

ANNUAL REPORT AND ACCOUNTS

2014-2015



UKCES

UK COMMISSION FOR
EMPLOYMENT AND SKILLS



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2014 - 2015

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Annual Report and Accounts 2014-2015

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Chair's Foreword



The UK labour market has performed well in recession and recovery. Since 2012, increased job creation has pulled unemployment towards pre-recession levels. The number of high skilled jobs was not hit by the recession and has grown robustly for much of the time since then. From 2006 to 2013 the UK labour market added more high skilled jobs than any other EU member state.

Yet repeated bulletins from the Office for National Statistics warn that productivity is stagnant – even falling. And productivity matters most. Though well-worn, the aphorism of Nobel laureate Paul Krugman bears repeating: productivity, he wrote, is not everything – but in the long run, it is almost everything. If one statistic from the last year sums up the distance still to travel on skills and employment, it is the stark fall in output per worker per hour.

There are likely to be several causes of the fall in productivity growth. It is not referred to as 'the productivity puzzle' for nothing. We believe that a successful response must be based on an accurate reading of the problem. For this reason, in 2014-15 we devoted much of our research team's time and resource to producing some of the UK's most rigorous and robust business surveys. The strength of UKCES research is in tying our huge survey datasets to expert understanding of industry and geography. Good evidence must underlie our efforts to diagnose and deal with the fall in productivity.

"Skills, matched to good jobs, can be a route back to productivity growth"

Putting productivity first sets up skills as one of the most important ways to grip the problem. Skills made up an important and sustainable part of the productivity growth of the 1990s and 2000s. The skills of people, when matched to good jobs, can be a route back to productivity growth – and the improvements in pay and progression that implies.

The principle that underlies all our work is employer ownership. We believe in employers owning their own skills – in the sense of taking responsibility for the training and development agenda. Bringing employers closer to the problem brings us all closer to a solution.

One of the most encouraging developments this year has been the creation of employer-led, employer-focused industrial partnerships. These path-breaking collaborations bring together industry leaders and smaller enterprises, ordinarily in competition, to work together on skills for their common good. Recognising the responsibility for skills that goes beyond one individual company, eight sectors have organised themselves, with government co-investment, to add to the pool of talent upon which they all draw.

I am proud of what we have achieved this year. And I look forward to continuing this vital work.

SIR CHARLIE MAYFIELD

**Chairman, UK Commission for Employment and Skills
Chairman, John Lewis Partnership**

Strategic Report

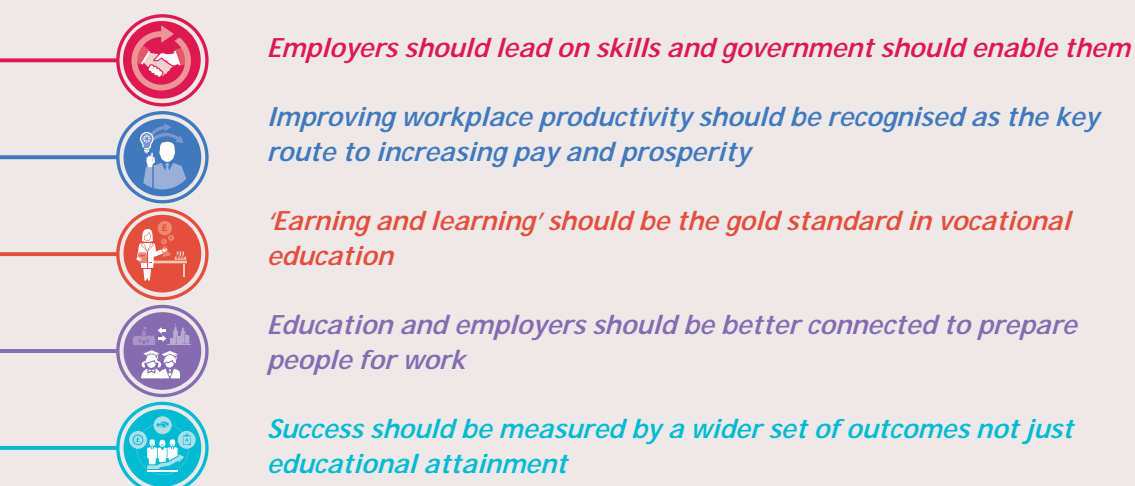
Growth through People

The UK economy has been growing robustly since the start of 2013, growing by 2.8 per cent in 2014.¹ There has been rapid jobs growth and employment has hit new highs. But the recovery has been characterised by stagnant productivity, about the same in 2014 as it was in 2007.²

Productivity is vital because it determines competitiveness for business and wages for people at work. The connection between skills – matched to jobs – and productivity is clear,³ as is the connection from productivity to pay and progression. Higher productivity should translate to better lives.

There are many factors affecting rates of productivity but the UKCES focus is on growth through people – at its simplest, improving productivity through matching skills to jobs. We need people who are capable, agile and able to respond to the challenges presented by globalisation and new technologies. But we also need workplaces where skilled workers and tools are used effectively to create products and services that customers value.

Our Growth through People strategy sets out five priorities for action to create the best opportunities for talents and skills of people to drive competitiveness, enterprise and growth in a global economy:



UKCES is well positioned to achieve these priorities. Our unique proposition is the combination of our unparalleled evidence, the insights of our Commissioners, and the reach of our employer networks.

Our evidence is sourced from national statistics, detailed qualitative work and, above all, our business surveys. Some of the largest business surveys in the world, the Employer Skills Survey and Employer Perspectives Survey capture unparalleled detail on skills issues for companies across the UK and at a local level.

Our Commissioners are drawn from a range of business sizes, sectors and nations but are unified in their belief that skills and employment can change lives, as well as their determination to place skills at the centre of the debate about productivity. Commissioners work closely with ministers in all four nations to drive better outcomes for skills, jobs and growth. They also lead our work to promote and embed UKCES research and policy with senior employers, officials, and ministers.

¹Office for National Statistics, Quarterly National Accounts, Q4 2014

²Office for National Statistics, Productivity - Labour productivity key measures, 01 April 2015

³See, for example, Growth Through People: Evidence and Analysis, p.35

UKCES is unique in the range of partners we work with to develop our thinking and to help us to achieve change, from business leaders to further and higher education providers, government and industry bodies.

Each year we work towards achieving our priorities through four strategic objectives, plus an overarching corporate objective. The following sections provide a selection of our key achievements under each objective, over the 2014-15 financial year.

Objective 1: Lead the debate with industry to drive better outcomes for skills jobs and growth

This year has seen us continue to lead the employment and skills debate with industry and employers, drawing on robust research and analysis, Commissioner insights and stakeholder consultation.

Influential advice

UKCES led the debate on boosting growth and productivity in 2014-15 with the publication of *Growth Through People*, launched by Sir Charlie Mayfield in November 2014. This report sets out our strategic vision for skills and growth in the UK and is a call to action for employers to lead the way, working with unions and the government. Co-signed by the Confederation of British Industry (CBI) and the Trades Union Congress (TUC), the report was formally endorsed by 22 business leaders, trade organisations, and further and higher education providers.

In 2014-15 we continued to shape the debate on youth unemployment with the publication of two further reports in our series analysing the youth labour market. In June, Dame Fiona Kendrick launched *Precarious Futures* which highlighted the importance of gaining access to the workplace through work experience or through earning and learning. In February the *Catch 16-24* report looked at the trends in youth employment and experience. These reports emphasised the need for employers to create and offer career opportunities for young people. In particular, we used our Commissioners and networks to call on employers of all sizes to make high quality Apprenticeships a key part of their workforce development strategy. The learning from these reports also informed our advice to government on Apprenticeship reform.

We shared messages from our reports with influential audiences, including at a joint event with the Inclusive Growth All Party Parliamentary Group. With speeches from Sir Charlie Mayfield, Lord Baker and Lord Wrigglesworth, this event showcased the *Growth Through People* report.

Robust evidence

The two UKCES flagship employer surveys run in alternate years. Each is unique in terms of its size and scope, and together they provide detailed, relevant, and granular data that guides and informs decision-making in government and business.

This year, we ran the UK Employer Perspectives Survey, a study of around 15,000 establishments across the UK. Its focus is employers' views on and experiences of training providers, schools, colleges, and universities in the 'skills system'. We continued to publish findings from last year's UK Employer Skills Survey, with the release of reports of findings from Scotland, Wales, and Northern Ireland. The Employer Skills Survey is the definitive source for intelligence on employer skills needs in the UK, with a sample size of over 90,000 establishments.

Towards the end of the year, the *Growth Through People: Evidence and Analysis* report presented a comprehensive review of the state of the UK labour market to underpin the priorities set out in *Growth Through People*. This report was commended by the OECD as an example of good practice in use of evidence and analysis, and one which they will promote to other countries.

Research impact

- An overview of key findings for Scotland from UKCES data was presented to the Skills Committee, and bespoke data from the Employer Skills Survey has been used by Skills Development Scotland in 11 Regional Skills Assessments (RSAs): “RSAs offer a comprehensive analysis of the demand for skills across Scotland’s regional economies. UKCES research is paramount to the value of the RSAs. It provides a high quality, robust evidence source. This supports the alignment of skills provision with the demands of the economy and employers at a regional level.”
- Our research informed the 2014 Welsh Skills Strategy and research was used in evidence to the BIS Select Committee Inquiry on Apprenticeships.
- DEFRA used ESS data to inform the Agri-Tech Industrial Strategy and Rural Development programme and the Migration Advisory Committee (MAC) uses ESS data as evidence for the Shortage Occupation List (SOL).
- The Department for Employment and Learning Northern Ireland is using data from our employer surveys to identify sector skills issues. This information will allow government to allocate its funding in a more efficient manner to meet business needs and provide the evidence for more flexible responses to future skills needs: “It is only by getting a clear understanding of current and future skill needs that we can tailor our programmes effectively to meet the needs of the economy. In this context the research undertaken by the UK Commission is invaluable.”

Networks and partnerships

In the same way that we believe businesses should collaborate for best results on skills, we work with a range of partners to strengthen our insights and make our voice heard more widely.

This year we produced a new framework for measuring human capital within firms, in partnership with the Chartered Institute of Personnel Development (CIPD), Chartered Institute of Management Accountants (CIMA), the Royal Society of Arts (RSA) and senior business leaders. Published in July, Valuing your Talent aims to encourage employers to measure human capital as an asset, with a view to stimulating employer investment in training and skills.

Recognising the importance of accessible and detailed labour market intelligence at a local level, we presented a series of research workshops on using our employer survey data to Local Enterprise Partnerships across England and to other UK local level stakeholders. Our survey data provides detailed and comparable statistics at a LEP level, and as part of our outreach to LEP customers we produced “heatmaps” to support our policy work on youth employment.

The crucial connection between education and employers to prepare people for work was the focus of partnerships with higher and further education bodies. For example in May we published A New Conversation – employer and college engagement with the 157 and Gazelle groups of further education colleges. In higher education, we collaborated with Universities UK to publish Forging Futures which explored examples of universities collaborating with businesses.

Through our Commissioners and our networks we influenced employers to step up and take responsibility for developing their workforce. We actively promote the value of high quality Apprenticeships to employers (large and small) and encourage them get involved in shaping the skills system to meet their needs, for example through involvement in industrial partnerships and trailblazer apprenticeship standards, and through connecting with schools and colleges to give young people experience of the workplace.



Our heat map shows the proportion of employers offering apprenticeship, and breaks down data by Local Enterprise Partnership areas

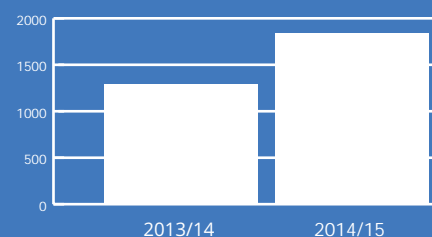
Our communications

Our achievements are underpinned by creative and proactive communications activities. The 2014-15 year saw a continued increase in coverage for UKCES in print and broadcast media, as well as online and on social media. 2014-15 saw our most successful campaigns and coverage, as measured in impact and reach.

Measured by reach, Careers of the Future was our most successful communications campaign. Centred around a week of skills announcements in conjunction with Departments for Business and Education we achieved 73 pieces of media coverage across broadcast, national, regional, trade and sector media. Online it was a remarkable success: 5.9m timeline deliveries on Twitter; great engagement with 1.8k tweets from 900 contributors. This drove a record amount of traffic to the associated publication on our website.

Measured by pieces of coverage, our media presence increased by 42 per cent year-on-year. On social media, our Twitter followers increased by 17 per cent.

TOTAL NUMBER OF PIECES OF MEDIA COVERAGE ACHIEVED



TWITTER FOLLOWERS



WEB USERS



Objective 2: Work with industrial partnerships and networks to push forward employer ownership of skills

We believe businesses can be at their best, like people in an organisation, when they work together. UKCES works with employers to support them to take ownership and invest in the skills of their workforce.

