
		Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Financial liabilities										
Financial Guarantees	31	199,059	199,059	231,796	235,928	235,928	267,333	268,436	268,436	299,981
Debt sale subsidy	32	252,021	252,021	252,021	217,590	217,590	217,590	191,174	191,174	191,174
Payables		271,263	296,134	1,431,827	1,567,053	1,671,893	2,935,824	1,331,307	1,531,272	3,212,406
Total other financial liabilities		**722,343**	**747,214**	**1,915,644**	**2,020,571**	**2,125,411**	**3,420,747**	**1,790,917**	**1,990,882**	**3,703,561**

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

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

As the cash requirements of the Departmental Group are largely met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Departmental Group is however exposed to credit, liquidity and market risk via specific programmes and activities undertaken in pursuance of the Group's objectives.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Significant credit risks can be summarised as follows:

Core Department

- Launch Investments – In the event of an investee company failure, the Core Department may not recover its initial investment in whole or in part. The Core Department seeks to offset this low probability risk by analysing the financial health of any applicant at the time of application for launch investment and reviewing financial health as part of the programme monitoring activity. In addition, contracts aim to contain provisions which will (as a minimum) not disadvantage the Core Department compared to other creditors in the event of a corporate failure. The Core Department takes steps to monitor the payments that become due to the companies under launch investment contracts to ensure they comply with the terms of the contracts. Finally, the contracts also require the company's auditors to confirm that all payments made to the Core Department have been made correctly and to identify any errors made.
- Student Loans – Eligible students can get student loans regardless of their credit rating, in order to support the Core Department's policy aim of encouraging students to enter higher education. There is no obligation to repay the loan until the borrower's income reaches a certain income threshold, but depending on the level of borrower earnings, the risk that some loans will not be repaid may increase. The Core Department estimates the percentage of loans which will not be repaid and impairs the loan asset when the loans are paid out. Further detail on student loans credit risk is given in Note 20.1.
- Venture Capital Funds and Venture Capital Loan Funds – Investee companies may not perform as expected and the Departmental Group may not recover its initial investment. The Departmental Group minimises the risk, by using Capital for Enterprise Limited (CfEL), an asset management business, and a delivery partner within the Departmental Group to monitor the overall performance of the Funds and to secure value for the Departmental Group as an investor. This includes a full evaluation of each business case submitted prior to committing funds.
- Financial Guarantees – Through the various loan guarantee schemes the Core Department is exposed to the risk that a recipient of the loan may default and the lending institution will call upon the Core Department to honour its guarantee. The Core Department minimises the credit risk for its most significant guarantees, the EFG and legacy SFLG Scheme, by using the participating banks to determine whether any potential lender applying for a loan is commercially viable. Furthermore, any losses suffered on these loans are shared between the Department and the lending institution as detailed in Note 31. The EFG is also subject to a cap which limits the Core Department's exposure. In addition, prior to entering into the AAP guarantee the beneficiary company was assessed using a professional credit appraisal. This is followed up with quarterly credit assessments throughout the duration of the loan to ensure no deterioration in credit risk.

Agencies

None of the Department's Agencies are exposed to significant credit risk.

NDPBs and other designated bodies

The Skills Funding Agency is also at risk of loan defaults from financial guarantees. Credit risk is minimised by using the participating banks to determine whether Professional Career Development Loans (PCDLs) are commercially viable.

BIS (Postal Services Act 2011) Company Limited is exposed to credit risk, from its investments in debt securities. At 31 March 2013, the Company held a mixed quality of debt securities. The investments in high yield bonds were initially transferred to the group as part of RMPP's balanced investment portfolio. As would be normal in any high yield bond portfolio, the group is exposed to the counter party credit risk on its high yield debt securities. Based on historic rates of market defaults a 2% to 4% default rate with in the existing yield debt securities portfolio would not be unreasonable. To manage the risk of loss, the investments are broadly diversified. There are specific parameters for the holding of the debt securities within particular sectors and also a limit on individual holdings as a percentage of the total portfolio. The investment managers also have significant expertise in managing the risk of default.

The Green Investment Bank (GIB) is exposed to credit risk with respect to its debt investments. The risk is minimised by trading with parties with strong credit ratings and holding appropriate collateral.

The Departmental Group's total maximum exposure to credit risk as at 31 March 2013 is £47,309 million (31 March 2012 restated: £55,021 million). The risk of non-payment is reflected in the carrying amounts of the assets and liabilities, where the Department is exposed to credit risk.

Market risk

Market risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of:

Foreign Currency risk

Core Department

The Core Department is exposed to a small amount of currency risk with respect to Launch Investments as there are a number of older contracts of relatively low value which it ultimately receives in pounds sterling but were originally denominated in US dollars. Therefore exchange rate risk exists but is minimal in the context of the overall Launch Investment portfolio. Otherwise the Core Department's exposure to foreign currency risk during the year was insignificant. Foreign currency income was negligible, and foreign currency expenditure was a small percentage of total expenditure (less than 1%).

All material assets and liabilities are denominated in pounds sterling.

Agencies

Forward contracts

The UKSA pays an annual subscription in Euros to the European Space Agency (ESA) and has entered into forward contracts to mitigate the risk. Further information about the forward contracts is disclosed in Note 17.

NDPBs and other designated bodies

Forward contracts

STFC, BBSRC, DLS and BIS (Postal Services Act 2011) Company Limited are subject to foreign currency risks and have entered into some forward contracts to help mitigate these risks.

Further information about derivative forward contracts can be found in Note 17.

Cash and cash equivalents held in foreign currency

At 31 March 2013 £17 million of cash held by the BIS (Postal Services Act 2011) Company Limited was denominated in USD and £17 million of cash held was denominated in EUR. It is therefore exposed to foreign currency exchange rate movements. A shift of +/-5% in the USD/GBP foreign exchange rate would result in an unrealised foreign exchange gain or loss of £1 million and a shift of +/-5% in the USD/EUR foreign exchange rate would result in an unrealised foreign exchange gain or loss of £1 million.

MRC maintains US dollar and Euro bank accounts in order to deal with day-to-day transactions. The amounts outstanding at 31 March 2013 in Euros equated to £2.6 million (31 March 2012: £0.7 million) and in USD equated to £1.9 million (31 March 2012: £1.5 million). A 5% +/- movement in exchange rates would result in an unrealised foreign exchange gain or loss of £0.2 million (31 March 2012: £0.4 million).

STFC and UKAEA are subject to minor foreign currency risk through the maintenance of bank accounts in foreign currencies (predominantly the USD and the EUR) to deal with day-to-day overseas transactions. The risk of holding these balances is not considered to be material.

Investments

At 31 March 2013 BIS (Postal Services Act 2011) Company Limited held investments in USD and Euros. The largest holdings were £391 million of private equity; £866 million of bonds denominated in USD; and £337 million of private equity investments; £119 million of bonds; and £82 million of property related holdings denominated by Euros. The Company is therefore exposed to foreign currency risk. A 5% movement in the exchange rates would result in a total change in the fair value of USD denominated assets of £66 million, and Euro denominated assets of £27 million.

Interest Rate risk

Core Department

The Core Department does not invest or access funds from commercial sources, but it is exposed to interest rate risk with respect to, the SFLGS, the EFG and student loans. For SFLGS and EFG, to minimise the risk of default due to interest rate rises, coupled with a downturn in the economy, the Core Department relies on the lenders assessment using best commercial practice to manage the risk of default. For student loans, the Core Department relies on short term assumptions up to 2018-19 and long term assumptions after that to determine the impact of interest rate changes both on the borrower's ability to pay, and the Core Department's forecasts of future payment streams. The impact of the interest rate risk for student loans issued under the pre HE Reform scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate rises on expected future cash flows. The risk of the Government recovering the real value of pre Higher Education (HE) Reform student loans issued is further exacerbated when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans. Additional information on the risks relating to student loan repayments are contained in Note 20.1.

Agencies

The Department's Agencies are not exposed to significant interest rate risk.

NDPBs and other designated bodies

The UK Atomic Energy Authority and FRC are exposed to minimal interest rate risk where cash and short term deposits are held with commercial banks. CITB is also subject to minor interest rate risk in relation to its investments.

For BIS (Postal Services Act 2011) Company Limited interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and future cash flows. The Company holds fixed interest securities that are exposed to fair value interest rate risk. The Company also holds floating rate securities that are exposed to cash flow interest rate risk. The principal strategy is to manage the fair value risk by holding the debt securities until maturity unless opportunities exist in the market for it to profit, for example, from any favourable interest rate movements. Interest rate risk is not expected to have a significant impact.

The GIB is subject to interest rate risk from holding a combination of fixed interest rate and variable interest rate investments. Interest rate risk is regularly monitored to ensure that the mix of variable and fixed rate borrowing is appropriate. It’s estimated that the impact of a 1% increase in the interest rate would lead to an increase in net assets of £3 million and an increase in income of £4 million; and the impact of a 1% decrease in the interest rate would lead to decrease in net assets of £3 million and a decrease in income of £3 million. The difference in the results is due to a cap in the floating rate loans where the interest rate cannot fall below a fixed amount.

The Departmental Group has no short or long term borrowings and is not therefore exposed to risk in respect of variable interest rate payments.

Other Market risk

Core Department

The Core Department is exposed to wider risks relating to the performance of the economy as a whole. The main risks resulting from a downward movement in the economy include failures of investee companies under the VCF schemes and loan defaults under the Core Department’s WCS, SFLGS, EFG and AAP Schemes and negative impacts on the Core Department’s launch investments income and valuations from the potential resultant decrease in demand in the aerospace industry. The other main risks resulting from a downward movement in the economy relate to the potential increase in borrowers’ unemployment impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the time period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in the required provision for write offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

The Core Department is also exposed to price risk with respect to its shareholding in Greencoat UK Wind Plc as the shares are traded on the London Stock Exchange and the market will determine the value. A 5% change in price would lead to a £2.6 million change in value.

Agencies

The Agencies are not exposed to significant other market risk.

NDPBs and other designated bodies

The Nesta Trust is exposed to equity price risk due to its investment of a portion of its endowment assets in publicly listed equity investments. The Nesta Trust minimises the risk by investing for the medium to long term, diversifying its equity investments and by monitoring performance regularly.

GIB is exposed to equity price risk due to its investments in businesses developing construction assets across its priority sectors. The company intends to withdraw from the investments when these assets are operational in order to recycle their capital. The risk is minimised by spreading investments across all of its priority sectors.

BIS (Postal Services Act 2011) Company Limited's strategy of managing price risk principally focuses on the disposal of highly volatile and liquid assets as promptly as possible whilst realising good value for money for the taxpayer. During the first two months of the financial period, the Company actively sought to dispose of its investments in more liquid investments, including listed equities, corporate bonds, equity futures and inflation and interest rate swaps to minimise its on-going exposure to price risk. The residual investments at 31 March 2013 predominantly comprised of less liquid and diversified investments, including the investments in private equity, debt securities and property funds. The Company's private equity portfolio is composed primarily of investments in European and North American unquoted shares. During 2012-13 the Company recognised a market value gain of £20 million. If the valuation had been 5% higher or lower the change in value would have been £1 million.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Core Department and its Agencies

In common with other Government departments, the future financing of its liabilities is to be met by future grants of Supply, voted annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, therefore, on this basis the Core Department and its Agencies are not exposed to liquidity risks.

NDPBs and other designated bodies

ECITB is not exposed to material liquidity risks because it holds reserves, which are sufficient to cover run-out costs (i.e. the costs of completing training programmes and meeting closure costs in the event that the ECITB ceases to operate).

CITB is not exposed to a high level of liquidity risk because it holds unrestricted reserves and has secured sufficient funding income to match expenditure for the year ahead.

Information about the Departmental Group's objectives, policies and processes for managing and measuring risk can be found in the Governance Statement.

17. Derivative financial instruments

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**14**	**(1,048)**	**9,040**	**-**	**21,645**	**37,091**
Additions	-	-	-	14	14	(75)
Redemptions	(14)	510	(4,858)	-	(8,147)	(16,547)
Revaluations	-	1,045	2,818	-	(14,560)	(11,429)
Balance at 31 March	**-**	**507**	**7,000**	**14**	**(1,048)**	**9,040**

Analysed between current and non current:									
	31 March 2013 £'000			31 March 2012 £'000			1 April 2011 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Due not later than one year	-	331	6,389	14	(510)	4,856	-	8,147	16,547
Due after more than one year	-	176	611	-	(538)	4,184	-	13,498	20,544
Total	**-**	**507**	**7,000**	**14**	**(1,048)**	**9,040**	**-**	**21,645**	**37,091**

The Core Department, UKSA, STFC, BBSRC, and DLS use derivatives to hedge the risk of foreign exchange movements on future cash flows. These derivative contracts have been designated as cash flow hedges. At the reporting date the hedges meet the IAS 39 effectiveness criteria.

In addition BIS (Postal Services Act 2011) Company Limited has entered into forward contracts that have not been formally designated as hedge instruments.

Forward contracts

Core Department

The Core Department is responsible for funding the UK contribution to the EUMETSAT Polar System (EPS), in Euros. In order to mitigate the risk of exchange rate movements, the Core Department entered into forward contracts which were settled during the reporting period. The fair value reserve of £14,000 was released to the Consolidated Statement of Comprehensive Net Expenditure.

Agencies

- UK Space Agency (UKSA)

UKSA pays an annual subscription to the European Space Agency (ESA) in Euros. UKSA entered into eight forward contracts for subscriptions payable up to 2014. These contracts covered 90% of the annual subscription payable to ESA during 2012 and covers 60% of the annual subscriptions payable in 2013 and 2014. Three of these contracts matured in the reporting period.

The five forward contracts relating to the purchase of Euros commenced on 15 December 2010, and the outstanding contracts will reach settlement between 3 June 2013 and 1 October 2014. The total cost of the contracts was £160,960,190, and fair value as at 31 March 2013 was £161,467,030. There has been a positive movement on the fair value reserve as at 31 March 2013 of £506,840.

NDPBs and other designated bodies

- STFC

The Science and Technology Facilities Council (STFC) pays an annual subscription in Swiss Francs to CERN, the European Organisation for Nuclear Research and pays annual subscriptions in Euros to ILL, ESRF and ESO. STFC have entered into 22 forward contracts for amounts payable up to 2015. 15 of the contracts relate to the purchase of Euros, whilst the remaining seven relate to the purchase of Swiss Francs. The contracts cover 90 % of the annual subscriptions in the period 2013 to 2015.

The 15 forward contracts relating to the purchase of Euros commenced on 10 December 2010, and will reach settlement between 1 April 2013 and 2 February 2015. The total cost of these contracts was £67,077,782 and the fair value as at 31 March 2013 was £67,048,301. There has therefore been a negative movement on the fair value reserve at as 31 March 2013 of £29,481.

Three of the seven forward contracts relating to the purchase of Swiss Francs commenced on 9 December 2010, and will reach settlement between 12 April 2013 and 11 April 2014. The remaining four Swiss Franc forward contracts commenced on 2 March 2012 and will reach settlement between 12 April 2013 and 5 January 2015. The total cost of these contracts was £170,872,800 and the fair value as at 31 March 2013 was £173,325,622. Therefore the total movement on the fair value reserve at 31 March 2013 was £2,452,822.

- BBSRC

The Biotechnology and Biological Sciences Research Council (BBSRC) is due to receive funding from the Bill and Melinda Gates Fund in US Dollars in the period from 2012 to 2014. In order to mitigate the risk of exchange rate movements, BBSRC has entered into two forward contracts. The contracts commenced on 23 November 2012 and will reach settlement on 24 May 2013 and 24 May 2014. The total cost of these contracts was £2,548,584 and the fair value as at 31 March 2013 was £2,619,773. There has therefore been a positive movement on the fair value reserve at 31 March 2013 of £71,187.

- Diamond Light Source Limited (DLS)

DLS entered into eight forward contracts to mitigate the risk of exchange rate movements on foreign exchange contracts placed with non sterling suppliers for the construction of beamlines. Five contracts relate to the purchase of Euros and three contracts relate to the purchase of US Dollars.

The five forward contracts relating to the purchase of Euros commenced on 5 April 2012 and 25 July 2012 and will reach settlement between 19 August 2013 and 25 March 2014. The total cost of these contracts was £1,064,720 and the fair value at 31 March 2013 was £1,114,374. There has therefore been a positive movement on the fair value reserve of £49,654.

The three contracts for the purchase of US Dollars commenced on 20 July 2013 and will reach settlement between 8 April 2014 and 7 July 2014. The total cost of these contracts was £383,886 and the fair value at 31 March 2013 was £395,128. There has therefore been a positive movement on the fair value reserve of £11,242.

- BIS (Postal Services Act 2011) Company Limited

BIS (Postal Services Act 2011) Company Limited held foreign exchange derivatives within its investments portfolio. These derivatives were originally entered into for the purpose of hedging the underlying foreign exchange risks of the investments against US Dollars at the portfolio level. These forward contracts were not formally designated as hedge instruments in a hedging relationship for the application of cash flow hedge accounting under IAS 39. Therefore, all derivatives have been classified as held at fair value through profit or loss at initial recognition, in accordance with IAS 39.

At the reporting date the fair values of derivative financial instruments disclosed in the Consolidated Statement of Financial Position amounted to £4 million.

18. Investments and loans in other public sector bodies

	Ordinary Shares £'000	Public Dividend Capital £'000	Other Loans and Investments £'000	Core Department £'000	Core Department and Agencies £'000	Elimination of shares held in NDPBs £'000	NDPBs Other loans and investments £'000	Departmental Group
Balance at 1 April 2011 (restated)	**2,109,848**	**115,081**	**1,479,800**	**3,704,729**	**3,704,729**	**(50)**	**22,486**	**3,727,165**
Transfers in	-	-	28,809	28,809	28,809	-	(28,809)	**-**
Reclassification	-	-	(10,587)	(10,587)	(10,587)	-	-	**(10,587)**
Additions	-	6,700	-	6,700	6,700	-	8,532	**15,232**
Disposals	-	-	-	-	-	-	-	**-**
Redemptions	-	-	-	-	-	-	(1,826)	**(1,826)**
Interest capitalised	-	-	45,092	45,092	45,092	-	-	**45,092**
Impairments	-	(6,700)	(1,325)	(8,025)	(8,025)	-	(8,532)	**(16,557)**
Revaluations	785,949	-	-	785,949	785,949	-	8,149	**794,098**
Loans repayable within 12 months transferred to current assets	-	-	(166)	(166)	(166)	-	-	**(166)**
Balance at 31 March 2012 (restated)	**2,895,797**	**115,081**	**1,541,623**	**4,552,501**	**4,552,501**	**(50)**	**-**	**4,552,451**
Additions	184,091	6,700	-	190,791	190,791	(184,091)	-	**6,700**
Disposals	-	(133)	-	(133)	(133)	-	-	**(133)**
Redemptions	-	-	(612,488)	(612,488)	(612,488)	-	-	**(612,488)**
Interest capitalised	-	-	50,627	50,627	50,627	-	-	**50,627**
Impairments	(1,071)	(6,567)	-	(7,638)	(7,638)	1,071	-	**(6,567)**
Revaluations	916,585	-	36	916,621	916,621	-	-	**916,621**
Loans repayable within 12 months transferred to current assets	-	-	(166)	(166)	(166)	-	-	**(166)**
Balance at 31 March 2013	**3,995,402**	**115,081**	**979,632**	**5,090,115**	**5,090,115**	**(183,070)**	**-**	**4,907,045**

18.1 Ordinary Shares

	31 March 2013 £'000			31 March 2012 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April (restated)	**2,895,797**	**2,895,797**	**2,895,747**	**2,109,848**	**2,109,848**	**2,109,798**
Additions	184,091	184,091	-	-	-	-
Disposals	-	-	-	-	-	-
Impairments	(1,071)	(1,071)	-	-	-	-
Revaluations	916,585	916,585	916,585	785,949	785,949	785,949
Balance at 31 March	**3,995,402**	**3,995,402**	**3,812,332**	**2,895,797**	**2,895,797**	**2,895,747**

Ordinary shares are held by the Core Department.

In accordance with the FReM, ordinary shares held within the Departmental Group are carried at historical cost less any provision for impairment. They are eliminated on consolidation. Shares held outside of the Departmental Group are carried at fair value in accordance with IAS 39.

British Nuclear Fuels Limited (BNFL)

The Government holds 50,000 ordinary shares in BNFL at a nominal value of £1 each. The Secretary of State for Business, Innovation and Skills owns 49,999 ordinary shares and the Treasury Solicitor holds one ordinary share. Following the establishment of the Nuclear Decommissioning Authority in 2005, British Nuclear Fuels plc held those parts of BNFL that did not pass to the Nuclear Decommissioning Authority (NDA), including, inter alia, British Nuclear Group Sellafield Limited (formerly British Nuclear Fuels). British Nuclear Fuels plc progressively divested all its businesses and ran down its corporate centre, and in December 2008 re-registered as a private company with the name *British Nuclear Fuels Limited*. The last business interest transferred out of the group in May 2009, and BNFL has no remaining operational activities or staff. All that remains is the efficient handling of its remaining assets and liabilities prior to a winding up of the company. The timing of the winding up depends on the outcome of discussions regarding the handling of the remaining assets and liabilities.

Due to a change in accounting policy in 2012-13, the shareholding is now carried at fair value. BNFL shares are not traded and the body is no longer trading, therefore the Department has determined that the net asset value of BNFL is a reasonable approximation of fair value. This has led to an adjustment to the carrying value of the Department's investment at 1 April 2011 which was restated to £343 million; and the carrying value at 31 March 2012, which was also restated to £343 million. The fair value as at 31 March 2013 was £344 million.

Royal Mail Holdings plc

The Government owns 100% of the shares in Royal Mail Holdings (RMH) plc, the company which owns Royal Mail Group Limited, Post Office Limited and other subsidiaries and assets. The Secretary of State for Business, Innovation and Skills owns 50,004 ordinary shares and the Treasury Solicitor holds one ordinary share. The historic cost of the investment was £430 million.

Due to a change in accounting policy in 2012-13 the holding is now carried at fair value. The Department has determined in accordance with the relevant accounting standards that in the absence of an active market, or readily observable market trends the net asset value of RMH plc, after adjusting for the pension solution, is the most reasonable approximation of fair value available. The fair value as at 1 April 2011 and 31 March 2012 has been derived after adjustments to reflect the Royal Mail pension solution (see below). This has led to a restatement in the accounts with the carrying value at 1 April 2011 restated to £1,364 million and the carrying value at 31 March 2012 restated to £2,087 million. The fair value as at 31 March 2013 based on RMH plc's draft accounts was £2,951 million.

Enrichment Holdings Limited (EHL)

The Government is committed to a sale of shares in Royal Mail Group Limited. As part of the preparation for sale the Postal Services Act 2011, which received Royal Assent on 13 June 2011, enabled the relief of RMPP historic deficit, with members' historic rights being protected by Government by establishing the RMSPS. This scheme has funds voted directly to it by Parliament under a separate Parliamentary Estimate. BIS assumed responsibility for £31 billion of future pension payments from 1 April 2012. A large proportion of the RMPP's assets also transferred to BIS under the same legislative framework.

The Secretary of State also owns one Special Share, relating to certain areas for which Special Shareholder's consent is required (see Note 18.4). Following the separation of Post Office Limited from Royal Mail Group Limited, the Secretary of State now owns one Special Share in each of these companies. These shares were issued to ensure that the Secretary of State's powers under the special share in Royal Mail Holdings plc, relating to certain matters, continued after the separation.

The Core Department holds two shares of £1 each in Enrichment Holdings Limited (EHL), which transferred into BIS in 2012-13 from the Department of Energy and Climate Change (DECC) following a Machinery of Government change. EHL has been set up as a holding company, with a subsidiary company, Enrichment Investments Limited (EIL), solely to hold the Government's one third share in Urenco Limited, an entity operating in the civil uranium enrichment sector.

Due to a change in accounting policy, following the transfer, which was accounted for as a merger, the holding is now carried at fair value. The Department has determined in accordance with accounting standards, that in the absence of an active market, the net asset value of Enrichment Holdings Limited is the most reasonable approximation of fair value available. This has led to an adjustment to the carrying value of the Department's investment at 1 April 2011 restated to £403 million; and the carrying value at 31 March 2012 restated to £466 million. The fair value at 31 March 2013 was £517 million.

The Government is considering its options with regard to the potential sale of its shareholding in Urenco. Any sale will only be concluded if the government is satisfied that the UK's security and non-proliferation interests can be protected and that value for money is achieved for the UK taxpayer.

BIS (Postal Services Act 2011) Company Limited and B Company Limited

As noted above a large proportion of the RMPP assets also transferred to BIS under the same legislative framework as the pension liability. £29 billion of assets transferred into two companies: BIS (Postal Services Act 2011) Company Limited and BIS (Postal Services Act 2011) B Company Limited. BIS (Postal Services Act 2011) Company Limited is the immediate parent of B Company Limited.

The principal activity of BIS (Postal Services Act 2011) Company Limited is to hold and dispose of the transferred assets in accordance with a Realisation Plan adopted by the shareholders through the Articles of Association. The principal objective of the Company is to dispose of the assets in a measured fashion within the context of protecting value for the tax payer, while paying due regard to issues of transparency and minimising market distortion. The principal activity of BIS (Postal Services Act 2011) B Company Limited is to hold and manage general partner interests pertaining to limited partnerships.

In general, the Company seeks to realise liquid assets into cash as quickly as possible to minimise any exposure to risk. Cash realised from the sale of investments is transferred to BIS. A cash buffer is held to meet any ongoing operational expenses and commitments. The Core Department holds one ordinary share in BIS (Postal Services Act 2011) Company Limited with a nominal value of £1, which holds one ordinary share in BIS (Postal Services Act 2011) B Company Limited, with a nominal value of £1. The shareholdings are eliminated on consolidation.

Green Investment Bank (GIB)

The GIB was incorporated on 15 May 2012 in order to accelerate private sector investment in the green economy. The Core Department holds 145,850,000 shares of £1 each, in the Bank. The shareholding is carried at historic cost and is eliminated on consolidation.

Capital for Enterprise Limited (CfEL)

The Core Department owns 49,901 shares in Capital for Enterprise Limited (CfEL), which manages the Core Department's equity investment funds and loan guarantee programmes. CfEL has two wholly owned subsidiaries: Capital for Enterprise GP Limited (CfE GP Limited) and also the Capital for Enterprise Fund Managers Limited (CfE FM Limited) which facilitates co-investment with the private sector through the Capital for Enterprise Fund. The shareholding is carried at historic cost and is eliminated on consolidation.

UK Shared Business Services Limited

UK Shared Business Services Limited, (formerly RCUK SSC Limited) is a specialist business services organisation that provides finance, procurement, grants, information systems and HR and payroll services to the public sector. Its main objective is to improve the economy, efficiency and effectiveness of corporate services to UK bodies. On 6 March 2013 the former owners (the seven research councils) adopted revised Articles of Association, which changed the share ownership. Under the new shareholder's agreement the shares formerly described as 'A' shares became voting shares and the shares formerly described as 'B' shares became non-voting shares. All equity would therefore be non-voting. The shareholding is eliminated on consolidation.

To facilitate the changes in the shareholding arrangements, the Department purchased the equity investment previously held by the research councils as 'B' shares. At the same time the 'B' shareholding was converted to non-voting shares. The 'A' shares previously held by the research councils were converted to Non-Government Department (NGD) shares and the 'A' share held by the Core Department was converted to a Government Department (GD) voting share. In addition HEFCE and TSB received one NGD share each. The GD shareholding will always represent 51% of the shares. The distribution will therefore change whenever a new GD receives a share. At 31 March 2013 the Department's shareholding, which equates to the value of net assets, was valued at £38 million.

Student Loans Company (SLC) Limited

The Core Department holds 17 shares with a nominal value of 50 pence each in the SLC Limited. In addition Scottish Ministers, the Minster for Education and Skills (Wales) and the Minister for Employment and Learning (Northern Ireland) each hold one share.

The shareholding was previously 10 ordinary shares of £1 each, split equally between the Secretary of State for Scotland and the Secretary of State for Business, Innovation and Skills. This was changed in November 2012 to allocate shares between all of the Devolved Administrations and the Secretary of State for Business, Innovation and Skills, with the share allocation reflecting the respective contributions towards the SLC's funding. The 10 ordinary shares were therefore sub-divided to 20 ordinary shares of 50 pence each, and then shares were transferred to the respective Devolved Administrations. The shareholdings are eliminated on consolidation.

Wave Hub Company Limited

The Core Department holds one share with a nominal value of £1 in Wave Hub Company Limited. The shareholding is eliminated on consolidation.

18.2 Public Dividend Capital (PDC)

	British Shipbuilders £'000	Companies House £'000	UKIPO £'000	Ordnance Survey £'000	Met Office £'000	Total £'000
Balance at 1 April 2011 (restated)	**-**	**15,889**	**6,325**	**34,000**	**58,867**	**115,081**
Additions	6,700	-	-	-	-	**6,700**
Impairments	(6,700)	-	-	-	-	**(6,700)**
Balance at 31 March 2012 (restated)	**-**	**15,889**	**6,325**	**34,000**	**58,867**	**115,081**
Additions	6,700	-	-	-	-	**6,700**
Redemptions	(133)	-	-	-	-	**(133)**
Impairments	(6,567)	-	-	-	-	**(6,567)**
Balance at 31 March 2013	**-**	**15,889**	**6,325**	**34,000**	**58,867**	**115,081**

Public Dividend Capital is held by the Core Department.

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

British Shipbuilders was abolished under the Public Bodies Act (Abolition of British Shipbuilders) Order 2013, on 21 March 2013. During the reporting period the Corporation required equity injections to maintain its solvency up until its abolition to allow it to discharge its liabilities under the Aircraft and Shipbuilding Industries Act 1977, in accordance with the statement to Parliament of July 1988. Consequently, the PDC has been fully impaired. The historic cost of PDC payments made as at 31 March 2013 is £1,642,469,000 (£1,635,769,000 at 31 March 2012). On winding up British Shipbuilders is due to repay £133,000 of public dividend capital. This represents the amount of cash held on 21 March 2013. BIS will be responsible for any payments in respect of British Shipbuilders' obligations with effect from 22 March 2013.

Following the abolition the assets and liabilities of the Corporation, other than the provision for health claims, for which the Core Department had already assumed responsibility, transferred to the Core Department.

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

The Department is required to disclose its share of the net assets and the results for the year of other public sector bodies, which are outside of the departmental boundary. The following disclosures relate to the Department's public corporations and trading funds.

