Intelligence › Investment › Impact

UK Commission for Employment and Skills

Annual Report and Accounts 2011-12

HC 281

UKCES
UK COMMISSION FOR EMPLOYMENT AND SKILLS

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ANNUAL REPORT AND ACCOUNTS 2011-2012

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Foreword

Charlie Mayfield, Chairman

Much has changed over the past year – and so quickly.

Creating growth and employment in the UK remains difficult. The business climate is challenging, and rising youth unemployment is a particular concern for many. Across the UK, demographic clouds loom on the horizon as many of our highly skilled workers approach retirement, and in the east the Tiger Economies are growing.

Developing the skills of our workforce to secure a prosperous future is not easy. Nor is it a separate agenda: it is an intrinsic part of the social and industrial dynamics that shape the UK. It is also central to our vision of a more responsive employer-owned approach to skills as a source of competitive advantage for the UK economy.

I believe that to achieve our vision we need to rely less on Government setting the agenda on skills, and give employers, who best know what their businesses need, the space to take responsibility for their skills development. We need to give young people, unemployed people and those already in work the chances and choices they deserve through a skills agenda that is employer owned and focused on competitiveness and growth.

To that end our Commissioners (who include leaders of large and small businesses, trade unions, universities, colleges and third sector organisations) have concluded that we need to take determined steps to encourage greater employer ownership of skills, working to secure a sustainable partnership for the long term. We do not need a new set of initiatives. Instead, we need to transform the way in which the skills system works.

I am pleased that last year Government responded so positively to our vision, and made up to £250 million of public investment available to support it. I am also pleased that so much progress has been made in other areas, and that Commissioners – who personally lead and support the UK Commission's objectives – have formed a strong partnership. The very different perspectives that they bring to bear on thorny skills and employment issues reveal the strength of our approach. I would like to thank all my fellow Commissioners and the staff at the UK Commission for their dedication and hard work over the year.

We realise that we must work in partnership with one another and others if we are to bring about beneficial, transformational change. At this time of global turmoil and uncertainty, our Government and employers share a joint responsibility to create the conditions in which the skills and capabilities of our people are truly optimised. Those skills are the foundations on which our long-term prosperity lies.

I trust this report will give you an insight into the work of the UK Commission, how we have prioritised our resources to date, and what our plans for the future are.

CHARLIE MAYFIELD
Chairman
UK Commission for Employment and Skills

Message from the Chief Executive

Michael Davis

This is the fourth Annual Report from the UK Commission for Employment and Skills.

During the course of the year, the economic climate has continued to change, and the UK Commission's remit has evolved in response. Commissioners and staff have worked hard to ensure the organisation successfully made the transition from a top-down advisory body to a vehicle for providing strategic leadership for sustainable growth, based on a culture of social partnership and enterprise.

We successfully achieved significant cost savings in respect of our organisational running costs of some 23 per cent over the course of the year, and reduced our staff numbers by 21 per cent. These changes were largely possible thanks to a radical reform of the way we work. The implementation of matrix management throughout the organisation, coupled with a change in our Yorkshire office premises has enabled us to achieve more with less. Nevertheless, we are not complacent, and will be seeking to consolidate these cost savings next year.

Our approach is to continue to inform and add value to the development of the skills and employment landscape throughout the UK. We successfully completed the fieldwork for the world's largest employer skills survey and published the first findings. We championed the vision of greater employer ownership of skills, and secured investment to make that vision a reality. Our investment portfolio continues to expand, and over the course of the year, we co-invested £75 million with employers to drive enterprise, create more and better jobs and boost growth.

As we enter our fifth year, the UK Commission will seek to build upon our unique assets – the strong and diverse leadership of our Commissioners; the Investors in People brand; our world-class research; our investment funds and the standards and frameworks we administer – to transform the UK's approach to investing in the skills of people as an intrinsic part of securing jobs and growth.

It has been a genuine pleasure to lead a highly motivated and able team of staff, who share a common commitment to the UK Commission's agenda. I would like to pay tribute to them, and to our Commissioners, who give so generously of their time and expertise. Thank you.

MICHAEL DAVIS
Chief Executive
UK Commission for Employment and Skills

History and context

Who we are

The UK Commission for Employment and Skills is a Non-Departmental Public Body (NDPB) remitted by the UK Government and three Devolved Administrations to provide strategic leadership on skills and employment issues across the four nations of the UK. Together, our Commissioners comprise a social partnership that includes CEOs of large and small employers across a wide range of sectors, trade unions and representatives from the Universities, colleges, third sector organisations and the Devolved Administrations.

To achieve and maintain a world class economy requires more jobs and better jobs in workplaces that enable skills to be used to maximum effect. The UK needs to raise the aspirations of both individuals and employers to develop their skills and engage in higher value activities.

The story so far

The UK Commission for Employment and Skills was established in 2008 to support the UK Government's challenging ambitions to make the nation a world-class leader in employment and skills. Government's vision was one of improved employment, increased productivity and social inclusion in a rapidly changing global economy. The employer led Commission's role was to strengthen the employer voice, deliver greater leadership and influence and to achieve the best from the employment and skills systems.

Since 2008 the UK Commission has sought to make a real contribution to policy and practice in the UK, improving the provision of skills and employment services to better meet the needs of the UK workforce and employers through recession and into longer term growth.

The UK Commission has worked with and through the UK Government, Devolved Administrations and other partners in employment and skills development; recognising that their participation is essential if we are to achieve our goal. All our work considers issues of equality of access and opportunity for all, and is underpinned by strong evidence-based research and analysis to ensure that our advice and recommendations are robust and of the highest quality.

Our first two years established our fundamental responsibilities to all four nations, set our strategic direction of travel and established the UK Commission as a functioning organisation, building our knowledge base and developing our reputation and credibility.

Our third year saw the UK Commission go through a period of change, having to downsize to become more agile and streamlined, in line with the Government's objective to reduce the deficit and overall public spending. This followed the Cabinet Office Review of Public Sector Bodies (published October 2010), where the UK Commission's co-sponsors were required to undertake a "complete review, by the end of the year, of core functions and the most appropriate organisational model to deliver a simplified skills landscape". A "Transition Plan" was implemented from January 2011 which included a voluntary exit scheme and organisational re-design to move towards creating a flexible single team approach; renewed Commissioner Leadership; and a move to ensure our work was more outwardly focused.

Looking back over the last twelve months

A lot has changed at the UK Commission over the last year. We have developed a new way of working that ensures all our work is personally supported and led by our Commissioners. We have also begun the task of nurturing important new external relationships, both within the skills and employment system and among UK employers. In doing this we have learned two important lessons.

The first is the very different perspectives that our highly engaged Commissioners bring to skills and employment issues, revealing the strength of our 'social partnership' approach. Our proposition on employer ownership of the skills agenda is a clear example of what fresh thinking, backed by robust evidence, can achieve.

The second is that we must act in concert with others if we are to bring about beneficial, transformational change to our national prospects.

With a revised remit for 2011-12, we oversaw a real change in how the UK Commission operates. We have made the transition from being a top-down advisory body for government and now have a key role in encouraging more employers to take greater ownership of the skills agenda for enterprise, jobs and growth.

In this context, over the past year we have contributed to the Government's Growth Review and have made a number of recommendations on how our work can contribute to achieving a sustainable and balanced growth that is more evenly shared across the country and between industries.

We have also invested in skills solutions that have real impact on jobs and growth. Our new, investment-based relationship with Sector Skills Councils (SSC) and others is fundamentally different from our previous model of grant-funding which provided the same direct grant to each SSC irrespective of the size of the sector or the ambition of their employers. We now offer a specific UK challenge fund for SSCs, the Employer Investment Fund (EIF), and an England only Growth and Innovation Fund (GIF). GIF is also available to other employer organisation which can demonstrate the leadership to develop compelling skills solutions that can create impact and become sustainable.

Through our Commissioners' insights, we are testing the principle of 'employer ownership of skills' to leverage a better deal for the taxpayer, employers and individuals. We are piloting this approach in England with a substantial public investment of up to £250 million.

We have produced the first ever UK-wide employer skills survey, of 87,500 employers, enabling us to provide data and analysis on sectors and occupations across the UK. This kind of work is vital in helping our home Governments understand long-term patterns and trends in employment and skills.

At the same time we have substantially reduced our operating costs through a combination of measures including a voluntary exit scheme, an office move and matrix working. These measures have resulted in a 23% reduction in 2011-12 running costs compared to 2010-11, and a 32% reduction in our direct programme costs.

It is against this background that the achievements highlighted in the following section were delivered.

Achievements in 2011-12

In May 2011 a revised remit from Government, which reflected the most recent skills strategies of Governments in England, Northern Ireland, Scotland and Wales, marked the start of a new journey for the UK Commission. The ambition was to transform the UK's approach to investing in the skills of people as an intrinsic part of securing jobs and growth. The first part of this journey was to reform the things that the UK Commission was responsible for, to make them fit for purpose for the future. Alongside this, we were attempting to change the nature of the skills 'debate', to create the conditions for employers to step up and take greater ownership, and to position skills at the core of industrial policy. The new remit contained three strategic objectives:

- Provide outstanding labour market intelligence which helps businesses and people make the best choices for them.
- Work with businesses to develop the best market solutions which leverage greater investment in skills.
- Maximise the impact of employment and skills policies and employer behaviour to support jobs and growth and secure an internationally competitive skills base.

To ensure these objectives were met, the UK Commission set four "priority outcomes" which outlined what Commissioners wanted to achieve. Good progress was made on these by March 2012.

1. Make and win the economic argument for greater investment in skills

For this Priority, during 2011-12, we focused on:

- Updating and using our labour market intelligence and research; and then
- Developing it into a narrative style and combining it with illustrative real-life business success stories to be disseminated to employers through communications via partners and networks.

- Two core Labour Market Intelligence (LMI) products were completed:

  - The first ever UK-wide employer skills survey. This is the largest survey of its kind in the world. 87,500 UK employers report on the skills deficiencies they experience in their workforce and the training they provide. The survey provides a picture of the actual and potential development of the UK workforce (a key driver of growth). The detailed results were published in May 2012.
  - Working Futures 2010-20. This detailed and comprehensive set of UK labour market forecasts, provides a picture of employment prospects for industries, occupations, qualifications, gender and employment status for the UK and for nations and English regions.

- We also conducted a thorough review of previous research, updating it with the new LMI, using it to:

  - Develop a core narrative on the skills challenges facing UK businesses as a back-drop to sector and local stories;
  - Segment the potential audience and short-list five 'sectors with potential' as our initial audiences;
  - Identify, for these initial audiences, the challenges, solutions and benefits of investing in skills in sector evidence packs illustrated with real-life stories; and
  - Develop a narrative approach and test the core narrative and sector material with nine potential communications partners who have signed up to share our 'stories' and calls to action with their members.

- Our new research focused on increasing understanding of effective policy levers. Along with the work on 'sectors with potential', this has provided much greater focus for our future investments and has also influenced and challenged Government thinking on the implementation of policy levers such as occupational licensing and levies.

- We have also influenced employer thinking by utilising our LMI, research and insights as demonstrated by feedback from Commissioner-led events and evidence cited by Government agencies and academics.

- In addition we:

  - Conducted a feasibility study at the request of John Hayes, Minister of State for Further Education, Skills and Lifelong Learning in England, to explore how to make better use of our sectoral LMI for careers guidance; and
  - Established new ways of working to increase the UK Commission's capacity and capability to:
    - support Commissioners through event briefings, blogs and feature articles; and
    - increase the quality of our written outputs and the presentation of our data.

2. *Enhance the value and accessibility of vocational training, especially Apprenticeships ('Modern Apprenticeships' in Scotland)*

For this Priority, during 2011-12, we have:

- Reached agreement across a range of different stakeholders on a new way of funding the development and maintenance of National Occupational Standards and Apprenticeship Frameworks. This will improve quality and it has reduced costs by around £6.5m per annum, by establishing a small number of preferred suppliers, and providing much greater clarity about how public money is being used.

- Offered advice to Government on their ambition to deliver more Higher Apprenticeships, to establish a strong "earn as you learn" route to higher skills, and identified actions to be taken to encourage employers to invest in skills to support the talent pipeline into Accountancy.

- Committed investment of £10 million, and leveraged a further £15.2 million from employers, in a number of projects to support over 10,000 Apprenticeship starts by March 2014. As part of this activity, Nigel Whitehead, one of our Commissioners, led on the development of an Advanced and Higher Apprenticeship in Advanced Manufacturing, which already has the potential for over 350 starts.

- Produced and launched a research report and case studies to improve transition from school to work, working with partners such as the Chartered Institute of Personnel and Development (CIPD), the Education and Employment Taskforce and Careers Wales.

3. *Galvanise industries and sectors to improve the skills and productivity of their workforces*

For this Priority, during 2011-12, we have:

- Developed the concept of Employer Ownership and published policy proposals which have been supported by Government through the creation of a £250m pilot fund in England. This has generated widespread support for Employer Ownership across employers, Government and the 'supply side', resulting in 705 registrations and 269 Employer Ownership pilot bids in the first round.

- Transformed the way that SSCs are funded by withdrawing core funding and introducing a new contestable investment approach, including the management of two new investment funds; the Employer Investment Fund (EIF) and the Growth and Innovation Fund (GIF). This has engendered stronger employer leadership and transformed the SSC network, by providing increased funding for innovative new SSC-led projects which are supported by employers. This led to consolidation of the SSC network, including the integration of the passenger transport SSC (Go Skills) with Hospitality and Leisure SSC (People 1st).