Industrial partnerships

A key achievement this year has been the creation of eight high profile industrial partnerships which bring together employers across an industry sector to lead the development of skills. Working alongside BIS and the Skills Funding Agency, we successfully negotiated grant agreements with partnerships covering the aerospace, automotive, creative, nuclear, digital, energy & efficiency, science and tunnelling (construction) industries. Led by major businesses, the partnerships are collaborations within sectors that define and deliver on their industry's skills priorities.

The partnerships are co-funded by business and government. For every £1 invested by government, employers are investing £1.70 through cash and in-kind contributions, creating a total potential investment of £354 million.

Partnership	Lead employer
Aerospace	Airbus
Automotive	Jaguar Land Rover
Creative Industries	Channel 4
Energy and Efficiency	National Grid
Nuclear	Magnox
Science	GlaxoSmithKline
Tech Partnership	Cisco
Tunnelling and Underground Construction	Crossrail

Industrial partnership examples

The **Energy and Efficiency Partnership** has created the Energy & Efficiency Independent Assessment Service (EEIAS); an employer-led assessment body able to take greater ownership of the assessment process. It will create efficient, high quality assessment processes and decisions that ensure comparability across employers and providers, and consistency of decisions over time. As well as eliminating duplication and the associated cost savings, the service will ensure a consistent skills quality within a highly regulated operating environment.

With a car leaving the UK production line every 20 seconds the Automotive sector needs a skilled and adaptable workforce. The **Automotive Industrial Partnership** is developing a comprehensive 'all career / all sector' industry standard jobs frameworks from level one to seven, as well as role specifications and career routes at all levels and across the automotive sector.

Businesses in the digital sector operate in a rapidly evolving market so it is crucial that skills development operates at the same speed. The Digital Industrial Partnership (the **Tech Partnership**)'s Degree Apprenticeships allow young people to complete a full honours degree alongside their employment. Students will not pay fees and will earn a wage throughout. This approach has been created by business, with support from universities.

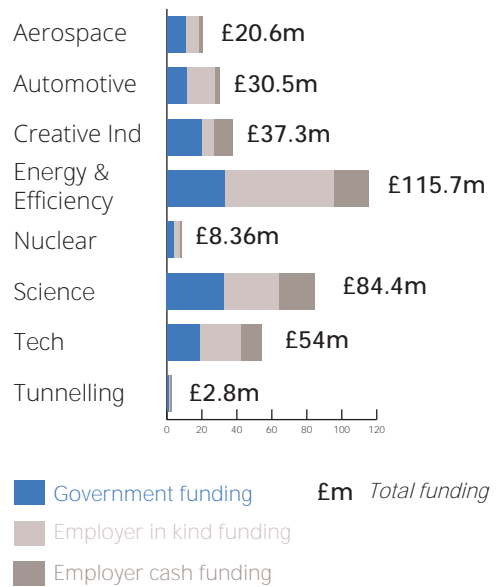
Industrial partnerships funding summary



Total Funding: £354 million

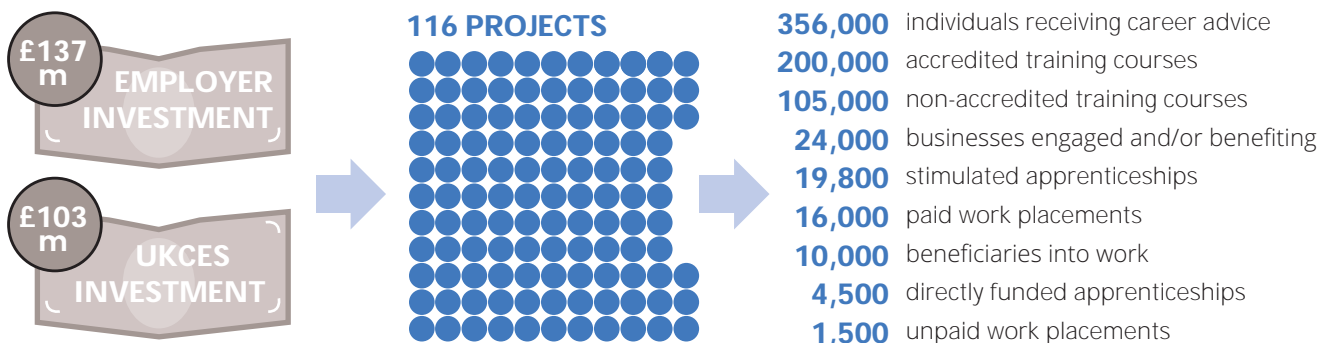
- Government funding: £131 million
- Employer in kind funding: £153 million
- Employer cash funding: £70 million

Distribution of funding by pilot



Investment funds

The Employer Investment Fund and Growth and Innovation Fund investment programmes are now coming to a conclusion. Since April 2012 we have co-invested in 116 projects in a range of sectors, from food producers to digital technologies, and with businesses of all sizes. Investments range from supporting small businesses to take on their first Apprentice to enhancing the skills of sectors and supply chains. Over the lifetime of the funds employers will have contributed 58 percent of the total combined investment, through cash and in-kind contributions.



The Employer Investment Fund and Growth and Innovation Fund: outputs and outcomes

Investment projects built a broad range of skills infrastructure across industry. They stimulated nearly 20,000 Apprenticeships and directly funded 4,500 Apprenticeships, over 305,000 other learning or training outputs and over 16,000 paid work placement starts. The infrastructure has laid the foundations for economic growth with over half of the investments predicted to be sustainable beyond the life of the initial investment. The five Women and Work projects, which were designed to examine new recruitment and career pathways for women, are expected to have trained over 1,300 women in total on completion.

Investment case study: Society of Biology

Life sciences has been identified as a growth sector important to the UK economy. While at present the quantity of graduates entering the sector is adequate to meet demand, employers report that graduates joining them are equipped with a variable quality of practical laboratory and experimental skills.

The Society of Biology, a representative body for the field, applied to UKCES under the Growth and Innovation Fund to develop an accreditation process for UK higher education degree courses. The accreditation mark serves as a stamp of quality for specific job-applicable research skills learned during the degree course.

Large sector employers back the accreditation scheme. AstraZeneca have stated their intention to update their recruitment criteria to include degree accreditation. Other sector employers that have been involved with the accreditation scheme include MedImmune, a research and development company. Describing the benefits of the scheme to an employer like hers, Jacqui Hall, vice president for R&D skills, training and standards, says, "There is a huge variation in the amount of practical skills taught [at university] and this will help to drive consistency."

National Occupational Standards

UKCES is responsible for coordinating and quality assuring the National Occupational Standards (NOS) programme on behalf of the four nations. Our reformed commissioning approach continues to improve responsiveness to employer demand and value for money and this year we introduced a new reference framework which links NOS and apprenticeships to a wide range of labour market intelligence (LMI), such as earnings and job growth data. This allows us to make evidence based judgements to prioritise new NOS and apprenticeship developments, including the new trailblazer apprenticeships in England. It will also help us to measure impact against key LMI indicators. Over 250 standards and apprenticeship framework contracts were successfully delivered in 2014-15 (97 per cent of the total commissioned) against total contract values of £3.1m. This funding was matched by £3m in employer in-kind contributions.

In response to stakeholder feedback and reforms to vocational qualifications and apprenticeships across the UK, we undertook research to inform thinking on how NOS might adapt to accommodate these developments.

250

Over 250 standards and apprenticeship framework contracts were successfully delivered in 2014-15

This was 97% of the total commissioned

97%

£3m

Total contract values were £3.1m, and this funding was matched by £3m employer in-kind contributions

Objective 3: Test out employer-led innovation to address persistent skills challenges

UKCES launched the UK Futures Programme in April 2014. The Futures Programme is a competitive co-investment fund that enables us to support employers to test and develop innovative skills solutions that they lead. The programme draws on learning from UKCES research and analysis, as well as previous investments, to create a genuinely new approach to employer-led innovation in the skills market.

By the end of 2014-15 there were six competitions in varying stages of development. Each competition is targeted on a persistent workforce development challenge including: skills problems in the off-site construction sector; management and leadership skills in supply chains and networks; progression pathways in retail and hospitality; skills for innovation in manufacturing; leadership and entrepreneurship in small firms; and workplace solutions to the gender pay and opportunity gap. We will share learning within and across competitions to inform industry best practice and government policy.

Over the course of the year, Competition 1 has been successful in driving employer collaboration, with the five projects testing solutions with each other and sharing education resources. A project Innovation Lab was held in November 2014 which resulted in the projects taking away a number of actions to bolster their activities and to collaborate on sector-wide issues. All competition 1 projects came to an end on 31 March 2015 and a further Innovation Lab, focusing on evaluation and lessons learned, will take place in May 2015. We expect to draw out learning of value to other emerging sectors about how to embed skills development in their growth.

Progress at 31 March 2015	1. Off-site construction	2. Management and leadership	3. Progression pathways	4. Skills for innovation	5. Leadership & Entrepreneurship in small firms	6. Addressing gender pay imbalance
Market testing						
Open for bids						
Applications assessed						
Contract negotiations						
Live delivery						
Projects completed						
Projects in competition	<i>Five</i>	<i>Seven</i>				
UKCES investment (000s)	<i>£616</i>	<i>£1,200</i>				
Employer contribution (000s)	<i>£618</i>	<i>£1,100</i>				

UK Futures Programme Competition 1 – Skanska Offsite Construction School

Offsite construction is worth over £1.5bn to the UK economy. As well as being more efficient in comparison to traditional methods, offsite can help address some of the industry's most pressing challenges, such as providing new housing and reducing carbon emissions.

As a sector undergoing significant growth, new and existing businesses find skills specific to offsite are in high demand. While businesses run their own training programmes, these are often short-term, and specific only to the needs of that business.

As part of the first competition in the UK Futures Programme, Skanska, an international construction firm, worked closely with Action Sustainability, the sustainable supply chain management experts, to develop an online offer of management training, the Offsite Management School. This has achieved significant industry buy-in: of the top ten construction companies in the UK, five sit on the school's steering group. By collaborating on skills issues, these firms draw together their industry insight to meet the knowledge gaps identified by the sector – such critical skill areas as project management, design and IT skills.

Paid for by these larger organisations, supply chain firms can access the school's materials for free, enabling the whole sector to benefit and grow.

Objective 4: Help businesses to realise the potential of their people through Investors in People

Investors in People works with over 15,000 organisations across 75 countries. We believe that organisations succeed by realising the potential of their people.

In 2014-15 Investors in People (IIP) sought to identify organisations that do better by every measure to find out how they offer great products or services, inspire fantastic loyalty from staff and customers, and deliver impressive results. These 'Outperformers' are the focus of our redesigned IIP Standard which will be launched in 2015-16. Through research and a crowdsourcing exercise we defined what it means to be an Outperforming organisation:

- Leaders make the organisation's objectives clear and inspire people to deliver against them;
- People and leaders act in line with the organisation's values at all times.
- There is a culture of trust and ownership in the organisation and people feel empowered.
- Objectives within the organisation are fully aligned, performance is measured and feedback used;
- Recognition and reward is clear and appropriate, creating a culture of appreciation and motivation;
- The organisation is structured to deliver the organisation's ambition;
- People's capabilities are actively managed and developed and collaborative working is encouraged;
- There is a focus on continuous improvement, supported by a culture of innovation;
- The organisation has a focus on the future and is responsive to change.

Over the last 10 to 15 years, the enterprise value of organisations has shifted from tangible to intangible assets. It is the quality of people, leadership and culture that drives innovation, creates best in class products and services and determines long-term sustainability. With this as our guiding principle we developed a new IIP Standard which focuses on the nine characteristics of Outperformers.

To raise the profile of the new Standard we rolled out a high-profile media campaign around the theme of Outperformance, supported by a series of roadshows and advertising. Launched at the start of 2015, the campaign has already begun to generate new interest in gaining accreditation. We also launched the IIP annual awards ceremony, with over 550 applicants from across the world.

In support of the new Standard, this year also saw the development of an HR Analytics Module to help organisations to measure the value that their talent is adding to help achieve their ambitions. We redeveloped training materials for our cohort of IIP trainers and undertook a significant amount of work on a new, national Customer Relationship Management system.

In 2014 the Minister for Employment and Learning in Northern Ireland requested that UKCES take on the responsibility for managing the delivery of Investors in People in Northern Ireland. This responsibility was handed over to UKCES on 1 April 2015.



Corporate Objective: An efficient and effective organisation

In terms of our programme budget, in light of the continuing need to help government achieve spending reductions, we have continued to reduce our programme delivery spend, with a 43 per cent reduction in our total programme spend compared to 2013-14. This represents a 49 per cent reduction compared to 2010-11 in cash terms. This saving has mainly been achieved by increasingly focussing our activity on delivering more targeted research and innovation-led programmes of funding, such as the Futures Programme, and moving away from larger programmes of funding employer led delivery activity such as the Growth and Innovation Fund and the Employer Investment Fund.