	British Shipbuilders £'000	Companies House £'000	British Nuclear Fuels Ltd £'000	Royal Mail £'000	Ordnance Survey £'000	Met Office £'000	UKIPO £'000	Enrichment Holdings Ltd £'000
Net Assets/(Liabilities) at 31 March 2012 (restated)	(206,146)	65,896	343,200	(1,269,000)	130,234	211,841	84,243	465,547
Turnover (restated)	-	66,116	-	9,352,000	142,045	196,212	71,880	-
Surplus/profit (deficit/loss) for the year before financing (restated)	(45,013)	7,660	-	301,000	32,209	9,126	13,799	103,825
Net Assets/(Liabilities) at 31 March 2013	-	71,521	344,100	2,951,000	144,573	222,455	88,483	517,232
Turnover	-	63,658	-	9,893,000	141,876	204,929	73,855	-
Surplus/profit (deficit/loss) for the year before financing	(6,156)	10,333	-	396,000	32,251	12,341	8,030	108,442

Notes:

- British Shipbuilders information for 2012-13 was derived from their draft annual Accounts and the information for 2011-12 was derived from their audited accounts. British Shipbuilders' Accounts were prepared in accordance with UK GAAP. Due to the abolition of the Corporation on 21 March 2013, the 2012-13 accounts were for the period ended 21 March 2013.
- Companies House information for 2012-13 was derived from their draft annual Accounts and the information for 2011-12 was derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the *FReM*.
- British Nuclear Fuels Limited (BNFL) information for 2012-13 was derived from their draft Annual Accounts. For 2011-12 the information is derived from their audited accounts. The accounts were prepared on an IFRS basis and on a break-up basis, reflecting that, following the sale or distribution of all its operating assets, BNFL is a company with no full-time staff and sufficient assets to meet the liabilities arising from the various business disposals until the final closure of the company.
- Royal Mail Holdings plc information for 2012-13 was derived from their draft accounts and the information for 2011-12 was derived from their audited accounts. Royal Mail's Accounts were prepared in accordance with IFRS.
- UK Intellectual Property Office (UKIPO) information for 2012-13 was derived from their draft accounts and the information for 2011-12 was derived from their audited accounts. The accounts were prepared on an IFRS basis, in accordance with the requirements of the *FReM*.
- Ordnance Survey information for 2012-13 was derived from their draft accounts and the information for 2011-12 was derived from their audited accounts. The accounts were prepared on an IFRS basis in accordance with the Government Trading Funds Act 1973 and the requirements of the *FReM*.
- Met Office information for 2012-13 was derived from their draft accounts and the information for 2011-12 was derived from their audited accounts. The accounts were prepared in accordance with the Government Trading Funds Act 1973 and the requirements of the *FReM*.
- EHL information for 2012-13 and 2011-12 was derived from their audited accounts. The accounts were prepared on an IFRS basis.

18.4 Special Shares

The Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body.

The Core Department does not recognise the special or 'golden' shares on its Statement of Financial Position in accordance with paragraph 9.2.7 (b) 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 special shareholder is required for a number of decisions, including: – Appointments to the Board (the special shareholder can also make appointments to the Board) – Setting (and approving any material changes in) the remuneration packages of the Directors – Borrowing in excess of certain pre-set limits (as agreed with HM Treasury) – Disposing of substantial assets of the business – Issuing or allotment of shares in subsidiaries who are universal postal services providers or a Post Office network company – Voluntary winding-up of the company – Varying certain of the company's Articles of Association, including the rights of the special shareholder.
Royal Mail Group Limited *£1 Special Rights Preference Share*	• Created in April 2012 • It may be redeemed at any time by the shareholder • The consent of the special shareholder is required for a number of decisions, including: – Appointments to the Board (the special shareholder can also make appointments to the Board) – Setting (and approving any material changes in) the remuneration packages of the Directors – Borrowing in excess of certain pre-set limits (as agreed with HM Treasury) – Adopting and implementing the company's strategic plan – Disposing of substantial assets of the business – Voluntary winding-up of the company or member of the group – Varying certain of the company's Articles of Association, including the rights of the special shareholder – Issuing or allotment of shares or granting of share rights in the company.

Body in which Share is held and type and value of Share	Terms of Shareholding
Post Office Limited *£1 Special Rights Preference Share*	• Created in April 2012 • It may be redeemed at any time by the shareholder • The consent of the special shareholder is required for a number of decisions, including: – Appointments to the Board (the special shareholder can also make appointments to the Board) – Setting (and approving any material changes in) the remuneration packages of the Directors – Borrowing in excess of certain pre-set limits (as agreed with HM Treasury) – Adopting and implementing the company's strategic plan – Disposing of substantial assets of the business – Voluntary winding-up of the company or member of the group – Varying certain of the company's Articles of Association, including the rights of the special shareholder – Issuing or allotment of shares or granting of share rights in the company.
BAE Systems plc £1 Special Rights Preference Share	• Created in 1985 (but subsequently amended) • No time limit • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company • Requires a simple majority of the Board and the Chief Executive to be British • Requires any Executive Chairman to be British and, if both the Chairman and Deputy Chairman are non-executives, requires at least one of them to be British.
Rolls Royce Holdings plc *£1 Special Rights Non-Voting Share*	• Created in 1987 (but subsequently amended and transferred to Rolls-Royce Holdings plc) • No time limit • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company • Requires a simple majority of the Board to be British • Allows either the Chairman or the Chief Executive to be either an EU or US citizen provided that the other is a British citizen • Provides for a veto over the material disposal of assets of the group • Provides for a veto for a proposed voluntary winding up.

18.5 Other investments and loans

	Royal Mail Holdings plc NLF Loans £'000	Royal Mail shareholder loan £'000	NW VCF HF LLP £'000	UKIPO loans £'000	Other Investments (Core) £'000	Core Department £'000	Other Investments (Agencies) £'000	Core Department and Agencies £'000	Other Investments (NDPBs) £'000	Departmental Group
Balance as at 1 April 2011	**1,100,000**	**376,801**	**-**	**999**	**2,000**	**1,479,800**	**-**	**1,479,800**	**22,486**	**1,502,286**
Transfers in	-	-	-	-	28,809	**28,809**	-	**28,809**	(28,809)	**-**
Reclassification	-	-	5,108	-	(15,695)	**(10,587)**	-	**(10,587)**	-	**(10,587)**
Additions	-	-	-	-	-	**-**	-	**-**	8,532	**8,532**
Redemptions	-	-	-	-	-	**-**	-	**-**	(1,826)	**(1,826)**
Interest capitalised	-	45,092	-	-	-	**45,092**	-	**45,092**	-	**45,092**
Impairments	-	-	(1,325)	-	-	**(1,325)**	-	**(1,325)**	(8,532)	**(9,857)**
Revaluation	-	-	-	-	-	**-**	-	**-**	8,149	**8,149**
Loans repayable within 12 months transferred to current assets	-	-	-	(166)	-	**(166)**	-	**(166)**	-	**(166)**
Balance as at 31 March 2012	**1,100,000**	**421,893**	**3,783**	**833**	**15,114**	**1,541,623**	**-**	**1,541,623**	**-**	**1,541,623**
Additions	-	-	-	-	-	**-**	-	**-**	-	**-**
Redemptions	(600,000)	-	-	-	(12,488)	**(612,488)**	-	**(612,488)**	-	**(612,488)**
Interest capitalised	-	50,627	-	-	-	**50,627**	-	**50,627**	-	**50,627**
Impairments	-	-	-	-	-	**-**	-	**-**	-	**-**
Revaluations	-	-	36	-	-	**36**	-	**36**	-	**36**
Loans repayable within 12 months transferred to current assets	-	-	-	(166)	-	**(166)**	-	**(166)**	-	**(166)**
Balance as at 31 March 2013	**500,000**	**472,520**	**3,819**	**667**	**2,626**	**979,632**	**-**	**979,632**	**-**	**979,632**

At 31 March 2013 other investments and loans are held by the Core Department.

Loans

In accordance with the IAS 39 loans are carried at amortised cost. Where the difference between amortised cost and historic cost is not material historic cost is considered to be a proxy for amortised cost. Further details on the Royal Mail Holdings plc's NLF loan facilities can be found in the Financial Overview in chapter 6 of the Annual Report and Accounts.

Royal Mail Loans

- Royal Mail Holdings plc NLF Loans

A £600 million NLF long-term interest rollover facility was made available to Royal Mail as part of the financing framework for Royal Mail, announced in 2007, to assist with transformation and modernisation. A £300 million NLF revolving loan facility was also made available as part of this framework. The outstanding balance for these facilities as at 31 March 2013 was nil. Both of these facilities mature in March 2014. The £600 million loan was fully repaid during 2012-13.

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

- Royal Mail shareholder loan

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

UKIPO loan

In 1992, the Core Department advanced two loans amounting to £4 million to the UKIPO, repayable over 26 years, in 52 instalments of principal amounting to £166,000 per annum. The balance as at 31 March 2013 due for repayment after more than one year was £667,000. The amounts falling due within one year (£166,000) are disclosed in Note 25.

Investments

Investment in NW VCLF HF LLP

The North West RDA transferred its 99.9% interest, in the North West Venture Capital Loan Fund (NW VCLF HF), a Limited Liability Partnership (LLP), to the Core Department in 2011. The minority interest was transferred to CfEL. NW VCLF HF LLP has loan and equity investments in small and medium sized businesses (SMEs) in the Northwest region. The fair value of £4 million as at 31 March 2013 is derived from its latest accounts.

Other Investments

- Investment in Directions Finningley (DF)

Yorkshire Forward transferred its 51% interest in Directions Finningley (DF), a Community Interest company, to the Core Department on 30 March 2012 for no consideration. The Department resigned its interest in DF on 14 February 2013. As a result the Core Department recorded a loss on disposal of £3.8 million.

- Investments in Business Links

The RDAs' interests in the remaining Business Links transferred to the Core Department on 30 March 2012. The Business Link service was closed in November 2011 and the solvent Member's Voluntary Liquidation has started. During 2012-13 the remaining £4.6 million invested in the West Midlands Business Link and £4 million of the £4.6 million invested in the North West Business Link was returned to the Core Department.

18.6 Partnership arrangements

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

19. Investments in Joint Ventures and Associates

	31 March 2013			Restated 31 March 2012		
	Core Department £'000	Core Department and Agencies £'000	Departmental Group £'000	Core Department £'000	Core Department and Agencies £'000	Departmental Group £'000
Balance at 1 April (restated)	**(11,446)**	**(11,446)**	**85,142**	**-**	**-**	**44,691**
Transfers in	-	-	-	(10,640)	(10,640)	-
Reclassifications	-	-	(9,733)	-	-	-
Additions	-	-	69,702	-	-	49,634
Disposals	-	-	-	-	-	(2,386)
Revaluations	(8,311)	(8,311)	(2,769)	(806)	(806)	(6,797)
Balance at 31 March	**(19,757)**	**(19,757)**	**142,342**	**(11,446)**	**(11,446)**	**85,142**

19.1 Investments in Joint Ventures

	Digital Region Ltd (DRL) £'000	Total Core Department £'000	Agencies £'000	Total Core & Agencies £'000	NDPBs and other designated bodies £'000	Total Departmental Group £'000
Balance at 1 April 2011 (restated)	**-**	**-**	**-**	**-**	**34,704**	**34,704**
Transfers in	(18,358)	**(18,358)**	-	**(18,358)**	18,358	**-**
Additions	-	**-**	-	**-**	49,634	**49,634**
Disposals	-	**-**	-	**-**	(1,140)	**(1,140)**
Revaluations	-	**-**	-	**-**	(5,506)	**(5,506)**
Balance at 31 March 2012 (restated)	**(18,358)**	**(18,358)**	**-**	**(18,358)**	**96,050**	**77,692**
Reclassifications	-	**-**	-	**-**	(9,733)	**(9,733)**
Additions	-	**-**	-	**-**	69,702	**69,702**
Disposals	-	**-**	-	**-**	-	**-**
Revaluations	(8,875)	**(8,875)**	-	**(8,875)**	5,445	**(3,430)**
Balance at 31 March 2013	**(27,233)**	**(27,233)**	**-**	**(27,233)**	**161,464**	**134,231**

The analysis below provides further details of the most significant joint ventures entered into by the Departmental Group:

Name of Undertaking	BIS participating body	Percentage Interest %	Share of Net Assets 31 March 2013 £'000	Share of Net Assets Restated 31 March 2012 £'000	Share of (Profit)/ Loss 2012-13 £'000	Share of (Profit)/ Loss 2011-12 £'000
Digital Region Limited	Core Department	50	(27,233)	(18,358)	(8,875)	(12,601)
Francis Crick Institute	MRC	47	115,419	55,118	-	-
MTIC Limited	MRC	25	1,125	750	-	-
ILL	STFC	33	30,857	25,411	-	-
Harwell Science Innovation Campus Public Sector Limited Partnership	UKAEA and STFC	50	1,054	2,467	(40)	123
Total Departmental Group joint ventures			**121,222**	**65,388**	**(8,915)**	**(12,478)**

The operating results, assets and liabilities of joint ventures are reflected in the Departmental Group's Financial Statements under the equity method of accounting in accordance with IAS 31. Under the equity method of accounting, an equity investment in an associate or joint venture is initially recorded at cost and is subsequently adjusted to reflect the investor's share of the net profit or loss of the joint venture or associate.

Digital Region Ltd (DRL)

Digital Region is a project providing South Yorkshire with improved broadband coverage in the UK. The project is being coordinated by Digital Region Limited, which was owned by Yorkshire Forward and the four local authorities that encompass South Yorkshire: Sheffield City Council, Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council and Rotherham Metropolitan Borough Council. Digital Region has built a 350 mile fibre optic network across the entire region. Yorkshire Forward's interest in DRL was transferred to the Core Department on 30 March 2012. There is uncertainty around the continuation of the project and the ability of DRL to meet its future obligations. DRL is currently undergoing a procurement exercise to identify a new supplier – this will reduce the cost base and make the business a viable venture going forward. The negative investment reflects the Department's share of the entity's liabilities.

Institut Laue Langevin (ILL)

STFC as the UK representative is one of three associate members and shareholders of the ILL alongside the French and German Foreign Ministries. STFC holds 50 shares in ILL (33%). The shares are not publicly traded and currently have no open market value. STFC's investment in ILL is carried at historic cost and has not subsequently been adjusted to reflect the investor's share of the net profit or loss of the associate in accordance with IAS 31. The ILL is a research centre located in France that makes use of subatomic particles to study the structure and behaviour of all kinds of materials in microscopic detail. STFC has a shareholding of 33%.

The Francis Crick Institute Limited (formerly UKCMRI Limited)

In 2010, MRC, Cancer Research UK, the Wellcome Trust, University College London (UCL), Kings College London and Imperial College of Science Technology and Medicine formed a consortium to set up a new joint research institute in Central London – the UK Centre for Medical Research and Innovation (UKCMRI) (from 4th July to be known as The Francis Crick Institute). The Institute is a charity limited by shares of which 47% of ordinary shares are held by MRC.

MTIC Limited

Imanova (MTIC Limited) was established in 2011 to drive research and innovation in imaging sciences. Imanova is a company limited by shares of which 25% of ordinary shares are held by MRC. The remaining shares are held by University College London (UCL), Kings College London and Imperial College of Science Technology and Medicine.

Harwell Science and Innovation Campus Public Sector Limited Partnership

The Harwell Science and Innovation Campus Limited Partnership (HSIC LP) was created in 2008 for the purpose of developing the Campus as a world-leading centre for science, technology and innovation. The partners in HSIC LP are Goodman, an international property group (via a special purpose vehicle) and Harwell Science and Innovation Campus Public Sector Partnership (PubSP), which was established in February 2008 to hold the public sector's interest in the HSIC joint venture.

STFC holds a nominal share (6.55%) in PubSP with the UK Atomic Energy Authority (93.45%) being the majority shareholder.

19.2 Investments in Associates

	Partnership Investment Fund £'000	South Yorkshire Investment Partnership £'000	Total Core Department £'000	Agencies £'000	Total Core and Agencies £'000	NDPBs £'000	Total Departmental Group £'000
Balance at 1 April 2011	**-**	**-**	**-**	**-**	**-**	**9,987**	**9,987**
Transfers in/(out)	1,208	6,510	**7,718**	-	**7,718**	(7,718)	**-**
Revaluations	(243)	(563)	**(806)**	-	**(806)**	(485)	**(1,291)**
Disposal	-	-	**-**	-	**-**	(1,246)	**(1,246)**
Balance at 31 March 2012	**965**	**5,947**	**6,912**	**-**	**6,912**	**538**	**7,450**
Revaluations	142	422	**564**	-	**564**	97	**661**
Disposal	-	-	**-**	-	**-**	-	**-**
Balance at 31 March 2013	**1,107**	**6,369**	**7,476**	**-**	**7,476**	**635**	**8,111**

The analysis below provides further details of the most significant associates recognised by the Departmental Group.

Name of Undertaking	BIS participating body	Percentage Interest %	Share of Net Assets 31 March 2013 £'000	Share of Net Assets Restated 31 March 2012 £'000	Share of (Profit)/ Loss 2012-13 £'000	Share of (Profit)/ Loss 2011-12 £'000
South Yorkshire Investment Fund Limited	Core Department	33	6,369	5,947	(422)	403
Partnership Investment Fund	Core Department	33	1,107	965	(142)	53
Total Departmental Group associates			**7,476**	**6,912**	**(564)**	**456**

The operating results, assets and liabilities of associates are reflected in the Departmental Group's financial statements under the equity method of accounting in accordance with IAS 28.

South Yorkshire Investment Fund Limited

The South Yorkshire Investment Fund Limited was set up to promote economic growth providing seed corn finance, loan and equity linked investments, ranging from £15,000 to £3 million. The European Regional Development Fund (ERDF) provided funding which allowed the Fund to support a wide range of sectors. The fund is due to close on 31 December 2013, when, in accordance with the company's constitution, its net assets are likely to be passed to another organisation in the region for further reinvestment in SMEs.

Partnership Investment Fund

The Partnership Investment Fund was established in 2004 to enable small and medium sized businesses (SMEs) and social enterprises in Yorkshire, the Humber and North Lincolnshire access to gap funding by way of equity or loan finance. The fund investments from UK and European Government agencies as well as investments from YFM group. Follow on funding was provided by Yorkshire Forward at the beginning of 2009. The fund is due to close on 31 March 2014, when, in accordance with the company's constitution, its net assets are likely to be passed to another organisation in the region for further reinvestment in SMEs. The legal and balance sheet implications are unclear at this stage.

Other investments in associates where the share of net assets or liabilities and profit / loss is nil are: JISC Advance (HEFCE), JISC Collections (HEFCE), North West Business Finance Limited (Core Department) and Roslin Biocentre (BBSRC).

20. Other financial assets

				31 March 2013 £'000			31 March 2012 £'000
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April		**30,052,375**	**30,052,375**	**30,530,919**	**26,984,671**	**26,984,671**	**27,599,101**
Transfer in of Pirbright		-	-	89	-	-	-
Restated balance at 1 April		**30,052,375**	**30,052,375**	**30,531,008**	**26,984,671**	**26,984,671**	**27,599,101**
Transfers in		-	-	25,962,326	47,951	47,951	-
Reclassifications		-	-	9,733	10,928	10,928	10,928
Additions		7,320,705	7,320,705	8,329,859	6,088,716	6,088,716	6,451,440
Amortisation of issued loans		(1,538,845)	(1,538,845)	(1,538,845)	(2,254,616)	(2,254,616)	(2,254,616)
Disposals		-	-	-	-	-	-
Repayments		(1,806,073)	(1,806,073)	(25,681,170)	(1,652,200)	(1,652,200)	(2,079,359)
Capitalised interest		664,252	664,252	664,252	565,655	565,655	565,655
Effective interest		364,487	364,487	364,487	1,401,494	1,401,494	1,401,494
Revaluations		167,062	167,062	107,160	67,608	67,608	84,663
Impairments		(10,599)	(10,599)	(13,245)	(19,735)	(19,735)	(31,057)
Impairment reversals		2,007	2,007	2,007	-	-	-
Write offs	35	(27,502)	(27,502)	(27,502)	(24,812)	(24,812)	(24,812)
Other losses		(197)	(197)	(197)	(1,363)	(1,363)	(1,363)
Movement in Policy write-off impairment		(2,352,946)	(2,352,946)	(2,352,946)	(1,161,881)	(1,161,881)	(1,161,881)
Loans provided for in the year		(6,353)	(6,353)	(6,531)	-	-	(29,233)
Other		-	-	-	(41)	(41)	(41)
Balance at 31 March		**32,828,373**	**32,828,373**	**36,350,396**	**30,052,375**	**30,052,375**	**30,530,919**

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

	31 March 2013 £'000			31 March 2012 £'000			1 April 2011 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Due within twelve months	1,806,000	1,806,000	2,472,346	1,713,000	1,713,000	1,844,933	1,700,000	1,700,000	1,845,830
Due after twelve months	31,022,373	31,022,373	33,878,050	28,339,375	28,339,375	28,685,986	25,284,671	25,284,671	25,753,271
Total	**32,828,373**	**32,828,373**	**36,350,396**	**30,052,375**	**30,052,375**	**30,530,919**	**26,984,671**	**26,984,671**	**27,599,101**

20.1 Student Loans

	31 March 2013 £'000			(Restated) 31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**28,068,877**	**28,068,877**	**28,068,877**	**24,953,970**	**24,953,970**	**24,953,970**
Additions	7,148,770	7,148,770	7,148,770	5,968,409	5,968,409	5,968,409
Amortisation	(1,538,845)	(1,538,845)	(1,538,845)	(2,254,616)	(2,254,616)	(2,254,616)
Repayments	(1,569,638)	(1,569,638)	(1,569,638)	(1,311,433)	(1,311,433)	(1,311,433)
Capitalised interest	664,252	664,252	664,252	565,655	565,655	565,655
Effective interest	302,791	302,791	302,791	1,334,989	1,334,989	1,334,989
Write offs	(27,502)	(27,502)	(27,502)	(24,812)	(24,812)	(24,812)
Other losses	(197)	(197)	(197)	(1,363)	(1,363)	(1,363)
Movement in policy write-off impairment	(2,352,946)	(2,352,946)	(2,352,946)	(1,161,881)	(1,161,881)	(1,161,881)
Other	-	-	-	(41)	(41)	(41)
Total	**30,695,562**	**30,695,562**	**30,695,562**	**28,068,877**	**28,068,877**	**28,068,877**

Student loans are held by the Core Department.

Measurement and carrying values

In accordance with IAS 39, student loans are classified as Loans and Receivables and are carried in the Accounts at amortised cost. This involves the gross value of the loans issued being discounted to net present value using the effective interest rate. The effective interest rate for student loans is RPI plus 2.2%, which is the HM Treasury discount rate. HM Treasury has directed the Core Department to use this rate for student loans as this is the Government's long term cost of borrowing. Student loans are subsidised as in aggregate students are charged a rate of interest that does not cover the Government's cost of borrowing.

The net present value calculation also takes into account an estimate of the value of student loans issued which will not be repaid because of policy reasons ("policy write off impairment") due to death, disability or age of the student.

The Core 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 an estimate of irrecoverable amounts due to policy decisions.

Forecasting model

The value of new loans issued is calculated using 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 estimate 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 30 years or longer). Any changes to these assumptions could have an impact on the value of the loan book included in these Accounts. The model is long term in nature, but uses the latest Office for Budget Responsibility (OBR) short term and long-term forecasts for RPI, base rates and average earnings growth to model borrower earnings growth, loan interest, discounting and uplifting the repayment threshold.

The modelling is highly complex and involves forecasting repayment cash flows over 30 years into the future for over 3.8 million borrowers. The cash flows are dependent on the incomes of individual borrowers over their repayment periods and many other factors such as voluntary repayment behaviour. Income distributions for graduates and projections of earnings growth provide us with a basis for simulating these future borrower incomes but they remain uncertain. Recent economic conditions also increase the level of uncertainty. The potential for modelling outputs to vary from the actual cash flows in either the short or long-term is significant.

The assumptions used are formally reviewed by the Core Department each year and the amounts provided reflect the Core Department's estimate as at 31 March 2013.

Assurance over the carrying value

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

Changes in assumptions and modelling

During 2012-13 changes in assumptions and modelling led to the following revisions to the carrying value for student loans:

- An increase of £39 million in the value of income contingent loans due to the need to reflect the latest data for RPI and annual earnings growth published by the Office for National Statistics (ONS) at www.ons.gov.uk.
- A £68 million decrease in the value of income contingent loans, as a result of making improvements to the modelling, including an adjustment with respect to the timing of the recognition of repayments.
- A downward adjustment of £1,202 million in the value of income contingent loans to reflect the revised short term forecasts for base rates, RPI and earnings published in the OBR's Economic and Fiscal Outlook in December 2012 and March 2013.
- A reduction of £49 million in the value of mortgage style loans, to reflect the latest estimate of the net present value of expected repayments, as generated by the model.
- A reduction of £467 million in the value of income contingent and mortgage style loans, to reflect the Department's decision to change the date at which RPI data would be used for unwinding the discounted cash flows (effective interest) so that the RPI data used in the

accounts is consistent with that used in the student loan repayment model. This can be seen in the reduction in the effective interest for 2012-13.

Policy write off impairment

The student loan policy write-off impairment provision reflects the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or other causes. Each year the Core Department estimates the future cost of policy write offs based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the SLC.

Policy write off impairment value

	£'000
Balance at 1 April 2011	**(3,074,763)**
Increase in the year (restated)	(1,186,693)
Interest added/unwinding	(162,962)
Loans written off in the year	24,812
Movement in the year (restated)	**(1,324,843)**
Balance at 31 March 2012 (restated)	**(4,399,606)**
Increase in the year	(2,380,448)
Interest added/unwinding	(139,907)
Loans written off in the year	27,502
Movement in the year	**(2,492,853)**
Balance at 31 March 2013	**(6,892,459)**

The movement in policy write-off impairment for 2012-13 of £2,353 million (2011-12 restated: £1,162 million) in Note 20.1 comprises the increase in the year, arising from new loans and impairments to the stock of loans, less loans written off in the year. The interest added/unwinding is included in effective interest in Note 20.1. Impairments to the stock of loans to reflect changes in assumptions and modelling and a re-alignment to the student loan repayment model led to a significant movement in year of £1,103 million. The estimates underpinning these impairments are based on the student loan repayment model as at 31 March 2013.

Risk

Credit Risk

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

The Core 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 Core Department, the SLC who administer the loan books, and HMRC. This sets out the responsibilities of all the parties and contains performance targets and indicators, which are revised annually. The Accounting Officers of HMRC and the SLC report quarterly to the Core Department's Accounting Officer on progress towards the agreed targets and performance indicators.

Categories of student loan

There are three types of student loan currently in existence. They are Mortgage Style loans issued under the Education (Student Loans) Act 1990; income contingent loans issued under Section 22 of the Teaching and Higher Education Act 1998; and income contingent loans issued under Section 22 of the Teaching and Higher Education Act 1998 (as amended by the Education Act 2011), following the Government's Higher Education (HE) reforms.

Mortgage Style Loans issued under the Education (Student Loans Act) 1990

These loans were first issued in academic year 1990/91 and replaced by income contingent loans for new students from academic year 1998/99. There is no current lending. They are repayable directly to the SLC on fixed instalments normally over five years once the borrower's income exceeds the repayment threshold. Repayments can be deferred if the borrower's income falls below the repayment threshold (currently £27,813 per annum). Further details are provided at http://www.studentloanrepayment.co.uk. Interest is repayable at the rate of RPI, therefore the interest subsidy on these loans is the difference between the Government's cost of borrowing and RPI. The face value (i.e. the value of loans issued, plus capitalised interest, less repayments and write offs) of the mortgage style loan book at 31 March 2013 was £734 million (31 March 2012 restated: £756 million).

Mortgage style loans debt recovery and arrears

Borrowers who earn less than the repayment threshold are eligible to apply to the SLC for deferment of repayments for one year at a time. The application must be supported by evidence of the borrower's income. The main risks around repayments are from borrowers who do not apply for deferment of repayments, who apply late or who fail to maintain contact with the SLC. If repayments due are not made and deferment has not been granted, the borrower falls into arrears. The value of payments in arrears as at 31 March 2013 was £207 million (31 March 2012 restated: £203 million). During 2012-13, £40 million was repaid (2011-12: £54 million), including £16 million of repayments of arrears (2011-12 restated: £21 million).

Income contingent loans issued under Section 22 of the Teaching and Higher Education Act 1998 (Pre HE Reform Loans)

Pre HE Reform income contingent loans were issued to new students from academic year 1998/99 and replaced by Post HE Reform income contingent loans for new students from academic year 2012/13. There is current lending to students who started their courses prior to academic year 2012/13. UK residents repay through the tax system, via the Pay As You Earn or Self Assessment processes. Repayments are 9% of income above the repayment threshold (currently £16,365). Those who move overseas repay directly to the SLC. Interest is charged at RPI, or Bank of England base rate plus 1%, whichever is lower. The value of loans issued in the financial year was £5,074 million. The face value (i.e. the value of loans issued, plus capitalised interest, less repayments and write offs) of the pre HE Reform income contingent loan book at 31 March 2013 was £42,900 million (31 March 2012 restated: £38,773 million).

From 2012-13, the impact of the base rate cap on these loans is included within amortisation, as the existence of the base rate cap in effect reduces the amount of interest received and increases the level of subsidy provided by the Government. If the base rate cap was not in operation with effect from 1 April 2012, the value of the student loan book would increase by £1,600 million.

Key assumptions used to calculate the student loan balance at 31 March 2013 for pre HE Reform Loans

The key assumptions that impact on the value of the loan book for pre HE Reform loans are the discount rate used and assumptions made about graduate earnings, graduate income distribution and the base rate cap. The key assumptions used in the student loan repayment model to estimate future cash flows are set out in the table below, with an indication of their sensitivity to change.

	Assumption used	Sensitivity to change
Discount rate	HM Treasury long term discount rate of 2.2% plus RPI, representing the Government's cost of capital	If the discount rate applied was greater than 2.2% the fair value of the student loans on issue would be lower than the values calculated on the basis applied here. An increase in the discount rate to 2.3% would lead to a reduction in the value of the loan book of approximately £200 million. The relationship between the discount rate and the carrying value of the loan book is not linear, and further increases in the discount rate would have smaller additional impacts.
Graduate earnings	The Student Loan Repayment model assumes short-term average nominal earnings growth will be in line with OBR forecasts until 2018-19. Future earnings growth is then assumed to be 4.40% from 2023-24, as this is the long-term forecast, with a linear change from the 2018-19 value each year up to 2023-24.	If real earnings growth was 0.5 percentage points lower than assumed in every year, this would lead to a reduction in the value of the loan book of approximately £500 million. The relationship between the earnings growth and the carrying value of the loan book is not linear and further decreases in long-term earnings growth would have greater additional impacts.
Graduate Income Distribution	The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical Labour Force Survey data.	If these income profiles were 5% lower than previously assumed in every year, this would lead to a reduction in the value of the loan book of approximately £500 million. The relationship between the level of earnings and the carrying value of the loan book is not linear and further decreases in long-term earnings would have greater additional impacts.
Base rates	The model assumes that Bank of England base rates will be in line with OBR forecasts up to 2018-19. The base rate cap is therefore currently assumed to continue to apply until 2019.	If base rates were 0.5 percentage points lower than forecast for each year this would lead to a reduction in the value of the loan book of approximately £500 million. The relationship between the base rate assumptions and the carrying value of the book is not linear and the impact of any changes also depends on the relative difference between the base rates and RPI.