- Developed robust processes for generating and assessing investment proposals. So far this has generated three separate rounds of investment attracting 72 GIF and 140 EIF proposals, resulting in 89 investment agreements totalling £75m and leveraging £58m of employer cash and in-kind co-investment. It has already provided some real success “stories” from the EIF 1 investments which concluded in March 2012, including :
  - Supporting over 2,500 women through the Women and Work projects
  - Helping to build a talent retention solution for advanced manaufacturing
  - A gold standard for training in the process manufacturing and life sciences sectors
  - Further development of the ITMB degree programme linking Universities and 60 businesses in the IT sector
  - An innovative kitemarking programme to help employers in the creative media sector to draw on the best provision available
  - The development of a Hospitality Guild as a pilot for the wider development of Modern Guilds across the economy

- Learned from our initial investment work to reshape the Growth and Innovation Fund for 2012 so that it operates on an “always-open” basis. This will support greater innovation and reduce complexity around the bidding process.

- Shown through early evaluation work that our investments have begun to transform the basis of engagement with many employers and that employers are strongly supportive of the reforms we have brought to the Sector Skills Councils.

- Established a good practice sharing network to encourage our investment community to transfer the best ideas and practice between sectors.

- Developed a new business strategy for Investors in People. This involved implementing new branding and undertaking a successful marketing campaign which enabled us to generate 1800 new leads in 5 months, 50% more than planned, despite operating in a difficult economic climate. We also refocused Investors in People as a business improvement service to support a wide range of businesses. To ensure that we continue to improve Investors in People as a service, we implemented a delivery improvement programme to transform the performance of our Delivery Partners and Specialists. This involved developing a new Customer Relationship Management system and scorecard to measure key performance indicators. We also celebrated Investors in People’s 20-year achievements at WorldSkills in London on 5 October 2011. All of this was achieved whilst further reducing the costs of Investors in People - more than halving the Government subsidy required to run the business - compared to the £5.2m per annum that was given to IIPUK previously.

4. *Work with employers to maximise opportunities for unemployed and disadvantaged people*

For this Priority, during 2011-12, we have:

- Influenced policy by reframing the debate on unemployment, particularly youth employment, and providing the employer perspective to Government and stakeholders through insights from Commissioners and their organisations and findings from our UK wide skills surveys.

  - We published a series of Commissioner reports on youth employment and career guidance, including the ‘Youth Inquiry’ and ‘Helping Individuals Succeed’, designed to help people get into and on in work. We also contributed to the UK Government’s Participation strategy for 16-24s, to DWP Select Committee Inquiries and the AVECO inquiry into youth unemployment chaired by David Milliband. DWP, BIS and the Cabinet Office as well as the Secretary of State for Scotland all made reference to the Youth Inquiry findings in their own work. It was also picked up by think tanks, academics careers organisations and youth groups.

  - Our report 'Review of Employment and Skills' has been crucial in linking progression in work to wider policy developments.

- Galvanised employers in sectors and localities to open up more opportunities for unemployed people using a business-to-business messaging approach.

  - We encouraged employers through their sectors to explore and address barriers to recruiting different groups of unemployed people, working with SSCs to help broker relationships with Work Programme providers. Last year we delivered six 'sector focused' workshops to disseminate and share good practice amongst employers around recruitment and progression of unemployed people. We have also been building capacity among employers using our investment portfolio as leverage to stimulate improved recruitment and progression practices.

  - Using contacts built up from our work on the Review of Employment and Skills and Commissioner networks, we have been raising awareness among employers at a local level about the support available to help them offer more jobs, Apprenticeships and work experience opportunities to unemployed people. We adopted a Commissioner-led 'Seeing is Believing' approach to this and worked in partnership with Local Enterprise Partnerships (LEPs), Chambers of Commerce, Local Authorities and Work programme providers to stage four events, including the national launch of the Employer Ownership vision paper. As part of our messaging we trialled new ways of communicating our call to action through social media, articles in periodicals and a short video. Through our work last year we have built a database of employer contacts across the country and generated interest and enthusiasm for our Investment Funds and the Employer Ownership pilots.

- Carried out work to identify good practice in using and sharing LMI for career guidance purposes and developed 12 case studies in different areas across Great Britain. We will be publishing a project report which includes the full case studies and a good practice guide for practitioners in August 2012.

Excellent organisational performance

Although all our staff have responsibility for ensuring that the organisation continues to deliver the highest level of performance, in 2011-12 our Business Services Team led work to support and enable excellent organisational performance by focusing on four areas:

People and talent management

In 2011-12 the UK Commission continued its work to restructure the organisation, introduce a single team, matrix management approach and significantly reduce our cost base through a voluntary exit scheme (18 staff) and a range of other cost cutting initiatives, including moving to new offices and establishing a pool of specialist Associates.

This has:

- Reduced average total pay and non-pay related organisational costs per full time equivalent by 3% year on year, and annual running costs by £2.3m (23%)
- Created a sound basis for future delivery through a much more flexible structure, where resources and expertise can be deployed against changing priorities and staff contribution can be maximised
- Enhanced our reputation with Government as a well-run organisation that can be relied on to deliver.

Governance and UK Commission support

During 2011-12 the UK Commission recruited nine new Commissioners and introduced new governance arrangements and ways of working, enabling our Commissioners to contribute more. This has made us much more Commissioner-led, strengthening our unique social partnership model and giving us a valued place in the skills and employment infrastructure.

Facilities and I.T.

The Wath office move to Renaissance House in December 2011 presented a number of opportunities to comprehensively upgrade the IT servers and data communications infrastructure. This included installing faster, more cost-effective, data communications between London and Wath and incorporating the UK Commission data centre (Nexent) into the network. This has achieved greater resilience (business continuity arrangements) and also allows the UK Commission to centralise systems in the future and provide a more effective service for all users.

The new IT infrastructure will also enable the UK Commission to undertake further system upgrades and to utilise cloud-based services in the future. The new infrastructure will lead to further cost savings on website hosting, disaster recovery arrangements and hardware maintenance charges in 2012-13.

Business processes and controls

Our business processes and controls have been maintained and enhanced through the year, with increased efficiency and control in our financial processes as a result of the implementation of a new finance/Enterprise Resource Planning system towards the end of 2010-11. We have also refined our funding processes to support the organisation’s move to funding employer-led sector bodies on a contestable, investment-based approach, that attempts to minimise the reporting burden on the organisation being funded whilst increasing focus on whether the funding is achieving the expected impact. As an NDPB we have also worked to ensure that we adhere to the latest Cabinet Office and BIS requirements in terms of transparency and spending controls.

Future look

Looking ahead to 2012-13, our Commissioners are keen to sustain the momentum we have built up over the last year. For the coming year our three strategic objectives from Government remain unchanged.

In seeking to deliver against these objectives we have evolved last year's priorities into four new outcomes, which will inject further focus and impact into our work.

The four Commissioner Outcomes we hope to achieve in 2012-13 are:

1. *More employers investing in the skills of their people:*

Whilst the majority of businesses do invest in their people's skills, there is significant scope for improvement. There are also questions around management and leadership and how employers utilise their staff. This outcome will use our research to develop compelling stories that grab attention and promote a call to action to increase employer's investment in the skills of their people.

2. *More career opportunities for young people:*

Opportunities for young people to get in and move up in the workplace are diminishing: we believe that work experience needs to be reinvented as an integral part of the transition from education into work. Under this outcome the UK Commission will set out and promote a compelling business case, particularly for small employers, for offering more opportunities to young people.

3. *More collective action by employers through stronger sectors and local networks:*

The UK Commission will work with networks of ambitious employers to create the conditions needed for them to invest more in skills by encouraging the development of sustainable, employer-owned infrastructure to deliver skills solutions which drive jobs and growth.This will include continuing to build our Investment portfolio and widening the range of employer led organisations we invest in. Our approach is to invest in networks showing the strongest leadership in developing skills solutions at the national sectoral and local level and supporting the further development of Modern Guilds, or other forms of industrial partnerships, as the anchor point around which employers can meet the challenge of stepping up to take the full end to end responsibility for workforce development in their sector.

4. *More employers stepping up and taking ownership of skills:*

To achieve sustainable growth, employers of all sizes must have the space to step up and work within their supply chains and business networks with employees and providers to develop the skills they need.

Each of these areas will be led by a Commissioner and we will work closely with Governments across the UK, employer representative organisations, trade unions and other partners to achieve measurable change within three years that will bring benefits to people, businesses and the wider economy.

In addition to the four Outcomes our research team will lead the 'LMI 4 All' project, which will enrich and broaden access to robust national Labour Market Information (LMI) to support careers services, including the National Careers Service. Working with a range of partners including the Office for National Statistics (ONS) the project will create more comprehensive open access data to encourage greater service innovation in the development of careers focused web-tools shaped for specific audiences.

In support of these Commissioner Outcomes, and in recognition of the ongoing expectation that the UK Commission continues to reform, the Executive Director team will focus on a number of organisational priorities. To "*demonstrate impact and accountability*" the Executive Team will develop and implement smart indicators for the contribution and impact the UK Commission is making towards its purpose and strategic objectives. To support impact and governance it is also critical that there is a full team of Commissioners who are as influential as possible.

Whilst there has been good progress over the last twelve months to "*embed a single team approach"* to the UK Commission's work, more can still be done. We need to work on the culture of a single team and the associated behaviours, to continue to invest in capacity and capability of staff to meet the reformed remit and ensure that all staff see the value and opportunity in a single team approach.

As all Non Departmental Public Bodies are subject to triennial reviews - the UK Commission will be reviewed in February 2014 - it is important that we assess the different options and *identify the organisational model that best supports delivery* before the triennial review starts. In the meantime the UK Commission needs to ensure it has sufficient resources over the next two years to deliver its remit.

Report of the Directors

The annual report and financial statements have been prepared in a form directed by the Secretary of State for Business, Innovation and Skills in accordance with the Financial Reporting Manual and fulfil the requirements of the Companies Act 2006.

Principal activity and business review
The principal activity and the business review is set out on pages 4 to 12 of this Annual Report and the Financial Review is set out below.

Incorporation
The UK Commission for Employment and Skills (the UK Commission) is a company limited by guarantee and was incorporated on 13 November 2007. Under Clause 7 of the Memorandum of Association all members undertake to contribute to the company such an amount as may be required, not exceeding £1, in the event of it being wound up during the period of membership or within one year afterwards. The UK Commission is a Non Departmental Public Body (NDPB) jointly sponsored by the Department for Business, Innovation and Skills (BIS), Department for Work and Pensions (DWP), Department for Education (DFE), HM Treasury (HMT), the Northern Ireland Executive (NI), the Scottish Government, and the Welsh Government.

Governance and decision making
The Commissioners are Directors of the Company and are responsible for the management of the UK Commission. At 31 March 2012 there were 24 Directors, compared with 17 Directors at 31 March 2011. The UK Commission delegated its organisational oversight role to the Strategic Management Group of the UK Commission.

The membership of the Board and other legal and administration details are set out on page 52.

The UK Commission has a conflict of interest policy and its Register of Members Interests is regularly updated. The full register can found on the UK Commission's website: http://www.ukces.org.uk/commissioners

The Audit and Risk Group
The Audit and Risk Group consists of not less than three Commissioners, with a quorum of two. The Chairman of the UK Commission cannot be a member of this Group. Membership should include representation by a Commissioner who is also a member of the Strategic Management Group. The Chief Executive, the Executive Director (Business Services) and a representative from Internal and External Audit ordinarily attend meetings. The Group meets at least three times each year. The Audit and Risk Group is an advisory body with no executive powers. Its role is to support the UK Commission in discharging its responsibilities in relation to issues of risk, control and governance and of obtaining associated assurances as well as taking a wider assurance role in relation to performance and risk management.

The Strategic Management Group
The Strategic Management Group consists of not less than five Commissioners plus the Chief Executive, with a quorum of three. The Chairman of the UK Commission attends meetings a appropriate in an ex-officio capacity. Membership should include appropriate representation from across the UK Commission's outcomes and the Audit & Risk Group. The Strategic Management Group meets at least quarterly.

Duties of the Strategic Management Group are to oversee the normal conduct of the operation of the UK Commission, to advise the UK Commission on the performance of the organisation against its business objectives and the effective management of its resources. It coordinates and monitors delivery and strategic impact, and ensures that necessary cross cutting work programmes are in place to enable the UK Commission to carry out its role effectively.

It is also responsible for deciding remuneration policy and changes to senior managers pay and acts as a nominations committee in respect of Group members and chairs.The current members of the Strategic Management Group are listed in the Remuneration Report on page 19.

Investment Group
The Investment Group consists of not less than five Commissioners and the Chief Executive, with a quorum of three. The Chairman of the UK Commission will attend appropriate meetings in an ex-officio capacity. The Group meets as appropriate to support the cycle of investment business. Duties of the Investment Group are to oversee, agree and monitor investment decisions, agreements and variations. It also makes recommendations to the UK Commission in respect of its investment strategy and ensures that the overall governance and decision making arrangements for the various investment funds are aligned and robust. The Group retains the right to invite applicant organisations to present to the Group.

Going Concern Assessment
In the light of the confirmation of a Grant-in-Aid resource budget allocation of £71.8m provided by Government in the Grant-in-Aid letter for 2012-13, the Directors have reviewed the financial position as at 31 March 2012 and are comfortable that the UK Commission remains a going concern and that it will have sufficient cash to pay its liabilities as they fall due.

Whereas the operating costs in the Net Expenditure Account are recognised on an accruals basis, NDPBs can only recognise the actual amount of cash received during the period in respect of Grant-In-Aid financing. NDPBs are required by BIS to limit the amount of cash held to 2% of the Grant-In-Aid budget and the UK Commission had £6.8m of accrued costs and trade payables as at 31 March 2012. This has resulted in the Statement of Financial Position showing net liabilities of £4.4m at the end of the year.