As a result of a strong focus on internal cost efficiency in 2014-15 and actively investing in our use of technology, such as Office 365, to aid staff productivity and efficiency, we have continued to generate efficiency savings. Stripping out the one-off, outsourced Employer Ownership assessment cost incurred in 2013-14, our average non-pay running costs per full time equivalent reduced by 11 per cent compared to 2013-14 in cash terms. This included a 12 per cent reduction in average travel and subsistence costs per full time equivalent compared to 2013-14 in cash terms. This represents an overall non-pay cost saving since 2010-11 of 18 per cent in real terms.

Our pay costs have also been held in check through continued pay restraint, with a one per cent decrease in the average total pay cost (excluding redundancy costs) per full time equivalent since 2013-14 in cash terms. This represents an overall 25 per cent reduction since 2010-11 in real terms.

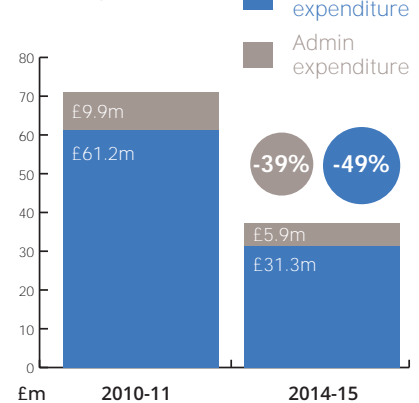
As a result we have achieved an overall four per cent reduction in the total pay and non-pay organisational costs (excluding redundancy and outsourced EOP assessment costs) per full time equivalent in cash terms since 2013-14 and a 23 per cent reduction in average total organisational costs per head in real terms since 2010-11.

The organisational costs savings in this area, as well as a 40 per cent reduction in the staff supporting the corporate services functions since 2010-11 as a proportion of the workforce to just 11 per cent by 2014-15, has helped us achieve a 39 per cent reduction in our total administration budget expenditure in cash terms from a spend level of £9.9 million in 2010-11.

In 2014-15 we have once again come within one per cent of our total year-end expenditure forecast made at the mid-year point. This is in line with the expectation set for us by BIS and was achieved through a continued focus on actively managing our spending commitments and financial planning.

Looking forward, to ensure we continue to have the right internal capabilities to meet our evolving remit and the resulting changing capability needs, we launched a voluntary exit scheme in 2014-15 with 13 staff exits agreed by the end of 2014-15, with the exit costs funded from our 2014-15 administration budget.

Funding levels



Our Team

We practice what we preach in terms of investing in the skills of our staff. We firmly believe that good people make a great business and therefore we demonstrate a strong commitment to staff development. In November 2014 the organisation was reassessed against the Investors in People Standard, and we are proud to have been accredited as Investors in People Gold, the highest rating. This puts us in the top seven per cent of accredited organisations across the UK.



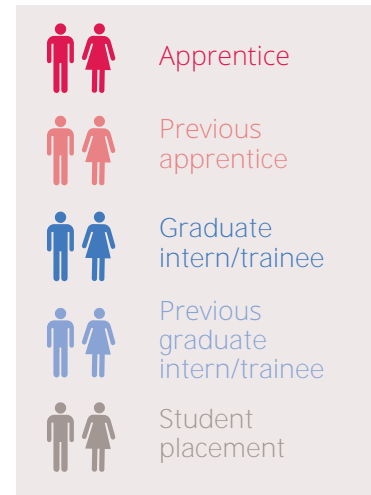
Staff surveys are used to measure employee engagement and the survey for 2014-15 showed that engagement has significantly risen to 80 per cent from 63 per cent in 2013-14. This reflects the wide range of new initiatives which were introduced to strengthen our current policies and processes and drive forward improvements. These included

the launch of a People Strategy and competency framework, the introduction of business planning sessions and strengthening our internal communications. We seek ongoing staff feedback through team meetings and away days as well as through our Employee Partnership Forum, a group that consults with staff and management on our performance, business planning, organisational change, and pay and conditions.

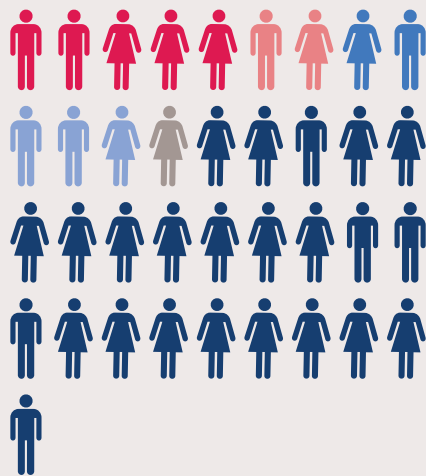
We are committed to growing our own talent by providing opportunities for young people. These opportunities work for us and for the young people we employ: we are able to bring in talented and enthusiastic talent, and they are able to “earn and learn”.

We have steadily increased the numbers of apprentices, interns, trainees and student placements during the last three years and currently employ 15 people in this group compared to 11 in 2012-13. This equates to 11 per cent of our total workforce. In addition, 12 of our staff have progressed to full-time positions from our graduate internship programme, and four of our staff have progressed from apprenticeships.

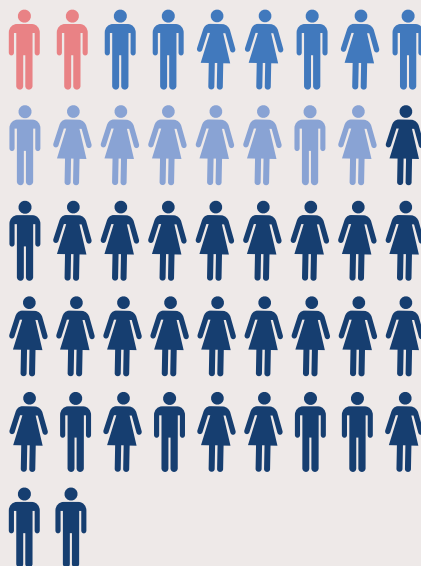
In partnership with Sheffield Hallam University, each year we host a student on a sandwich placement. Graduate interns are paid and apprentices are paid at the nationally agreed apprenticeship rates. Interns are encouraged to undertake professional development and training and our apprentices attain nationally recognised qualifications.



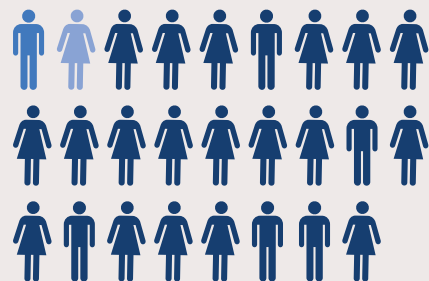
Business Services



Project Delivery



Research



Executive



Our approach is that UKCES is one single team. Functionally we are grouped into three professional specialisms, and staff work together across these groups to achieve our objectives. Staff are supported to develop their professional skills through annual personal development plans. Each professional specialism is supported by its own Continuing Professional Development group, which share best practice and promote learning throughout the organisation. Each band of staff progression has clearly defined and comparable competency profiles, allowing staff members to see clear routes of progression through the organisation.

UKCES is committed to equality of opportunity in its employment practices and policies. We do not discriminate for any reason against any of our staff or potential staff, and we would not tolerate such discrimination. 68 per cent of our workforce is female, compared to 65 per cent in 2013-14.

We use the common Civil Service Learning portal to deliver corporate training, allowing us to access a wide range of training and benefit from the Civil Service's economy of scale. We also run internal training sessions and 'action learning sets', using real examples as learning opportunities. In 2014-15 we worked with staff to identify skills gaps and, in order to address these, subsequently ran corporate sessions on coaching, handling constructive conversations and influencing. In 2014-15 staff undertook 943 days of formal learning and development, equivalent to over eight days per person.

Looking Forward

Throughout 2015-16 we will continue to focus on the priorities set out in Growth Through People and to make progress against five core objectives.

Objective 1: Lead the debate with industry to drive better outcomes for jobs skills and growth

Underpinned by objective analysis and driven by effective Commissioner leadership, success in 2015-16 is to provide labour market intelligence and insights which influence policy, improve decision making and inspire action in support of an agenda for growth through people.

Objective 2: Work with industrial partnerships and wider networks to push forward employer ownership of skills

Working with industrial partnerships and wider networks of employers, success in 2015-16 is to demonstrate the value and impact of effective collaborative leadership by employers in delivering growth through people.

Objective 3: Test 'what works' in addressing barriers to growth through people and inform industry and government policies

The UK Futures Programme is an opportunity to work with employers in developing and testing new approaches in addressing workforce skills needs. Success in 2015-16 is to demonstrate the value of the programme to employers and governments based on the policy insights that the programme delivers.

Objective 4: Help businesses to realise the potential of their people through Investors in People

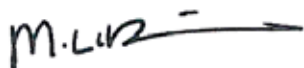
In 2015-16 we aim to grow the Investors in People business by offering a world class best practice Standard and raising the profile and cachet for employers who are part of the Investors in People community.

Corporate Objective: UKCES is a well-managed and effective organisation

The definition of success for 2015-16 is that we have the best quality corporate and governance services and expertise to help the organisation to work smarter and maximise our impact, whilst maintaining our reputation as a well-managed public body.

Sustainability Report

As a Non-Departmental Public Body, UKCES is expected to report on its environmental sustainability performance. UKCES has been granted an exemption by the Cabinet Office not to produce a sustainability report as the overall environmental impact of UKCES is low given it has a floor space totalling under 1000m² and on average 113.7 staff in the year.



M Davis
Chief Executive



Sir C Mayfield
Chairman

23 June 2015
Date

Director's Report

The Annual Report and Accounts 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 7 to 17 of this Annual Report

Incorporation

The UK Commission for Employment and Skills is a company limited by guarantee and was incorporated on 13 November 2007. Under Clause 5 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. UKCES is an executive Non Departmental Public Body (NDPB) jointly sponsored by the Department for Business, Innovation and Skills (BIS), the Department for Work and Pensions (DWP), the Department for Education (DfE), HM Treasury (HMT), the Department for Employment and Learning Northern Ireland, 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 UKCES. At 31 March 2015 there were 25 directors, compared with 29 directors at 31 March 2014. UKCES delegated its organisational oversight role to the Strategic Management Group.

The membership of the board and other legal and administration details are set out on page 56.

UKCES has a conflict of interest policy and its Register of Members Interests is regularly updated. The full register can found on the www.gov.uk website: www.gov.uk/ukces

Further details of the organisation's governance groups and decision making are contained in the Governance Statement on pages 29 to 36.

Going concern assessment

In the light of the confirmation of a Grant-in-Aid resource budget allocation of £26.7 million provided by government in the Grant-in-Aid letter for 2015-16, the directors have reviewed the financial position as at 31 March 2015 and are comfortable that UKCES 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 UKCES had £10.5 million of accrued costs and trade payables as at 31 March 2015. This has resulted in the Statement of Financial Position showing net liabilities of £9.8 million at the end of the year.

Payments to suppliers

UKCES 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 UKCES has paid suppliers within 8 days of receipt of invoice on average over the year, compared with an average of 7 days in the previous year. On average 6% of payments made were over 30 days from receipt of invoice compared with 5% in 2013-14.

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 UKCES' accounts for the year ended 31 March 2015. An amount of £36,000 (2013-2014 £36,000) has been provided for audit fees. The National Audit Office (NAO) has not carried out any other paid work for UKCES in 2014-15.

Disclosure of relevant audit information

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

Sickness absence data

During the year UKCES had 669.5 days (2013-14: 232 days) of absence from work due to sickness. Of this, 435.5 days relate to 8 staff on long-term sick leave during the period (2013-14: 40 days related to 1 staff member on long-term sick leave during the period). The number of days off for the remaining staff, excluding agency staff and staff on long-term-sick, equates to an average of 2.2 days (2013-14: 1.7 days) sick leave per staff member. Inclusive of staff on long-term-sick, this equates to an average of 5.8 days (2013-14: 2.1 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 2014-15

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

UKCES will continue to monitor and assess its information in order to identify and address any security 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 UKCES, are set out in Table 2 below. (Note that small, localised incidents are not recorded centrally and are not included 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	Nil
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 UKCES that training, career development and promotion opportunities should be available to all employees.

Diversity and equality policy statement

UKCES 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 employer UKCES 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, UKCES 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 organisation-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 organisational performance via our performance report, which is shared on a quarterly basis, and, to assess staff satisfaction, we periodically undertake a staff survey and share the findings with staff, management and Commissioners.

Corporate social responsibility

UKCES 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 respect for the environment by actively seeking to recycle wherever possible and minimise travel and use of resources.

Financial Review

Incoming resources

UKCES is funded by Grant-In-Aid financing from BIS on behalf of all the sponsoring departments and Devolved Administrations.

At 1 April 2014 the total Grant-In-Aid resource budget allocated for the 12 month period to 31 March 2015 amounted to £39.5m. During the year UKCES received an updated Grant-in-Aid letter, with the final Grant-In-Aid resource budget being set at £38.2m which includes non-cash costs of £0.2m.