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. Many of the assumptions are independent of each other and could change at the same time.

Interest Rate Risk

Pre HE Reform loans are repayable at the same interest rate as RPI as at March each year, with the proviso that the interest rate can never be more than 1% above the Bank of England base rate. The amount of student loan interest repayable is therefore subject to fluctuations in base rates and RPI. This can lead to a risk in forecasting the amount of interest payable. Furthermore, if the UK continues to experience base rates that are lower than RPI by more or for longer than is currently forecast, the future cash flows will be impaired as the modelling assumes that interest is added in line with the current forecasts.

Income Contingent Loans issued under Section 22 of the Teaching and Higher Education Act 1998, amended by the Education Act 2011 – Post HE Reform Loans

A new loan scheme started in the current year, known as post HE Reform loans. This scheme is for loans issued to new students from academic year 2012/13. Students already in higher education remain on the previous scheme. UK residents repay through the tax system, via the Pay As You Earn or Self Assessment processes. Repayments are 9% of income above the repayment threshold (£21,000 from April 2016). Those who move overseas repay directly to the SLC. Interest is charged at RPI plus 3% while the borrower is in study, until the April after leaving university. Then interest is charged based on a borrower's income level, with RPI charged for income below £21,000, rising to RPI plus 3% for income over £41,000. The value of loans issued in the financial year was £2,074 million. The face value (i.e. the value of loans issued, plus capitalised interest, less repayments, losses and write offs) of the post HE Reform income contingent loan book at 31 March 2013 was £2,111 million (31 March 2012: nil).

Key assumptions used to calculate the student loan balance at 31 March 2013 for Post HE Reform Loans

The key assumptions that impact on the value of the loan book for post HE Reform Loans are the discount rate used and assumptions made about graduate earnings and graduate income distribution. The key assumptions used in the student loan repayment model to estimate future cash flows are set out in the table below, with an indication of their sensitivity to change. The financial impact cannot be shown until a stock of HE loans is available.

	Assumption used	**Sensitivity to change**
Discount rate	HM Treasury long term discount rate of 2.2% plus RPI, representing the Government's cost of capital.	If the discount rate applied was greater than 2.2%, the fair value of the loans on issue would be lower than the values calculated on the basis applied here. An increase in the discount rate to 2.3% would lead to a reduction in the value of loans issued of approximately 1 percentage point. The relationship between the discount rate and the value of loans issued is not linear, and further increases in the discount rate would have smaller additional impacts.
Graduate earnings	The Student Loan Repayment model assumes short-term average nominal earnings growth will be in line with OBR forecasts until 2018-19. Future earnings growth is then assumed to be 4.40% from 2023-24, as this is the long-term forecast, with a linear change from the 2018-19 value each year up to 2023-24.	If real earnings growth was 0.5 percentage points lower than assumed in every year, this would lead to a reduction in the value of loans issued of approximately 3 percentage points. The relationship between the earnings growth and the value of loans issued is not linear and further decreases in long-term earnings growth would have greater additional impacts.
Graduate Income Distribution	The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical Labour Force Survey data.	If these income profiles were 5% lower than previously assumed in every year, this would lead to a reduction in the value of loans issued of approximately 3 percentage points. The relationship between the level of earnings and the value of loans issued is not linear and further decreases in long-term earnings would have greater additional impacts.

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.

Face value of Student Loans

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

	£'000	£'000
Opening face value of loan book as at 1 April 2012	**39,529,512**	
less:		
Opening value of interest subsidy	(7,061,029)	
Opening value of write off provision	(4,399,606)	
Opening carrying value of loan book		28,068,877
New loans issued	7,148,770	
less: Amortisation	(1,538,845)	
less: Movement in policy write-offs	(2,352,946)	
Fair value of new loans issued		3,256,979
Capitalised and effective interest		967,043
Write-offs		(27,502)
Other losses		(197)
Repayments		(1,569,638)
Carrying value of loan book as at 31 March 2013		**30,695,562**
Add back:		
Closing value of write off provision	6,892,459	
Closing value of interest subsidy	8,157,176	
		15,049,635
Face value of loan book as at 31 March 2013		**45,745,197**

Potential Sale of Student Loans

The Government is continuing to assess how best to manage its holding of current and future loans, including the potential to realise value for the taxpayer from a sale of its portfolio. The Department launched a sale process on 26 March 2013 for the remaining mortgage style loans. The Department will be assessing all potential buyers against a strict set of criteria and a sale will only proceed if value-for-money for the taxpayer and borrower protections consistent with the law are assured.

These Accounts present the student loans portfolio valued on the basis that they will continue to be held by the Core Department until such time as a decision to sell the assets has been made. The valuation basis reflects the requirements of IAS 39 to hold the loans at amortised cost. Should sales take place in 2013-14 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

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**1,762,744**	**1,762,744**	**1,762,744**	**1,900,154**	**1,900,154**	**1,900,154**
Additions	62,006	62,006	62,006	71,342	71,342	71,342
Disposals	-	-	-	-	-	-
Repayments	(212,375)	(212,375)	(212,375)	(328,983)	(328,983)	(328,983)
Effective interest	61,696	61,696	61,696	66,505	66,505	66,505
Revaluations	152,111	152,111	152,111	53,726	53,726	53,726
Impairments	-	-	-	-	-	-
Balance at 31 March	**1,826,182**	**1,826,182**	**1,826,182**	**1,762,744**	**1,762,744**	**1,762,744**

Launch Investments are held by the Core Department.

The Core Department has determined that repayable launch investments are to be classified as 'available for sale financial assets' and measured at fair value, in accordance with IAS 39.

The Core Department, under the 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 delivered. The portfolio of existing investments is valued twice annually and the valuations are based on forecast annual income, arising under each contract.

Measurement and carrying values

Repayable launch investment contracts are initially recognised at fair value which is the transaction price. This is in accordance with IAS 39 which explains that the best estimate of fair value at initial recognition of a financial instrument that is not quoted in an active market, is not evidenced by or based on other observable market transactions, is the transaction price. After initial recognition, the value is the discounted forecast value of future income streams, excluding accrued income which is included in receivables when products are delivered. The value of future income streams is predominantly driven by the Core Department's view of the applicable programme's performance in the global market over the period of the contract's life.

The Core Department uses an econometric model to forecast global air traffic growth to estimate the overall long-term demand for aircraft and then an aircraft supply model which provides a forecast of deliveries for individual aircraft types. The model uses drivers such as airline fleet evolution over time and economic growth. The key input data sources are ICAO (International Civil Aviation Organisation), IATA (International Air Transport Association), A4A (Airlines 4 America), AEA (Association of European Airlines), APAA (Asia Pacific Airlines Association), IMF (International Monetary Fund) GDP forecasts and Ascend Online Fleets. The market forecast outputs are benchmarked with external sources to ensure fitness for purpose, using publicly available forecasts, subscription services and through discussions with experts in the industry. The market forecast model's ultimate outputs (aircraft deliveries) are included in the income forecast valuation where appropriate according to the nature of individual contracts.

Other valuation variables include inflation measures – or proxies (such as RPI, RPIX, gilt rates and GDP deflators). Some contracts entitle the Core Department to a share of aircraft or engine spare part and support income, and the valuation of these contracts is based on analysis of past income streams and forecasts of future demand. The forecast income streams are adjusted by inflation (1.7%) 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 the interaction of key drivers such as deliveries and economic variable; the Core Department uses Monte Carlo simulation to simulate this. The Core Department considers that the carrying value is a reasonable approximation of the fair value of launch investments.

Where the valuation exceeds historical cost, increases in value are taken to the revaluation reserve and are released to Consolidated Statement of Comprehensive Net Expenditure, as investments are realised. Any permanent diminution in value is charged to the Consolidated Statement of Comprehensive Net Expenditure. Fluctuations in fair value are adjusted through the revaluation reserve. The balance on the Revaluation Reserve pertaining to launch investments was £182 million at 31 March 2013 (31 March 2012: £139 million).

The carrying value of the investments at 31 March 2013 was £1,826 million (31 March 2012: £1,763 million). The historic cost valuation of the portfolio at 31 March 2013 was £953 million (31 March 2012: £995 million).

Sensitivity analysis

The Core Department has developed a Monte-Carlo based approach which uses the software package @Risk to assess the impact of uncertainty on forecast income and overall contract values and enhance the robustness of our valuation process of the contracts. Uncertainties are addressed by constructing different scenarios for the key drivers and then assigning probabilities to these scenarios. In this way we can implement a Monte-Carlo simulation of the contracts. The key variables can include: programme delays, production levels, market shares, entry into service and out of service dates and economic variables.

The contracts are highly complex and generally distinct from each other in their terms and structure, yet there are cases of significant interdependencies between contracts and correlations between variables.

The model is iterated ten thousand times to produce distributions of income for each contract and thus the overall portfolio. Each iteration of the model produces an income forecast. These are collated and used to form an income distribution. It is from this distribution that the value of the portfolio (above) is calculated. The distribution is also used to derive a confidence interval. This interval allows an assessment of the potential volatility around the portfolio's valuation. The Core Department has selected to use a 90% confidence interval (CI); this captures 90% of all the iterations outputted from the model. Thus, there is a 90% probability that the mean falls within this range. The lower and upper confidence limits which define this CI were £1,684 million and £1,944 million respectively, at 31 March 2013 (2011-12: £1,580 million and £1,929 million).

Risk

Market Risk
This constitutes the largest area of potential risk in the portfolio as the primary method of the calculation of income streams is based on the forecasts of aircraft or engine demand. The Core Department uses internal analysis, company information and third party information to forecast deliveries and ultimately future income on each investment over the life of the investment period. Deliveries in the short term are driven by variables which include manufacturer production plans, market cycles, customer demand and availability of financing. Medium and longer-term deliveries will be affected by overall market growth and the market attractiveness of an aircraft programme. A negative shift in outlook may result in the Core Department not being able to recover its investment in whole or in part, although once deliveries have commenced some level of income is usually due to the Core Department. The Core Department aims to minimise risk of under-recovery of investments by carrying out a full evaluation of each business case submitted for launch investment support and by monitoring programmes for the substantive life of the contracts to allow it to assess exposure to risks (such as project risk, market risk and technical risk).

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

Foreign Exchange Risk
The aerospace sector is US Dollar denominated and the Core Department has a number of older contracts of relatively low value which it ultimately receives in pounds sterling but are initially based in US Dollars. Therefore exchange rate risk exists but is minimal in the context of the overall portfolio.

Credit Risk
Company failure could result in the Core Department's investment not being recovered in whole or in part. The Core Department seeks to offset this low probability risk by analysing the financial health of any applicant at the time of application for launch investment and reviewing financial health as part of the programme monitoring activity. In addition, contracts aim to contain provisions which will (as a minimum) not disadvantage the Core Department compared to other creditors in the event of a corporate failure. The Core Department takes steps to monitor the payments that become due to companies under launch investment contracts to ensure they comply with the terms of the contracts. Finally, the contracts also require the company's auditors to confirm that all payments have been made correctly and to identify any errors made.

Other Risk

The Core Department's investments are exposed to wider risks such as economic downturns or market shocks from natural or non-natural events. These risks may adversely impact the value and timing of the income received by the Core Department. The Core Department seeks to manage this risk by actively monitoring such events when they arise to assess any potential impact.

20.3 Venture Capital Funds and Venture Capital Loan Funds

	Regional Venture Capital Funds £'000	Early Growth Fund £'000	Community Development Venture Funds £'000	Enterprise Capital Funds £'000	Aspire Fund £'000	Capital for Enterprise Fund £'000	UKIIF £'000	Total Venture Capital Funds £'000	Venture Capital Loan Funds £'000	Total £'000
Balance at 1 April 2011	**8,977**	**12,363**	**12,398**	**61,377**	**2,715**	**27,980**	**4,737**	**130,547**	**61,181**	**191,728**
Reclassifications	-	-	-	-	-	-	-	-	(13,506)	**(13,506)**
Additions	-	35	345	31,037	483	3,058	9,007	43,965	1,727	**45,692**
Redemptions	-	-	(212)	(6,884)	-	(4,688)	-	(11,784)	(3,983)	**(15,767)**
Revaluations	(2,772)	(2,776)	823	10,180	(505)	7,646	(1,084)	11,512	4,687	**16,199**
Impairments	(2,798)	(39)	-	(3,967)	-	(10,423)	(1,088)	(18,315)	(6,409)	**(24,724)**
Balance at 31 March 2012	**3,407**	**9,583**	**13,354**	**91,743**	**2,693**	**23,573**	**11,572**	**155,925**	**43,697**	**199,622**
Additions	-	21	384	29,278	286	1,818	15,042	46,829	1,750	**48,579**
Redemptions	-	-	(3,365)	(11,178)	-	(2,756)	-	(17,299)	(6,444)	**(23,743)**
Revaluations	(1,739)	288	(3,042)	16,903	997	825	(621)	13,611	301	**13,912**
Impairments	(659)	(341)	(249)	(3,892)	-	(2,394)	(1,166)	(8,701)	(1,728)	**(10,429)**
Impairment reversals	-	-	-	-	-	-	-	-	500	**500**
Balance at 31 March 2013	**1,009**	**9,551**	**7,082**	**122,854**	**3,976**	**21,066**	**24,827**	**190,365**	**38,076**	**228,441**

Venture Capital Funds

Venture Capital Funds are held by the Core Department.

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

Venture Capital Fund investments support private sector led venture capital to stimulate private investment into early stage small and medium sized enterprise (SME) businesses as follows:

Regional Venture Capital Funds (RVCF)

RVCFs were established in 2001-02 as an England-wide programme to provide risk capital in amounts up to £500,000 to SMEs that demonstrate growth potential. The objective was to have at least one viable commercial fund in each of the nine English regions, to increase the amount of equity gap venture capital available to SMEs, and increase the quality and number of fund managers operating in this market segment. In the event of erosion in the fund's capital base the Core 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 market segment.

All nine funds have completed their investment periods 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 Core Department's interest in these funds at 31 March 2013 is £1 million (31 March 2012: £3 million).

Early Growth Funds (EGF)

This programme was established in 2002-03 to stimulate the provision of small amounts of risk capital (below the RVCF limits) and to test new investment models. Six of the EGFs operate as co-investment funds; one is a mezzanine debt fund. EGFs are no longer making new investments, but follow on investments will be made. The value of the Core Department's interest in the funds as at 31 March 2013 is £10 million (31 March 2012: £10 million).

Community Development Venture Funds (CDVF)

The CDVF, launched in 2002-03, is a £40 million venture capital fund designed to widen and deepen the provisions of venture capital finance and entrepreneurial support to viable 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 matched funding. The funds invested can range from £100,000 to £2 million. The initial investment period ended in May 2009. The Fund has recently been reviewed and extended for a further two years to September 2014 in order to maximise the returns to investors. The value of the Core Department's interest in the funds as at 31 March 2013 is £7 million (31 March 2012: £13 million).

Enterprise Capital Funds (ECF)

ECFs, first launched in 2006, were established to address a market weakness in the provision of equity finance to SMEs. Government funding is used alongside private sector funds to create funds that operate within the equity gap, targeting investments up to £2 million that have the potential to provide a commercial return. The Core Department has made a commitment to allocate £200 million to the ECF programme in the four year period until 31 March 2015. There are currently 12 ECFs. The value of the Core Department's interest in the funds at 31 March 2013 is £123 million (31 March 2012: £92 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 £2 million (as a total investment round) to women-led SMEs. The Government investment will at least be matched by the private sector. £12.5 million has been made available by the Government. The value of the Core Department's investments at 31 March 2013 is £4 million (31 March 2012: £3 million).

Capital for Enterprise Fund (CfEF)

The CfEF is a £75 million fund of funds to support viable business with equity or mezzanine investment aimed at releasing and sustaining growth. It became operational in April 2009 in response to the economic downturn. Of the £75 million total investment, the Government investment is £50 million. The fund provides equity and quasi equity of between £200,000 and £2 million where the business has exhausted its borrowing capacity with lenders. The value of the Core Department's investments as at 31 March 2013 is £21 million (31 March 2012: £24 million).

UK Innovation Investment Fund

The UK Innovation Investment Fund (UKIIF) was announced in June 2009 to drive economic growth and create highly-skilled jobs by enabling investment in growing small businesses start-ups and spin-outs in key technology areas such as life sciences, clean technology and low carbon, digital technologies and advanced manufacturing. UKIIF became fully operational in February 2010. The funds are managed by two private sector fund managers - Hermes GPE and the European Investment Fund. The two funds raised £180 million of private investment, leading to a combined total of £330 million to invest, including the Government's £150 million cornerstone investment, which is being invested on the same terms as the private investors. The value of the Core Department's investments as at 31 March 2013 is £25 million (31 March 2012: £12 million).

Venture Capital Loan Funds (VCLFs)

Venture Capital Loan Funds are held by the Core Department.

These limited partnerships were set up by the former Regional Development Agencies (RDAs) to provide funding in the form of loans and equity to small and medium sized businesses (SMEs) to stimulate sustainable economic growth across the regions. They were transferred to the Core Department during 2011-12. The Funds comprise

- the North West Venture Capital Loan Funds, which are limited partnerships providing funding to small businesses in the North West region. After recovery of the loan investment, the Core Department is entitled to a return on investments equivalent to its interest in the fund. The value of the Department's investments as at 31 March 2013 is £20 million (31 March 2012: £19 million).
- the West Midland Venture Capital Loan Funds. The value of the Department's investments as at 31 March 2013 is £18 million (31 March 2012: £25 million).

Measurement and carrying amounts

The Venture Capital Funds and Venture Capital Loan Funds are initially recognised at fair value, which is the transaction price. This is in accordance with IAS 39 which explains that the best estimate of fair value at initial recognition of a financial instrument that is not quoted in an active market, is not evidenced by or based on other observable market transactions, is the transaction price. After initial recognition the carrying value is based upon the valuations prepared by the fund managers. They are taken from the most recent set of annual Accounts for each of the funds and, where available, updated with interim fund manager valuations. All Venture Capital Funds are valued in accordance with the International Private Equity and Venture Capital Guidelines.

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

During the reporting period £10 million of venture capital funds and venture capital loan funds had been impaired (2011-12: £25 million).

Movements in fair value are adjusted though the revaluation reserve. The balance on the revaluation reserve pertaining to Venture Capital Funds and venture capital loan funds was £37 million as at 31 March 2013 (31 March 2012: £24 million).

Risks

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

20.4 Other loans and investments

	Gilts £'000	Term Deposits £'000	Private Sector Loans £'000	Bonds £'000	Property related holdings £'000	Equities (listed securities) £'000	Private equities £'000	Investment funds £'000	Other investments £'000	Total £'000
Balance at 1 April 2011	**190,852**	**110,272**	**79,764**	**30,355**	**4,227**	**109,204**	**450**	**21,551**	**6,574**	**553,249**
Transfers in/(out)	-	-	28,320	-	-	-	-	-	(28,320)	**-**
Reclassifications	-	-	(135)	-	-	-	-	-	24,569	**24,434**
Additions	450	295,088	29,605	12,164	-	884	21,971	1,629	4,206	**365,997**
Redemptions	(74,445)	(316,056)	(25,925)	(5,758)	-	-	(25)	-	(967)	**(423,176)**
Revaluations	15,348	-	(1,387)	(8)	28	(2,174)	378	902	1,651	**14,738**
Impairments	(3,490)	-	(329)	(482)	-	-	-	(1,628)	(404)	**(6,333)**
Loans provided for in year	-	-	(29,233)	-	-	-	-	-	-	**(29,233)**
Balance at 31 March 2012	**128,715**	**89,304**	**80,680**	**36,271**	**4,255**	**107,914**	**22,774**	**22,454**	**7,309**	**499,676**
Transfer in of Pirbright	-	-	-	-	-	-	89	-	-	**89**
Restated balance at 1 April 2012	**128,715**	**89,304**	**80,680**	**36,271**	**4,255**	**107,914**	**22,863**	**22,454**	**7,309**	**499,765**
Transfers in/(out)	11,191,125	-	-	5,427,497	518,491	2,011,964	855,029	5,958,220	-	**25,962,326**
Reclassifications	7,265	-	-	(7,265)	-	-	-	-	9,733	**9,733**
Additions	65,556	384,048	82,874	63,273	10,133	106,449	86,497	205,160	66,514	**1,070,504**
Redemptions	(11,249,152)	(368,286)	(14,318)	(4,571,899)	(65,752)	(1,987,313)	(153,402)	(5,464,000)	(1,292)	**(23,875,414)**
Revaluations	(5,298)	-	(227)	109,249	(25)	30,997	21,685	(215,483)	239	**(58,863)**
Impairments	(1,585)	-	(100)	-	-	-	(300)	(170)	(661)	**(2,816)**
Impairment reversals	-	-	-	-	-	-	-	1,507	-	**1,507**
Loans provided for in year	-	-	(6,531)	-	-	-	-	-	-	**(6,531)**
Balance at 31 March 2013	**136,626**	**105,066**	**142,378**	**1,057,126**	**467,102**	**270,011**	**832,372**	**507,688**	**81,842**	**3,600,211**
Of the total:										
Core Department	-	-	9,283	-	-	51,000	-	17,155	750	**78,188**
Agencies	-	-	-	-	-	-	-	-	-	**-**
NDPBs and other designated bodies	136,626	105,066	133,095	1,057,126	467,102	219,011	832,372	490,533	81,092	**3,522,023**
Balance at 31 March 2013	**136,626**	**105,066**	**142,378**	**1,057,126**	**467,102**	**270,011**	**832,372**	**507,688**	**81,842**	**3,600,211**

Core Department

Private sector loans

The most significant private sector loan is a £22 million loan facility, provided by the Secretary of State, on 21 July 2011 to a commercial company to support the financing of their development costs. The loan will be drawn down over a four year period up until 31 March 2015 and is due to be repaid by 31 March 2020. Interest is charged at a margin above LIBOR, and the loan is secured by a financial guarantee. The commercial company loan has a carrying value of £8 million as at 31 March 2013 (31 March 2012: £5 million).

Risks

Company failure by the borrower would result in the Core Department not being able to recover the full value of the loan. The Core Department has mitigated this by taking security via a guarantee. The interest margin above Libor is also linked to the guarantor's long-term credit rating as assessed by professional rating agencies.

Equities (listed securities)

The Core Department holds 50 million shares with a par value of £0.01, for which a market value of £1 per share was paid, in Greencoat UK Wind Plc, which invests into both onshore and offshore wind assets.

The Core Department made a £50 million cornerstone investment, under the authority of the Industrial Development Act, when the Company's shares were floated on the London Stock Exchange on 27 March 2013. At 31 March 2013 the fair value had increased to £51 million.

Risks

The Core Department is exposed to market risk as the investment may not perform as expected. As a result the investment may not be fully recovered. A 5% change in price would lead to a £2.6 million change in value.

Other Investment Funds

The most significant other investments comprise:

- Finance Yorkshire: Yorkshire Forward transferred its 10% interest in Finance Yorkshire to the Core Department in 2012. The fund supports business growth by providing access to finance for companies across the region. The fair value of the Core Department's investment as at 31 March 2013 was £5 million (31 March 2012: £5 million).
- East Midlands Transitional Loan Fund: The East Midlands Development Agency (EMDA) transferred this fund to the Core Department in 2011. The fund was set up to support businesses through the economic downturn, offering loans on commercial terms. The fair value of the investment at 31 March 2013 was £4 million (31 March 2012: £3 million)
- East Midland Early Growth Fund Loan: EMDA transferred its interest in this fund to the Core Department in 2011. The fund was established by EMDA to provide financial support to start up companies. The fair value of the investment at 31 March 2013 was £3 million (31 March 2012: £3 million)
- Advantage Transition Bridge Fund (ATBF): In 2011 Advantage West Midlands transferred its interest in this fund to the Core Department. The fair value of this fund at 31 March 2013 was £5 million (31 March 2012: £5 million).

Risks
The Core Department is exposed to credit risk on Other Investment Funds because the entity receiving loans may not perform as expected and the Core Department may not recover the funds invested. The Core Department minimises the risk, by ensuring that the loan conditions are adhered to.

Other investments

Other investments comprise the Core Department's investment in a loan fund which was established under the Business Finance Partnership programme. The programme aims to ease the flow of credit to businesses in the UK by helping to diversify the sources of finance available to them. It is part of a larger programme of credit easing measures announced in the Autumn Statement 2011 to support SMEs that do not have ready access to capital markets. SMEs need access to a diverse range of finance options including non-bank lending.

A £100 million tranche of a total of £1.2 billion of Government funding is being deployed by Capital for Enterprise Limited on behalf of BIS. Credit Asset Management Limited (CAML) a subsidiary of City of London Group Plc, which provides specialist financing to the SME sector, will receive a £5 million allocation to provide onward asset finance and loans. At 31 March 2013 £750,000 of this £5 million had been invested.

Risks
The Core Department is exposed to credit risk as the recipient of the loan may default. The Core Department minimises the risk by using specialist fund managers.

NDPBs and other designated bodies

Gilts
The Nesta Trust, CITB and ECITB invest in Government gilts. They are classified as 'available for sale assets' in accordance with IAS 39.

Gilts with a value of £125 million were transferred from NESTA which was abolished on 31 March 2012, to Nesta Trust on 1 April 2012.

Under the provision of the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "Assets Transfer Order"), which received Royal Assent on 13 June 2011, gilts with a value of £11.2 billion transferred into the BIS (Postal Services Act 2011) Company Limited. The gilts had maturity dates ranging from 2013 to 2062. In November 2012 the gilts were transferred to the Debt Management Account, within the Debt Management Office, for nil consideration and sold to the National Loans Fund (for cancellation) at market value as required by the National Loans Act 1968. The gilts had a market value of £11.0 billion including accrued income of £36 million at the date of cancellation. Prior to the cancellation, the Company recognised a fair value impairment of £172 million.

The value of the Departmental Group's investments in gilts at 31 March 2013 was £137 million (31 March 2012 restated: £129 million).

Risks
In order to mitigate exposure to interest rate risk in relation to gilts, the Group has applied a policy of purchasing gilts of five or more years' duration.

Term Deposits

CITB, the United Kingdom Atomic Energy Authority, and ECITB hold investments in term deposits, with major UK and International banks. As at 31 March 2013 the Departmental Group held £105 million (31 March 2012: £89 million). £90 million (31 March 2012: £45 million) of this balance was held by CITB.

Risks

In order to mitigate the exposure to risk, CITB term deposits are held with institutions that have short and long term ratings with a low risk of default. Investments are also spread across several institutions. ECITB investment managers invest in a range of high quality fixed interest bearing instruments and are not permitted to invest in equities, in accordance with rules approved by the Secretary of State for BIS. The credit risks associated with the UK Atomic Energy Authority's deposits are considered to be minimal.

Private sector loans

GIB, HEFCE, BBSRC, STFC and Nesta Trust, have entered into loan agreements with parties within the private sector. Private sector loans are initially recognised at fair value and are subsequently measured and carried at amortised cost. The loans within the Departmental Group are carried at historic cost as a proxy for amortised cost because the NDPBs and other designated bodies have determined that there is no material difference between historical cost and amortised cost. As at 31 March 2013 £133 million of loans were held by NDPBs and other designated bodies (31 March 2012 restated: £75 million).

During the reporting period GIB made loans of £56 million to organisations engaged in fulfilling its investment obligations. The conditions attached to each loan vary depending on the details of the arrangement. Repayment schedules have been agreed and all loans are expected to be repaid at the end of the loan term.

HEFCE provides non-interest bearing loans to Higher Education Institutions for capital projects. The usual repayment period is between three to five years, but they can be provided for up to ten years. All of the loans are expected to be repaid in accordance with the repayment schedules. The balance outstanding as at 31 March 2013 was £57 million (31 March 2012 restated: £50 million).

Risks

Borrowers may not fulfil their obligations under the loan agreement leading to non-repayment. GIB minimises the risk of non-repayment by entering into loan arrangements with borrowers with strong credit ratings and hold appropriate collateral. HEFCE consider the risk of non-repayment to be small, due to the nature of the institutions receiving the loans.

Bonds

BIS (Postal Services Act 2011) Company Limited, CITB and ECITB hold investments in bonds. The investments in corporate bonds are classified as available-for-sale financial assets, and are measured at fair value based on market quotes. The value of bonds held by the NDPBs and other designated bodies as at 31 March 2013 was £1 billion (31 March 2012: £36 million).

Under the provisions of the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "Assets Transfer Order"), £5 billion of corporate bonds previously held by RMPP were transferred into BIS (Postal Services Act 2011) Company Limited. These investments mainly comprise listed fixed interest debt securities. At 31 March 2013 the value of the remaining investments in corporate bonds was £1 billion.

The combined value of the CITB and ECITB bonds as at 31 March 2013 was £27 million (31 March 2012: £28 million).

Risks

The bonds held are subject to interest rate risk. The risk management strategy is to manage this risk by holding the high yield debt securities until maturity unless opportunities exist in the market, for it to profit, for example, from any favourable market interest rate movements. 75% of the bonds are fixed interest debt securities. The remaining 25% are floating interest debt securities. At the reporting date, if interest rates on floating interest debt securities held had been 50 basis points higher/lower with all other variables held constant, the gains or losses due to movements in fair value recognised in equity would have been £0.3 million higher/lower.

Property related holdings

Nesta Trust, BIS (Postal Services Act 2011) Company Limited and BIS (Postal Services Act 2011) B Company Limited have property related holdings. At 31 March 2013 the value of the holdings amounted to £467 million (31 March 2012: £4 million).

Under the provisions of the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "Assets Transfer Order"), £518 million of investments in property funds previously held by RMPP transferred into BIS (Postal Services Act 2011) Company Limited and BIS (Postal Services Act 2011) B Company Limited. These investments relate to holdings in a number of marketable real estate investment funds and unit trusts. These investments are held as available-for-sale financial assets since they are intended to be held for an indefinite period of time. However they may be sold if an opportunity arises to exit the market. At 31 March 2013 the fair value of these investments was £463 million.

Risks

Investment property funds are subject to price risk, however the risk is not expected to be material.

Equities (listed securities)

Nesta Trust and BIS (Postal Services Act 2011) Company Limited hold listed securities. At 31 March 2013 the combined value of these securities amounted to £219 million (31 March 2012: £108 million). They have been classified as financial assets held at fair value through profit or loss.

Equity investments with a value of £157 million were transferred from NESTA which was abolished on 31 March 2012, to Nesta Trust on 1 April 2012. The investments are held separately with commercial investment managers. The fair value of these investments at 31 March 2013 was £179 million (31 March 2012: £108 million).

Under the provisions of the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "Assets Transfer Order"), £2 billion of equity investments previously held by RMPP were transferred into BIS (Postal Services Act 2011) Company Limited. These financial assets related to investments in listed equity securities which were held for the purpose of short-term trading to realise a return. At 31 March 2013 the fair value of the remaining investments in equities was £40 million.