Payments to Creditors
The UK Commission endeavours to pay suppliers as soon as possible once an invoice or claim is received and delivery is confirmed, and within the guidelines required of Government bodies. Over the course of the year the UK Commission has paid suppliers within seven days of receipt on average over the year, compared with an average of nine days in the previous year. On average 6.2% of payments made were over 30 days from receipt of invoice compared with 6.7% in 2010-11.

Auditors
Under the Government Resources and Accounts Act 2000 (Audit of non-profit-making Companies) Order 2009, which came into force on 4 March 2009, the Comptroller and Auditor General is required to audit the UK Commission's accounts for the year ended 31 March 2012. An amount of £39,000 has been provided for Audit fees.

Sickness absence data
During the year the UK Commission had 605 days (2010-11: 888 days) of absence from work due to sickness. Of this 410 days relate to eight staff on long-term sick leave during the period. The number of days off for the remaining staff, excluding agency staff, equates to an average of 1.9 days (2010-11: 1.8 days) sick leave per staff member.

Reporting of personal data related incidents
The tables that follow have been prepared in response to Cabinet Office guidance on reporting personal data-related incidents in the management commentary section of departmental resource accounts.

Table 1: Summary of protected personal data-related incidents formally reported to the lead sponsor department in 2011-12

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
N/A	Nil	Nil	Nil	Nil

Further information on information risk
The UK Commission will continue to monitor and assess its information in order to identify and address any weaknesses and to ensure continuous improvement of its systems.

Incidents deemed by the data controller not to fall within the criteria for needing to be reported to the Information Commissioner's Office – but recorded centrally by the UK Commission – are set out in Table 2. (Note that small, localised incidents are not recorded centrally and are not cited in these figures.)

Table 2: Summary of other protected personal data-related incidents

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises.	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises. *Laptop stolen from the boot of car*. Nature of data involved ; *Work in progress draft materials (reports and documents). Final versions of documents stored centrally, so no lost work. Some contact information consisting of email addresses and telephone numbers held in Microsoft Outlook. (less than 1000 records). Hard drive encrypted with Becrypt (level 3 security encryption) so access deleted after 3 failed login attempts. Highly unlikely that any information would be extracted from the hard drive, so considered low risk.*	1
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

Disabled employees
Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them and adjustments made to work and or facilities where reasonably practicable and as appropriate in order that their employment with the company can continue.

It is the policy of the UK Commission that training, career development and promotion opportunities should be available to all employees.

Diversity and equality policy statement
The UK Commission values individual difference and believes that a diversity of backgrounds within the workforce brings a variety of ideas and experience that create a productive work environment,helping to ensure that key business objectives are met. As a modern and exemplar employer the UK Commission is committed to equality of opportunity in all its employment practices, policies and procedures.

In meeting its commitment to promoting diversity and equality of opportunity, the UK Commission will combat unlawful and unfair discrimination. Our policy therefore is that everyone should be treated fairly and without discrimination in relation to their human rights regardless of race, ethnicity, gender, disability, sexual orientation, gender reassignment, age, marital status, religion or similar belief, trade union membership, national or social origin.

Provision of information and consultation with employees
We consider good communication with our employees to be very important and communicate through regular meetings on an individual, team and company-wide level. In addition there are regular meetings of the Employee Partnership Forum (including trade union and staff representation) to inform, discuss and, where appropriate, consult on matters affecting employees. We have aimed to involve staff in every step of the journey in reshaping our organisation, so they feel part of it and positive about our future. Staff are kept updated about organisation performance via our performance scorecard, which is shared on a quarterly basis, and, to assess staff satisfaction, we undertake a quarterly staff survey and share the findings with staff, management and Commissioners.

Corporate Social Responsibility
The UK Commission is committed to meeting or exceeding all legal requirements and ethical standards and norms while conducting our business. In addition to our wider role of working in the public interest to improve employment and skills in the UK we aim to encourage and support employee participation in the local community and respectg the environment by actively seeking to recycle wherever possible and minimise travel and use of resources. .

This is achieved in accordance with our shared values: Inspiration, Integrity, Inclusion and Influence.

Key Performance Indicators
As a result of the revised remit from Government in May 2011 the UK Commission has now developed and agreed a new set of key performance indicators which are intended to demonstrate impact to Government against our three remitted strategic objectives. The baseline data for the new indicators will be collected during 2012. The performance indicators presented in the 2010-11 Annual Report and Accounts are no longer relevant to the new remit.

Financial Review

Incoming resources

The UK Commission is funded by Grant-In-Aid financing from BIS on behalf of all the sponsoring Departments and Devolved Administrations.

At 1 April 2011 the total Grant-In-Aid resource budget allocated for the 12 month period to 31 March 2012 amounted to £73.7m. During the year the UK Commission received updated Grant-in-Aid letters, with the final Grant-In-Aid resource budget being set at £66.1m.

The Grant-In-Aid cash limit for 2011-12 was £65.6m, of which £65.5m was utilised in the year.

Under the terms of its agreement with BIS the UK Commission is not allowed to carry forward any unused Grant-In-Aid to the following year. However the Department commits to provide sufficient cash to fund the accrued expenditure as the liabilities become due but, in accordance with Government accounting guidance, this commitment is not reflected in the accounts.

Because Grant-In-Aid funding is treated as financing rather than income in the Income and Expenditure Account the results for the period show a loss equivalent to the revenue expenditure to be met from Grant-In-Aid. The Grant-In-Aid financing recognised is the value of cash drawn down. The loss attributed to General Reserves therefore reflects the value of accrued expenditure at 31 March 2012.

In 2011-12 the UK Commission also received £0.5m (2010-11: £0.4m) of licence and publication income in relation to the IiP business.

Application of resources received

Of the total expenditure incurred in the year of £63.5m (2010-11: £71.4m), 81% (2010-11: 76%) of total resource received was distributed to employer-led sector bodies, 7% (2010-11: 10%) was used to fund specific UK Commission programmes and 12% (2010-11: 14%) was used to fund the organisation's administration costs.

Sector programme activity

The UK Commission has a programme of funding to support employer-led sector bodies in the delivery of their skills related activity. Of the £51.0m (2010-11: £54.4m) that was spent in the year to support these bodies, £39.9m was granted to Sector Skills Councils as strategic funding to support the cost of their core activity. In addition £8.6m was spent in the year funding Employer Investment Fund and Growth and Innovation Fund projects with the remaining £2.5m being spent on supporting other sector bodies in specific programmes of work. All grant and investment programmes have specific guidelines and all applicants are subject to a formal process of assessment and approval.

For investment related activity, the funding is only paid out on satisfactory evidence of delivery of the milestone in the project funded contract. Overdue milestones that have yet to be claimed are monitored closely by the UK Commission Contract Manager and reported on to the Executive Leadership Team on a regular basis. Strategic funding was paid out in monthly instalments and delivery was monitored against contractual delivery plans for the year to ensure delivery was achieved. Strategic funding ceased at the end of 2011-12 and has been replaced by the Employer Investment Fund which is allocated to Sector Skills Councils on a competitive basis.

At year-end there were £3.4m of accruals with milestone dates on or before 31 March 2012 yet to be paid, compared with £2.6m of accruals in the prior year. Of this £0.2m relates to contracted milestones outstanding for more than 90 days where claims had not yet been received. This compares with £0.2m outstanding in the previous year.

The Investment Group was responsible for oversight of the Sector programme budget in 2011-12.

UK Commission programme activity

The budget available for the UK Commission programme activity has been allocated to support the delivery of specific projects in line with the Business Plan priorities. The forecast spend on each project compared to budget was monitored on a regular basis by the Executive Leadership Team and was overseen by the Strategic Management Group. The expenditure in this area of activity has reduced to £4.6m for 2011-12, compared with £6.7m for 2010-11. This reduction is primarily due to reduced research-related activity and reduced spending on IT systems to support Investors in People.

Organisational administration activity
12% (2010-11: 14%) of the total expenditure or £7.9m (2010-11: £10.2m) supports the on-going administration costs of the organisation. This 23% year-on-year reduction in cost is primarily due to a 21% reduction in the staffing levels of the UK Commission to an average headcount of 101 full time equivalents in 2011-12 from 127.5 full-time equivalents in 2010-11. This reduction headcount was primarily due to the implementation of a voluntary exit scheme at the end of 2010-11. The organisational administration budget is controlled at a Home Team level by budget managers, is monitored on a regular basis by the Executive Leadership Team and is overseen by the Strategic Management Group.

Balance sheet
All known liabilities have been provided for in the balance sheet as at the end of the period, where relevant, with the exception of any pension liability, which is not recognised in accordance with the pensions accounting policy.

Outstanding trade creditors and amounts owing to other Government bodies at the end of 2011-12 represented the equivalent of approximately 7 days (2010-11: 11 days) of total payments made in the year.

As at 31 March 2012 the UK Commission is reporting negative reserves of £4.4m (2010-11: £6.8m). This is because the UK Commission had recognised expenditure accruals and trade payables of £6.8m of expenditure at the end of the period (2010-11: £7.8m), but has recognised the associated Grant-In-Aid funding on a cash basis. This is in line with the standard accounting treatment in respect to Grant-In-Aid financing for NDPBs.

M Davis
Chief Executive
28 June 2012

C Mayfield
Chairman
28 June 2012

Remuneration Report

Strategic Management Group
Remuneration is overseen by the Strategic Management Group whose members during the year were as follows:

Charlie Mayfield
Julie Kenny CBE DL (Chairman)
Dave Prentis
Lucy Adams (joined the Group in 2011-12)
Deirdre Hughes OBE (joined the Group in 2011-12)
Grahame Smith (joined the Group in 2011-12)
Tony Lau Walker (joined the Group in 2011-12)
Sean Taggart (joined and left the Group in 2011-12)
Liz Sayce OBE (left the Group in 2011-12)
Larry Hirst CBE (left the Group in 2011-12)

Executive Director Remuneration Policy
The pay strategy is based on remuneration principles which are designed to:

- Make a significant contribution to the continuous improvement and success of the UK Commission
- Develop a close link between reward and business strategy
- Improve the recruitment and retention of high calibre staff
- Reward staff appropriately for their contribution
- Provide incentives for improved performance
- Assist in the identification of development needs
- Provide an affordable framework that satisfies the needs of the business and the requirements of BIS under the delegated pay guidelines

The pay strategy for the Chief Executive and Executive Directors is the same as for all permanent staff. The Chief Executive''s pay arrangements were approved by BIS with the input from the UK Commission Chairman and Strategic Management Group within the context of Government guidance.

The following information is subject to audit.

Disclosure of Salary and Benefits in kind for the year ended 31 March 2012

Name	2011-12 Salary including allowances and benefits in kind in pay bands for the year £000's	2011-12 Performance pay[1] £000's	2011-12 Voluntary exit £000's	2010-11 Salary including allowances and benefits in kind in pay bands for the year £000's	2010-11 Performance pay £000's	2010-11 Voluntary exit[2] £000's
Company Directors[3]						
Sir Mike Rake[4]	-	-	-	50-55	-	-
Chris Humphries CBE[5]	-	10-5	-	125-130	10-15	-
Charlie Mayfield[6]	30-35	-	-	10-15	-	-
Michael Davis[7]	120-125	0-5	-	90-95	0-5	-
Executive Directors						
Professor Mike Campbell OBE	15-20	-	-	90-95	5-10	70-75
Simon Perryman	85-90	0-5	-	85-90	5-10	-
Jerry Lloyd	5-10	-	-	80-85	0-5	85-90
Kay Dickinson	85-90	0-5	-	85-90	5-10	-
Geoff Fieldsend	25-30	0-5	-	85-90	0-5	80-85
Ian Kinder[8]	75-80	5-10	-	70-75	0-5	-
Non Executive Directors						
Liz Sayce OBE[9]	5-10	-	-	5-10	-	-
Deidre Hughes OBE	0-5	-	-	-	-	-
Seyi Obakin	0-5	-	-	-	-	-
Band of highest paid director[10]	120-125			125-130		
Median of total remuneration[10]	34.2			38.5		
Ratio[10]	3.6			3.2		

[1] The performance pay for 2011-12 relates to performance in respect of 2010-11. Similarly the 2010-11 figure relates to the 2009-10 performance year. Only the amounts reported under the Performance Pay column are based on employee performance, all other amounts are fixed salaries per individual contracts.

[2] Voluntary exit relates to termination payments under a voluntary exit scheme for staff and 3 months compensation in lieu of notice. All staff accepted for voluntary exit left in 2011-12. Professor Mike Campbell left 31 May 2011, Jerry Lloyd left on 21 April 2011, and Geoff Fieldsend left on 31 July 2011. The payments were made directly to the individual or to the pension fund depending on the individual circumstance. Compromise agreements are signed by all leavers under the scheme. The voluntary exit costs were accrued and disclosed in the 2010-11 accounts and were paid in 2011-12.

[3] Statutory Directors Chris Humphries and Michael Davis were the only Statutory Directors of the Company to receive any pension entitlement.
[4] 2010-2011 figure is for the 8 month period to November 2010. The annual remuneration was £81K.

[5] 2010-2011 figure is for the 9 month period to December 2010. Chris Humphries left at the end of his fixed term contract. There were no exit payments made to him although he received a performance-related bonus in 2011-12 in relation to his performance for the 9 months of 2010-11. The annual salary was £167K.