The Grant-In-Aid cash limit for 2014-15 was £36.8m, of which £34.0m was utilised in the year.

Under the terms of its agreement with BIS UKCES 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 funding commitment is not reflected in the accounts.

Because Grant-In-Aid funding is treated as financing rather than income in the Statement of Comprehensive Net Expenditure the results for the period show a loss equivalent to the 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 2015.

In 2014-15 UKCES also received £0.9m (2013-14: £0.4m) of licence and merchandise income in relation to the Investors in People business. This has increased as a result of new licensing arrangement being in place with the Investors in People Deliver Partners to share a larger share of the assessment and associated income that they receive.

Application of resources received

Of the total expenditure incurred in the year of £37.6m (2013-14: £62.0m), 57% (2013-14: 77%) of total expenditure was grant funding to employer-led partner bodies, 26% (2013-14: 12%) was directly spent by UKCES on its delivery activities and 17% (2012-13: 11%) was used to fund the organisation's staff and organisational costs funded out of the administration budget including depreciation and amortisation.

Partner programme activity

In 2014-15 UKCES continued the process of change in how it achieves its objectives through third party partner bodies. UKCES has moved from a position in previous years of mainly providing strategic core funding to licensed Sector Skills Councils to support the achievement of our aims, to a position in 2014-15 where we are solely funding projects with employer-led bodies, including Sector Skills Councils, to deliver skills solutions through competitive bidding rounds. Of the £21.5m (2013-14: £47.8m) that was spent in the year to fund these partner bodies:

- £1.5m (2013-14: £28.7m) was provided in the year to fund the remaining Employer Investment Fund (EIF) projects. All remaining EIF projects were completed in 2014-15.
- £12.6m (2013-14: £14.7m) was provided in the year to fund 21 Growth and Innovation Fund (GIF) projects. 3 projects will continue into 2015-16.
- £3.1m (2013-14: £4.3m) was provided in the year through the Standards and Frameworks funding contracts to fund the delivery of 147 revised and 98 new National Occupational Standards (NOS), Apprenticeship frameworks or Scottish Vocational Qualifications;
- £1.5m (2013-14: £0.0m) was provided in the year to support the funding of 12 projects under the Futures programme.
- £2.9m (2013-14: £0.0m) was provided in the year to support funding of 5 Employer Leadership Projects (ELP) that were allocated funding through the Employer Ownership of Skills Pilot programme.

All funding programmes have specific guidelines and all applicants are subject to a formal process of assessment and approval. The contract and project delivery is closely monitored and reported on by UKCES through regular delivery progress updates from the funded organisations through the year.

UKCES's Investment Sub-Board was responsible for oversight of the EIF, GIF and ELP budgets & contracts in 2014-15 and the Strategic Management Group was responsibility for the oversight of the Standards and Frameworks funding contracts.

Direct programme spend activity

The budget available for UKCES's programme activity was 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 Objective deliverable leads and the Executive Directors and the Assistant Director with responsibility for Finance and was overseen by the Strategic Management Group. The expenditure in this area of activity increased to £9.8m for 2014-15, compared with £7.4m for 2013-14. With the increase mainly arising due to a £1.4m Investors In People marketing campaign in 2014-15 to support the roll out of the new Investors In People Framework, as well as because of increased Research staff and Investors in People staff levels.

Organisational administration activity

17% (2013-14: 11%) of the total expenditure or £6.3m (2013-14: £6.8m) supports the on-going administration costs of the organisation, including depreciation and other non-cash related costs.

The salary costs were £0.9m higher in 14-15 as a result of a one-off £0.5m of voluntary exit costs as well as a 5% increase in staffing levels. The total Administration Pay costs only increased by £0.3m because an increasing proportion of staff are either Research or Investors in People. These categories of staff are funded out of programme.

Non-pay costs reduced by £1.0m in 2014-15 compared to 2013-14 mainly as a consequence of no longer having to supporting the outsourced assessment costs of the Employer Ownership Pilot bids in 2014-15 as well as the achievements made in delivering non-pay cost savings in 2014-15.

The overall proportion of expenditure that is accounted for by the administration expenditure rose from 11% to 17% because the programme expenditure reduced significantly in 2014/15 as the Employer Investment Fund came to an end.

It is worth noting that the corporate services costs within the administration budget compares well to other government cost benchmarks for corporate services costs.

The organisational administration budget is controlled at a functional level by budget managers, is monitored on a regular basis by the Executive Directors and the Assistant Director with responsibility for Finance and is overseen by the Strategic Management Group.

Statement of Financial Position

All known liabilities have been provided for in the Statement of Financial Position 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 payables at the end of 2014-15 represented the equivalent of approximately 8 days (2013-14: 7.2 days) of total payments made in the year.

As at 31 March 2015 UKCES is reporting negative General Reserves of £9.8m (2013-14: £7.0m). This is because UKCES had recognised trade and other payables of £10.5m at the end of the period (2013-14: £7.9m), but has recognised the associated Grant-In-Aid funding for these liabilities only when it has been received. This is in line with the standard accounting treatment in respect to Grant-In-Aid financing for NDPBs.



M Davis
Chief Executive



Sir C Mayfield
Chairman

23 June 2015
Date

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 UKCES in the financial year 2014-15 was Michael Davis with a salary (including London weighting) of £128.5k. The lowest paid salary was £10.5k. The total remuneration was 3.6 times the median salary of the workforce, which was £35.1k.

During 2013-14 and 2014-15 there were no benefits in kind received for any directors.

¹ The performance pay for 2014-15 relates to performance in respect of 2013-14. Similarly the 2013-14 figure relates to the 2012-13 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 Michael Davis, Deidre Hughes, Scott Johnson & Seyi Obakin were the only Statutory Company Directors of the organisation to receive any pension entitlement.

³ The figure represents the amount paid to the John Lewis Partnership for making available his services as Chair of UKCES. The annual fee is £32k plus VAT (£28k plus VAT in 2013-14).

⁴ Kay Dickinson left under standard voluntary exit scheme terms on 17 May 2013. She was accepted under the scheme in 2012-13 but left in 2013-14. The costs were accrued in 2012-13 but were paid in 2013-14. Kay received a compensation payment of £20k-£25k in 2013-14 including compensation in lieu of notice. In addition the cost to the organisation of buying out the actuarial reduction on her pension was £145k-£150k. Kay did not receive any additional compensation for loss of office.

⁵ Simon Perryman left under standard voluntary exit scheme terms on 30 April 2015. He was accepted under the scheme in 2014-15 but left in 2015-16. The costs were accrued in 2014-15 but were paid in 2015-16. Simon received a compensation payment of £25-£30k in 2015-16 including compensation in lieu of notice.

⁶ Represents the amount paid to Disability Rights UK for making available her services as a Non-Executive Director to UKCES in 2013-14 and 2014-15.

Pension entitlements for the year ended 31 March 2015

	Accrued Pension at pension age as at 31/03/15 and related lump sum £000's	Real increase in period of pension and related lump sum at pension age £000's	CETV as at 31/3/15 £000's	CETV as at 31/3/14 ² £000's	Real increase in CETV £000's	Employer contribution to Partnership Pension account £000's
Company Directors¹						
Sir Charlie Mayfield	-	-	-	-	-	-
Michael Davis	15-20	2.5-5	158	124	16	0
Executive Directors						
Kay Dickinson	-	-	-	530	-	0
Ian Kinder	55-60	0-2.5	957	889	23	0
Simon Perryman	50-55	0-2.5	1,150	1,057	41	0
Non Executive Directors¹						
Deirdre Hughes OBE	0-5	0-2.5	1	0	1	0
Scott Johnson	0-5	0-2.5	1	0	1	0
Seyi Obakin	0-5	0-2.5	1	0	1	0

¹ Michael Davis, Deidre Hughes, Scott Johnson & Seyi Obakin were the only Statutory Company Directors of the organisation to receive any pension entitlement.

² The actuarial factors used to calculate CETVs were changed in 2014-15. The CETVs at 31 March 2014 and 31 March 2015 have both been calculated using the new factors, for consistency. The CETV at 31 March 2014 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Civil service pensions

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

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

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

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

Cash Equivalent Transfer Values (CETV)

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

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

Real increase in CETV

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

Compensation for loss of office

13 staff have been approved to leave under voluntary exit terms, 8 of which left in April 2015. They received a compensation in lieu of notice payment of £90-95k which was accrued in 2014-15 but actually paid in 2015-16.

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 UKCES 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
- New in post

The performance levels awarded normally determine the level of pay increase and/or bonus. However as a public body, the organisation has been restricted to a 1% pay award for staff. An end of year bonus was paid in 2014-15 in relation to 2013-14 performance year. This was paid to 25% of staff in respect of 2013-14 performance year and will be paid to no more than 25% of staff in respect of 2014-15 performance year. The Executive Director 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.

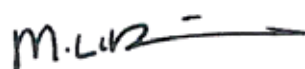
Senior staff employment policy

The Executive Directors are 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. UKCES has no specific policy in respect of termination payments for senior managers.

Senior staff service contracts ¹Contract was transferred from SSSA under a COSOP arrangement from SSSA on 1 April 2008.

Name	Start date of contract	End of contract date
Kay Dickinson	1 April 2008 ¹	17 May 2013
Simon Perryman	1 April 2008 ¹	30 April 2015
Michael Davis	1 March 2009	
Ian Kinder	22 July 2009	

On behalf of the Board



M Davis
Chief Executive



Sir C Mayfield
Chairman

23 June 2015
Date

Accounting Officer's and Chairman's Statement of Responsibilities

The directors and Chief Executive are responsible for preparing the Strategic 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 2014-15. 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 2014-15 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 UKCES 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 UKCES 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 (FRM). 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 UKCES. 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 UKCES assets, as set out in Managing Public Money published by HM Treasury.

On behalf of the Board



M Davis
Chief Executive



Sir C Mayfield
Chairman

23 June 2015
Date

Governance Statement

Scope of Responsibility

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

The Purpose of the Governance Statement

The Governance Statement, for which the CEO takes personal responsibility, aims to provide a clear understanding of the dynamics of the business and its control structure. Essentially, it supplements the accounts by recording the stewardship of the organisation to provide a sense of how the organisation's performance has been controlled; and of how successfully it has coped with the challenge it faces. In doing this, the CEO is supported by a governance framework which includes UKCES, its sub-groups and the relationship with the Executive.

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

The Role of Commissioners

Commissioners are directors of the company and are responsible for the management of UKCES. At 31 March 2015 there were 25 directors, compared with 29 directors at 31 March 2014. UKCES has delegated its organisational oversight role to the Strategic Management Group.

Commissioners are publicly 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 appointed through a public appointments process.

Commissioners bring the inspirational leadership that drives the UKCES's agenda. They are supported by the Chief Executive and have an active role in delivering UKCES's remit to achieve maximum impact.

The UKCES Commissioner Leadership model means that Commissioners are outward facing and 'hands on'. They are focused on outcomes and impact. Through their existing positions they bring independence and credibility and access to a whole range of important networks. Commissioners:

- Provide strategic leadership and work closely with the Executive to deliver priorities and objectives;
- Bring an informed Commissioner perspective to enable greater challenge;
- Are the voice of UKCES on relevant issues by speaking publicly on relevant topics and support the Chairman in taking a lead role in meetings with Ministers on UKCES priorities;
- Use their position, credibility and networks to persuade employers and others of the importance of skills in supporting enterprise, jobs and growth; and
- Work with staff to 'road-test' materials, advice or ideas/initiatives.

Governance structure and decision making

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



In March 2014 the Commission's Strategic Management Group agreed new governance arrangements, to operate from 1 April 2014, which will ensure delivery of all future business plans. This is comprised of:

- Formal Governance Groups – these Groups provide assurance, challenge and control to the Commission and comprise the Strategic Management Group; the Audit and Risk Group and the Research Group; and
- Objective Delivery Groups – These Groups focus on delivery and reflect the Business Plan objectives. The Objective Delivery Groups drive forward the UKCES agenda and also hold the Executive to account on performance. They have direct line of sight back to the Commission. Some of the Objective Delivery Groups have delegated decision making powers that reflect their role. They meet at least once a quarter to reflect the performance management cycle.

The formal governance groups are as follows:

The Strategic Management Group consists of not less than five Commissioners plus the Chief Executive, with a quorum of three. The chairman of the Commission attends meetings as appropriate in an ex-officio capacity. Membership includes appropriate representation from across the Commission's Objectives and the Audit and Risk Group. The Strategic Management Group meets at least quarterly. Its duties are to oversee the operation of UKCES; to advise on the performance of the organisation against business objectives and the effective management of its resources; to coordinate and monitor delivery and strategic impact; and to ensure that the necessary cross cutting work programmes are in place to enable UKCES to carry out its role effectively. It is also responsible for decisions regarding remuneration and supports the Chairman to make recommendations to the Secretary of State concerning the appointment or re-appointment of Commissioners and the appointment and removal of the Chief Executive. Additional meetings are required to approve the Business Plan, budgets and Annual Report.