Risks

During the reporting period, BIS (Postal Services Act 2011) Company Limited actively sought to dispose of its holdings in these liquid investments to minimise its on-going exposure to market risks. If the market value of the equity securities had been 20% lower, the total fair value would have decreased by £8 million.

Nesta Trust is exposed to equity price risk as a proportion of its endowment assets have been invested in listed securities. It minimises the risk by investing for the medium to long term, by diversifying its portfolio of investments by using a number of investment managers, whose performance is monitored regularly and by investing in funds managed by large institutional investors.

Private Equities

Nesta Trust and BIS (Postal Services Act 2011) Company Limited have investments in private equity. These investments have been classified as 'available for sale' assets in accordance with IAS 39. The value invested at 31 March 2013 was £832 million (31 March 2012: £23 million).

Under the provisions of the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "Assets Transfer Order"), £855 million of private equity investments previously held by RMPP were transferred into BIS (Postal Services Act 2011) Company Limited. The investments in private equity portfolio are primarily comprised of investments in European and North American unquoted shares.

The fair values are estimated based on a variety of valuation techniques, adopted by the investment managers, that comply with the International Private Equity and Venture Capital (PEVC) Valuation Guidelines or the valuation guidelines produced by the British Venture Capital Association (BVCA). Valuation techniques used include the use of earnings multiples, discounted cash flows analysis, and net asset values. The fair value at 31 March 2013 was £832 million.

Risks

Due to changes in fair value there is a risk that the amounts invested in private equities may not be recovered. During the reporting period BIS (Postal Services Act 2011) Company Limited investments recognised a fair value gain of £20 million. If the valuation had been 5% higher or lower the total value would have moved by £1 million.

During the reporting period the Nesta Trust recognised a fair value gain of £1 million. If the valuation had been 5% higher or lower the movement in total value would have been immaterial.

Investment Funds

Nesta Trust and BIS (Postal Services Act 2011) Company Limited hold investment funds. The value invested at 31 March 2013 was £491 million (31 March 2012: £7 million). The investments held by Nesta Trust with a value of £7 million were transferred from NESTA which was abolished on 31 March 2012. They are classified as 'available for sale' assets in accordance with IAS 39 and fluctuations in fair value are taken to other Comprehensive Expenditure. The value of Nesta Trust's investments at 31 March 2013 was £5 million (31 March 2012: £ 7 million).

Under the provisions of the Postal Services Act 2011 (Transfer of Assets) Order 2012 (the "Assets Transfer Order"), £6 billion of investment funds previously held by RMPP were transferred into BIS (Postal Services Act 2011) Company Limited. They were held principally for the purpose of generating a profit from short-term fluctuations in market prices where there was a historic pattern of short-term disposals. The fund has been classified as 'held at fair value through profit or loss' in accordance with IAS 39. At 31 March 2013 the fair value of remaining investments held within the fund was £486 million.

Risks

Investment funds are subject to market risk. During the reporting period the BIS (Postal Services Act 2011) Company Limited actively sought to dispose of its holdings to minimise its on-going exposure to market risks. During 2012-13 the market valuation of the fund decreased by £215 million. If the valuation had been 5% higher or lower the total value would have changed by £24 million.

Other investments

Other investments are classified as 'available for sale' in accordance with IAS 39. The fair value of these investments at 31 March 2013 was £81 million (31 March 2012: £7 million).

The most significant other investments comprise:

- A £58 million investment in UK GIB Rhyl Flats Investments Limited, a subsidiary of GIB, which has investments in an offshore wind farm. The investment was made on 28 March 2013 therefore its fair value is assumed to be its historical cost.
- Investments held by Nesta Trust, which comprise equity, participating or convertible loan or quasi-equity investments in a portfolio of early stage start- up companies. £16 million of these investments were transferred to Nesta Trust from NESTA, which was abolished on 31 March 2012. Investments in seed and early stage companies are carried at fair value in accordance with IAS 39. The fair value of unquoted investments in early stage companies is established by using valuation guidelines produced by British Venture Capital Association (BVCA). The guidelines set out by the BVCA provide for investments to be carried at cost unless there is information indicating an impairment or sufficiently clear evidence to support an increase in valuation. The value of the investments at 31 March 2013 was £15 million (31 March 2012: £16 million).

Risks

NDPBs and other designated bodies are exposed to market risk on their other investment portfolios because the investments may not perform as expected and as a result the funds invested may not be recovered. For seed and early stage companies, the risk is mitigated by using commercial investment managers to oversee the investments.

21. Impairments

During the year the Department impaired its assets to the value of £2,442 million (2011-12 restated: £1,380 million). The total impairment change for the year was charged direct to the Consolidated Statement of Comprehensive Net Expenditure. The details are as follows:

		2012-13 £'000			2011-12 restated £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
British Shipbuilders Public Dividend Capital	18	6,567	6,567	6,567	6,700	6,700	6,700
Venture Capital Funds impairment	20	9,929	9,929	9,929	24,724	24,724	24,724
Movement in student loans policy write off	9, 20	2,380,448	2,380,448	2,380,448	1,186,693	1,186,693	1,186,693
Impairment of assets held for sale	24	-	-	-	-	-	239
Impairment of inventories	8, 9	258	258	258	-	-	12,137
Tuition fee loan adjustment	9	-	-	-	92,748	92,748	92,748
Impairment of other investments		(647)	(647)	928	(2,449)	(2,449)	17,352
Property, plant and equipment	8, 9	1,564	3,054	40,297	-	1,065	33,100
Intangible assets	8, 9	-	-	3,966	-	1,327	6,378
Total impairments		**2,398,119**	**2,399,609**	**2,442,393**	**1,308,416**	**1,310,808**	**1,380,071**

22. Inventories

		31 March 2013 £'000			31 March 2012 £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April		258	258	298	-	-	36,322
Transfer in of Pirbright		-	-	1,200	-	-	-
Restated balance at 1 April		**258**	**258**	**1,498**	**-**	**-**	**36,322**
Transfer in		12,778	12,778	12,778	258	258	-
Additions		-	-	86	-	-	181
Disposals		-	-	(7)	-	-	(21,341)
Impairments	8,9	(258)	(258)	(258)	-	-	(12,137)
Revaluations		-	-	-	-	-	(282)
Reclassification		(12,778)	(12,778)	(12,778)	-	-	(2,445)
Carrying amount at 31 March		**-**	**-**	**1,319**	**258**	**258**	**298**

Inventories consist of £1.3 million of assets held by the Pirbright Institute, and are held at the lower of cost and net realisable value. This includes £1.2 million of Farm stock plus a stock of laboratory supplies for research purposes. Both are included as research stocks. The reduction in inventories during 2011-12 was primarily due to impairments and disposals arising from the winding up of the Regional Development Agencies.

23. Trade receivables, financial and other assets

	31 March 2013 £'000			31 March 2012 restated £'000			1 April 2011 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Amounts falling due within one year:									
Trade receivables	57,875	90,454	261,084	51,537	116,603	272,532	16,424	5,395	185,534
Other receivables:									
Deferred tax asset	-	-	1,205	-	-	339	-	-	467
Corporation tax	-	-	1,609	-	-	1,024	-	-	2,457
VAT	20,493	24,782	28,665	14,736	19,026	20,221	9,167	13,189	20,321
Consolidated Fund receivables - non-operating costs	187	187	187	159	159	159	848	848	848
Consolidated Fund receivables - operating costs	-	-	-	-	-	-	19,658	19,658	19,658
Staff receivables	994	1,411	2,349	1,019	1,459	2,473	1,125	1,568	2,748
Tuition fee loan receivable	-	-	-	902,822	902,822	902,822	835,947	835,947	835,941
RPS receivables	166,846	166,846	166,846	157,982	157,982	157,982	153,943	153,943	153,943
Other	30,462	28,771	54,612	47,439	46,287	60,563	219	16,983	124,313
Prepayments and accrued income	319,793	335,305	663,660	190,669	205,652	482,874	79,732	101,737	467,950
	596,650	**647,756**	**1,180,217**	**1,366,363**	**1,449,990**	**1,900,989**	**1,117,063**	**1,149,268**	**1,814,180**
Amounts falling due after more than one year:									
Trade receivables	146,937	108,805	109,261	138,990	55,858	67,089	80,859	83,101	83,511
Other receivables	73,459	73,459	78,135	75,902	75,902	82,386	83,482	83,483	91,747
Prepayments and accrued income	-	-	19,511	-	-	20,917	-	-	47,544
	220,396	**182,264**	**206,907**	**214,892**	**131,760**	**170,392**	**164,341**	**166,584**	**222,802**
Total Receivables	**817,046**	**830,020**	**1,387,124**	**1,581,255**	**1,581,750**	**2,071,381**	**1,281,404**	**1,315,852**	**2,036,982**

The tuition fee loan receivable as at 1 April 2011 and 31 March 2012 represented the expected repayments from borrowers arising from the obligation to pay higher education institutions, (less amortisation and write off impairments, which reflected the cost to Government of issuing the student loans). Following the HE reforms, the Core Department no longer has an obligation to pay the institutions for the remainder of the academic year as at the Consolidated Statement of Financial Position date. The receivable at 31 March 2013 is therefore nil.

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

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

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

In 2010-11 the model was revised using improved data. The updated model now includes the following:

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

The model calculates the recoverable as £167 million as at 31 March 2013 (31 March 2012: £158 million). There is a risk that the estimation of 14% is over optimistic and therefore would result in a downward revision in future years. Additionally the model has been created using only seven years of available data with 14 years of data required for a full model to be effective. However, the model is designed to self check against recovery rates and for data available there is only a small annual variation from the 14% target. This variation is not material and therefore does not render the model invalid. The model is also designed to be monitored and amended annually as required. Additionally, reporting is on a monthly basis to ensure early warning of any trends outside the parameters set in the model.

23.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2013 £'000	31 March 2012 restated £'000	1 April 2011 restated £'000	31 March 2013 £'000	31 March 2012 restated £'000	1 April 2011 restated £'000
Balances with:						
Other central Government bodies	282,635	295,928	290,821	6,001	8,881	10,553
Local authorities	16,188	3,098	9,639	-	-	-
NHS bodies	150	239	1,205	-	-	-
Public corporations and trading funds	21,247	11,955	49,971	-	-	-
Subtotal: Intra-Government balances	*320,220*	*311,220*	*351,636*	*6,001*	*8,881*	*10,553*
Bodies external to Government	859,997	1,589,769	1,462,544	200,906	161,511	212,249
Total receivable at period end date	**1,180,217**	**1,900,989**	**1,814,180**	**206,907**	**170,392**	**222,802**

24. Non-current assets held for sale

		31 March 2013 £'000			31 March 2012 £'000		
	Note	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Net cost or valuation							
At 1 April		**-**	**-**	**4,661**	**-**	**-**	**12,172**
Additions		-	-	273	-	-	654
Disposals		-	-	(160)	-	-	(7,973)
Impairments	21	-	-	-	-	-	(239)
Revaluations		-	-	(48)	-	-	47
Carrying amount at 31 March		**-**	**-**	**4,726**	**-**	**-**	**4,661**

Non-current assets classified as held for sale in accordance with IFRS 5 comprise freehold land and buildings, and leasehold houses which are surplus to requirements and are being actively marketed. The carrying value as at 31 March 2013 represents the expected net disposal proceeds for these assets.

BBSRC is holding an asset which is surplus to requirements and is due to be sold during 2013-14. The carrying value of the property as at 31 March 2013 is £4 million.

CITB has one asset held for sale relating to a property in Scotland, with a carrying value of £1 million.

25. Investments and loans in public sector bodies: current

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**499,166**	**499,166**	**499,166**	**261,271**	**261,271**	**261,271**
Additions	5,078,000	5,078,000	5,078,000	5,433,000	5,433,000	5,433,000
Disposals	(5,286,166)	(5,286,166)	(5,286,166)	(5,195,271)	(5,195,271)	(5,195,271)
Loans repayable within 12 months transferred from non-current assets	166	166	166	166	166	166
Balance at reporting date	**291,166**	**291,166**	**291,166**	**499,166**	**499,166**	**499,166**

Investments and loans above are with the following public sector bodies:

	Post Office Limited £'000	UKIPO loans £'000	Met Office loan £'000	Core Department £'000	Other loans (Agencies) £'000	Core Department and Agencies £'000	Other loans (NDPBs) £'000	Departmental Group £'000
Balance as at 1 April 2011	**260,000**	**166**	**1,105**	**261,271**	**-**	**261,271**	**-**	**261,271**
Additions	5,433,000	-	-	5,433,000	-	5,433,000	-	5,433,000
Repayments	(5,194,000)	(166)	(1,105)	(5,195,271)	-	(5,195,271)	-	(5,195,271)
Loans repayable within 12 months transferred from non-current assets	-	166	-	166	-	166	-	166
Balance as at 31 March 2012	**499,000**	**166**	**-**	**499,166**	**-**	**499,166**	**-**	**499,166**
Additions	5,078,000	-	-	5,078,000	-	5,078,000	-	5,078,000
Repayments	(5,286,000)	(166)	-	(5,286,166)	-	(5,286,166)	-	(5,286,166)
Loans repayable within 12 months transferred from non-current assets	-	166	-	166	-	166	-	166
Balance as at 31 March 2013	**291,000**	**166**	**-**	**291,166**	**-**	**291,166**	**-**	**291,166**

Other investments and loans in public sector bodies are held by the Core Department.

25.1 Post Office Limited loan

Since October 2003 the Core Department has made available to Post Office Limited (POL) a revolving loan facility of up to £1.15 billion. This is to help the company fund its daily in-branch working capital requirements to deliver services through the network, such as social benefits payments. The facility matures in March 2016, and the outstanding balance at 31 March 2013 was £291 million (31 March 2012: £499 million).

25.2 UKIPO loans

In 1992, the Core Department advanced two loans amounting to £4 million to the UKIPO, repayable over 26 years, in 52 instalments of principal. £166,000 has been repaid during 2012-13. The balance outstanding at 31 March 2013 is £833,000 (of which £166,000 is repayable within 12 months). The amounts falling due after more than one year are disclosed in Note 18.

26. Cash and cash equivalents

	31 March 2013 £'000			31 March 2012 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance as at 31 March	**415,657**	**482,533**	**1,166,961**	**800,310**	**831,403**	**1,873,919**
Transfers in/out of the Group boundary	-	-	(20,227)	-	-	(2,530)
Restated balance as at 1 April	**415,657**	**482,533**	**1,146,734**	**800,310**	**831,403**	**1,871,389**
Net change in cash balances	194,691	177,549	430,686	(384,653)	(348,870)	(704,428)
Balance as at 31 March	**610,348**	**660,082**	**1,577,420**	**415,657**	**482,533**	**1,166,961**
The following balances were held with:						
The Government Banking Service (GBS)	605,044	621,551	1,307,687	413,756	425,598	640,112
Commercial banks and cash in hand	5,304	38,531	239,733	1,901	56,935	368,818
Short term investments	-	-	30,000	-	-	158,031
Balance at 31 March	**610,348**	**660,082**	**1,577,420**	**415,657**	**482,533**	**1,166,961**
Less overdraft	-	-	(2,395)	-	-	(2,525)
Total	**610,348**	**660,082**	**1,575,025**	**415,657**	**482,533**	**1,164,436**

The Core Department and its Agencies do not hold any cash equivalent balances.

NDPBs and other designated bodies

Restricted funds

At 31 March 2013 the Financial Reporting Council (FRC) held £2 million (31 March 2012: £2 million) in its Actuarial Case Cost Fund which is restricted and may only be used for actuarial disciplinary case costs. A further £2 million (31 March 2012: £2 million) relates to the Financial Reporting Review Panel (FRRP), Legal Costs Fund account which may only be used for the purpose of enabling the FRRP to ensure compliance with the accounting requirements of the Companies Act 2006, including applicable accounting standards, and to investigate departures from those standards and requirements. The FRC may be liable to repay the balance on the Legal Costs Fund to the contributors if it ceases to be authorised by the Secretary of State for the purposes of section 456 of the Companies Act 2006.

Short-term deposits

At 31 March 2013 short term deposits were held with major UK banks by FRC and the UK Atomic Energy Authority (31 March 2012: FRC, NESTA and UK Atomic Energy Authority).

27. Trade payables and other current liabilities

	31 March 2013 £'000			31 March 2012 restated £'000			1 April 2011 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Amounts falling due within one year:									
VAT	-	-	9,308	-	-	12,966	-	-	4,776
Other taxation and social security	62	62	12,538	36	36	7,277	36	36	13,835
Trade payables	8,600	9,416	153,775	50,889	67,960	317,221	42,593	54,602	353,297
Tuition fee loan obligation	-	-	-	1,388,958	1,388,958	1,388,958	1,229,333	1,229,333	1,229,333
Other payables	145,696	146,507	306,561	89,852	89,840	214,850	115,748	122,402	407,894
Commercial bank overdraft	-	-	2,395	-	-	2,525	-	-	-
Accruals and deferred income	229,614	250,698	1,123,727	191,992	203,440	1,172,508	213,805	235,428	1,542,952
Current part of finance leases	-	-	1,667	-	315	1,999	-	315	2,095
On Balance Sheet (SoFP) PFI and other service concession arrangements contracts	-	-	-	-	1,049	1,049	-	2,306	2,306
Amounts issued from the Consolidated Fund for supply but not spent at year end	604,938	654,672	654,672	362,736	429,612	429,612	751,778	782,871	782,871
Advances from Contingencies Fund	250	250	250	-	-	-	-	-	-
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:									
Received	5,410	5,410	5,410	52,921	52,921	52,921	48,531	48,531	48,531
Receivable – non operating costs	187	187	187	159	159	159	848	848	848
Receivable – operating costs	-	-	-	-	-	-	19,658	19,658	19,658
	994,757	**1,067,202**	**2,270,490**	**2,137,543**	**2,234,290**	**3,602,045**	**2,422,330**	**2,496,330**	**4,408,396**
Amounts falling due after more than one year:									
Trade Payables	-	-	11,740	-	-	15,070	-	-	18,714
Other payables, accruals and deferred income	1,289	1,289	45,640	90	90	34,128	307	307	38,382
Finance leases	-	-	7,097	-	-	8,764	-	36	216
Imputed finance lease element of on-Balance Sheet (SoFP) PFI and other service concession arrangements contracts	-	-	-	-	-	-	-	1,049	11,348
Royal Mail NLF loans	500,000	500,000	500,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
	501,289	**501,289**	**564,477**	**1,100,090**	**1,100,090**	**1,157,962**	**1,100,307**	**1,101,392**	**1,168,660**
Total payables	**1,496,046**	**1,568,491**	**2,834,967**	**3,237,633**	**3,334,380**	**4,760,007**	**3,522,637**	**3,597,722**	**5,577,056**

The tuition fee loan payable as at 1 April 2011 and 31 March 2012 represented the obligation to pay higher education institutions for the remainder of the academic year at the Consolidated Statement of Financial Position date. Following the HE reforms, the Core Department no longer has an obligation to pay. The payable at 31 March 2013 was therefore nil.

27.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2013 £'000	31 March 2012 restated £'000	1 April 2011 restated £'000	31 March 2013 £'000	31 March 2012 restated £'000	1 April 2011 restated £'000
Balances with:						
Other central Government bodies	835,450	678,010	1,115,050	516,233	1,106,085	1,091,584
Local authorities	24,795	21,089	79,537	-	-	-
NHS bodies	722	282	802	-	-	-
Public corporations and trading funds	63,944	81,276	6,137	-	-	-
Subtotal: Intra-Government balances	*924,911*	*780,657*	*1,201,526*	*516,233*	*1,106,085*	*1,091,584*
Bodies external to Government	1,345,579	2,821,388	3,206,870	48,244	51,877	77,076
Total payables at period end date	**2,270,490**	**3,602,045**	**4,408,396**	**564,477**	**1,157,962**	**1,168,660**

28. Provisions for Liabilities and Charges

	31 March 2013 £'000			31 March 2012 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 31 March	**640,598**	**691,301**	**1,063,939**	**629,001**	**664,018**	**1,074,779**
Transfer out of Design Council	-	-	-	-	-	(194)
Balance at 1 April	**640,598**	**691,301**	**1,063,939**	**629,001**	**664,018**	**1,074,585**
Transferred in	25	25	-	8,478	8,478	-
Reclassification	-	-	-	1,705	1,705	1,705
Provided in the year	43,144	53,755	77,783	54,700	76,480	118,887
Provisions not required written back	(23,447)	(24,581)	(28,799)	(19,286)	(20,808)	(38,454)
Provisions utilised in the year	(42,244)	(49,864)	(96,573)	(47,991)	(54,091)	(114,841)
Borrowing costs (unwinding of discounts)	14,341	15,735	23,692	13,991	15,519	24,990
Changes in price level	79,005	80,803	74,811	-	-	-
Transfer (to)/from inventories	-	-	-	-	-	(625)
Other movements	-	-	190	-	-	(2,308)
Balance at reporting date	**711,422**	**767,174**	**1,115,043**	**640,598**	**691,301**	**1,063,939**

The reclassification in the prior year relates to transfers in from the RDAs for retirement obligations and debtors which were subsequently reclassified as provisions, to harmonise accounting treatments.

Analysis of expected timing of discounted cash flows

	31 March 2013 £'000			31 March 2012 restated £'000			1 April 2011 restated £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Current liabilities:									
Not later than one year	45,323	49,921	98,687	53,154	56,603	102,706	58,276	61,365	120,490
Non current liabilities:									
Later than one year and not later than five years	154,461	175,822	312,880	179,518	190,243	337,583	170,669	180,735	340,919
Later than five years	511,638	541,431	703,476	407,926	444,455	623,650	400,056	421,918	613,176
Total non current liabilities	666,099	717,253	1,016,356	587,444	634,698	961,233	570,725	602,653	954,095
Total	**711,422**	**767,174**	**1,115,043**	**640,598**	**691,301**	**1,063,939**	**629,001**	**664,018**	**1,074,585**

Provisions of the Core Department

	British Shipbuilders £'000	Onerous Leases £'000	UK Atomic Energy Authority Decommissioning £'000	Other £'000	Total £'000
Balance at 1 April 2011	**196,209**	**186,945**	**177,179**	**68,668**	**629,001**
Transferred in	-	-	-	8,478	**8,478**
Reclassification	-	-	-	1,705	**1,705**
Provided in the year	3,934	41,970	6,946	1,850	**54,700**
Provisions not required written back	(6,700)	(3,019)	-	(9,567)	**(19,286)**
Provisions utilised in the year	-	(31,640)	(16)	(16,335)	**(47,991)**
Borrowing costs (unwinding of discounts)	4,317	4,113	3,898	1,663	**13,991**
Balance at 31 March 2012	**197,760**	**198,369**	**188,007**	**56,462**	**640,598**
Transferred in	-	25	-	-	**25**
Provided in the year	-	10,986	8,269	23,889	**43,144**
Provisions not required written back	(6,587)	(14,325)	(35)	(2,500)	**(23,447)**
Provisions utilised in the year	-	(28,322)	-	(13,922)	**(42,244)**
Borrowing costs (unwinding of discounts)	4,351	4,364	4,136	1,490	**14,341**
Changes in price level	19,208	23,379	34,646	1,772	**79,005**
Balance at 31 March 2013	**214,732**	**194,476**	**235,023**	**67,191**	**711,422**

28.1 British Shipbuilders

British Shipbuilders had liabilities arising from personal injury to former employees resulting from exposure to asbestos during the course of their work. The Core Department has taken on full responsibility for the liabilities of the British Shipbuilders Corporation, which was abolished on 21 March 2013. The value of the provision as at 31 March 2013 was £215 million (31 March 2012: £198 million). The undiscounted liability as at 31 March 2013 was £254 million (31 March 2012: £262 million). The current estimate is that the liabilities will extend for up to 30 years.

The Corporation's approach to accounting for the asbestos-related claims against the Corporation and its subsidiaries has been to provide for those costs of resolution which are both probable and reliably estimable. A valuation was carried out in December 2010 which identified a range of liabilities from £112 million to £300 million (£149 million to £432 million undiscounted). The provision is based on the central element of the undiscounted revised forecast, discounted using HM Treasury's standard discount rates for liabilities, which are in the range of -1.8% to 2.2% depending on the provision term.

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.

28.2 Onerous Leases

The Core Department has onerous leases in respect of leased offices at 151 Buckingham Palace Road (BPR), 10-18 Victoria Street (10VS), 21 Bloomsbury Street and various leases transferred from other bodies following their winding up. The Department provides for these leases in full when the lease becomes onerous by establishing a provision for the estimated payments discounted by HM Treasury's discount rate in the range -1.8% to 2.2% in real terms, depending on the provision term. The expiry dates for the onerous leases within the Department range from 2013 to 2027.

The Core Department has attempted to mitigate any potential losses through subletting against the existing head leases for the buildings, and has sublet BPR, 10VS and some of the properties transferred into the Department. However, given current market conditions and future forecasts the Core Department has determined that at the reporting date neither the current nor future potential subleases will recover the full costs incurred by BIS.

Due to the relocation of INSS, their lease on 21 Bloomsbury Street transferred to BIS during 2012-13. This has increased the Core Department's onerous lease provisions by £8 million. The lease is being marketed both within Government and within the commercial sector and is expected to be sublet in the near future.

Consideration is being given to the possibility of disposing of some of the leases to a specialist company, which primarily deals with surplus buildings.

The value of the provision as at 31 March 2013 was £194 million (31 March 2012: £198 million). The undiscounted liability was £187 million (31 March 2012: £220 million). The discounted value is higher than the undiscounted liability due to the negative discount rates used for the short and medium term.

28.3 UK Atomic Energy Authority Decommissioning

The decommissioning provision represents the estimated costs of decommissioning fusion research facilities at the UK Atomic Energy Authority's Culham site, including the storage, processing and eventual disposal of radioactive wastes. The Core Department retains the liability for these costs.

Calculation of the liabilities is based on the technical assessments of the processes and methods likely to be used in the future to carry out the work. Estimates are derived from the latest technical knowledge and commercial information available, taking into account current legislation, regulations and Government policy. Summary figures are built up by aggregating detailed estimates for individual liabilities. Allowance is also made for infrastructure costs, which are an appropriate share of site running costs and other overhead costs attributable to plant and buildings. The calculation is reassessed annually, so the estimated liabilities reflect the March 2012 calculation, as shown in the Authority's accounts at 31 March 2013. The best estimate of the cost of the liabilities is discounted using HM Treasury's discount rates which range from -1.8% to 2.2% depending on the term of the provision, to the reporting date and expressed in 2012-13 money values. The value of the provision as at 31 March 2013 was £235 million (31 March 2012: £188 million). The undiscounted cost of the provisions as at 31 March 2013 was £250 million (31 March 2012: £242 million).

Since much of the work required to deal with the liabilities will not be undertaken until well into the future, there is a significant uncertainty as to the amount of the provision. In addition, timing of expenditure on the decommissioning provision is dependent on the closure date of the Joint European Torus (JET) facility which is to be decommissioned.

28.4 Other provisions

This relates to a range of liabilities arising from the Core Department's other Programmes and Administration costs including:

Vosper Gap

In addition to the provisions of former employees of British Shipbuilders as detailed in Note 28.1 above, the Core Department has also assumed responsibility for paying compensation to some of the former employees of British Shipbuilders' subsidiaries for insidious diseases.

When British Shipbuilders' subsidiaries were sold the liability to compensate was expressly transferred to the purchasers. However in certain instances, the liability had been retained. Where valid insurance policies have been identified claimants will pursue the insurers. Where no policies exist, the Core Department agreed that where the employment and exposure occurred during the period of public ownership (1977 until the date of sale), it would make payments to claimants on an ex gratia basis. The undiscounted liability at 31 March 2013 was £9 million (31 March 2012: £9 million).

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 the Core Department. Over the past few years a number of former dockers 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 Core Department recorded a provision in its 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. Although it is likely that the majority of cases are now known it is possible that new cases could continue to arise until 2035. Lower than expected settlement costs have resulted in a reduction in the estimate of the outstanding liability. The undiscounted liability as at 31 March 2013 was £3 million (31 March 2012: £3 million).

The level of provision required will be impacted by the need to take into account the increase arising from pleural plaques being classified as a compensatable disease in Scotland and the need to factor in contributions payable from third parties. The level to which this will reduce the Core Department's liabilities will only become clear over time as payments start to be made under settlement agreements.

The Department has also determined, in liaison with its legal advisers, that it was not appropriate to undertake a formal valuation of the provision at 31 March 2013, because changes agreed to guidelines on damages, protocols, success fees and referral fees are expected to have an impact on disease claims in the future. A revised formal valuation is therefore planned to take place in 2013-14 when a better understanding of the impact on the value of future claims will be available.

Early Departure Costs

The Group 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 relevant pension fund over the period between early departure and normal retirement date. The provisions are required in order to meet the costs of pension enhancements and under some schemes lump sum payments for departing staff. The liabilities extend for up to ten years. The Group provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by HM Treasury's pension discount rate of 2.35% in real terms. The value of the provisions at 31 March 2013 was £21 million (31 March 2012: £24 million). The undiscounted value of the provision as at 31 March 2013 was £22 million (31 March 2012: £25 million).

UK Atomic Energy Authority Restructuring

The Core Department is responsible for the Authority's restructuring liabilities. The majority of the restructuring provisions represent termination benefits payable under early retirement arrangements to Authority employees who had retired early, or had accepted early retirement, before 31 March 2004. These benefits continue at least until the date at which the employee would have reached normal retirement age, and for the duration of the pensioner's life where there is entitlement to enhancements (where enhancements are payable, the provision is calculated using the actuarial assumption of age 76). The restructuring provisions have been discounted at the pension discount rate of 2.35% to the reporting date. The value of the provision as at 31 March 2013 was £16 million (31 March 2012: £18 million). The undiscounted cost of the provisions was £17 million (31 March 2012: £20 million) and the benefits are estimated to be payable over a period up to 25 years.

Bristol and Bath Science Park

During the reporting period, the Core Department considered its contractual obligation to settle redevelopment costs incurred by the developer of the land at the Bristol and Bath Science Park, which transferred into BIS from the Homes and Communities Agency (HCA) in January 2013. As a result BIS has provided for £17 million as at 31 March 2013, being the current value of costs incurred to date. The cost of the liabilities is discounted using HM Treasury's discount rates which range from -1.8% to 2.2% depending on the term of the provision. The undiscounted liability at 31 March 2013 was £22 million.