[6] 2010-2011 figure is for the 4 month period to March 2011. The figure represents the amount paid to John Lewis Partnerships for making available his services as Chair of the UK Commission. The annual fee is £28K plus VAT.
[7] 2010-2011 figure represents the full year salary for Michael Davis as Executive Director to the middle of November 2010 and as Interim Chief Executive from this date to 31 March 2011. The annual salary as Interim Chief Executive was £105,500. Michael Davis was subsequently appointed as the Chief Executive on a permanent basis on 1 July 2011 with an annual salary (including London weighting) of £128.5K.
[8] 2011-12 and 2010-11 figures includes remuneration earned before he was promoted to Executive Director on 1 August 2011.
[9] Represents the amount paid to Royal Association for Disability and Rehabilitation ("RADAR") for making available her services as a Non-Executive Director to the UK Commission in 2010-11. The 2011-12 fee was paid to Disability Rights UK.
[10] Reporting bodies are required to disclose the relationship between the salary of the most highly-paid individual in their organisation and the median earnings of the organisation's workforce.
The salary of the most-highly paid individual in the UK Commission in the financial year 2011-2012 was £123K. This was 3.6 times the median salary of the workforce, which was £34K.
The salary of the most-highly paid individual in the UK Commission in the financial year 2010-2011 was £126K. This was 3.2 times the median salary of the workforce, which was £39K.

Pension entitlements for the year ended 31 March 2012

Name	Value as at 31/03/12 of the Accrued Pension and related lump sum at pension age in pay bands	Real increase in period of pension and related lump sum at pension age in pay bands	CETV as at beginning of period[2]	Real increase in CETV during the period as funded by employer	CETV as at end of period	Employer contribution to Partnership Pension account
	£000's	£000's	£000's	£000's	£000's	£000's
Company Directors[1]						
Charlie Mayfield	-	-	-	-	-	-
Michael Davis	5-10	0-5	23	10	39	-
Executive Directors						
Kay Dickinson	20-25 (plus 65-70 lump sum)	-	373	-	403	-
Simon Perryman	45-50	0-2.5	789	7	864	-
Geoff Fieldsend	30-35	0-2.5	495	15	533	-
Jerry Lloyd	25-30	0-2.5	426	6	438	-
Professor Mike Campbell OBE	5-10	0-2.5	160	8	170	-
Ian Kinder	45-50	0-5	668	45	758	-

[1]Statutory Directors. Michael Davis was the only Statutory Director of the Company to receive any pension entitlement.
[2] The actuarial factors used to calculate CETVs were changed in 2011-12. The CETVs at 31 March 2011 and 31 March 2012 have both been calculated using the new factors, for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Unaudited Information

Performance Pay Awards

The performance of all staff, including Senior Managers, is evaluated through the Individual Performance and Development (IPaD) framework.

Staff Appraisal interviews take place across the UK Commission to determine the level of achievement against personal objectives. These take into account the values and behaviours applied in the course of achieving the objectives. Performance is assessed against the following levels:

- Outstanding
- Superior
- Successful
- Needs improvement
- Needs significant improvement

The performance levels awarded normally determine the level of pay increase and /or bonus, however a pay freeze has been in operation since 2008. The Executive Leadership Team pay awards are agreed by the Strategic Management Group, subject to recommendations from the Chief Executive. The Chief Executive's pay award is agreed by BIS on the recommendation of the Strategic Management Group and the Chairman. If the performance level is assessed as Needs Improvement or below then no bonus or pay increase is awarded.

Senior Staff Employment Policy

The Executive Directors are normally on a permanent contract basis in line with all other employees. The notice period they are required to serve in the event they wish to leave is six months. The UK Commission has no specific policy in respect of termination payments for senior managers.

Senior Staff Service Contracts

Name	Start date of contract	End of contract date
Chris Humphries CBE	1 January 2008	31 December 2010
Kay Dickinson	1 April 2008[1]	
Geoff Fieldsend	1 April 2008[1]	31 July 2011
Simon Perryman	1 April 2008[1]	
Professor Mike Campbell OBE	1 April 2008[1]	31 May 2011
Jerry Lloyd	1 April 2008[1]	21 April 2011
Michael Davis	1 March 2009	
Ian Kinder	22 July 2009[2]	

[1] Contract was transferred from SSDA under a COSOP arrangement from SSDA on 1 April 2008.
[2] Ian Kinder was promoted to Executive Director in August 2011.

On behalf of the Board

M Davis	**C Mayfield**	**28 June 2012**
Chief Executive	Chairman	Date

Sustainability Report

As an Non-Departmental Public Body, the UK Commission is expected to report on its environmental sustainability performance. Due to the move of offices during 2011-12, the landlord at the previous office site has not provided the CO2 emissions data as requested, so the report for 2011-12 cannot be provided. The overall environmental impact of the UK Commission is low given it has a floorspace totalling just over 1000m^2 and on average 101 staff in the year. The UK Commission's expectation is that its floorspace usage will fall below the de minimus levels in 2012-13 required for mandatory reporting of sustainability.

Accounting Officer's and Chairman's Statement of Responsibilities

The Directors and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the Framework Agreement with the Department of Business Innovation and Skills, they are required to follow the principles of HM Treasury's Financial Reporting Manual 2011-12. Consequently they have elected under the Companies Act 2006 to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law and to provide the additional disclosures required by the Financial Reporting Manual 2011-12 where these go beyond the requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the UK Commission for that period. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the UK Commission will continue in operation.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Government Financial Reporting Manual (FReM). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer for the Department has designated the Chief Executive as Accounting Officer for the UK Commission for Employment and Skills. The responsibilities of an Accounting Officer, includes 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 UK Commission for Employment and Skills's assets, as set out in Managing Public Money published by HM Treasury.

On behalf of the Board.

M Davis	**C Mayfield**	**28 June 2012**
Chief Executive	Chairman	Date

Governance Statement

1. **Scope of responsibility**

   It is recognised that it is the responsibility of the Chief Executive, as Accounting Officer, to ensure that there is a sound system of governance and internal control; and that the UK Commission for Employment and Skill's business is conducted in accordance with *Managing Public Money* to ensure public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

2. **The Purpose of the Governance Statement**

2.1 The Governance statement, for which the Chief Executive takes personal responsibility, tries to provide a clear understanding of the dynamics of the business and its control structure. Essentially, it records the stewardship of the organisation to supplement the accounts, providing a sense of how the organisation's performance has been controlled; and of how successfully it has coped with the challenge it faces. It provides an adequate insight into the business of the organisation and its use of resources to allow the Chief Executive to make informed decisions about progress against business plans and, if necessary, steer performance back on track. In doing this the Chief Executive is supported by a Governance framework which includes the UK Commission, its sub-groups and the Executive Leadership Team.

2.2 This statement explains how the organisation has complied with the principles of good governance and reviews the effectiveness of these arrangements.

3. **The Organisations' Governance framework/Structure**

3.1 The Commissioners are the UK Commission's Directors. They are publically appointed by the Secretaries of State of the Department for Business, Innovation and Skills and the Department for Work and Pensions. Appointments are made in consultation with the Ministers in the three devolved nations – Scotland, Wales and Northern Ireland - who also make their own Commissioner appointments. The Chairman is also appointed through a public appointments process.

Decision making by Commissioners takes place at full meetings of the UK Commission and through a series of Commissioner Groups that have been formerly established to carry out specific roles.

The Commissioner Groups operating in 2011-12 were:

- The Strategic Management Group (achieved 74% group attendance rate)
- The Audit and Risk Group (achieved 79% group attendance rate)
- The Investment Group (achieved a 77% group attendance rate)

Further details of Group membership and attendance is provided on the UK Commission website (www.ukces.org.uk)

The UK Commission has adopted a complementary Scheme of Delegation to provide these Groups with appropriate decision making powers. The Scheme of Delegation also sets out those powers that have been delegated to the Chief Executive and Executive Directors.

The UK Commission's remit is that it shall be outwardly facing. Commissioners bring the business leadership that is required to drive the agenda and work closely with the Executive on the delivery of the UK Commission's Priority Outcomes. They are the voice of the UK Commission on issues relating to the priorities and use their position, credibility and networks to persuade employers and others of the importance of skills in supporting enterprise, jobs and growth.

Individual Commissioners have been appointed to take the lead on each one of the four UK Commission's Priority Outcomes. These lead Commissioners are supported by a team of Commissioners who contribute towards the development and delivery of that Priority.

Decision making in the Priority Outcomes is carried out in accordance with powers that have already been delegated to the Executive or by reference to the appropriate formal decision making Groups.

3.2 The internal auditors, as part of their annual audit plan agreed with the Audit and Risk Group, have reviewed the governance of the UK Commission to ensure that the governance framework is fit for purpose and in line with the latest guidance from Treasury and others. The assessment was that it is fit for purpose, with only minor improvement recommendations made, which the UK Commission has accepted.

3.3 The Commissioners carry out an annual session without the Executive to consider the effectiveness of the UK Commission. The Chairman feeds back to the Chief Executive on the outcome of these discussions. Within the last two years the UK Commission has also undertaken an independent Board Effectiveness review to assist the Chairman, following which a number of changes were made which have been well received.

3.4 The UK Commission is involved in partnership arrangements for:

- The delivery of the Growth and Innovation Fund which is carried out by the GIF Board (Chaired by the Chairman of the UK Commission). Partners in this arrangement are BIS, Skills Funding Agency and the UK Commission.
- Recommendations relating to the allocation of funds from the Employer Ownership Fund, through the Employer Ownership Advisory Board. Partners in this arrangement are BIS, Skills Funding Agency and the UK Commission.
- Recommendations relating to the way in which Sector Skills Assessments, National Occupational Standards, Apprenticeship Frameworks and other specific qualification outputs are commissioned are made by the Universal Services Commissioning Board. Partners in this arrangement are BIS, representatives of the Devolved Administrations and the UK Commission.

4. The Risk and Internal Control Framework

4.1 The UK Commission, with the support of the Strategic Management Group, leads effective risk management by agreeing the direction, focus and risk appetite. This is designed to encourage appropriate well-managed risk taking, to maximise the effectiveness and impact of the UK Commission and make the most of opportunities to deliver greater benefits. The approach is defined and embedded via a formal Risk Management Policy and Process Guide.

All risks are assessed against a risk management matrix for impact and likelihood, using a four point scale for each metric. This provides a risk score based on defined criteria. Risk appetite within the UK Commission is defined in the Risk Management Policy and Process Guide. It is designed to identify and prioritise the risks to the achievement of its policies, aims and objectives and is determined according to the categorisation of risk impact. It details the risk appetite for that category and gives guidance on the highest level of risk acceptable for that category of impact. This system covers both the risks in respect of the UK Commission's direct delivery as well as in respect of delivery through external delivery partners.

The risk management process drives a hierarchy of risk registers that support an overall Strategic Risk Register and operational risk registers and is developed using a top-down and a bottom-up approach. The strategic risk register is reviewed and updated as part of the organisation's business planning and performance management processes, informed by the risks identified within each of the four priority outcomes, their associated sub projects, and the executive objective areas.

Mitigating actions for each risk are documented on the risk registers to enable Commissioners and management to monitor progress in reducing the UK Commission's exposure to risk.

The managers within each area of the organisation are responsible for the identification, monitoring, reporting and escalation of associated risks to the Executive Leadership Team and the Strategic Management Group where appropriate.

Risk status forms part of our monthly and quarterly performance reports to the Executive Leadership Team, respective Commissioner Groups and to Sponsors.

During the year the UK Commission began to include sources of assurance against each risk on the risk registers to ensure that the assurances are clearly identified and that there are no critical gaps in assurance.

A programme is in place to ensure that each risk is reviewed at least six-monthly, depending on severity. The Strategic Risk Register is reviewed on a monthly basis by the Executive Leadership Team and quarterly by the Strategic Management Group.

The UK Commission has delegated the oversight of the organisation's risks to:

- the Strategic Management Group, who has responsibility for overseeing the management of risks within the strategic risk register, escalated priority outcome and executive objective risks; and for approving any changes to the Risk Management Policy
- the Audit and Risk Group, who provide assurance over controls and management of the system of risk management. From 2012 the Audit and Risk Group take a thematic approach to the review of the organisation's top strategic risks, mitigations and assurance to ensure that the key risks are reviewed in a more in-depth, holistic manner.

4.2 The UK Commission promotes effective risk management by agreeing the direction and focus of the UK Commission and by setting acceptable risk levels (the 'risk appetite') to guide the executive management groups. The UK Commission has a Risk Management Policy and Process Guide, developed using Cabinet Office guidance and drawing on practical experience from other organisations to provide all staff with a simple and robust means for managing, reporting and escalating risks in a consistent manner across the organisation.

This is reviewed and endorsed by the Strategic Management Group on an annual basis to ensure it reflects strategic direction, is robust and is continually improved upon where appropriate.

Risk Management is embedded in the organisation through the planning and performance reporting process. Each designated area of the organisation and its business is responsible for identifying and evaluating risks against the Policy and Process Guide. Risks are managed by assigned risk owners initiating appropriate mitigating controls to reduce likelihood and impact of risk. Assurance mechanisms are identified to help evaluate the effectiveness of the controls and contingency plans identified in case controls fail to sufficiently mitigate the risk. Risks are regularly reviewed and reassessed to allow the success of controls to be confirmed and the effect of changing factors to be considered. Risks are escalated through the Performance reporting process to the Executive Leadership Team and Strategic Management Group for review and action.

The Risk Management Policy and Process Document and standard risk log template is made available to all staff on the UK Commission's intranet. The Assistant Director of Finance and Performance and the Contracting Manager oversee the risk management process. The Contracting Manager provides one to one training to staff as appropriate and carries out a six month review of all risks logs to ensure policy and process is applied consistently, offering and distributing further advice and guidance as appropriate.