The Audit and Risk Group consists of not less than three Commissioners, with a quorum of two. The Chairman of the Commission cannot be a member of this group. Membership includes representation by a Commissioner who is also a member of the Strategic Management Group. The Chief Executive, the Executive Director and the Assistant Director with responsibility for Finance and a representative from Internal and External Audit ordinarily attend meetings. In accordance with best practice, the group normally meets four times each year. Its purpose is to support the directors in discharging their responsibilities in relation to issues of risk, control and governance, and of associated assurances. It also provides assurance back to the Commission in the form of an Audit and Risk Group Annual Report.

The Research Group, consists of not less than five Commissioners. The quorum for meetings is three Commissioners. The group meets as appropriate to support the cycle of business, but at least once a year. The Chairman may attend meetings in an ex-officio capacity. This group was set up to agree the research strategy to best support the UKCES's wider goals and objectives.

The Objective Delivery Groups comprise the Individual Commissioners who were appointed to take the lead on each one of the four UKCES objectives. These Commissioners are supported by a team of Commissioners who contribute towards the development and delivery of that objective.

Objective Delivery Group 1 – The role of this Group is to oversee leading the debate with industry to drive better outcomes for skills, jobs and growth. It is responsible for challenging and scrutinising performance within that Objective and making recommendations to the UK Commission in respect of its strategy pertaining to Objective 1.

Objective Delivery Group 2 – The role of this Group is to oversee the delivery of the work with industrial partnerships and wider networks to push forward employer ownership of skills. It is responsible for challenging and scrutinising performance within that Objective and making recommendations to the UK Commission in respect of its strategy pertaining to Objective 2.

Reporting into Objective Delivery Group 2 is the **Investment Sub Board** which consists of not less than five Commissioners and the Chief Executive, with a quorum of three. The Chairman may attend appropriate meetings in an ex-officio capacity. The group meets, as appropriate, to support the monitoring of our EIF, GIF and ELP investments, normally quarterly. Its duties are to make and approve investment decisions on behalf of UKCES in

accordance with allocated funding, to approve variations to expenditure above £100,000 on a single agreement which has previously been agreed, to monitor delivery and impact of the decisions made, to identify effective practice and lessons learned and advise on wider issues relating to employer investment in skills, to ensure the overall governance and decision-making arrangements for investments are aligned and robust and to make urgent decisions referred to it in respect of any such other business or operational matter as required. This group was disbanded at the end of 2014/15 in the light of the reduced number of EIF and GIF funding contracts.

Objective Delivery Group 3 – The role of this Group is to oversee the testing out of employer-led innovation to address persistent skills challenges. It is responsible for challenging and scrutinising performance within that Objective and making recommendations to the UK Commission in respect of its strategy pertaining to Objective 3. It has delegated authority to make investment decisions and variations on behalf of the Commission in accordance with allocated funding, to monitor delivery and impact of the decisions made. To ensure that the programme continuously learns about effectiveness and what works. To advise Commissioners on how the Programme can be used to maximise their contribution to the Commission's overall aims and to delivering informed policy and practice insights.

Objective Delivery Group 4 consists of not less than five Commissioners. The Chief Executive, members of the Executive Leadership Team or other staff attend or provide information as directed. The quorum for meetings is three. The Chairman may attend meetings in an ex-officio capacity. The group meets as appropriate to support the cycle of business, but at least once a year. This new group was set up in 2014. Its purpose is to drive, lead and oversee the objective of helping businesses realise the potential of their people through Investors in People; and to agree the Investors in People strategy continuing to ensure that it supports the wider goals and objectives of UKCES.

The 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.

Board Performance and Effectiveness

During 2014-15:

- The Commission met three times and achieved 70% group attendance
- The Strategic Management Group met five times and achieved 75% group attendance
- The Audit and Risk Group met four times and achieved 74% group attendance
- The Investment Sub Group met four times and achieved 70% group attendance
- The Research Group met four times and achieved 54% attendance
- Objective Delivery Group 1 met five times and achieved 48% attendance in addition to 1:1 engagement with Commissioner leads
- Objective Delivery Group 2 met three times and achieved 58% attendance
- Objective Delivery Group 3 met seven times and achieved 69% attendance
- Objective Delivery Group 4 met five times and achieved 58% attendance

During the year the Audit and Risk Group monitored and reviewed a programme of internal audit reviews and reviewed and approved an updated risk policy and process. The group undertook a tender process to appoint new internal auditors, provided an annual Audit and Risk Group report on their work undertaken during the year, as well as providing assurance to the Strategic Management Group in relation to the Annual Report and Accounts.

The Strategic Management Group had oversight of the performance & operations of the business through reviews and challenge of the quarterly performance management reports; governance processes, including progress and preparation for stage one and two of the Triennial Review; Commissioner recruitment and re-appointments; staff survey results; procurement approvals; pay and bonus award; resourcing and strategic risks; as well as approving the Annual Report and Accounts and the business plan on behalf of the Commission.

The Investment Sub Board focused on the approval of five Employer Leadership Programme projects, reviewing performance of the existing portfolio through quarterly investment management reports, encouraging the

development of sustainability strategies with delivery partners, reviewing performance data, establishing an appropriate evaluation programme and maintaining oversight of progress with the Employer Ownership Pilots including the Commission's work in establishing industrial partnerships.

Over the past 12 months Objective Delivery Group 4 has been working on leading and championing the redesign of the Investors in People Framework which includes introducing benchmarking, designing a survey and moving towards measuring how embedded people practices are through a maturity index. The framework has been designed around nine high performance working people practices that contribute towards supporting businesses achieve their ambition. Commissioners have also been responsible for scrutinising the performance of the delivery network to ensure the IIP brand values are maintained.

The Research Group has focussed on setting the research strategy for the organisation as a whole and oversees the management of the research work programme to ensure that it supports the wider goals of the Commission and makes an impact.

Last year, in accordance with good practice, Commissioners met for their annual session without the Executive to consider the effectiveness of UKCES. The Chairman fed back to the Chief Executive on the outcome of these discussions. In accordance with good practice, the Commission carries out an independent Board Effectiveness Review every three years to establish whether Commissioners are engaged, informed and supported. The last review was carried out in 2013. Each governance group also looks at its own effectiveness on an annual basis.

14 Commissioners came to the end of a term of office in May, June or July 2014. In its role as Nominations Committee the Strategic Management Group had carried out a detailed piece of work that resulted in recommendations to the Secretary of State about the re-appointment or otherwise of these Commissioners.

Due to administrative difficulties within government departments the re-appointment letters were not prepared prior to the terms of office expiring. To ensure proper governance, and, in each case, following a short period to allow for the administrative difficulties to be resolved, these Commissioners were removed from the Companies House Register as Directors.

This matter was subsequently resolved in December when re-appointment letters were issued for the 11 Commissioners who were recommended for re-appointment. The letters were backdated to the date the term expired which resulted in there being no break in the term of office as a Commissioner; during the intervening period the affected members were invited to attend Commissioner governance group meetings but without voting rights or counting toward quorum.

Over the last year the organisation has continued to develop and enhance its information and performance reporting to meet the needs of the governance groups both in terms of timeliness, data quality and presentation.

The corporate governance of the organisation was carried out in compliance with the Corporate Governance Code.

How the Organisation Manages and Assesses its Risks

UKCES, with the support of the Strategic Management Group, leads effective risk management by agreeing the organisation's direction, focus and risk appetite. This is designed to encourage appropriate, well-managed risk taking to maximise the effectiveness and impact of the organisation and make the most of opportunities to deliver greater benefits.

The risk management approach is defined and embedded via a formal Risk Management Policy and Process Guide which defines the risk appetite and how the risks are assessed in terms of impact and likelihood. The appetite is designed to identify and prioritise the risks to the achievement of UKCES's 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 policy was reviewed and updated in 2014 and was reviewed and approved by both ARG and SMG

The risk management process supports an overall Strategic Risk Register, along with Operational Risk Registers.

UKCES has delegated the oversight of the organisation's risks to:

- The Strategic Management Group, which has responsibility for overseeing, on a quarterly basis, the management of risks within the strategic risk register; escalated business plan outcome/asset risks from the

operational risk registers; and for proposing any changes to the Risk Management Policy.

- The Audit and Risk Group, which provides assurance over controls and management of the system of risk management. The Audit and Risk Group takes 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. The Audit and Risk Group has formal responsibility for approving any changes to the Risk Policy and process.

Significant Risks in 2014-15 and Mitigating Actions

The most significant risks that UKCES faced in the year were in the following areas:

- Industrial partnerships have a crucial role to play in galvanising employer led action on skills. In the early months of 2014/15, UKCES managed the risk of a suboptimal implementation of the industrial partnership concept. Recognising the complexity of the collaborative arrangements in place to establish the partnerships and the dangers of all partners not sharing a common view of what success looked like, UKCES strived to mitigate this risk through constructive relationships with BIS and SFA and through strong Commissioner leadership. In the latter half of the year, with good progress made on contracting, the risk largely refocused on the risk that employers fail to deliver the promise of leadership set out in their original proposals and that industrial partnerships do not become recognised as part of the skills landscape. High level relationship management and early assessment and monitoring of progress were the key strategies UKCES employed to mitigate this risk.
- At the outset of 2014/15, UKCES recognised that its ability to lead the debate with industry to drive better outcomes for skills, jobs and growth could be compromised if it did not deliver a compelling call for action that secured sufficient stakeholder backing. The controls put in place – through ensuring that any proposals had a strong evidence base and actively engaging stakeholders in its development – contributed to the publication of a statement (*Growth Through People*) in November 2014 that was co-signed by the CBI and TUC and which received strong support from key stakeholders. Following this, the essence of the risk changed to a risk that the UKCES fails to capitalise on the momentum and consensus achieved around the five priorities for action in *Growth through People*. UKCES tried to mitigate this risk by planning to take forward a range of activities under the five priorities, including further analysis, publication of position papers, communication of the evidence base and further stakeholder engagement to ensure buy-in and further traction for our ideas. The aim of these activities was to build on the positive publicity achieved to seek opportunities to further communicate our messages.
- Our 2014/15 Business Plan emphasised that the approach to our work would be Commissioner-led and focused on impact. There was a risk that the profile of UKCES would not be sufficiently high or valued to be an effective platform for Commissioners to reach out to industry and influence behaviour. The importance of the organisation's reputation, credibility and authority was conceived both as a risk but also as an opportunity to make a difference to skills investment behaviour. Action taken to both control the risk and capitalise on the opportunity included using Commissioners, Commissioner networks, and partners, such as industrial partnerships, to get our message out and deploying a targeted approach to communications. As a result UKCES reduced this risk in the latter half of the year, as we received more assurance that communication activities were making an impact, evidenced in social media campaigns, engagement with stories at a regional level and on website visits.
- In 2014/15, BIS led its Triennial Review of UKCES, as part of the government's commitment to review public bodies every 3 years and, alongside it, a Strategic Review of the organisation. Through the earlier part of the year, there was an acknowledgement of the risk that UKCES would not receive a timely outcome from the Reviews that were aligned to Commissioners' expectations. This would have caused uncertainty and challenged the organisation's ability to plan. UKCES sought to control this risk through proactive engagement and consultation with stakeholders and utilisation of Commissioners to facilitate a UK-wide representation of views. As the year progressed and findings of the Reviews started to emerge, UKCES focused in on the specific risk posed by the organisation being unable to reach agreement with government departments on a future IIP ownership model in a timely manner. UKCES endeavoured to mitigate this risk by holding discussions with partners to seek consensus and clarity, to inform future planning.

- Given that UKCES is a UK-wide body with multiple government sponsors including the Devolved Administrations, and that the policy in relation to skills is devolved, there was significant potential for conflicting or divergent policy interests across the UK governments relating to UKCES. This would have resulted in the loss of momentum on UKCES' vision of greater employer ownership of skills and a loss of opportunity for UKCES to add value in each of the four home nations. Whilst this was not a risk UKCES could fully control UKCES attempted to mitigate this by maintaining dialogue with the relevant government departments and the Devolved Administrations to try and ensure that the divergence was minimised. Following the outcome of the Triennial Review Stage 1 and increased consensus on Occupational Standards, this risk decreased, but UKCES will continue to closely monitor this situation.

Data Security

All data is held centrally on a server and any held on laptop hard drives is encrypted and adequately protected with Bcrypt (level 3 security encryption endorsed by CESG). There have been no significant lapses of data security during the last year.

Transparency

UKCES has followed the Cabinet Office data publishing requirements in relation to the Government's data transparency agenda and has gained assurance that activities and controls in this area are operating sufficiently effectively as part of the internal audit reviews carried out in the year.