Provisions of the Agencies

	31 March 2013			31 March 2012		
	NPLML pension scheme provisions £'000	Other £'000	Total £'000	NPLML pension scheme provisions £'000	Other £'000	Total £'000
Balance at 1 April	**43,887**	**6,816**	**50,703**	**28,358**	**6,659**	**35,017**
Provided in the year	4,687	5,924	10,611	16,630	5,150	**21,780**
Provisions not required written back	-	(1,134)	(1,134)	(552)	(970)	**(1,522)**
Provisions utilised in the year	(2,165)	(5,455)	(7,620)	(2,077)	(4,023)	**(6,100)**
Changes in price level	-	1,798	1,798	-	-	**-**
Borrowing costs (unwinding of discounts)	2,135	(741)	1,394	1,528	-	**1,528**
Balance at 31 March	**48,544**	**7,208**	**55,752**	**43,887**	**6,816**	**50,703**

28.5 NMO Pensions provision

The National Measurement Office (NMO) is responsible for any deficit arising on the National Physical Laboratory Management Ltd (NPLML) Pension Scheme when the NPLML contract ends in 2014. Therefore NMO has provided for the liability. As at 31 March 2013 the discounted value of the provision was £49 million (31 March 2012: £44 million). The undiscounted liability as at 31 March 2013 was £60 million (31 March 2012: £59 million).

28.6 Other provisions

INSS Dilapidations

The Insolvency Service has provided for its obligations with respect to dilapidations on all of its accommodation operating leases. The value of the onerous lease liability as at 31 March 2013 was £4.8 million (31 March 2012: £4million). The undiscounted cost of the liability as at 31 March 2013 was £4.5 million (31 March 2012: £4.3 million).

Provisions of NDPBs and other designated bodies

	31 March 2013				31 March 2012			
	HEI staff liabilities £'000	STFC decommissioning £'000	Other £'000	Total £'000	HEI staff liabilities £'000	STFC decommissioning £'000	Other £'000	Total £'000
Balance at 31 March	**241,958**	**41,432**	**89,248**	**372,638**	**262,202**	**49,156**	**99,403**	**410,761**
Transfer out of Design Council	-	-	-	**-**	-	-	(194)	**(194)**
Restated balance at 1 April	**241,958**	**41,432**	**89,248**	**372,638**	**262,202**	**49,156**	**99,209**	**410,567**
Transferred in	-	-	(25)	(25)	-	-	(8,478)	(8,478)
Provided in the year	270	3,440	20,503	24,213	1,171	-	41,236	42,407
Provisions not required written back	-	(1,878)	(2,340)	(4,218)	-	(100)	(17,546)	(17,646)
Provisions utilised in the year	(28,270)	-	(18,439)	(46,709)	(28,757)	(8,249)	(23,744)	(60,750)
Changes in price level	6,767	(4,495)	(8,259)	(5,987)	-	-	-	-
Transfer (to)/from inventories	-	-	-	-	-	-	(625)	(625)
Other movements	-	-	-	-	-	-	(2,308)	(2,308)
Borrowing costs (unwinding of discounts)	6,775	458	724	7,957	7,342	625	1,504	9,471
Balance at reporting date	**227,500**	**38,957**	**81,412**	**347,869**	**241,958**	**41,432**	**89,248**	**372,638**

28.7 Higher Education Institutions (HEI) Staff Liabilities

These are certain staff related commitments of Higher Education Institutions (HEIs) that were previously Local Authority (LA) maintained. These liabilities were transferred from LAs to HEIs on incorporation and the Education Reform Act 1988 gave powers to the Polytechnics and Colleges Funding Council (PCFC) to reimburse institutions and LAs for such liabilities. Upon its formation HEFCE assumed the PCFC's main responsibilities and now provides funding for reimbursements as follows:

- Early retirement or redundancy compensation payments
- Protection of salary
- Pension increases under the Local Government Superannuation Scheme for former non teaching staff of institutions formerly funded by the PCFC.

HEFCE has provided for these ongoing reimbursements. As the provision estimate is based on a sample and uses various assumptions, the valuation obtained may vary from that which would be obtained if the data of all pension scheme members was made available to allow a full actuarial valuation. An independent review is undertaken periodically in order to verify the reasonableness of the provision. The value is an estimate based upon a sample of the underlying population, projected payments, mortality rates and other actuarial assumptions. The provision is discounted using HM Treasury's pension discount rate of 2.35%. The value of the provision as at 31 March 2013 was £228 million (31 March 2012: £242 million). The undiscounted value of the provision as at 31 March 2013 was £269 million (31 March 2012: £297 million).

Current assumptions mean payments are expected to continue until at least 2035.

28.8 Science and Technology Facilities Council (STFC) decommissioning

STFC has a decommissioning provision with a value as at 31 March 2013 of £39 million (31 March 2012: £41 million). The provision consists of the following:

- STFC has in place plans for the decommissioning of the ISIS pulsed neutron source and the associated Second Target Station at the Rutherford Appleton Laboratory at the end of its anticipated operating life in 2040 with decommissioning thereafter until 2096. The provision is discounted using HM Treasury's long term discount rate of 2.2%. The value of the provision at 31 March 2013 was £23 million (31 March 2012: £21 million). The undiscounted liability as at 31 March 2013 was £29 million (31 March 2012: £48 million).
- In 2010-11 STFC, as the UK representative, and the other Associates, was required to sign a letter of commitment undertaking to fund their share of the decommissioning costs of the Institute Laue Langevin (ILL) facility. STFC's share of these costs is 33%. The technical operations element of the provision was re-evaluated in 2007 and updated by ILL Management in 2010. The provision is discounted using HM Treasury's long term rate of 2.2%. The value of the provision as at 31 March 2013 was £15 million (31 March 2012: £20 million). The undiscounted decommissioning liability as at 31 March 2013 was £42 million (31 March 2012: £73 million).
- STFC have decided to withdraw from two activities at the Daresbury Laboratory. The cost of decommissioning is estimated to be £1 million.

28.9 Other provisions

Diamond Light Source (DLS) – decommissioning

DLS has in place plans for the decommissioning of the Synchrotron Facility at the Harwell Science and Innovation Campus in Oxfordshire at the end of its anticipated operating life in 2045. A provision has been created to cover the expected decommissioning costs, which includes the cost of removing the beamline technology and restoring the site to its original state.

The provision is discounted using HM Treasury's long term rate of 2.2%. The value of the provision as at 31 March 2013 was £7 million (31 March 2012: £13 million). At 31 March 2013 the undiscounted amount was £35 million (31 March 2012: £94 million). The undiscounted amount is significantly higher due to the long term nature of the provision.

Medical Research Council (MRC) – decommissioning

In 2012-13 MRC provided for the decommissioning of the Cyclotron at the Clinical Services Centre (CSC), Hammersmith Hospital. This work is due to commence in 2013-14. The value of the provision as at 31 March 2013 was £10 million (31 March 2012: £9 million).

Skills Funding Agency – Early retirement costs

The Skills Funding Agency has a provision for the future cost of early retirements, which represents the obligation to pay additional pension contributions. For the most part, the liability is defined by the pension scheme administrator and is therefore not subject to a great deal of uncertainty. The value of the provision at 31 March 2013 was £9 million (31 March 2012: £12 million).

Natural Environment Research Council (NERC) – Antarctic Treaty obligations

NERC's Antarctic Treaty obligations require the Council to arrange to remove any of the items from the Antarctic that are no longer used including buildings and their fittings. During 2012-13 the demolition and removal of the Halley V base commenced. A phased redevelopment programme has also started for the Rothera Research Station. This will involve the demolition and removal of existing facilities as they are replaced. The provision also covers the demolition and removal costs associated with the expected closures of the Bird Island base in 2030-31, the Signy base in 2031-32 and Halley VI base in 2040-41. The provision is heavily discounted, using HM Treasury's long term rate of 2.2%, due to over 50% of forecast expenditure not occurring for 20-30 years. The value of the provision as at 31 March 2013 was £4.8 million (31 March 2012: £6 million). The undiscounted liability as at 31 March 2013 was £6.8 million (31 March 2012: £8.5 million).

Natural Environment Research Council (NERC) – Early retirement costs

During the reporting period, NERC has set up a provision to cover its liability to pay the cost of staff retiring early, following a restructuring exercise. The provision is discounted using HM Treasury's relevant discount rate which is determined by the timing of the cash flows. The value of the provision as at 31 March 2013 was £5 million. The undiscounted value at 31 March 2013 was also £5 million.

29. Current and deferred tax liability

Current tax liability

	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000
Current tax liability	37	14,191	6,998
Balance at reporting date	**37**	**14,191**	**6,998**

Deferred Tax Liability

	31 March 2013 £'000	31 March 2012 £'000
Balance at 1 April	**9,279**	**13,747**
Provided in year	2	74
Provision not required written back	(362)	(4,542)
Balance at reporting date	**8,919**	**9,279**

All current and deferred tax liabilities and assets relate to the NDPBs and other designated bodies.

The deferred tax liability is used to provide for corporation tax amounts to be paid in relation to future taxable income. The UK Atomic Energy Authority has a deferred tax liability of £9 million (31 March 2012: £9 million). UK Atomic Energy Authority's future taxable income relates to revaluations on investment properties and land and buildings. Therefore, the amounts will become due only when capital gains are realised through the sale of these assets.

The analysis of the deferred tax asset for the year is as follows:

	£'000
Balance at 1 April 2011 (restated)	**467**
(Credit)/charge to Consolidated Statement of Comprehensive Net Expenditure	3
Adjustments in respect of previous periods	(131)
Balance at 31 March 2012 (restated)	**339**
(Credit)/charge to Consolidated Statement of Comprehensive Net Expenditure	1,205
Adjustments in respect of previous periods	(339)
Balance at 31 March 2013	**1,205**

Capital for Enterprise Limited (CfEL) has reached agreement with HM Revenue and Customs that it is currently liable to corporation tax only on investment income received. CfEL is not operating on a commercial basis with a view to realising profits, given that it could not operate without central grant in aid funding, and as a consequence its mainstream activities are not taxable income. CfEL has tax losses carried forward of £1,768,047 (31 March 2012: £1,367,628). The losses arise because the priority profit share credited to the Statement of Comprehensive Income is not taxable income. A deferred tax liability of £6,558 (31 March 2012: £4,390) has been recognised in respect of these losses as they are offset by short term timing differences.

The Green Investment Bank recognised a deferred tax asset of £1.2 million in respect of tax losses that can be carried forward and offset against future taxable income. The amount has been fully recognised, on the basis that it is more likely than not that there will be suitable future taxable income to offset the tax losses against.

The UK Atomic Energy Authority did not recognise a deferred tax asset of £4 million (2011-12: £3 million) in respect of tax losses amounting to £18 million (2011-12: £12 million) that can be carried forward and a further £0.3 million of tax depreciation, both of which can be offset against future taxable income.

At 31 March 2013 BIS (Postal Services Act 2011) B Company Limited did not recognise a deferred tax asset of £1 million that can be carried forward to be used against future taxable income.

30. Retirement benefit obligations

	31 March 2013 £'000			31 March 2012 £'000		
	Funded pension schemes	Unfunded pension schemes	Total	Funded pension schemes	Unfunded pension schemes	Total
Balance at 1 April	**(8,840)**	**2,465**	**(6,375)**	**(54,974)**	**3,432**	**(51,542)**
Reclassification	-	-	-	-	(1,091)	(1,091)
Current service cost	22,745	57	22,802	24,686	257	24,943
Transfers into pension schemes	-	96	96	-	2	2
Interest cost	43,223	15	43,238	48,019	57	48,076
Actuarial (gains) and losses	72,369	(19)	72,350	51,148	(172)	50,976
Return on assets	(59,625)	-	(59,625)	(60,714)	-	(60,714)
Transfers out	1,393	-	1,393	(3,658)	(36)	(3,694)
Income from contributions	(21,438)	-	(21,438)	(17,005)	21	(16,984)
Payment of pensions	-	(180)	(180)	-	(205)	(205)
(Gains)/losses on settlement and curtailments	(1,393)	-	(1,393)	3,658	200	3,858
Balance at reporting date	**48,434**	**2,434**	**50,868**	**(8,840)**	**2,465**	**(6,375)**

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

Details of the bodies to which the funded and unfunded pension schemes relate are shown below.

30.1 Funded pension schemes

The Student Loans Company (SLC) operates the SLC Limited Retirement and Death Benefits Scheme for all permanent staff which is a defined benefits scheme that provides benefits based on final pensionable salary. A full actuarial valuation was undertaken as at 31 March 2013. The scheme deficit as at 31 March 2013 was £14 million (31 March 2012: £4 million deficit). Further details of the SLC pension scheme can be found in the accounts of the SLC.

The Medical Research Council (MRC) operates the MRC Pension Scheme (MRCPS), for all permanent staff providing benefits based on service and final pensionable salary. The MRCPS is a defined benefit scheme. A full actuarial valuation was undertaken as at 31 March 2013. The scheme deficit as at 31 March 2013 was £34 million (31 March 2012: £13 million surplus). Further details of the MRCPS can be found in the accounts of the MRC.

The assets of the schemes are held separately from the assets of the Departmental Group, being invested by the Trustees of the schemes.

30.2 Unfunded pension schemes

In addition to the funded pension schemes, the NDPBs and other bodies are responsible for the following unfunded schemes, which are accounted for in accordance with IAS 19:

Competition Commission (CC) PCSPS by analogy scheme

Members who are or were Chairperson or Deputy Chairperson of the CC are members of the CC's PCSPS by Analogy scheme, gaining benefits commensurate with their salary and service. This is a defined benefit scheme which is unfunded and non-contributory except in respect of dependants' benefits and additional employee contributions. The CC makes no contribution to the scheme. Instead, it pays pensions to retired members as they become due. The liability at 31 March 2013 was £2 million (31 March 2012: £2 million). A full actuarial valuation was undertaken as at 31 March 2013.

Former Chairmen of the Electricity Consumer Committees' pension scheme

Consumer Focus are responsible for meeting the ongoing pension payments of the former Chairmen of the Electricity Consumer Committees. The scheme is analogous to the PCSPS pension scheme. The pension liability was revalued by the Government Actuary's Department on 31 March 2011. The liability at 31 March 2013 was £0.3 million (31 March 2012: £0.3 million). A full actuarial valuation was undertaken as at 31 March 2013.

Other by Analogy Pension Schemes included in provisions

A number of Partner Organisations have put in place by Analogy Pension Schemes for their Chairpersons and/or former Chairpersons with the schemes being analogous to the PCSPS pension scheme. The schemes are unfunded and the employer pays benefits as and when they arise. The schemes are subject to regular actuarial valuations by independent, professionally qualified actuaries. These valuations determine the level of contributions required to fund future benefits. A full actuarial valuation for these schemes was undertaken as at 31 March 2013.

Further details of each unfunded pension scheme can be found in the financial statements of the relevant body. Details of the defined contribution pension schemes of the NDPBs and other designated bodies can be found in the relevant bodies' accounts.

31. Financial guarantees

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Balance at 1 April	**235,928**	**235,928**	**267,333**	**268,436**	**268,436**	**299,981**
Provided in year	35,318	35,318	43,601	46,661	46,661	54,974
Financial guarantees not required written back	(4,423)	(4,423)	(4,423)	(3,741)	(3,741)	(3,741)
Guarantees called	(49,206)	(49,206)	(56,157)	(51,342)	(51,342)	(59,795)
Amortisation of financial guarantees	(26,536)	(26,536)	(26,536)	(27,433)	(27,433)	(27,433)
Unwinding of discount	2,774	2,774	2,774	3,347	3,347	3,347
Change in price levels	5,204	5,204	5,204	-	-	-
Balance at period end date	**199,059**	**199,059**	**231,796**	**235,928**	**235,928**	**267,333**

Financial guarantees analysed between current and non-current liabilities

	31 March 2013 £'000			31 March 2012 £'000			1 April 2011 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Payable not later than one year	47,547	47,547	48,707	82,762	82,762	84,044	54,519	54,519	55,853
Payable after more than one year	151,512	151,512	183,089	153,166	153,166	183,289	213,917	213,917	244,128
Total	**199,059**	**199,059**	**231,796**	**235,928**	**235,928**	**267,333**	**268,436**	**268,436**	**299,981**

The Enterprise Finance Guarantee (EFG), Small Firms Loan Guarantee Scheme (SFLGS) and Professional and Career Development Loans (PCDLs), and those guarantees included in the category of other, are classified as financial guarantees in accordance with IAS 39. The other guarantees are the UK High Technology Fund Guarantee (UKHTFG), Automotive Assistance Programme (AAP) loan guarantee and the Export Enterprise Finance Guarantee (Export EFG).

Measurement

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

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

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

The premium income is also disclosed as a fee receivable and is discounted where material.

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 discount rates, where material.

The UKHTFG 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.

Guarantees provided by the Core Department

31.1 Enterprise Finance Guarantee (EFG)

The EFG was introduced in January 2009. In the October 2010 Spending Review (SR), the Government made a commitment to continue the EFG scheme until 2014-15 and, subject to demand, will guarantee up to £2 billion in lending over the four year SR period. The current phase of EFG runs from 1 April 2011 to 31 March 2015. For 2012-13, a total of £500 million was made available. Actual lending under the scheme for 2012-13 as at 31 March 2013, was £294 million.

EFG may be used to facilitate new term loans (either unsecured or partially secured), to transfer long term debt out of an overdraft, to refinance an existing secured loan which would otherwise be withdrawn due to deterioration in the quality of the security or invoice finance facilities. EFG is available to businesses with an annual turnover of up to £41 million, seeking a facility of between £1,000 and £1 million, with repayment terms between three months and ten years (except for the invoice finance and overdraft guarantee facilities which operate over maximum terms of three years and two years respectively).

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

Carrying values

The total value of loans outstanding as at 31 March 2013 was £904 million (31 March 2012: £966 million). For lending that took place in the first three years (Phases 1 to 3) of EFG, in financial years 2008-09 to 2011-12, the Core Department's total liability is capped at 9.75% of the total amount lent under the scheme during that period. During 2012-13, the cap on liabilities increased from 9.75% to 15% of the total amount lent under the scheme during this period. At 31 March 2013 the Core Department's maximum exposure was £194 million based on total lending of £1.8 billion.

£48 million of EFG loan offers had been made prior to 31 March 2013 which had yet to be drawn. It is estimated that up to £36 million worth of these loans will ultimately be drawn down by borrowers. At 31 March 2013 the carrying value of the guarantees was £150 million (31 March 2012: £165 million). The total value of the expected defaults, adjusted for claims already made, was £95 million (31 March 2012: £108 million), and the fair value of those guarantees not expected to default was £55 million (31 March 2012: £57 million).

The estimated liability arising from the guarantees outstanding is based on the default probability, the outstanding guaranteed loan balance and the time taken to process the claim. The default probability is determined by using a statistical forecasting model known as 'Cox Regression'. The model predicts the probability of default for each loan period, but the liability is capped to 20% of the overall portfolio therefore reducing the total exposure. The timing of the calls on the guarantees are impacted by the requirement for lenders to undertake all reasonable steps to recover outstanding debt and to realise security before a claim is made. This has led to differences between forecast and actual expenditure.

Risks

Due to the nature of these guarantees, the Core Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Core Department to honour its guarantee. The Core Department minimises the credit risk by devolving responsibility to the banks to determine whether any business applying for a loan is commercially viable. The banks are required to apply normal commercial practices. To establish that this is the case, the Core Department undertakes an independent audit of the lenders participating in the Scheme. This is done by sampling and checking guarantees granted and defaults arising using recognised statistical sampling and auditing techniques and by auditing individual default claims by exception. In addition, the Core Department also shares the risk on each individual guaranteed facility with the lender in the ratio 75:25 and limits the risk at the portfolio level because its exposure is capped.

In addition, the Core Department is exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks' usual lending practices mean that fixed rate loans are usually available only for small value short term loans. To minimise the risk of default relating to a rise in interests rates, accompanied by a decline in the economic environment, the Core Department relies on the lenders applying best commercial practice when assessing the risk of default.

Gross Domestic Product (GDP)

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

31.2 Small Firms Loan Guarantee Scheme (SFLGS)

The SFLGS was replaced by the EFG in January 2009. By providing a Government backed guarantee, the Scheme enabled lenders to assist small business, with viable business proposals, to gain access to finance where they lacked security or a track record.

Carrying values

The total value of loans outstanding as at 31 March 2013 was £91 million (31 March 2012: £161 million) however, the Core Department's total liability under the Scheme is limited to approximately 75% of the total value of the loans outstanding which was £69 million (31 March 2012: £121 million). At 31 March 2013 the carrying value of the guarantees was £30 million (31 March 2012: £45 million). The total value of the expected defaults was £9 million (31 March 2012: £18 million), and the fair value of those guarantees not expected to default was £22 million (31 March 2012: £27 million). The amounts outstanding will be utilised over the next six years, to 2018-19.

The estimated liability arising from the guarantees outstanding is based on the default probability, the outstanding guaranteed loan balance and the time taken to process the claim. The default probability is determined by using a statistical forecasting model known as 'Cox Regression'. The model predicts the probability of default for each loan period.

Risks

Due to the nature of these guarantees, the Core Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Core Department to honour its guarantee. The Core Department 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 Core 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 Core 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 Core Department is also exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks' usual lending practices mean that fixed rate loans are usually available only for small value, short term loans. To minimise the risk of default relating to a rise in interest rates, accompanied by a decline in the economic environment, the Core Department relies on the lenders applying best commercial practice when assessing the risk of default.

Gross Domestic Product

SFLGS is sensitive to large negative 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.

Sensitivity of GDP movements on defaults until the loans have expired

	Additional loans expected to default Numbers	Value of loans expected to default £'000
2012-13	18	312
2013-14	10	153
2014-18	11	120
Total	**39**	**585**

31.3 Other

UK High Technology Fund

The Core 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 Core Department's share of investment income, resulting in the income being returned to the Fund Manager. The guarantee was due to expire on 30 September 2012, but was extended for a further year to 30 September 2013. There is an option to extend for a further year on expiry.

Automotive Assistance Programme (AAP)

On 27 January 2009, the then Secretary of State announced the creation of the AAP, to make possible loans and guarantees enabling up to £2.3 billion in lending to Britain's automotive manufacturers and suppliers. Following the signing of an agreement in July 2010, the Core Department provided a guarantee to the European Investment Bank (EIB) for £378 million in respect of a £450 million loan. The loan is due to be repaid by September 2015.

Export Enterprise Finance Guarantee (Export EFG)

The Export Enterprise Finance Scheme (Export EFG) closed to new applicants on 15 June 2012.

The Export EFG was a loan guarantee scheme, launched as a pilot in April 2011, to facilitate short term export finance for viable SMEs unable to secure funding from commercial sources due to lack of security. It enabled accredited lenders to provide a range of export finance facilities of between £25,001 and £1 million for periods of 3 months to 2 years. The Government provided the lender with a 60% guarantee against each facility subject to an annual claim limit capped at 2.7% of the lenders' annual Export EFG loan portfolio.

The Export EFG is a self financing non-aid scheme as required by EU State Aid rules. All costs are covered by a 3% per annum premium payable in full at the outset of the agreement. In the case of default, and after the realisation of security, the lender can make a claim against the government guarantee up to the annual claim limit.

During the life of the scheme the Core Department did not make any payments. As part of the closure of the Export EFG, the Core Department has agreed to return unclaimed premium income to participating lenders. This will extinguish the Core Department's liability for defaults as the cost of any subsequent loan defaults will be borne by the lender.

At 31 March 2013, 11 loans had been facilitated, with a value of £4 million. The total value of loans outstanding at 31 March 2013 was £2 million (31 March 2012: £3 million). Due to the annual claim limit, at 31 March 2013 the Core Department's maximum exposure (covered by premium income) was £0.1 million based on total lending of £4 million.

NPLML guarantee

BIS on behalf of NMO entered into a loan guarantee arrangement on 15 March 2012, acting as guarantor with a commercial bank as lender and NPLML as borrower. This loan agreement enables NPLML to purchase technical assets to carry out its normal operating activities. The loan agreement includes a number of loans covering a range of payment periods, with an average of 10 years. The value of loans outstanding as at 31 March 2013 was £18 million (31 March 2012: £7.5 million). The fair value of the guarantee is nil and NMO are not expecting NPML to default on its obligations to pay.

Carrying value

At 31 March 2013, the fair value of the Core Department's other financial guarantees was £19 million (31 March 2012: £26 million), and the total value of the expected defaults was nil (31 March 2012: £1 million).

Risks

Credit Risk

Due to the nature of the AAP guarantee, the Core Department is exposed to credit risk, which could trigger a call on the guarantee if the business defaults or if other financial covenants set out in the loan agreement are not met. This risk is mitigated by the Core Department assessing the company's credit rating according to professional rating agencies. At 31 March 2013 the likelihood of default was assessed as 1.1%. The loan is also secured on assets.

With respect to the Export EFG the Core Department is exposed to credit risk where the SME may default and the lending bank will then call upon the guarantee. The Core Department mitigates this risk by making the lending banks responsible for ensuring that the SME is commercially viable before agreeing the export finance facilities. Lending banks are required to apply normal commercial lending practices when providing the facility. The banks are subject to periodic independent audits. The Core Department shares the risk by setting its maximum exposure at 60% of the outstanding balance. The lending banks bear the risk on the remaining 40%.

Market Risk

Due to the nature of the UKHTF guarantee, the Core 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 Core Department minimises the risk for the UKHTF through its delivery partner, Capital for Enterprise Limited (CfEL), an asset management company. CfEL monitor the overall performance of the UKHTF and, as appropriate, will act to secure value for the Core Department as an investor in the Fund.

Exchange Rate Risk

Facilities that are made in currencies other than sterling will be subject to exchange rate risk. The Core Department has transferred this risk to the lenders as calls on the guarantee are to be made in sterling.

Guarantees provided by NDPBs and other designated bodies

31.4 Professional and Career Development Loans provided by the Skills Funding Agency

The Professional and Career Development Loans (PCDLs) programme is administered by the Skills Funding Agency. PCDLs provide loans to students of £300 to £10,000, to enable them to complete a course of study from approved learning providers, lasting up to two years (three years if one year's work experience is included). High street banks provide the loans to students at a rate of interest below what might ordinarily be offered to them in such circumstances - currently 9.9% (2011-12: 9.9%). The Skills Funding Agency is liable for the cost of defaults on these loans and for the interest costs of the loans while the students are in learning and for up to one month after the course of study finishes.

Carrying Values

The financial guarantee is carried at an amount determined in accordance with IAS 37 which is calculated as being the product of the maximum amount payable and the likely risk of a call on the guarantee being made. The Skills Funding Agency's total liability under the Scheme is capped at 15% of the total loan portfolio advanced since the beginning of the programme which at 31 March 2013 was £44 million (31 March 2012: £38 million). The total value of the loans outstanding as at 31 March 2013 was £218 million (31 March 2012: £209 million) and the value of the financial guarantee has been estimated as 15 per cent of the value of loans outstanding at 31 March 2013 which was £33 million (31 March 2012: £31 million).

Risks

The Skills Funding Agency is not exposed to interest rate risk as the rate of interest on the loans is fixed (currently 9.9%). The banks' usual lending practices mean that fixed rate loans are usually available for small value short term loans.

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

Further information on the Departmental Group's exposure to financial instrument risk is included in Note 16.

32. Other Financial Liabilities

	Debt sale subsidy £'000
Balance at 1 April 2011	**191,174**
Increase in year	23,624
Utilisation in year	(1,414)
Borrowing costs (unwinding of discounts)	4,206
Value at 31 March 2012	**217,590**
Increase in year	33,071
Utilisation in year	(3,427)
Borrowing costs (unwinding of discounts)	4,787
Value at 31 March 2013	**252,021**

Financial liabilities analysed between current and non-current liabilities:

	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000
Payable not later than one year	9,295	4,809	9,124
Payable after more than one year	242,726	212,781	182,050
Total	**252,021**	**217,590**	**191,174**

Other financial liabilities relate to the Core Department. The student loan 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 Core Department arising from the Government subsidising the purchaser of the debts beyond the cost that the Government would have incurred had the debts remained in the public sector. This liability arose from loan sales in 1998 and 1999. The subsidy will continue until all the loans are extinguished which is expected to be no earlier than 2028, which is the 30 year duration of the first debt sale agreement.

The annual debt sale subsidy payments are calculated according to a formula set out in the debt sale contracts signed in 1998 and 1999. The subsidy consists of two elements. The interest subsidy element of the payment is calculated as LIBOR plus margin less RPI. Margin is calculated as a percentage of the portfolio with different rates for each contract. The key risk is therefore that the gap between LIBOR and RPI increases. The other key element relates to compensation payable for deferment write offs. Borrowers who earn less than the repayment threshold are eligible to apply for deferment of repayments and under the contracts the Core Department is liable to pay compensation to the purchaser of the debt where this occurs.

There are also small adjustments to the claim for cancelled loans and first losses. The first loss is a risk sharing arrangement for the most overdue sold loans (over two years without a repayment) where subsidy is paid in relation to these loans, up to a cap defined in the contracts.

During the year, the Core Department revised the model which forecasts the payments of debt sale subsidy to reflect the aged status of the loan book. It provides a more accurate picture of expected subsidy payments to the owners of the debt and has led to an increase in the net present value of expected future cash flows to £252 million.

33. Capital and other Commitments

33.1 Capital Commitments

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	**Core Department and Agencies**	**Departmental Group**	**Core Department**	**Core Department and Agencies**	**Departmental Group**
Contracted capital commitments not otherwise included in these financial statements:						
Property, plant and equipment	2,657	2,657	439,678	2,654	2,654	496,751
Intangible assets	500	5,453	5,453	-	-	3,269
Investment properties	-	-	4,838	-	-	-
Investments	-	-	460,158	-	-	-
Total	**3,157**	**8,110**	**910,127**	**2,654**	**2,654**	**500,020**

The property, plant and equipment commitments as at 31 March 2013 include the following significant commitments:

- Biotechnology and Biological Sciences Research Council (BBSRC) has commitments of £237 million (31 March 2012: £213 million), of which £234 million relates to commitments on capital projects at the BBSRC Institute sites, including the Pirbright Institute, for the next five years.
- Medical Research Council (MRC) has commitments of £164 million (31 March 2012: £238 million) of which £154 million relates to the Francis Crick Institute.
- Natural Environment Research Council (NERC) has commitments of £10 million (31 March 2012: £20 million), of which £4 million relates to the building of the RRS Discovery replacement ship due and the remaining £6 million to other research instruments and equipment.
- Science and Technology Facilities Council (STFC) has commitments of £10 million (31 March 2012: £13 million), of which £6 million relates to ISIS instruments.
- The Engineering and Physical Sciences Research Council (EPSRC) has commitments of £5 million (31 March 2012: £7 million) in respect of a supercomputer (HECToR).
- Diamond Light Source Ltd (DLS) has commitments of £4 million (31 March 2012: £5 million) in respect of beamlines.

The commitments for investment properties of £5 million (31 March 2012: nil) relate to BIS (Postal Services Act 2011) Company Limited in respect of property improvements.

The commitments relating to investments are for BIS (Postal Services Act 2011) Company Limited, which has £198 million of capital calls (31 March 2012: nil) in respect of its private equity financial instruments and GIB which has commitments of £262 million (31 March 2012: nil) in respect of legal obligations.