4.3 The UK Commission's greatest risks in year can be defined as:

Risk Description and Consequence	Mitigated by:
The restructure of Sector Skills Council (SSC) funding from Core Strategic Funding to a more contestable investment approach to obtaining funds - likelihood that this may adversely impact on sector delivery resulting in loss of sector coverage and reputational damage.	Regular investment reviews. A rolling programme of financial control health checks, quarterly risk based financial viability and control assessments and dedicated resource (financial and individual) to help any SSC transition work that might need to be considered or supported.
Failure to demonstrate sufficient quantifiable impact by the end of 2012-13 to satisfy the expectations of ministers and stakeholders; defining success, failing to identify impact; risk that organisation does not pass triennial review.	Clearly defined success measures within the Business Plan, a logic chain of outputs, outcomes and results defined and monitored – increased focus on impact.

People and management resources for 2011-12 are insufficient to deliver remit/impact. Spending and recruitment restrictions. Wrong balance of budget and people.	Looking to source fixed term staff from Civil Service Vacancies Service, graduate interns and apprentices.
Commissioner contribution and leadership is suboptimal. Reputational issues of Commissioners taint reputation of UK Commission. Other Commitments take over. Failure of management to engage/use them optimally compromising delivery.	High level engagement in the development of the business plan and priorities; Commissioners leading the business plan priorities; Chair and Chief Executive actively managing Commissioner relationships.
Insufficient employers and employer bodies step up to the challenge of skills investment, not accepting need to change and acting on it, IIP does not achieve anticipated trajectory. Strategic objective may not be achieved causing reputational damage.	Proactively engaging Sector Skills Council Chairs, CBI and other employer bodies; Increased use of employer Commissioners to champion.
Role of the UK Commission is misunderstood by Stakeholders and across BIS policy leads; Stakeholders do not properly involve UK Commission staff and Commissioners in activities where UK Commission could have a valid impact.	Commissioner and staff engagement in design and implementation of new arrangements and continued communication with stakeholders.
Organisation design fails to be effective; matrix working is not implemented effectively and the organisation fails to deliver priorities, deploy resources in a flexible and responsive manner.	Commissioner and staff engagement in design and implementation, engagement of a Matrix Management Group to ensure culture of matrix working is embedded in the organisation.
Employer Ownership does not deliver in line with expectations; Employers do not respond to prospectus with sufficient compelling proposals; Pilot evaluation does not endorse ownership propositions; Delivery Management through SGA/BIS compromises quality. UK Commission and Commissioner reputation is materially damaged.	Stakeholder engagement through Advisory Group; Employers and intermediaries briefed and encouraged to submit proposals through event, articles and networks; SFA/NAS are held to account by BIS and the Employer Ownership Investment Board.

4.4 The UK Commission obtained assurance from the Audit and Risk Group, in its Annual Report, that suitable controls are in place through assurance provided from a number of sources including:

- the outcome of a programme of 9 internal audit reviews undertaken in the year;
- annual external audit feedback;
- relevant stakeholder and Sponsor feedback including relevant BIS audits;
- relevant internal control reviews including a fraud control assessment, the Managing Risk of Financial Loss assessment (an assurance review developed by HM Treasury for public bodies focusing on how organisations manage the risk of financial loss); and
- the Security Risk Management Overview Annual Report

4.5 The Internal audit opinion on the quality of the systems of governance, management and risk assessment controls were rated green and no material control issues were raised in the year in either the UK Commission or the Sector Skills Councils.

In addition UK Commission staff undertook the Managing Risk of Financial Loss review during the year. The outcome was positive no significant gaps in our controls identified.

5. **Review of effectiveness**

5.1 As Accounting Officer/Chief Executive, I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control.

5.2 This review is informed by the work of the executive managers within the organisation who have responsibility for the development and maintenance of the governance structures, internal control framework, and the assurance of those controls provided by:

- the Annual Report of the Audit and Risk Group;
- our internal auditors through their programme of reviews, including reviews of the systems of governance, management and risk assessment controls which were undertaken in the year and rated 'green'. This included a review of our compliance against the Code of Corporate Governance which did not identify any significant issues of non-compliance;
- comments made by the external auditors in their management letter;
- the Managing Risk of Financial Loss review; and
- other reports where relevant.

The Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control. The Audit and Risk Group provide an annual report to the UK Commission on Internal Controls, Governance and Risk Management approach and assurances.

5.3 There have been no governance or internal control issues raised during the financial year, nor has there been any material financial loss reported, nor any identified lapses in data security beyond the one incident noted on page 15. In May 2012 there was a loss of 16 laptops as a result of a break-in to the London office. However all these laptops were encrypted and there was no known loss of personal data.

I have been advised on the implications of the result of the review of the effectiveness of the system of governance including internal control and risk management by the Commissioner's Audit and Risk Group through its annual report.

I have considered the evidence provided with regards to the production of the Annual Governance Statement. The conclusion of the review is that there is a sound system of governance and internal control; and that the UK Commission for Employment and Skill's business has been conducted in accordance with *Managing Public Money.*

Michael Davis	**28 June 2012**
Chief Executive	Date

The Certificate and Report of the Comptroller and Auditor General to the Members of the UK Commission for Employment and Skills

Registered Company number 6425800

The certificate and report of the Comptroller and Auditor General to the members of the UK Commission for Employment and Skills

I certify that I have audited the financial statements of the UK Commission for Employment and Skills for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and the auditor

As explained more fully in the Accounting Officer's and Chairman's Statement of Responsibilities, the directors and Accounting Officer are 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts 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 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 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 company's affairs as at 31 March 2012 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and

- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Directors' 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 2012
Date

Registered Company number 6425800

Statement of Comprehensive Net Expenditure

	Note	For the year ended 31 March 2012 £	£	For the year ended 31 March 2011 £	£
Expenditure					
Sector Funding Costs	5	51,044,883		54,445,228	
Delivery Activity Costs	6	4,585,620		6,723,370	
Organisation Costs – Pay	7	5,287,934		7,274,716	
Organisation Costs – Non Pay	9	2,280,918		2,600,812	
Depreciation and amortisation	8	294,026		329,234	
			(63,493,381)		(71,373,360)
Income					
Other grants and income	3		517,714		387,789
Net expenditure			**(62,975,667)**		**(70,985,571)**
Interest receivable	12		-		1
Taxation	11		-		69
Net expenditure after interest and taxation			**(62,975,667)**		**(70,985,501)**

There were no recognised gains or losses other than the net expenditure for the year.
All operations were continuing.
The accompanying accounting policies and notes form an integral part of these financial statements.

Registered Company number 6425800

Statement of Financial Position

	Note	As at 31 March 2012 £	£	As at 31 March 2012 £	£
Non-current assets					
Property, plant and equipment	14	402,179		504,677	
Intangible assets	14	251,448		220,120	
Total non-current assets			**653,627**		**724,797**
Current assets					
Trade and other receivables	15	356,471		210,145	
Cash and cash equivalents	19	1,387,236		4,289	
Total current assets			**1,743,707**		**214,434**
Total assets			**2,397,334**		**939,231**
Current liabilities					
Trade and other payables	16	(6,760,356)		(7,787,586)	
Total current liabilities			**(6,760,356)**		**(7,787,586)**
Assets less liabilities			**(4,363,022)**		**(6,848,355)**
General reserves			**(4,363,022)**		**(6,848,355)**

M Davis
Chief Executive

C Mayfield
Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 22 June 2012.

Registered Company number 6425800

Statement of Cash Flows

	Note	For the year ended 31 March 2012 £	£	For the year ended 31 March 2011 £	£
Net cash outflow from operating activities					
Cashflows from operating activities					
Capital expenditure					
Net expenditure after interest and taxation			(62,975,668)		(70,985,501)
Adjustment for non-cash transactions		305,706		373,646	
Taxation expense		-		(69)	
(Increase) in trade and other receivables		(146,326)		51,709	
(Decrease) in trade and other payables		(1,027,230)		(427,419)	
Cash generated from operations			**(63,843,518)**		**(70,987,634)**
Taxation paid			-		(208)
Net cash from operating acitivities			**(63,843,518)**		(70,987,842)
Cashflows from investing activites					
Purchase of tangible fixed assets		(117,197)		(135,218)	
Purchase of intangible assets		(117,338)		(184,333)	
Net cash outflow from capital expenditure			**(234,535)**		**(319,551)**
Cashflows from financing activities					
Receipt of Grant-In-Aid funding	4		65,461,000		70,977,467
Receipt of QCDA funding			-		1,759
Increase/(decrease) in cash and cash equivalents	19		**1,382,947**		**(328,167)**
Cash and cash equivalents at the beginning of the period	18		**4,289**		**332,456**
Cash and cash equivalents at the end of the period	18		**1,387,236**		**4,289**

The accompanying accounting policies and notes form an integral part of these financial statements.

Registered Company number 6425800

Statement of Changes in Taxpayers' Equity

			For the year ended 31 March 2012		For the year ended 31 March 2011
			General Reserves		General Reserves
	Notes	£	£	£	£
At start of period			**(6,848,355)**		**(6,842,080)**
Changes in reserves in the period					
Net Expenditure after interest and taxation		(62,975,667)		(70,985,501)	
Total recognised income and expense in the period			**(62,975,667)**		**(70,985,501)**
Grant-In-Aid financing	4		65,461,000		70,979,226
At end of period			**(4,363,022)**		**(6,848,355)**

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Accounts

1. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The UK Commission is a Non Departmental Public Body (NDPB) incorporated as a company. To comply with statutory requirements, these financial statements have also been prepared in accordance with the Companies Act 2006 and follow the principles in the Government Financial Reporting Manual (FReM) as issued by Her Majesty's Treasury (HMT) where these do not conflict with the Companies Act and the requirements of IFRS adopted by the EU.

So far as appropriate the financial statements meet the requirements stipulated by the Framework Agreement from the Department for Business, Innovation and Skills (BIS) which is the UK Commission's lead Sponsoring Department.

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 UK Commission for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of intangible assets and property, plant and equipment as applicable.

Going concern

The accounts have been prepared on the going concern basis, which assumes that the UK Commission's activities will continue in operational existence for the foreseeable future. The validity of this assumption is dependent upon the continuation of support from the UK Commission's funder and in response to the progress made by the UK Commission in obtaining future funding confirmation. In the light of the Grant-in-Aid resource budget allocation provided by Government in the Grant-in-Aid letter for 2011-12, the Directors are comfortable that it will have sufficient cash to pay its liabilities as they fall due.

Segmental reporting

The UK Commission's expenditure is analysed, at the highest level of reporting, by segments whose operating results are presented to and reviewed by the Executive Leadership Team (ELT) on a monthly basis and the Strategic Management Group on a quarterly basis to assess financial performance and make decisions about resource allocation. The expenditure segments were chosen for regular management review on the basis of the Grant-in-Aid expenditure allocation laid out in the UK Commission's Grant-in-Aid letter. The funding budget is ring-fenced between funding for distribution to sector bodies, the UK Commission's own projects, and organisational running costs.

Grant-in-Aid and Income

The element of Grant-In-Aid to fund revenue expenditure is received by the UK Commission from its lead sponsoring department, the Department for Business, Innovation and Skills (BIS), and has been treated as financing as it is a Government contribution from the organisation's controlling party, giving rise to a financial interest. It is credited to general reserves in the period in which it is received.

Grant-In-Aid funding that is anticipated in respect of expenses incurred in the period over and above income already drawn is not accrued for. However BIS is committed to providing sufficient cash to fund the accrued expenditure as the liabilities fall due.

1. Accounting Policies (continued)

The main source of income is generated from the Investors in People Delivery Centres and royalty fees for Investors in People publications. The UK Commission has a licence from Government to use the Investor in People Standard to operate a business for which it charges licence fees to delivery partners Investor in People income is recognised in the accounting period in which the services and products are rendered ,when it is probable that the economic benefits will flow to the UK Commission and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of services and products, net of VAT.

Charging policy
The UK Commission is the guardian and champion of the Investors in People brand and range of products and services. It implements the Investors in People Framework in the United Kingdom through a network of Licensed Investors in People Delivery Centres. Any fees charged by the UK Commission for these products and services are set to comply with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Cost recognition
Costs are recognised in the Statement of Comprehensive Net Expenditure on the earlier of the date of payment and the contractual delivery date. This policy is applied on a consistent basis for all expenditure including grant expenditure.

Foreign currency translation

(a) Functional and presentation currency
The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the UK Commission operates.

(b) Transactions and balances
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the statement of financial position date.

Transactions in foreign currencies are translated into sterling at the exchange rate on the date of the transaction.

Exchange gains and losses arising at the point of payment are recognised in the Statement of Comprehensive Net Expenditure.

Taxation
The UK Commission pays tax on interest received.

Value Added Tax
In April 2010, the UK Commission became registered for VAT as a direct consequence of the transfer of the Investors in People business into the UK Commission. The UK Commission applies a partial exemption basis to the recovery of VAT.

Leases
Leases are classified as finance leases whenever the terms of the lease involve the substantial transfer of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The total payments made under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.
Where property, plant and equipment have been financed by lease agreements under which substantially all the risks and rewards of ownership are transferred to the UK Commission, they are treated as if they have been purchased outright and classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the present value of the minimum lease payments or the fair value of the leased asset. Finance charges payable are recognised over the

1. Accounting Policies (continued)

period of the lease based on the interest rate implicit in the lease to give a consistent periodic rate of return.

Intangible assets
Computer software that is not integral to an item of property, plant or equipment is classified as an intangible asset and carried at fair value, after initial recognition at cost, where significantly different to depreciated historical cost.

Computer software assets are amortised over their estimated useful lives of three years.

Depreciated replacement cost is used as a proxy for fair value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future service potential associated with the item will flow to the UK Commission and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Any surplus arising on revaluation is recognised directly in a revaluation reserve within equity, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the Statement of Comprehensive Net Expenditure, in which case the credit is to the Statement of Comprehensive Net Expenditure.

The depreciable amount of a revalued asset is based on its revalued amount. The revaluation surplus is not transferred to General Reserves until the asset's ultimate disposal.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Net Expenditure.