Tax Compliance

During the year BIS initiated a tax policy to ensure that all BIS partner organisations that have off-payroll appointees are compliant in relation to the payment of tax. UKCES has reviewed those individuals who could fall under this definition and sought and received appropriate assurance. These arrangements have also been reviewed by Internal Audit in 2013-14 and no issues were identified.

Review of effectiveness

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

This review is informed by the work of the Executive Team 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;
- comments made by the external auditors in their management letter ; and
- other reports where relevant.

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

- the outcome of a programme of 7 internal audit reviews undertaken in the year;
- annual external audit feedback;
- the Security Risk Management Overview Annual Report;
- an Assurance Matrix showing what assurance, including the outcome of investment audit reports and internal audit reports, has been shared with which Commissioner Groups and when; and
- relevant feedback from the Executive team particularly in relation to stakeholder and sponsor feedback on UKCES.

The internal audit opinion was that sufficient internal audit work has been undertaken to allow them to draw a reasonable conclusion as to the adequacy and effectiveness of UKCES's risk management, governance and control

processes.

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 provides an annual report to the Commission on internal controls, governance, and risk management approach and assurances.

There have been no significant governance or internal control issues raised during the financial year, nor has there been any material financial loss reported. Further assurance on internal control was obtained in a report undertaken by Deloitte on behalf of BIS in 2012-13. An internal audit review on managing the risk of financial loss was also undertaken in 2012. No significant gaps in our controls were identified.

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 regard 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 Skills' business has been conducted in accordance with Managing Public Money.



M Davis
Chief Executive



23 June 2015
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

I certify that I have audited the financial statements of the UK Commission for Employment and Skills for the year ended 31 March 2015 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 Equity 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 Chief Executive 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the 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 2015 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.

Sir Amyas C E Morse
Comptroller and Auditor General

24 June 2015

Date

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Registered Company number 6425800

Statement of Comprehensive Net Expenditure

	Note	For the year ended 31 March 2015		For the year ended 31 March 2014	
		£000's	£000's	£000's	£000's
Expenditure					
Partner Programme funding	4	21,458		47,795	
Direct Programme Spend	5	9,821		7,402	
Admin pay costs	6	4,129		3,609	
Non-pay Admin costs	7	1,921		2,904	
Depreciation and amortisation	8	234		316	
			(37,563)		(62,026)
Income					
Other grants and income	2		847		422
Net expenditure			(36,716)		(61,604)
Net expenditure after Interest and taxation			(36,716)		(61,604)

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.

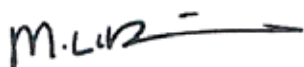
Registered Company number 6425800

Statement of Financial Position

	Note	As at 31 March 2015		As at 31 March 2014	
		£000's	£000's	£000's	£000's
Non-current assets					
Property, plant and equipment	8	132		239	
Intangible assets	8	198		186	
Total non-current assets			330		425
Current assets					
Stock	9	16		0	
Trade and other receivables	10	338		142	
Cash and cash equivalents		11		256	
Total current assets			365		398
Total assets			695		823
Current liabilities					
Trade and other payables	11	(10,453)		(7,866)	
Total current liabilities			(10,453)		(7,866)
Assets less liabilities			(9,758)		(7,043)
General reserves			(9,758)		(7,043)

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 19 June 2015.



M Davis
Chief Executive

23 June 2015
Date

Registered Company number 6425800

Statement of Cash flows

		For the year ended 31 March 2015	For the year ended 31 March 2014		
	Note	£000's	£000's	£000's	£000's
Net cash outflow from operating activities					
Cashflows from operating activities			(36,716)		(61,604)
Net expenditure					
Adjustment for non-cash transactions	8	234		417	
(Increase) / Decrease in stock	9	(3)		0	
(Increase) / Decrease in trade and other receivables	10	(196)		341	
(Increase) / Decrease in trade and other payables	11	2,587		40	
			2,622		798
Cash generated from operations			(34,094)		(60,806)
Cashflows from investing activities					
Purchase of tangible fixed assets	8	(23)		(93)	
Purchase of intangible assets	8	(116)		(134)	
Net cash outflow from capital expenditure			(139)		(227)
Cashflows from financing activities					
Receipt of Grant-In-Aid funding	3		33,988		60,199
Increase/(decrease) in cash and cash equivalents			(245)		(834)
Cash and cash equivalents at the beginning of the period			256		1,090
Cash and cash equivalents at the end of the period			11		256

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

Registered Company number 6425800

Statement of Changes in Taxpayers' Equity

	Note	For the year ended 31 March 2015		For the year ended 31 March 2014	
		£000's	General reserves £000's	£000's	General reserves £000's
At start of period			(7,043)		(5,638)
Changes in reserves in the period					
Net expenditure after interest and taxation		(36,716)		(61,604)	
Total recognised income and expense in the period			(36,716)		(61,604)
Grant-In-Aid financing	3		33,988		60,199
Stock valuation			13		0
Total current liabilities			(9,758)		(7,043)

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 UKCES is an Executive 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 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.

Going concern

The accounts have been prepared on the going concern basis, which assumes that UKCES's activities will continue in operational existence for the foreseeable future. The validity of this assumption is dependent upon the continuation of support from UKCES's funder and in response to the progress made 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 2015-16, the Directors are comfortable that it will have sufficient cash to pay its liabilities as they fall due.

Segmental reporting

UKCES's expenditure is analysed, at the highest level of reporting, by segments which align with the categories of expenditure shown in the Grant-in-Aid letter. The expenditure budget is ring-fenced between spending on the costs of running the organisation and the costs of delivering its programmes of work.

Grant-in-Aid and Income

The element of Grant-In-Aid to fund revenue expenditure is received by UKCES 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.

The main source of income is generated from the Investors in People Delivery Centres and Investors in People merchandise. UKCES 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

1. Accounting Policies (continued)

to UKCES 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

UKCES 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 Partners for which the delivery partners are charged a fee in return for the right to use the Investors in People intellectual property.

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 UKCES 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.

Value Added Tax

UKCES became registered for VAT in April 2010 as a direct consequence of the transfer of the Investors in People business into the organisation. UKCES recovers VAT on its business activities but not on its non-business activities.

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

Intangible assets

Intangible assets are stated at the amortised historic cost as a proxy for fair value and are reviewed annually for impairment.

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.

Subsequent development 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 costs are charged to the Statement of

1. Accounting Policies (continued)

Comprehensive Net Expenditure during the financial period in which they are incurred.

Software licences are amortised on a straight-line basis over the shorter of the licence and the useful economic life of three years. Software development costs are not depreciated until the software has gone live.

Property, Plant and Equipment

In accordance with the FReM, UKCES has opted to value property, plant and equipment on a depreciated historical cost basis, as a proxy for fair value. This method of valuation has been chosen because the organisation has a large number of relatively small-value items, with short useful lives.

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.

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 UKCES 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.

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:

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.

Inventories

Inventories are valued at the lower of cost or net realisable value in line with IAS 2. The inventories held relate to Investors in People merchandise.

Impairment of non-current assets

The carrying value of UKCES's assets is reviewed each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated in accordance with IAS 36.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit is less than the recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Net Expenditure.

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 6. The defined benefit element of the scheme is unfunded and is non-contributory. UKCES 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.

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

Financial instruments

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

1. Accounting Policies (continued)

Financial assets

Financial assets held by UKCES 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.

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

Prepayments and other receivables held as at 31 March 2015 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 UKCES 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.

The cash balances are all held in Government Banking Service accounts.

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.

Financial liabilities

Financial liabilities held by UKCES 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. UKCES's financial liabilities comprise trade payables, other payables, accruals and deferred income.

All financial liabilities held by UKCES as at 31 March 2015 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.

1. Accounting Policies (continued)

De-recognition of financial liabilities

UKCES derecognises financial liabilities when, and only when, UKCES'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 2015.

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 following areas:

- 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

Any new standards will not be adopted as they will not have an expected material impact on the financial statements of UKCES.

General Reserves

Clause 4 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, official 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.

Liabilities of members

Under Clause 5 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.

2. Other grants and income

	For the year ended 31 March 2015 (£000's)	For the year ended 31 March 2014 (£000's)
liP Licence Income	693	322
Other	154	100
	847	422

3. Grant-In-Aid

	For the year ended 31 March 2015 (£000's)	For the year ended 31 March 2014 (£000's)
Grant-In-Aid received:		
From BIS on behalf of government co-sponsors	33,988	60,199
	33,988	60,199

4. Partner Programme Funding

	For the year ended 31 March 2015 (£000's)	For the year ended 31 March 2014 (£000's)
2.1 Standards and Frameworks delivery funding	3,060	4,339
2.3 Employer Investment Fund	1,454	28,721
2.3 Growth and Innovation Fund	12,568	14,735
2.3 Employer Leadership Programme Funding	2,909	-
3.1 Futures Programme Funding	1,467	-
Total	21,458	47,795

5. Direct Programme Spend

	For the year ended 31 March 2015 (£000's)	For the year ended 31 March 2014 (£000's)
1.1 Commissioner Insights	536	406
1.2 Core Research Products	3,364	3,928
2.1 Occupational Standards	367	69
2.2 Industrial Partnerships	43	-
2.3 Investment funds	456	249
3.1 Futures Fund	279	-
4.1 Investors In People	2,619	1,082
Frontline delivery staff costs (Research staff and core Investors In People staff)	2,157	1,668
Total	9,821	7,402

6. Admin Pay Costs

	For the year ended 31 March 2015 (£000's)	For the year ended 31 March 2014 (£000's)
Salaries ¹	4,763	3,883
Social security costs ¹	404	325
Other pension costs ¹	843	700
Inward secondees and temporary staff	25	191
Less frontline delivery staff costs allocated to programme	(1,906)	(1,490)
Total	4,129	3,609

6. Admin Pay Costs (continued)

¹ Included in the 2014-15 salaries figure is the £528k cost of the Voluntary Exits that were agreed at the end of 2014-15. The associated social security costs of £18k and pension costs of £29k have also been included. There were no such costs in 2013/14.

Average number of employees during the year were as follows:

	For the year ended 31 March 2015 (FTEs)	For the year ended 31 March 2014 (FTEs)
Company Directors (Chief Executive)	1.0	1.0
Permanent Staff ¹	86.1	77.0
Fixed Term Staff with terms of less than 2 years ²	7.6	5.4
Apprentices, graduate interns and trainees ³	18.3	20.3
Agency Staff	0.7	1.9
Staff Seconded Out	0.0	(0.2)
Total	113.7	105.4

¹ Excludes apprentices.

² Excludes graduates.

³ Apprentices are employed on permanent contracts, whilst graduate interns are employed on 9 month terms, and graduate trainees are employed on fixed terms of between 1 and 2 years.

Pension contributions

Principal Civil Service Pension Scheme (PCSPS)

Staff are registered under the 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. For 2014-15 employers contributions of £827k were payable to the PCSPS (2013-14: £691k) at one of four rates in the range of 16.7% to 24.3% (2013-14: 16.7% to 24.3%) of pensionable pay, based on salary bands.

Further information can be obtained from www.civilservicepensionscheme.org.uk.

Partnership Pension Account

Employees can opt to open a partnership account, a stakeholder pension with an employer contribution. The employer contributions are age related and range from 3% to 12.5% (2013-14: 3% to 12.5%) of pensionable pay. In addition the employer matches any employee contributions up to 3% of pensionable pay.

Total contributions to the scheme in the year were £16k (2013-14: £9k).

Civil Service and Other Compensation Schemes

Exit package cost £000's	Number of staff for the year ended 31 March 2015	Number of staff for the year ended 31 March 2014
0-10	-	-
10-25	-	-
25-50	9	-
50-100	4	-
100-150	-	-
150-200	-	-
Total	13	-

6. Admin Pay Costs (continued)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for at the point when the exit has been agreed by both UKCES and the member of staff. As at 31 March 2015, there were 13 staff exits agreed but with exit dates in 2015-16. The total costs of the exit packages agreed in 14-15 were £575k (2013-14: £NIL).

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

7. Non-Pay Admin Costs

	For the year ended 31 March 2015 (£000's)	For the year ended 31 March 2014 (£000's)
Staff Development & Other Staff Costs	247	186
Travel & Subsistence	588	626
Meetings, Conferences & Events	103	117
Printing, Stationery & Advertising	26	49
Equipment & Systems	223	249
Communication Charges	125	144
Professional & Recruitment Fees ¹	364	1,121
Accommodation & Facilities	494	485
Fixed assets written off	-	102
Financing & Bank Charges	2	2
Less frontline delivery staff overheads charged to programme	(251)	(177)
Total	1,921	2,904
Of which the following items are included;		
Auditors remuneration – external audit	36	36
Operating lease rentals – buildings ²	293	292
Operating lease rentals – other	37	9
Total	366	337

¹ The 2013-14 charge is £701k higher than 2014-15 as a result of costs of outsourced grant assessment activity incurred by UKCES in supporting the Employer Ownership Pilots bid assessments.