33.2 Commitments under leases

33.2.1 Operating leases

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

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Obligations under operating leases comprise:						
Land:						
Not later than one year	-	18	54	-	18	18
Later than one year and not later than five years	-	3	3	-	3	3
Later than five years	-	25	25	-	27	27
	-	**46**	**82**	**-**	**48**	**48**
Buildings:						
Not later than one year	51,068	57,793	83,682	47,637	54,916	78,452
Later than one year and not later than five years	151,734	171,297	241,502	190,626	212,555	295,345
Later than five years	222,948	238,300	308,847	209,905	229,751	327,413
	425,750	**467,390**	**634,031**	**448,168**	**497,222**	**701,210**
Other:						
Not later than one year	188	505	2,092	189	3,976	6,441
Later than one year and not later than five years	525	641	2,345	465	787	2,639
	713	**1,146**	**4,437**	**654**	**4,763**	**9,080**

The Core Department is allowed to sub-lease and can assign leases, subject to the lease provisions. Further information about finance leases and sub-lease arrangements of the Agencies, NDPBs and other designated bodies can be found in the accounts of the relevant bodies.

Non cancellable operating leases: Lessor

Total non cancellable lessor payments under operating leases are given in the table below for each of the following periods:

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Obligations under non cancellable operating leases comprise:						
Land:						
Not later than one year	-	7,665	11,865	-	7,367	16,625
Later than one year and not later than five years	-	499	8,988	-	-	5,822
Later than five years	-	1,247	8,864	-	-	8,255
	-	**9,411**	**29,717**	**-**	**7,367**	**30,702**

33.2.2 Finance leases

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

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Obligations under finance leases comprise:						
Not later than one year	-	-	2,334	-	39	2,524
Later than one year and not later than five years	-	-	6,630	-	-	7,368
Later than five years	-	-	2,128	-	-	3,724
	-	-	11,092	-	39	13,616
Less: interest element	-	-	(2,328)	-	(3)	(3,132)
Present value of obligations	**-**	**-**	**8,764**	**-**	**36**	**10,484**

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Present Value of obligations under finance leases comprise:						
Not later than one year	-	-	1,667	-	36	1,720
Later than one year and not later than five years	-	-	5,089	-	-	5,390
Later than five years	-	-	2,008	-	-	3,374
Total present value of obligations	**-**	**-**	**8,764**	**-**	**36**	**10,484**

Core Department

The Core Department has not entered into any finance lease arrangements.

Agencies

The commitments at 31 March 2012 related to a finance lease entered into by INSS in respect of their system for estate accounting on case administration fees. In 2012-13, the lease expired and the final payment of £18,935 was made, with the remaining £16,583 being credited to the Consolidated Statement of Comprehensive Net Expenditure.

NDPBs and other designated bodies

NERC has entered into a finance lease arrangement relating to the use of the research ship RSS Ernest Shackleton. Total future minimum lease payments as at 31 March 2013 were £9 million (31 March 2012: £10 million.) The lease expires on 31 July 2019, though this may be curtailed to 31 July 2014 if agreed before 31 October 2013.

33.3 Commitments under PFI contracts and other service concession arrangements

The total payments to which the Departmental Group is committed, analysed by the period in which the commitment expires, is as follows:

33.3.1 Off-balance sheet (SoFP)

	31 March 2013 £'000			31 March 2012 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Not later than one year	-	-	-	15,441	15,441	15,441
Later than one year and not later than five years	-	-	-	15,135	15,135	15,135
Later than five years	-	-	-	-	-	-
Total	**-**	**-**	**-**	**30,576**	**30,576**	**30,576**

Core Department

At 31 March 2013, the Core Department did not have any PFI arrangements in place.

33.3.2 On-balance sheet (SoFP)

Agencies

The Insolvency Service has entered into a contractual agreement with IBM for the provision of IT hardware, software and related services. The contract ran for an initial term of five years which has been extended to the end of March 2013 with an option to extend for a further three months. The IT infrastructure provided under the contract includes IT hardware and software as well as any directly attributable costs.

The total contract value was £21 million and the estimated fair value of assets to be recognised as property, plant and equipment (PPE) over the term of the contract was £8 million. As at 31 March 2013 the total value of PPE recognised under the service concession arrangement was nil.

The Insolvency Service entered into a contractual agreement in November 2012, for a term of five years from the point at which the IBM exit is complete with ATOS, for the provision of IT hardware, software and related services. The core contract value is £16 million and the estimated fair value of assets to be recognised as PPE over the term of the contract is £6 million. As at 31 March 2013 the total value of PPE recognised under the service concession arrangements was £1 million.

NDPBs and other designated bodies

At 31 March 2013, NDPBs and other designated bodies did not have any PFI arrangements in place.

33.3.3 Charge to the Consolidated Statement of Comprehensive Net Expenditure and future commitments

The total amount charged to the Consolidated Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions in 2012-13 was nil (2011-12: £22 million); see note 8. The 2011-12 charge related to the Core Department, which re-negotiated its contract to eliminate the PFI element of the arrangement.

The total amount charged to the Consolidated Statement of Comprehensive Net Expenditure in respect of on-balance sheet PFI and service concession arrangements contracts in 2012-13 was £5 million (2011-12 restated: £4 million). This relates to the service charge element of the INSS on-balance sheet IT contracts referred to in 33.3.2 above. These charges are shown in notes 8 and 9.

Total off-balance sheet payments to which the Departmental Group is committed, analysed by the period during which the commitment expires, are shown in the table under 33.3.1 above.

Total on-balance sheet payments to which the Departmental Group is committed as at 31 March 2013 are £16 million, as described in 33.3.2 above.

33.4 Other financial commitments

The Departmental Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for subscriptions to international bodies, student loans and grants and various other expenditures. The payments to which the Departmental Group is committed during 2013-14, analysed by the period during which the commitments expire, are as follows:

	31 March 2013 £'000			31 March 2012 restated £'000		
	Core Department	**Core Department and Agencies**	**Departmental Group**	**Core Department**	**Core Department and Agencies**	**Departmental Group**
Not later than one year	16,513	65,159	67,423	35	151,473	155,885
Later than one year and not later than five years	16,085	113,595	261,741	790	207,834	348,438
Later than five years	27,491	28,268	28,268	25,875	25,875	25,875
Total	**60,089**	**207,022**	**357,432**	**26,700**	**385,182**	**530,198**

33.4.1 International Subscriptions

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

Organisation	**Note**	**Expiry within one year £'000**	**Expiry within two to five years £'000**	**Expiry over five years £'000**	**Total 2012-13 £'000**	**Total 2011-12 restated £'000**
World Trade Organisation (WTO)	a	-	-	5,919	5,919	6,320
UNIDROIT	b	-	-	123	123	105
EUMETSAT Polar Satellite Programme	c	-	-	7,727	7,727	9,659
OECD Global Science Forum	d	-	-	105	105	69
Bureau International des Poids et Measures (NMO)	e	-	-	777	777	594
European Space Agency (UKSA)	f	-	97,510	-	97,510	306,537
European Science Foundation (EPSRC)	g	159	-	-	159	487
International Fusion Research (ITER) (EPSRC)	h	223	-	-	223	221
Institut des Hautes Études Scientifiques (EPSRC)	i	160	-	-	160	160
Institut National des Sciences de l'Univers (NERC)	j	1,722	-	-	1,722	5,316
European Organisation for Nuclear Research (CERN) - (STFC)	k	-	106,542	-	106,542	98,689
European Southern Observatory Agency (STFC)	l	-	18,242	-	18,242	16,512
European Synchrotron Radiation Facility (STFC)	m	-	7,955	-	7,955	7,383
Institut Laue Langevin (STFC)	n	-	15,407	-	15,407	16,248
Total		**2,264**	**245,656**	**14,651**	**262,571**	**468,300**

Notes:

The Departmental Group is required to subscribe to the above bodies on an on-going and continuous basis. These subscriptions are paid in Euros, Swiss Francs, US dollars and pounds sterling. The subscriptions paid in Euros and Swiss Francs are subject to fluctuations due to exchange rate differences. The purpose of the subscription payable to each of these bodies is described below:

a) The Core Department 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 Core Department 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 or groups of States.

c) The Core Department is responsible for paying the UK's contribution to the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT). EUMETSAT's main purpose is to deliver weather and climate related satellite data. The UK is committed to the Polar Satellite Programme until its conclusion in 2023.

d) The Core Department is responsible for the payment of the UK's annual contribution to the Global Science Forum, which brings together science policy officials from OECD countries. The delegates, who meet twice a year, seek to identify and maximise opportunities for international co-operation in basic scientific research.

e) NMO subscribes to the Bureau International des Poids et Mesures (BIPM). Its task is to ensure world-wide uniformity of measurements and their traceability to the International System of Units (SI).

f) The UK Space Agency subscribes to the European Space Agency (ESA) programme. The UK shares research objectives with other European nations and collaborates with them to mitigate the high capital and running costs of facilities. There are agreements in place at national level to regulate annual contributions and the management of the facilities. These include a period of notice of withdrawal from the arrangement. ESA requires a 12 month notice period after the end of the current calendar year.

g) ESPRC shares the funding of the capital and running costs of the European Science Foundation (ESF). There is a notice of withdrawal period of three years.

h) EPSRC pays a subscription to the International Thermonuclear Experimental Reactor (ITER), which is an international project to design and build an experimental fusion reactor based on the "tokamak" concept.

i) EPSRC pays a subscription to the Institut des Hautes Études Scientifiques (I.H.É.S: Institute of Advanced Scientific Studies), which is a French institute supporting advanced research in mathematics and theoretical physics.

j) NERC as the UK representative pays the Integrated Ocean Drilling Programme (IODP) subscription to the Institut National des Sciences de l'Univers. The IODP is an international scientific research programme supported by twenty five countries advancing scientific understanding of the Earth by monitoring, drilling, sampling and analysing subsea floor environments.

k) STFC shares the funding of the capital and running costs of CERN with other major scientific nations. There is a notice of withdrawal period of 12 months after the end of the current calendar year.

l) STFC shares the funding of the capital and running costs of the European Southern Observatory (ESO). There is a notice of withdrawal period of 12 months with effect from 1 July 2014.

m) The UK, through STFC, has signed up to International Conventions, with respect to European Synchrotron Radiation Facility (ESRF). The current ESRF will remain in force until 31 December 2013 and has a notice period of three years.

n) The UK, through STFC, has signed up to International Conventions, with respect to Institute Laue Langevin (ILL). The 4th protocol of the Intergovernmental Convention was signed at the end of 2002 and will remain in force until 31 December 2013. STFC has no current intention to withdraw from these arrangements.

33.4.2 Non-cancellable contracts

The amounts disclosed above include payments due in the next financial year under non-cancellable contracts to the following organisations:

Organisation	Note	Expiry within one year £'000	Expiry within two to five years £'000	Expiry over five years £'000	Total 2012-13 £'000	Total 2011-12 £'000
European University Institute (EUI)	a	-	-	4,323	4,323	4,256
Erasmus Programme	b	399	-	-	399	388
Fulbright Commission	c	-	600	-	600	600
Vodafone (expiry in 2013-14)	d	535	-	-	535	402
Fujitsu (expiry in 2014-15)	e	15,578	-	-	15,578	-
Honours Trustee Limited	f	-	-	4,866	4,866	2,700
Finance for Higher Education Limited	g	-	-	4,429	4,429	2,200
Grant Thornton (Manufacturing Advisory Service)	h	-	15,485	-	15,485	-
NPL Management Ltd (NPLM Ltd)	i	43,400	-	-	43,400	46,084
Laboratory of the Government Chemist (LGC Ltd)	j	1,411	-	-	1,411	1,395
Technischer Überwachungsverein – German safety and standards institution (TUVNEL Ltd)	k	1,355	-	-	1,355	1,398
Amey Community Ltd	l	2,275	-	-	2,275	2,268
SGS Ltd	m	206	-	-	206	206
Total		**65,159**	**16,085**	**13,618**	**94,862**	**61,897**

Notes:

The Departmental Group has entered into non-cancellable contracts with the above bodies. Contracts are paid in Euros and pounds sterling. Where payments are made in Euros there are fluctuations due to exchange rate differences. The nature of the contracts with each of these bodies is described below:

a) The European University Institute (EUI) is a post-graduate body which the UK has a legally binding commitment to fund having ratified the convention that established the EUI. The Core Department pays annual subscriptions for the Institute's teaching and learning costs, including pensions. The EUI budget is set annually by agreement between its member states.

b) The Erasmus Programme is an exchange programme where EU students can study at higher education institutions in different countries and receive a small allowance from the EU. It is part of the European Commission's Lifelong Learning Programme (LLP), which ends on 31 December 2013. The Core Department has a seven year contract with the British Council to deliver this programme and pays the British Council a quarterly management fee. It is expected that payments on a similar scale will be made for the successor programme to the LLP.

c) The Core Department funds the Fulbright Commission which provides an HE scholarship programme in the UK and the USA. This is a verbal commitment and is not set down in treaty form.

d) The Core Department has entered into a non cancellable contract with Vodafone for mobile telephony. The contract expires in 2013-14.

e) This contract with Fujitsu Services covers the provision of a wide range of information systems and services to the Core Department under the Elgar Service Agreement. This includes ICT infrastructure services and management, IT development, end user computing and IT strategic consultancy advice.

f) The Core Department has entered into a contract with Honours Trustee Limited for the sale and administration of mortgage-style student loans. The contract expires in 2029.

g) The Core Department has an agreement with Finance for Higher Education Limited for the sale and administration of mortgage-style student loans. This contract runs until March 2028.

h) The Core Department has a performance based contract with Grant Thornton for delivery of the Manufacturing Advisory Service, targeted at SMEs, until 2015. Significant outcomes are expected for generating economic growth, creating and safeguarding jobs, and achieving significant return on BIS investments. Contractual targets are set for: on site diagnostic reviews with manufacturers resulting in formal action plans; and provision of grant aided business improvement consultancy projects.

i) National Measurement Office (NMO) has entered into a non-cancellable contract with NPLM Ltd to operate the National Physical Laboratory and perform scientific metrology on the Teddington site.

j) NMO has a non-cancellable contract with the Laboratory of the Government Chemist Limited to perform scientific metrology.

k) NMO has a non-cancellable contract with the Technischer Überwachungsverein – German safety and standards institution (TUVNEL Ltd) to perform scientific metrology.

l) NMO has a non-cancellable contract with Amey Community Limited for the facilities management of the Teddington Estate.

m) NMO has a contract with SGS Limited to test disputed gas and electricity meters.

33.4.3 Student grants and loans

In addition to the commitments listed above, the Core Department also entered into agreements with students spanning more than one financial year for grants and loans payable in the summer term of academic year 2012/13, for payment after 31 March 2013. Since the Statement of Financial Position date, the Student Loans Company has issued £3,400 million in maintenance loans and £600 million in grants in respect of the academic year 2012/13.

34. Contingent Liabilities

34.1 Contingent liabilities disclosed under IAS37

The Departmental Group has the following contingent liabilities:

Basis of Recognition	Description
Nuclear	The Core Department has a range of civil nuclear liabilities arising through its association with the United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited as well as ensuring that the Government complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable.
Postal Services Act 2000	Since October 2003 the Core Department has made available to Post Office Limited a revolving loan facility of up to £1.15 billion. This is to help the company fund its daily in-branch working capital cash requirements needed to deliver services through the network, such as social benefits payments. The facility currently matures on 31 March 2016 and the outstanding balance on the loan was £291 million at 31 March 2013 (31 March 2012: £499 million).
Lease payments	The Core Department is responsible for paying the rent in respect of a lease in the event that the current tenant defaults. The cost to the Core Department is estimated to be in the region of £2 million, which is the estimated total value of the amounts payable until the lease expires in November 2016. (31 March 2012: £2 million).
Radioactive waste disposal	NMO is responsible for the disposal of all radioactive waste arising from scientific projects undertaken at the National Physical Laboratory. The contingent liability is unquantifiable.
Decontamination	NMO has a contingent liability for the decontamination of land and buildings on the Teddington estate where costs may be higher than those provided for. The contingent liability is unquantifiable.
Outer Space Act 1986	The UKSA has a potential liability under the Outer Space Act 1986. This is likely to be minimal but is unquantifiable at the time of reporting.
Reprocessing and staff costs	STFC is responsible for Institut Laue Langevin (ILL) staff related commitments and costs associated with reprocessing fuel elements. The contingent liability is estimated to be £12 million (31 March 2012: £12 million).
Decommissioning – STFC	STFC is liable for the decommissioning costs associated with the dismantling of the European Synchrotron Radiation Facility (ESRF). The contingent liability is estimated to be £2 million (31 March 2012: £2 million).
Decommissioning – TSB	TSB is liable for the decommissioning costs associated with the dismantling of Narec's Offshore Anemometry Hub (NOAH). The contingent liability is estimated to be £3 million (31 March 2012: nil).
Dilapidations	MRC has identified a contingent liability of £2 million (31 March 2012: £2 million) for dilapidation works that may be required at the end of property leases which are due to expire within the next ten years.
International collaborations – technical facilities	STFC collaborates with a number of international partners in the funding, management and operation of technical facilities which it does not own. For each of these facilities STFC may be obliged to contribute to decommissioning costs arising from a decision to discontinue operations. The most significant of these potential liabilities is in respect of CERN and the European Southern Observatory (ESO). The contingent liability is unquantifiable.

34.2 Contingent liabilities arising through financial guarantees, indemnities and letters of comfort

Quantifiable

The Departmental Group has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39.

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 2012 £'000	Increase in year £'000	Liabilities crystallised in year £'000	Obligations expired in year £'000	31 March 2013 £'000	Amount Reported to Parliament by Departmental minute £'000
Statutory Guarantees:						
– Home Shipbuilding Credit Guarantee Scheme	3,039	-	-	855	2,184	-
Statutory Indemnities:						
– Local Network Indemnities	3,484	-	-	3,484	-	72,654
Other:						
– Callable capital subscription for the Common Fund for Commodities	1,960	-	-	-	1,960	-
– Paid in capital subscription for the Common Fund for Commodities	2,240	-	-	-	2,240	-
Liabilities that arise from the 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
Total	**11,723**	**-**	**-**	**5,339**	**6,384**	**74,654**

Notes:

- Obligations expired in year relate to cases closed and/or completed contracts.
- Where the balances outstanding at 31 March 2013 are different to the amounts included in the Departmental minute, this is because the contingent liabilities have gone through a process of re-assessment, or have crystallised since the minute was laid.

Unquantifiable

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

Statutory Guarantees

- A guarantee has been given to the Financial Reporting Council that if the amount held in the Legal Costs Fund falls below £1 million in any year, an additional grant will be made to cover legal costs subsequently incurred in that year.
- Any liabilities imposed by section 9, British Aerospace Act 1980.

Statutory Indemnities

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

Other

- Incidents/Accidents Insurance claims for exposure to ionising radiation pursued outside the existing UK Atomic Energy Authority insurance scheme.
- A contingent liability in respect of risk associated with the Core Department assuming responsibility for uplifts in pension contributions for the UK Atomic Energy Authority's non-actives.
- Outstanding claims under the Enemy Property Claim Scheme are still being considered by the Core Department.
- There is a possibility that other liabilities exist in relation to nationalised and former nationalised industries that if they crystallised may fall to the Core 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.
- The Cabinet Secretary has provided a Government wide indemnity to Public Appointments Assessors (PAAs). This will ensure that PAAs will not have to meet any personal civil liability incurred in the execution of their PAA functions.
- Indemnities have been given to the Directors appointed by the Department to Enrichment Holdings Limited, Enrichment Investments Limited and Urenco Limited. These indemnities are against personal liability following any legal action against the Company.

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

Note: (i) – These contingent liabilities relate to Agencies.

All other liabilities relate to the Core Department.

35. Losses and special payments

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

35.1 Losses Statement

Loss values	2012-13 £'000			2011-12 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Cash losses	287	287	6,633	1,994	1,994	6,318
Claims abandoned	406,311	406,876	408,820	353,376	353,376	357,118
Administrative write-offs	273	4,055	4,057	101	16,701	16,729
Constructive losses	28,322	28,322	28,525	31,641	31,641	33,672
Fruitless payments	35	211	1,871	-	248	248
Store losses	-	-	73	-	-	30
Write off of investment in subsidiary	3,882	3,882	3,882	-	-	-
Total	**439,110**	**443,633**	**453,861**	**387,112**	**403,960**	**414,115**

Number of cases	2012-13			2011-12		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Cash losses	203	203	227	2	2	61
Claims abandoned	13,397	13,550	13,588	11,671	11,671	12,681
Administrative write-offs	523	526	535	1,281	1,587	1,654
Constructive losses	6	6	18	4	4	80
Fruitless payments	22	78	136	-	100	100
Store losses	-	-	21	-	-	34
Write off of investment in subsidiary	1	1	1	-	-	-
Total	**14,152**	**14,364**	**14,526**	**12,958**	**13,364**	**14,610**

Details of cases over £250,000

Cash losses

Core Department

There were losses in 2012-13 from fraudulent "phishing" attacks of £196,882 (2011-12: £1,363,496) in student loans and £84,448 (2011-12: £629,737) in student grants. Losses through phishing are payments re-directed by a fraudster that would otherwise have gone to a student.

NDPBs and other designated bodies

Included in cash losses for 2012-13 are 23 cases with a value of £6,191,228 paid to organisations by the Skills Funding Agency where recovery was not possible because the organisations have gone into liquidation. Of this total, individual losses in excess of £250,000 were recorded for the following organisations:

- UK E-Learning Ltd (£2,116,133)
- Mymar Training (£1,584,781)
- Apprenticeship Training (£1,288,747)
- Real Time Training (£735,168)

Claims abandoned

Core Department
HMRC pay to BIS the amounts of student loan repayments collected from borrowers by employers through the tax system. During the reporting period £310,378 was written off in respect of student loan repayments which have been collected by the employer from the borrower but were uncollectable from employers by HMRC, normally because of employer insolvency. The amount written off in 2011-12 was £375,615.

Redundancy Payment Service (RPS) Receivable Impairment: Most of the redundancy payments made from the National Insurance Fund (NIF) are in respect of employees of insolvent companies. Repayment of debt is recovered from the sale of the assets of the insolvent company. A small part of the debt is preferential but most ranks with ordinary creditors. Therefore most of the debt is irrecoverable. HMRC record the impairment of the RPS receivable in NIF accounts. The RPS receivable impairment for 2012-13 is £406 million (2011-12: £353 million).

Agencies
Costs are awarded to the Secretary of State when disqualification orders have been made or undertakings given after proceedings have been issued. Such costs would ordinarily cover legal costs. In some cases it is not possible to collect the debts and the Insolvency Service (INSS) has to write off some or all the amounts awarded. During the reporting period, INSS wrote off 153 cases totalling £564,625 (2011-12: 304 cases totalling £1,758,306).

Administrative losses

Agencies
The Insolvency Service (INSS) has written off a sum of £3.1 million in 2012-13 (2011-12: £17 million) in respect of irrecoverable receivables for case administration fees.

Case Administration fee write offs include a planned cost of £5.3 million which reflects 12% of the fee charged for cases from 2004-05 and 2009-10 case years and 8% of the fee charged for cases from 2010-11 to 2012-13 case years is expected to be written off as irrecoverable. It is therefore included as a cost when setting case administration fees. The recoverability of case administration fees is subject to asset levels in insolvency cases and requires analysis of past trends of recoveries. An additional £4 million was written off to reflect that asset levels in insolvency cases will not be sufficient to generate future fee recoveries. The additional write-off relates to case administration fees that have been charged over the period from April 2007 to March 2010 which are now deemed to be irrecoverable.

The amounts written off have been partly offset by a write-back of £6.2 million owing to the reduction in the write-off rate from 12% to 8% for 2010-11 and 2011-12 case years, as there is greater certainty of case administration fee recovery for these years.

INSS has also written off irrecoverable receivables for estate account service fees of £0.7 million in 2012-13 (2011-12: £0.3 million).

Constructive losses

The Core Department holds onerous leases for properties on the Department's estate, for which we have provided £194 million, as disclosed in Note 28. The payments made during the course of 2012-13 in respect of these leases amounted to £28,321,682 (2011-12: £31,640,841).

Write off of an investment in a subsidiary

The Core Department resigned its membership of Directions Finningley on 14 February 2013, leading to the £3.8 million investment being written off. Directions Finningley was an ex-RDA Community Interest Company (CIC), the investment in which transferred into the Core Department from Yorkshire Forward in March 2012.

35.2 Special Payments

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

	2012-13 £'000			2011-12 £'000		
	Core Department	Core Department and Agencies	Departmental Group	Core Department	Core Department and Agencies	Departmental Group
Total amount	**37**	**52**	**3,996**	**-**	**5**	**2,163**
Total number of cases	*1*	*4*	*662*	*-*	*4*	*73*

Details of cases over £250,000

Regional Development Agencies (RDAs)

In order to ensure an effective closure of the RDAs, a retention scheme was put in place that identified key individuals with the necessary skills and experience to close each Agency. This scheme was approved by BIS, in conjunction with HM Treasury, in December 2010. In the period ending 30 June 2012, 71 employees who completed their closure tasks and met the required conditions received a total of £3,041,836.

35.3 Student Loans remitted (written off) in year

Loans totalling £27,501,774 were written off in 2012-13.

	2012-13 £'000	2011-12 £'000
Because of death	11,210	7,162
Because of age	12,560	10,836
Because of disability	601	651
Because of bankruptcy	215	4,418
On completion of Individual Voluntary Arrangement (IVA)	813	948
Other	2,103	797
Total	**27,502**	**24,812**

36. Related-party transactions

The Core Department is the parent of the bodies listed in Note 40 and during the reporting period made payments to these bodies. The Core Department is also the sponsor of Companies House, UKIPO, Ordnance Survey and the Met Office (Trading Funds), Royal Mail Holdings plc, BNFL and EHL.

The Core Department has also had various material transactions with other Government departments and Government bodies. The most significant of these transactions have been with the Department for Communities and Local Government; the Department of Energy and Climate Change, the Department for Education, HM Revenue and Customs; the National Loans Fund, the Cabinet Office and HM Treasury's Consolidated Fund.

Professor Dame Julia King DBE, a Non Executive Director on the BIS Management Board, is the Vice Chancellor of Aston University, which receives funding from the Department through the Higher Education Funding Council for England (HEFCE). Aston University received £31,770,429 in funding during the year and was owed £489,566 at 31 March 2013. The Core Department did not have any material transactions with Aston University. Dame Julia is also an EPSRC council member, which received grant in aid funding of £849 million from the Core Department, and is a Greater Birmingham and Solihull LEP Board member. The Core Department did not have any transactions with the LEP in the reporting period.

Bernadette Kelly's husband, Howard Ewing, is the Chair of the board of the Arun and Chichester Citizen's Advice Bureau and director of the West Sussex consortium of Citizen's Advice Bureaux. The Core Department did not have material transactions with any of these bodies during 2012-13.

None of the Core Department's Ministers or other Management Board members has undertaken any material transactions with the Core Department during the year.

Disclosures with respect to the NDPBs and other designated bodies

BIS (Postal Services Act 2011) Company Limited transferred investments in UK Government gilts, to the UK Debt Management Office ("DMO") under the direction of HM Treasury. The DMO is an executive agency of HM Treasury and is responsible for the management of the Government's debt on its behalf. In agreement with the DMO the investments were transferred to the Debt Management Account for nil consideration and sold to the National Loans Fund (for cancellation) at market value as required by the National Loans Act 1968. The gilts had a market value of £11 billion including accrued income of £36 million at the date of transfer. Total interest of £97 million was recognised in the Consolidated Statement of Comprehensive Net Expenditure prior to their cancellation.

The following BBSRC council members held positions on the governing bodies of sponsored research institutes:

Dr David Lawrence	Rothamsted Research
Mr David Gregory	Institute for Food Research

The Institute for Food Research (IFR) received £13 million grant funding from BBSRC during the reporting period (2011-12: £15 million) and Rothamsted Research received £27 million (£23 million). BBSRC operates a policy where interested parties are precluded from voting on grant funding to organisations in which they have an interest. BBSRC also reported balances as follows: IFR £0.2 million receivable (2011-12: £1.4 million receivable); Rothamsted Research £0.1 million payable, £4.8 million payable (2011-12: £3.5 million receivable, £2.1 million payable).

In the course of allocating funding during the year, AHRC, BBSRC, ESRC, HEFCE, MRC, NERC, TSB and STFC entered into material transactions with various Higher Education Institutions. Where these bodies have board members who are also members of university councils, each body operates a policy that precludes interested parties from voting on the funding to the university in which they have an interest. Further details of the transactions can be found in the statutory accounts of the individual bodies.

NDPBs and other designated bodies also had various material transactions with other Government departments. The most significant of these transactions have been with the Department for Work and Pensions, the Cabinet Office, HM Revenue and Customs, the Department for Culture, Media and Sport, the Ministry of Defence, the Department of Health, the Department for Environment, Food and Rural Affairs and the Devolved Administrations.

37. Events after the Reporting Period

Royal Mail Holdings

A ministerial statement was laid in Parliament on 25 April 2013 confirming that the Government is strongly committed to a sale of shares in Royal Mail. The firm intention is to give Royal Mail access to private capital during this financial year through a sale of shares.

Urenco

On 22 April 2013 the Business and Energy Minister announced that the Government was proceeding with the plan to sell some or all of its shareholding in Urenco, a civil uranium enrichment company. The decision to proceed with preparations for the sale comes after the Government secured agreement from its Dutch and German partners. Any sale will only be concluded if the Government is satisfied that the UK's security and non-proliferation interests can be protected.

Business Bank

On 10 April 2013 the Secretary of State for Business, Innovation and Skills launched the first phase of the new Business Bank. £300 million will be invested alongside private investors to address long-standing gaps in the SME finance markets. The money is the first deployment from the £1 billion of new capital allocated to the Business Bank in the 2012 Autumn Statement.

37.1 Date Accounts authorised for issue

The Accounting Officer of the Department has authorised these Accounts to be issued on the same day as they were certified.

38. Third-party assets

The following are balances on accounts held in BIS's name at banks but which are not BIS monies. They are held or controlled for the benefit of third parties and are not included in BIS's Accounts.

	31 March 2013			31 March 2012		
	Core Department £'000	Core Department and Agencies £'000	Departmental Group £'000	Core Department £'000	Core Department and Agencies £'000	Departmental Group £'000
Monetary assets such as bank balances and monies on deposit	1,260,825	1,260,825	1,269,520	2,505	2,505	13,331
Listed securities	-	-	-	-	-	-
Total	**1,260,825**	**1,260,825**	**1,269,520**	**2,505**	**2,505**	**13,331**

BIS is holding £1,256 million in a GBS account on behalf of Royal Mail Holdings (RMH) plc. The funds were formerly held in escrow in relation to the company's pension deficit, which was assumed by Government on 1 April 2012. With the elimination of the deficit the assets held in escrow were liquidated and transferred to a GBS account.