Expenditure on the acquisition of intangible fixed assets is capitalised where these costs exceed £1,000 or where an asset forms part of a larger group that in total is more than £1,000.

Property, Plant and Equipment
Property, plant and equipment held for use in the production or supply of services, or for administrative purposes, is carried at fair value, after initial recognition at cost, where significantly different to depreciated historical cost.

Depreciated replacement cost is used as a proxy for fair value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future service potential associated with the item will flow to the UK Commission and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Any surplus arising on revaluation is recognised directly in a revaluation reserve within equity, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the Statement of Comprehensive Net Expenditure, in which case the credit is to the Statement of Comprehensive Net Expenditure.

The depreciable amount of a revalued asset is based on its revalued amount. The revaluation surplus is not transferred to General Reserves until the asset's ultimate disposal.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, on the following basis:

1. Accounting Policies (continued)

Improvements to leasehold property	Over the period of the lease
Information technology	3 years
Furniture and fittings	7 years
Equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees which are capitalised in accordance with the UK Commission's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Net Expenditure.

Expenditure on the acquisition of property, plant and equipment is capitalised where these costs exceed £1,000 or where an asset forms part of a larger group that in total is more than £1,000.

Impairment of non-current assets
Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The UK Commission's non-current assets are non-cash-generating and 'value in use' is deemed to be the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Contributions to pension fund
Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme which are described in Note 23. The defined benefit element of the scheme is unfunded and is non-contributory. The UK Commission recognises the expected cost of this element on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

In addition there were also contributions to partnership pension plans in respect of one employee.

The costs of all employer pension contributions are charged to the Statement of Comprehensive Net Expenditure when incurred.

Provisions
Provisions are recognised when the UK Commission has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, and are discounted to present value where the effect is material using a pre-tax discount rate. The amortisation of the discount is recognised as a finance cost.

1. Accounting Policies (continued)

Financial instruments
Financial assets and financial liabilities are recognised in the UK Commission's Statement of Financial Position when the UK Commission becomes a party to the contractual provisions of a financial instrument.

Financial assets
Financial assets held by the UK Commission are classified as loans and receivables at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

The UK Commission's loans and receivables comprise 'other receivables' and 'cash and cash equivalents' in the Statement of Financial Position.

Prepayments and other receivables held by the UK Commission as at 31 March 2012 are stated at cost less allowances made for doubtful receivables, where applicable, which approximates fair value given the short dated nature of these assets.

A provision for impairment of other receivables (allowance for doubtful receivables) is established when there is objective evidence that the UK Commission will not be able to collect all amounts due according to the original terms of the receivable.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and deposits held at call with commercial banks.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Net Expenditure. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Net Expenditure to the extent that the carrying amount of the investment at the date the impairment is reversed and does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The UK Commission derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

1. Accounting Policies (continued)

Financial liabilities
Financial liabilities held by the UK Commission are classified as financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method. The UK Commission's financial liabilities comprise trade payables, other payables, accruals and deferred income.

All financial liabilities held by the UK Commission as at 31 March 2012 are short-term in nature and are held at cost. The Directors consider the carrying value of these financial liabilities to be a reasonable approximation of their fair value.

Derecognition of financial liabilities
The UK Commission derecognises financial liabilities when, and only when, the UK Commission's obligations are discharged, cancelled or they expire.

Period Covered By Financial Statements
This set of accounts covers the twelve months period to 31 March 2012.

Key accounting estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates. These underlying assumptions are reviewed on an ongoing basis. 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 these are also affected. Management has made estimates and assumptions in these financial statements in the areas described below:

- the useful lives and expected pattern of consumption of the future service potential embodied in non-current assets
- the fair value of non-current assets; and
- the fair value of financial assets and financial liabilities.

None of the above-mentioned estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

New standards, amendments and interpretations not yet effective
The following standards were in issue but not yet effective and have not been adopted in these financial statements:

- IAS 1 – Presentation of financial statements – Amendment. This amendment requires items of OCI to be grouped on the basis of whether they might at some point be reclassified from OCI to profit or where they will not. The standard is effective for periods commencing on or after 1 June 2012. The Directors do not believe this revision will have a significant impact on the UK Commission.

- IAS 19 – Post employment benefits – Amendment. This amendment introduces a number of changes that affect the recognition, presentation and disclosure of defined benefit plans. The standard is effective for periods commencing on or after 1 January 2013. The Directors do not believe this revision will have a significant impact on the UK Commission.

Other new standards will not be adopted as they will not have an expected material impact on the financial statements of the UK Commission.

2. Analysis of Net Expenditure by Segment

As a NDPB with no material funding apart from the Grant-in-aid provided by Sponsors, the focus for the UK Commission is on working within the available Grant-in-Aid provided and extracting maximum

2. Analysis of Net Expenditure by Segment (continued)

value for money from programmes undertaken. Hence the primary focus of the UK Commission's Management is on controlling expenditure within budget as opposed to emphasis on revenue streams.

The UK Commission's expenditure is analysed, at the highest level of reporting, by segments. Operating results are regularly reviewed by the Executive Leadership Team (ELT) and the Strategic Management Group (SMG) to assess financial performance and make decisions about resource allocation.

The ELT is the primary chief operating decision maker for the UK Commission. The Commissioners, through the SMG, have oversight of decisions made by the ELT and have reserved powers for significant decisions.

The figures on the segments reviewed by UK Commission's management equate to the expense categories as shown on the Statement of Comprehensive Net Expenditure. Therefore a reconciliation between the Statement of Comprehensive Net Expenditure to the segments has not been provided here.

3. Other grants and income

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
IiP License Income	517,714	387,789

4. Grant-In-Aid

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Grant-In-Aid received:		
From BIS[1]	65,461,000	70,977,467
NOS Levy received from QCA from prior year[2]	22,113	23,206
	65,483,113	71,000,673
Add: Non-Cash Related Funding		
Grant-In-Aid receivable from QCDA after 31 March[3]	-	1,759
	-	1,759
Less: Grant-in-Aid allocated to finance Statement of Financial Position Items		
NOS Levy received from QCA from prior year[3]	(22,113)	(23,206)
	(22,113)	(23,206)
Transfer to general reserves	65,461,000	70,979,226

5. Sector Funding costs

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Strategic Core Funding – Public sector	3,720,308	4,411,877
Strategic Core Funding – Third sector	35,523,740	40,946,508
Project Funding – Public sector	1,353,300	412,969
Project Funding – Third sector	10,447,535	8,673,874
	51,044,883	54,445,228

Public sector comprises any organisation that is sitting within a Health Trust, a NDPB or a Government Department.

[1] Funding received from BIS on behalf of Co-Sponsors.
[2] Funding received from QCA, representing the balance of NOS Levy funds transferred to the UK Commission.
[3] Income due from QCDA in respect of the NOS levy that was received by the UK Commission post year end.

6. Delivery Activity Costs

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Due Diligence	130,133	98,186
Legal and Professional	29,920	51,483
Quality Assurance	104,777	94,300
IT Consultancy	95,677	842,727
Research & Evaluation	3,298,246	4,494,915
Communications, Public Affairs & Events	477,370	390,226
Publications	43,896	293,853
Policy Development	93,602	83,544
Project Management	311,999	374,136
	4,585,620	6,723,370

7. Organisations Costs – Pay

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Permanent Staff	5,285,156	7,145,858
Temporary Staff	2,778	128,858
	5,287,934	7,274,716

8. Depreciation and Amortisation

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Amortisation	86,010	57,566
Depreciation	208,016	271,668
	294,026	329,234

9. Organisation Costs – Non-Pay

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Staff Development & Other Staff Costs	147,930	252,423
Travel & Subsistence	607,164	654,966
Meetings, Conferences & Events	85,130	91,284
Printing, Stationery & Advertising	44,274	101,915
Equipment & Systems	214,097	257,858
Communication Charges	116,223	208,550
Professional & Recruitment Fees	219,735	277,234
Accommodation & Facilities	833,611	700,425
Fixed assets written off	11,680	44,412
Financing & Bank Charges	1,074	11,745
	2,280,918	2,600,812

10. Net expenditure

Net expenditure is stated after charging:

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Amortisation	86,010	57,566
Depreciation	208,016	271,668
Fixed assets written off	11,680	44,412
Auditors remuneration – external audit	39,000	29,000
Redundancy costs	103,632	572,441
Operating lease rentals – buildings	462,681	474,190
Operating lease rentals – other	15,600	17,787

11. Taxation

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Taxation due brought forward	-	277
Taxation paid during the year	-	(208)
Net expenditure charge during the year	-	(69)
Taxation due carried forward	-	-

Taxation relates to tax on interest received, calculated at the standard rate of corporation tax of 28% of the interest received during the period.

12. Interest Receivable

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Interest received	-	1

13. Directors and Employees

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Salaries[1]	4,144,292	5,762,266
Social security costs	397,158	420,746
Other pension costs	778,569	939,643
Inward Seconded, loan and temporary staff[2]	(32,085)	152,061
	5,287,934	7,274,716

[1] Included in Salaries is an extra-contractual payment of £11,794. Refer to Note 28 Losses and Special Payments.
[2]The negative charge is attributable to an expense accrual brought forward from 2010/11 relating to an inward secondee. The accrual was reversed during the current year after receiving confirmation that the UK Commission would not be charged.

Average number of employees during the year were as follows:

	For the year ended 31 March 2012 £	For the year ended 31 March 2011 £
Company Directors (Chief Executive)	1.0	1.1
Direct employees	99.3	119.4
Agency staff	-	5.0
Inward Seconded staff	1.0	2.0
	101.3	127.5

Voluntary Exit Scheme

In the last quarter of 2010-11 the UK Commission embarked on a voluntary exit scheme in order to reduce the cost base of the UK Commission for 2011-12 and beyond in light of the funding available. The terms of this scheme were in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The total exit package cost (the severance cost, 3 month's compensation in lieu of notice and the relevant national employers insurance) was paid in 2011-12 in relation to those staff who had applied to exit in 2011-12 and the organisation had accepted their offer.

13. Directors and Employees (continued)

Voluntary exit costs for those who applied in 2011-12 and were accepted amounted to £103,632 (2010-11: £572,441). The total number exit packages (cost excludes employers NI) were as follows:

Exit package cost £000's	Number of staff 31 March 2012	Number of staff 31 March 2011
0-10	**0**	**2**
10-25	2	4
25-50	2	4
50-100	0	4
Total	4	14

14. Non-current assets

Property, plant and equipment

For the year ended 31 March 2012

	Equipment	Information Technology	Furniture and Fittings	Total
	£	£	£	£
Cost				
At 1 April 2011	4,030	791,137	251,583	1,046,750
Additions	-	116,283	914	117,197
Assets written off	-	-	(58,557)	(58,557)
At 31 March 2012	4,030	907,420	193,940	1,105,390
Depreciation				
At 1 April 2011	1,876	435,491	104,706	542,073
Charge for the year	1,576	181,622	24,818	208,016
Eliminated on assets write off	-	-	(46,877)	(46,877)
At 31 March 2012	3,452	617,113	82,647	703,211
Net book amount				
At 31 March 2012	578	290,308	111,293	402,179

For the year ended 31 March 2011

	Equipment	Information Technology	Furniture and Fittings	Total
	£	£	£	£
Cost				
At 1 April 2010	4,030	780,777	241,886	1,026,693
Additions	-	125,521	9,697	135,218
Assets written off	-	(115,161)	-	(115,161)
At 31 March 2011	4,030	791,137	251,583	1,046,750
Depreciation				
At 1 April 2010	1,140	268,300	71,714	341,154
Charge for the year	736	237,940	32,992	271,668
Eliminated on assets write off	-	(70,749)	-	(70,749)
At 31 March 2011	1,876	435,491	104,706	542,073
Net book amount				
At 31 March 2011	2,154	355,646	146,877	504,677

14. Non-current assets (continued)

Intangible assets	At 31 March 2012 £
Cost	
At 1 April 2011	326,885
Additions	117,338
At 31 March 2012	444,223
Amortisation	
At 1 April 2011	106,765
Provided in the year	86,010
At 31 March 2012	192,775
Closing net book amount at 31 March 2012	251,448

Intangible assets	At 31 March 2011 £
Cost	
At 1 April 2010	149,042
Additions	184,333
Assets written off	(6,490)
At 31 March 2011	326,885
Amortisation	
At 1 April 2010	55,689
Provided in the year	57,566
Eliminated on Assets write off	(6,490)
At 31 March 2011	106,765
Closing net book amount at 31 March 2011	220,120

15. Trade and other receivables

	At 31 March 2012 £	At 31 March 2011 £
Prepayments	188,385	40,315
Trade, VAT & other receivables	168,085	147,717
Owing From Other Government Bodies	-	22,113
	356,470	210,145

16. Trade and other payables

Amounts falling within one year:

	At 31 March 2012 £	At 31 March 2011 £
Trade payables	1,248,378	1,990,147
Owing to Other Government Bodies	590,735	267,724
Accruals – Sector Skills Councils & Other sector bodies[1]	2,889,905	2,561,485
Accruals – Untaken leave	134,427	117,021
Accruals – Other	1,896,911	2,851,209
	6,760,356	7,787,586

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables is 7 (2010-11: 11). The UK Commission has financial

[1] Accruals in relation to Sector Skills Councils and other sector bodies are for contracted milestones with a delivery date on or before 31 March 2012.

16. Trade and other payables (continued)

risk management policies in place to ensure that all payables are paid within the internal credit timeframe.

Accruals for untaken leave are calculated based on employee leave days outstanding as at 31 March 2012.