8. Non-current assets

Property, plant and equipment

For the year ended 31 March 2015

	Information Technology £000's	Furniture and Fittings £000's	Leasehold Improvements £000's	Total £000's
Cost				
At 1 April 2014	1,030	3	23	1,056
Additions	23	-	-	23
Assets written off	-	-	-	-
At 31 March 2015	1,053	3	23	1,079
Depreciation				
At 1 April 2014	811	1	5	817
Charge for the year	125	-	5	130
Eliminated on assets write off	-	-	-	-
At 31 March 2015	936	1	10	947
Net book amount				
At 31 March 2015	117	2	13	132

For the year ended 31 March 2014

	Information Technology £000's	Furniture and Fittings £000's	Leasehold Improvements £000's	Total £000's
Cost				
At 1 April 2013	1,071	12	23	1,106
Additions	93	-	-	93
Assets written off	(134)	(9)	-	(143)
At 31 March 2014	1,030	3	23	1,056
Depreciation				
At 1 April 2013	708	11	-	719
Charge for the year	154	-	5	159
Eliminated on assets write off	(51)	(10)	-	(61)
At 31 March 2014	811	1	5	817
Net book amount				
At 31 March 2014	219	2	18	239

8. Non-current assets (continued)

Intangible Assets

For the year ended 31 March 2015

	Software under development £000's	Software £000's	Total £000's
Cost			
At 1 April 2014	53	537	590
Additions	89	27	116
Transfer	(142)	142	-
At 31 March 2015	-	706	706
Amortisation			
At 1 April 2014	-	404	404
Provided in the year	25	79	104
Transfer	(25)	25	-
At 31 March 2015	-	508	508
Closing net book amount at 31 March 2015	-	198	198

For the year ended 31 March 2014

	Software under development £000's	Software £000's	Total £000's
Cost			
At 1 April 2013	20	486	506
Additions	53	81	134
Assets written off	(20)	(30)	(50)
At 31 March 2014	53	537	590
Amortisation			
At 1 April 2013	-	279	279
Provided in the year	-	157	157
Eliminated on Assets write off	-	(32)	(32)
At 31 March 2014	-	404	404
Closing net book amount at 31 March 2014	53	133	186

9. Inventories

	At 31 March 2015 £000's	At 31 March 2014 £000's
Stock valuation as at 1st February 2015	13	-
Stock movement	3	-
Total	16	-

10. Trade and other receivables

	At 31 March 2015 £000's	At 31 March 2014 £000's
Prepayments & accrued income	91	86
Trade receivables	86	23
VAT	161	33
Total	338	142
Of which		
Balances With central Government	161	33
Balances with Other Government Bodies	6	11
Balances with bodies external to Government	171	98
Total	338	142

11. Trade and other payables

	At 31 March 2015 £000's	At 31 March 2014 £000's
Trade payables	1,743	198
Grant funded related accruals	5,892	6,329
Untaken leave	85	71
Bonus accrual	55	55
Voluntary exit cost accrual	575	-
Other Accruals & Deferred Income	2,103	1,213
Total	10,453	7,866
Of which		
Owing to central Government	187	-
Owing to Other Government Bodies	222	243
Owing to bodies external to Government	10,044	7,623
Total	10,453	7,866

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade payables is 8.3 days (2013-14: 7.2). The UK Commission has financial 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 2015.

12. Contingent liabilities disclosed under IAS 37

The company had no contingent liabilities at 31 March 2015 or 31 March 2014.

13. Financial instruments

As the cash requirements of UKCES are met through Grant-in-Aid provided by BIS, Financial instruments play a more limited role in creating and managing risk than would apply to a non-public body. The majority of financial instruments relate to contracts to buy non-financial items in line with the UKCES's expected purchase and usage requirements and the UKCES is therefore exposed to little credit, liquidity or market risk.

14. Capital commitments

There has been no capital expenditure committed and contracted as at 31 March 2015 (31 March 2014: £65k).

15. Insurance

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

16. Commitments under leases

Operating lease payments amounting to £329k (2013-14: £292k) 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 ¹ 2015 £000's	Other 2015 £000's	Buildings ¹ 2014 £000's	Other 2014 £000's
In one year or less	293	14	292	9
Between two and five years	266	0	363	1
Greater than five years	-	-	-	-
Total	559	14	655	10

¹The operating leases relate to the Memorandum of Terms of Occupation (MOTO) agreements in relation to the rental of the Wath Office located at Renaissance House, Adwick Park in Wath-upon-Deerne and the rental for the London office space in Sanctuary Buildings, London. Both Renaissance House and Sanctuary Buildings MOTO agreements form part of the Civil Estate Occupancy Agreement for Crown Bodies (CEOA).

The MOTO for Renaissance House runs to 16 December 2017 and can be terminated by the UKCES with effect from 1st April 2015, upon serving 12 month's notice. The MOTO for Sanctuary Buildings runs to 27th September 2017 with both parties having the option to terminate the agreement on 1st October 2015 by serving 12 month's

17. Losses and special payments

	For the 12 months to 31 March 2015 (£000's)	For the 12 months to 31 March 2014 (£000's)
Losses and special payments total value:	1	-
Transactions included in the figure above exceeding £1,000:	-	-

18. Transactions with related parties

UKCES is a NDPB funded by BIS and is regarded as a related party. Funding for the current year comprised Grant-In-Aid (£33,988k).

In addition the Wath Office located at Renaissance House is rented by way of separate Memorandum of Terms of Occupation (MOTO) agreements with BIS. During the year UKCES made total rental payments for the year including rates and service charges amounted to £186k. Details of this rental arrangement is on Note 15 Commitments under leases.

During the year UKCES 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 UKCES. All were arm's length transactions carried out in the normal course of business, were competitively let and were administered in accordance with UKCES's conflict of interest policy. The involvement of Commissioners for each relationship is noted against each party where relevant.

For the year ended 31 March 2015

Director ¹	UKCES Role/ Relationship	Related Organisation Role/ Relationship	Related Organisation	Transaction	Value included in accounts £000's	Amount yet to be paid at 31 March 2015 £000's
David Fairhurst	Director	Non-Executive Chairman	People 1st	Employer Investment Fund and Growth and Innovation Fund	678	263
John Cridland CBE	Director	Director	Business in the Community	Growth Innovation Fund	1,512	497
James Wates CBE	Director	Chairman	CITB - Construction Skills ²	Universal Services	712	9
Michael Davis	Chief Executive	Board Member of Advisory Board	Skills Funding Agency ²	Funding Contribution for Skills Show	-	90
Barbara Spicer CBE	Director	Interim Chief Executive (left September 2014)				
Dr Deirdre Hughes OBE	Director	Associate Fellow	Institute of Employment Research, University of Warwick	LMI for All support and other research activity	320	242
Nigel Whitehead CBE, FREng	Director	Chairman	Whitehall Industry Group	Annual Membership 2014-15	6	6
Simon Perryman	Executive Director	Non-Executive Director	Engineering Development Trust	Employer Leadership Programme	584	180

¹The relevant directors are excluded from any Commission decisions affecting spend with any party where they have a related party interest.

² There is a related party relationship as a government body as well as in relation to having common directorship.

19. 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.

Legal and admin details

Company registration number: 06425800

Registered office: Renaissance House, Adwick Park, Wath-upon-Deerne, South Yorkshire S63 5NB

Company Secretary: Sarah Beal was appointed as Company Secretary on 17th April 2015.

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 is available at the company's registered office.

Directors

The directors in office during the year are listed below:

Name	Date of appointment	Date left
Executive Directors		
Michael Davis	03/01/11	
Sir Charlie Mayfield	16/11/10	
Non-Executive Directors		
David Prentis	01/04/08	
Dr Bill McGinnis CBE, DL	01/10/08	31/03/15
Grahame Smith	01/04/08	
Jeremy Anderson CBE	01/04/08	
Julie Kenny CBE, DL	01/04/08	
Liz Sayce OBE	01/04/08	
Lord Victor Adebawale CBE	01/04/08	10/06/14
Valerie Todd CBE	01/04/08	
James Wates CBE	01/04/09	31/03/15
Nigel Whitehead CBE, FREng	01/04/09	
Lucy Adams	17/05/11	16/05/14
Professor John Coyne	17/05/11	
John Cridland CBE	17/05/11	
Sean Taggart	17/05/11	
David Fairhurst	21/07/11	14/05/15
Dr Deirdre Hughes OBE	21/07/11	
Tony Lau-Walker CBE	21/07/11	11/07/14
Seyi Obakin	21/07/11	
Paul McKelvie OBE	01/04/12	
Scott Waddington	01/04/12	
Gail Cartmail	01/05/12	
Toby Peyton-Jones	01/05/12	
Scott Johnson	01/05/12	
Frances O'Grady	22/01/13	
Barbara Spicer CBE	02/09/13	
Douglas McCormick	02/09/13	
Dame Fiona Kendrick	02/09/13	
Iqbal Wahhab OBE	02/09/13	12/08/14
Will Butler-Adams OBE	02/09/13	
Mark Huddleston	01/05/15	

Commissioner Biographies



Sir Charlie Mayfield

Chairman

Charlie Mayfield was appointed as UKCES Chairman in November 2010 and received a knighthood in June 2013 for services to business. Sir 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. Sir 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.

Sir 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 UKCES. He previously held the position of Director of Strategy and Performance.

Before joining UKCES, Michael was the Managing Director of CFE Research. 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., a manufacturer of lighting control systems for the photo and video industry, and Chairman of Leicester College.

Michael holds a BA (Hons) in Economics from Lancaster University.



Barbara Spicer CBE

Chief Executive, Plus Dane

Barbara Spicer is Chief Executive of Plus Dane - a housing association working across Merseyside and Cheshire.

Barbara worked previously as Chief Executive of the Skills Funding Agency and was Chief Executive of Salford City Council for eight years where she led key developments, including the bid to relocate the BBC to Salford Quays at MediaCity UK.

Her belief is that there are two things that are critical to the well-being of individuals: a real job and a decent home; Barbara has spent her career focused on trying to deliver those things for, and with, people who sometimes find it hard to deliver them for themselves.



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, and was a Commissioner at the UK Commission for Employment and Skills until his term came to an end on 31 March 2015. He was previously Chair of the McAvoy Group Limited (off-site building solutions), having been appointed in 2000, and is now a non-executive director of Cunningham Covers Ltd, Maghera.

Bill has been a board member for a number of public and private organisations including Invest Northern Ireland, the National Employment Panel and the Sector Skills Development Agency. He was awarded an OBE in 1997 and a CBE in the 2004 for his services to Northern Ireland industry.



Dave Prentis

General Secretary, UNISON

Dave Prentis has been general secretary of UNISON since January 2001.

He is a passionate advocate for public services and public service workers. Dave has been instrumental in driving UNISON's equality agenda and an unrelenting force in its campaigns of opposition to racism, the far right and the BNP. Under his leadership, the union has continued to grow in membership and influence.

His sense of fair play, compassion, and his strong work ethic, were honed in the streets of Leeds where he was born and brought up. He studied history at the University of London and mastered in industrial relations at the University of Warwick.

Dave is a member of the TUC General Council and its executive committee.

He is a visiting fellow of Nuffield College, Oxford and President of Public Services International – the umbrella body for public sector trade unions across the world.



David Fairhurst

Chief People Officer, McDonald's Europe

David joined McDonald's in 2005 and currently has responsibility for the people practices for more than 22,000 restaurants employing over 1.2m people in Europe, Asia-Pacific, Middle East, Africa, and Latin America.

He is a Chartered Companion of the CIPD, chairman of People 1st, and a Fellow of Lancaster University Management School. David has also been awarded honorary doctorates in Business Administration by Manchester Metropolitan University and Middlesex University.

For four consecutive years between 2008 and 2011 he was voted the UK's 'Most Influential Practitioner' by HR Magazine and in September 2012 he was awarded their lifetime achievement award.

David resigned as a Commissioner on 14 May 2015



Dr Deirdre Hughes OBE

Chair of the National Council for Careers

Dr Deirdre Hughes specialises in careers, employment and skills' policies, research and practice. Her work covers all sectors of career education and guidance, including schools, colleges, universities, public employment services, vocational training and social inclusion. She is an Associate Fellow at Warwick University's Institute for Employment Research (IER) working with various UK, European and international organisations. She is Chair of the Promotions Senior Advisory Body DfE/CfBT 'Core Maths Support Programme for post-16 students in England'. She previously chaired the National Careers Council in England (2012-2014).

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



Douglas McCormick

CEO, Sweett Group

Douglas McCormick is CEO of Sweett Group, a global provider of professional services for the construction and management of building and infrastructure projects. He has over 30 years' experience in the construction industry with a background in quantity surveying and project management. Prior to Sweett Group, Douglas was Group Managing Director, Rail, Atkins (UK).