39. Restatement of Statement of Financial Position and Statement of Comprehensive Net Expenditure as a result of Machinery of Government (MoG) changes, changes to the Designation Order and other restatements

Machinery of Government (MoG) Changes

BIS had one MoG change affecting its Estimate and Accounts for the year ended 31 March 2013, where functions or responsibilities have been merged or transferred within Government.

Urenco

Under a MoG change the Government's shareholding in Enrichment Holdings Limited (EHL), and its subsidiary Enrichment Investments Limited (EIL), which holds the Government's 33% shareholding in Urenco, along with related costs and dividends, transferred to BIS from the Department of Energy and Climate Change (DECC). The effective date of the transfer was 1 April 2012.

Restatements

MoG

The MoG 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.

Changes in the Designation Order

The prior year numbers have also been restated to reflect the changes arising from the inclusion or removal of financial information for bodies that were added to or removed from the Designation Order, where ONS has reclassified them retrospectively.

Prior Period Adjustments

Due to a change in accounting policy the Core Department's shareholdings in BNFL, RMH, and EHL have been restated to fair value. In accordance with IAS 8 the historic investments have been restated with effect from the earliest opening period, which is 1 April 2011.

Other restatements

Non-operating transactions arising from transfers of assets and liabilities into and out of the Department were restated in 2011-12 to align with the treatment in 2012-13, where the transfers have a material impact on the presentation of the account.

The Accounts have also been restated to reflect the reclassification of HEFCE and BSRC's receivables to loans; to separately present expenditure incurred on EU projects by the Skills Funding Agency; to correctly reflect a non-current asset owned by UK SBS as internally developed software, and to reflect a component of the Launch Investment receivables in non-current.

Impact on the primary statements

The Statement of Parliamentary Supply was restated as a result of the MoG transfer from DECC. The Departmental Expenditure Limit (DEL) was reduced by £25 million. This comprised £252,000 of administrative expenditure and £24,882,000 of programme expenditure.

The Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Net Expenditure for 2011-12 have been restated as follows:

Consolidated Statement of Financial Position as at 31 March 2012

	Published 2011-12 £'000	Machinery of Government changes £'000	Changes to the Designation Order £'000	Accounting policy changes £'000	*Other £'000	Restated 2011-12 £'000
Non Current assets:						
Property, plant and equipment	2,354,284	-	375,620	-	(54,116)	2,675,788
Investment properties	41,287	-	-	-	-	41,287
Intangible assets	264,871	-	(43,194)	-	54,116	275,793
Investments and loans in public bodies	2,087,127	-	-	2,465,374	(50)	4,552,451
Other financial assets	28,647,386	-	(11,755)	-	50,355	28,685,986
Derivative financial instruments	4,184	-	-	-	-	4,184
Investment in joint ventures and associates	391,602	-	(306,460)	-	-	85,142
Trade and other receivables	154,333	-	-	-	16,059	170,392
Total non-current assets	***33,945,074***	***-***	***14,211***	***2,465,374***	***66,364***	***36,491,023***
Current assets:						
Inventories	298	-	-	-	-	298
Non-current assets held for sale	4,661	-	-	-	-	4,661
Trade and other receivables	1,986,190	-	(4,124)	-	(81,077)	1,900,989
Investments and loans in public bodies	499,166	-	-	-	-	499,166
Derivative financial instruments	4,856	-	-	-	-	4,856
Other financial assets	1,848,037	-	(17,767)	-	14,663	1,844,933
Cash and cash equivalents	1,160,297	-	6,664	-	-	1,166,961
Total current assets	***5,503,505***	***-***	***(15,227)***	***-***	***(66,414)***	***5,421,864***
Current liabilities:						
Trade and other payables	(3,585,968)	(175)	(15,902)	-	-	(3,602,045)
Provisions	(102,706)	-	-	-	-	(102,706)
Financial guarantees	(84,044)	-	-	-	-	(84,044)
Other financial liabilities	(4,809)	-	-	-	-	(4,809)
Current tax liability	(14,191)	-	-	-	-	(14,191)
Total current liabilities	***(3,791,718)***	***(175)***	***(15,902)***	***-***	***-***	***(3,807,795)***
Non-current Liabilities:						
Trade and other payables	(1,140,922)	-	(17,040)	-	-	(1,157,962)
Provisions	(947,744)	-	(13,489)	-	-	(961,233)
Financial guarantees	(183,289)	-	-	-	-	(183,289)
Retirement benefit obligations	6,375	-	-	-	-	6,375
Other financial liabilities	(212,781)	-	-	-	-	(212,781)
Deferred tax liability	(9,279)	-	-	-	-	(9,279)
Total non-current liabilities	***(2,487,640)***	***-***	***(30,529)***	***-***	***-***	***(2,518,169)***
Assets less liabilities	**33,169,221**	**(175)**	**(47,447)**	**2,465,374**	**(50)**	**35,586,923**
Taxpayers' equity and other reserves:						
General fund	31,948,907	(175)	(8,303)	-	(50)	31,940,379
Revaluation reserve	1,039,349	-	(43,195)	2,465,374	-	3,461,528
Charitable funds	180,896	-	(40,332)	-	-	140,564
Minority interest	69	-	44,383	-	-	44,452
Total Equity	**33,169,221**	**(175)**	**(47,447)**	**2,465,374**	**(50)**	**35,586,923**

Consolidated Statement of Financial Position as at 1 April 2011

	Published 2010-11 £'000	Machinery of Government changes £'000	Changes to the Designation Order £'000	Accounting policy changes £'000	*Other £'000	Restated 2010-11 £'000
Non current assets:						
Property, plant and equipment	2,249,691	-	373,080	-	(54,116)	2,568,655
Investment properties	37,877	-	-	-	-	37,877
Intangible assets	271,231	-	(42,953)	-	54,117	282,395
Investments and loans in public bodies	2,047,790	-	-	1,679,425	(50)	3,727,165
Other financial assets	25,715,336	-	(11,614)	-	49,549	25,753,271
Derivative financial instruments	20,544	-	-	-	-	20,544
Investment in joint ventures and associate	345,043	-	(300,352)	-	-	44,691
Trade and other receivables	253,067	-	-	-	(30,265)	222,802
Total non-current assets	***30,940,579***	***-***	***18,161***	***1,679,425***	***19,235***	***32,657,400***
Current assets:						
Inventories	36,322	-	-	-	-	36,322
Non-current assets held for sale	12,172	-	-	-	-	12,172
Trade and other receivables	1,847,838	-	(2,189)	-	(31,469)	1,814,180
Investments and loans in public bodies	261,271	-	-	-	-	261,271
Derivative financial instruments	16,547	-	-	-	-	16,547
Other financial assets	1,840,153	-	(6,508)	-	12,185	1,845,830
Cash and cash equivalents	1,879,913	-	(8,524)	-	-	1,871,389
Total current assets	***5,894,216***	***-***	***(17,221)***	***-***	***(19,284)***	***5,857,711***
Current liabilities:						
Trade and other payables	(4,399,381)	(59)	(8,956)	-	-	(4,408,396)
Provisions	(120,490)	-	-	-	-	(120,490)
Financial guarantees	(55,853)	-	-	-	-	(55,853)
Other financial liabilities	(9,124)	-	-	-	-	(9,124)
Current tax liability	(6,998)	-	-	-	-	(6,998)
Total current liabilities	***(4,591,846)***	***(59)***	***(8,956)***	***-***	***-***	***(4,600,861)***
Non-current liabilities:						
Trade and other payables	(1,149,337)	-	(19,323)	-	-	(1,168,660)
Provisions	(941,411)	-	(12,684)	-	-	(954,095)
Financial guarantees	(244,128)	-	-	-	-	(244,128)
Retirement benefit obligations	51,542	-	-	-	-	51,542
Other financial liabilities	(182,050)	-	-	-	-	(182,050)
Deferred tax liability	(13,747)	-	-	-	-	(13,747)
Total non-current liabilities	***(2,479,131)***	***-***	***(32,007)***	***-***	***-***	***(2,511,138)***
Assets less liabilities	**29,763,818**	**(59)**	**(40,023)**	**1,679,425**	**(49)**	**31,403,112**
Taxpayers' equity and other reserves:						
General fund	28,612,644	(59)	(1,968)	-	(49)	28,610,568
Revaluation reserve	1,006,018	-	(42,953)	1,679,425	-	2,642,490
Charitable funds	140,921	-	(40,167)	-	-	100,754
Minority interest	4,235	-	45,065	-	-	49,300
Total Equity	**29,763,818**	**(59)**	**(40,023)**	**1,679,425**	**(49)**	**31,403,112**

*The 'Other' category includes restatements for the reclassification of recoverable grants issued by BBSRC and HEFCE as a financial asset, to correctly reflect a non-current asset owned by UK SBS as internally developed software, and to reflect a component of the Launch Investment receivables in non-current.

Consolidated Statement of Comprehensive Net Expenditure as at 31 March 2012

	Note	Published 2011-12 £'000	Machinery of Government changes £'000	Changes to the Designation Order £'000	Accounting policy changes £'000	*Other £'000	Restated 2011-12 £'000
Administration costs:							
Staff costs	7	469,323	245	-	-	-	469,568
Other administration costs	8	379,402	7	-	-	2,215	381,624
Income	11	(71,629)	-	-	-	(2,215)	(73,844)
Net administration costs		*777,096*	*252*	-	-	-	*777,348*
Programme costs:							
Staff costs	7	638,466	-	15,632	-	-	654,098
Other programme costs	9	22,807,760	1,253	(12,180)	-	-	22,796,833
Income	11	(4,591,306)	(26,141)	(1,888)	-	-	(4,619,335)
Public Dividend Capital dividends	11	(30,745)	-	-	-	-	(30,745)
less minority interest	9	(4,166)	-	(4,052)	-	-	(8,218)
Net programme costs		*18,820,009*	*(24,888)*	*(2,488)*	-	-	*18,792,633*
Net Operating Cost		**19,597,105**	**(24,636)**	**(2,488)**	**-**	**-**	**19,569,981**

*The 'Other' category includes restatements for non-operating gains and losses on assets transferred from the Regional Development Agencies and restatement for cost recoveries.

40. List of bodies within the Departmental Group

The table below shows BIS Partner Organisations that are included in the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2012, known as the Designation Order. The individual Annual Report and Accounts for each of these bodies can be found on their own websites or via the Inside Government website (https://www.gov.uk/government/organisations#department-for-business-innovation-skills).

The bodies whose accounts have been consolidated within the Departmental Group accounts are shown in section (a) of the table. Bodies within the Departmental Group but not consolidated, such as where net assets are not considered material to the Departmental Group accounts, are indicated separately in section (b) of this table.

A list of all BIS Partner Organisations as at 31 March 2013, including those that are not in the Designation Order and are therefore outside the Departmental Group accounts boundary, and excluding those which ceased to operate during 2012-13, is provided at Annex C.

As a result of changes made in the 2012-13 Designation Order, some bodies are no longer included in the Departmental Group accounts boundary. Further details of these changes are contained in note 1.33.3. Where boundary changes have an impact on previously reported financial results, these are shown in Note 39.

Partner Organisation *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during 2012-13 is also included)*
(a) Bodies consolidated in Departmental Group accounts for 2012-13		
Executive Agencies		
Insolvency Service	Executive Agency	bis.gov.uk/insolvency
National Measurement Office	Executive Agency	bis.gov.uk/nmo
UK Space Agency	Executive Agency	bis.gov.uk/ukspaceagency
Crown Executive Non Departmental Public Bodies (NDPBs)		
Advisory Conciliation and Arbitration Service (Acas)	Crown Executive NDPB	acas.org.uk
Central Arbitration Committee	*Linked but independent institution of Acas*	*Consolidated by Acas*
Certification Officer	*Linked but independent institution of Acas*	*Consolidated by Acas*
Skills Funding Agency	Crown Executive NDPB	skillsfundingagency.bis.gov.uk
NDPBs and other designated bodies		
Advantage West Midlands	Executive NDPB	*Closed on 30 June 2012 and remaining assets transferred to BIS. Will not be in BIS 2013-14 designation order.*
Arts and Humanities Research Council	Executive NDPB	ahrc.ac.uk
Biotechnology and Biological Sciences Research Council	Executive NDPB	bbsrc.ac.uk
BIS (Postal Services Act 2011) Company Limited	Limited Company owned by BIS	*Website not yet available*
BIS (Postal Services Act 2011) B Company Limited	*Limited Company*	*Consolidated by BIS (Postal Services Act 2011) Company Limited*
Capital for Enterprise Limited (CfEL)	Executive NDPB and Limited Company	capitalforenterprise.gov.uk
Capital for Enterprise Fund Managers Limited	*Limited Company*	*Consolidated by CfEL*
Capital for Enterprise (GP) Limited	*Limited Company*	*Consolidated by CfEL*
Competition Appeal Tribunal	Tribunal NDPB	catribunal.org.uk *Consolidated by the Competition Service*
Competition Commission	Executive NDPB	competition-commission.org.uk
Competition Service	Executive NDPB	catribunal.org.uk/244/Competition-Service.html
Construction Industry Training Board (CITB)	Executive NDPB and Charity	citb.co.uk
Consumer Focus *(operating name of the National Consumer Council)*	Executive NDPB	consumerfocus.org.uk
Diamond Light Source Limited	Limited Company	diamond.ac.uk
East Midlands Development Agency	Executive NDPB	*Closed on 30 June 2012 and remaining assets transferred to BIS. Will not be in BIS 2013-14 designation order.*
East of England Development Agency	Executive NDPB	*Closed on 30 June 2012 and remaining assets transferred to BIS. Will not be in BIS 2013-14 designation order.*
Economic and Social Research Council	Executive NDPB	esrc.ac.uk
Engineering and Physical Sciences Research Council	Executive NDPB	epsrc.ac.uk
Engineering Construction Industry Training Board	Executive NDPB and Charity	ecitb.org.uk
Financial Reporting Council Limited	Limited Company	frc.org.uk
Accountancy and Actuarial Discipline Board Limited	*Limited Company*	*Consolidated by Financial Reporting Council Limited. This body will cease to exist by summer 2013.*
Higher Education Funding Council for England (HEFCE)	Executive NDPB	hefce.ac.uk
Learning and Skills Improvement Service	Charity	lsis.org.uk *This body will cease to exist after autumn 2013.*
Medical Research Council	Executive NDPB	mrc.ac.uk

Partner Organisation *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during 2012-13 is also included)*
The NESTA Trust	Charitable Trust	nesta.org.uk/faqs/what_is_the_nesta_trust *The NESTA Trust was formed following the abolition of the National Endowment for Science Technology and the Arts (NESTA), the other part, NESTA Operating Company, is in the charity sector.*
Natural Environment Research Council	Executive NDPB	nerc.ac.uk
North West Development Agency (NWDA)	Executive NDPB	*Closed on 30 June 2012 and remaining assets transferred to BIS. Will not be in BIS 2013-14 designation order.*
ONE North East	Executive NDPB	*Closed on 30 June 2012 and remaining assets transferred to BIS. Will not be in BIS 2013-14 designation order.*
The Pirbright Institute *(formerly known as the Institute for Animal Health)*	Company Limited by Guarantee	pirbright.com
Science and Technology Facilities Council (STFC)	Executive NDPB	stfc.ac.uk
STFC Innovations Limited	*Limited Company*	*Consolidated by STFC*
South East England Development Agency (SEEDA)	Executive NDPB	*Closed on 30 June 2012 and remaining assets transferred to BIS. Will not be in BIS 2013-14 designation order.*
South West of England Regional Development Agency	Executive NDPB	*Closed on 30 June 2012 and remaining assets transferred to BIS. Will not be in BIS 2013-14 designation order.*
Student Loans Company Limited	Executive NDPB and Limited Company	slc.co.uk
Technology Strategy Board	Executive NDPB	innovateuk.org
UK Green Investment Bank plc	Public Limited Company owned by BIS	greeninvestmentbank.com
UK Energy Efficiency Investments 1 L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
Energy Saving Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Green Sustainable Waste and Energy Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Waste Resources and Energy Investments L.P.	*Limited Partnership*	*Consolidated by UK Green Investment Bank plc*
UK Shared Business Services Limited (formerly RCUK Shared Service Centre Limited)	Limited Company	ssc.rcuk.ac.uk
United Kingdom Atomic Energy Authority	Executive NDPB	uk-atomic-energy.org.uk (corporate) and ccfe.ac.uk (fusion research)
AEA Insurance Limited	*Limited Company*	*Consolidated by UK Atomic Energy Authority*
United Kingdom Commission for Employment and Skills	Executive NDPB	ukces.org.uk
Yorkshire Forward (operating name of Yorkshire and the Humber Regional Development Agency)	Executive NDPB	*Closed on 30 June 2012 and remaining assets transferred to BIS. Will not be in BIS 2013-14 designation order.*

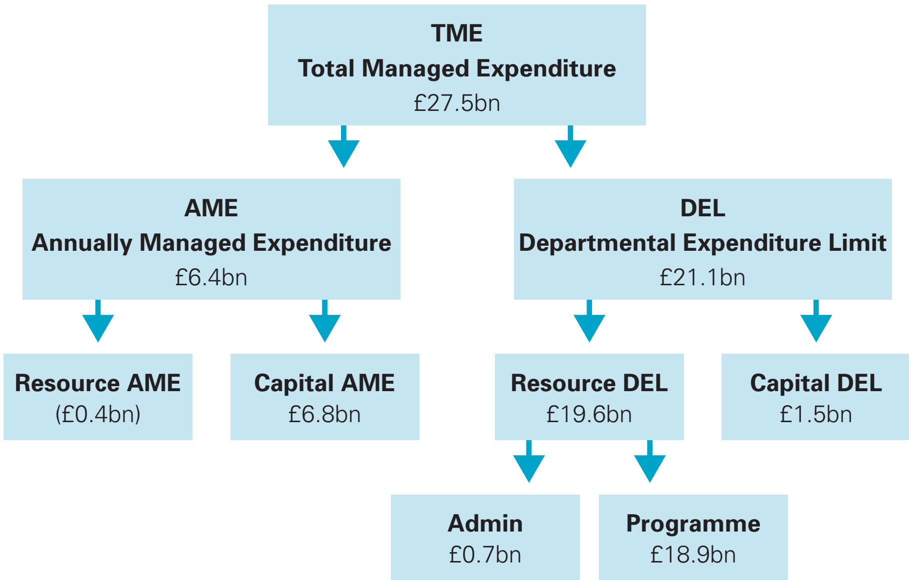
Partner Organisation *(linked bodies are indicated in italics below their parent body)*	**Status**	**Website** *(further information about linked bodies or those closed during 2012-13 is also included)*
(b) Bodies not consolidated in Departmental Group accounts for 2012-13		
British Hallmarking Council	Executive NDPB	bis.gov.uk/britishhallmarkingcouncil *Previously a Public Corporation, reclassified to BIS accounting boundary in 2012-13. Turnover and net assets are not material to Departmental Group accounts.*
British Shipbuilders	Public Corporation	*Holds the provision to compensate former employees for industrial diseases. The provision is included in Core Department accounts, and the remaining net assets and turnover are not material to Departmental Group accounts. The body and its subsidiaries merged with BIS in March 2013.*
British Shipbuilders (Southwick) Limited	*Limited Company*	*Consolidated by British Shipbuilders*
BS Benton House Limited	*Limited Company*	*Consolidated by British Shipbuilders*
BS (ETS) Limited	*Limited Company*	*Consolidated by British Shipbuilders*
George Clark & NEM Limited	*Limited Company*	*Consolidated by British Shipbuilders*
Govan Shipbuilders Limited	*Limited Company*	*Consolidated by British Shipbuilders*
Henry Robb Limited	*Limited Company*	*Consolidated by British Shipbuilders*
North East Shipbuilders Limited	*Limited Company*	*Consolidated by British Shipbuilders*
Smith's Dock Limited	*Limited Company*	*Consolidated by British Shipbuilders*
Sunderland Shipbuilders Limited	*Limited Company*	*Consolidated by British Shipbuilders*
Copyright Tribunal	Tribunal NDPB	ipo.gov.uk/ctribunal.htm *No accounts produced as costs are included in the Core Department's expenditure. It is funded by BIS and operated by UK Intellectual Property Office.*
Council for Science and Technology	Advisory NDPB	bis.gov.uk/cst *No accounts produced as costs are included in the Core Department's expenditure.*
Directions Finningley	Community Interest Company	directionscic.com *Previously recorded as an investment in Core Department accounts. Turnover and net assets are not material to Departmental Group accounts. BIS resigned its membership in this body in February 2013.*
Film Industry Training Board for England and Wales	Executive NDPB and Charity	*No website available. Established by statute but has not begun operations yet.*
Industrial Development Advisory Board	Advisory NDPB	bis.gov.uk/policies/economic-development/industrial-development-advisory-board *No accounts produced. Funded by BIS and operated by the Insolvency Service. Costs are included as part of the Core Department.*
Insolvency Practitioners Tribunal	Tribunal NDPB	*No accounts produced as costs are included in the Core Department's expenditure. It is funded by BIS and operated by the Insolvency Service.*
Low Pay Commission	Advisory NDPB	lowpay.gov.uk *No accounts produced as costs are included in the Core Department's expenditure.*
NW VCLF HF LLP	Limited Liability Partnership	*Recorded as investment in Core Department accounts. Turnover and net assets are not material to Departmental Group accounts.*
Office for Fair Access (operating name of Director of Fair Access to Higher Education)	Executive NDPB	offa.org.uk *Turnover and net assets are not material to Departmental Group accounts.*
Office of Manpower Economics	Advisory NDPB	ome.uk.com *No accounts produced as costs are included in the Core Department's expenditure.*
Wave Hub Limited	Limited Company	wave.hub.co.uk *Turnover and net assets are not material to Departmental Group accounts.*

Annexes

Annex A: Annex to the Financial Overview, including glossary of financial terms

Budgets

Total Managed Expenditure (TME) represents the total funds available to the Department..



Departmental Expenditure Limit (DEL)

DEL budgets are firm, planned budgets set for multi-year periods in Spending Reviews. They are linked to the Department's objectives and their limits may not be exceeded. The majority of BIS spending falls within DEL.

The DEL budget can be split into **Resource DEL** and **Capital DEL**.

Capital DEL is for spending on assets and investment. By having a separate total for Capital DEL, funding for capital investment is both protected and controlled.

Resource DEL is spent on either:

- Programme:
  Largely the delivery of the Department's frontline objectives, including funding for many partner organisations
- Administration:
  Running costs of the Department and its partner organisations, including back office staff, accommodation and ICT.

Annually Managed Expenditure (AME)

AME budgets are volatile or demand-led in a way that the Department cannot control. Examples of AME budgets for BIS are:

- Student Loans (cash paid out and repayments received)
- Post Office working capital loan
- Redundancy payments service
- Paternity and adoption pay

Consolidated Fund Extra Receipts (CFERs)

CFERs are receipts not authorised to be retained by the Department and which are paid over to HM Treasury.

Estimates

Supply Estimates are the means by which Parliament gives approval to (and grants resources for) Departmental Spending Plans. The amount approved by Parliament is often termed **the Vote**. The resources granted in the Vote are specifically for the set of Departmental operations covered under the **ambits**. The Vote also includes the **Net Cash Requirement**. The Net Cash Requirement relates to spending within the Estimate as a whole, and is not ring-fenced between any of the other voted limits.

Budgets may be amended via the annual **Supplementary Estimate**. This allows the Department to make various changes, including: taking account of new internal allocations, for example due to machinery of government changes; increasing or decreasing the net cash requirement; and Reserve claims to increase funding.

Note that BIS has a separate Estimate for the effective management of the United Kingdom Atomic Energy Authority pension schemes. This is separate from the consolidated accounts contained in this volume. Copies of the United Kingdom Atomic Energy Authority Pension accounts are available at

http://www.official-documents.gov.uk

Financial Management

BIS is responsible for all of the resources allocated to the Departmental 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 mid year and end December reviews (as these are used by HM Treasury as a basis for total spend across Government for the year and to identify changes to be made through the Supplementary Estimate). In 2012-13, a formal mid year review process was carried out to confirm or adjust in-year budgets to align with revised forecasts, and to assess risks and opportunities in the future years of the Spending Review.

The Finance Director delivered monthly finance reports to the Performance, Finance and Risk Committee following the 2012-13 mid-year review exercise. These reports gave the strategic context for managing expenditure over the remainder of the year and provided assurance that forecast expenditure would remain within budget.

Annex B

Expenditure Tables

These Tables present actual expenditure by the Department for the years 2006-07 to 2012-13 and planned expenditure for the years 2013-14 to 2014-15. The data relates to the Department's expenditure on an Estimate and budgeting basis. From 2011-12 there is alignment between Estimates and budgets, and the administration costs of partner organisations are shown as such rather than as programme.

The format of the Tables is determined by HM Treasury, and the disclosure in Tables 1 to 3 follow that of the Supply Estimate Functions.

The data in the Tables has been restated to take account of machinery of government changes over the period. The exception is Table 3 (Total Capital Employed), where outturns for all years except 2007-08 have been restated. All 2012-13 outturns are those used for the 2012 Public Expenditure Outturn White Paper.

Table 1 Total Departmental Spending – summarises expenditure on functions now administered by the Department, covering the period from 2006-07 to 2012-13. Consumption of resources includes programme and administration costs. Total Departmental expenditure is analysed by Departmental Supply Estimates, and any unallocated provision.

Table 2 Resource Budget – is complementary to Table 1 and shows 2012-13 figures against the original and final budgetary control limits.

Table 3 Total Capital Employed – shows capital employed by the Department in Statement of Financial Position format as disclosed in the Department's Accounts. It also shows as a separate line the net capital employed by its partner organisations to give a total figure for capital employed by the Departmental Group.

Table 4 Administration Costs – provides a more detailed analysis of the administration costs of the Department. It retains the high level functional analysis used in Table 1. One of the classification changes resulting from the SR2010 Settlement was the movement of the administration costs of partner organisations from programme funding into admin. Table 4 shows assumed figures for past years other than 2011-12.

Table 5 Staff Numbers – shows staff numbers employed by the main Department and its Agencies.

Tables 6, 7, and 8 Country and Regional Analysis Tables – show analyses of the Department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2012. The figures were taken from the HM Treasury in October 2012 as part of the National Statistics release. The figures were taken from the HM Treasury public spending database in summer 2012 and the regional distributions were completed by the following autumn. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report. Please note that totals may not sum due to rounding.

The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department, its executive agencies and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities' own expenditure.

TES is a cash equivalent measure of public spending. The tables do not include depreciation, 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 2012.

The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

The functional analyses of spending in Table 8 are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter A of the CRA October 2012 release. These are not the same as the strategic priorities shown elsewhere in the report.

Table 6 Expenditure by Country and Region – shows identifiable expenditure on services, i.e. expenditure which can be shown as being for the benefit of specific countries and regions. It also includes, for completeness, a line for non identifiable expenditure i.e. that which is deemed to be on behalf of the United Kingdom as a whole.

Table 7 Expenditure per Head by Country and Region – analyses the identifiable expenditure underlying Table 6, per head of population.

Table 8 Expenditure by Function/Programme by Country and Region – shows the outturns for 2012-13 in Table 6 analysed into functional categories. These categories are the standard COFOG categories.