17. General Reserves

Clause 5 of the Memorandum of Association of the company requires that the income of the company be applied solely towards the promotion of the objectives of the company and prohibits its distribution directly or indirectly, by way of a dividend, bonus or otherwise by way of profit to the members of the company provided that nothing shall prevent the company from making payment in good faith at a reasonable proper rate to any member, officer or servant of the company in respect of remuneration for services rendered, interest on monies lent, rent for premises demised or reimbursement of out-of-pocket expenses.

18. Reconciliation of net cash flow to movement in net funds

	At 31 March 2012 £	At 31 March 2011 £
Net cash at the beginning of period	4,289	332,456
Increase/(Decrease) in cash in the period	1,382,947	(328,167)
Net cash at end of period	1,387,236	4,289

19. Analysis of changes in net cash

	At beginning of period £	Cash flow £	At end of period £
Cash at bank and in hand	4,289	1,382,947	1,387,236

20. Contingent liabilities disclosed under IAS 37

The company had no contingent liabilities at 31 March 2012 or 31 March 2011.

21. Financial instruments

As a NDPB with no borrowings and nearly wholly funded by BIS, the UK Commission confirms that it is not exposed to any risks relating to financial instruments.

Generally, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the UK Commission's expected purchase and usage requirements and the UK Commission is therefore exposed to little liquidity, interest, credit, price or foreign currency risk as explained below.

Liquidity risk

The UK Commission receives funding monthly on the basis of a payment schedule agreed annually with the Department for Business, Innovation and Skills (BIS). By ensuring that expenditure is maintained within the budgetary allocation, the UK Commission faces minimal liquidity risk.

Interest rate risk

At 31 March 2012 all the UK Commission's financial liabilities were non-interest bearing. The UK Commission's only interest bearing financial asset is its current account held with the Government Banking Service. £1 was received as interest from that account during the period to 31 March 2012. Therefore, interest income is immaterial to the UK Commission's operations and the UK Commission faces no significant interest rate risk.

21. Financial instruments (continued)

Foreign currency risk

The UK Commission has negligible foreign currency transactions and is, therefore, not exposed to any material foreign currency risk. As the UK Commission does not trade in financial instruments, those that it does hold are accounted for at book value which represents a reasonable approximation to fair value, any difference in these values is immaterial to the UK Commission's accounts.

Credit and Other Price Risk

Exposure to credit and other price risks is not significant. The UK Commission does not carry any long outstanding debt and all of the amount receivable is from Government agencies.

All contracts are agreed at a fixed price and the UK Commission has no exposure to any other price risks.

A review of all contracts was made at year end and no known derivative elements embedded were identified.

22. Capital commitments

There has been no capital expenditure committed and contracted as at 31 March 2012 (31 March 2011: nil).

23. Pension contributions

Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme. Contributions on a "pay as you go" basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the company has accounted for its contributions as if it were a defined contribution scheme.

The pensions cost is assessed every four years in accordance with the advice of the Government actuary.

The assumptions and other data that have the most significant effect on the determination of the contribution levels as follows:

Latest actual Valuation	31 March 2007
Investment returns per annum	6.0% per annum
Salary scale increases per annum	3.9% per annum

Further information can be obtained from www.civilservice-pensions.gov.uk.

Total contributions to the scheme in the year were £778,569 (2010-11: £907,833).

Partnership Pension Account

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 10 per cent and 25 per cent (depending on the terms of their employee contract agreements) into a stakeholder pension product chosen by the employee.

There were no contributions to the partnership pension scheme in the year (2010-11: £31,810).

24. Insurance

With the exception of third party insurance required by the Road Traffic Acts and any others which are statutory or contractual obligations, the company follows the usual rules for public bodies of non-insurance. The company is indemnified by the Department for Business, Innovation and Skills, (BIS) in respect of the Employer's Liability Insurance.

25. Commitments under leases

Operating lease payments amounting to £478,281 (2010-11: £491,977) were recognised as an expense during the year. Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	Buildings 2012 £	Other 2012 £	Buildings 2011 £	Other 2011 £
In one year or less	263,140	6,577	317,454	7,640
Between two and five years	198,826	11,993	7,875	-
Greater than five years	-	-	-	-
	461,966	18,570	325,329	7,640

The lease for the Wath Office located at Renaissance House, Adwick Park in Wath-upon-Dearne relates to the building only and does not include the land on which the premises are built. Rental charges are reviewed annually and may be increased on agreement by both the Landlord and the UK Commission.

The tenancy for 3 Callflex Business Park ran up to 18th April 2012 on which date there was a lease break which was exercised.

The figures above include rentals for the London Office space in 28-30 Grosvenor Gardens, London. The London Office is rented by way of a license arrangement that gives the UK Commission the right of usage and control of the premises. The arrangement does not take the legal form of a lease but is recognised and disclosed on these financial statements as an operating lease in accordance with IFRIC 4. The license arrangement for the London Office relates to the building only and does not include the land on which the premises are built.

On 24 April 2012 the UK Commission entered into two new sub-underlease arrangements for Renaissance House. The sub-lease relating to the ground floor runs up to 30 June 2012 .The sub-lease for part of the ground floor, whole of 1st and 3rd floors runs up to 31 December 2012.

26. Liabilities of members

Under Clause 7 of the Memorandum of Association all members undertake to contribute to the assets of the company such an amount as may be required, not exceeding £1, in the event of it being wound up during the period of membership and within one year afterwards.

27. Transactions with related parties

The UK Commission is a NDPB funded by BIS and is regarded as a related party. Funding for the current year comprised Grant-In-Aid (£65,461,000).

During the year the UK Commission also entered into transactions with other organisations that can be considered as related because of the nature of the involvement of Commissioners. The table below details the most material transactions and the relationship of the organisations to the UK Commission. All were arms length transactions carried out in the normal course of business and were competitively tendered in respect of non-Sector Skills Council funding transactions, and were procured in accordance with the UK Commission's conflict of interest policy. The procurement route and involvement of Commissioners for each relationship is noted against each party where relevant.

27. Transactions with related parties (continued)

For the year ended 31 March 2012

Director	Role/ Relationship	Related Organisation Role/ Relationship	Related Organisation	Transaction	Value included in accounts	Amount yet to be paid at 31 March 2012
					£	£
Chris Hyman	Director (resigned in year)	Chief Executive	Serco	Evaluation of the Universal Services project and decommissioning of talent map webtool[1].	60,188	-
Professor John Coyne	Director	Vice Chancellor	University of Derby	Improving careers guidance programme[2]	31,325	-
David Fairhurst	Director	Non Executive Director	People 1st	Funding for strategic, programme costs and employee secondment fees[2]	3,559,077	684,429
James Wates[3]	Director	Chairman	Construction Skills[3]	Funding for programme costs[2]	2,519,998	550,735
Trevor Matthews	Director	Chairman	Financial Skills Partnership	Funding for strategic and programme costs[2]	1,704,536	60,000
John Cridland CBE	Director	Director	Business in The Community (BITC)	Research case studies and Membership fees	7,950	-
Larry Hirst	Director (resigned in year)	Chairman	IBM	Licenses and support for IBM SPSS custom tables	2,826	-
Tony Lau Walker	Director	Council Member	Learning and Skills Improvement Service (LSIS)[4]	Qualifications project 2011-12 and production of report for the Education sector[2]	336,300	-

[1] Awarded through OGC pan-Government framework. There was no involvement of Commissioners in award.
[2] Open advertised tender.No influence from Commissioners with regard to proposed supplier selection.
[3] There is a related party relationship as a Government body as well as in relation to having common Directorship James Wates is the Chairman of CITB-Construction Skills and was appointed as a Commissioner 1 April 2009 and is excluded from any UK Commission decisions affecting Sector Skills Councils.
[4] There is a related party relationship as a Government body as well as in relation to having common Directorship Tony Lau Walker is a Council member of LSIS.

28. Losses and special payments

	For the 12 months to 31 March 2011
	£
Losses and special payments total value	11,794
Transactions included in the figure above exceeding £1,000:	
Extra-contractual payment made in relation to a voluntary exit based on legal advice received	11,794

29. Performance targets

For the period ended 31 March 2012 the company was not set any specific financial performance targets by Sponsors.

30. Events after the Reporting Period

There have been no events after the statement of financial position date and up to the date the accounts were authorised for issue requiring an adjustment to the financial statements. The date the accounts were authorised for issue is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General

Authorised for issue

The financial statements were authorised for issue on 2 July 2012.

Legal and Administrative Details

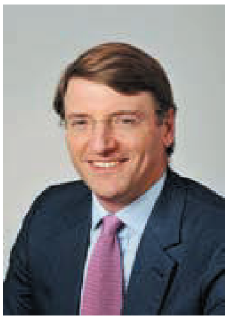
Company registration number:	06425800
Registered office:	Renaissance House, Adwick Park Wath-upon-Dearne, South Yorkshire S63 5NB
Company secretary:	Kay Dickinson
Bankers:	H M Paymaster General
Auditors:	Comptroller and Auditor General National Audit Office 157-197 Buckingham Palace Road Victoria, London, SW1W 9SP

Register of Directors interests
The Register of Directors interests are available at the company's registered office.

Directors
The directors in office during the year are listed below:

Name	Date of appointment	Actual resignation date
Executive Directors		
Michael Davis	03/01/11	
Charlie Mayfield	16/11/10	
Non Executive Directors		
Brendan Barber	01/04/08	
Chris Hyman CBE	01/04/08	16/01/12
David Prentis	01/04/08	
Dr Bill McGinnis CBE, DL	01/10/08	
Grahame Smith	01/04/08	
Jeremy Anderson CBE	01/04/08	
James Wates CBE	01/04/09	
Julie Kenny CBE, DL	01/04/08	
Larry Hirst CBE	01/04/08	10/12/11
Liz Sayce OBE	01/04/08	
Lord Victor Adebowale	01/04/08	
Nigel Whitehead	01/04/09	
Sir Adrian Webb	01/04/08	31/03/12
Valerie Todd	01/04/08	
Willy Roe CBE	01/04/08	31/03/12
Lucy Adams	17/05/11	
Professor John Coyne	17/05/11	
John Cridland CBE	17/05/11	
Sean Taggart	17/05/11	
David Fairhurst	21/07/11	
Deirdre Hughes OBE	21/07/11	
Tony Lau Walker	21/07/11	
Trevor Matthews	21/07/11	
Seyi Obakin	21/07/11	

Commissioner biographies



Charlie Mayfield – Chairman
Charlie Mayfield was appointed the UK Commission Chairman in November 2010. Charlie became the John Lewis Partnership's fifth Chairman in March 2007. He joined the Partnership in 2000 as Head of Business Development, responsible for business strategy and development for both John Lewis and Waitrose. Charlie joined the Board as Development Director in 2001 and was responsible for developing the Partnership's online strategy. He became Managing Director of John Lewis in January 2005 prior to taking up his appointment as Chairman of the Partnership in March 2007.

Charlie began his career as an officer in the army. He joined SmithKline Beecham in 1992 and became Marketing Manager for the Lucozade brand, before moving to McKinsey & Co in 1996, where he worked with consumer and retail organisations.

Michael Davis - Chief Executive
Michael Davis is the Chief Executive of the UK Commission for Employment and Skills. He previously held the position of the Commission's Director of Strategy and Performance.
Before joining the UK Commission Michael was the Managing Director of CFE. Michael led CFE from a start up to becoming a national specialist in policy for skills, employment and economic development.
Previously, Michael was Chairman of Lastolite Ltd which is a leading manufacturer of backgrounds and lighting control systems for the photo and video industry, and Chairman of Leicester College.
Michael holds a BA (Hons) in Economics from Lancaster University.

Lord Victor Adebowale
Chief Executive, Turning Point
Victor joined Turning Point as Chief Executive in September 2001.
Turning Point is one of the UK's leading health and social care organisations providing services to people with complex needs.
Victor is on the Board of the Audit Commission, formerly on the Board of the National School of Government and is a Fellow of the Sunningdale Institute. He is President of the International Association of Philosophy and Psychiatry, Chaired the Positive Change Advisory Group and is Honorary President of the Community Practitioners and Health Visitors Association. Victor is Chancellor and a visiting Professor of Lincoln University.
In 2000, Victor was awarded the CBE in the New Year's Honours List for services to the New Deal, the unemployed and homeless young people. In 2001 he was appointed a cross bench member of the House of Lords'

Jeremy Anderson
Chairman, Global Financial Services KPMG LLP
Jeremy Anderson is Chairman of KPMG's Global Financial Services Practice. He frequently travels the world speaking to clients, regulators and policymakers, enabling him to bring a wide ranging and practical perspective to discussions on key financial, regulatory, operational and corporate governance issues.
Jeremy was previously Chairman of the UK National Employment Panel and a member of the Ministerial Ethnic Minority Employment Task Force

Brendan Barber
General Secretary of the TUC
Brendan joined the TUC in 1975, becoming Head of the Press Department in 1979 and the Industrial Relations Department in 1987 before being appointed Deputy General Secretary in 1993. He was elected General Secretary in 2003 and has served on a number of public bodies, including the ACAS Council. He is currently a member of the Court of Directors of the Bank of England.

Julie A Kenny CBE, DL
Chairman and Chief Executive, Pyronix Limited of Rotherham, South Yorkshire
As well as her role as a Commissioner with the UK Commission for Employment and Skills, Julie Kenny is also Board member and Chair of Yorkshire Forward and the British Security Industry Association. She is also an Intervention Commissioner with Doncaster Metropolitan Borough Council. In addition, Julie is on the Creative Sheffield Board, Chair of Governors at Maltby Academy and Governor at Mount St Mary's College. In recognition of her contribution to the region's business and industry, Julie was awarded a CBE in 2002.