Douglas holds an MSc in Construction Management, a BSc in Quantity Surveying and is a Fellow of the Royal Institution of Chartered Surveyors. He is a Commissioner for the UK Commission for Employment and Skills, a non-executive Director of the Institute for Collaborative Working and sits on the Editorial Board of Rail Review Magazine.



Dame Fiona Kendrick

Chairman and Chief Executive, Nestlé UK & Ireland

Fiona Kendrick has been Chairman and CEO of Nestlé UK and Ireland since October 2012. She is the first woman to head the company, which has a turnover of £2.7bn and employs 8,000 people.

Fiona joined Nestlé UK in 1980 after starting her career in teaching. She held a number of senior commercial roles before becoming Managing Director of the UK Beverage Division in 2001. In 2008, Fiona joined Nestlé S.A. in Switzerland managing the global strategy for Beverage brands before taking up her current role.

Fiona became President of the Food & Drink Federation in Jan 2015 and was awarded DBE in the 2015 New Year's Honours.



Frances O'Grady

General Secretary, Trades Union Congress

Frances joined the TUC as Campaigns Officer in 1994, and went on to launch the TUC's Organising Academy in 1997. She headed the TUC's organisation department from 1999, reorganising local skills projects into unionlearn, which now helps a quarter of a million workers into learning every year.

As Deputy General Secretary, Frances led on industrial policy, the NHS and the Olympics agreement. She has served as a member of the Low Pay Commission, the High Pay Centre, and the Resolution Foundation's Commission on Living Standards. Frances was elected as TUC general secretary in 2012.

Frances was born in Oxford, has two adult children and lives in North London.



Gail Cartmail

Assistant General Secretary, Unite the Union

Gail's main role is to lead Unite the Union's construction, energy, finance and public service teams, campaigning for better terms and conditions for members in those sectors.

Before becoming the assistant general secretary for public services, she worked for the union in a range of other roles, including Head of Health and National Equalities Officer. Prior to this Gail worked in economic development and has occupational qualifications in the graphics sector.



Grahame Smith

General Secretary, Scottish Trades Union Congress

Grahame Smith was appointed as the Scottish TUC's General Secretary in December 2005. He joined the STUC in 1986 and became Deputy General Secretary in 1996. He led the creation of Scottish Union Learning, the STUC's union learning organisation and serves as a member of its Board. Grahame is a non-executive board member of Skills Development Scotland, Scottish Enterprise and the Scottish Government's Economy Board. He is a member of the Glasgow Regional Colleges Board and serves on a number of industry bodies related to the oil and gas sector.



James Wates CBE

Chairman, Wates Construction

After reading Estate Management at college James joined Wates Construction in 1983 as a management trainee, progressing through line management before joining the Wates Construction board in 1994. He was appointed to the Wates Group Board in 1997 and became Chairman in 2013.

He is Chairman of CITB, Chairman of UKCG, Chairman of BRE Trust, Past President of CIOB, and a Member of CBI.

James is Chairman of the Prince's Trust Built Environment Leadership Group, Vice Chairman of the Queen Elizabeth's Foundation, Governor of Emanuel School, Governor of University of Westminster and patron of the Wates Family Enterprise Trust. James was awarded a CBE in 2012 for services to construction and the charitable sector.

James's term as a Commissioner came to an end on 31 March 2015.



Jeremy Anderson CBE

Chairman, Global Financial Services KPMG LLP

As Chairman of KPMG's Global Financial Services practice Jeremy is engaged globally in dialogue with financial institutions, regulators and policymakers. This enables him to bring a wide and practical perspective to discussions on key financial, regulatory, operational and governance issues. Jeremy has spent 30 years working with the financial industry in an advisory capacity. He has worked extensively to help them execute global programs as they deal with the challenges of a fast changing global market.



Professor John Coyne

Vice Chancellor, University of Derby

Professor John Coyne has been Vice-Chancellor of the University of Derby since 2004.

He has led the University of Derby to more than a doubling of its size over the past 11 years and increased its profile nationally and regionally. The University has been shortlisted in recent years for 'University of the Year' and in 2010 won 'Leadership Team of the Year' at the Times Higher Education national awards.

As a UKCES Commissioner, John chaired the Employer Investment Fund. He is a director of Cfe Research and Consultancy Ltd, a company that specialises in the development of policy and application in the fields of enterprise, skills development, and the delivery of public services. He serves on many regional bodies including the Chamber of Commerce, the Derby Renaissance Board and the Derbyshire Economic Partnership. Enterprise Partnership.



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 is a Board member of Business in the Community and a UK Commissioner for Employment and Skills. 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 Council of Cranfield University and the Commission on Environmental Markets and Economic Performance.



Julie Kenny CBE DL

Chairman and Chief Executive, Pyronix Ltd

Julie Kenny founded Pyronix in 1986. Based in Rotherham, Pyronix manufactures an extensive portfolio of electronic security equipment for intruder alarms. Julie had a successful career as a litigation lawyer in local authority and private practice before founding the company.

For over 20 years Julie has been involved in serving business and local communities and currently holds several trustee or patron positions for organisations including appointment by Government as an Intervention Commissioner at Rotherham Council; Chair of Governors at Maltby Learning Trust; and Sheffield City Region LEP.

She was awarded a CBE in 2002 and an Honorary Doctorate from Sheffield Hallam University in 2006. She was High Sheriff of South Yorkshire from 2012-13. She has won many personal awards, most recently Private Businesswoman 2014.



Liz Sayce OBE

Chief Executive, Disability Rights UK

Liz Sayce is Chief Executive of Disability Rights UK and a member of the Committee of Healthwatch England. With a background in mental health and disability policy, previous roles include Director of Policy and Communications at the Disability Rights Commission and Policy Director of Mind.

She led an Independent Review into disability employment programmes for Government in 2011 and has published widely on mental health, disability and social participation. She undertook a Harkness Fellowship in the USA resulting in a book (*From Psychiatric Patient to Citizen*, 2000), was awarded an OBE in 2008 for services to disabled people and an honorary doctorate from the University of Kent in 2014.



Mark Huddleston

Managing Director of jheSOLUTIONS and King & Fowler UK, Northern Ireland Commissioner

Mark was appointed as the Northern Ireland Commissioner on 1st May 2015. Mark is a graduate from the Ulster University, with a degree in Manufacturing Engineering. He has held a variety of posts, both in engineering disciplines and management and leadership roles in the Aerospace, Automotive, Defence and Space sectors. He is currently the Managing Director of jheSOLUTIONS and King & Fowler UK. Mark has worked with the Department in other capacities, notably as a member of the Ministerial Advisory Group on the Review of Apprenticeships and the Ministerial Working Group on Advanced Manufacturing and Engineering Services.



Nigel Whitehead CBE

Group Managing Director, Programmes and Support, BAE Systems

Nigel was appointed Group Managing Director of Programmes and Support, one of three Global Operating Groups in BAE Systems, in 2008. He has responsibility for UK Businesses including Maritime, Military Air & Information, Combat Vehicles (UK), UK Munitions and the Group's Shared Services operations. These businesses deliver over £6bn turnover predominantly in UK defence but also in international markets.

He undertakes a number of additional roles, including: Commissioner, UK Commission for Employment and Skills; Chairman, WIG (Whitehall and Industry Group); Chairman, UK Council for Electronic Business; Member, Apprentice Ambassador Network; Council Member, A|D|S (Aerospace, Defence, Security).

Nigel is a Chartered Engineer, a Fellow of the Royal Aeronautical Society and a Fellow of the Royal Academy of Engineering. He has been active in defence programmes including design, development, production and support for 28 years, working in the UK, Sweden and Australia.



Paul McKelvie OBE

Consultant

A training and development professional, Paul worked with ScottishPower until 2007. He headed ScottishPower Learning, a partnership between the company and its trades unions that helped train the company's employees and improve the employability of young people in the community.

Since leaving ScottishPower, Paul has developed a portfolio career which includes Board Membership of the Scottish Funding Council (where he is Vice-Chair) and Skills Development Scotland. Paul is chair of their Joint Skills Committee.

In 2005 Paul was awarded an OBE in the Queen's Birthday Honours List for services to lifelong learning in Scotland.



Scott Johnson

Chief Executive, Chas Smith Group Ltd

Scott Johnson is an experienced small and medium sized businesses practitioner in the construction sector.

From his initial start up business as a student, he has worked across the sector leading to his current role as co-owner of Hertfordshire-based Chas Smith Group Ltd.

In 2002, he was appointed by the Secretary of State for Trade and Industry to the Small Business Council, a post he held for five years. He has also been appointed to the Ministerial Advisory Panel on Skills and the Skills Funding Advisory Board to champion the needs of small businesses.



Scott Waddington

Chief executive, SA Brain

Brains operates 230 pubs, 50 Coffee#1 stores as well as a successful brewing and brands business, employing over 2000 people.

Scott was born and educated in Wales followed by attending Reading University (Economics and Accounting). He has spent the majority of his career in the hospitality sector, specifically in drinks marketing and pub retailing working with businesses including Bass, Carlsberg and Century Inns.

Scott chairs the Wales Employment and Skills Board and previously chaired the CBI in Wales.



Sean Taggart

Chief Executive, Albatross Group

Sean is co-owner and Chief Executive of the Albatross Group of Companies, a collection of nine multi-award winning group tourism businesses with a combined turnover of just under £40m. Established in 1985, the Group employs just under 150 people and is headquartered in Kent with offices in central London, Wiltshire, Hemel Hempstead and Brisbane. He chairs the Coach Tourism Council in the UK and is Treasurer of the European Tour Operators Association whilst also chairing Crossroads Care West Kent, a regional charity supporting over 3,000 families that care for sick or disabled family members at home.

Sean has also served as deputy chair of the Small Business Council (2003-2007), a member of the Ministerial Advisory Panel on Leadership & Management (2006-2008) and chair of the Business Support as a Profession Advisory Group (2007-2009)..



Seyi Obakin

Chief Executive, Centrepoint

Seyi has been Chief Executive of Centrepoint, the leading national charity working with homeless young people, since January 2009. He joined Centrepoint in 2003 as Finance Director and became Chief Operating Officer in 2006.

Seyi has previously worked for PwC, Citibank, Housing 21, Metropolitan Housing and St John Ambulance, involved in professional accounting, corporate banking, change management and social housing. He is a graduate chartered accountant and is currently a member of DWP Social Security Advisory Committee.



Toby Peyton-Jones

HR Director, Siemens UK and North West Europe

Toby was appointed to the Executive Management Board of Siemens Plc in 2008 with responsibility for Siemens in the UK and assigned countries where Siemens has approximately 14,000 employees. He started his career as an officer in the Royal Engineers. In the 1980s he moved into management consulting.

Toby joined Siemens in 1989 and performed a succession of high profile international leadership roles in the UK, China and Germany spanning General Management, Mergers & Acquisitions and HR.



Valerie Todd CBE

Director of Talent and Resources, Crossrail Ltd

Valerie joined Crossrail Ltd as Talent & Resources Director in January 2009. Previously, she was Managing Director for Group Services at Transport for London.

Valerie previously worked in local government, beginning at the London Borough of Tower Hamlets and completing her time in local government in 2003 as an assistant director with the London Borough of Newham. She has also worked for Transport for London as Director, Business Services (Surface Transport).

Valerie graduated from the Open University with a Master of Business Administration. Valerie has been a board member of the Brent Fair Cities (National Employers Panel) Board, West London Working Board, Transport for London Executive Management Team and Transport for London Board. More recently, she has been appointed to the Employers' Forum on Disability President's Group, is the Founding President of the Women's Transportation Seminar and is a Governor for the University of West London.



Will Butler-Adams OBE

Managing Director, Brompton Bicycle Ltd

Will is passionate about all things engineering. He joined Brompton in 2002, became a director in 2006 and took over as CEO in 2008. Over that period the company has grown from a £2m turnover with 27 staff to one of over £28m turnover with 230 staff. Brompton produce 45,000 of its folding bikes from its factory in London each year and export 80 per cent of these to forty-four countries around the world. He is also a trustee of the Education and Employers Taskforce behind Inspiring the Future.

Will has previously worked for Nissan, ICI and DuPont. He studied Mechanical Engineering at Newcastle University, is a Chartered Mechanical Engineer and Fellow of the IMechE.

About UKCES

The UK Commission for Employment and Skills (UKCES) works with industry and government to help achieve better outcomes in how people get in and on in work and how businesses succeed through the skills and talents of their people.

UKCES is a social partnership led by around 30 Commissioners who are senior leaders of large and small enterprises (including non-profits), trade unions, further and higher education institutions and representatives from the Devolved Administrations.

We believe that it is the talents and skills of people drive business competitiveness and economic growth.

Our unique contribution and ability to create impact comes through the insights of Commissioners, our authoritative research and our approach of working with key industry sectors and wider networks of business leadership to galvanise action.

UKCES is funded by government as a UK non-departmental public body and Commissioners are appointed by government ministers.

Please get in touch with us if you would like more information about UKCES. We have offices in Yorkshire and London.

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