Table 1 – Department for Business, Innovation and Skills

Total departmental spending

									£'000
	2006-07 Outturn	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Outturn**	**2013-14 Plans**	**2014-15 Plans**
Resource DEL									
Section A: Science and Research	138,525	167,283	187,111	132,291	146,272	299,400	469,367	486,589	473,395
Section B: Innovation, Enterprise and Business	(97,896)	(275,982)	(252,524)	33,599	(187,186)	137,007	213,509	489,435	552,521
Section C: Market Frameworks	57,447	81,662	103,837	111,200	94,815	120,028	108,753	88,689	78,493
Section D: Higher Education	1,635,389	1,869,497	1,847,900	2,251,300	5,663,480	5,220,117	5,130,779	4,466,298	5,116,107
Section E: Further Education	(6,462,804)	(6,251,826)	(6,416,341)	(6,717,968)	(406,072)	(647,879)	(631,748)	(678,684)	184,461
Section F: Capability	410,491	350,262	352,474	351,049	327,169	319,496	312,621	396,607	323,879
Section G: Government as Shareholder	65,347	442,351	275,487	151,333	166,947	169,509	346,335	352,240	348,883
Section H: Science and Research (NDPB) net	2,386,569	2,607,583	4,335,013	4,495,987	4,701,130	4,562,207	4,604,803	4,575,015	4,605,579
Section I: Innovation, Enterprise and Business (NDPB) net	178,033	395,878	415,024	556,537	380,739	395,253	378,681	328,869	326,060
Section J: Market Frameworks (NDPB) net	727,105	675,050	673,067	721,658	724,868	357,446	84,015	95,781	90,728
Section K: Higher Education (NDPB) net	5,916,037	6,212,754	4,982,044	5,188,422	5,238,170	4,895,021	3,979,002	3,004,309	2,088,177
Section L: Further Education (NDPB) net	10,330,198	10,274,687	10,591,747	11,078,149	4,440,540	4,188,952	4,127,044	4,087,641	3,019,235
Section M: Government as Shareholder (NDPB) net	-	-	-	-	-	-	96,715	33,741	34,100
Capability	-	-	-	-	-	-	-	(250)	-
Total Resource DEL	**15,284,441**	**16,549,199**	**17,094,839**	**18,353,557**	**21,290,872**	**20,016,557**	**19,219,876**	**17,726,280**	**17,241,618**
Of which:									
– Staff costs	1,095,819	1,040,093	1,058,155	1,243,233	1,012,389	1,055,906	1,058,556	997,645	866,032
– Purchase of goods and services	1,333,719	1,302,590	1,610,386	1,505,610	1,304,719	1,267,260	1,086,455	1,666,838	1,595,992
– Income from sales of goods and services	(491,828)	(616,621)	(881,567)	(944,986)	(736,548)	(272,835)	(279,177)	(331,256)	(329,068)
– Current grants to local government (net)	2,346,120	2,412,189	2,412,897	2,463,921	254,218	97,520	394	-	-
– Current grants to persons and non-profit bodies (net)	17,328,907	18,212,383	19,045,178	20,672,106	16,478,686	15,188,412	14,033,212	13,188,925	11,656,408
– Current grants abroad (net)	90,646	70,167	255,541	(12,499)	(2,079)	2,134	175,295	167,270	153,229

									£'000
	2006-07 Outturn	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Outturn**	**2013-14 Plans**	**2014-15 Plans**
– Subsidies to private sector companies	142,840	95,710	89,793	406,066	(12,720)	1,415	3,627	127,997	96,500
– Subsidies to public corporations	79,234	458,213	302,993	156,891	247,117	180,000	350,000	350,000	330,000
– Net public service pensions[1]	-	-	-	-	-	173	19,776	-	-
– Rentals	1,166	(12,750)	(21,265)	(18,120)	(10,888)	17,966	39,055	4,711	4,402
– Depreciation[2]	156,105	872,421	766,312	1,032,110	4,261,508	3,785,875	3,753,094	2,854,825	3,465,793
– Take up of provisions	659,101	-	-	-	-	(1,011)	(2,577)	-	-
– Change in pension scheme liabilities	-	-	-	-	-	-	261	-	-
– Other resource	(7,457,388)	(7,285,196)	(7,543,584)	(8,150,775)	(1,505,530)	(1,306,258)	(1,018,095)	(1,300,675)	(621,633)
– Unallocated funds – resource	-	-	-	-	-	-	-	-	23,963
Resource AME									
Section N: Science and Research	16,966	36,547	59,438	46,984	45,750	49,928	82,127	40,150	75,206
Section O: Innovation, Enterprise and Business	(113,571)	(46,578)	84,724	(80,055)	9,018	(76,502)	(35,656)	(38,688)	(29,605)
Section P: Market Frameworks	226,716	231,563	465,739	559,055	545,100	448,791	39,139	60,596	115,196
Section Q: Higher Education	(884,588)	(193,776)	(739,506)	432,252	(1,294,604)	(1,842,686)	(904,330)	(1,360,218)	(2,292,974)
Section R: Further Education	-	-	263	(28)	(28)	(888)	(18)	20	(27)
Section S: Capability	14,443	168,270	(47,985)	(13,401)	27,703	8,015	(9,347)	(40,127)	(29,410)
Section T: Government as Shareholder	(22,156)	3,188	(35,461)	(57,081)	(19,937)	(25,402)	52,349	(56,452)	(2,727)
Section U: Science and Research (NDPB) net	(6,882)	(13,848)	(5,324)	2,179	19,209	(10,769)	43,575	1,364	(3,228)
Section V: Market Frameworks (NDPB) net	(2,918)	(4,479)	(824)	(5,271)	(1,159)	(1,842)	(11,564)	(162)	686
Section W: Higher Education (NDPB) net	(27,718)	(486)	14,071	(18,841)	(23,566)	(21,731)	(14,015)	(20,270)	(19,970)
Section X: Further Education (NDPB) net	(23,788)	(12,258)	12,046	54,261	(27,564)	(12,112)	(3,268)	1,023	(1,816)
Government as Shareholder (NDPB) net	-	-	-	-	-	-	-	(2,750)	-
Innovation, Enterprise and Business (NDPB) net	34,747	(5,405)	219,662	135,051	193,230	38,935	-	-	-
Capability (NDPB) Net	-	-	-	-	-	-	-	100	-
Section Y: Market Frameworks	-	-	-	-	-	-	415,257	370,200	300,000
Total Resource AME	**(788,749)**	**162,738**	**26,843**	**1,055,105**	**(526,848)**	**(1,446,263)**	**(345,751)**	**(1,045,214)**	**(1,888,669)**

									£'000
	2006-07 Outturn	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Outturn**	**2013-14 Plans**	**2014-15 Plans**
Of which:									
– Staff costs	64,518	78,067	126,368	91,314	85,320	73,562	60,711	70,115	59,139
– Purchase of goods and services	44,298	103,501	113,766	103,743	92,071	83,073	63,243	88,421	89,882
– Income from sales of goods and services	(143,030)	(232,429)	(143,057)	(142,379)	(115,170)	(116,157)	(64,439)	(123,596)	(123,051)
– Current grants to persons and non-profit bodies (net)	411,266	459,587	645,667	738,455	582,884	590,949	623,803	561,497	545,510
– Current grants abroad (net)	-	-	-	-	-	-	8	-	-
– Net public service pensions[1]	144	(433,000)	1,080	706	601	-	179	655	500
– Rentals	-	-	-	-	-	-	1,150	-	-
– Depreciation[2]	(504,878)	(197,351)	386,159	689,289	423,184	(1,251,174)	(164,504)	(377,025)	(714,624)
– Take up of provisions	83,090	1,078,172	195,117	133,077	315,120	51,201	253,305	53,822	88,891
– Release of provision	(204,656)	(180,658)	(161,251)	(166,087)	(176,824)	(171,678)	(156,156)	(154,385)	(165,721)
– Change in pension scheme liabilities	-	433,000	-	-	511	507	22,837	43	1,000
– Unwinding of the discount rate on pension scheme liabilities	-	-	-	-	701	(12,602)	43,316	500	1,000
– Release of provisions covering payments of pension benefits	-	-	-	-	-	-	(19,955)	-	-
– Other resource	(539,501)	(946,151)	(1,137,006)	(393,013)	(1,738,246)	(693,944)	(1,009,249)	(1,165,261)	(1,671,195)
Total Resource Budget	**14,495,692**	**16,711,937**	**17,121,682**	**19,408,662**	**20,764,024**	**18,570,294**	**18,874,125**	**16,681,066**	**15,352,949**
Of which:									
– Depreciation[2]	(348,773)	675,070	1,152,471	1,721,399	4,684,692	2,534,701	3,588,590	2,477,800	2,751,169
Capital DEL									
Section A: Science and Research	99,839	140,391	92,074	106,988	88,121	(21,206)	(60,788)	92,831	94,570
Section B: Innovation, Enterprise and Business	(885,575)	(936,094)	(936,116)	(681,416)	(210,832)	(208,303)	(60,649)	563,334	658,851
Section C: Market Frameworks	27,885	(4,880)	21,006	13,222	1,017	41,085	57,720	113,240	226,802
Section D: Higher Education	14	(2,000)	-	10,000	34,384	(3,534)	(517)	-	-
Section E: Further Education	(29,340)	(52,500)	(205,056)	(210,900)	(32,144)	3,210	4,732	-	-
Section F: Capability	13,665	20,316	14,134	13,943	10,083	7,133	53,355	4,900	4,500
Section G: Government as Shareholder	2,917	(2,533)	6,214	(3,681)	11,803	(1,105)	113,263	75,545	(1,556)

									£'000
	2006-07 Outturn	2007-08 Outturn	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Plans	2014-15 Plans
Section H: Science and Research (NDPB) net	642,709	751,310	865,346	1,340,930	841,466	777,147	607,975	461,479	532,230
Section I: Innovation, Enterprise and Business (NDPB) net	40	10,347	10,550	14,852	20,105	11,779	37,059	61,985	42,074
Section J: Market Frameworks (NDPB) net	857,096	906,443	866,943	884,493	437,273	49,666	1,469	5,340	1,460
Section K: Higher Education (NDPB) net	717,197	757,314	560,250	371,972	209,689	100,709	76,406	3,846	185,169
Section L: Further Education (NDPB) net	435,011	521,349	838,172	1,167,080	692,695	396,610	290,608	410,000	354,400
Section M: Government as Shareholder (NDPB) net	-	-	-	-	-	-	119,716	1,000,000	-
Capability (NDPB) Net	-	-	-	-	-	-	-	1,000	-
Total Capital DEL	**1,881,458**	**2,109,463**	**2,133,517**	**3,027,483**	**2,103,660**	**1,153,191**	**1,240,349**	**2,793,500**	**2,098,500**
Of which:									
– Capital support for local government (net)	598,789	570,995	447,247	503,280	242,972	186,667	1,193	-	-
– Capital grants to persons & non-profit bodies (net)	1,608,442	1,798,461	2,059,225	2,678,884	1,692,080	837,053	781,357	1,158,554	1,246,344
– Capital grants to private sector companies (net)	745,974	595,699	490,378	554,768	270,133	335,899	112,074	237,506	337,897
– Capital grants abroad (net)	(6,747)	(7,930)	22,462	53,823	77,736	55,136	26,087	92,230	85,967
– Capital support for public corporations	2,356	76,238	66,248	59,367	75,916	5,427	6,401	15,545	(1,556)
– Purchase of assets	279,331	437,747	465,140	483,054	469,120	314,383	286,039	286,805	318,278
– Income from sales of assets	(181,962)	(154,037)	(79,229)	(74,727)	(142,717)	(102,504)	(19,504)	-	-
– Net lending to the private sector and abroad	(145,198)	(115,138)	(113,897)	73,411	13,573	(218,009)	153,041	1,004,660	151,570
– Other capital	(1,019,527)	(1,092,572)	(1,224,057)	(1,304,377)	(595,153)	(260,861)	(106,339)	(1,800)	(40,000)
Capital AME									
Section Q: Higher Education	2,819,109	4,031,616	3,982,498	4,045,771	4,418,158	5,222,590	6,243,383	7,585,520	9,659,000
Section T: Government as Shareholder	(119,880)	(270,000)	(825,000)	260,000	(261,000)	239,000	(61,368)	806,702	750,000
Section U: Science and Research (NDPB) net	-	-	-	-	-	-	(57,492)	-	-
Section W: Higher Education (NDPB) net	-	-	-	-	-	-	(2,133)	-	-
Section X: Further Education (NDPB) net	1,558	3,831	5,919	494	1,196	7,221	6,333	148,150	409,921
Government as Shareholder	-	-	300,000	-	-	-	-	-	-

									£'000
	2006-07 Outturn	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Outturn**	**2013-14 Plans**	**2014-15 Plans**
Innovation, Enterprise and Business (NDPB) net	-	-	-	-	-	115	-	-	-
Total Capital AME	**2,700,787**	**3,765,447**	**3,463,417**	**4,306,265**	**4,158,354**	**5,468,811**	**6,128,723**	**8,540,372**	**10,818,921**
Of which:									
- Capital grants to persons & non-profit bodies (net)	(139)	729	-	-	-	-	-	-	-
- Capital support for public corporations	(550,153)	(270,000)	(525,000)	260,000	(261,000)	239,000	(157,373)	750,000	750,000
- Purchase of assets	1,558	3,831	5,919	494	1,196	7,336	11,227	19,150	11,921
- Income from sales of assets	-	-	-	-	-	-	(126)	-	-
- Net lending to the private sector and abroad	3,249,521	4,030,887	3,982,498	4,045,771	4,418,158	5,222,590	6,334,620	7,771,222	10,057,000
- Other capital	-	-	-	-	-	-	(59,625)	-	-
Total Capital Budget	**4,582,245**	**5,874,910**	**5,596,934**	**7,333,748**	**6,262,014**	**6,622,002**	**7,369,072**	**11,333,872**	**12,917,421**
Total departmental spending[4]	**19,426,710**	**21,911,777**	**21,566,145**	**25,021,011**	**22,341,346**	**22,657,595**	**22,654,607**	**25,537,138**	**25,519,201**
of which:									
– Total DEL	17,009,794	17,786,241	18,462,044	20,348,930	19,133,024	17,383,873	16,707,131	17,664,955	15,874,325
– Total AME	2,416,916	4,125,536	3,104,101	4,672,081	3,208,322	5,273,722	5,947,476	7,872,183	9,644,876

[1] Pension schemes report under FRS 17 accounting requirements. These figures therefore include cash payments made and contributions received, as well as certain non-cash items
[2] Includes impairments
[3] Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 2 – Department for Business, Innovation and Skills

Resource Budget

£'000	Original Plans Resource	2012-13 Original Plans Capital	Adjusted plans † Resource	2012-13 Adjusted plans † Capital	Final plans Resource	2012-13 Final plans Capital	Outturn Resource	2012-13 Outturn Capital
Spending in Departmental Expenditure Limits (DEL)								
Voted expenditure	**18,248,390**	**2,097,726**	**18,391,130**	**2,000,589**	**19,580,591**	**1,538,000**	**19,219,876**	**1,240,349**
Section A: Science and Research	478,309	35,453	648,567	40,453	489,775	53,953	469,367	(60,788)
Section B: Innovation, Enterprise and Business	412,346	209,244	408,802	107,107	304,439	75,745	213,509	(60,649)
Section C: Market Frameworks	84,535	14,700	84,535	14,700	174,544	12,800	108,753	57,720
Section D: Higher Education	3,780,272	-	3,780,272	-	5,369,167	-	5,130,779	(517)
Section E: Further Education	(1,091,958)	-	(1,091,958)	-	(776,570)	-	(631,748)	4,732
Section F: Capability	381,508	5,500	364,634	5,500	358,870	23,689	312,621	53,355
Section G: Government as Shareholder	390,040	839,600	382,940	839,600	425,412	60,000	346,335	113,263
Section H: Science and Research (NDPB) net	4,604,559	566,647	4,604,559	566,647	4,583,045	578,147	4,604,803	607,975
Section I: Innovation, Enterprise and Business (NDPB) net	292,000	37,782	292,000	37,782	358,626	29,475	378,681	37,059
Section J: Market Frameworks (NDPB) net	90,685	1,600	90,685	1,600	82,121	1,400	84,015	1,469
Section K: Higher Education (NDPB) (net)	3,941,881	108,300	3,941,881	108,300	3,901,713	94,907	3,979,002	76,406
Section L: Further Education (NDPB) (net)	4,884,213	278,900	4,884,213	278,900	4,296,610	335,884	4,127,044	290,608
Section M: Government as Shareholder (NDPB) (net)	-	-	-	-	12,839	272,000	96,715	119,716
Total Spending in DEL	**18,248,390**	**2,097,726**	**18,391,130**	**2,000,589**	**19,580,591**	**1,538,000**	**19,219,876**	**1,240,349**
Spending in Annually Managed Expenditure (AME)								
Voted expenditure	(1,455,033)	6,851,817	(1,451,760)	6,851,817	(375,406)	6,769,817	(761,008)	6,128,723
Section N: Science and Research	62,389	-	65,662	-	83,389	-	82,127	-
Section O: Innovation, Enterprise and Business	(39,171)	-	(39,171)	-	(24,171)	-	(35,656)	-
Section P: Market Frameworks	451,556	-	451,556	-	193,056	-	39,139	-
Section Q: Higher Education	(1,824,963)	6,094,000	(1,824,963)	6,094,000	(765,336)	6,360,000	(904,330)	6,243,383
Section R: Further Education	(27)	-	(27)	-	(27)	-	(18)	-
Section S: Capability	(42,446)	-	(42,446)	-	18,554	-	(9,347)	-
Section T: Government as Shareholder	(727)	750,000	(727)	750,000	116,273	402,000	52,349	(61,368)
Section U: Science and Research (NDPB) net	(45,785)	-	(45,785)	-	4,215	-	43,575	(57,492)

	2012-13		2012-13		2012-13		2012-13	
£'000	**Original Plans Resource**	**Original Plans Capital**	**Adjusted plans † Resource**	**Adjusted plans † Capital**	**Final plans Resource**	**Final plans Capital**	**Outturn Resource**	**Outturn Capital**
Section V: Market Frameworks (NDPB) net	1,530	-	1,530	-	(970)	-	(11,564)	-
Section W: Higher Education (NDPB) net	(19,970)	-	(19,970)	-	(7,970)	-	(14,015)	(2,133)
Section X: Further Education (NDPB) net	2,581	7,817	2,581	7,817	7,581	7,817	(3,268)	6,333
Non-voted expenditure								
Section Y: Market Frameworks	-	-	-	-	450,000	-	415,257	-
Total Spending in AME	**(1,455,033)**	**6,851,817**	**(1,451,760)**	**6,851,817**	**74,594**	**6,769,817**	**(345,751)**	**6,128,723**
Total	**16,793,357**	**8,949,543**	**16,939,370**	**8,852,406**	**19,655,185**	**8,307,817**	**18,874,125**	**7,369,072**
of which:								
Voted expenditure	16,793,357	8,949,543	16,939,370	8,852,406	19,205,185	8,307,817	18,458,868	7,369,072
Non-voted expenditure	-	-	-	-	450,000	-	415,257	-

† Figures for Adjusted Plans have been adjusted for machinery of government changes effected during 2012 to reflect the Final Plans structure where applicable

Table 3 – Total Capital Employed

Assets and Liabilities on the Statement of Financial Position at end of year:

	2007-08 outturn	2008-09 outturn	2009-10 outturn	2010-11 outturn	2011-12 outturn	2012-13 outturn	2013-14 plans	2014-15 plans
								£000
Assets								
Non-Current assets								
Intangible	8,592	85,395	4,579	3,354	2,511	3,237	3,075	2,921
Tangible	18,932,911	22,505,826	25,826,228	27,584,505	30,686,955	36,453,468	39,804,795	44,039,555
of which:								
Land and Buildings	-	-	-	-	-	30,807	29,267	27,803
Plant and Machinery	265,006	278,723	126,267	118,916	59,142	52,364	49,746	47,259
Leasehold Improvements					14,326	33,420	31,749	30,162
Information Technology					10,046	7,592	7,212	6,852
Furniture, Fixtures and Fittings					1,402	1,068	1,015	964
Assets under Construction					27,949	15,090	14,336	13,619
Other Financial Assets and Trade and other Receivables	17,711,771	20,968,339	24,033,659	25,440,285	28,498,409	31,242,769	34,854,631	39,336,899
Investments	956,134	1,258,764	1,666,302	2,025,304	2,075,681	5,070,358	4,816,840	4,575,998
Current assets	3,835,337	4,406,634	3,455,274	3,887,372	4,050,315	3,304,164	3,138,956	2,982,008
Liabilities								
Payables (<1 year)			(1,919,069)	(2,485,915)	(2,224,945)	(1,051,599)	(999,019)	(949,068)
Payables (>1 year)			(1,218,343)	(1,496,274)	(1,466,037)	(895,527)	(850,751)	(808,213)
Provisions			(471,994)	(629,001)	(640,598)	(711,422)	(675,851)	(642,058)
Current Liabilities:								
Trade and Other Payables	(2,334,007)	(3,247,861)						
Provisions, Financial Guarantees and other Financial Liabilities	(106,461)	(168,574)						
Non-Current Liabilities:								
Trade and Other Payables	(547,383)	(545,121)						
Provisions, Financial Guarantees and other Financial Liabilities	(949,429)	(943,340)						
Capital employed within core Department	18,839,560	22,092,959	25,676,675	26,864,041	30,408,201	37,102,321	40,421,205	44,625,145
Partner organisation net assets	2,686,948	2,810,395	2,364,627	2,899,777	2,761,020	6,394,711	6,074,975	5,771,227
Total capital employed in Departmental Group	21,526,508	24,903,354	28,041,302	29,763,818	33,169,221	43,497,032	46,496,180	50,396,371

Notes:
Reporting categories within the Statement of Financial Position were changed from 2011-12

Table 4 – Administration Costs

									£'000
	2006-07 Outturn	**2007-08 Outturn**	**2008-09 Outturn**	**2009-10 Outturn**	**2010-11 Outturn**	**2011-12 Outturn**	**2012-13 Outturn**	**2013-14 Plans**	**2014-15 Plans**
Section A: Science and Research	-	-	-	-	-	39,938	2,407	1,996	1,976
Section B: Innovation, Enterprise and Business	431	3,242	2,660	2,899	-	1,525	1,941	2,210	2,275
Section C: Market Frameworks	5,084	8,839	10,465	9,349	2,033	(110)	5,175	2,275	4,289
Section E: Further Education	-	-	-	-	-	-	-	(6,156)	-
Section F: Capability	390,874	336,227	342,243	346,147	307,353	310,748	292,692	354,161	284,891
Section H: Science and Research (NDPB) net	86,811	110,551	128,600	127,456	-	96,940	153,285	107,379	133,337
Section I: Innovation, Enterprise and Business (NDPB) net	176,943	180,999	226,163	254,296	-	127,484	24,406	22,311	22,868
Section J: Market Frameworks (NDPB) net	8,901	9,214	5,724	19,494	-	26,638	16,624	16,720	15,221
Section K: Higher Education (NDPB) net	37,405	38,476	46,813	49,187	-	58,773	60,157	62,343	66,371
Section L: Further Education (NDPB) net	-	-	7,452	8,180	119,302	150,351	129,311	145,160	147,564
Government as Shareholder	-	-	-	-	-	-	-	6,741	8,100
Capability	-	-	-	-	-	-	-	(250)	-
Total administration budget	**706,449**	**687,548**	**770,120**	**817,008**	**428,688**	**812,287**	**685,998**	**714,890**	**686,892**
Of which:									
– Staff costs	414,979	410,872	478,672	518,680	250,088	423,154	419,503	448,953	347,281
– Purchase of goods and services	291,878	281,320	316,792	314,552	150,306	272,470	233,001	351,278	350,286
– Income from sales of goods and services	(19,833)	(30,024)	(20,359)	(24,419)	(16,840)	(5,115)	(37,814)	(17,947)	(11,997)
– Net public service pensions	-	-	-	-	-	173	1,532	-	-
– Rentals	1,166	(12,750)	(21,265)	(18,120)	(10,888)	91,273	31,762	4,426	4,116
– Depreciation	31,621	38,171	17,927	25,911	53,540	40,783	52,221	74,000	81,000
– Change in pension scheme liabilities	-	-	-	-	-	-	57	-	-
– Other resource	(13,362)	(41)	(1,647)	404	2,482	(10,451)	(14,264)	(145,820)	(83,794)

Table 5 – Staff Numbers

	2010-11 restated	2011-12 restated	2012-13
Department for Business, Innovation and Skills (gross control area)			
CS FTEs	2,667.3	2,511.8	2,468.0
Others	123.3	149.6	224.0
Total	**2,790.6**	**2,661.4**	**2,692.0**
UK Trade & Investment (gross control area)			
CS FTEs	529.8	572.0	579.0
Others	52.6	12.0	8.0
Total	**582.4**	**584.0**	**587.0**
The Insolvency Service (gross control area)			
CS FTEs	2,647.0	2,238.0	1,970.0
Others	485.5	162.0	148.0
Total	**3,132.5**	**2,400.0**	**2,118.0**
National Measurement Office (gross control area)			
CS FTEs	63.0	65.6	64.3
Others	-	1.0	1.5
Total	**63.0**	**66.6**	**65.8**
UK Space Agency (gross control area)			
CS FTEs	-	31.3	38.8
Others	-	-	1.5
Total	-	**31.3**	**40.3**
Notes: The UK Space Agency was created in 2011-12.			

Table 6 – Total identifiable expenditure on services by country and region, 2007-08 to 2011-12

					£ million
	National Statistics				
Business, Innovation and Skills	**2007-08 outturn**	**2008-09 outturn**	**2009-10 outturn**	**2010-11 outturn**	**2011-12 outturn**
North East	851	911	1,053	1,106	808
North West	2,205	2,305	2,648	3,022	2,191
Yorkshire and the Humber	1,678	1,753	2,138	2,210	1,618
East Midlands	1,311	1,346	1,568	1,809	1,337
West Midlands	1,641	1,777	2,030	2,168	1,521
East	1,434	1,633	1,917	2,050	1,719
London	3,560	3,698	4,142	4,473	3,507
South East	2,518	2,620	3,037	3,163	2,666
South West	1,517	1,596	1,782	2,079	1,534
Total England	16,714	17,639	20,316	22,080	16,900
Scotland	267	377	435	442	470
Wales	118	151	170	154	152
Northern Ireland	35	33	57	48	50
UK identifiable expenditure	**17,134**	**18,201**	**20,977**	**22,723**	**17,571**
Outside UK	249	409	397	318	409
Total identifiable expenditure	**17,384**	**18,609**	**21,374**	**23,041**	**17,980**
Non-identifiable expenditure	1,460	1,449	1,184	1,223	1,108
Total expenditure on services	**18,844**	**20,058**	**22,558**	**24,265**	**19,088**

Notes:
Numbers may not sum, due to rounding.

Table 7 – Total identifiable expenditure on services by country and region, per head 2007-08 to 2011-12

					£ per head
	National Statistics				
Business, Innovation and Skills	**2007-08 outturn**	**2008-09 outturn**	**2009-10 outturn**	**2010-11 outturn**	**2011-12 outturn**
North East	331	353	407	427	311
North West	318	331	378	430	311
Yorkshire and the Humber	325	337	409	420	306
East Midlands	298	304	351	402	295
West Midlands	300	323	366	389	271
East	252	285	332	353	293
London	453	466	516	551	427
South East	300	310	356	368	308
South West	294	307	341	395	289
England	324	339	388	419	318
Scotland	52	73	84	85	89
Wales	39	50	56	50	49
Northern Ireland	20	18	32	27	28
UK identifiable expenditure	278	294	336	362	278

Table 8 – Total identifiable expenditure on services by function, country and region, for 2011-12

Data in this table are National Statistics (£ million)

Business, Innovation and Skills	**North East**	**North West**	**Yorkshire and The Humber**	**East Midlands**	**West Midlands**	**East**	**London**	**South East**	**South West**	**England**	**Scotland**	**Wales**	**Northern Ireland**	**UK Identifiable expenditure**	**OUTSIDE UK**	**Total Identifiable expenditure**	**Not Identifiable**	**Totals**
Foreign economic aid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	-	1
General services	8	21	16	13	16	16	28	24	15	157	11	6	-	174	1	175	-	175
Total general public services	**8**	**21**	**16**	**13**	**16**	**16**	**28**	**24**	**15**	**157**	**11**	**6**	**-**	**174**	**2**	**176**	**-**	**176**
Economic affairs																		
General economic, commercial and labour affairs	(24)	(1)	(13)	(3)	(18)	6	43	13	(8)	(5)	23	14	6	38	7	46	8	54
Agriculture, forestry, fishing and hunting	-	-	-	-	-	-	-	-	1	2	-	-	-	3	-	3	-	3
of which: other agriculture, food and fisheries policy	-	-	-	-	-	-	-	-	*1*	*2*	-	-	-	*3*	-	*3*	-	*3*
Mining, manufacturing and construction	-	(1)	-	-	(1)	(1)	(1)	(1)	(1)	(6)	-	-	-	(7)	-	(7)	-	(7)
Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	368	367
R&D economic affairs	98	223	182	155	153	339	459	383	164	2,157	249	64	24	2,494	384	2,878	287	3,166
Economic affairs n.e.c	11	30	22	19	24	25	35	37	22	225	22	13	7	267	-	267	-	267
Total economic affairs	**85**	**251**	**191**	**171**	**158**	**369**	**536**	**432**	**178**	**2,373**	**294**	**91**	**37**	**2,795**	**391**	**3,187**	**663**	**3,850**
Environment protection																		
Waste management	-	1	-	-	1	1	1	63	-	67	-	-	-	68	4	72	-	72
Pollution abatement	-	-	-	-	-	-	(2)	-	-	(2)	-	-	-	(2)	-	(2)	-	(2)
R&D environment protection	1	14	27	3	4	22	20	16	35	142	22	5	-	170	5	174	191	365
Total environment protection	**1**	**15**	**27**	**3**	**5**	**23**	**19**	**79**	**35**	**207**	**22**	**5**	**-**	**236**	**9**	**244**	**191**	**435**
Health																		
Medical research	9	22	14	14	15	42	141	66	17	339	64	9	-	413	1	414	215	629
Total Health	**9**	**22**	**14**	**14**	**15**	**42**	**141**	**66**	**17**	**339**	**64**	**9**	**-**	**413**	**1**	**414**	**215**	**629**
Recreation, culture and religion																		
R&D recreation, culture and religion	5	9	10	5	10	11	27	20	13	110	9	4	-	123	6	128	-	128
Total recreation, culture and religion	**5**	**9**	**10**	**5**	**10**	**11**	**27**	**20**	**13**	**110**	**9**	**4**	**-**	**123**	**6**	**128**	**-**	**128**
Education																		
Secondary education	194	526	394	338	418	436	610	644	395	3,956	-	-	-	3,956	-	3,956	-	3,956

Data in this table are National Statistics (£ million)

Business, Innovation and Skills	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	Totals
Tertiary education	478	1,191	904	745	834	761	2,074	1,271	806	9,063	2	2	-	9,068	-	9,068	-	9,068
Education not definable by level	9	23	19	15	19	20	26	28	18	177	16	10	4	206	-	206	-	206
Education n.e.c	-	-	-	-	-	-	-	-	1	1	-	-	-	1	-	1	-	1
Total education	**681**	**1,740**	**1,317**	**1,098**	**1,271**	**1,217**	**2,710**	**1,943**	**1,219**	**13,197**	**18**	**12**	**4**	**13,230**	**-**	**13,230**	**-**	**13,230**
Old age	1	73	1	1	2	3	1	46	15	143	13	3	-	159	-	160	39	199
of which: pensions	*1*	*73*	*1*	*1*	*2*	*3*	*1*	*46*	*15*	*143*	*13*	*3*	-	*159*	-	*160*	*39*	*199*
Family and children	3	9	7	6	7	8	11	11	7	70	7	4	2	83	-	83	-	83
of which: family benefits, income support and tax credits	*3*	*9*	*7*	*6*	*7*	*8*	*11*	*11*	*7*	*70*	*7*	*4*	*2*	*83*	-	*83*	-	*83*
Unemployment	15	50	34	25	38	30	33	44	33	302	32	17	6	358	-	358	-	358
of which: other unemployment benefits	*15*	*50*	*34*	*25*	*38*	*30*	*33*	*44*	*33*	*302*	*32*	*17*	*6*	*358*	-	*358*	-	*358*
Total social protection	**19**	**132**	**42**	**32**	**47**	**41**	**45**	**101**	**55**	**515**	**52**	**24**	**8**	**600**	**-**	**601**	**39**	**640**
Total Business, Innovation & Skills	**808**	**2,190**	**1,617**	**1,336**	**1,522**	**1,719**	**3,506**	**2,665**	**1,532**	**16,898**	**470**	**151**	**49**	**17,571**	**409**	**17,980**	**1,108**	**19,088**

Notes:
Numbers may not sum, due to rounding.

Annex C: BIS Partner Organisations

The list below represents the Department's 50 Partner Organisations. A full list of bodies consolidated within the BIS accounts can be found at note 40 to the accounts. A more detailed overview of all the Department's Partner Organisations can be found in the 'Public Bodies 2012' document available at www.gov.uk/Government/publications/public-bodies-reports

Advisory Conciliation and Arbitration Service (ACAS)
Arts and Humanities Research Council
Biotechnology and Biological Sciences Research Council
British Hallmarking Council
Capital for Enterprise Ltd
Central Arbitration Committee
Certification Officer
Companies House
Competition Appeal Tribunal
Competition Commission
Competition Service
Construction Skills (Construction Industry Training Board)
Consumer Focus
Copyright Tribunal
Council for Science and Technology
Economic and Social Research Council
Engineering and Physical Sciences Research Council
Engineering Construction Industry Training Board
Export Guarantees Advisory Council
Film Industry Training Board for England and Wales
Financial Reporting Council Ltd
Higher Education Funding Council for England (HEFCE)
Industrial Development Advisory Board
Insolvency Service
Insolvency Practitioners Tribunal
Land Registry
Land Registry Rule Committee
Low Pay Commission
Medical Research Council
Met Office
Natural Environment Research Council
National Measurement Office
Office for Fair Access
Office for Manpower Economics
Office of Fair Trading
Ordnance Survey
Regulatory Policy Committee
Royal Mail Holdings plc
Science and Technology Facilities Council
Skills Funding Agency
Student Loans Company Ltd
Technology Strategy Board
UK Green Investment Bank plc
UK Atomic Energy Authority
UK Shares Business Services Ltd

UK Export Finance
UK Intellectual Property Office
UK Trade and Investment
UK Space Agency
United Kingdom Commission for Employment and Skills

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ISBN 978-0-10-298410-1