Dr Bill McGinnis CBE, DL
Northern Ireland Adviser on Employment and Skills
Bill McGinnis was appointed as the Northern Ireland Adviser on Employment and Skills in October 2008. He has been Chair of the McAvoy Group Limited (off-site building solutions) since 2000.
Bill began his business career in export marketing with Sperrin Metal Products, the County Londonderry based manufacturer of racking, shelving, and storage systems. He represented Sperrin Metal in the Arabian Gulf and subsequently held a number of the most senior posts in the company, including Chairman and Managing Director. During his career with Sperrin, the Company won three Queens Awards for Export Achievement, the DTI Export Award for Small Businesses and the Netherlands-UK Award for Enterprise.
Bill was awarded an OBE in 1997 and a CBE in the 2004 for his services to Northern Ireland Industry. In 2005 he was honoured as Marketer of the Year at the Chartered Institute of Marketing Awards. In 2008, he received and honorary doctorate from the University of Ulster. Bill holds an MSC from the University of Ulster.

Dave Prentis
General Secretary, Unison
Dave was UNISON's deputy general secretary from its formation in 1993 and drove through a strategic review of the union, aimed at delivering key reforms, to bring union services closer to the members. He became General Secretary of UNISON in 2000. Dave is a member of the TUC general council, TUC executive committee and the Trade Union Labour Party Liaison Committee. He is also a member of the Labour Party's Prosperity in Work and the Labour Party Joint Policy Committee and is also a member of various joint working parties with the Government and the CBI. Dave is a Director of the Institute of Public Policy Research (IPPR). He is also an adviser to the Warwick Institute of Governance and Public Management and a visiting fellow of Nuffield College, Oxford and President of Unity Trust Bank.

Liz Sayce OBE
Chief Executive, Disability Rights UK
Liz Sayce is Chief Executive of Disability Rights UK, the UK’s leading pan-disability organisation. She is a Commissioner at the UK Commission for Employment and Skills and has recently led an Independent Review into disability employment programmes.

From 2000-2007 she was Director, Policy and Communications, for the Disability Rights Commission. She directed a Formal Investigation into physical health inequalities experienced by people with mental health problems and/or learning disabilities. She spent 8 years as Policy Director of Mind, and one year as a Harkness Fellow in the USA, studying the impact of the Americans with Disabilities Act and related policy initiatives. She was a member of the UK Government’s Disability Rights Task Force (1997-99). With personal experience and knowledge of mental health issues, she has published widely on mental health, disability and social inclusion, including From Psychiatric Patient to Citizen (Macmillan-Palgrave 2000).

Liz was awarded an OBE in 2008 in recognition of services to disabled people.

Grahame Smith
General Secretary of the Scottish Trades Union Congress
Grahame was appointed as the STUC's Deputy General Secretary in 1996. In that role he headed the STUC's Policy and Campaigns Department and had specific responsibility for the STUC's work on lifelong learning and public services. He was appointed as General Secretary in December 2005. Grahame is a member of the Board of Scottish Union Learning. He is also a director and Board member of SCDI and Workplace Chaplaincy Scotland. He has been a member of the Board of Scottish Enterprise since December 2008. He is a member of the joint SDS/SFC Skills Committee and recently joined PILOT, the UK Governments Group for the Oil and Gas sector.

Valerie Todd
Director of Talent & Resources, Crossrail Ltd
Valerie joined Crossrail Ltd as Talent and Resources Director in January 2009. Previously, she was Managing Director for Group Services at Transport for London responsible for Procurement, Property & Facilities, Human Resources and Equality & Diversity for the whole of the organisation.
She is the founding President of the Women's Transportation Seminar London, which promotes gender equality in transport and is a member of the Employers' Forum on Disability President's Group. Valerie has also served as a trustee and Board Member of London's Transport Museum.

James Wates CBE
Deputy Chairman, Wates Group Limited
James Wates has worked in the construction industry all his life, starting on site as a schoolboy during holidays. He read Estate Management at college after which he joined Wates Construction as a management trainee, progressing through line management and running sites before taking on a General Manager role in 1989. Since then he has progressed through the company to Deputy Chairman of the main Group Board.

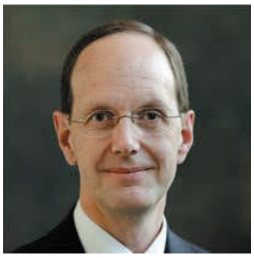
James is Chairman of ConstructionSkills, Chairman of the UK Contractors Group, a Vice Chairman of the CBI Construction Council, Senior Vice President of the British Council for Offices, Past President of the Chartered Institute of Building and a Commissioner for the UK Commission for Employment and Skills.
In addition, he is a Trustee of the BRE (Building Research Establishment) Trust, a Governor of Emanuel School, Vice Chairman of Queen Elizabeth's Foundation for Disabled People, James sits on the London Regional Council of The Prince's Trust and is a patron of the Wates Family Enterprise Trust. James was awarded a CBE in the 2012 New Years honours list for his services to construction and the Charitable sector.

Nigel Whitehead
Group Managing Director Programmes & Support, BAE Systems
Nigel was appointed as the Group Managing Director, Programmes & Support, BAE Systems in 2008. Nigel has responsibility for some of the UK's largest engineering, manufacturing and support services programmes.
Previously Nigel was Group Managing Director of the Military Air Solutions business, during which time he was also a Supervisory Board Member of Eurofighter GmbH.
Nigel has been active in the defence and security sectors for 27 years, including design, development, production and support programmes in the UK, Sweden and Australia.
Before joining the Company as an aerodynamicist, Nigel worked for Rolls-Royce for four years as a production engineering apprentice and graduated in mechanical engineering. Nigel is a Chartered Engineer, a Fellow of the Royal Aeronautical Society and a Fellow of the Royal Academy of Engineering.
Nigel's external roles include: Council Member, Royal Academy of Engineering; Commissioner, UK Commission for Employment and Skills; Trustee, WIG (Whitehall and Industry Group); Chairman, UK Council for Electronic Business; Member, Apprentice Ambassador Network; and Council Member, A|D|S (Aerospace, Defence, Security).
Nigel is passionate about painting and spending time with his family.

Lucy Adams
Director of Business Operations, BBC
Lucy joined the BBC as Director, BBC People in 2009, and is responsible for the full range of HR functions including training and development, resourcing, employee relations, reward, organisation design and change management. She is also responsible for the BBC's outsourced HR services. Her role recently expanded to Director, Business Operations to include BBC Workplace who are responsible for running of the BBC's property portfolio and Business Continuity and Safety.

Lucy was previously Director of HR at the international legal firm Eversheds LLP. Prior to this she spent nine years at Serco Group plc, starting as Change Director in the Rail Division before becoming the Group HR Director in 2004.

Professor John Coyne
Vice Chancellor, University of Derby
Professor John Coyne has been Vice-Chancellor of the University of Derby since 2004. His entire career has been in the East Midlands, commencing at Nottingham University from which he graduated in 1973. He is an economist by original discipline but has spent the major part of his academic career concerned with business development, small firms and new business creation.
He has led the University to a doubling of its size over the past 7 years and increased its profile nationally and regionally. He serves on many local bodies including the Chamber of Commerce and the Local Enterprise Partnership.
The University of Derby has a growing reputation for high quality programmes, delivered by committed staff that make a real difference to the community that it serves. The University has been shortlisted in recent years for 'University of the Year' and in 2010 won 'Leadership Team of the Year'.
John is a director of Cfe Research and Consultancy Ltd, a company that specializes in the development of policy and application in the fields of enterprise, skills development, and the delivery of public services. In 2011 he was appointed as a Commissioner to the UK Commission for Employment and Skills.



John Cridland CBE
Director-General, CBI
As Director-General of the CBI, John Cridland is the key spokesman for the business community in the media, on public platforms and with the Government. He leads the CBI – the voice of business - in the UK and represents it internationally.
John was educated at Boston Grammar School and has an MA in History from Christ's College Cambridge. He joined the CBI as a policy adviser in 1982 and has been Director of Environmental Affairs and of Human Resources Policy. John was Deputy Director-General from 2000 to 2010.
John is a Board member of Business in the Community and a UK Commissioner for Employment and Skills. He is also a member of the Council of Cranfield University. He was Vice Chair of the National Learning and Skills Council between 2007-2010. He spent 10 years on the Low Pay Commission and the ACAS Council, and was also a member of the Commission on Environmental Markets and Economic Performance.
John is married with two teenage children and lives in Bedfordshire. He was awarded a CBE for services to business in 2006 and an Honorary Doctorate from the University of Lincoln in 2011.

Sean Taggart
Owner and Chief Executive, Albatross Group
Sean Taggart is co-owner and Chief Executive of The Albatross Group of Companies. Since 1995, Sean and his team have grown Albatross from its origins as two relatively small and specialist domestic wholesale tour operators handling around £5m of annual sales into a collection of six multi-award winning group tourism businesses with a combined turnover of just under £30 million.

David Fairhurst
Chief People Officer, McDonalds Europe
David is the Chief People Officer at McDonald's Europe with responsibility for all People strategies and practices for more than 6,900 restaurants employing over 375,000 people in 40 countries.   David has previously held Human Resources positions working for H J Heinz, SmithKline Beecham and Tesco.

David is a Chartered Companion of the Chartered Institute of Personnel and Development where he is currently serving as its Vice President of Learning, Training and Development. He is the Chairman of People 1st; a Fellow of the RSA; a Fellow of Lancaster University Business School; Chair of the Advisory Board to the Centre for Professional Personnel and Development (CPPD); and a Fellow of the Sunningdale Institute – a virtual academy of leading academics and thought leaders created to advise and advance public service.

In 2007 David was awarded an honorary Doctorate in Business Administration by Manchester Metropolitan University Business School, where he is a Visiting Professor; and in 2010 he was awarded an honorary Doctorate in Business Administration by Middlesex University Business School. David has also won various business awards including 'Most Influential Practitioner' by readers of HR Magazine for the three consecutive years.

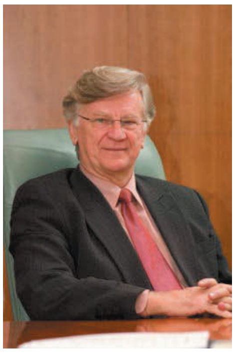
Dr Deirdre Hughes OBE
Chair of the National Council for Careers
Dr Deirdre Hughes is a policy adviser, academic researcher/writer, trainer and freelance consultant specialising in the impact of careers, employment and skills policies to support the development of jobs and growth. She is an Associate Fellow at the Institute for Employment Research (IER) Warwick University, and an Associate at the Centre for Educational Sociology, Edinburgh University.

Deirdre was awarded an OBE in 2012 in recognition of her services to career guidance.

Tony Lau-Walker
Chief Executive Office, Eastleigh College
Tony Lau-Walker is Chief Executive Officer of Eastleigh College, a General Further Education college supporting over 22,000 learners annually. With over 30 years experience in vocational education, he sits as Chair of The Windsor Group of Colleges, which focus on collaborative work with employers to meet the training needs of large organisations.

Trevor Matthews
Executive Director, Developed Markets, Aviva
Trevor Matthews joined Aviva in December 2011. Trevor also joined the Board of Aviva plc and is a member of Aviva's executive committee.
Between July 2008 and June 2011 Trevor was director and Chief Executive Officer of Friends Provident plc (subsequently Friends Life). Prior to this he was Chief Executive of Standard Life Assurance limited from 2004 to July 2008. He was President and Chief Executive Officer of Manulife Japan from 2001 to 2004 and Executive Vice President of Canadian Operations and Chairman of Manulife Bank from 1998 to 2001. Between 1996 and 1998 Trevor was General Manager Personal Financial Services of National Australia Bank and Managing Director, Legal & General Assurance Holdings Australia Limited from 1989 to 1996.
Trevor is Chairman of the Financial Skills Partnership and was President of the Chartered Insurance Institute from July 2008 to July 2009. In 1997 he was President of the Institute of Actuaries of Australia (Centenary Year).

Seyi Obakin
Chief Executive, Centrepoint
Seyi is Chief Executive of Centrepoint, the leading national charity working with homeless young people. He joined Centrepoint in 2003 as Finance Director and was appointed Chief Operating Officer in 2006 and Chief Executive in 2009. He is a Trustee of Foundation 66 and served previously as Treasurer of Clapham Park Homes, a Commissioner on the Family Commission and a Commissioner to the national inquiry into lifelong learning.



Sir Adrian Webb
Chair of the Wales Employment and Skills Board
Sir Adrian was the First Vice-Chancellor, University of Glamorgan from 1992 to 2005 and previous to that he was Deputy Vice-Chancellor and Director of the Centre for Research in Social Policy, Loughborough University. He began his academic career as a lecturer at London School of Economics. In addition to running large universities, in both Loughborough and Glamorgan, he was responsible for wholly owned companies involved in spin-out, knowledge transfer and training activities. He has also undertaken many public service roles in Wales and in Whitehall and Westminster.

Willy Roe CBE
Chair, Highlands and Islands Enterprise
Willy Roe CBE is the Chairman of the Highlands and Islands Enterprise, the regional development agency promoting sustainable economic growth and community development in the north-western half of Scotland.
Willy is Chair of the Board of the Pension, Disability and Carers Service of the Department for Works and Pensions (DWP), and is also a member of the Board of Department of DWP.
Until recently, Willy was also Chairman of Skills Development Scotland, the Scottish Government ' s agency serving employers, individuals and communities and acting as a catalyst for positive change in Scotland ' s skills performance. He has recently completed a review of post 16 education and vocational training in Scotland.
Willy was awarded a CBE in 2010 in recognition of his public service.

Chris Hyman CBE
Chief Executive, Serco Group Plc
(Resigned January 2012)

Larry Hirst
Former Chairman of IBM Europe, Middle East and Africa (EMEA)
(Tenure ended December 2011)

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